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NIDS ASEAN Workshop 2023
The Era of Great Power Competition
in the Indo-Pacific Region

The National Institute for Defense Studies, Japan

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Contents

| | |
|---|----|
| CHAPTER 1 | 5 |
| Japan’s Strategic Resilience in the Age of Geo-technological Competition | |
| <i>Mark Bryan Manantan</i> | |
| Introduction | 5 |
| Locating Resilience in International Relations and Foreign Policy | 6 |
| Foundations of Japan’s Strategic resilience..... | 8 |
| Defining Strategic Resilience | 11 |
| Applying strategic resilience in Japan-ASEAN relations | 15 |
| Conclusion..... | 19 |
| CHAPTER 2 | 22 |
| The Struggle for Autonomy amidst Great Power Rivalry in Southeast Asia | |
| <i>Hunter Marston</i> | |
| Introduction | 22 |
| History rhymes | 24 |
| Hedging to maximize strategic autonomy..... | 26 |
| Looking ahead..... | 30 |
| Conclusion..... | 34 |

CHAPTER 1

Japan's Strategic Resilience in the Age of Geo-technological Competition

Mark Bryan Manantan

Introduction

At his inaugural Shangri-la Dialogue in 2022, Japanese Prime Minister Kishida Fumio articulated his “Vision for Peace” to achieve a Free and Open Indo-Pacific in the post-pandemic era. Kishida’s hour-long keynote address aimed to reinforce the concept of peace and prosperity given the growing fragmentation of universal rules that govern international relations.¹ Guided by the principle of pragmatism, Kishida offered Japan’s “realism diplomacy for a new era” to enhance security, strengthen international cooperation, and achieve a nuclear-weapon-free world. In ushering in a brand-new era of Japanese diplomacy, Kishida presented an emerging policy area called economic security which underlines the growing nexus of economy and national security.²

Since assuming power in 2021, economic security has become the top agenda of the Kishida administration. Building on the previous efforts of former Prime Minister Suga Yoshihide and the late Prime Minister Abe Shinzo, the Kishida administration turbo-charged this process. On May 11, 2022, the Japanese Diet approved the Economic Security Promotion Act to implement economic policies to bolster national security. This led to the appointment of Kobayashi Takayuki as the new Minister in Charge of Economic Security.³

Several key factors present in the international system were critical in driving Japan’s geoeconomics approach. First is China’s increasing appetite to weaponize economic interdependence. Following meticulous scrutiny of Japan’s supply chain dependence on China, Japanese policymakers noted the inherent risks of relying heavily on one single market. Although China was a major impetus, this article points to a greater motivation behind Japan’s new brand of economic statecraft: its deepening anxiety to remain a key innovator in the rapidly changing international system shaped by disruptive technologies.⁴ Japan’s momentum towards economic security thus seeks to ameliorate the potential erosion of its competitive edge in critical and emerging technologies—cybersecurity, artificial intelligence, robotics, semiconductors, quantum computing, and biotechnology—which will underpin

¹ Kishida Fumio, “Keynote Address by Prime Minister Kishida at the IISS Shangri-La Dialogue 2022,” *Ministry of Foreign Affairs Japan*, June 10, 2022, <https://www.mofa.go.jp/files/100356160.pdf>.

² Ibid.

³ Miura Hideyuki, “U.S.-China Tech Rivalry and Japan’s Policies for Economic Security,” *Global Asia* 17, No.4, (December 2022), https://www.globalasia.org/v17no4/cover/us-china-tech-rivalry-and-japans-policies-for-economic-security_hideyuki-miura.

⁴ Ibid.

the Fourth Industrial Revolution.

As the U.S. and China vie for technological supremacy to further their strategic interests, Japan is capitalizing on its rule-making prowess while simultaneously finding novel ways to reinvigorate its innovation footprint. Current literature has classified Japan's economic security under the dominant lens of economic statecraft,⁵ this paper seeks to provide another perspective to this growing debate. By advancing the concept of strategic resilience and drawing from resilience literature—inspired by the practice turn in foreign-policymaking—this paper probes how Japan is demonstrating strategic resilience in the wake of ongoing systemic challenges—posed by the invasion of Ukraine, looming aftershocks from the global pandemic, and the fragility of the global value chain—against the backdrop of the deepening U.S.-China geostrategic and technological race.

In addition to Japan's established track-record as a convening power to buttress multilateral rules and norms, the paper argues that Japan is adopting a strategic resilience mindset as a cornerstone of its foreign policy to withstand and future-proof against future crises, with the aims of sustaining and upgrading its innovation edge. It presents three pathways to achieving strategic resilience, namely capability-shoring, partnership-building, and norms setting, and will test this concept of strategic resilience through an in-depth case study of Japan's engagement with the Association of Southeast Asian Nations (ASEAN).

This paper proceeds as follows. First, it develops the conceptual framework of strategic resilience and traces its micro foundations from Japan's realpolitik and economic security. Second, it applies the concept of strategic resilience using the three pathways of partnership-building, capability-shoring, and norms and standards-setting to analyze Japanese efforts to raise resiliency in Southeast Asia. The final section offers the concluding remarks.

Locating Resilience in International Relations and Foreign Policy

Originating from biology and ecology, the concept of resilience has been exported to various fields, from psychology, political economy, disaster and crisis response, development, and humanitarian aid to peacebuilding.⁶ Given the intention of this paper, the discussion on resilience below will focus more on its conception and implementation in the field of international relations and foreign policy.

⁵ Igata Akira and Brad Glosserman, "Japan's New Economic Statecraft," *Washington Quarterly* 44, No.3 (2021), <https://www.tandfonline-com.ezproxy.lib.rmit.edu.au/doi/full/10.1080/0163660X.2021.1970334>. See also Kristi Govella, "The Adaptation of Japanese Economic Statecraft: Trade, Aid, and Technology," *World Trade Review*, 1-17 (2021), doi:10.1017/S1474745620000543. See also Igata Akira, "Japan's Burgeoning economic security strategy: Navigating amidst U.S.-China competition," *Robert Schuman Centre for Advanced Studies Research Paper RSC* (June 29, 2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4149454.

⁶ Ana Juncos, "Resilience as the new EU foreign policy paradigm: a pragmatism turn?" *European Security*, <https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/09662839.2016.1247809>.

Recognized as an organizing principle in contemporary political life, resilience is a new form of anticipatory governance where the focus of policy intervention shifts from risk-mitigation to risk-adaptation.⁷ The resiliency paradigm emphasizes flexibility in responding to systemic shocks, foregoing the assumption of eliminating uncertainty but rather embracing it.⁸ Applied in the context of societies and organizations, resilience is defined as the “internal capacity of societies to cope with crises, with the emphasis on the development of self-organization and internal capacity and capabilities rather than the external provision of aid, resources, and policy solutions.”⁹ Although some critics say that application of resilience in international relations is a mere neoliberal project that shifts the responsibility of states or governments towards the individual or society in managing crises, an emerging perspective seeks to emphasize its inherent value and significant contribution in addressing contemporary challenges in international politics spanning issues of security, international interventions, and vulnerability.¹⁰

The “practice turn” in policymaking jettisoned resilience into the orbit of the foreign policy and security arena.¹¹ Viewed as a type of pragmatic approach, resilience seeks to advance adaptive and novel policy solutions to address complex problems. The release of the EU’s Global Strategy in 2003 marked the rising influence of resilience in pragmatic policymaking. The EU embedded the discourse and practice of resilience to arrest increasing political, economic, and existential challenges. Confronted by the Eurozone economic crisis, the rise of populism, and the fallout from Brexit, the European Commission has continued to adopt resilience in crafting adequate and effective multilateral solutions mobilized through local-ownership, capacity-building partnerships, and a joint comprehensive approach.¹² In operationalizing resiliency to support interventions in its southern and eastern regions, the EU emphasized local ownership among its target population or communities through capacity-development initiatives that combines top-down and bottom-up efforts.¹³ For the EU policy to be effective and legitimate, there was a strong commitment to work with variety of local actors to activate local agency and legitimacy.

In terms of the capacity-building dimension, partnership is key. It involves collaborating with like-minded states and regional groupings, as well as non-state actors such as the private sector and civil society organizations to implement tailor-fit engagements.¹⁴ Relatedly, resilience also stresses the

⁷ Jeremy Walker and Melinda Cooper, “Genealogies of resilience: From systems ecology to the political economy of crisis adaptation,” *Security Dialogue* 14, No.2: 143-160, <https://www-tandfonline-com.ezproxy.lib.rmit.edu.au/doi/full/10.1080/09662839.2016.1247809>.

⁸ Mark Duffield, “Challenging environments: Danger, resilience, and the aid industry,” *Security Dialogue* 43, No.5: 475-492, <https://journals-sagepub-com.ezproxy.lib.rmit.edu.au/doi/pdf/10.1177/0967010612457975>. And see Brad Evans and Julian Reid, *Resilient Life: The Art of Living Dangerously*, Polity, Cambridge, UK, 2014.

⁹ David Chandler, “Rethinking the Conflict-Poverty Nexus: From Securitising Intervention to Resilience,” *Stability: International Journal of Security and Development*, (2015): 13, DOI: <http://doi.org/10.5334/sta.fb>.

¹⁰ <https://academic.oup.com/ist/article-abstract/17/3/374/1818619e>

¹¹ Ana Juncos, “Resilience as the new EU foreign policy paradigm: a pragmatism turn?”

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ *Ibid.*

notion of a comprehensive and a joint approach which necessitates breaking silos between local and international players to deal with complex problems. It demands formulating and implementing policy initiatives suited to specific contexts through improved institutional and organizational coordination.¹⁵ Like the EU, the United Nations Development Programme has oriented its initiatives towards a renewed understanding and importance of local practices to achieve capacity development rather than subscribing to the blanket application of universal laws as part of its humanitarian intervention.¹⁶ In emphasizing the importance of local context, resilience is engendered, shifting the state-centric institution-building approach from a top-down to bottom-up or a mix of both to develop the capacity of individuals and communities. Taken altogether, three hallmarks stand out that constitute a resilient and pragmatic foreign policy: (1) acquiring legitimacy through supporting local agency and ownership; (2) establishing diverse and cross-sectoral strategic partnerships and (3) adjusting organizational structure so that it is tailored to flexible interventions.

Foundations of Japan's Strategic resilience

In several ways, Japan's foreign policy and security policy, and its broader international relations outlook resembles the foundational elements of pragmatic policymaking. Laying the groundwork for this paper's proposed concept of strategic resilience, this section will trace and examine the two major impetuses of Japan's strategic resilience: *realpolitik* and economic security. First, it will revisit the notion of *realpolitik* in Japan's foreign policy in the early 2010s, before diving into the discussion of economic security which accelerated in the pre- and post-pandemic era.

Realpolitik

As mentioned, Prime Minister Kishida emphasized Japan's pragmatic realism—a concept in Japanese foreign and security policy that was developed and catapulted to Japanese policy-making parlance by its longest serving Prime Minister, the late Abe Shinzo. Under Abe's leadership, Japan pursued 'real politik', a brand of statecraft where the dominant political ideology is rooted from practical choices. *Realpolitik* allowed Japan to thread the fine line of idealism and pragmatism—meaning accomplishing geostrategic and geopolitical aims amid its political and institutional constraints.¹⁷ Abe's adoption of *realpolitik* was motivated in large part by Japan's rapidly deteriorating international security environment marked by Donald Trump's election in 2016, Xi Jinping's consolidation of power, and Kim Jong-un's unprecedented military-technology build-up.¹⁸ Internally, Japan is also struggling with its domestic political and economic woes, such as rising fiscal debt and stagnating growth.

¹⁵ Ibid.

¹⁶ Soren Vester Haldrup and Frederik Rosen, "Developing resilience: a retreat from grand planning," *Resilience: International Policies, Practices, and Discourses* 1, No.2 (2013): 130-145, <https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/21693293.2013.804659>.

¹⁷ Giulio Pugliese and Alessio Patalano, "Diplomatic and security practice under Abe Shinzo: the case for *Realpolitik* Japan," *Australian Journal of International Affairs* 6 (2020), <https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/10357718.2020.1781790>.

¹⁸ Ibid.

These external and internal forces prompted the Abe administration to recalibrate Japan's foreign policy and security approaches to meet contemporary national security and economic policy challenges. In practice, Abe's realpolitik was conceived as a flexible framework for Japan to achieve its policy interests within the remit of what is politically feasible.¹⁹ Under such premise, Japan was able to carve its path in the modern era not only as the broker of the U.S.-led international rules-based order—amid Trump's perceived withdrawal from global leadership under the America First policy—but also to gradually break free from the political and institutional shackles imposed by its pacifist constitution conceived in the post-World War II era.²⁰

Guided by his motivation to reinvigorate Japan's role in international security and diplomacy, Abe has embarked on key reforms to effect gradual changes especially to Japan's legal structure, setting in motion efforts to modernize its national security. This includes consolidating leadership in the Prime Minister's office, increasing fiscal resources on defense and security, and loosening constraints on international security engagements. Abe's leadership was also credited in producing the first-ever National Security Strategy in 2013 and the establishment of the National Security Secretariat (NSS).²¹ But more importantly, Abe initiated the reinterpretation of Article 9 of the Japanese constitution, for Japan to exercise its right of collective defense, which revitalized the operational capacity of the Japanese Self-Defense Forces.²²

Leveraging its diplomatic and economic capital as high-tier middle power, Abe's Japan also created an economic and political international order to advance its national interests. This includes major initiatives like the Free and Open Indo-Pacific²³ and the Transpacific Pacific Partnership which later evolved to become the Comprehensive and Progressive Agreement for Trans-Pacific Partnership after the U.S. abrupt withdrawal from the trade pact.²⁴ Although its security alliance with the U.S. remains the linchpin of its defense and security policy, Japan also sought to diversify its ties and partnerships to establish strategic cooperation with NATO, the UK, Australia, India, and France while supporting regional order-building initiatives in Southeast Asia through ASEAN.²⁵

Japan's coalition building bandwidth is also evident in the realm of digital economy and emerging and critical technologies. During its chairmanship of the G20 summit in 2019, Abe launched the

¹⁹ Ibid.

²⁰ Ibid.

²¹ Adam Liff, "Japan's Security Policy in the 'Abe Era': Radical Transformation or Evolutionary Shift," *Texas National Security Review* 1, No.3, https://repositories.lib.utexas.edu/bitstream/handle/2152/65637/TNSR-Vol-1-Iss-3_Liff.pdf?sequence=2&isAllowed=y.

²² Igata Akira and Brad Glosserman, "Japan's New Economic Statecraft," *Washington Quarterly* 44, No.3 (2021), <https://www.tandfonline-com.ezproxy.lib.rmit.edu.au/doi/full/10.1080/0163660X.2021.1970334>.

²³ Koga Kei, "Japan's 'Free and Open Indo-Pacific' Strategy," *Contemporary Southeast Asia* 41, No.2 (2019), <https://www.jstor.org/stable/26798855>.

²⁴ Kristi Govella, "Japan's Quest to Preserve the Trans-Pacific Partnership," *Asia Dialogue*, 2017, <https://theasiadialogue.com/2017/10/26/japans-quest-to-preserve-the-trans-pacific-partnership/>.

²⁵ Ishibashi Natsuyo, "Japan's policy toward India since 2000: for the sake of maintaining U.S. leadership in East Asia," *The Pacific Review* 31 (2018), <https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/09512748.2017.1396355>.

framework on Data Free Flow with Trust (DFFT). Also known as the Osaka Track, DFFT seeks to promote cross-border data flow, while alleviating concerns over data privacy and security.²⁶ Similarly, Japan also released the Social Principles of Human-Centric AI or “Social Principles” that highlight dignity, diversity, inclusion, and sustainability supported by multi-stakeholder collaboration. As a founding member of the Global Partnership on Artificial Intelligence, Japan is undertaking parallel efforts to disseminate its Social Principles.²⁷

Perhaps, Japan’s use of its economic and diplomatic levers to achieve its national security interest is best crystalized through its close relationship with Southeast Asia in response to countering China. Due to its shared strategic concerns with Chinese territorial encroachment in the East China Sea, Japan has been proactively supporting maritime capacity-building to the Philippines and Vietnam, while offering foreign aid and increased trade with ASEAN to compete against China’s Belt-and-Road-Initiative (BRI) investments and growing assertiveness in the region.²⁸ Abe’s realpolitik shaped Japan’s evolving foreign policy trajectory. On one hand, it highlighted a level of continuity with Tokyo’s sustained reliance with the U.S. as its main security ally amid increased burden-sharing costs especially under Trump.²⁹ However, on the other, it also demonstrated Japan’s skepticism towards U.S. commitment over the long term given the volatility of its domestic politics. This skepticism has fueled a degree of resentment in Japan against the U.S. which is further exacerbated by its brewing insecurity against China’s growing influence and vested desire to assert its prestige in the global stage.³⁰

Economic Security

Japan’s growing insecurity has reached new heights as the U.S.-China great power rivalry shifted into technological terrain. Previously confined under the guise of the trade war, the strategic competition moved rapidly into critical and emerging technologies, blurring the clear distinction between national security and economic considerations. Japan’s 2019 Diplomatic Bluebook stressed the role of rapid digital transformation through the advancement of emerging technologies—Internet of Things, robotics, AI, quantum technology, cybersecurity, and outer space capabilities—that will shape the ongoing inter-state competition.³¹ As the trendlines pointed toward technological terrain, Japan adopted economic statecraft to reshape and reframe its realpolitik-driven foreign policy to address the growing nexus of economic security and high technology.

²⁶ Mark Bryan Manantan, “U.S.-Japan and Southeast Asia Cooperation: Building Data Governance Blueprint,” (April 2020), <https://www.eastwestcenter.org/publications/us-japan-and-southeast-asia-cooperation-building-data-governance-blueprint>.

²⁷ Mark Bryan Manantan, et.al., “2022 Trustworthy Artificial Intelligence,” *AI Asia Pacific Institute* (July 2022), <https://aasiapacific.org/wp-content/uploads/2022/07/2022-AI-API-Report-.pdf>

²⁸ Satake Tomohiko, “Japan’s Free and Open Indo-Pacific Strategy and Its Implication for ASEAN,” *Southeast Asia Affairs* (2019), <https://www.jstor-org.ezproxy.lib.rmit.edu.au/stable/26939688?seq=4>.

²⁹ Hosoya Yuichi, “FOIP 2.0: The Evolution of Japan’s Free and Open Indo-Pacific Strategy,” *Asia-Pacific Review* 26, No.1 (2019), <https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/13439006.2019.1622868>.

³⁰ Christopher Hughes, “Japan’s ‘Resentful Realism’ and Balancing China’s Rise,” *The Chinese Journal of International Politics* 9, No.2 (2016): 109-150, <https://doi-org.ezproxy.lib.rmit.edu.au/10.1093/cjip/pow004>.

³¹ “Chapter 1: International Situation and Japan’s Diplomacy in 2018,” *Ministry of Foreign Affairs Japan*, 2017, <https://www.mofa.go.jp/files/000527146.pdf>

Three main drivers prompted Japan's rapid adoption of economic statecraft. First the economic security pillar surrounding the implementation of Japan's Free and Open Indo-Pacific (FOIP) Strategy. While the initial rollout of the FOIP did not explicitly mention economic statecraft, there was an emphasis on the importance of peace and prosperity for connectivity that is integral to achieving its vision. Second, the rapid proliferation of emerging or advanced technologies that have dual-use applications in the civilian and military sectors. Japanese tech companies have become more cognizant on the national security implications of dual-use technologies, leading to greater scrutiny of their research and development process. Lastly, Japan's overreliance on China for over approximately 700 imported goods was a major cause of concern among Japanese political elites. As seen in previous maritime incidents in the Senkaku Islands, China can exploit Japan's "strategic dependence" to gain or exert its influence over geopolitical flashpoints, hampering the export of rare earth minerals that are vital to developing high tech goods. Additionally, Japan has become more suspicious of Chinese intentions in accessing key intellectual property of advanced and dual-use technologies to support Xi Jinping's civil-military fusion strategy.³²

The fundamental shift towards economic security led to the establishment of the Economic Division at the NSS. Acting as the coordinating body on key issues of economic statecraft and emerging technologies, the Economic Division provides recommendations to various economic security policy divisions embedded in the Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, and the Ministry of Defense. With the heightened awareness of economic security, Japan also implemented defensive measures such as preventing technology transfers, reducing interdependence on China, and limiting foreign land acquisition. Moreover, to achieve a whole-of-government approach, the Japanese government has been proactively engaging high-tech Japanese companies, universities, and research institutions to improve risk management frameworks on technology and data transfer.³³

Defining Strategic Resilience

In analyzing Japan's economic statecraft, this paper aims to elevate the existing discussion and go beyond the issue on technology transfer or access denial. It seeks to offer a deeper insight into the current dynamics of Japan's potential move towards "economic security resilience" or "strategic resilience". As I argued above, the concept of realpolitik and economic security are the foundational pillars for Japan's Strategic resilience driven by the pragmatic policymaking under Abe's leadership in response in large part to the China's assertive foreign policy and declining U.S. hegemony. Even after his untimely death, Abe's profound influence has remained evident in the current foreign policy outlook in the Kishida administration especially in the economic security realm.

³² Igata Akira and Brad Glosserman, "Japan's New Economic Statecraft," *Washington Quarterly* 44, No.3 (2021), <https://www-tandfonline-com.ezproxy.lib.rmit.edu.au/doi/full/10.1080/0163660X.2021.1970334>.

³³ Ibid.

However, the overwhelming and unexpected systemic challenges, or “black swan” events, brought by the global pandemic, and further exacerbated by the unprovoked war in Ukraine were critical factors for Japan to reassess the current trajectory of its foreign policy-making approach. On the economic security front, such international crises accelerated the urgency for Tokyo to reduce dependence on China while forcing policymakers to rethink and reevaluate measures toward reshoring and onshoring to beef up domestic research and development and supply chain capacity. Likewise, it also further reinforced the imperative to strengthen cooperation beyond the traditional U.S. alliance dynamics and support regional order building initiatives.

While a few may still argue that Japan’s economic statecraft remains within the remit of the conventional economic security, this paper contends that it has evolved far and rather quickly given the prevalence of international crises, and the recognition that a partial decoupling from China might be a better and more feasible proposition rather than wholesale decoupling. A survey conducted by the Development Bank of Japan reveals that although Japanese companies are aware of the economic security and have undertaken steps to restructure supply chains, decentralize procurement processes, and standardize products and parts, Japanese businesses continue to invest actively in China.³⁴ Despite U.S. efforts to rally allies like Japan to impose strict export controls to restrict China’s access and acquisition of materials, parts, and production machines to develop critical and emerging technologies like semiconductors, economic trade and investment in East Asia is still business as usual.³⁵ As it stands, economic security measures like export controls have kept trade-reducing effects at a very limited scale.³⁶

This paper takes the view that these realities should prompt a recalibration towards economic security on what it can concretely achieve in the short-to medium term, especially as the U.S.-China competition continues to shake the principal rules of engagement that underpin global trade and governance. Moreover, the lingering effects of the pandemic and the war in Ukraine put additional burden on economies to become more adaptive. The proposed concept of strategic resilience provides a fresh reboot to the prevailing economic security narrative, reframing it from a level-headed, flexible, and anticipatory vantagepoint. Reflecting on Kishida’s speech at the 2022 Shangri-la Dialogue, there are concrete indications that Japan is gradually formulating a more agile approach to mitigate the impact of future systemic crisis amid the growing fallout from the U.S.-China geostrategic competition that align with strategic resilience. Kishida cited the disruptions caused by the COVID-19 pandemic which exposed regional and global supply chain vulnerabilities. Also, by noting that “Ukraine today maybe East Asia tomorrow,” Kishida underlined the domino effects of the Ukraine war from supply

³⁴ Miura Hideyuki, “U.S.-China Tech Rivalry and Japan’s Policies for Economic Security”

³⁵ Kimura Fukunari, “East Asian economies resist decoupling,” *East Asia Forum*, April 14, 2023, <https://www.eastasiaforum.org/2023/04/14/east-asian-economies-resist-decoupling/>

³⁶ *Ibid.*

chain and energy interdependence that shook the foundations of international security and economy.³⁷ These observations constitute the background conditions that support the emergence of this proposed strategic resilience framework.

Strategic resilience is a conceptual approach to policy-making that allows states to adapt, anticipate and withstand the disruptive impacts of systemic risks to catalyze risk-adaptation strategies. As a policy tool, it seeks to elevate, if not sustain, one's competitive edge in global value chains to reduce over dependence on external sources in the event of any major disruption or crisis, while still promoting international collaboration. Although it builds on the defensive measures of economic security, strategic resilience goes beyond technology access denial. In practice, strategic resilience undertakes a pragmatic assessment of the external environment to achieve a degree of self-reliance yet embraces flexible collaboration.

To espouse flexible collaboration, strategic resilience advances the promotion of normative frameworks as important guardrails to future-proof states against risks and vulnerabilities. This includes the adoption of international standards and norms among countries, particularly those who are currently in the process of developing innovation and/or undergoing digital transformation. In practical terms, this means adherence to normative concepts such as soft laws and regulations like cyber norms and risk-management frameworks in cybersecurity and supply chains, and internationally recognized technical standards on emerging technologies like artificial intelligence (AI) against adverse risks like algorithmic bias, misrepresentation and/or underrepresentation. Normative frameworks serve as the standard metric that sets the "common dominator" among stakeholders partaking in the innovation process to form a collaborative ecosystem to achieve transparency and reduce risks and uncertainty.

Strategic resilience endeavors to find the balance in harnessing and further developing one's competitive advantage in the critical and emerging technologies, installing adequate safety standards, while maintaining openness to collaboration to facilitate the exchange of raw materials, talent, and technology under permissive conditions underpinned by trust and transparency. Drawing from the existing resilience literature applied in the context of foreign policy, this paper proposes the three components that underpin the implementation of strategic resilience:

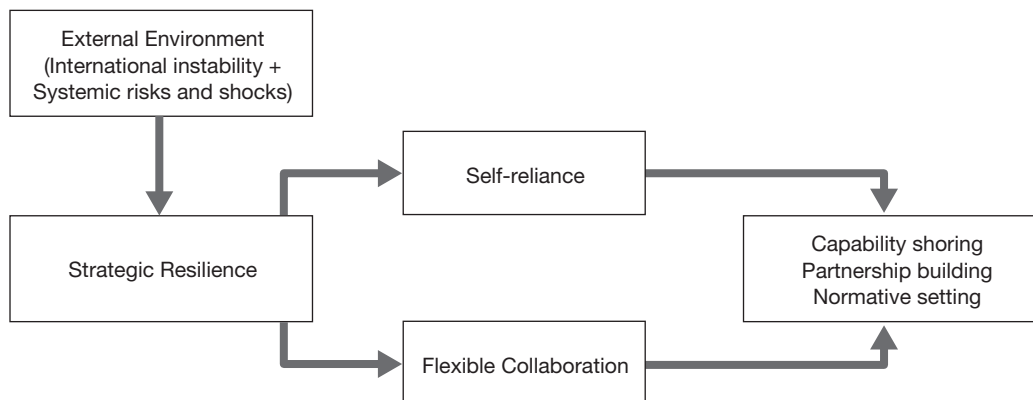
- *Capability-shoring* involves the enactment of industrial policies and the provision of state subsidies which are engineered to ramp up domestic innovation targeting companies involved in developing key technologies. Capability-shoring involves enticing Japanese companies operating globally to invest and ramp up research and development and production onshore. This mainly takes the form of public-private partnerships to explore joint-ventures and strategic alliances. In addition to major corporate

³⁷ Kishida Fumio, "Keynote Address by Prime Minister Kishida at the IISS Shangri-La Dialogue 2022."

entities, this may also include funding support to create a vibrant and enabling environment for start-ups and tech entrepreneurs to flourish. Understanding the need for international talent, capability shoring also involves revisiting labor and migration laws to fast-track talent recruitment. In line with government policies on the scrutiny of investments, capability-shoring could include screening mechanisms for foreign entities investing in dual-use technologies. In worst-case scenarios, capability shoring can involve stockpiling critical minerals in the event of major supply chain disruption or international crises.

- *Partnership-building* entails leveraging economic and political bandwidth to deepen collaboration with like-minded partners to support trade and investment in dual-use technologies. It also encompasses building capacity at the technical, policy, and strategic levels. Mindful of the inherent value of breaking down institutional silos, partnership-building puts a premium on the active participation of a wide range of stakeholders from government, industry, academia, and civil-society to catalyze fresh and innovative policy-making approaches.
- *Normative setting* encompasses the promotion of international standards and norms in cybersecurity and critical technologies. It may include soft laws like guidelines and recommendations formulated to mitigate the unintended risks and consequences as well as the risks and vulnerabilities of advanced technologies specifically during the initial stages of design and development phases. Considering the common challenge of practice outpacing policy in the field of technology, normative setting may also entail self-regulatory approaches and instruments as adequate safeguards. Conversely, given the nascent and often, fast-moving nature of the tech industry, normative setting provides the baseline for countries to cultivate a transparent and reliable environment to develop innovation systems that are interoperable and secure.

Figure 1: Strategic Resilience Framework (Manantan, 2023)



Applying strategic resilience in Japan-ASEAN relations

This section applies the three components of strategic resilience in the context of Japan-ASEAN relations. It examines Japan's balancing act to manage its dependence on China, while managing to build domestic capacity, diversify supply chains, and promote the adoption of normative standards and frameworks in Southeast Asia.

Capability-shoring: Semiconductors and AI

The Japanese Diet approved the Economic Security Act on May 11, 2022, which exemplifies Japan's rapid adoption of strategic resilience. Under the act, Japan will establish a system to guarantee the steady supply of critical materials like semiconductors, the stable provision of critical infrastructure services, development of critical technologies, and a secret patent system. To implement the act, the Japanese government drafted basic guidelines on 20 priority technology fields such as semiconductors, pharmaceuticals, and rare earth metals.

Japan's Ministry of Economy, Trade, and Industry (METI) has also introduced various programs for supply chain diversification targeting Japanese companies. METI launched an initiative called "Program for Promoting Investment in Japan to Strengthen Supply Chains" as well as diversification strategies such as the "Program for Promoting Investment in Japan to Strengthen Supply Chains" to encourage the return of manufacturing bases in the country.³⁸ However, following Russia's invasion of Ukraine and the lingering effects of the pandemic, the Japanese government accelerated its capability shoring, encouraging more homebound investments in Japan.³⁹ METI allocated 3.5 billion U.S. dollars or 476 billion Japanese yen to secure domestic production sites for advanced semiconductors. In February 2022, METI approved the joint venture between Taiwan Semiconductor Manufacturing Co. (TSMC), Sony Group and Denso, becoming the first project to win subsidies from the 617-billion-Japanese-yen allocated public fund.⁴⁰ The subsidies will help in the establishment of a semiconductor plant in the Kumamoto Prefecture that amounts to 8.6 billion U.S. dollars where METI will support 40% of the total costs.⁴¹ In addition, METI is also persuading Sony, Toyota, and Softbank to form a possible consortium with IBM called Rapidus to design and manufacture the next generation of advanced chips known as the 2-nanometer chip by 2023. The consortium appears to be bullish, eyeing to raise investments totaling to US\$36 billion over the next decade. These capability shoring efforts builds on the previous Suga administration which vowed to invest 1.8 billion U.S. dollars to support its domestic chipmaking industry. Japan aims to hold 40% of the global share in next-generation

³⁸ "Manufacturing Government Initiatives," *Japan External Trade Organization*, February 12, 2023, https://www.jetro.go.jp/en/invest/attractive_sectors/manufacturing/government_initiatives.html.

³⁹ William Sposato, "Japan Bets Big on Bringing Semiconductor Manufacturing Home," *Foreign Policy*, January 9, 2023, <https://foreignpolicy.com/2023/01/09/japan-semiconductor-chip-manufacturing-china/>.

⁴⁰ "Japan to subsidize TSMC's Kumamoto plant by up to \$3.5 bn," *Nikkei Asia*, June 17, 2022, <https://asia.nikkei.com/Business/Tech/Semiconductors/Japan-to-subsidize-TSMC-s-Kumamoto-plant-by-up-to-3.5bn>.

⁴¹ *Ibid.*

power semiconductors by partnering with international companies and recruiting foreign players on joint research and development. Japan aims to decentralize production sites to mitigate the risk of dependencies and supply disruptions.⁴²

On advanced technologies, the Kishida government will also create a national strategy to deepen research and development on quantum and AI technologies through greater public-private partnerships⁴³ The government has earmarked 250 billion Japanese yen to promote commercialization of quantum technology and AI technologies following successful pilot-test cases. Over the past two years, public-private partnerships have been growing sharply in Japan. For example, the Ministry of Education, Culture, Sports, Science and Technology and has partnered with Fujitsu, NEC, and Toshiba to establish the RIKEN Center for Advanced Intelligence Project.⁴⁴ Similarly, funding opportunities for Japanese companies and universities are also on the rise. To maximize participation, the Japanese government has even created incentive mechanisms and programs to target organizations at the national, prefectural, and municipal levels.⁴⁵

Foreign companies engaged in developing advanced technologies are also offered tax deductions, industry assistance, and single contact points across relevant ministries to facilitate ease of doing business. In coordination with its team of international experts and consultants, Japan External Trade Organization Set-up Invest Japan Business Support Centers to help foreign companies find their footing in Japan.⁴⁶ Japan has also introduced a matchmaking program called Accelerator Program Fintech Business Camp Tokyo to match Tokyo-based companies with foreign entities who are working in AI.⁴⁷

Japan remains a strong player in the semiconductor supply chain when it comes to photolithography equipment alongside the Netherlands. Japan also joins the U.S. in leading the deposition, etching, and process control equipment of semiconductor chips.⁴⁸ However, the global shortage of semiconductors has threatened Japan's sustained access to chips that are crucial to its manufacturing industry. The Japanese government is actively providing state subsidies hoping not only to augment the current chip shortfall but to further elevate its competitive footprint in the semiconductor value chain through

⁴² Miki Reiko, Takashi Tsuji and Kosuke Takeuchi. 2021, "Japan to Pour Cash into Domestic Chipmaking, Following U.S. and China." 2021. *Nikkei Asia*. May 28, 2021, <https://asia.nikkei.com/Business/Tech/Semiconductors/Japan-to-pour-cash-into-domestic-chipmaking-following-U.S.-and-China>.

⁴³ "Japan to Set National Strategy for Quantum, AI Technologies," *Nippon*, March 8, 2022, <https://www.nippon.com/en/news/yjj2022030800956/>.

⁴⁴ Nicole Dirksen and Takahashi Sonoko. 2020. "Artificial Intelligence in Japan 2020." *Netherlands Enterprise Agency – Ministry of Economic Affairs and Climate Policy*, 6, <https://www.rvo.nl/sites/default/files/2020/12/Artificial-Intelligence-in-Japan-final-IAN.pdf>.

⁴⁵ Garcia, Guillermo, 2020, "Artificial Intelligence in Japan", 55-57, *EU-Japan Center for Industrial Cooperation*, 2020, https://www.eu-japan.eu/sites/default/files/publications/docs/artificial_intelligence_in_japan_-_guillermo_garcia_-_0705.pdf.

⁴⁶ *Ibid.*, 55-56.

⁴⁷ *Ibid.*, 55-57.

⁴⁸ Saif M. Khan, "Maintaining the AI Chip Competitive Advantage of the United States and Its Allies," *Center for Security and Emerging Technology* (2019), doi:10.51593/20190013.

knowledge and technology transfer from leading companies like TSMC. Despite such efforts, there is still skepticism if Japan's ongoing capability shoring will truly revive its semiconductor industry given numerous failed attempts of government interventions in the past.⁴⁹ It remains to be seen if Japanese companies who are heavily invested in China will return fully to invest in Japan. The overture on reshoring defies the logic of globalization characterized by the complex knit of supply-chain interdependence where China remains a source of raw materials and important market for semiconductors. But given the current political security conditions and the public awakening towards vulnerability of supply chains, the provision of government subsidies may be the most viable option to lure Japanese companies to review their supply chains and reinvest in Japan in anticipation for future systemic shocks.

Partnership-building: Data-sharing

ASEAN remains a vital partner for Japan to realize its economic security initiatives and its overall vision of FOIP. As Kishida mentioned during his Shangri-la Dialogue speech, Japan cannot do it alone. For the Economic Security Promotion to be successful, international cooperation is essential. At the dialogue, Kishida shared that Japan will support more than 100 supply chain resilience projects in the next five years.⁵⁰ The initiative builds on Japan's deep engagement with the regional bloc and its country members through the FOIP framework, covering key policy areas from maritime security, connectivity, and very recently, economic security.

With its concerns regarding overreliance to China, Japan saw ASEAN countries as a feasible alternative to promoting partial decoupling especially on highly critical and vulnerable products through the establishment of multiple overseas manufacturing bases to ensure steady supply of products and materials. Through its "Overseas Supply Chain Diversification Support Project," METI is encouraging Japanese firms to explore and hopefully develop supply chains in Southeast Asia.⁵¹ However, the global pandemic also saw the need for ASEAN and Japan to revisit conventional approaches to supply chain resilience beyond the move towards partial decoupling. Japan considers ASEAN as important hub for semiconductors, automobile, and healthcare supplies; thus, the region is crucial to ensuring the availability of electronic parts for procurement in the manufacturing industry.⁵²

A resilient and responsive to future crisis like the pandemic is vital to the continued growth of ASEAN-Japan economic partnerships. ASEAN and Japanese companies alike agree that digital technologies were instrumental in maintaining business relationships and flexible operations during the pandemic.

⁴⁹ William Sposato, "Japan Bets Big on Bringing Semiconductor Manufacturing Home," <https://foreignpolicy.com/2023/01/09/japan-semiconductor-chip-manufacturing-china/>.

⁵⁰ Kishida Fumio, "Keynote Address by Prime Minister Kishida at the IISS Shangri-La Dialogue 2022."

⁵¹ "Manufacturing Government Initiatives," *Japan External Trade Organization*, February 12, 2023, https://www.jetro.go.jp/en/invest/attractive_sectors/manufacturing/government_initiatives.html.

⁵² Kaneko Satsuki, "Japan and ASEAN to study data sharing on supply chain risks," *Nikkei Asia*, January 5, 2023, <https://asia.nikkei.com/Politics/International-relations/Japan-and-ASEAN-to-study-data-sharing-on-supply-chain-risks>.

Knowing this, Japanese and ASEAN companies must bond together towards promoting digitalization across key sectors, while closing the gap in infrastructure development, data usage, and human resource development.⁵³ Just recently, METI has been in close consultation with ASEAN officials seeking to develop a data-sharing platform that will allow information-sharing on inventories, production capacity, and supply chain disruption risks between Japanese and ASEAN companies.⁵⁴ The proposed data-sharing platform is part of Japan's broader effort called Supply Chain Resilience Forum launched in 2021 to corral "like-minded partners" that include ASEAN, Australia, and India to enhancing supply chain resilience.⁵⁵

Normative setting: Cybersecurity and Artificial Intelligence

As more companies go digital, their vulnerability to supply-chain related cyberattacks also increases. Kishida has emphasized the linkage between national security and economic security to cybersecurity and digitalization.⁵⁶ To this end, Japan has been involved in various cyber capacity-building initiatives, particularly in Southeast Asia to raise cyber capacity and awareness.

Under the provisions of the Basic Policy on Cybersecurity Capacity Building Support for Developing Countries, Japanese efforts seek to promote multiple yet complementary initiatives on cyber norms and the application of international law in cyberspace fostered by various multilateral bodies such as the G7, the UN Open-ended Working Group, and the UN Group of Governmental Experts.⁵⁷ Japan's cyber capacity-building across the Indo-Pacific is classified under four groups: (1) ensuring cyber hygiene through the protection of critical infrastructure and other means; (2) measures against cybercrime; (3) sharing understanding and cyber situational awareness of international rules and confidence-building measures and (4) human resource development and other cross-sectoral areas.⁵⁸

Of great significance to strategic resilience is the implementation of industrial control system cybersecurity exercises among ASEAN member states spearheaded by METI in collaboration with the Industrial Cyber Security Center for Excellence (ICSCoE). The cybersecurity drills aim to enhance cyber capability for the entire supply chain and strengthen cooperation among ASEAN countries.⁵⁹ The Human Resource Development Program includes risk assessment activities which tackle the safety and reliability of actual control systems and investigate all possibilities of

⁵³ "ERIA's COO Discusses ASEAN-Japan Growth Through Supply Chain Resiliency and Sophistication," *ERIA*, June 3, 2022, <https://www.eria.org/news-and-views/erias-coo-discusses-asean-japan-growth-through-supply-chain-resiliency-and-sophistication/>.

⁵⁴ Kaneko Satsuki, "Japan and ASEAN to study data sharing on supply chain risks."

⁵⁵ "The 2nd Supply Chain Resilience Forum to Be Held," *METI*, September 8, 2021, https://www.meti.go.jp/english/press/2021/0908_002.html.

⁵⁶ Kishida Fumio, "Keynote Address by Prime Minister Kishida at the IISS Shangri-La Dialogue 2022."

⁵⁷ "Basic Policy on Cybersecurity Capacity Building Support for Developing Countries," Ministry of Foreign Affairs, December 14, 2021, <https://www.mofa.go.jp/files/100347812.pdf>.

⁵⁸ "Japan's Major Capacity Building Projects for Developing Countries," *Ministry of Foreign Affairs*, December 2021, <https://www.mofa.go.jp/files/100347811.pdf>.

⁵⁹ Basic Policy on Cybersecurity Capacity Building Support for Developing Countries," Ministry of Foreign Affairs.

cyberattacks to plan necessary countermeasures. Through a mix of lecture and applied exercises, in the one-year program, trainees will learn foundational concepts of operational technology and information technology, management skills, and business acumen. The ICSCoE-METI collaboration feeds into current cybersecurity skills development training within the context of the ASEAN-Japan Cybersecurity Capacity Building Centre. Relatedly, the ASEAN-Japan ICT Work Plan 2022 efforts are also underway to establish standards to exchange data and information related to humanitarian crises and disasters in the region supported by the ASEAN-Japan ICT fund.⁶⁰

On emerging technologies like AI, Japan has yet to establish direct outreach to ASEAN. While its chairmanship at the 2023 G7 summit spurred the Hiroshima AI process⁶¹ which builds on previous AI governance initiatives like the Social Principles of Human Centric AI⁶², it remains to be seen how Japan will harmonize such principles and processes to engage Southeast Asia.⁶³ Perhaps, the recent signing of a Memorandum of Understanding between Singapore and Japan on AI cooperation could provide useful insights of possible ASEAN-Japan cooperation on AI standardization. The signed MOU—which also includes cybersecurity and Information and Communications Technology—outlines the intent of Japan and Singapore to exchange information on best practices and policies as well as the mutual recognition on the urgency of developing trusted and safe AI frameworks. Japan and Singapore will also collaborate closely to advance the importance of international harmonization for AI governance approaches and frameworks. Following the signing of the MOU, a roundtable event was organized involving key experts as well as representatives from government, industry, and academia to jumpstart discussions and explore common challenges and opportunities on AI governance between the two countries.⁶⁴

Conclusion

In closing, this paper has demonstrated Japan's evolving approach to its economic statecraft. It explored the concept of strategic resilience that elevates the current discussion on economic security to emphasize the growing dynamics between deepening geo-technological competition and the systemic shocks or “black swan” events like the COVID-19 pandemic and the unprovoked war in Ukraine. Prime Minister Kishida's Shangri-La Dialogue keynote address provided the impetus to the concept of

⁶⁰ “Progress Report on Japan's Cooperation for the ASEAN Outlook on the Indo-Pacific,” *Ministry of Foreign Affairs*, November 1, 2022, <https://www.mofa.go.jp/files/100420036.pdf>.

⁶¹ “G7 Hiroshima Leaders' Communique,” *G7 Hiroshima*, May 20, 2023, https://www.g7hiroshima.go.jp/documents/pdf/Leaders_Communique_01_en.pdf

⁶² “Social Principles of Human-centric AI (Draft),” *Cabinet Office Japan*, Accessed February 8, 2023, <https://www8.cao.go.jp/cstp/stmain/aisocialprinciples.pdf>.

⁶³ Mark Bryan Mananta, et. al., *2022 Trustworthy Artificial Intelligence*, (July 2022), <https://aiasiapacific.org/wp-content/uploads/2022/07/2022-AI-API-Report-.pdf>.

⁶⁴ “Japan-Singapore AI Governance Roundtable,” *Keio University Global Research Institute*, October 31, 2022, <https://www.kgri.keio.ac.jp/en/news-event/133696.html>.

strategic resilience. Although, Kishida highlighted realism in diplomacy—a nod to Japan’s *realpolitik* foreign policy approach—and economic security, the paper endeavored to explore his arguments further and sought to examine current empirical evidence as indicators to probe Japan’s move towards more resilient-based economic security initiatives. Compared to the prevailing economic security paradigm—that largely promotes the protection of intellectual property and access to critical materials which are vital to developing advanced technologies mainly through strategic export controls—strategic resilience provides a realistic pathway for policymakers to adopt responsive, level-headed, flexible, and adaptive approaches through self-reliance and flexible collaboration.

Obviously, Japanese policymakers have highlighted the notion of resiliency in key documents and initiatives, however, there was quite a disconnect in underscoring the disruptive impact of COVID-19 and the Ukraine war. The dynamics of these factors constitute the background condition of strategic resilience at the apex of Japanese pragmatic policymaking. In addition to Japanese anxieties of declining confidence and competitiveness in the face of the current geo-technological competition, the systemic effects of the pandemic, and the Ukraine war further exposed the fragility of global value chains. If the economic security framework conceived in the pre-pandemic era was geared towards broader export control to counter Chinese access to Japanese technology and innovation, strategic resilience reflects Japan’s recalibrated approach that favors ramping up domestic capacity while moving further towards partial decoupling away from China but still embracing collaboration with like-minded partners.

To test the concept of strategic resilience and highlight the interaction between self-reliance and flexible collaboration, the paper has examined three mechanisms applied in the context of ASEAN-Japan relations: capability-sharing, partnership-building, and normative setting. Capability-sharing was applied to Japan’s current momentum of injecting state subsidies to persuade homebound investments among Japanese companies to improve manufacturing bases in Japan. It also investigated the rise of joint ventures with foreign entities like Taiwan’s TSMC to acquire know-how in advanced technologies like semiconductors and AI. Partnership-building underscores Japan’s growing capacity-building efforts to improve supply-chain resilience in Southeast Asia. As Japan aims to diversify away from China, Southeast Asia serves as an alternative base for Japanese supply chains. Through its various supply chain resilience initiatives, Japan is engaging ASEAN member states to improve data-sharing on product inventories, production capacity, and supply chain disruption risks. Lastly, normative setting focuses on Japan’s rulemaking and capacity-building efforts to promote cyber norms and international law, as well as creating standards to harmonize the development of AI based on principles and guidelines that were deliberated in multilateral fora such as the G20.

Reflecting upon the current trajectory of Japan’s foreign policy as the world enters the next phase of geostrategic competition in the tech domain combined with the lessons learned brought by the pandemic and the ongoing war in Ukraine, strategic resilience offers an in-depth analysis on how

states could cope or to some degree even thrive in future international crisis amid great power rivalry. Again, it remains to be seen if Japan's quest for strategic resilience will deliver the results it seeks to achieve given the China factor and failed attempts of industrial policies. But for now, this paper provides practical insights on how policymakers could navigate the opportunities and challenges emanating from the current wave of technological innovation at a time when appetite for global cooperation remains low and fears of weaponized economic interdependence are high.

Through strategic resilience's three components (capability-shoring, partnership-building and normative setting), states are afforded with tools that help reduce uncertainty or ambiguity while still embracing collaboration within an acceptable level of trust and transparency. Essentially, strategic resilience still supports, and to some capacity, even reinforces the maintenance of multilateral institutions, norms, and standards. Hopefully, the cumulative or aggregate gains from these continuous interactions will eventually foster greater stability and predictability. As states potentially turn to strategic resilience in greater frequency and utility as part of their economic statecraft toolbox, policymakers and scholars are advised to constantly refine and adjust it based on their local context and comparative advantages yet still subscribe to multilateral regimes and institutions to deal strategically and flexibly with the dramatic changes in the international environment.

CHAPTER 2

The Struggle for Autonomy amidst Great Power Rivalry in Southeast Asia

Hunter Marston

Introduction

The world has witnessed the return to an era of great power competition with the United States and China both adopting increasingly zero-sum approaches to strategic rivalry.¹ In Washington, pundits openly call for the United States “to adopt an explicit policy of strategic decoupling” with China.² The Biden administration’s National Security Strategy depicts China as a revisionist power aiming “to reshape the international order” and “create an enhanced sphere of influence in the Indo-Pacific.”³ As such, it calls for a strategy of responsible competition. Increasingly, however, Southeast Asia worries that the “guardrails” that have so far restrained the United States and China from open-ended conflict may be eroding.⁴ Beijing for its part has solidified Xi Jinping’s more assertive foreign policy which explicitly rests on the mantra: “China is a big country and other countries are small countries, and that’s just a fact.”⁵ Flowing from this great power mindset, Beijing has deployed maritime coercion against smaller neighbours—most notably the Philippines and Vietnam, along with Malaysia—whose territories its controversial nine-dash line claim disputes. While Southeast Asians have concerns about China’s expanding economic and political power, they also see it as an inevitable reality and historical fact that cannot be willed away or contained with a more robust military response.⁶ At the same time, many Southeast Asian states like Singapore are acutely anxious about the potential disruptions as a result of economic decoupling, “friend-shoring,” and shifting supply chains.⁷

¹ Jessica Chen Weiss, “The China Trap: U.S. Foreign Policy and the Perilous Logic of Zero-Sum Competition,” *Foreign Affairs* (September/October 2022): 40-58.

² Robert E. Lighthizer, “The U.S. Needs to Change the Way It Does Business With China,” *The New York Times*, December 18, 2022, <https://www.nytimes.com/2022/12/18/opinion/united-states-china-economics-tariffs.html>.

³ The White House, *National Security Strategy*, October 2022, 23, <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>.

⁴ Sharon Seah, “How Well Is China Advancing Its Interests in Southeast Asia?” *China File*, December 16, 2022, <https://www.chinafile.com/conversation/how-well-china-advancing-its-interests-southeast-asia>.

⁵ John Pomfret, “U.S. takes a tougher tone with China,” *Washington Post*, July 30, 2010, <https://www.washingtonpost.com/wp-dyn/content/article/2010/07/29/AR2010072906416.html>. Chinese Foreign Minister Yang Jiechi reportedly used the phrase in a stern warning to ASEAN counterparts at an ASEAN Regional Forum in 2010, specifically staring at Singaporean Foreign Minister George Yeo while speaking.

⁶ See Sharon Seah et al., *The State of Southeast Asia: 2022 Survey Report*, ISEAS-Yusof Ishak Institute, February 16, 2022, <https://www.iseas.edu.sg/articles-commentaries/state-of-southeast-asia-survey/the-state-of-southeast-asia-2022-survey-report/>.

⁷ Samuel Hardwick and Adam Triggs, “Friend-shoring no ready-made answer to Asian supply chain resilience,” *East Asia Forum*, November 27, 2022, <https://www.eastasiaforum.org/2022/11/27/friend-shoring-no-ready-made-answer-to-asian-supply-chain-resilience/>.

In light of growing apprehensions concerning Sino-U.S. rivalry, Southeast Asian countries have consistently favoured hedging strategies. Hedging refers to deliberately ambiguous alignment positions, signalling uncertainty to great powers regarding a small state's security position, relying on mutually counteracting acts or signals which maximize the state's strategic manoeuvrability and preserve the option to deflect, defer, defy, or adopt an altogether different position.⁸ Southeast Asian states hedge by engaging with multiple security partners, including China, the United States, Japan, and India. They also practice "limited deference and selective defiance" vis-à-vis the great powers, to preserve autonomy and signal the limits of their willingness to bandwagon with larger external states.⁹

Southeast Asia's size, growing economic power, and strategic significance have enhanced the region's bargaining power and collective gravitational pull. With a total population of around 650 million, ASEAN would be the third largest country in the world.¹⁰ Its economy, currently more than 3 trillion U.S. dollars, is expected to surpass that of both India and Japan by 2030, making it the fourth largest economy in the world.¹¹ Moreover, one third of the region's population is under twenty, positioning it for decades of growth with a massive rising middle class.¹² Such structural advantages ensure the region will continue to be consequential for quite some time, thus drawing outside powers to engage and compete for influence. Indonesia's population and size alone are staggering, comprising nearly 274 million people and 1.2 trillion U.S. dollars in gross domestic product (GDP) in 2021, according to the World Bank.¹³ The Philippines and Vietnam are the world's 13th and 15th largest populations respectively. To its credit, ASEAN has managed to avoid interstate conflict for more than three decades through its consensus-based approach to multilateral diplomacy, ensuring that all members have a voice in regional summits. ASEAN has also successfully convened a range of outside powers via its East Asia Summit, ASEAN Regional Forum, and ASEAN Defence Ministers Plus, thus retaining its cherished position of "ASEAN centrality" and remaining "in the driver's seat" as it is fond of saying. Nonetheless, ASEAN has fallen short of its aspirations to speak with a collective voice and respond in a timely and proactive manner to a variety of regional crises (not limited to the COVID-19 pandemic and the Myanmar coup of 2021), leaving individual states to formulate their own responses to Chinese dominance of the South China Sea as well as U.S. efforts to rally a containment coalition.

This paper argues that Southeast Asian states will continue to favour independent foreign policies, namely hedging, despite growing pressures to choose sides and increasing "gray zone" coercion in

⁸ Hunter Marston, "Navigating great power competition: a neoclassical realist view of hedging," *International Relations of the Asia-Pacific*, published online February 16, 2023, <https://doi.org/10.1093/irap/lcad001>. Also see Cheng-Chwee Kuik, "Getting hedging right: a small-state perspective," *China International Strategy Review* (2021), <https://doi.org/10.1007/s42533-021-00089-5>.

⁹ Cheng-Chwee Kuik, "Hedging in Post-Pandemic Asia: What, How, and Why?" *The Asan Forum*, June 6, 2020, <https://theasanforum.org/hedging-in-post-pandemic-asia-what-how-and-why/>.

¹⁰ East-West Center, *ASEAN Matters for America/America Matters for ASEAN 5* (2021): 3, accessed January 5, 2023, <https://www.eastwestcenter.org/publications/asean-matters-americaamerica-matters-asean-0>.

¹¹ *Ibid.*

¹² Scot Marciel, *Imperfect Partners: The United States and Southeast Asia* (Lanham, MD: Rowman & Littlefield, 2023), 2-3.

¹³ "Indonesia," The World Bank, 2023, accessed January 5, 2023, <https://data.worldbank.org/country/indonesia>.

the South China Sea. This preference is shaped both by prevailing uncertainties concerning U.S.-China rivalry as well as historical memories of colonial occupation and great power interference during the Cold War, which led to tremendous loss of life and a legacy of conflict and deprivation. In this new era of great power competition, external states that are seen as providing options which enhance Southeast Asian countries' autonomy will be most successful in achieving influence and buy-in for their vision for regional order. The paper proceeds in three parts: first, briefly outlining the historical record and noting how it informs Southeast Asian states' alignment choices today; second, offering a brief overview of contemporary hedging strategies with several examples; and finally, concluding with some remarks about what these dynamics mean for the future balance of power and regional order in Southeast Asia.

History rhymes

Southeast Asia is no stranger to great power competition. The region has long been an arena of struggle for rising powers, empires, and regional heavyweights. In the pre-modern era, European colonial powers variously subjugated, occupied, and ruled over most of Southeast Asia. The Dutch set up shop in Batavia (modern-day Jakarta), the capital of the Dutch East Indies, while the French ruled over Indochina (comprised of Vietnam, Cambodia, and Laos), and the British held Malaya, Singapore, Borneo, and Burma (along with India). During World War II, Southeast Asians lived through Japanese occupation and fierce fighting between the Allied Powers and Japanese forces to retake occupied states. The war took a heavy toll on the civilian populations of Southeast Asian states, variously forced into service by the Japanese or by guerrilla groups resisting occupation. By most accounts, the Battle of Manila caused the death of more than 100,000 Filipino civilians.¹⁴ Following World War II and the end of colonial rule across Southeast Asia over the following decade, the first generation of Southeast Asian nationalists in newly independent countries fiercely championed national autonomy and vowed that the region should remain free from hostile foreign powers. Early post-independence rulers like U Nu in Burma and Sukarno in Indonesia were active proponents of the Non-Aligned Movement (NAM), officially established in 1961. The NAM had its origins in the Bandung Conference of 1956, which brought together African and Asian leaders in Indonesia. The spirit of non-alignment continues to propel regional states in their efforts to protect their autonomy and national sovereignty.

Historical memories of colonial occupation continue to shape foreign policy decision-making in Southeast Asia today. As John Ciorciari explains, mutual defense treaties or formal alliances frequently entail some sacrifice of territorial sovereignty or foreign policy autonomy on the part of the junior ally to the larger power.¹⁵ A smaller power may be required to concede access to military bases or to

¹⁴ See for example, Richard Connaughton, "The War in the Pacific: The Liberation of Manila 1945 – A Philippine Perspective," in *The World Reshaped, Volume 2: Fifty Years After the War in Asia*, ed. Richard Cobbold (London: Macmillan Press Ltd., 1996), 55.

¹⁵ John D. Ciorciari, *The Limits of Alignment: Southeast Asia and the Great Powers since 1975* (Washington, DC: Georgetown University Press, 2010), 18.

support the larger power's security goals. For instance, the Philippines and Thailand both sent troops to the U.S. military occupation in Iraq, while others, including Malaysia and Indonesia, have faced fierce domestic resistance to their governments' support for Washington's counterterrorism agenda. As a result, Southeast Asian states opt for forms of limited alignment wherever possible in order to avoid tight security alliances which could entrap them or lead to unwelcome losses of strategic autonomy.

The most recent era of great power competition, during the Cold War, was very much a hot war in Southeast Asia. Fears of Soviet influence led the United States and anti-communist powers to brutally suppress regional democratic movements (and communist parties) that threatened to nationalize key industries, particularly natural resources. In Indonesia, the United States quietly endorsed the military's slaughter of thousands of Chinese ethnic minorities and many labelled as communist supporters. In Cambodia, Washington backed General Lon Nol's military coup in 1970, ousting popular leader Prince Norodom Sihanouk and ending Cambodia's neutrality. Similarly, in Laos, the United States gave its support to General Vang Pao's royalist faction of military cadres, while Beijing backed the Pathet Lao, fuelling civil war and ultimately undermining the country's fragile neutrality (recognized by the Geneva Conference in 1954). Deepening U.S. commitment to containing communism in Indochina led to the prolonged tragedy of the Vietnam War and unparalleled U.S. bombing of neutral Laos and Cambodia in violation of the Geneva Accords.¹⁶

Historical memories of this era of great power conflict continue to shape Southeast Asian leaders' alignment preferences and their commitment to independent and non-aligned foreign policies today. How political elites interpret the lessons learned in previous eras of great power competition varies and informs different responses to current Sino-U.S. rivalry. According to prominent Singaporean thinker Bilahari Kausikan, "Rivalry between major powers is an inherent condition of international relations. This reality was masked during a historically abnormal period immediately after the end of the Cold War. We are now back to a more historically normal period of a contested international and regional order. Dealing with this is complicated but possible. We have deal[t] with previous periods of great power rivalry."¹⁷ For other states, particularly those with maritime territorial disputes with China, the stakes are undeniably high, and they see few alternatives to coping with a neighbouring China. In the words of one oft-cited Vietnamese official, "Every Vietnamese leader must be able to get along with China and stand up to China. And if you can't do both at the same time, you don't deserve to be a leader."

¹⁶ Max Hastings, *Vietnam: An Epic Tragedy, 1945-1975* (New York: Harper, 2018).

¹⁷ Email correspondence with author, November 9, 2022.

Hedging to maximize strategic autonomy

As during the Cold War, the fundamental motivation behind small states' alignment decisions today remains the preservation of autonomy in an anarchical world system. For that reason, the majority of Southeast Asian states are committed to hedging.¹⁸ As already mentioned, small states prefer hedging or limited alignment to firm security commitments in the form of treaty alliances, because the latter often entail a sacrifice of autonomy or territorial sovereignty. This debate is alive and well in the Philippines, where the decision to expand U.S. military presence and access to bases has triggered an active debate over Philippine sovereignty three decades after the Philippine Senate voted not to renew the 1947 Military Bases Agreement which granted the U.S. military access to Subic Bay and Clarke Air Force Base. Following the People's Power movement in the Philippines which ousted Marcos in 1986 and the Aquino administration's decision to put the renewal of the U.S. bases agreement to the Philippine Senate, Singapore's foreign minister George Yeo in 1989 (acting at the behest of Lee Kuan Yew) announced that Singapore would allow U.S. forces to use the country's bases, in a bid to ensure continued American military presence in the region.¹⁹ This offer reflects Singapore's preference for limited alignment. Rather than adopt firm alliances or security commitments with other states, Singapore prefers to hedge its bets by engaging with a variety of partners, including the United States and China.

Singapore's simultaneous security cooperation with both Washington and Beijing is somewhat unique in the region. Most states' security cooperation with China remains quite limited, while many have longstanding agreements of defense partnership with the United States. This gap has propelled a fundamental bifurcation between security and economic domains across the region, though in the past decade and a half China has become the largest trading partner and a major source of foreign direct investment (FDI) for all Southeast Asian countries.²⁰ Singapore has engaged both great powers in defense partnerships, though that with Beijing remains nascent and far more superficial compared with its security cooperation with the United States, which dates back to the Vietnam War. Furthermore, Singapore depends on U.S. military technology, and interoperability as well as trust issues constrain its ability to import weapons systems from alternate providers such as China. Singapore's decision to purchase a new fleet of American F-35 jets (at a considerably high price) further confirms Singapore's (limited) alignment with the United States. At the same time, however, Singapore has gradually

¹⁸ Jürgen Haacke and John D. Ciorciari, "Hedging as Risk Management: Insights from Works on Alignment, Riskification, and Strategy," IPC Working Paper Series No.124, Gerald R. Ford School of Public Policy, University of Michigan (March 10, 2022); David Shambaugh, "U.S.-China Rivalry in Southeast Asia: Power Shift or Competitive Coexistence?" *International Security* 42, No.4 (2018): 85-127; Hunter Marston, "Abandoning Hedging: Reconsidering Southeast Asian Alignment Choices," *Contemporary Southeast Asia* 45, No. 1 (2023): 55-81.

¹⁹ George Yeo, *Musings* (Singapore: World Scientific Publishing Co., 2023), 06.

²⁰ This is an oversimplification of the extent of bifurcation in the region. For instance, the United States still invests considerably more in Southeast Asia compared to China (though the latter is quickly gaining ground in this regard), and the U.S. market remains a major destination for many Southeast Asian exports. Additionally, China is expanding its security cooperation and defence exchanges with some Southeast Asian counterparts such as Singapore, albeit on a vastly more limited basis than that with the United States.

deepened its partnership with the Chinese. For instance, in 2019 (less than a month after upgrading its existing 1990 MOU with the United States covering access to bases) Singapore and Beijing inked an enhanced Agreement on Defence Exchanges and Security Cooperation (ADESC), establishing a regular ministerial dialogue between, pledging to upgrade and regularise bilateral exercises, and creating a hotline between the two sides.²¹ By simultaneously upgrading its defence cooperation agreements with both rival superpowers, Singapore is able to preserve its reputation as an even-keeled hedger and preserve maximum fluidity in its foreign relations. Doing so allows Singapore to push back on pressures from the superpowers by giving it pretence to say it is working with both Washington and Beijing to champion “an open, inclusive and rules-based order.”²²

Indonesia and Malaysia also conduct joint military training exercises with both the United States and China. In recent years, Indonesia has expanded its annual Garuda Shield exercises with the U.S. military, established in 2009, to include Australian, Japanese, and Singaporean counterparts.²³ Malaysia has held joint military exercises, dubbed “Peace and Friendship,” with China since 2015, and in 2018, expanded the joint exercises to include Thailand as well.²⁴ According to Dr. Ngeow Chow Bing, Director of the Institute of China Studies at the University of Malaya,

In Malaysia’s judgement, having a good defence relationship with China serves several objectives. It is an important pillar for maintaining a stable bilateral relationship with China. It allows Malaysia to have direct access to the Chinese defence establishment, including its top commanders and officials. Such access forms an important part of confidence-building and mutual understanding.

It also reinforces Malaysia’s non-aligned position. It signals to China that, notwithstanding the South China Sea dispute, Malaysia does not see China as an adversary.²⁵

²¹ See Singapore Ministry of Defence, “Fact Sheet: Enhanced Agreement on Defence Exchanges and Security Cooperation (ADESC),” October 20, 2019, https://www.mindef.gov.sg/web/portal/mindef/news-and-events/latest-releases/article-detail/2019/October/20oct19_fs. Also see Prashanth Parameswaran, “Why the New China-Singapore Defense Agreement Matters,” *The Diplomat*, October 23, 2019, <https://thediplomat.com/2019/10/why-the-new-china-singapore-defense-agreement-matters/>.

²² Prime Minister Lee Hsien Loong, “Intervention by PM Lee Hsien Loong at the Virtual Launch of the Indo-Pacific Economic Framework,” Prime Minister’s Office Singapore, May 23, 2022, <https://www.pmo.gov.sg/Newsroom/Intervention-by-PM-Lee-Hsien-Loong-at-the-Virtual-Launch-of-the-Indo-Pacific-Economic-Framework>.

²³ Niniek Karmini, “U.S., Indonesia Hold Joint Military Drills Amid China Concerns,” *The Diplomat*, August 4, 2022, <https://thediplomat.com/2022/08/us-indonesia-hold-joint-military-drills-amid-china-concerns/>. See also Twinnie Siu and Ella Cao, “China and Indonesia to resume joint military training exercises,” *Reuters*, November 18, 2022. <https://www.reuters.com/world/asia-pacific/china-indonesia-resume-joint-military-training-exercises-2022-11-18/>.

²⁴ Prashanth Parameswaran, “China, Malaysia to Hold First Ever Joint Live-Troop Exercise,” *The Diplomat*, August 31, 2015, <https://thediplomat.com/2015/08/china-malaysia-to-hold-first-ever-joint-live-troop-exercise/>. See also Ngeow Chow Bing, “Malaysia-China Defence Relations: Disruptions Amid Political Changes and Geopolitical Tensions,” *ISEAS Perspective* 2021, No.57, ISEAS-Yusof Ishak Institute, April 29, 2021, <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2021-57-malaysia-china-defence-relations-disruptions-amid-political-changes-and-geopolitical-tensions-by-ngeow-chow-bing/>.

²⁵ Ngeow Chow Bing, *Malaysia-China Defence Ties: Managing Feud in the South China Sea*, RSIS Commentary, May 26, 2022, <https://www.rsis.edu.sg/rsis-publication/rsis/malaysia-china-defence-ties-managing-feud-in-the-south-china-sea/>.

Such signalling via defence engagement is part of what Ngeow calls Malaysia and China's "unwritten mutual understanding for restraint."²⁶

Members of the Association of Southeast Asian Nations (ASEAN) have engaged in what Cheng-Chwee Kuik refers to as "collective hedging" to manage regional tensions and offset the risks of great power conflict.²⁷ For example, ASEAN has held multilateral maritime exercises with both China and the United States to appear even-keeled in its engagement with the great powers and promote an open and inclusive regional balance of power.²⁸ According to one Southeast Asia expert, ASEAN's continued assertions of neutrality have been critical to preserving the bloc's strategic autonomy and stated aspiration of "ASEAN centrality."²⁹ In recent years, ASEAN centrality has frayed as various members have either strayed from the centre or undermined the group's cohesion by obstructing collective diplomacy. The most frequently cited example is the 2012 ASEAN Summit in Phnom Penh, during which host Cambodia's truculence in the face of other members' desire to include reference to the South China Sea disputes led to ASEAN's failure to issue a joint communique for the first time in the bloc's history. Cambodia reportedly received financial rewards from Beijing for its willingness to block reference to maritime tensions.³⁰ More recently, members have diverged over how to respond to the current crisis in Myanmar as a result of the 2021 military coup. Mainland Southeast Asian states, including Cambodia, Laos, Thailand, and Vietnam, have taken a softer approach to the Myanmar junta, or State Administration Council (SAC), while maritime ASEAN nations, including Indonesia, Malaysia, the Philippines, and Singapore, have raised their concerns vocally and pressed for a more activist diplomatic approach to resolve the ongoing crisis.

While the majority of Southeast Asian states continue to demonstrate a clear preference for hedging strategies—rather than aligning themselves more closely with one or another great power. A small minority of ASEAN states may be abandoning this increasingly uncomfortable middle ground in favour of bandwagoning with China. Arguably, both Cambodia and Myanmar have shifted closer to Beijing's orbit for varying reasons.³¹ In Cambodia's case, Phnom Penh has gradually shifted away from an independent foreign policy most nearly resembling hedging to one of more overt alignment with China due to the interests of a single autocratic ruler facing little to no resistance from independent civil society organisations. Prime Minister Hun Sen has systematically dismantled political opposition parties and weakened the country's civil society institutions. Thus, he is able to assert unilateral control over

²⁶ Ibid.

²⁷ Cheng-Chwee Kuik, "Hedging via Institutions: ASEAN-led Multilateralism in the Age of the Indo-Pacific," *Asian Journal of Peacebuilding* 10, No.2 (2022): 355-386.

²⁸ See Hunter Marston, "The U.S. Navy and Southeast Asian nations held joint maneuvers for the first time. What are the key takeaways?" Monkey Cage blog, *The Washington Post*, September 13, 2019, <https://www.washingtonpost.com/politics/2019/09/13/us-navy-southeast-asian-nations-held-joint-maneuvers-first-time-what-are-key-takeaways/>.

²⁹ Ralf Emmers, "Unpacking ASEAN Neutrality: The Quest for Autonomy and Impartiality in Southeast Asia," *Contemporary Southeast Asia* 40, No.3 (2018): 349-370.

³⁰ "China gives Cambodia aid and thanks for ASEAN help," *Reuters*, September 4, 2012, <https://www.reuters.com/article/us-cambodia-china-idUSBRE88306I20120904>.

³¹ See Marston, "Abandoning Hedging."

Cambodian foreign policy. In the case of Myanmar, the country's domestic dysfunction and extreme state of insecurity as a result of the 2021 military coup and resultant violence between the military, People's Defence Forces (PDFs), and ethnic armed groups (EAGs), have led to significant isolation in the global arena.³² As a result, the SAC junta has found itself increasingly reliant on the diplomatic protection and economic patronage of Beijing (along with friendly authoritarian powers such as Russia and Thailand). In return for the junta's pledges to protect China's infrastructure investments and energy projects in Myanmar, Beijing has conferred a degree of legitimation on Commander-in-Chief Min Aung Hlaing's regime, referring to the senior general as "the leader of Myanmar" and sending a representative to meet with the junta's Union Election Commission in a signal of tacit support for the military's planned elections.³³ Junta spokesperson Zaw Min Tun has criticized ASEAN for succumbing to "foreign interference" in its decision to bar military representatives from high-level summits and has derided the United States for not allowing it a seat at the U.S.-ASEAN special summit in Washington in May 2022.³⁴ By contrast, Zaw Min Tun has called attention to the SAC's relations with "powerful" Beijing, a crucial partner for the regime's survival. While Myanmar has traditionally sought to minimize its dependence on China, with whom it has an asymmetric and transactional relationship, the junta has bolstered ties with Beijing out of necessity and an urgent need for Chinese economic investment to keep Myanmar's national electric grid functioning.³⁵

Yet beyond these two isolated cases, the majority of ASEAN states have overwhelmingly adhered to hedging strategies. This should not be surprising. After all, hedging is a common-sense "insurance-seeking behavior" aimed at minimizing risks and maximizing strategic autonomy in a highly fluid and uncertain regional environment.³⁶ According to Bilahari Kausikan, "It would take an act of collective stupidity [for Singapore to stop hedging and align itself with one of the great powers]. That is not going to happen."³⁷ As long as the balance of power remains contested and uncertain, states can be expected to hedge their bets and avoid firm alignments that undermine strategic autonomy.

However, such behaviour becomes more puzzling if one considers the increasing pressures on small states applied by both of the great power rivals to align with their camp and oppose the other. Most

³² Hunter Marston, "Many Sanctions, Few Friends: Junta Grapples with its Grip on Power," Stimson Center, October 11, 2023, <https://www.stimson.org/2023/many-sanctions-few-friends-junta-grapples-with-its-grip-on-power/>.

³³ Sebastian Strangio, "China Steps Toward De Facto Recognition of Myanmar's Junta," *The Diplomat*, June 7, 2021, <https://thediplomat.com/2021/06/china-steps-toward-de-facto-recognition-of-myanmars-junta/>; "UEC Chairman receives Chinese Ambassador," *Global New Light of Myanmar*, April 20, 2022, <https://www.gnlm.com.mm/uec-chairman-receives-chinese-ambassador-2/>.

³⁴ "Myanmar junta blames 'foreign intervention' for ASEAN summit exclusion," *Reuters*, October 16, 2022, <https://www.reuters.com/world/asia-pacific/myanmar-junta-blames-foreign-intervention-asean-summit-exclusion-2021-10-16/>. Also see AFP, "Myanmar junta slams U.S. summit snub, lauds ties with China," *Jakarta Post*, May 16, 2022, <https://www.thejakartapost.com/world/2022/05/16/myanmar-junta-slams-us-summit-snob-lauds-ties-with-china-.html>.

³⁵ Andrea Passeri and Hunter Marston, "The Pendulum of Non-Alignment: Charting Myanmar's Great Power Diplomacy (2011-2021)," *Journal of Current Southeast Asian Affairs* 41, No.2 (2022): 188-213, <https://doi.org/10.1177/18681034221081858>. Also see Enze Han, *Asymmetrical Neighbors: Borderland State Building Between China and Southeast Asia* (New York: Oxford University Press, 2019): 137-156.

³⁶ See Kuik, "Getting hedging right."

³⁷ Personal email communication with author, November 9, 2022.

academic studies of hedging predict that hedging becomes less feasible under conditions of bipolar rivalry or ideological competition.³⁸ Yet, despite these predictions which dominate the academic literature on the subject, hedging remains—and, I argue, will continue to be—the preferred alignment strategy of smaller regional states or ‘middle powers’ caught between the competing giants.³⁹ That is because they see hedging as the best way of preserving maximum room to manoeuvre while seeking to foster the conditions for a multipolar regional balance of power.

Southeast Asian states are hedging against a variety of outcomes or potential scenarios: possible Chinese domination of the region; U.S. withdrawal or abandonment; and/or an armed conflict involving the United States and China.⁴⁰ ASEAN states have also sought to create an inclusive and open regional order by diversifying their own network of partners and creating buy-in on the part of extra-regional powers, particularly including Australia, Japan, and the European Union. For this reason, Singapore’s strategy has been characterized as “multi-aligned.” According to Bilahari Kausikan, “We’ll be friends with anybody who wants to be friends with us, and that we think that is in our interest. But we also have been very clear from the very beginning and never shy about saying so: The necessary condition for being multi-aligned is to have a balance of power in our larger region, East Asia.”⁴¹ Such a balance of power requires engaging outside powers to proactively manage great power competition. Diversifying a state’s range of security partners gives small states more options so as to avoid over-reliance on any one power for economic or security guarantees.⁴²

Looking ahead

What do the prevalence and persistence of hedging mean for the future balance of power and regional order in Southeast Asia? In the near term, Southeast Asian states will remain highly vigilant and anxious concerning the return of great power conflict. They will continue efforts to bolster ASEAN centrality and cohesion in the hopes of coordinating a trans-regional response to Sino-U.S. rivalry, even as they enhance their own domestic defence capabilities as a deterrent. While a collective security response remains an unlikely scenario given Southeast Asia’s diversity and the dissolution

³⁸ Alexander Korolev, “Shrinking room for hedging: system-unit dynamics and behavior of smaller powers,” *International Relations of the Asia-Pacific* 19, No.3 (2019): 419–452; Cheng-Chwee Kuik, “The Essence of Hedging: Malaysia and Singapore’s Response to a Rising China,” *Contemporary Southeast Asia* 30, No.2 (2008): 159–185; Ciorciari, *The Limits of Alignment*, 235.

³⁹ Hunter Marston, “Navigating Great Power Competition”; Cheng-Chwee Kuik, “Shades of grey: riskification and hedging in the Indo-Pacific,” *The Pacific Review* 36, No.6 (2023): 1181–1214, <https://doi.org/10.1080/09512748.2022.2110608>.

⁴⁰ Evelyn Goh, “Meeting the China Challenge: The U.S. in Southeast Asian Regional Security Strategies,” The East-West Center, January 1, 2005, 4, <https://www.eastwestcenter.org/publications/meeting-china-challenge-us-southeast-asian-regional-security-strategies>. Also see Van Jackson, “Power, trust, and network complexity: three logics of hedging in Asian security,” *International Relations of the Asia-Pacific* 14, No.3 (2014): 348.

⁴¹ Bilahari Kausikan, “Balance of Power in Southeast Asia,” The Asia Chessboard, Center for Strategic & International Studies, January 3, 2023, <https://www.csis.org/node/68315>.

⁴² Le Hong Hiep, “Vietnam’s Hedging Strategy against China since Normalization,” *Contemporary Southeast Asia* 35, No.3 (2013): 333–368; Nicholas Chapman, “Mechanisms of Vietnam’s Multidirectional Foreign Policy,” *Journal of Current Southeast Asian Affairs* 36, No.2 (2017): 31–69.

of the Southeast Asia Treaty Organization (a Cold War attempt at collective security),⁴³ all regional states share concerns about the prospect of great power conflict dividing the region. If competition were to lead to interstate war, it would almost certainly mean an end to decades of economic growth and the relative peace that has prevailed since Vietnam's invasion of Cambodia in 1978. Based on the historical record, Southeast Asian countries have abundant reason to fear for their sovereignty and security in a "new Cold War" scenario. Therefore, most have strenuously advocated for peace and accommodation between the great powers.⁴⁴

In the medium-term, whether Southeast Asian states are more successful at maintaining autonomy than in the past (during the colonial era and Cold War, for example) depends on a variety of factors tied to the unresolved power contestation and/or transition currently playing out.⁴⁵ First, the obvious question of whether China can succeed in displacing the United States as the resident superpower: this remains extremely uncertain. For all intents and purposes, the current contestation between the two near-peer rivals may persist for decades, as China's economic growth continues to sustain a massive military build-up, and U.S. economic dominance allow it to prolong its relative advantage despite modest declines in overall power compared to China and a handful of other (rising) powers. Recent studies, taking account of the slowdown in China's economic growth, have suggested that its economy may not overtake that of the United States until 2060—if at all—contra earlier predictions that such an eclipse would occur as soon as 2030.⁴⁶ Whether or not such economic dominance would translate to military hegemony is another question entirely. China's current aim to push the U.S. military presence beyond the second island chain⁴⁷ and to displace the United States from what it perceives as its rightful sphere of influence will require sustained commitment to its defence budget and military modernisation, which have begun to erode the American military edge, particularly with regard to long-range missiles and the U.S. ability to deploy troops and assets from peripheral bases and island territories such as Guam.⁴⁸ It is conceivable that Beijing may succeed in reducing American

⁴³ The Eisenhower administration in Washington, working with Australia, France, New Zealand, Pakistan, the Philippines, Thailand, and the UK, signed the Manila Pact in 1954-1955, binding members to the collective defence of Southeast Asia. See The Avalon Project, *Southeast Asia Collective Defense Treaty (Manila Pact); September 8, 1954*, Yale Law School, accessed January 5, 2023, https://avalon.law.yale.edu/20th_century/usmu003.asp. For more on the history of SEATO, see Ang Cheng Guan, *The Southeast Asia Treaty Organisation* (New York: Routledge, 2021).

⁴⁴ See for example Lee Hsien Loong, "The Endangered Asian Century: America, China, and the Perils of Confrontation," *Foreign Affairs* (July/August, 2020): 52-64. Also see Lee Hsien Loong, Keynote Speech, Shangri-La Dialogue 2019, Singapore, May 31, 2019, <https://www.pmo.gov.sg/Newsroom/PM-Lee-Hsien-Loong-at-the-IISS-Shangri-La-Dialogue-2019>.

⁴⁵ Khong Yuen Foong, "The US-China Geopolitical Contest: Security Dilemma or Power Transition Dynamics?," Presentation to the Australian National University, May 3, 2023, <https://www.anu.edu.au/events/the-us-china-geopolitical-contest-security-dilemma-or-power-transition-dynamics>.

⁴⁶ Ruchir Sharma, "China's economy will not overtake the U.S. until 2060, if ever," *Financial Times*, October 24, 2022, <https://www.ft.com/content/cff42bc4-f9e3-4f51-985a-86518934afbe>.

⁴⁷ Andrew S. Erickson and Joel Wuthnow, "Barriers, Springboards and Benchmarks: China Conceptualizes the Pacific 'Island Chains'," *The China Quarterly* 225 (2016): 1-22.

⁴⁸ Damien Cave, "Why China Is Miles Ahead in a Pacific Race for Influence," *New York Times*, May 31, 2022, <https://www.nytimes.com/2022/05/31/world/australia/china-united-states-pacific.html>. Derek Grossman, "America Is Betting Big on the Second Island Chain," *The Diplomat*, September 5, 2020, <https://thediplomat.com/2020/09/america-is-betting-big-on-the-second-island-chain/>.

military dominance and the latter's ability to retain its sphere of influence in the Pacific.⁴⁹

The prospect of Chinese dominance of Southeast Asia does not sit well with regional states, either, the majority of which prefer a multipolar balance of power, which leaves them room for manoeuvre and mitigates the risk of competition breaking out into armed conflict between great powers. Therefore, Japan and India have a vital role to play in preserving this balance of power.⁵⁰ Chinese hegemony could also undermine Southeast Asian states' bargaining power and sovereignty and mean fewer alternatives to unsustainable levels of Chinese debt if the United States and Japan no longer have as much reason to invest in and provide loans for regional economies. This scenario would exacerbate already dangerous levels of inequality, likely leading to greater political instability as we have seen in Sri Lanka or Pakistan.

A related question is whether or not Washington would be willing to risk war to preserve its primacy and prevent China's rise. The Trump administration declared China a revisionist power and rival, centring its regional strategy on competition with Beijing aimed at preventing its emergence as the preeminent power in the Pacific.⁵¹ The Biden administration has largely continued this diagnosis of the challenge posed by China as well as the strategic response focused on competition. The throughline from previous administrations, including that of Obama, Trump, and now Biden, has been Washington's goal of preserving the prevailing "rules-based" or "liberal international order." According to U.S. policymakers, the United States is a status quo power, while China, Russia, and others bent on upending the reigning order and hierarchy, are cast as revisionist powers.⁵² In recent years, Washington has staked its credibility on its willingness to defend allies such as the Philippines or Japan in the event of an attack on their territory, in particular pertaining to maritime features disputed by China. President Biden has also pledged U.S. commitment to defend Taiwan in the event of an attack, ending a broadly bipartisan preference for strategic ambiguity which had held for several decades since the Congress passed the Taiwan Relations Act in 1979 after Washington switched its diplomatic recognition to Beijing.⁵³ Therefore, the United States *appears* resolved to risk war to defend its allies (or partners in the case of Taiwan) in the event of Chinese aggression or violation of their territorial sovereignty. However, rather than reassure many Southeast Asian partners, this heightened level of preparation for conflict has unnerved regional leaders and runs counter to what

⁴⁹ For more on spheres of influence and great power politics, see Benjamin Zala, "Interpreting great power rights in international society: Debating China's right to a sphere of influence," *Journal of International Political Theory* 16, No.2 (2020): 210-230; Van Jackson, "Understanding Spheres of Influence in International Politics," *European Journal of International Security* 5, No.3 (2020): 255-273.

⁵⁰ Lee, "The Endangered Asian Century," 62

⁵¹ The White House, *National Security Strategy of the United States of America*, December 2017, 25; U.S. Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America*, 2.

⁵² For more on status quo versus revisionist superpowers, see Van Jackson, "America is the Preeminent Revisionist Power," *Duck of Minerva*, January 1, 2023, <https://www.duckofminerva.com/2023/01/america-is-the-preeminent-revisionist-power.html>.

⁵³ David Brunnstrom and Trevor Hunnicutt, "Biden says U.S. forces would defend Taiwan in the event of a Chinese invasion," *Reuters*, September 20, 2022, <https://www.reuters.com/world/biden-says-us-forces-would-defend-taiwan-event-chinese-invasion-2022-09-18/>.

they actually want: a stable, prosperous, and peaceful regional order that includes *both* the United States and China.⁵⁴ This rationale explains why regional states (and U.S. partners) like Malaysia sometimes prefer that the United States and external powers like Australia *not* come to their defence, as doing so may inadvertently increase the chances of conflict rather than mitigate them.⁵⁵

In the long-term, Southeast Asia is likely to remain multipolar with outside powers playing a sustained and active role in region.⁵⁶ The Washington security establishment broadly shares the Biden administration's view of China as "the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to advance that objective."⁵⁷ As a result, "Many American observers therefore perceive any power shift as movement from a unipolar system toward a bipolar one, while Asian observers often perceive a transition from a unipolar to a multipolar system."⁵⁸ The latter view may be uncontroversial in Tokyo, but sitting in Canberra or Washington, differing perspectives of Asia's current and future balance of power contribute to a range of views on how best to respond to the challenges associated with rising China. The late Japanese leader Abe Shinzo's vision of a "Free and Open Indo-Pacific" rested on the premise of a multipolar regional order, in which multiple regional and external powers contributed to a stable and inclusive balance of power.⁵⁹ Abe was explicit that FOIP was not a China containment strategy. In Washington, however, several schools of thought, including those advocating the "responsible stakeholder" narrative, those advancing a more explicit containment strategy, and those soberly assessing that we must be prepared to live in a state of prolonged "competitive coexistence," all compete for their preferred strategies, thus muddling U.S. foreign policy.⁶⁰ During the Trump administration, it seemed that the containment hawks had won out. Under the Biden team, it seems that those advocating more responsible competition, espousing "guardrails," have prevailed for the time being. Ultimately, however, both U.S. and Chinese elites' focus on the respective great powers overlook the agency, diversity, and asymmetry inherent in Southeast Asia.⁶¹

⁵⁴ For more on allied credibility and reassurance, see Iain D. Henry, "What Allies Want: Reconsidering Loyalty, Reliability, and Alliance Interdependence," *International Security* 44, No.4 (2020): 45-83.

⁵⁵ Emirza Syailendra, "China, Indonesia, and Malaysia: Waltzing Around Oil Rigs," *The Diplomat*, August 18, 2022, <https://thediplomat.com/2022/08/china-indonesia-and-malaysia-waltzing-around-oil-rigs/>. See also Emirza Syailendra, "Malaysia's Third Way on the China Challenge," *The National Interest*, October 6, 2022, <https://nationalinterest.org/feature/malaysia%E2%80%99s-third-way-china-challenge-205209>.

⁵⁶ Tom Parks of The Asia Foundation makes this argument regarding Asia's multipolar future explicit in his forthcoming book, Thomas Parks, *Southeast Asia's Multipolar Future: Averting a New Cold War* (Sydney: Bloomsbury Publishing 2023).

⁵⁷ The White House, *National Security Strategy*.

⁵⁸ Zack Cooper and Emily Y. Carr, "U.S. perspectives on the power shift in the Indo-Pacific," *The Pacific Review* (2022): 2, <https://doi.org/10.1080/09512748.2022.2160793>.

⁵⁹ See Suzuki Hiroyuki, *Japan's Leadership Role in a Multipolar Indo-Pacific*, Center for Strategic & International Studies, October 2020, https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/201023_Suzuki_Japan%27s_Leadership_in_Indo-Pacific_1.pdf. Also see Satake Tomohiko and Sahashi Ryo, "The Rise of China and Japan's 'Vision' for Free and Open Indo-Pacific," *Journal of Contemporary China* 30, No.127 (2020): 18-35.

⁶⁰ Cooper and Carl, "U.S. perspectives on the power shift in the Indo-Pacific."

⁶¹ I credit Don Emmerson for this argument in Donald Emmerson, ed., *The Deer and the Dragon: Southeast Asia and China in the 21st Century* (Washington, DC: Brookings Institution Press, 2020).

Conclusion

Despite predictions that bipolar, ideological competition would spell an end for hedging, Southeast Asian countries have demonstrated resilience and agency in their commitment to independent and non-aligned foreign policies. In Washington and Beijing, policymakers have not yet come to appreciate the depth and implications of Southeast Asia's adherence to hedging. Deeper understanding of regional preference and the high value placed on autonomy and freedom from coercion—dating back to the colonial era and turbulence of the Cold War, which saw great power interference in small states' internal affairs, often with disastrous results—can lead to sounder policies on the part of outside powers, including China, the United States, and Japan. In the competition for influence, those seen as providing options which enhance regional states' sovereignty will be best placed to see their engagement welcomed and reciprocated.

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