



***AS US-CHINA TENSIONS INTENSIFY,
IS JAPAN A 'THIRD WAY' FOR
SOUTHEAST ASIA?***

***Amidst intensifying US-China rivalry,
Japan emerges as Southeast Asia's
stabilizing force, blending economic
partnerships and strategic trust to offer a
pragmatic 'third way' that strengthens
regional autonomy***

BY CHHAY LIM

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Japan's Prime Minister Fumio Kishida delivers a keynote address at the Shangri-La Dialogue summit in Singapore on 10 June 2022. Source: Roslan Rahman/AFP via Getty Images

The strategic rivalry between the United States and China has become a defining feature of 21st-century

international politics. With a bipartisan consensus among American politicians viewing China as the greatest challenge capable of reshaping the long-dominant international order, the strategic competition between Beijing and Washington is set to intensify, and the world must brace for heightened tensions.

Southeast Asia, in particular, stands at the heart of Beijing's Belt and Road Initiative and Washington's Indo-Pacific Strategy, making it a potential arena for great power geopolitical flux. Paradoxically, unlike the Cold War era, no Southeast Asian state has clearly indicated a willingness to [take sides](#). Instead, while some may have shifted closer to either Beijing or Washington, they continue to keep communication channels open to all major stakeholders for engagement, with ASEAN as the cornerstone of their respective foreign policy and at the core of the regional architecture. That also reflects on one of the main doctrines of ASEAN since its inception: the principle of peaceful coexistence and friendly cooperation with all. In recent years, ASEAN has elevated its ties with Japan, Australia, India, and South Korea to a comprehensive strategic partnership, moving beyond the binary choice of the US or China. This strategic flexibility reflects their pursuit of a 'third way' in diversification policy, driven by the desire for return-maximization and risk-mitigation.

Where does a middle power like Japan stand in this context? Can Japan emerge as a compelling candidate for ASEAN's "third-way"? Historically, Japan has maintained a steadfast and enduring friendship with Southeast Asia since [Prime Minister Fukuda's proclamation](#) in 1977, wherein he committed Japan to refraining from military endeavors and seeking equitable and heart-to-heart relationships with Southeast Asia. Today, Japan stands as Southeast Asia's fourth-largest trading partner, ranks as [the second](#) most significant source of foreign direct investment (FDI), and consistently upholds what Tokyo refers to as the "rules-based" order within the region. Japan's FDI inflow to the region over the past decade amounted to [\\$198bn](#), behind only America's \$209bn but surpassing China's \$106bn.

However, Japan's multifaceted strategic role often fades into the background amidst the predominant discourse on US-China competition. Indeed, Japan's political and economic influence in Southeast Asia is far weaker than that of the US and China, but Japan has a potential bridging role by holding two virtual positions: one as a strategic partner able to shore up American weakness and unstable commitment to the region, and the other as a socio-economic development partner that is less aggressive and assertive compared to Beijing, thus making it more regionally acceptable. This is not to say that Tokyo could replace Washington and Beijing's significant presence, but it offers room for Southeast Asian states to maneuver should the risks from Washington and Beijing become sharper.

Japan as a stabilizing force in ASEAN

Japan's potential as a "third way" and a stabilizing force in ASEAN is rooted in its trusted and consistent leadership, its accommodating regional policies through its Free and Open Indo-Pacific (FOIP) Vision, and its shared interests with ASEAN states. First and foremost, Japan stands out as the most trusted partner among major powers. In a recent [opinion poll](#) by the ISEAS-Yusof Ishak Institute in Singapore, Japan gained the highest trust from opinion leaders in Southeast Asia, with a 58.9% trust level, surpassing the US, China, India, and the European Union. This trust is particularly noteworthy given Japan's comparatively lower influence than the US and China in economic, political, and strategic domains.

This [strategic trust](#) gives Japan more space to engage actively and effectively with Southeast Asia through its regional development initiatives and the introduction of new norms that align with ASEAN principles, thereby facing less skepticism from the region. Additionally, Japan's constructive leadership role in the Asia-Pacific architecture has been particularly evident in the absence of American engagement, especially during the Trump Administration. For instance, Trump's withdrawal from the Trans-Pacific Partnership (TPP) left Japan to carry forward and later develop it into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

In its constructive role, Japan's efforts to prevent China's dominant role have been pragmatic, as demonstrated through the [flexibility of Japan's foreign policy](#) towards the Indo-Pacific. The signature foreign policy, the FOIP, has evolved over time to accommodate and respond to the fast-changing geopolitical landscape. Initially driven by the rise of China and the intention to curb its influence in the Asia-Pacific, the FOIP has later shown greater flexibility in integrating Beijing and encouraging it to abide by the rules of the regional multilateral institutions, rather than isolating it and inadvertently prompting unilateral modifications to the rules-based order. More importantly, Japan seeks endorsement from ASEAN states, and the FOIP is designed to be less antagonistic towards China. Japan understands that any major power's policy primarily aimed at antagonizing China would certainly cause doubts among ASEAN states. This strategic thinking has resulted in a more welcoming attitude towards Japan's FOIP by [most ASEAN members](#), if not all, including China's closest partners like [Cambodia](#).

Enhancing small states' resilience and strategic autonomy

Japan's strategic interest in the ASEAN region extends beyond economics and focuses on strengthening regional states' resilience and capacity to diversify options beyond the US and China. Beijing has long been the largest trading partner and development financier since the launch of its BRI. Although China's development funds have greatly benefited the region, especially in infrastructure and connectivity, they raise concerns about the strong dependence on Chinese resources, which could compromise small states' strategic autonomy. The loss of small states' maneuverability and the potential alignment with China's agenda could pose challenges for Japan in the future. For instance, if ASEAN states completely fail to manage the flashpoint over the South China Sea, Japan's energy security and maritime trade routes would be severely threatened. Approximately [80% of its energy imports](#) pass through the China-claimed nine-dash line, making the security of sea-lanes of communication and stability in the South China Sea crucial for Tokyo's national and economic security.

Japan's perception of the threat posed by China has increased further in recent years due to China's rising defense capabilities, its assertive actions in the East and South China Seas, and its broader geopolitical shifts underscored by the Russian invasion of Ukraine with North Korea's strong support. These developments have alerted Japanese policymakers to the limitations of focusing solely on economic engagement with the developing world, particularly Southeast Asia. Consequently, Japan is recalibrating its strategy to strike a balance between economic security and military deterrence. Consequently, we have witnessed the evolution of Tokyo's proactive policy in the region, evolving from the FOIP under the Abe Administration to a new version of FOIP with the Official Security Assistance (OSA) scheme under the current Kishida Administration. As of this year, the Philippines and Malaysia are among the [first recipients](#) of OSA grants, which they hope will be an effective approach to countering Chinese influence in the region. Japan's new proactive approach to Southeast Asia under this scheme focuses on [three main domains](#): digitalization, green transformation, and economic resilience. This is also evident in Japan's intensive engagement with China's closest partner, Cambodia. The establishment of 'Co-creation Initiative' signals [Tokyo's efforts](#) to position itself as a credible partner in strengthening Phnom Penh's strategic autonomy amidst the high stakes of US-China rivalry.

Challenges ahead

Japan-Southeast Asia relations will likely be complicated by evolving geopolitical challenges and increasing threats to Tokyo's national security. These threats range from tensions in the Taiwan Strait and North Korea's nuclear program to the expanding partnership between Russia's Vladimir Putin and North Korea's Kim Jong Un. East Asia's security threats have grown more acute, pushing Japan to be more proactive in bolstering its defense capabilities and strengthening its alliance with the United States.

As US-China tensions continue to intensify, Japan must carefully manage its status as a respected and trusted partner while aiming to maintain enduring relationships with Southeast Asian nations. A

significant dilemma is that while Japan needs to be more active in the American camp which is mostly seen as anti-China and anti-Russia, some Southeast Asian states may feel uncomfortable with this position. Additionally, Japan's outlook on the Taiwan Strait and its potential response to a possible Chinese invasion will likely differ from that of Southeast Asian countries that have expressed strong support for the "One China Principle."

Japan must strive to balance its alignment with the United States and its proactive and pragmatic policies toward Southeast Asia. This delicate balancing act is crucial for Japan to maintain its role as a stabilizing force in the region and to continue fostering trust and cooperation with ASEAN, which remains the most important rule-based regional grouping in these challenging times.

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