



Beyond Great Power Competition: Middle Power Responses to Strategic Uncertainty in Northeast Asia

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Executive Summary

In May 2026, the National Committee on American Foreign Policy's Forum on Asia-Pacific Security convened scholars and practitioners from the People's Republic of China (PRC), Japan, the Republic of Korea (ROK), and the United States for a closed-door Track II dialogue. Participants examined how to navigate an intensifying U.S.-China competition and its effects on regional allies and partners; how to manage growing economic vulnerabilities amid the politicization of trade and supply chains; and how to preserve dialogue amid deepening mistrust.

In the wake of the Trump-Xi summit, regional actors reassessed what a recalibrated U.S.-China relationship means for the region and whether the arrangements they have long relied upon can endure. While the region has avoided direct conflict, many of the assumptions that long underpinned that stability are being tested.

Key Takeaways and Recommendations

Shifting Global Order:

- Participants referenced the emergence of “two Americas”: one that views America as the traditional alliance leader for regional stability, and another that embraces a more transactional, less predictable power with unilateral approaches that emphasize burden-sharing, spheres of influence, and selective engagement.
 - For regional actors, the challenge is not only about U.S. policy today but also about uncertainty over which vision of America will prevail and endure over time.
- The central policy question is no longer whether regional powers will balance against China's growing influence, but how that balancing will occur, with or without sustained U.S. leadership.

¹ This report reflects the notes and observations of the authors alone and is not a consensus document.

- Middle powers are assuming a more prominent role as uncertainty surrounding both U.S. leadership and China's long-term intentions grows.
- Japan and South Korea, in cooperation with other actors such as the Philippines and Australia, are pursuing strategies to increase resilience, diversify partnerships, and expand strategic options.
- Allies should reinvigorate and strengthen middle-power networks and multilateral arrangements and use issue-specific coalitions focused on economic security, supply chain resilience, tech governance, and regional security.

Economic Security:

- Economic security is becoming inseparable from traditional security concerns.
- Economic fragmentation, diversification efforts, and the weaponization of interdependence were identified as major challenges facing the region.
- Greater transparency about economic objectives and long-term strategic intentions could reduce uncertainty and mitigate risks associated with economic competition.
 - Governments should seek to balance resilience and security concerns against the economic costs of diversification and derisking strategies.

North Korea:

- The window for negotiations on North Korean denuclearization is currently closed as the regime's nuclear and missile capabilities continue to advance.
 - Chinese participants emphasized that Beijing has limited influence over Pyongyang, while others maintained that China remains central to any future framework or dialogue process.
 - Several discussants argued that future efforts should place greater emphasis on arms control and risk reduction measures.
 - Preventing a regional nuclear domino effect remains a shared concern as North Korea's capabilities become more sophisticated, although participants generally put this as a distant prospect.

Perception Gaps:

- Weakening communication channels and declining access to senior decision-makers have made it more difficult for governments to understand one another's intentions.
- Allies and partners should open and strengthen dialogue mechanisms. Preserving opportunities for engagement remains an important tool for narrowing perception gaps and reducing tensions and miscommunication.

Middle Powers and the Future of Regional Order

The conference revealed a growing concern that Northeast Asia is entering a more fragmented environment in which neither U.S. leadership nor China's regional intentions are certain. As a result, regional actors are pursuing strategies that enhance their agency and resilience. Participants repeatedly returned to the role of middle powers like Japan and South Korea as potential stabilizing forces that could mitigate the risks of great-power competition. The two U.S.

allies can play a larger role in shaping regional outcomes than in previous decades, not by replacing major powers but by building networks that reduce vulnerability to geopolitical shocks.

Japan emerged as the clearest example of the dilemmas facing regional allies. Participants noted that Tokyo has expanded defense spending, deepened security cooperation with Australia, the Philippines, and NATO partners, and taken a more active role in regional security discussions. Some participants worried that such efforts could be destabilizing, but others defended them as necessary to prepare for a future in which U.S. commitments may be reduced, rather than as an indication of a desire for Japan to become a primary architect of the regional order. Chinese participants noted Beijing's suspicions about Japan's growing role, particularly regarding Taiwan. Japanese and Korean discussants described their growing activism in regional defense as a pragmatic response to uncertainty, designed to enhance resilience and expand strategic options in a more contested regional environment. Middle-power countries understand that their ability to shape U.S. or Chinese decision-making remains constrained, and interlocutors agreed that the trajectory of U.S.-China relations will continue to be the central variable shaping the region's future.

Participants from all sides suggested that Japan may be uniquely positioned to lead aspects of an emerging middle-power coalition focused on preserving regional stability and maintaining open economic and security frameworks. Japan's focus on preserving regional trade agreements, expanding economic-security partnerships, and developing networks focused on critical minerals, supply chains, and tech cooperation is pragmatic and necessary. However, discussants also noted that China's reaction will be critical. While some Chinese participants expressed support for constructive middle-power action, others viewed many of these initiatives as components of a broader balancing effort directed against China. Whether middle-power cooperation becomes a source of stability or an additional source of regional competition will depend heavily on how Beijing interprets these efforts.

Economics and Security Converge

Economic security emerged as one of the conference's most persistent themes. Participants noted that the economic relationship between the United States and China is entering a period of increased friction, with governments adopting derisking strategies to adapt. Japanese and Korean participants acknowledged that their countries are actively diversifying supply chains and reducing dependencies on Chinese inputs in sensitive sectors. Still, they emphasized that economic integration with China remains a reality. For economies as deeply integrated into Chinese markets as South Korea's, diversification was described as a gradual and politically costly process. Participants also raised questions about what deeper economic fragmentation would mean for the region's future and global supply chains.

The economic discussion also reinforced the broader middle-power theme that emerged throughout the conference. Japanese and Korean participants increasingly described diversification, supply-chain resilience, and economic-security partnerships not simply as responses to economic risk, but as strategic tools for preserving national autonomy in an era of growing geopolitical competition. Efforts to reduce vulnerability without fully decoupling from China reflect a broader attempt to balance economic realities with security concerns. Participants

noted, however, that the political and economic costs of diversification remain significant, particularly for countries whose economies remain deeply integrated with Chinese markets.

Moreover, Korean and Japanese discussants expressed concern that the increasing use of tariffs and other unilateral economic tools was complicating regional cooperation and adding uncertainty to an already fragile economic environment. At the same time, China's use of economic coercion drew considerable criticism. Several participants argued that Beijing's willingness to leverage trade, tourism, and investment relationships for strategic purposes had heightened concerns about economic dependence, prompting governments across the region to pursue diversification and build alternative frameworks, slowing or reversing regional integration.

Despite differing perspectives, discussants broadly agreed that the traditional distinction between economic security and national security is becoming difficult to maintain. The discussion reflected a broader shift in thinking: economic interdependence is no longer viewed solely as a source of prosperity, but as a source of strategic vulnerability. As governments seek to balance competitiveness, resilience, and security, economic policy is becoming a central arena of geopolitical competition.

The Perception Gap and the Risk of Miscalculation

Across all discussions, participants repeatedly returned to the challenge of understanding how others interpret actions. While not a new concept, the weakening of communication channels, inconsistent signaling, and competing threat perceptions have made it difficult for governments to assess intentions and respond effectively and accurately. Participants unanimously acknowledged that misunderstanding and misinterpretation may be one of the most significant sources of instability in the region. Unofficial forums for dialogue have struggled under the weight of geopolitical competition.

Chinese participants continued to question why other regional actors viewed China's growing influence primarily through the lens of coercion and hegemony, arguing that policies often perceived abroad as aggressive were rooted in defensive calculations and domestic decision-making processes. One participant underscored that China's bureaucratic system can delay responses, which contributes to perceptions that Beijing is unwilling to engage. They cautioned that public rhetoric often becomes detached from policies and on-the-ground behavior, making it more difficult for governments to accurately interpret one another's intentions. American, Japanese, and Korean interlocutors acknowledged these problems while noting that limited transparency and communication from China often make it difficult to distinguish defensive intentions from coercive ones.

Trilateral cooperation was another area of disagreement. A Korean participant emphasized that South Korea, like many regional actors, is primarily seeking to safeguard its own interests. Chinese participants, however, were frank that the U.S.-Japan-ROK trilateral framework is perceived in Beijing as an instrument of containment, regardless of how its members frame it. The discussion highlighted how the same actions can be interpreted in fundamentally different ways depending on perspective. Interlocutors on all sides warned that if these gaps in perception continue to widen, they could drive escalation.

Furthermore, concerns about a potential regional nuclear domino effect were noticeably more prominent this year. Continued advances in North Korea's nuclear and missile programs, combined with uncertainty surrounding the future credibility of U.S. extended deterrence, could intensify debates in South Korea regarding indigenous nuclear capabilities. Although no participant believed this was imminent, there was broad agreement that preventing a regional cascade of nuclearization remains a shared interest among all parties. This concern will likely increase as North Korean denuclearization appears less achievable and policymakers turn their attention toward deterrence, arms control, and risk reduction.