

Executive Summary

Chapter 1

India's Foreign and Security Policy:

Expanding Roles and Influence in the Region and Beyond

US-India Strategic Partnership while Maintaining India's Strategic Autonomy

In the 2000s, India's advancement towards a strategic partnership with the United States culminated with the signing of a civil nuclear agreement between the two countries, and India's purchase of military hardware from the United States. While the United States viewed India's improved military capability as positive for the region, around 2010 India started to express reservations about further development of the US-India partnership toward a de facto alliance-like relationship. During the selection process in 2011–12 of its medium multi-role combat aircraft (MMRCA), India chose European fighter aircraft over two US fighters, showing that it put technological transfer ahead of its relations with the United States. It was also a sign of India's orientation toward strategic autonomy through the indigenous development of military hardware and equipment.

The “Partnership Game” in Asia

The prospect of the US-India relationship evolving from a strategic partnership into a de facto alliance appears unlikely, with the release in February 2012 of a policy report entitled *Nonalignment 2.0*. Here India views Asia as a “theatre of great power competition.” The report also presents the sobering recognition that a military and economic asymmetry exists between China and India, given the asymmetry in capabilities along the border and the trade imbalance between the two. As for maritime capabilities—the only area in which India has an edge over China, according to the report—it suggests that India should aim to foster closer relations with such countries as the United States, Japan, Indonesia, Australia, and Vietnam, so as to put the brakes on China's rapid catch-up in maritime capabilities, stating that it is desirable for the United States and Japan to maintain a presence in the Asia-Pacific, and for Indonesia, Australia and Vietnam to build up their naval capabilities.

As for India and the international order, the report makes a distinction between partnerships and multinational institutions. Regarding partnerships, it explicitly states confidence in maintaining a wide range of partnership choices, and proposes to manage the relationship with the United States at the level of “friends” rather

than allies. Meanwhile, the report reveals some distress on India's part in prioritizing among institutions, as well as in trade-offs between bilateral engagement and multinational institutions. Since India believes that the Asian strategic environment is largely defined by competition between China and the United States, it regards multinational institutions in the region to be an extension of the "partnership game," in the sense that they serve as a hedge for countries in the region against dependence on either China or the United States.

India's "Look East" Policy: Developments in the Security Arena

Although India's "Look East" policy, which started in 1991, focused on economic relations, its cooperation with the Association of Southeast Asian Nations (ASEAN) countries on defense also goes back to the 1990s. Two forms of cooperation can be observed: one oriented toward cooperative military-to-military relations primarily between navies, and the other the classical type of defense cooperation, such as the maintenance and supply of hardware and assisting of training.

Examples of the first type of cooperation include the goodwill exercises that India carried out with Malaysia, Indonesia, and Singapore, which began in 1993. The impetus for those was the building of trust between the United States and India thanks to the first joint US-Indian naval exercise, Malabar, held in 1992. The Indian Navy conducted joint antisubmarine warfare exercises with the Republic of Singapore Navy in 1998, and made them an annual event in the following year under the name of SIMBEX. Meanwhile, a typical example of the second type of defense cooperation was that with Malaysia, when that country purchased MiG-29 jet fighters. While Russia aggressively marketed its weaponry to the ASEAN countries, India took advantage of the opportunity to offer assistance in the areas of training, maintenance of equipment and supply of parts.

The level of defense and security cooperation deepened in the first decade of the 2000s as those countries looked toward India as a hedge against the growing influence of China. India's cooperation with Vietnam started in the field of military hardware and training support, such as the provision of equipment related to MiG-21 fighters, but the Joint Declaration of Strategic Partnership in 2007 expanded that to include efforts to ensure the security of sea lanes through capacity building, technological cooperation, and information sharing. Both India and Vietnam advanced their naval cooperation and joint development of resources in the South China Sea, and when China issued a warning about that in 2011,

India began to refer officially to its “interest in the South China Sea.” At the ASEAN Regional Forum (ARF) ministerial meeting of 2012, in reference to the South China Sea, Indian Foreign Minister S. M. Krishna officially proclaimed support of the freedom of navigation and access to resources in accordance with the principles of international law.

India’s cooperation with Singapore, in contrast, expanded from the type oriented toward cooperative military-to-military relationship primarily between the two navies, to the provision of hardware and training, also involving the air forces and armies of both countries. India concluded agreements in 2007 and 2008, respectively, to let the Singapore Air Force and the Singapore Army use domestic Indian bases for training purposes.

India’s UN Peacekeeping: Contribution to Global Peace and Stability

India sends the third-highest number of personnel to United Nations (UN) peacekeeping operations among all nations, with thirteen Indians having served as force commanders. In recent years, the country has been making efforts to raise its profile in the international community through its record of peacekeeping activities, as it tries to link its UN peacekeeping contributions to earning qualification as a permanent member of the UN Security Council.

In its UN peacekeeping activities in such countries as Sierra Leone and Democratic Republic of Congo, India has resolutely applied force whenever it is required to do so, thereby deterring spoilers. Although India’s position to pursue military objectives decisively sometimes leads to collisions with local politics and vested interests, its position of interpreting the UN mandate positively and taking on risk has won a degree of praise from the UN and Western countries. India’s peacekeeping capabilities are grounded in its counterinsurgency (COIN) capability cultivated in internal security missions.

For a long time, India tended to treat UN peacekeeping operations and US-led multinational forces as two different things, but a joint declaration between the leaders of the United States and India in 2009 confirmed “cooperation in peacekeeping” as an item to be included in global cooperation. At a US-Indian summit meeting in 2010, President Obama finally came around to support India’s bid for a permanent member of the UN Security Council, on account of his positive evaluation of India’s role in peacekeeping activities.

Chapter 2

Australia's Security Policy:

Enhancing Engagements in the Asia-Pacific Region

Review of the Defence White Paper

Australia's Julia Gillard government is currently working on the forthcoming release of the Defence White Paper. The new white paper originally was to be drawn up by 2014, but the Gillard government brought the work forward by one year, due in mid-2013. One of the reasons behind the speeding up of the review could be the acceleration of the "historic shift," with the countries of the Asia-Pacific increasing in power, and the region gaining in importance, making it even more important for Australia to reexamine its defense and security policy.

The previous Defence White Paper, drawn up in 2009, had also attempted to address the question of what this historic shift means for Australia as its central theme. The 2009 Defence White Paper made the judgment that Australia needed to reinforce its military strength to a certain degree, in light of the growing power of the countries in the region as well as potential deterioration in major power relations, proposing "Force 2030," a military buildup plan with a particular focus on the Royal Australian Navy. However, the Force 2030 plan has already encountered various difficulties. The first is the continuing tough fiscal situation that Australian government has been facing over the past five years. And in order to contribute to its commitment to bringing the federal budget back into a surplus, the Gillard government announced significant cuts in the defense budget in May 2012. The second challenge has to do with the development and maintenance of capabilities, including the delay in the Future Submarine Fleet program, a plan to introduce twelve new-type conventional-powered submarines, which were a central element of Force 2030.

While Force 2030 is facing these serious challenges, the Gillard government has increasingly emphasized the necessity of stepping up Australia's engagements in the Asia-Pacific region. This reflects at least the following three factors: (1) Asia-Pacific region has become even more important in Australia's defense strategy since the 2009 Defence White Paper was released; (2) the on-going operational drawdowns in the current major campaigns, especially in Afghanistan, allow the Australian Defence Force and Department of Defence to focus more on the increasingly important region; (3) the difficulties in the military buildup

encourage Australia to renew its recognition of regional engagements as an essential tool to address the risks arising from the “historic shift.” Thus, the further reinforcement of Australia’s engagements in the Asia-Pacific region has become an important theme in the crafting process of upcoming Defence White Paper.

Strengthening the US-Australian Alliance

Australia has already embarked on various policies to step up its engagements in the Asia-Pacific region. Its most important bilateral relationship is the alliance with the United States. In November 2011, the leaders of both countries announced the Force Posture Initiatives, which enhance US access to the bases and facilities in Australia. Several points can be gleaned from the initiative, as follows: (1) the United States and Australia are promoting the alliance as a partnership for engaging the region together; (2) renewed appreciation is being made of the geographical value of the Australian continent, which faces a broad area stretching from the Indian Ocean to the Pacific Ocean; (3) given the perception existing in some quarters that the region is witnessing not just the rise of China but also the decline of the United States, Australia clearly intends to reaffirm and emphasize the continuing importance of the alliance with the United States.

Reinforced Engagements in the Asia-Pacific

In addition to strengthening its alliance with the United States, Australia is also stepping up its engagements with countries in the Asia-Pacific, including the island countries of the South Pacific, along with Indonesia and China. The South Pacific has been regarded as a highly important region for the country’s defense policy, and Australia will continue to involve itself there by peacetime capacity building support and other cooperative efforts, as well as seeking cooperation in the region along with external countries such as the United States. As far as Indonesia is concerned, Australia has sought cooperation with that country in such specific fields as measures to deal with refugees attempting to reach Australia by boat, while stressing the importance of promoting the overall cooperation and bilateral trust between the two countries, in view of Indonesia’s rise over the long term. Moreover, in its relationship with China, Australia is continuing its engagement policy in such areas as trade and defense cooperation, while also paying attention, particularly, to potential risks of deteriorated Sino-US relations.

Progress in Japan-Australia Defense Cooperation

Australia also places a high priority on its defense cooperation with Japan, another ally of the United States, describing it as Australia's "closest partner in Asia." It can be noted that the relationship with Japan is becoming even more important in the midst of the aforementioned "historic shift." Looking back on recent Japan-Australia relations, there has been an intensification of policy dialogues and military-to-military exchanges between the two countries ever since they signed the Joint Declaration on Security Cooperation in March 2007, along with the creation of a legal foundation with the Australia-Japan Acquisition and Cross-Servicing Agreement (ACSA) and the Intelligence Security Agreement (ISA). The two countries have also accumulated a record of cooperation, such as in the disaster relief after the Great East Japan Earthquake of March 11, 2011, and in UN peacekeeping efforts in South Sudan. After the initial efforts to institutionalize the bilateral cooperation, in the fourth "2+2" meeting between the two countries' foreign and defense ministers in September 2012 announced "Common Vision and Objectives," which paves a future way for Japan and Australia to bring their cooperation up to a new stage, while there are also certain challenges standing before the bilateral partnership.

Chapter 3

Japan: Examining the Dynamic Defense Force

Change of Government: Toward a Revision of Defense Guidelines

In January 2013, the new coalition government of the Liberal Democratic Party (LDP) and New Komeito Party led by LDP President Shinzo Abe officially decided to revise the *National Defense Program Guidelines for FY 2011 and beyond* (hereinafter referred to as the "2010 NDPG"), which was formulated under the administration of the Democratic Party of Japan. The coalition government also abolished the Mid-Term Defense Program for FY2011 to FY2015. In revising the 2010 NDPG, it is important to secure the necessary budget and focus on supplementing the 2010 NDPG where it is insufficient, while examining the status of achievement of defense preparations based on the 2010 NDPG and the changes arising since its formulation. In particular, it is required to give concrete form to several themes arising in the process of formulating the

2010 NDPG but not realized. These themes include more effective participation in UN peacekeeping operations and the establishment of a policy coordination and advisory body similar to what is generally called a national security council.

Strengthening of Defense Posture in the Southwestern Islands and Response to Ballistic Missiles

In the forthcoming NDPG, the strengthening of Japan's defense posture in the southwestern islands will continue to be one of the most important issues. In particular, in addition to continuous regular intelligence, surveillance, and reconnaissance (ISR) operations, it has become imperative to strengthen seamless deterrence and response capabilities according to changing circumstances through improvement of the Self-Defense Forces' (SDF) mobile deployment capabilities and in preparation for more intense conflicts. The strengthening of the amphibious operation capabilities of the SDF and air defense posture has also become an important issue. In addition, from the viewpoint of the response to threats of anti-access and area denial (A2/AD), there is an increasing need for efforts toward improving the resiliency of bases and facilities of both the SDF and US armed forces.

Meanwhile, Japan's response to North Korea's test launches of missiles (that it called "satellites") in April and December 2012 confirmed the effectiveness of Japan's ballistic missile defense (BMD) system to a certain extent. Nevertheless, in order to deal with an actual emergency, further efforts will be required toward the more rapid deployment of forces. Japan's response can also be said to have shed light on further issues regarding the BMD system, particularly with regard to cooperation with the United States and partners.

Efforts toward US-Japan Dynamic Defense Cooperation

The dynamic defense cooperation being pursued by Japan and the United States is the application of the concept of Japan's dynamic defense force to US-Japan defense cooperation. It consists of three pillars: timely and effective joint training; joint surveillance and reconnaissance capabilities; and joint use of facilities. The joint use of US armed forces facilities in Guam and Tinian in particular will not only secure locations for joint training exercises but also lead to the strengthening of the presence of the US-Japan alliance in the West Pacific through the future joint development of Guam into an operational hub for the SDF and US

armed forces.

In the US-Japan discussions concerning roles, missions, and capabilities (RMC) and toward the revision of the Japan-US Guidelines for Defense Cooperation, the division of roles between the United States and Japan regarding situations in areas surrounding Japan will be a key issue. At the same time, it remains very important for both countries to jointly tackle global problems. If it becomes possible for the SDF to undertake wider cooperation than before with the armed forces of the US or other partners in areas such as humanitarian assistance and disaster relief, or peacekeeping, this will indicate new forms of the US-Japan alliance that go beyond the concept of dynamic defense cooperation.

Multilayered Security Cooperation in the Asia-Pacific Region

The important issues relating to multilayered security cooperation in the Asia-Pacific region are the building of a security cooperation network, the support of capacity building, and the maintenance of maritime order. As far as security cooperation network building is concerned, Japan is strengthening its relationships not only with Australia and South Korea but also with the Philippines. Although complications arose concerning defense cooperation with South Korea in 2012, this cooperation has been developing steadily in the long term. The capacity building support that Japan has been providing in recent years is one of the Ministry of Defense's main projects, and it plans to extend the scope of recipients of this support from Southeast Asian countries and Mongolia to Pacific countries. Regarding the maintenance of maritime order, with the increasing risk of a serious incident between Japan and China in particular, it has become imperative to build multilayered crisis management mechanisms not only with the People's Liberation Army (PLA) but also with organizations such as Chinese maritime law enforcement agencies.

The SDF's Global Operations

Since January 2012, the Japanese government has dispatched engineering units of the Ground Self-Defense Force for the peacekeeping operation in South Sudan. The SDF has been conducting research in cooperation with the United Nations, other countries, and NGOs on specific local needs through the Coordination Center, and independently formulating and proposing project proposals. Furthermore, "all-Japan" efforts are being promoted through strengthened

cooperation between government ministries and agencies and private-sector entities in the areas of information sharing and decision-making. From now on, it will be necessary to achieve the objectives of peacekeeping and other operations as quickly as possible and formulate an exit strategy for rapid withdrawal after achieving these objectives in preparation for the next contingency. To this end, in addition to the above-mentioned “all-Japan” efforts, it will be essential to strengthen cooperation with the United States and partners. It is also necessary to strengthen the legal structure for peacekeeping operations based on the possibility of expanding the role of the SDF in these operations.

Chapter 4

The Korean Peninsula:

“Nuclear Weapons State” North Korea Aiming to Become an Economic Power, ROK Seeking Active Deterrence Capability

North Korea: Takes First Steps to Become an “Economic Giant”

“Nuclear Weapons State” Seeking to Be an Economic Power, but Efforts to Reform and Open Likely to Fail

The Kim Jong Un regime has embarked on turning North Korea into what it calls an “economic giant” to realize its aim of building a “strong and prosperous nation.” The so-called June 28 measures transfer all authority to formulate economic policy to the party and cabinet, whose role will be to manage the economy while controlling the Korean People’s Army. The failure of the so-called July 1 measures (2002), however, suggests the latest push is also likely to end in failure.

At the diplomatic level, North Korea has been actively striving to attract investment and draw upon the experience of China and Southeast Asian countries in reforming and opening up. It remains unclear, however, whether these initiatives will bear fruit economically.

Success of December Long-range Ballistic Missile Test Puts United States within Range

The failure of North Korea’s April test of a ballistic missile intended to celebrate Kim Jong Un’s appointment as First Chairman of the National Defense Commission was followed up by a successful launch in December. Not only did

this demonstrate improved flight stability and accuracy, it also extended the range to 10,000 kilometers. That distance puts the US mainland within firing range. If North Korea succeeds in miniaturizing nuclear warheads and acquires the ability to mount such warheads on ballistic missiles, it would intensify the threat to regional security from North Korea's nuclear capability.

Shakeup of Military Leadership to Strengthen Loyalty to First Chairman Kim Jong Un

Efforts to shore up the Kim Jong Un regime include bolstering the loyalty of the military leadership to First Chairman Kim and strengthening the party's control over the military. July 15 saw the dismissal from all posts of Chief of General Staff Ri Yong Ho in accordance with the First Chairman's intention to oust members of the military who are considered disloyal to the party and the country's leader. This was followed by a further shakeup in December when Minister of People's Army Kim Jong Gak (appointed in April) was replaced by Kim Kyok Sik, former Chief of General Staff. North Korea is pressing ahead with efforts to reinforce the Kim Jong Un regime, including new economic reforms aimed at transferring the military's vested interests to the party and cabinet.

Republic of Korea: Challenges Facing the New Park Geun-hye Administration **Continued Emphasis on US-ROK Alliance while Mindful of Relations with China**

Park Geun-hye, a conservative, was inaugurated president of the Republic of Korea in February 2013. While maintaining the previous Lee Myung-bak administration's emphasis on preserving the US-ROK Alliance, the new president also hopes to resume dialogue and exchanges with North Korea in order to ensure the ROK has a voice in influencing events related to the North Korean nuclear and missile problems. Any moves to expand economic assistance to North Korea in order to reopen the North-South dialogue, however, could be seen as implicit acceptance of the North's development of nuclear weapons and missile technology.

President Park Geun-hye wants to strengthen relations with China as well as those with the United States. Reasons for this include the ROK economy's increasing dependence on China, and China's growing influence in matters concerning North Korea.

Achievements of Lee Myung-bak Diplomacy and Ongoing Challenges

During the five years he held office from February 2008, President Lee Myung-bak succeeded in diversifying and strengthening the alliance with the United States, earning a reputation for raising US-ROK relations to their highest level ever.

At the second defense strategic dialogue with China held in Beijing in July 2012, the ROK and China signed a memorandum on national defense exchanges and cooperation, agreeing to establish a hotline between their respective defense chiefs and to strengthen exchanges and cooperation in the field of military education. At the Track 2 ROK-China strategic dialogue, however, differences between the two sides were manifest, reflecting the ROK's mistrust of China's handling of the North Korean problem and China's dissatisfaction with the ROK's insistence on remaining under the US nuclear umbrella.

Efforts to foster mutual understanding and cooperation between Japan and the ROK in the fields of security and defense progressed, and the two sides made plans to sign an agreement on the protection of military information between the defense authorities in June 2012. Nevertheless, the signing was called off when the ROK abruptly requested a postponement. Japan-ROK relations entered a tense phase in August with the surprise landing of President Lee Myung-bak on the Takeshima islands. While recognizing the importance of relations with Japan, the new Park Geun-hye administration seems intent on taking a cautious approach to repairing the relationship out of concern for public opinion.

Strengthening Active Deterrence

In August 2012, the ROK's Ministry of National Defense released its *Defense Reform Plan 2012-2030*, the national defense blueprint through 2030. The plan's aim is to secure active deterrence capabilities against North Korea. Specifically, this means deterrence of local provocations, like the sinking of the corvette *Cheonan*, and asymmetric threats from missiles and chemical weapons as well as future potential threats. It also means the capability to act in the case of failure of deterrence. Part of this program focuses on ballistic missiles capable of destroying North Korea's missile launch sites. In October 2012, the ROK took a decision to extend the range of its ballistic missiles, but it will be important for the country to fully explain the intention behind this decision to others in the region and to the international community.

The Combined Forces Command (CFC) is due to be dissolved in December

2015. One challenge for the ROK will be to secure the surveillance and reconnaissance capabilities for which it has hitherto relied on the US military. For this purpose, it is hoping to take possession of high-altitude unmanned reconnaissance aircraft, such as the Global Hawk. Another challenge will be how to manage the relationship between the ROK and US military forces in the event of a contingency on the Korean Peninsula after the CFC is dissolved. The two countries are studying these issues with a view to reaching a conclusion during the first half of 2013.

Chapter 5

China: The 18th Party Congress Focuses on the Next Generation of Leadership

The 18th Party Congress Ushers in a New Generation of Leaders

The Eighteenth National Congress of the Communist Party of China (CPC) (hereafter, Eighteenth Party Congress), held in November 2012, was a milestone event that saw the departure of Hu Jintao and many other members of the party's top echelon, and the launch of a new leadership headed by Xi Jinping as general secretary. Ahead of the congress, a tug-of-war over appointments to the CPC's Political Bureau Standing Committee (PBSC) was triggered by the Bo Xilai incident, pitting a group led by Hu Jintao against a group endorsing Xi Jinping (the Jiang Zemin faction). This behind-the-scenes battle—apparently made all the more intense by the reduction of the committee's size from nine to seven members—ended with victory for the Jiang Zemin faction, which captured an overwhelmingly larger presence on the committee. Currently, only less than ten of the eighteen Politburo members outside the PBSC meet the age requirement and other criteria for promotion, and they will likely compete against one another for the five PBSC slots that will become available at the next CPC National Congress.

The Linchpins for Maintaining the CPC's Hold on Power: Promotion of Reforms and Opening up, Nationalism, and Eradication of Corruption

General Secretary Xi Jinping has embarked on a course for maintaining the CPC's hold on power through the promotion of reforms and market-opening measures, the encouragement of nationalism under the slogan of “great renewal of the

Chinese nation,” and the eradication of corruption. However, it will be extremely difficult to eliminate corruption of the higher officials of the CPC, in a nation where the party leadership continues to have strict control over the government and the military—as well as the judicial system.

China’s Mixed Reaction to the US Rebalancing: Criticism of Military Policies and Willingness for Economic Cooperation

The Chinese government has shown a mixed reaction to the United States’ rebalancing. On one hand, a Ministry of National Defense spokesperson has expressed China’s criticism of the United States’ Joint Air-Sea Battle concept and strengthening of ties with regional allies as the product of a Cold War mentality. On the other hand, a Ministry of Foreign Affairs senior official has stated that China welcomes the US presence in the region for playing a constructive role, and that both nations can coexist and cooperate with each other. Although China holds a competitive relationship with the United States in military affairs, it is also exploring opportunities for economic and trade cooperation.

With regard to its territorial disputes with neighbors, China has clearly indicated the desire to settle those issues through discussion with only the relevant parties, excluding any US involvement. This stance can be seen in a Chinese Ministry of Foreign Affairs spokesperson’s expression of strong displeasure and firm opposition to US pronouncements aimed at restraining China—specifically, the US National Defense Authorization Act for FY 2013 (signed into law in January 2013) states that the Senkaku Islands are covered by Article 5 of the Japan-US Security Treaty, and US Secretary of State Hillary Clinton, speaking at a Japan-US foreign ministers’ meeting in Washington in the same month, reiterated that position and said that the United States opposed any unilateral actions that would seek to undermine Japanese administration of those islands.

Increasingly Strained Relations with Japan

The Senkaku Islands were a source of mounting tension between China and Japan in 2012. China reacted furiously to Governor of Tokyo Shintaro Ishihara’s announcement on April 16 of his prefecture’s proposal to buy the islands, and to the Japanese government’s decision on September 11 to purchase three of the islands. However, there had been signs of the rising tension even before Ishihara’s announcement, such as Japan’s naming of previously unnamed islets and comments

made by the Chinese leadership. The actions that China subsequently took clearly reveal that it was already meticulously preparing measures for advancing its claim over the Senkakus from a very early stage. China has used the same approach with regard to the South China Sea, and shows no hesitation in carrying out actions that cause friction with its neighbors.

The PLA's Efforts for Joint Operations

Around the time of the Eighteenth Party Congress, a sweeping change of leadership also took place within the People's Liberation Army (PLA). This move appears to have stemmed from China's recently tighter enforcement of age ceilings for political and military leaders, but given that only past deputy chiefs of the PLA General Staff Department were appointed as the commanders of the branches of service, the changes can also be credited as contributing to the establishment of a joint operational structure centered around the General Staff Department. During 2012, the PLA attracted attention for conducting educational programs and exercises that indicated it was accelerating efforts to build a system of education and training focused on joint operations. It also drew attention for a joint naval exercise with Russia that underscored the PLA's eagerness to acquire advanced expertise in areas where it has fallen behind, and that was actively publicized through Chinese mainland and Hong Kong media.

Deepening Exchanges between China and Taiwan

Ma Ying-jeou of the Kuomintang was reelected as president of Taiwan in January 2012, demonstrating public support for the conciliatory policy toward China that he has taken since entering office in 2008. Taiwan's basic stance on cross-Strait talks can be summed up as "economy first, politics later" and "simple things first, hard things later," and China has been understanding toward this approach. Since most of the relatively simple matters have already been settled through the eight summit meetings of a China-Taiwan forum for bilateral working talks, further discussion will need to focus on the thornier issues. In recent years, China and Taiwan have pursued talks on not only economy and trade, but also cultural areas. Moreover, the political report given at the Eighteenth Party Congress indicates Beijing's desire to engage in talks with Taipei on security and political matters as well, including discussions toward establishing a cross-Strait military security confidence-building mechanism and reaching a peace agreement. The report also

includes a reference to the “1992 Consensus,” signifying that this expression has gained legitimacy in China as well.

Chapter 6

Southeast Asia: ASEAN and Greater US Engagement

Myanmar: Progress in Political Reform and Improvement of External Relations, but Minority Issues Persist

The new administration of Myanmar installed in March 2011 as a “civilian government” sharply changed the country’s course toward expansion of political freedoms. The Myanmar government continued its reforms during 2012, to seek national unity that encompassed reconciliation with ethnic minorities, legitimacy for its governance, sustainable development of economy, improvement of its relations with the United States and Europe to support economic development, and recovery of Myanmar’s position in international community. There are reportedly factions within the military that oppose the reforms because of their own vested interests under the old military regime, but at present at least, antireform factions have not been prominent. One reason for this absence of open opposition to reforms would be that the constitution reserves a certain level of political privilege for the military. Second, progress in reforms should promote foreign investment and the subsequent development of Myanmar’s economy, and members of the military with vested interests can expect to reap some of the rewards of such development, making it more likely that they would accept political change. Third, as can be seen in Indonesia and other countries that have undergone a similar process, establishment of a new political system can depoliticize the military and permit it to become more professional; the military is likely to support changes which will permit it to concentrate on national security and the education and training necessary for that purpose.

Progress in political reform has been accompanied by dramatic improvement in relations with the United States. On November 19, President Barack Obama became the first US president to visit Myanmar, where he met with President Thein Sein and Aung San Suu Kyi. This presidential visit gave the international community the message that US-Myanmar relations had been fully normalized. In its relations with its ethnic minorities, as of the end of 2012 the government

reached ceasefire agreements with eleven armed groups. Clashes continue, however, between the military and the Kachin Independence Army. Apart from the problem of reconciliation between the central government and the ethnic minorities, persecution of the Rohingyas has generated problems which could detract from Myanmar's overall social stability.

South China Sea: Continued Tension over Territorial Rights

Continuing the trend of 2010 and 2011, China and its counterparts the Philippines and Vietnam during 2012 sparred over territorial rights in the South China Sea, periodically heightening tensions in the region. Such interactions included more serious friction between the Philippines and China. On April 10, the Philippine naval frigate *Gregorio del Pilar* attempted to seize Chinese fishing vessels near Scarborough Shoal some 200 kilometers west of Luzon Island. This attempt was blocked by two China Marine Surveillance (CMS) vessels belonging to the State Oceanic Administration (SOA), putting the two sides in a stand-off for two months. The Philippines maintains that despite agreement for both to withdraw, Chinese patrol boats have continued to appear frequently around the shoal, preventing Philippine naval vessels from approaching, and that Chinese fishing boats have continued to operate. China has shown no sign of softening its hard line toward Philippine claims of territorial rights there.

In talks between the Association of Southeast Asian Nations (ASEAN) and China, there has been no particular progress in discussion of setting up a "code of conduct" (COC) in the South China Sea; on the contrary, China's strengthening relationship with Cambodia prevented the parties from agreeing on a joint communiqué for July's ASEAN Ministerial Meeting. This reflects a lack of agreement within ASEAN regarding the South China Sea issues. At the ASEAN meetings during November, China declined to agree on a start to discussions aimed at establishing a COC, and there was no real progress in China-ASEAN consultations on the South China Sea.

US Rebalancing toward the Asia-Pacific and Various Responses from ASEAN Countries

In January 2012, the US Department of Defense announced new Defense Strategic Guidance, making clear that the US strategy was a rebalancing of its approach to the Asia-Pacific region. Against the background of China's growing prominence,

this represented the Obama administration's continuation of the United States' return to Asia. For Southeast Asia, this is interpreted as a greater attention to the South China Sea issues as well as a strengthening of the US military's presence in the region through such steps as the deployment of US Marines to Darwin, Australia, and a plan to deploy littoral combat ships (LCS) to Singapore. While this has been welcomed by ASEAN members as a means to restrain China from excessively expanding its military influence, there is also concern that it may well increase military tensions in the region and contribute to instability there. US bilateral approaches have not been limited to the Philippines and Vietnam as described above; US ally Thailand, a cooperative Singapore, and regional giant Indonesia have also been included in such approaches.

Chapter 7

Russia: The Second Putin Administration's Stance toward China and Focus on Asia

Boosting Defense Spending to Revitalize the Russian Defense Industry

In the Russian draft budget for 2013, defense expenditure is scheduled to grow by 14.8 percent year on year, and in the budget plans for 2014 and 2015 the growth rate is scheduled at 16.8 percent and 23.0 percent, respectively. In absolute value terms, it will grow from 1,864.8 billion rubles in 2012 (or 3 percent of GDP) to 3,078 billion rubles in 2015 (3.7 percent of GDP), for an increase of more than one trillion rubles. This could be explained by not only the direct motivation of a desire to maintain and if possible increase Russian military power through modernization, but also the aim of revitalizing the national defense industry—which possesses advanced technological expertise—to promote technological innovation throughout the economy as a whole. In addition, it will help address social issues by enabling the defense industry to support the economies of various regions of Russia. Moreover, as military cooperation with other countries is seen as an effective means of promoting the development of the Russian defense industry, the government has signed a deal with France for the purchase of two *Mistral*-class assault ships and the building of further two ships in Russian shipyards, and has also reinforced its military technology cooperation with India involving the development of fifth-generation fighter planes.

Unequal Partnership of Russia and China

Although the present relationship between Russia and China is officially announced to be “at their highest level in history,” and the two countries give the appearance of highly cordial relations on the political stage, the details of their strategic partnership are becoming increasingly complex. This is against the backdrop of the fact that China’s GDP grew to four times the size of Russia’s in 2011 and the former position of the Soviet Union as a mentor to the newborn People’s Republic of China decades ago has been turned on its head, with Russia now hardly able to maintain a relationship on an equal footing with China. Thus, Russia is also making efforts to strengthen its strategic ties with India, which is a traditional rival of China, and with Vietnam, which is currently locked in territorial disputes with China over islands in the South China Sea. In late April of 2012, Russia and China conducted their first joint naval exercise, Maritime Cooperation 2012, in the Yellow Sea near the city of Qingdao. Compared with their previous joint military exercises, which were aimed at demonstrating to other countries the strategic cooperation between Moscow and Beijing, the recent naval exercise seems to have been intended more as an opportunity for the two sides to assess each other’s capabilities.

China’s Expanding Maritime Operations, and the Russian Navy’s Growing Presence in the Arctic and the Far Eastern Waters

The ongoing melting of the Arctic ice pack is adding to Russia’s list of military and security concerns. In the summer of 2012 the *Xuelong* (Snow Dragon), a Chinese icebreaking research vessel, passed through Soya Strait (La Pérouse Strait) into the Sea of Okhotsk on its way to the Arctic Ocean. The Russian military has long regarded the Sea of Okhotsk as a de facto Russian inland sea—a “sacred area” set aside for Russian military activity only—and this event caused considerable apprehension in Russian military circles. For this reason, the maneuvers conducted by the Russian Navy off the coast of the country’s Far East region seem designed to prepare it for an increased presence by the Chinese on the high seas. President Putin has adopted a policy of strengthening naval presence both in the Arctic Ocean and in the Sea of Okhotsk and adjacent maritime zones. Out of the eight *Borey*-class nuclear-powered ballistic missile submarines (SSBN) scheduled to be purchased by 2020, the first to be completed—the *Yuriy Dolgorukiy*—will enter service in 2013 and the second—the *Alexander Nevskiy*—

in 2014. Roughly a quarter of the total planned defense equipment procurement expenditure up to 2020 will be allocated to strengthening the Russian Navy.

Russia Seeks Cooperation with the United States and Japan in Maritime Security Sphere

At recent bilateral summit meetings and foreign ministerial conferences between Russia and Japan, Moscow has persistently requested Tokyo to cooperate in security matters, particularly maritime security. When Russian Security Council Secretary Nikolay Patrushev, who is a close confidant of President Putin, visited Japan in late October 2012, the two sides reached agreement on further Russo-Japanese cooperation initiatives in the security field. Recognition that China's maritime activities on the high seas will expand in a northerly direction in the near future is a factor motivating Russia to seek cooperation with Japan and the United States in the maritime security sphere. As shown by the official participation of Russian Pacific Fleet vessels for the first time ever in the RIMPAC (Rim of the Pacific Exercise), hosted by the US Navy offshore of Hawaii from the end of June 2012, future active cooperation between Moscow, Tokyo, and Washington can be expected in the area of national security. Russia envisages joint trilateral military exercises, and the focus of interest in coming years will be on how Japan and the United States respond to these requests for cooperation in the security field.

Chapter 8

The United States:

Challenges for the Obama Administration's Second Term

Fiscal Cliff Deal and Future Defense Budget Cuts

A major challenge facing the Obama administration's security policy is how to balance its global security commitments and resource distribution. Following the enactment of the Budget Control Act of 2011 (BCA), the Department of Defense already announced plans in January 2012 to implement a \$487 billion reduction of national defense spending in the ten-year period from fiscal 2012 through 2021. Meanwhile, a measure for automatic spending cuts known as "sequester," which cuts the federal budget even more during this period, was also included in the BCA. In the 2012 year-end negotiations conducted between the Obama

administration and House Republican leadership to avoid the looming “fiscal cliff,” it was agreed to delay the start of sequestration to March 1. The fiscal situation, however, continues to be extremely severe, with the mounting federal deficit and growing social security costs. In addition, military personnel pay, benefits, and medical costs, as well as fuel and equipment maintenance costs, are increasing, and less resources are available for force modernization. This has led to arguments that fiscal space for modernization should be secured by downsizing the force structure itself.

The Asia-Pacific Rebalancing Policy

From 2011 to 2012 the Obama administration clearly announced the “Asia-Pacific rebalancing” policy, signifying the centrality of the Asia-Pacific region in its foreign and security policy. As part of this effort, the administration is strengthening its ties with the regional countries. With the aim of building more comprehensive relationships including security cooperation, high-ranking US government officials—including Secretary of State Hillary Clinton and Secretary of Defense Leon Panetta—actively toured Southeast Asian countries such as the Philippines, Vietnam and Indonesia, and India as well.

This announcement seems aimed in part at allaying the security concerns of the Southeast Asian countries involved in the territorial disputes in the South China Sea that have flared up from China’s assertive behaviors since 2010. At the same time, the Obama administration is sending a strong signal for Beijing to restrain its assertive actions in the region. This rebalancing policy does, of course, take into consideration the long-term impact of China’s economic and military rise upon regional stability. Therefore, it is not just a military strategy, but also a comprehensive policy that includes enhancing the US presence in the region, building the military capacities of its allies and partners, and supporting regional institutions and countries to develop a mechanism for ensuring observance of international rules by strengthening its partnerships with them.

Force Shift to the Asia-Pacific and the Marine Corps Distribution

US force posture in the Asia-Pacific is also under review as a part of the rebalancing to this region. Within this review, emphasis is placed on enhancing the US military presence in Southeast Asia and toward the Indian Ocean. Specifically, this calls for the rotational deployment of LCS to Singapore, conducted as one facet of the

strengthening of naval presence in the Asia-Pacific, and the strengthening of the Marine Corps in the region, including rotational deployment to Darwin, Australia. This strengthening of force presence in the Asia-Pacific focuses on a “small-footprint” approach that does not require the establishment of permanent bases.

Increasing Efforts to Address the South China Sea Disputes and Ratify the UNCLOS

Since 2010, the Obama administration has indicated that it will also continue to place importance on maritime security, and has shown increased interest in finding a peaceful resolution to territorial disputes in the South China Sea. The administration has been encouraging ASEAN to secure its unity and to play a more active role for a peaceful solution to these disputes. It has also repeatedly urged the claimants to work collaboratively and diplomatically to resolve disputes in a peaceful manner, with respect for international law, and to formulate a legally binding COC agreement. Against the backdrop of increasing interest in maritime security, the Obama administration is also advancing efforts for ratification of the United Nations Convention on the Law of the Sea (UNCLOS), which the United States signed in 1994.

Challenges in Implementing the Asia-Pacific Rebalancing Policy

Many problems also accompany this effort to rebalance to the Asia-Pacific. With federal budget cuts on the negotiation table, it might become increasingly difficult to secure the resources necessary to continue enhancing US engagement in this region. There are also issues of whether the United States can continue to improve relations with China, and whether ASEAN and other regional institutions can function effectively. Meanwhile, as a global power, the United States cannot neglect the instability in the Middle East that is associated with Iran’s nuclear ambitions, Syria’s civil war, and other concerns. In addition, uncertainty remains as to whether operations in Afghanistan can be brought to a successful conclusion by the end of 2014 as planned. A continuous rebalancing toward the Asia-Pacific could thus become difficult depending on the situation in other regions.

