Chapter 1
Japan: New Development of National Security Policy

New Development of National Security Policy
In the general election of December 16, 2012, the Liberal Democratic Party (LDP) won 294 seats, returning to power together with the New Komeito Party after three years in opposition, and forming the second administration led by LDP President Shinzo Abe. An important policy objective of the Abe administration has been to return the Japanese economy to a growth path. At the same time, the Abe government has been promoting a substantial change in national security policy. This revolution consists of measures such as establishment of the National Security Council, formulation of the National Security Strategy, enactment of the Information Protection Law, formulation of new National Defense Program Guidelines (hereinafter “NDPG”), and reconstruction of the legal basis for security.

Establishment of National Security Council and Formulation of National Security Strategy
The National Security Council was established on December 4, 2013. The first substantive decisions taken by the National Security Council were the formulation of the National Security Strategy, NDPG for FY2014 and beyond (hereinafter “2013 NDPG”), and the Mid-Term Defense Program for FY2014 through FY2018 (hereinafter “2013 MTDP”). Of these, the National Security Strategy was formulated for the first time in Japan. This National Security Strategy defines national security centering on diplomacy and defense, covering a wide range of related national security issues and setting forth “proactive contribution to peace based on the principle of international cooperation” as a fundamental approach to these issues.

Establishment of New National Defense Program Guidelines
What the successive NDPG formulated respectively in 1995, 2004 and 2010 have in common is the pursuit of enhanced effectiveness of the defense force, such as the improvement of readiness. Against this background, amid the dynamically changing security environment, it has come to be considered important to pursue not only the static deterrent effect of the defense force that has been built up over the years, but also actual effects achieved through the operations of the Self-Defense Forces (SDF). The 2013 NDPG was formulated in the context of these
ongoing efforts to improve effectiveness. In this respect, the distinctive characteristic of the 2013 NDPG is the establishment of an order of priority emphasizing maritime and air superiority according to capability assessment based on joint operations.

**Strengthening of Deterrent in “Gray-zone” Situations**

The awareness that forms the basis of the 2013 NDPG is that the international security environment surrounding Japan is becoming increasingly severe due to China’s continuous military expansion and intensification of its maritime and air activities as well as the progress of North Korea’s nuclear and missile development. In particular, amid an “increase in the number of so-called ‘gray-zone’ situations, that is, neither pure peacetime nor contingencies,” gray-zone situations in the Asia-Pacific region “tend to linger, raising concerns that they may develop into more serious situations.” The strengthening of deterrent in such gray-zone situations has therefore become an important issue. In particular, in order to enhance the effectiveness of deterrent in gray zones in an “increasingly severe” security environment, the 2013 NDPG stress the importance of improving both the quantity and quality of equipment.

**Capability Assessment Based on Joint Operations and Emphasis on Maritime and Air Superiority**

In promoting such quantitative and qualitative improvements, it will be necessary to determine a precise and appropriate course of action in order to ensure the effective resource allocation within the limited defense budget. The specific methodology adopted in the 2013 NDPG for this purpose is capability assessment based on joint operations.

Based on the results of capability assessment, a policy stated in the 2013 NDPG prioritizes the development of capabilities to ensure maritime and air superiority, which is the prerequisite for effective deterrence and response in various situations, including defense posture buildup in the southwestern region, and emphasizes the establishment of rapid deployment capabilities with a view to establishing a wide-ranging logistical support foundation.

**From Dynamic Defense Force to Dynamic Joint Defense Force**

In the 2013 NDPG, the basic concept set forth in place of the “Dynamic Defense
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Force” proposed in the 2010 NDPG is the “Dynamic Joint Defense Force.” This pursues a more effective build-up of defense force that can dynamically conduct various operations as the situation requires, placing particular emphasis on readiness, sustainability, resiliency and connectivity.

This is in line with the consistent efforts of the SDF since the end of the Cold War to strengthen deterrent and response capabilities by improving the effectiveness of the defense force. However, the form of defense force is outlined in the 2013 NDPG differently both from the 2004 NDPG, which aimed to reduce “Cold-War style equipment” such as antiaircraft and antisubmarine warfare capabilities, and from the 2010 NDPG formulated at a time when the security environment was not as severe as at present, even though the change in the balance of power due to the rise of China had been recognized. Bringing an end to the long trend of defense budget reductions, the appropriate form of defense force determined in the 2013 NDPG aims to strengthen the defense force with emphasis on maritime and air superiority on the basis of the policy direction identified through capability assessment of the “quantity and quality” of the defense force based on joint operations.

Chapter 2
The Korean Peninsula: The Start of North Korea’s “New Strategic Line” and South Korea’s “Trust Diplomacy”

Pursuit of a Dual Policy of Economic and Nuclear Development
North Korea is continuing to make efforts toward positioning itself as a de facto nuclear weapons state and reforming its economy, while also taking steps to strengthen the political base of First Chairman of the National Defense Commission Kim Jong Un through actions such as the purge of Vice-Chairman of the National Defense Commission Jang Song Thaek.

Under the third year of the Kim Jong Un regime, North Korea adopted a new strategic line of simultaneously building up both its economy and its nuclear weapons following its third nuclear test, and took further steps to turn its position as a nuclear weapons state into a fait accompli, including by passing the “Law on Consolidating Position of a Nuclear Weapons State for Self-Defense”—which
can be deemed a very rudimentary but substantive nuclear doctrine—and by restarting an offline nuclear reactor. As for efforts toward economic growth, however, North Korea still has a long way to go to achieve the goal of transforming itself into an economic giant, as attested to by various economic indicators.

The purge of Jang Song Thaek in December 2013 is seen as having strengthened the gravitation of power toward First Chairman Kim Jong Un, and thereby further cementing the foundation for his establishment of one-man rule over the country. At the same time, the elimination of Jang and his inner circle signals that the transition of leadership to Kim Jong Un’s generation has made further headway in not only the armed forces but also the Workers’ Party of Korea. The execution of Jang, who was considered an advocate for economic reform, raises the concern that the “new strategic line” will lean more heavily toward the military side, but it is probably better understood as simply a step toward reinforcing the established line of strategy.

North Korea’s Combined Use of Provocation and Dialogue

From March through May 2013, North Korea increased tensions by repeatedly using hard-line rhetoric suggesting the possibility of military attacks and by engaging in military maneuvers, against the backdrop of its ongoing efforts to turn its status as a “nuclear weapons state” into a fait accompli.

This assertive posture, however, appeared to soften somewhat after China started stepping up its pressure on Pyongyang in various ways, including a statement by a senior Chinese official insinuating that North Korea had been downgraded as a partner, and the institution of domestic measures for complying with international sanctions placed on North Korea. In late May, Director of the KPA General Political Bureau Choe Ryong Hae visited Beijing as a special envoy to First Chairman Kim Jong Un and indicated to the Chinese leadership that North Korea was willing to engage in dialogue with the relevant parties. In addition, talks between the two Koreas were restarted in June, and Kaesong Industrial Zone was reopened in September. Nevertheless, China’s pressure has been cautious and limited, and the perspectives and stances of the two Koreas, China, and the United States diverge in various respects, so the prospects for resumption of the Six-Party Talks remain murky.
G2 and Asia’s Paradox: President Park’s Foreign Policy

South Korea’s Park Geun-hye administration, which took office in February 2013, has been pursuing a foreign relations and security policy that places unprecedented weight on partnering with China while remaining grounded in the US-ROK alliance. With respect to Japan, however, the administration has single-mindedly exerted pressure on the Japanese government over issues concerning the two nations’ past. This difference in policy is likely the product of the perception of China as a new superpower standing alongside the United States—the so-called G2 notion—and the decline in Japan’s importance in the eyes of South Korea. Despite various assertive actions taken by China, such as the declaration of an “East China Sea Air Defense Identification Zone,” President Park has extolled Sino-South Korean relations as being closer than ever before.

The Kill Chain and KAMD Systems

The Park Geun-hye administration’s defense policy is a continuation of the one taken up by the preceding Lee Myung-bak administration. While bolstering the US-ROK joint response plan for dealing with possible local provocations and nuclear/missile threats by North Korea, President Park’s government is taking steps to beef up South Korea’s own strike and defense capabilities.

As part of these efforts, South Korea is developing a kill chain system to destroy North Korean nuclear weapons and missiles before they are launched. The ROK military already possesses a diverse array of strike weaponry, including ballistic missiles, cruise missiles, and GPS-guided bombs, but needs to work on enhancing its surveillance and reconnaissance capabilities.

South Korea declined to participate in the US-led missile defense (MD) system due to its proximity to North Korea—and possibly out of consideration for China—and instead has been building up the Korean Air and Missile Defense (KAMD) system as a means for intercepting incoming hostile missiles at low altitudes. Some experts in South Korea have been arguing for the need to also develop capabilities that, like the MD system, can intercept missiles at high altitudes.

Wartime operational control (OPCON) of ROK combat forces is slated to be transferred to South Korea from the Commander of the ROK-US Combined Forces Command (a US Army four-star general) in December 2015, but the South Korean government has requested that the transition be postponed, citing concerns over improvements in North Korea’s nuclear and missile capabilities. The US and
South Korean governments are expected to reach a decision sometime in the early half of 2014.

Chapter 3
China: The Xi-Li Administration Faces Rough Going

Beset by Elements of Instability
At his first press conference after assuming office, Premier Li Keqiang stated that China would maintain an average GDP growth rate of 7 percent through 2020; after peaking in 2007, however, the Chinese economy has instead been slowing down. In 2012 the working age population went into a downturn, and this, along with a backswing in China’s excessive rates of investment since 2008, leads some researchers to believe that China is entering a period of growth rates around 5 percent. After launching its policies of reform and opening up, the Communist Party of China (CPC) used the extended period of high-level economic growth to lend legitimacy to its governance of the country, albeit at the cost of limitations on the people’s political freedom. Now, Premier Li’s promotion of his “Liconomics” putting structural reform ahead of development seems to invite opposition from the class already enjoying their vested interests under the current structure. In combination with possible expansion of the number of ordinary Chinese concerned by a seeming slowdown in the economy, these trends could become a cause of social instability.

Other potential causes of instability include ongoing Uygur violence since late June 2013 in the Xinjiang Uygur Autonomous Region and corruption among the CPC leadership as typified by former Secretary of the CPC’s Chongqing Municipal Committee Bo Xilai and former Minister of Railways Liu Zhijun. In the party’s future enforcement of official discipline, the focus will be on whether or not Zhou Yongkang, former member of the CPC Central Committee Political Bureau Standing Committee and a staunch supporter of Bo Xilai, will feel the long arm of the law. Since the end of the Cultural Revolution, not a single person who has served as a Political Bureau Standing Committee member has been arrested despite falling from power. One measure for rating the Xi Jinping administration’s true willingness to clean up corruption in the CPC—its readiness to “swat both tigers and flies” as phrased by Xi —would be whether it defies precedent and
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takes legal action to try former Standing Committee members who have dirtied their hands.

Diplomacy Stressing “Core Interests”
At a July CPC Political Bureau study session on developing China as a maritime power, Xi Jinping, speaking in his capacity as CPC general secretary, stated that China loved peace and would follow a “path of peaceful development,” but he stressed that “in no way will the country abandon its legitimate rights and interests, nor will it give up its core national interests.” Xi declared that China will prepare to cope with all sorts of complexities, enhance its capacity to protect its rights and interests at sea, and resolutely safeguard its maritime rights and interests. Under Xi Jinping’s leadership, China’s diplomatic policy was to follow that path of peaceful development, working in cooperation with international society to achieve an international environment essential to economic development. Nevertheless, Xi’s presentation served to strengthen Chinese assertions and actions regarding what it sees as its “core interests,” in particular regarding maritime issues of sovereignty and territorial rights and other maritime rights and interests.

“Neighboring Diplomacy” Fraught with Contradictions
China is seeking to develop diplomacy that emphasizes protection of its sovereignty, rights, and interests in maritime affairs, an approach that has generated conflict with some of its neighboring countries. In the East China Sea, China has pressed its unilateral position regarding the Senkaku Islands, which are Japan’s inherent territory, and it is engaged in disputes with its Southeast Asian neighbors, including the Philippines and Vietnam, regarding territorial rights over the Spratly Islands and the Paracel Islands. Backed by its national power, China has repeatedly shown itself stubborn in dealing with such issues, heightening the concerns of its regional neighbors.

PLA Operations Linked to Foreign Policy
In recent years, one notable characteristic of People’s Liberation Army (PLA) military operations has been to conduct a variety of exercises that are aligned with the CPC Central Committee’s foreign policy and to actively report the contents of the exercises through mainland and Hong Kong media. In 2013 the PLA carried out a number of exercises that seemed to have the Central Committee’s
policies toward Japan fully in mind. PLA Navy (PLAN) exercises in the western Pacific have become commonplace in recent years, and this posture was also maintained during 2013. In October PLAN’s three fleets (the North Sea Fleet, the East Sea Fleet, and the South Sea Fleet) joined together to conduct “Jidong 5” or Mobilization 5, large-scale exercises in the western Pacific. At that time Chinese Ministry of Defense spokesmen and the Chinese media made a point of stressing that the waters between Okinawa Island and Miyako Island were an international sea lane and that PLAN exercises in the western Pacific presented no problems under international law. At the same time, China one-sidedly criticized Japanese monitoring activities.

A Bottleneck in Developing Indigenous Transport Craft
During 2013, the PLA worked toward modernization of its equipment, particularly for its air and sea branches. China has emphasized technology transfer from Russia as an important factor in such modernization. A Ministry of Defense spokesman announced in December 2012 that China was moving steadily forward with development of the domestically manufactured Y-20 heavy transport craft for the PLA Air Force (PLAAF). The external design of this aircraft appears to have been influenced by Russian and US transport planes, and some sources claim that it will be powered by Russian-made engines. Even though Chinese media have reported that eventually the Y-20 will carry Chinese domestic engines, development of that engine still seems to present China with a bottleneck.

Chapter 4
Southeast Asia: South China Sea Grows More Complicated

The Philippines and the South China Sea: Starker Confrontation with China
As China continued a hard-line posture in the South China Sea during 2013, three aspects of the Philippines’ response deserve particular attention. First, the Philippines invoked arbitration as provided in the United Nations Convention on the Law of the Sea (UNCLOS). The annual January session of the International Tribunal for the Law of the Sea accepted the Philippines’ petition for arbitration, set up a panel of arbitrators, and issued an order setting the timetable and procedures for arbitration. The Philippines’ second countermeasure was seeking
to strengthen military cooperation through its alliance with the United States. With an eye to increasing bilateral training exercises and strengthening the US military presence in the Philippines, Washington and Manila opened consultations toward agreement on a structure for the US military’s “increased rotational presence.” Third, the Philippines strengthened security cooperation with Japan. The two countries agreed on support for capacity building in the areas of maritime security, humanitarian assistance and disaster relief (HA/DR), and air traffic safety. In addition, the Japanese government indicated its intention to provide the Philippines with ten patrol boats as official development assistance (ODA).

**Vietnam and the South China Sea: Seeking “Diversified Military Diplomacy”**

Tension continues between Vietnam and China over territorial rights in the South China Sea, but Vietnam’s response differs greatly from that of the Philippines. Vietnam is trying to deal with its South China Sea issues using a two-pronged approach, which combines a multilateral approach through ASEAN with a diversified diplomatic approach of building stable bilateral relationships with all of the countries involved, including China. The targets of Vietnam’s diversified “military” diplomacy are primarily the United States, Russia, Japan, India, and China, with 2013 seeing notable increases in military cooperation with Russia. During Russian Defense Minister Sergei Shoigu’s visit to Vietnam in March, the two countries agreed on Russian aid toward facilities development in Cam Ranh Bay. In November Russia delivered the first *Kilo*-class submarine to Vietnam and is providing training to submarine crews. Vietnam is also strengthening its relations with the United States, Japan, and India through joint exercises and strategic talks, in addition to which it is seeking a more stable relationship with China by establishing hotlines between relevant agencies and taking part in joint maritime development activities outside the disputed areas.

**ASEAN and the South China Sea: A Milestone in Creating a Code of Conduct**

ASEAN has long sought to deal with issues in the South China Sea by seeking Chinese agreement on a legally binding “code of conduct” (COC). In September 2013, official ASEAN-China working-level consultations were initiated; neither side touched on the contents of a COC per se, but agreement was reached on procedures and methods for conducting the consultations, including holding the official consultations more often on a regular basis, presentation of regular reports
on the consultations to each of the concerned foreign ministers, and establishment of an Eminent Persons Expert Group (EPEG). After debate on a COC that has stretched out over ten years, reaching such agreement on procedures and methods for official consultations can be interpreted as progress, but the drafting and adoption of a substantive COC will probably require a considerable period. Still, despite the lack of progress in real consultations on a COC, a start has been made on preventing escalation of tensions. At the September consultations, ASEAN and China agreed to discuss the establishment of hotlines that would permit quick response to accidents here in the future, including search and rescue activities. It is worth noting that ASEAN and China share a common appreciation of the significance of crisis management as a means of dealing with unforeseen events in the South China Sea and preventing unintended aggravation, as well as a common recognition of the importance of search and rescue cooperation on the high seas.

Development of the ADMM-Plus: Progress in Institutionalization

During 2013 there was rapid progress on giving a more systematic role to the expanded ASEAN Defence Ministers’ Meeting (ADMM-Plus) established in 2010. A number of experts’ working groups (EWG) will be the actual moving force in seeking substantive security cooperation through the ADMM-Plus. The original five EWG—HA/DR, maritime security, counterterrorism, military medicine, and peacekeeping operations (PKO)—expanded their purview in 2013 when they were joined by a new EWG on humanitarian mine action. With every formal session of the working groups, a system of rotating a group’s joint chairmanship, whereby an ASEAN member and one of the other participating countries share the gavel, is increasingly becoming the norm. During 2013, joint exercises were conducted or planned for all of the five EWG areas, and in future the EWG are also expected to conduct joint exercises centering on nontraditional issues on a regular basis. Since the frequency of ADMM-Plus plenary sessions has been increased from every three years to every other year, it will likely be in a better position to make substantive contributions to greater cooperation among the participants.
Chapter 5
Australia: Bipartisan Consensus for Deeper Engagement in Asia

Inauguration of the New Abbott Government and Bipartisan Engagement in Asia

In 2013 Australian domestic politics went through a period of transition. In June, Julia Gillard was replaced by Kevin Rudd as prime minister as a result of a leadership ballot at a Labor Party’s caucus meeting. Two months later, the general election in September ended with the victory of the Coalition led by Tony Abbott defeating Kevin Rudd and the Labor Party. Despite those domestic political transitions, however, the basic tenets of Australia’s security policies remained largely unchanged. The broad consensus between the two major parties was illuminated by the fact that both the Labor Party and Coalition governments share a common recognition that the so-called “Indo-Pacific” region is emerging as the most important region from both perspectives of Australian security in particular and the global dimension more widely. Based on such shared recognition of the “Indo-Pacific” century, both governments concur on the grand policy vision that Australia needs to reinforce active engagement toward that region. In that respect, the year 2013 witnessed an unmistakable demonstration of Labor-Coalition bipartisan support for Australia’s deeper engagement towards the rising “Indo-Pacific” region.

Indeed, the Coalition led by Abbott has emphasized, since the election campaign, the Asia-Pacific/Indian Ocean region as a key priority for its foreign affairs. Once the new government was inaugurated, the prime minister, foreign minister, and others did make good on that pledge, having made official visits to several Asian countries. Nonetheless, the existence of such a bipartisan consensus does not necessarily mean that the Asian policies of the Labor Party and the Coalition are identical in every respect. Rather, the Abbott government has been introducing its own colors and tastes into Australia’s Asian engagement including, most particularly, the Coalition’s pledge to further strengthen the alliance relationship with the United States. In that spirit, the Abbott government has repeatedly expressed its strong declaratory stance in relation with East China Sea situations on some key diplomatic occasions including the Australia-US Ministerial Consultations (the so-called “AUSMIN 2+2”) meeting held in November.
New Defence White Paper and Defence Engagement in the Indo-Pacific

In May, the Gillard Labor government released its 2013 Defence White Paper. Australia’s Defence White Paper is the most important public document concerning its defense policies, which has now been released six times since the first crafting in 1976. As stated above, the Labor government that published the 2013 Defence White Paper was defeated in the September general election, and is thus no longer in power. In that respect, it cannot be denied that the value of the document as a reference point for understanding the country’s defense policies has certainly diminished; indeed, the new Abbott government that was launched in September has announced its intention to draw up a new White Paper within eighteen months. In the meantime, given that the forthcoming White Paper is in many ways being formed based on review of the previous document, understanding the 2013 Defence White paper will be an essential step for anyone who attempts to analyze the next White Paper due in 2015. For this reason this year’s East Asian Strategic Review decided to conduct a detailed analysis of the 2013 Defence White Paper in order to offer an essential intellectual foundation for analyzing the forthcoming White Paper now being crafted by the Abbot Coalition Government. Towards this end this chapter especially focuses on the following two aspects of the White Paper.

The first point relates to the concept of the Indo-Pacific. The 2013 White Paper replaces the formerly used notion of the “Asia-Pacific,” with the new concept of the Indo-Pacific, referring to that broad region stretching from the Indian Ocean through Southeast and Northeast Asia to the Pacific Ocean.

The second issue to be discussed in detail is the White Paper’s emphasis on the need to reinforce the International Defence Engagement policy. What this policy concept refers to in more concrete terms include a wide ranging peace-time activities conducted by Department of Defence as well as Australian Defence Force, including bilateral and multilateral unit-to-unit exchanges including joint trainings and strategic dialogues with defense officials of other countries. The 2013 Defence White Paper has made it clear that such Defence Engagement policy should be expanded in the Indo-Pacific, a priority region towards which the global center of gravity is rapidly shifting in both economic and strategic terms.

Strengthening the US-Australia Alliance

In 2013, the US-Australia alliance was strengthened in several ways, the first
being the decision to expand the scale of the US Marines rotational deployment in Darwin to around 1,100 troops beginning in 2014, up from the previous level of 200. Part of the work in preparation for that has already been carried out, including the enhancement of the facilities in Darwin to receive the larger-scale Marines force and a Proof of Concept exercise for the purpose of checking a training site where the expanded rotational force from next year on is expected to conduct activities. Also, plans were being formed for increasing access of the US Air Force (USAF) in northern Australia, such as a review of measures to expand access at Royal Australian Air Force (RAAF) Bases Darwin and Tindal. On top of such developments in the US-Australia Force Posture Initiative, another allied move seen in 2013 was the ratification of a defense trade treaty while both countries also signed an agreement for streamlining Australian access to outer space-related data of the US military. In these ways Australia steadily took tangible steps in promoting the alliance relationship with the United States.

Chapter 6
Russia: Japan and Russia Hold First-ever “Two-Plus-Two” Meeting of Foreign and Defense Ministers

Putin’s Personal Micromanagement of Administrative Affairs and Tightening of State Control against the Background of his Weakening Leadership

President Vladimir Putin has recently suffered an erosion of his political base, with declining approval ratings and the recent dismissal of a number of his aides. On the domestic front, the Putin administration has been characterized by measures designed to appeal to the general public, while on the diplomatic front it has adopted a notably assertive stance aimed at placating conservative forces within Russia by emphasizing the country’s status as a great power. Among the Russian public there is a growing feeling that the administration is bereft of ideas, as well as an underlying dissatisfaction with the government’s performance. This comes against the backdrop of its perceived failure to deal with rampant corruption, narrow the gap between the country’s rich and poor, more thoroughly democratize Russian politics, or deliver economic growth.

Putin’s control over his own government is seen to be weakening, as indicated
by the failure of certain cabinet members to carry out objectives outlined by presidential decrees. In response, the president has been taking more personal command over the drafting and implementation of individual policies, a form of direct micromanagement sometimes termed “manual control.” Other notable moves in the direction of stronger state control by the administration include a crackdown on political demonstrations and the adoption of a law prohibiting so-called “homosexual propaganda.” In its relations with the outside world, the Putin administration aims to expand Russia’s influence within the international community through active participation in various events, notably the 2014 Winter Olympics to be hosted by the southern Russian city of Sochi, as well as the G8 summit meeting to be hosted by Russia in June 2014.

**Russia Strengthens Military Presence in Arctic to Counter Growing Strategic Risks**

The Russian government places a high strategic priority on the Arctic from the security perspective in view of the need to secure the Northern Sea Route as well as develop natural resources in that region. In addition to drawing up the *Strategy for the Development of the Arctic Zone of the Russian Federation and National Security for the Period up to 2020*, it plans to resubmit its application to the United Nations for the extension of the current limits of the Russian continental shelf.

Moves have been observed to strengthen the country’s military presence in that region through the creation of new specialized Arctic military forces and the expansion of the air force’s network of bases there. This is believed to stem from the authorities’ perception that the strategic risks posed in the Arctic are growing. The Russians have begun to view the Arctic and the Russian Far East as a single, strategically unified military theater, and as a result are strengthening their naval and border security forces in both regions. The Russian military is concerned about potential use by Chinese ships of the Sea of Okhotsk as a shortcut to the Arctic Ocean, and is believed to be hoping for increased cooperation with Japan with regard to both the Arctic and the Sea of Okhotsk. This is thought to lie behind Russia’s support for Japan’s status as a permanent observer state at the Arctic Council.

**Growing Fear of Security Risk Posed by China, and Reinforcement of Strategic Partnerships with Third Countries**

The Chinese authorities, for their part, have urged the Russians to present a united
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The potential military threat posed to Russia by China—a subject that used to be politically taboo—is now being openly discussed by Russian military specialists. Apprehension regarding the threat to national security that may be posed by China in the future is on the rise, with public opinion polls showing increasing distrust of the East Asian giant.

Russo-Chinese relations have been likened to a marriage of convenience, and no outright “divorce” is expected for the foreseeable future. The relationship is not likely to develop into a military alliance, but neither is a definitely antagonistic relationship foreseen. However, in view of the constantly growing gap in economic and military power between the two countries, if Russia is not to end up playing the role of “junior partner” to China—reversing its previous role as China’s “big brother”—it will need to seek ways of maintaining the bilateral balance of power through diplomatic channels, by forging stronger strategic partnerships with third countries including India, Japan, Vietnam, and South Korea.

Russia Attaches Increasing Importance to Japan’s Role in the Security Sphere

Russia has been placing greater importance on cooperation with Japan in the security field as a means of maintaining balance in its diplomatic relationship with China. Following an official visit to Russia on April 29, 2013 by Prime Minister Shinzo Abe—the first such visit in ten years—agreement was reached to hold a “two-plus-two” meeting of the two countries’ foreign and defense ministers to discuss strategy across a wide range of security issues, and the first of these “Japan-Russia 2+2” meetings was held in Tokyo on November 2 of that year.

This meeting signified that Russia and Japan had begun to view one another as important strategic partners, and raised the strategic importance of the bilateral relationship to the next level. It also sent a message to other countries that the interests of Japan and Russia were rapidly converging in response to the changing strategic environment in East Asia. Russian military maneuvers held recently in the Far East region have been accompanied by less of the anti-Japanese rhetoric...
that formerly characterized such events. For further expansion of cooperation between the two countries in the field of defense, one of crucial points is whether or not President Putin’s political focus on Japan has been thoroughly understood and absorbed by the Russian military units stationed in the Far East region.

**Snap Inspections of Military Units Implemented in Far East Region on Largest Scale since Dissolution of Soviet Union**

Since his appointment as the Russian defense minister in November 2012, Sergei Shoigu has been instrumental in the continued pursuit of the basic military reform line pushed by President Putin, including changing the organization of the military from one centered on large-scale divisions to a focus on smaller, more combat-ready units, principally at the brigade level. With the aim of achieving still further military reform, snap inspections of military units’ capabilities and readiness were ordered, the first such to be implemented across the whole of Russia since the dissolution of the Soviet Union. These unannounced inspections were intended to check whether military units were capable of immediate response to sudden operational orders. They covered the units’ command structure, the condition and readiness of equipment, the number of troops in each unit, troops’ skill levels, and other matters.

The unannounced inspections conducted in July, principally in the Far East region, were of a scale that was the largest since the breakup of the Soviet Union. They involved the participation, at seventeen exercise areas, of roughly 160,000 troops, over 5,000 tanks and armored vehicles, and more than 130 aircraft. While this was going on, five vessels of the Chinese Navy passed between the islands of Sakhalin and Hokkaido into the Sea of Okhotsk, the first such instance in history. As a result of this timing, some observers speculated that the snap inspections were aimed at preparing the Russian military to discourage incursions into the Arctic Ocean and the surrounding northern seas by the Chinese Navy.

**Chapter 7**

**The United States: Asia-Pacific Rebalancing Put to the Test**

**Impact of the FY 2013 Budget Sequestration**

In 2013, sequestration, an enforcement mechanism for across-the-board,
automatic cuts of federal spending, went into effect and significantly disrupted the activities of the federal government, including those of the Department of Defense. This had a marked impact on defense spending with effects such as cancellation of the overseas deployment of naval vessels as well as of flight training and unit exercises. While the threat of possible sequestration in FY 2014 loomed imminent, the Bipartisan Budget Act of 2013 enacted at the end of December had, for FY 2014 and 2015, raised the caps for discretionary spending in both the defense and nondefense categories, which had been established in the Budget Control Act of 2011. Following this, the Consolidated Appropriations Act, 2014, was signed into law to hold the budget within these limits. This eliminated the need for sequestration in FY 2014. But although the sequester did not happen in FY 2014, severe restrictions are still in place as defense spending approved by this act falls short of the one proposed in the FY 2014 President’s Budget.

“Strategic Choices and Management Review” and Future US Defense Structure
In order to analyze the impact of further reductions in the defense budget and to study the options to deal with these cuts, in 2013 the Department of Defense conducted the Strategic Choices and Management Review (SCMR). Having examined “efficiencies” and “compensation savings,” the SCMR concluded that these alone would not be enough to meet the reductions stipulated in the Budget Control Act of 2011. Deeper cuts were thus examined with an eye to a trade-off between force capacity and modernization programs (research and development and equipment procurement). The SCMR reviewed options based on two approaches: one that seeks to preserve a modernized force by sacrificing capacity, and one that preserves larger force capacity at the expense of modernization programs.

Asia-Pacific Rebalance within Global Security Commitments
Despite the growing tensions in the Middle East and financial restrictions, the Obama administration is pursuing the Asia-Pacific rebalance, which aims to build a stable security environment, an open and transparent economic environment, and a free political environment in this region without sacrificing its commitment to other important regions such as the Middle East and Europe.

Strengthening Relations with Asia-Pacific Allies and Partners
As one pillar of the rebalance, the Obama administration is strengthening its
relations with key allies Japan, South Korea, and Australia, and other allies in the Asia-Pacific. It is also bolstering cooperative relations with Vietnam, Indonesia, and other ASEAN nations, and India as well.

With regard to relations with its allies, the administration is also engaging in establishing trilateral frameworks with Japan, South Korea, and Australia, in addition to the bilateral frameworks.

**Seeking to Control the Competitive Side of Relations with China**
The Obama administration continues to aim to build stable, productive, and constructive relationships with China, growing in economic and military power. However, the relationship between the two countries is twofold: cooperation with shared interests on one hand, and, on the other, conflict and competition concerning issues such as trade and economy, human rights, Syria, the South China Sea, and lack of transparency in the modernization of the People’s Liberation Army. In recent years, the United States has become increasingly concerned over China’s activities related to the “global commons,” namely, on the global oceans, in outer space, and cyberspace. Therefore, the Obama administration sees the bilateral dialogues with China as important measures to control the competitive side of their relations and is trying to cultivate stable channels to keep any unwanted incidents from happening.

**Efforts to Bolster Presence in the Asia-Pacific**
Despite the sequestration, the United States is moving forward with policies it announced as part of its Asia-Pacific rebalancing. These include measures to strengthen its naval presence in the region through, among others, rotational deployment of the Marines to Australia and deployment of littoral combat ships (LCS) to Singapore.

**Chapter 8**
**Afghanistan and Surrounding Region—Eyes Focused on the ISAF Withdrawal**

**Karzai Government and the Taliban: Legitimacy in Doubt**
The Hamid Karzai government of Afghanistan (2001-2014) has encountered
many challenges to its rule. Though it has pushed ahead with a plan of national construction, having received the approval and support of the international community, doubts have emerged about the widespread corruption, delays in the restoration of domestic order, the prevalent production of narcotics, and the fairness of elections. Many people have voiced negative opinions about the way domestic politics have been managed and the governing ability of the administration, raising questions about the legitimacy of its rule.

The primary opposing forces to the Karzai administration are the Taliban and other splinter groups, which have been using bases and refuges inside Pakistani territory to advance into Afghanistan so as to stage a comeback. For the Taliban, which profess a fundamentalist brand of Islam, the Western military forces stationed in Afghanistan, along with the Karzai government they support, represent a presence to be expelled. The Taliban have opposed the intervention of such foreign forces, and are continuing their armed struggle toward the creation of an Islamic regime. As a result, the areas of eastern and southern Afghanistan dominated by the Taliban are believed to be expanding. Also, the Taliban are wasting no time trying to capture the minds and hearts of the people, with a certain number of local villagers in rural areas thought to be tolerating their activities. The reputation of the Taliban as a cohesive, uncompromising group has come to take root.

**The Rampancy of Extremists Crossing the Border**

In addition, there are various extremist groups distinct from the Taliban that are operating in the interior of the Eurasian continent. The Haqqani Network (HQN), based in eastern Afghanistan, is designated by the United States since 2012 as a terrorist group subject to sanctions. There is also the group known as Tehrik-i-Taliban Pakistan (TTP), which mainly carries out terrorist activities inside Pakistan. Though it professes to be “Taliban,” it is basically a collection of native groups. The fact that the organization often employs suicide bombing as a means to pursue its ends has given rise to the thinking that it is distinct from mainstream Taliban. It is now the target of US attacks within Pakistani territory to wipe out terrorism. In addition, young Chechens and Uzbeks inside Afghanistan are reportedly receiving military training from al-Qaeda, the Taliban and others, and are hiding near the borders of Turkmenistan and Tajikistan, thus affecting countries in the region.
Afghanistan’s Foreign Policy: Independence from the United States, and Changing Relationships with Neighboring Countries

Western countries, in view of the antiwar mood of their respective populaces stemming from the prolonged nature of the Afghan mission and the growing number of casualties there, are progressing with the transfer of security operations, with a view of the complete withdrawal of the International Security Assistance Force (ISAF) by the end of 2014. In response, the Karzai government has also begun to cast off its extreme dependence on the United States and NATO and develop relationships with the major Eurasian powers, such as India, Iran, and China, in an effort to develop more multilateral foreign relations.

Meanwhile, Afghanistan faces potential security problems, including border control, with its neighbor Pakistan, with which it shares a long border. Pakistan is skeptical of the future of Afghanistan’s security after the withdrawal of the US military and ISAF. In recent years, Pakistan has stepped up efforts to wipe out terrorism and patrol the areas bordering Afghanistan, including the Federally Administered Tribal Areas (FATA). Elsewhere, the Karzai government is pursuing peace negotiations with the Taliban at its own initiative, while also taking the position of coordinating with Pakistan, including asking Prime Minister Nawaz Sharif to serve as mediator. It is thus making efforts to cultivate trust between itself and Pakistan.

At the same time, the United States has been exploring various approaches toward peace negotiations with the Taliban, including unofficial negotiations, but full-fledged negotiations have yet to materialize. Ever since the Taliban Office that had been set up in Doha was closed in the summer of 2013, official bilateral negotiations between the United States and the Taliban have been in a state of interruption, without any breakthrough evident.

2014: A Time of Trial

After the withdrawal of the ISAF, the US military presence in Afghanistan will be governed by a security agreement between the two countries. On November 24, 2013, the agreement had been agreed upon by the Loya Jirga, but President Karzai attached new conditions to the agreement and has refused to sign it. Any NATO assistance after the ISAF leaves is predicated on the conclusion of the agreement, leading to fears that the whole process of the transfer of security authority will be stalled or need to be reviewed.
On April 5, 2014, a presidential election will be held to choose the successor to Hamid Karzai. Given that the new administration will serve as the main body for implementing national integration in 2014 and thereafter, the process must be carried out in a peaceful and democratic way for the installation of the kind of government that can gain the trust of the people and have its legitimacy established. The year 2014 is thus expected to be a time of trial for Afghanistan, as the country faces such prominent issues as reconciling with the Taliban and burying the differences between various tribal and regional groups domestically.

Chapter 9
The Shale Revolution and the International Security Environment

Broader Implications of Shale Oil and Gas Development Initiated by US Technological Innovation

It has become commercially viable to extract oil and natural gas trapped within shale formations in recent years. This has been made possible by the continuous achievement of technological advances in the United States. Commercial production of shale oil and gas got fully underway in the United States in the late 2000s, and as a result, US domestic production of crude oil and natural gas, which had continued to decline gradually for many years, turned into a dramatic surge, simultaneously improving the country’s energy self-sufficiency and stimulating the economy.

One reason that the development of shale oil and gas, which started in the United States, has come to be referred to as a “revolution,” is that its effects have not been confined to the United States: it has caused a huge increase in the volume of oil and gas supplied to the global market. Moreover, by greatly expanding the volume of fossil fuel resources recoverable using currently available technology from shale formations—which exist in many locations throughout the world—the revolution has opened up prospects for a wide range of other advantages. These include the continuation of mankind’s ability to produce oil and gas beyond the period previously estimated, diversification of sources for importers, greater energy self-sufficiency, and improved energy price stability. Another reason for the use of the term “revolution” is that, by interacting with one another in different ways, these factors could have wide-ranging impacts, up to and including international relations.
Impacts of Shale Oil and Gas Revolution on International Security Environment

The anticipated effects of the shale oil and gas revolution on the international security environment can be summarized as follows. In addition to improving the energy security environment in the narrow sense, i.e., greater energy supply security and improved energy self-sufficiency for many energy-importing countries, it would eliminate the fears of importers that some exporters could use their national reserves as a political tool. This revolution is thus also expected to help further stabilize the international security environment in the broader sense.

Regarding the former, narrow definition of energy security, the increasing global crude oil supply capacity coming mainly from the United States has actually pulled ahead of demand growth in recent years. And it is believed that incremental US crude supply clearly played a critical role in offsetting record supply disruptions and in preventing the steep rise in crude oil prices that was feared would result from the series of civil uprisings beginning in 2011 and known as the “Arab Spring.” With respect to the international security environment in the broader sense, wide-ranging concerns have been voiced by various experts, covering a decreased dependence of the United States on Middle East oil, a decline in OPEC’s ability to control international oil prices, and a weakening of Russia’s dominant position in the European energy supply market. There is currently a lack of sufficiently precise analysis of the situation, including the structure of the international energy market and the details of specific energy trading relationships, and it seems too early to draw definitive conclusions.

Uncertainty over the Future Development of the Shale Revolution

Considerable effort is currently being applied to research into conditions necessary for the commercial production of shale oil and gas, which will be a key factor in the future development of the shale revolution. This research has thus far revealed a variety of factors that need to be taken into account. In addition to the limitations imposed by currently available technology, these include fluctuations in the relative prices of other forms of primary energy, the need for construction of the required infrastructure, and a range of legal restrictions, including those aimed at preserving the environment. Furthermore, as many of these conditions are interrelated, it is difficult to predict future trends in the production of shale oil and gas with any degree of certainty.

In fact, even in the United States, where the shale revolution began, shale gas
production volume has not been following a straight upward trend, but has fluctuated sharply in response to changes in production costs as well as swings in prices relative to other primary energy sources. Meanwhile, in Europe, where there are expectations for the production of shale oil and gas, prospects remain unclear due to environmental considerations and energy sector structural factors. Uncertainty dominates the outlook for the further development of shale oil and gas production outside the United States.

Responses to the Shale Revolution by the Principal Economies
The factors that will determine the further development of the shale revolution are not limited to considerations of the economic viability of commercial production. The revolution’s path from here on will also depend significantly on the assessments made by the major countries and supranational bodies—the principal actors on the international political and economic stage—regarding the value of shale oil and gas production above and beyond simple considerations of economic benefit, and on the actions that they take. For this reason, to gain a clearer insight into the probable impact of the shale revolution on the international security environment, we must obtain an accurate picture of the policies adopted in response by the major economies.

First, in the United States, the government views the production of shale oil and gas within US borders as an important means of bolstering national energy security, and is therefore pursuing an active energy security policy centered on steps to increase domestic oil and gas production. With regard to natural gas, where export capacity has been increasing rapidly, the authorities have indicated their belief that the active export of LNG would both help to improve the international security environment and bring about benefits for the United States on the diplomatic and conventional security fronts. In addition, against the backdrop of the steeply rising volume of shale oil production within the United States, the authorities have begun to examine the possibility of relaxing the currently strict controls on crude oil exports.

Secondly, with respect to energy supply-and-demand relationships, while Europe has been described as one-sidedly dependent on Russia for much of its energy supplies, the two parties have, in fact, worked earnestly to construct a stable relationship of mutual dependence. In response to the shale revolution, both Europe and Russia are seeking to gradually adapt to the changing market
environment by diversifying supply sources and export markets, respectively, while maintaining their mutual dependence as the linchpin of their energy security policies. Against this background, Russia appears to be making haste to establish itself as an energy exporter in the East Asian market. The countries of East Asia are forecast to become major consumers of natural gas, and competition between rival gas-exporting countries is expected.

Meanwhile, China is becoming rapidly more reliant on energy imports as demand soars, and the government is clearly seeking to expand domestic production of shale oil and gas through the adoption of cutting-edge technology. This would enable it to bring the country’s reliance on imports down to an acceptable level and improve the energy security situation.