

Introduction—East Asia in 2014

The year 2014 in East Asia was a year of growing risks to security that could lead to serious unforeseen incidents or armed confrontations. Among the contributing factors were persistent problems such as North Korea's nuclear and missile development and provocative behavior, as well as China's rapid and wide-ranging military build-up, and its expanding and intensifying activities in neighboring seas and airspace. Also contributing was the recent surge of tensions and disputes over territorial claims and maritime resource development in the South China Sea, which was manifested in the confrontations between China and Vietnam. The rise of security risks such as these can be seen in the context of the increasingly salient strategic competition between the United States and China over the South China Sea, and regional countries' foreign policies that are increasingly influenced by their internal political dynamics—nations involved tend to take non-compromising positions on issues surrounding maritime and sovereignty issues in order to avoid domestic political backlash. At the same time, however, efforts to manage these security risks and stabilize the situation through bilateral and multilateral channels have also been seen in the region. Nevertheless, despite the emerging shared recognition of the need for risk management among the major countries in the region, they have yet to establish concrete mechanisms for that purpose and build mutual confidence. For the regional security order to be stabilized, the major powers need to exert political leadership and make multifaceted and comprehensive strategic efforts.

In addition to the rise of security risks in the region, other major trends that characterized the East Asian strategic environment in 2014 were evident in three areas: (1) the impact of the complex US-China relationship on the foreign and security policies of the countries in the region; (2) changes in these nations' domestic political situations and the effect of those changes on regional security, and (3) the military modernization and defense reform efforts of emerging countries. Of these, US-China relations and defense reforms can be considered enduring factors in recent years, but the shifts in domestic politics—notably the changes of government in Indonesia and India—deserve special attention in any examination of the East Asian security environment in 2014. In light of these major powers' impact on regional security, Indian Prime Minister Narendra Modi's "neighbors first" policy and the Joko Widodo administration's strategy of rebranding Indonesia as a "global maritime nexus" will likely have significant impact on the regional security strategies of not only the countries of South Asia

and the Association of Southeast Asian Nations (ASEAN), but even those of Japan, the United States, and China.

1. The Increase of Security Risks and Diplomatic Efforts toward Greater Stability

The situation on the Korean Peninsula remains precarious due to North Korea's nuclear and missile development and provocative behavior. During the period from February through September of 2014, North Korea intermittently launched ballistic missiles and rockets, and also declared its intention to carry out a fourth nuclear test. The country's apparent advances in improving the range and accuracy of ballistic missiles and in miniaturizing nuclear warheads can be interpreted as an attempt to strengthen its deterrence against the United States. If North Korea were to develop a deliverable ballistic missile capable of carrying a nuclear warhead, the threat to regional security would be even more serious. While sticking to its "new strategic line" of simultaneously pursuing both economic and nuclear development, Pyongyang faces diverse challenges with regard to the economy and foreign relations. As its relations with China continue to chill, the Kim Jong Un regime is exploring opportunities for strengthening ties with Russia and is expressing a willingness to engage South Korea in talks, but it is hard to see any significant developments in the two countries. Further attention needs to be given to trends in North Korea's relations with China, Russia, and South Korea, and to how those trends will affect the situation on the Korean Peninsula, US-ROK ties, and Pyongyang's relations with the United States and Japan.

In the South China Sea, tensions and confrontations have increased between China and certain Southeast Asian countries. In May 2014, China installed and began operating an oil rig in waters off the Paracel Islands, an area whose sovereignty is contested by China and Vietnam. As anti-China protests by Vietnamese citizens spread at home and abroad, Hanoi reacted strongly to China's assertive behavior and attempted to impede the drilling operation through several actions, including dispatching Coast Guard patrol ships and fishing surveillance vessels to the area. China responded by deploying many of its Coast Guard patrol ships to the surrounding waters and by repeatedly ramming Vietnamese vessels and spraying them with water. The confrontations eventually subsided when China withdrew the oil rig in July, but ASEAN nevertheless became more wary of China's

assertiveness backed up by the rise of its power. The Philippines has also strongly reacted to China's provocative behavior and expansion of effective control in the South China Sea, and is seeking to strengthen ties with the United States. In 2014, the Permanent Court of Arbitration, responding to a petition for arbitration that the Philippine government filed in the preceding year based on the United Nations Convention on the Law of the Seas (UNCLOS) to challenge Beijing's claim of sovereignty over the so-called "nine-dash line" in the South China Sea, requested China to submit a counter-memorial, but the latter refused to do so, further sharpening the two countries' standoff on the international legal front.

ASEAN, increasingly concerned by the rise in tensions and antagonism between China and the Philippines/Vietnam over South China Sea sovereignty, made diplomatic efforts toward drafting a Code of Conduct with China to govern activity in the South China Sea by countries in the region. At the ASEAN-China Senior Officials' Meeting in October, while the two sides reached an agreement to set up a hotline for dealing with maritime emergencies, made no real progress toward formulating the Code of Conduct. Against this backdrop, China has been carrying out land reclamation projects at reefs under its control in the Paracels and the Spratly Islands, with the goal of consolidating and expanding its area of effective control.

Security risks have rapidly increased in the East China Sea as well. In recent years, China has been regularizing its activities by deploying government vessels, and these ships have repeatedly made incursions in Japanese territorial waters around Japan's Senkaku Islands. In November 2013, the Chinese government declared that it had established an Air Defense Identification Zone (ADIZ) over the East China Sea based on its own assertion, which was heavily criticized by the international community. Furthermore, concern about the potential for accidental collisions in the East China Sea rose in the wake of incidents in May and June of 2014 in which Chinese fighter planes flew dangerously close to Japan Self-Defense Forces aircraft. In response to these developments, the leaders of both countries, meeting on the sidelines of the Asia-Pacific Economic Cooperation (APEC) summit in Beijing in November, agreed to take steps to put into operation a maritime communication mechanism linking their respective defense authorities. Likewise, the US and Chinese presidents also met during that occasion and agreed to establish a communication mechanism for preventing accidental collisions by their countries' naval ships or aircraft.

As these examples illustrate, there has been a growing recognition in the region that the countries concerned need to develop an effective system for reducing tensions and confrontations in the waters and airspace of the South China Sea and the East China Sea, and for preventing the escalation of unintended encounters. It will be an urgent task for those countries to translate that common understanding into an actual mechanism. In this regard, that Japan, the United States, and China, among others participating in the Western Pacific Naval Symposium (WPNS), adopted the Code for Unplanned Encounters at Sea (CUES) at the WPNS session held in Qingdao, China in April can be considered the first step toward stabilizing the region's maritime security order. Looking ahead, it will be vital for the regional players to make sure that CUES and other norms work effectively, cultivate mutual trust, and formulate further rules of conduct not only for their militaries, but also their maritime law enforcement agencies.

2. The Complex State of US-China Relations—Cooperation Mixed with Tensions

The security risks of East Asia exhibit several specific aspects that are shaped in part by the complex relationship between the two dominant powers, the United States and China. Throughout 2014, this relationship remained an intricate mixture of cooperation and tensions. During the APEC summit in November, both countries expressed their willingness to work together in tackling global issues, including reducing greenhouse gas emissions. At the same time, however, they have increasingly become at odds over issues in the South China Sea. Despite repeated calls by other regional nations not to escalate tensions in those waters, China clashed with Vietnam over resource exploration in the Paracel Islands, and has been carrying out land reclamation projects on reefs under its control in the Paracels and the Spratlys. Moreover, a Chinese fighter plane flew dangerously close to a US Navy patrol aircraft in August. In response to the series of such actions by China, Washington stepped up its support to major ASEAN countries. For example, the United States signed the Enhanced Defense Cooperation Agreement with the Philippines in April, establishing the legal framework for rotational deployment of US forces to that country, and issued a joint statement with Malaysia in the same month outlining a comprehensive partnership that includes maritime security as one area of cooperation. Additionally, in October

the US government announced that it would partially lift its embargo on Vietnam regarding the export of lethal weapons. Washington also questioned China's territorial claims in the South China Sea, with the State Department issuing a report in December that raised doubts regarding the "nine-dash line" in the context of international law. In its pursuit of the development of a "new type of major-power relations" with the United States, China appears to be attempting to preclude US involvement in its sovereignty issues with neighboring countries. Washington remains wary of Beijing's claims, and has been seeking greater collaboration, particularly with the Philippines and Vietnam, in dealing with the issues of the South China Sea.

The United States "rebalance to the Asia-Pacific" may become difficult to achieve or sustain if the federal budget is subjected to further sequestration. Nevertheless, despite the fiscal constraints, the United States is proceeding with plans to strengthen its military presence in the region, including through a FY 2015 budget request for increasing the number of naval ships deployed to the Pacific.

Meanwhile, the leadership of the United States as a global power was tested in 2014 by the situations in Ukraine and the Middle East. In response, it boosted rotational deployment of its forces to Central and Eastern Europe, and conducted airstrikes in Iraq and Syria as the leader of a coalition countering the Islamic State of Iraq and the Levant (ISIL). Whether or not the United States will be able to successfully pursue the rebalance to the Asia-Pacific, while continuing to respond to the situations in Ukraine and the Middle East, is a question of great interest to the countries of East Asia.

China, while seeking to form a new type of major-power relations with the United States on its own terms, is also actively and strategically reaching out to its neighbors to shape an East Asian regional order in which it would play a central role. Addressing the Central Conference on Work Relating to Foreign Affairs in November 2014—the first such gathering in eight years—Chinese President Xi Jinping was reported as declaring that the nation must firmly uphold its territorial sovereignty and maritime interests while properly handling territorial and island disputes, and laying out a policy for promoting amicable relations with neighboring countries. Leveraging its position as the world's second largest economy and the holder of vast foreign currency reserves, China led the establishment of the Asian Infrastructure Investment Bank (AIIB) with the aim of increasing its influence on neighbors by taking the initiative in transport infrastructure development in the

region. In addition, China has displayed its desire to build a new regional order based on broader and deeper economic cooperation by advocating the creation of a “Silk Road Economic Belt” linking it with Europe through Central Asia, and a “21st Century Maritime Silk Road” encompassing Southeast Asia, South Asia, and Africa. China’s multifaceted strategy of assertiveness tempered with soft diplomacy presents a difficult choice between security and economic development for ASEAN members and other countries in the region. While showing wariness toward China’s assertive stance on maritime issues, those countries participate in AIIB and other opportunities for economic cooperation with China.

As the United States continues to play the leading role in maintaining the regional security order, it will be a critical task for East Asian countries to support regional peace and stability by encouraging China to conform with the international order founded on international law and norms and to play a responsible role in the framework of free global economy.

3. Changes in Domestic Politics and Their Effect on Regional Security

The year 2014 was marked by changes of government in key emerging countries of the region, notably India and Indonesia. As these countries affect East Asian security, it is necessary to examine the directions that their new administrations are taking in the formulation of regional strategies and foreign and defense policy. One of the central questions in this regard is how they will shape their relations with the United States and China.

Prime Minister Narendra Modi took power following the general election in May 2014. He has espoused the creation of a “strong India,” which first and foremost means an economically strong India. To achieve that goal, the government has adopted a new security policy that is closely tied to economic growth, with a focus on stabilizing domestic public order so as to encourage foreign investment, developing the North Eastern Region, placing priority on relations with neighboring countries, and revitalizing the defense industry through technology transfer from abroad and the introduction of market principles. Within this context, the Modi administration’s stance toward China can be seen as a dual posture—taking a firm approach to border issues on one hand, while retaining the previous administration’s emphasis on economic cooperation with China. As for

relations with the United States, the Modi government will likely seek to procure equipment from the United States, including the transfer of advanced technologies. International attention will be focused on how the new administration will balance its “neighborhood first” policy with India’s role as a regional leader in helping to stabilize the East Asian strategic environment, and on how it will balance economic growth with security.

In Indonesia, Joko Widodo, the governor of Jakarta and a former entrepreneur, won the presidential election in 2014. In his inaugural address, the president defined Indonesia as a “global maritime nexus” and declared that one of his major policies would be to catalyze the growth of the country in this respect. The key elements of this policy include promoting economic growth through development of the fishing industry and port infrastructure development, and enhancing the country’s maritime defense capabilities and responsiveness to territorial sovereignty issues, so it merits watching what measures the new Indonesian government will take to effectively deal with security concerns, particularly with regard to the South China Sea. Since the new administration is maintaining his predecessor’s emphasis on economic cooperation with China and is continuing to carry out Indonesia’s role as a mediator between China and ASEAN members affected by South China Sea issues, it, like the Indian government, will have to deal with the challenge of balancing security with economic growth.

Given the interrelationship between domestic politics and regional security, attention is being paid to how regional security is being affected by the internal situation in China, including Hong Kong. There are three aspects to this question that deserve close examination. The first is the link between separatist movements and Islamic extremists, as exemplified by the bombings in Xinjiang Uyghur Autonomous Region in 2014. As outlined in the Comprehensive National Security Concept, the Chinese government is following a comprehensive policy that encompasses both external security and internal public order, so the question is whether Beijing can effectively deal with both challenges at the same time. The second is the rising tide of nationalism in China and the uncompromising nature of its foreign policy, which are likely to come into play in the issues surrounding maritime interests. The third is the effect on domestic politics of democratic movement in China, such as the student protests that took place in Hong Kong from September to December of 2014. These protests brought into relief the public’s sentiment that the “one country, two systems” approach has been seriously

eroded, and the anxiety and opposition expressed over this by the mostly younger protestors is a matter of serious concern for the government of a country populated with more than 600 million Internet users—in terms of not only internal social stability, but also stability of the entire region.

Southeast Asia is another region where the consolidation and sustainment of democracy is a critical challenge. In Thailand, the military again assumed control of the government, and global attention also was turned toward Myanmar to see whether the 2015 general elections would be conducted more democratically and whether the constitution could be amended to allow the fielding of a broader range of candidates in presidential elections. The question of whether these two countries will be able to return to and deepen democracy has significant implications for regional security in terms of the capacity of ASEAN—a body promoting democracy—to preserve its unity and effectively deal with the South China Sea issues and other shared security challenges.

4. Trends in Emerging Countries' Military Modernization and Defense Reforms

As the United States pursues its rebalance to the Asia-Pacific by expanding its military presence and Russia continues to upgrade its strategic missile arsenal, many of the emerging countries and other nations of this region, buoyed by economic growth, have been taking steps to institute defense reforms and modernize their military equipment. These efforts to modernize and augment military equipment are one of the key factors defining regional security environment.

China, in addition to rapidly modernizing and increasing its military equipment as the economy continues to soar, has also launched the defense and military reform. Two of the more salient features of this drive are efforts to enhance joint operability—as seen in the establishment of a joint operations command center—and the use of civilian technologies for military applications. As for equipment, notable modernization projects include the commissioning of a new missile destroyer, the *Kunming*, and the introduction of IL-78 aerial refueling aircraft.

The Modi administration of India has demonstrated strong willingness to reform domestic defense production, a key manifestation of which is the desire to achieve the administration's goal of creating a strong India by actively transferring military technology from abroad to build an indigenous technological foundation

that will enable the country to slough off its external dependence, and thereby increase its strategic autonomy. Another major aim of this reform is to stimulate economic growth through the creation of new jobs from revitalization of the defense industry.

Concerned by the tensions in the South China Sea and enabled by economic growth, the countries of Southeast Asia, particularly those that put high priority on maritime strategy, are working to boost their naval power. Vietnam purchased six submarines from Russia and is preparing to deploy the three already delivered as of the end of 2014, while also training crews with assistance from Russia and India. The Philippines, acting under an initiative by President Benigno Aquino III, is developing the legal basis needed for funding military modernization programs, and is also importing equipment from the United States and South Korea. Indonesia, seeking to become a “global maritime nexus,” is expected to increase its defense budget to strengthen military capabilities, mainly for the navy. In addition, ASEAN countries, working in the framework of the ASEAN Defence Ministers’ Meeting (ADMM), have launched an initiative to promote defense industry cooperation, and Malaysia, the chair of ASEAN in 2015, appears to be eager to bring about this cooperation.

5. Japan’s Security Policy—Proactive Contribution to Peace, and Strengthening of the Japan-US Alliance and Strategic Partnering with Regional Countries

Following its inauguration in December 2012, Japan’s second Shinzo Abe administration has espoused “diplomacy through a panoramic view of the globe.” Prime Minister Abe pursues multifaceted strategic diplomacy, touring Southeast Asian countries in 2013, and visiting India, Russia, Australia, various European nations among others in the following year. In security affairs, his administration set forth the concept of “proactive contribution to peace” in the National Security Strategy (NSS), and made a cabinet decision that opened the way for Japan to exercise its right to collective self-defense in a limited manner. In addition, the administration formulated a set of three principles on the transfer of defense equipment based on the NSS, enabling full-scale cooperation in defense equipment with partners such as the United Kingdom and Australia, and also revised Japan’s Official Development Assistance (ODA) Charter to allow the government to give

individual consideration to specific assistance projects that could involve the military. Responding to the growing uncertainties in the security environment surrounding the country, Japan is seeking to bolster deterrence based on its alliance with the United States, including by revising the Guidelines for Japan-US Defense Cooperation. One of the key purposes of this revision is to ensure solid coordination between Japan and the United States when responding to the so-called “gray zone” situations.

At the regional level, Japan has been strengthening its strategic partnerships with ASEAN and India. In 2014, Japan continued to participate in the ASEAN Regional Forum (ARF) and the ADMM-Plus meetings, while also engaging the ASEAN members in more multi-layered security dialogue. Following the Sixth Japan-ASEAN Defense Vice-Ministerial Forum in October, the defense ministers of Japan and ASEAN members gathered together in November for the inaugural round-table session of the Japan-ASEAN defense ministerial meeting where they reached an agreement to pursue stronger, more effective cooperation in nontraditional security fields, particularly humanitarian assistance and disaster relief (HA/DR) and maritime security. At the same time, the Japanese Ministry of Defense has been engaged in capacity building assistance in Cambodia, Vietnam, and Myanmar—all in ASEAN. The deepening of the bilateral security partnerships of this sort including equipment and technical cooperation between Japan and individual ASEAN countries could help promote multilateral cooperation between Japan and ASEAN. It is worth noting that the development of such multilayered Japan-ASEAN defense cooperation brings a new dimension to a relationship that used to be focused on economic relations, and expands Japan’s security role in the region. As for Japan’s cooperation with India, the prime ministers of both countries met in September 2014 in which they pledged to hold visits by senior officials on both sides, engage in strategic dialogue, implement joint training and exercises, and pursue cooperation in defense equipment.

The regional security environment is also heavily affected by global security issues. For this reason, it is important to examine the strategic implications of chemical, biological, radiological, and nuclear (CBRN) defense for East Asia. Japan, having steadily built up substantial expertise and experience in CBRN defense over the years, has the capacity to promote its international cooperation and make significant contributions to the field globally as well as regionally.