
Chapter I Security Environment Surrounding Japan

Overview

Non-state actors such as terrorist organizations have drawn much attention as dire threats in today's international security. There is also greater risk of transfer or proliferation of weapons of mass destruction or WMDs, such as nuclear, biological, and chemical weapons, and ballistic missiles. In particular, international concern is mounting over the acquisition of WMDs by certain states and international terrorists seeking them. In addition, illegal activities, such as piracy and drug smuggling, have impacted on the international security.

As evident in the activities of international terrorists, it is difficult to forecast when and where new threats will emerge. Questions have arisen as to what measures are effective against entities like terrorist organizations which do not necessarily act on rational judgment.

In order to properly address such threats, not only military capabilities but also comprehensive approaches including diplomatic, law enforcement, judicial, intelligence, and economic measures are needed. On the other hand, the very nature of new threats makes it difficult for a country to deal with them by itself. International cooperation, therefore, has been promoted to nip threats in the bud, establishing international frameworks and conducting measures based on such initiatives. In such cases as authoritarian regimes threatening regional order or states eroded away by terrorism collapsed, international efforts have been made so as to restore them to responsible nation to prevent them from becoming hotbeds for terrorism. Under the circumstances, the reform of the United Nations (U.N.) has been brought up for agenda so that the U.N. can strengthen its function and more effectively address new threats.

Meanwhile, the role of military force has expanded beyond "national defense" into such fields as "maintenance of regional order" and "global cooperation." The values to be protected by military force are also extending from "national interests" to "the common values of the region or the international community." To illustrate this point, many countries have dispatched troops and actively cooperated in reconstruction and stabilization efforts in Iraq and Afghanistan. On the occasion of last December's earthquake off the Sumatra Island and Tsunami in the Indian Ocean, which brought about unprecedented disasters to the littoral, many countries including neighbors were quick to send military units for disaster relief operations.

Efforts to stabilize the security environment will take on even greater importance in future. The United States and other major countries have undertaken reforms of their military capabilities with an emphasis on responsiveness, mobility, and flexibility to address various contingencies.

Section 1. Issues in the International Community

1. The Fight against Terrorism

Since the 9-11 terrorist attacks, the U.S. and other countries have formed an international coalition, committing not only military but also diplomatic, law enforcement, judicial, intelligence and economic resources to the ongoing fight against terrorism. Nonetheless, international terrorist organizations remain active, and dispersed terrorist cells, no longer under centralized control, are in fact engaged in activities that transcend traditional organizational frameworks; and these cells also appear to be making use of the Internet and incorporating other information and communications tools into their operations.

Given the need for the international community to join together in combating terrorism, countries are making endeavors prevent the spread of terror by developing cooperative structures for counterterrorism in multilateral frameworks including the U.N., the G8 and regional cooperation organizations.

The U.S. and other countries have continued military operations against Taliban and Al Qaeda in and around Afghanistan since October 2001. Pakistani forces are putting more emphasis on their sweeping operations against terrorists in the border area with Afghanistan. In the Arabian Sea, military vessels from various countries including Japan have endeavored to prevent the spread of terrorism from Afghanistan.

In October 2004, Afghanistan held a presidential election in accordance with the December 2001 agreement on Afghanistan's political process; Hamid Karzai was elected president and a new administration was inaugurated in December 2004. Despite twists and turns, the political process is thus moving into its final stages towards peace in Afghanistan.

Since the fall of Saddam Hussein's regime following the U.S. and U.K. military operations in 2003, it seems that terrorists are flowing into Iraq due to deteriorated security situation and insufficient border controls, and numerous terrorist attacks have taken place targeting not only soldiers but also general Iraqi citizens and foreign civilians. It has become clear since April 2004 that terrorists have intended to make Iraq a hotbed for terrorists; numerous kidnappings targeting foreigners have occurred to display terrorist threats through TV and the Internet. Thus, Iraq continues to be the front line in the war on terror. Terrorist attacks against diverse targets using various means are taking place around the globe: Southeast Asia, Russia, Europe and other parts of the world.

2. Transfer and Proliferation of Weapons of Mass Destruction

The transfer or proliferation of WMDs and ballistic missiles has been regarded as a significant threat since the end of the Cold War. In general, some states that seek WMDs tend to be rather less hesitant to put their land and people at risk. Terrorist organizations might be active in such countries because of their poor governance. Consequently, the chance of actual use of WMDs may be high in these states. In addition, there is a high possibility of chemical or nuclear materials being transferred or spilled out from these states to other countries since it is unlikely that these states can effectively manage the related technology and materials. There have been growing concerns, in the international community, about the acquisition and use of WMDs by terrorists and other non-state actors.

Based on these concerns, the international community has taken uncompromising and decisive stance against WMDs. This has put enormous pressure on countries seeking such weapons, leading some of them

to accept inspections by international institutions or to abandon further programs to develop WMDs.

There still remain, however, concerns on nuclear activities by Iran and North Korea.

Iran has suspended its uranium enrichment activities in keeping with an accord signed in November 2004 by Iran, the UK, France, and Germany. Iran's high ranking officials, however, announced the resumption of uranium reprocessing activity in May, casting uncertainty over a future course of this issue.

North Korea is now suspected of pursuing not only a plutonium-based but also a uranium-based nuclear weapons development program.

(See also Section 3.2 of Chapter 1 on North Korea's nuclear weapons activities.)

3. Situations of Iraq

The security situation in Iraq remains unpredictable in general although the level of danger differs by region. Multinational forces and Iraqi Security Forces continue to be subjected to attacks primarily in the Sunni Triangle in central Iraq and in some parts of northern Iraq even after governing authority was transferred from the Coalition Provisional Authority (CPA) to the Iraq Interim Government on June 28, 2004. This is because former regime elements and Islamic extremists, purportedly flowing into Iraq from abroad, have tried to throw Iraq into disorder and to disrupt the political process including the National Assembly elections by giving the impression at home and abroad that the Iraqi Government is unable to govern the country and the multinational forces are failing in providing security.

The Iraqi Interim Government, since the transfer of governing authority, has taken such a variety of measures as bolstering Iraqi Security Forces, promulgating the Order of Safeguarding National Security, and offering amnesty. The Iraqi Interim Government conducted offensive operations in Fallujah with the U.S. forces in November 2004, inflicting serious damages to insurgents. However, some of the insurgents, fleeing from Fallujah to other areas, continue to attack multinational forces and Iraqi Security Forces. The multinational forces and Iraqi Security Forces therefore have continued offensive operations in the Sunni Triangle and parts of northern Iraq. Formation of Iraqi Transitional Government through the democratic process have made it more difficult for insurgents to gain support of the Iraqi people, but the security situation in Iraq remains in flux.

The Province of Al Muthanna, Southeastern Part of Iraq, where Japanese Ground Self Defense Force (GSDF) is engaged in humanitarian and reconstruction activities, has been relatively calm and stable compared to other regions of Iraq. However, there have been a total of ten indirect fire attacks against the GSDF camp in As Samawah as of July 2005. Judging from the modus operandi, scale and circumstances of these attacks, there seems to be a rather small possibility that they were organized attacks by such substantial forces as insurgent groups presently seen in other regions of Iraq. Although there have been few attacks on multinational forces in Al Muthanna for months, the explosion of improvised explosive devices took place in the vicinity of the GSDF convoy in July 2005. Thus, there is no denying the possibility that attacks could occur hereafter in Al Muthanna.

Dutch units together with Iraqi police had been in charge of maintaining security in Al Muthanna but, with the withdrawal of the Dutch units from the area, British units have been responsible for security in the province since March 2005. As the British units are as capable as the Dutch units of providing security and as the Iraqi Security Forces become more competent with training by the Dutch units, there have been no

particular changes in the security situation in this province. In February 2005 the Australian government decided to dispatch military units to the Governorate of Al Muthanna. Australian units were deployed in May 2005 and, together with British units, they provide a secure environment and assist in the training of Iraqi Security Forces.

The political process set out in the Transitional Administrative Law (TAL) has moved ahead steadily, including the National Assembly elections held on January 30, 2005. Although terrorist attacks were conducted in some regions on the election day, it is a major step to secure and stable democracy of Iraq that a large number of Iraqi nationals went to the polls without yielding to intimidations of terrorists and insurgents.

The Iraqi Transitional Government endeavors to draft a permanent constitution by August 15 of this year. The TAL requests a draft constitution to be presented to the Iraqi people for approval in a general referendum to be held by no later than October 15, and then the National Assembly elections to be held by mid-December under a new permanent constitution, leading to a new constitutionally elected government by the end of 2005.

Although reconstruction efforts of Iraq have been made mainly by the Iraqi Interim Government and the Iraqi Transitional Government, many countries are contributing to the Iraqi reconstruction through bilateral assistance programs, dispatch of troops, etc. At the end of May 2005, approximately 138,000 U.S. military personnel and more than 20,000 troops from 26 countries were deployed to Iraq to maintain security and assist reconstruction.

Since the National Assembly elections in January 2005, the focus of multinational forces has shifted from missions of directly combating insurgents to ones of enhancing the capabilities of Iraqi Security Forces. Iraqi Security Forces played such a key role in providing security during the National Assembly elections that their ability to maintain security won the praise of many other countries. Still, it is some time before Iraqi Security Forces are able to maintain security and stability in Iraq on their own. Multinational forces are therefore expected to continue providing training to these security forces.

Individual countries have assisted in the reconstruction of Iraq according to their own particular circumstances, and the scale and tasks vary from county to country. Some countries have withdrawn their units due to expiration of their dispatch term or financial constraints, and other countries have decided on withdrawal of troops due to changes in their policy. Many other countries, however, have expressed their intentions to continue their efforts.

4. Complex and Diverse Regional Conflicts

The characteristics of regional conflicts differ from one conflict to another. They may result from racial, religious, territorial, or resource related problems, and may come in the form of armed conflict, sustained armed antagonism and others.

Since Cold War era, armed antagonism in the Middle East, between India and Pakistan, and on the Korean Peninsula, has continued to the present day. Civil wars in many parts of the world including Sri Lanka, Haiti and Sudan still persist. Diverse and complex situations such as large-scale violations of human rights violations, mass refugees, or terrorism resulting from regional conflicts can easily escalate into serious international problems. Therefore, the international community takes military action from early

stages in some cases, while emphasizing and pursuing political and diplomatic solution in other cases.

Section 2 National Defense Policies of Major Countries and Their Approaches to Creating Stability in the International Community

1. U.S. Defense Policy

The U.S. recognized from the 9.11 terrorist attacks that its geographical condition could not make its territory free from a direct attack, and has decided to give top priority to homeland defense. At the same time, it has announced a realistic attitude toward securing safety and freedom of action, and pursuing national interests outside the country as well. This posture is reflected in the “National Defense Strategy” and “National Military Strategy” released in March 2005, and the Bush administration in its second term is expected to essentially maintain such a stance.

Under the 2002 “National Security Strategy,” the U.S. regards terrorist attacks and the proliferation of WMDs as the largest threats. The strategy also points out the risk of rogue states and terrorists gaining access to WMDs since concepts of traditional deterrence function poorly or not at all against them.

In response to such threats the U.S. has striven to establish a practical and effective framework to prevent the proliferation of WMDs, their delivery means, and related materials. In May 2003, President Bush announced the Proliferation Security Initiative (PSI) as a measure to prevent the proliferation of WMDs in coordination with other countries.

The National Security Strategy sets forth the following:

The greater the threat, the greater is the risk of inaction and the more compelling the case for taking anticipatory action to defend the U.S., even if uncertainty remains as to the time and place of the enemy’s attack;

The U.S. will, if necessary, act preemptively to forestall or prevent hostile acts by adversaries such as terrorist organizations or states sponsoring terrorism that pursue WMDs and deterrence will not work against; and

The U.S. will not use force in all cases to preempt emerging threats nor should the nation use preemption as a pretext for aggression.

The Quadrennial Defense Review (QDR) released in 2001 describes the objectives of U.S. defense policies as being:

- 1) to assure allies and friends of the U.S. of its commitments on security;
- 2) to dissuade adversaries from becoming military competitors in the future;
- 3) to deter threats or coercion from adversaries using forward-deployed forces; and
- 4) to decisively defeat any adversary if deterrence fails.

In addition, the U.S. shifted the basis of defense planning from a “threat based” model adopted by former administrations to a “capabilities based” model. It also shapes its forces for the following four objectives:

- 1) to defend the U.S.;
- 2) to maintain forward-deployed forces in four important regions (Europe, Northeast Asia, the East Asian

littoral, and the Middle East/Southwest Asia) to deter aggression;

- 3) to swiftly defeat adversaries in two theaters of operation in overlapping timeframes and to decisively defeat an adversary in one of the two theaters; and
- 4) to maintain and prepare forces for smaller-scale contingency operations.

At present, the U.S. is reviewing the global deployment posture of its forces. Some factors driving this review are as follows;

- 1) U.S. forces has acquired new capabilities for long-range, high-precision targeting;
- 2) joint operations capabilities have been enhanced through improvements in systems for collecting and managing intelligence; and
- 3) U.S. forces must be mobile enough to rapidly move over long distances and must be prepared to use temporary basing solutions to adapt to a world in which potential threats have become more unpredictable.

The U.S. is reviewing its global posture and announced in November 2003 that consultations with Congress, allies and friends would be intensified.

The U.S. Department of Defense affirms that U.S. forces should be transformed so that they can provide national defense in the security environment of the 21st century, and it focuses on the followings: C⁴ISR, joint operations, rapid deployment capabilities, the ability to project forces into distant environments, stealth technology, precision-guided weapons, bunker busters, unmanned aerial vehicle, missile defense, and responses to NBC weapons and counterterrorism in the process.

The relationship between the U.S. and Russia has improved through cooperation in the fight against terrorism. The Joint Statement on the New Relationship between the U.S. and Russia, which was issued at the U.S.-Russia Summit Meeting held in November 2001, stated that both countries “have overcome the legacy of the Cold War” and “neither country regards the other as an enemy or threat,” and made it clear that the U.S. and Russia have entered a new stage of cooperation and mutual trust. Currently, the momentum toward the new strategic relationship between the two countries remains unchanged. Although the U.S. has emphasized cooperative U.S.-Russia relations in a variety of fields, it has also expressed concerns about recent political developments in Russia.

2. Defense Policies of Other Major Countries

Russia

President Putin, who began his second term in May 2004, has set liberty, prosperity, affluence, strength, and civilization as national objectives, and has been conducting active summit diplomacy with other countries through which he pursues Russian national interests. The president also made clear his emphasis on domestic policy for his second term, and he has pressed ahead with social reforms. In seeking to strengthen the state structure, he has at the same time moved to rebuild a centralized structure by abolishing a direct electoral system of regional governors and seeking to make authorities delegated to regions uniform by reducing/abolishing special authority granted to particular regions.

Russia has identified international terrorism, movements to decrease the role of the U.N. and, the eastward expansion of NATO as threats against its national interests. It also perceived that an increase of

weapons with high technology in the Western countries, together with the critical state of the Russian military, have resulted in weakened Russian national security. Finally, it claims that potential threats remain or are growing both at home and abroad although the possibility of large-scale wars has decreased.

Based on these perceptions, Russia states that the objectives of national defense should be to deter aggression, prevent a war and an armed conflict and secure international security and world peace, and that it takes measures to achieve deterrence and continue to maintain nuclear forces to prevent invasions of any scale. In addition, it points out the possibility of using armed forces for purposes other than national defense, including various peacetime operations while denying plans to proactively use forces in counter-terrorism measures. In addition, the importance of inter-theater mobility of permanent combat-ready troops is pointed out given the vastness of the Russian territory.

It seems that Russia has put an increased emphasis on nuclear capability to make up for deficiencies in its conventional forces, and is making efforts to maintain the readiness of nuclear forces. As for its conventional forces, Russia seems to be concentrating its limited resources on certain units to maintain their combat readiness while executing military reforms.

The future of Russian forces is unclear due to the opacity of both the political and economic conditions in the country, and it is necessary to keep monitoring the progress of military reforms of Russian forces. However, it is unlikely that the size and posture of Russian forces would return to their status during the Cold War era.

Europe

Many European countries recognize that the threat of a large-scale invasion by other nations has disappeared. At the same time, new security issues have surfaced, including regional conflicts, the rise of international terrorism and the proliferation of WMDs, and many European countries are making efforts to ensure capabilities to respond to these new challenges.

Against this backdrop, NATO has shifted the focus of its activities to conflict prevention and crisis management. As NATO takes on new roles, there have been calls for more drastic reforms of NATO to counter the emergence of threats from non-state actors. At the heart of NATO's improved capabilities is the NATO Response Force (NRF), which can swiftly deploy worldwide in various crisis scenarios. The NRF is expected to acquire full operational capabilities by October 2006.

The EU has been enhancing its own commitment to security issues in recent years, having engaged in activities in the areas of crisis management and security maintenance. The EU in 2004 adopted "Headline Goal 2010" that focused on the concept of creating a number of 1500-man units that could be put on standby in rotation. The EU is hoping to have the first battle group ready for deployment in 2005, and is planning from 2007 to maintain two battle groups on standby through rotation at any given time.

3. Efforts to Create Stability in the International Community by the U.N. and Other Frameworks

Recently, discussions are underway on organizational and other reforms of the U.N. that in order to deal effectively with diversifying threats. Reforms of U.N. organs in ways that increase their effectiveness and credibility are necessary for the international community to adequately address new issues of the

twenty-first century, and Japan is actively involved in these reform efforts.

U.N. Peace keeping Operations (PKOs) grew in scale as the scope of U.N. missions expanded to include such activities as monitoring decommissioning of arms, holding elections and monitoring governments, repatriating refugees and engaging in other humanitarian support efforts. On the other hand, PKOs face a number of problems including securing personnel/equipment and ensuring the safety of personnel. The U.N. and concerned countries have discussed measures to resolve these problems, and some of the proposals have born fruits such as the enhancement of the U.N. standby arrangements system, which enables the rapid implementation of PKOs.

4. Trends in the Military Science and Technologies

In recent years, developed countries continue conducting various studies on the Revolution in Military Affairs (RMA) because they understand that reforms backed by the Information Technology revolution will drastically improve combat strength. Consequently, these countries will continue upgrading their advanced military science and technology.

On the other hand, countries as well as terrorist organizations and other non-state actors that find it technically and economically difficult to maintain high-tech forces are expected to prefer an asymmetrical means of attack. These asymmetrical means of attack include WMDs, terrorist attacks, and cyber attacks. Developed countries are increasingly aware of the significance of research and development for technologies to counter asymmetrical threats.

Section 3. Security Environment in the Asia-Pacific Region

1. General

The expansion and deepening of interdependence among the nations have promoted and strengthened bilateral and multilateral coordination and cooperation mainly in the economic areas in the Asia-Pacific region. On the other hand, there are still unsolved issues such as territorial disputes or unification problems in the region.

Under these circumstances, North Korea's nuclear issue has stirred up international concern. This issue not only has serious effects on security in East Asia, but also has become a matter of grave concern for the international community in terms of non-proliferation. Many Asia-Pacific countries have increased their national defense expenditures and introduced new equipment to enhance and modernize their military capabilities. In particular, China, which is steadily growing as a political and economic power in the region, continues to strengthen its military capabilities. Such trend draws attention from other countries in the region. In addition to traditional security issues, such issues as terrorism and acts of piracy have been exerting serious influence over regional security in Southeast Asia in recent years.

Given the above, bilateral alliances and friendship with the U.S. at their center and the presence of the US forces based on these relations continue to play important roles in maintaining peace and stability of the region. In addition, bilateral military exchanges as well as multilateral dialogues on regional security, such as the ASEAN Regional Forum (ARF), have taken root in the region.

2. The Korean Peninsula

North Korea

North Korea has been advocating the construction of a “strong and rising great power” as its basic national policy, aiming at creating a strong socialist state, and adopted a “military first policy” to realize this goal. It appears that General Secretary Kim Jong Il intends to continue running the country by attaching importance to and relying on them. Although North Korea is faced with serious economic difficulties to this day, the country seems to be maintaining and enhancing its military capabilities and combat readiness by preferentially allocating resources to its military forces.

(1) WMDs and Ballistic Missiles

Concerning the nuclear issue of North Korea, three* rounds of Six-Party Talks were held so far to pursue a peaceful solution to this problem and to achieve denuclearization of the Korean Peninsula. Subsequently, diplomatic efforts continue to hold the next Six-Party Talk. North Korea, however, released a statement under the name of its Ministry of Foreign Affairs that it would suspend its participation in the talks for an indefinite period until the conditions were improved and atmosphere was warmed up. The country also claimed in the statement that it had already “manufactured nukes.” In May 2005, North Korea announced that it had completed the removal of 8,000 spent fuel rods from its graphite-moderated nuclear reactor in Yongbyon, to the north of Pyongyang.

Note: Based on an understanding on July 9th between the U.S. and North Korean sides, the fourth Six-Party Talk started on July 26th.

There are views that North Korea is resorting to brinkmanship by intentionally heightening tension through continuously taking such actions as mentioned above, whilst not fully rejecting to participate in the talks, in order to get compensation. However, the alternative view suggests that North Korea’s ultimate objective is to acquire nuclear weapons. Because the ultimate goal of North Korea is believed to be to maintain existing regime, it seems that the two foregoing views are not incompatible.

The North Korean nuclear issue is important not only for the security of Japan but also for the international community from the viewpoint of the nonproliferation. Taking into account a series of North Korea’s latest words and actions and the fact that the country’s once-suspected nuclear weapons development is not yet resolved, the possibility of North Korea having considerably advanced its nuclear weapons program cannot be excluded. For the solution of North Korea’s nuclear issue, it is important that Japan, the U.S., and the Republic of Korea (ROK) keep working closely together. At the same time, other states and international organizations such as China and Russia, which are other participants in the Six-Party Talks, as well as the European Union, the United Nations, and the IAEA may play an important role.

Details of North Korean ballistic missiles are still unclear partly because of the extremely closed nature of the country. However, it appears that North Korea gives high priority to ballistic missiles in order to boost its military capabilities, to obtain foreign currency, as well as to pursue its political and diplomatic purposes.

In addition to Nodong, which is considered to be in the process of being deployed, and Taepo Dong-1,

which is being developed, North Korea is thought to be developing Taepo Dong-2, with a range of 3,500-6,000 km, a two-stage missile with a new booster as its first stage and a Nodong as the second. Thus, the range of North Korean ballistic missiles is expected to be extended further, and there is also a possibility that their derivative missiles could be developed. As the background of North Korea's rapid strides in the development of its ballistic missiles with only a few test launches, it is assumed it imported various materials and technologies from outside. It has been pointed out that North Korea transfers and proliferates ballistic missiles or related technologies to Iran and Pakistan, and North Korea promotes the development of missiles using funds gained by these transactions.

North Korea needs to be watched carefully because of the problems it poses with its development, deployment, and proliferation of ballistic missiles as well as the nuclear problem in general. These issues bring uncertainty not only to the Asia-Pacific region but also to the international community.

(2) Military Posture

While North Korea has been making efforts to maintain and strengthen its military capabilities and readiness, most of its equipment is outdated. On the other hand, North Korea has special operations forces that can conduct various operations ranging from intelligence-gathering and sabotage to guerilla warfare. These forces are approximately 100,000 strong. Moreover, it seems that there are many underground military installations across the country.

Thus, it would appear that North Korea develops, deploys, and proliferates weapons of mass destruction and ballistic missiles and also maintains large-scale special operational forces, thus maintaining and enhancing its so-called asymmetrical military capabilities. Through maintaining such military posture, North Korea has increased military tension over the Korea Peninsula, and its behavior constitutes a serious destabilizing factor in East Asia as a whole, including Japan.

(3) Domestic Affairs

Some people point out that the North Korean regime is not as stable as it was due to increasing disparity between the rich and the poor, loosening social control characterized by worship of money, and falling morale. However, in light of the fact that national events have been held and diplomatic negotiations have been conducted in an orderly manner, the regime in North Korea based around Kim Jong Il, chairman of the National Defense Commission, is considered to be on the right track.

The ROK

The Roh Moo-hyun administration, inaugurated in February 2003, upholds "Policy of Peace and Prosperity," which succeeds to the thinking of "Engagement Policy" promoted by the administration of former President Kim Dae-jung.

The ROK aims "to defend the nation from external military threats and invasion, uphold peaceful unification and contribute to regional stability and world peace as its national defense objectives". As one of "external military threats," the ROK had regarded North Korea as its "main enemy." In its Ministry of National Defense's White Paper 2004, however, North Korea is no longer described as such. Instead, the White Paper refers to "direct military threats from North Korea including its conventional military

capabilities, weapons of mass destruction and forward military deployment”.

3. China

General

In recent years, China has been continuously achieving dramatic economic growth. The country has also improved its diplomatic image and achieved many results. On the military front, China has been making efforts to modernize its military power supported by the continuing expansion of its military expenditure. China has thus been steadily growing as a political and economic power in the Asia-Pacific region and the trend of its military development draws attention from countries in the region.

(1) Domestic Affairs

The State President Hu Jintao, who completed the transfer of the party, state, and military authorities, has followed the policy of the previous administration while taking an initiative to strengthen administrative abilities of the Communist Party and focused on sectors of the Chinese population that have been left behind by the economic reform.

While achieving successful economic growth, China has several domestic problems such as corruption of Communist Party cadres, separatist and independent movements, widening urban-rural or coastal-inland gaps owing to the rapid economic growth, and unemployment due to the reform of state-owned enterprises. Attention should be paid to how China deals with these issues.

(2) Relations with Taiwan

In recent years, China and Taiwan have strengthened their economic relations and human interactions through trade, investment, and cultural and academic exchanges. Accordingly, economic interdependence between China and Taiwan is expected to deepen further.

In March 2005, China enacted “The Anti-Secession Law.” The law has stipulated that China would make its best efforts to solve the China-Taiwan issue in a peaceful manner but at the same time might take non-peaceful measures if Taiwan showed some movement toward independence. Japan, the U.S., and EU showed concerns over the law, in view of its negative effects to the peace and stability of the Taiwan Strait and to the relationship between China and Taiwan, which had been improving. There is a gap between the fundamental stances of China and Taiwan and attention should be paid to future trends toward a peaceful resolution of the Taiwan issue. The point is whether they will find any meeting ground to reopen an official dialogue.

(3) Relations with the U.S. and others

It seems that China is wary of increase in U.S.’s influence in the international community through the fight against terrorism, its increased presence in Central Asia, and inclination toward “U.S. unipolarity.” On the other hand, China wishes to maintain close relationship with the U.S. since economic development in China requires it.

As for China-Russia relationship, both countries share a desire to promote multipolarization in the

world and the construction of a new world order based on multipolarity, and have maintained positive relationship with each other. Amid the general advancement in mutual relationship, military exchanges have also been promoted, and the two countries are reportedly planning to conduct a large-scale joint military exercise this year.

As North Korea seems to rely heavily on China for food assistance and energy supply, China is believed to have a strong influence on North Korea. With respect to the nuclear issue, China has consistently pressed for denuclearization of the Korean Peninsula and its peaceful settlement. China has played a significant role in the Six-Party Talks and the international community expects further contributions by China toward a resolution of the nuclear issue.

China has attached much importance to the establishment of stable security environments in the neighboring areas including Southeast Asia, South Asia and Central Asia. China aims to establish practical and cooperative relations with foreign countries, mainly through security talks and cooperation in areas of non-traditional security.

Military Affairs

(1) National Defense Policy

As the world moves towards multi-polarization and economic globalization, China recognizes that countries are becoming more interdependent with each other, sharing mutual interests over wider areas. On the other hand, China believes that tendencies of hegemonism and unilateralism have gained new ground, as struggles for strategic points, strategic resources and strategic dominance crop up from time to time. The country claims that there is unbalanced economic development observed in the world. China also expresses concern on non-traditional security issues such as terrorism.

With these perceptions of the current situations, China, as its basic objectives and obligations for national security, declares to protect its national sovereignty, territories, and maritime interests; to further develop its economy and society; and to continuously strengthen its comprehensive national power. It has also expressed its intention to strengthen its defense capabilities to safeguard China's security, unification, and its modernization drive, and adheres to military strategy of active defense. This is a strategic thinking that calls for active response in the event of an attack, though precluding preemption.

China has deepened its understanding that worldwide Revolution in Military Affairs (RMA) is gaining momentum and informationalization has become a key factor in enhancing war-fighting capabilities of armed forces. For modernizing the Chinese military based on this understanding, the country is aggressively promoting "RMA with Chinese characteristics" with the concept of informationalization at its core.

(2) National Defense Budget

At the National People's Congress in 2005, the Chinese government announced that its national defense budget for FY 2005 would be 244.7 billion yuan, an approximate 12.6% increase over that of the previous year. For the announced budget, China has recorded a growth rate over 10% consecutively for 17 years in terms of initial defense budget. With respect to the relationship between national defense and economy, China states that it will firmly maintain the principle of coordinated development of national

defense and economy in its defense white paper. There seems therefore to be little possibility for a rapid change of resource allotment in favor of the national defense. However, it seems that China will continue to modernize its military considering the fact that the total amount of its national defense budget has been significantly increasing.

It must be noted that the amount of defense expenses announced by China is considered to be only a part of its actual military expenditures. For instance, expenses on equipment procurement and research and development are not necessarily included in the official figures for defense expenditures. China's defense white paper and other documents have failed to provide, for example, plans for major equipment procurement or number of current equipment. It is more than desirable that China will make an additional effort to improve transparency of its defense policy and military capabilities.

(3) Military Strength

China has been modernizing its military capabilities focusing on nuclear and missile forces as well as its naval and air forces in recent years. It is necessary to keep paying attention to these modernization trends and to carefully evaluate whether the modernization of China's military forces exceeds the level necessary for its national defense.

Concerning Chinese nuclear forces and ballistic missiles, China has worked on developing an independent nuclear capability with a view to guaranteeing deterrence, supplementing its conventional forces, and ensuring its influence in the international community. China is currently developing new-type DF-31 inter-continental ballistic missiles and submarine-launched ballistic missiles. With regard to intermediate-/medium- range ballistic missiles with ranges covering the Asian region including Japan, China has been replacing old DF-3 missiles with DF-21 missiles, new type of missile with improved accuracy and other performances. In addition, China is enhancing the deployment of short-range ballistic missiles along the shore facing the Taiwan Strait. Finally, China has been conducting research and development on countermeasures against missile defense.

China has been continuously seeking to modernize its ground armed forces by curtailing personnel and streamlining organizations and systems in order to improve efficiency. It also plans to implement a reform to improve its logistical support capability.

The Chinese navy is aiming to extend the space for offshore defensive operations while integrated combat capabilities are enhanced in conducting offshore campaigns. Accordingly, naval modernization is underway with the continuous introduction of quiet Kilo-class submarines and Sovremenny-class destroyers with supersonic anti-ship missiles from Russia. In addition, China has been domestically constructing several new-type ships in recent years.

The number of new fourth-generation aircraft operated by the Chinese Air Force and Navy is rising sharply. China is currently developing J-10 (F-10) fighters domestically, and has promoted import of Su-30 fighters with anti-surface and anti-submarine attack capability from Russia. The Chinese Air Force is reportedly aiming to gradually shift from one of territorial air defense to one of both offensive and defensive operations. China is also seeking to modernize its air force by acquiring in-flight refueling capability and early warning and control systems that are essential in conducting modern air campaign while developing cruise missiles.

(4) Military Posture

In recent years, China have been conducting large-scale exercises including joint exercises of the Army, Navy, and Air Force and landing exercises, with the aim of advancing modernization in its operation. In addition, China is making efforts to train military personnel well acquainted with science and technology.

(5) Maritime Activities

In recent years, we have witnessed vigorous maritime activities by Chinese naval vessels and oceanographic research ships navigating in waters near Japan. One of the most notable cases has been the incident caused by a submerged Chinese nuclear powered submarine that intruded into Japan's territorial waters last November. The Chinese Navy aims to extend the space for offshore defensive operations while integrated combat capabilities are enhanced in conducting offshore campaigns, as mentioned above. In addition, it is pointed out that the country aims to build a so-called blue-water navy in the future. Therefore, it is important to monitor Chinese movements and identify Chinese strategies underlying them.

Military Capability of Taiwan

Since January 2004, Taiwan has been implementing a new downsizing program, "Jingjin Program (The ROC Armed Forces Streamlining Program)" to manage national defense resources more efficiently, to reduce the total number of military personnel, and to promote a restructuring of armed forces. At the same time, the Taiwanese armed forces attach importance to the introduction of advanced technologies and improvement of comprehensive operational capabilities.

Taiwan recognizes that unless the Taiwanese forces effectively improve their strength, the military superiority would be gradually shifting to the Chinese side in and after 2006. Based on this recognition, Taiwan is currently focusing on modernizing its equipment. In June 2004, the Executive Yuan of Taiwan formulated a special budget plan for purchasing arms, specifically to purchase eight diesel submarines, 12 P-3C patrol aircraft, and the latest Patriot missile system PAC-3. The budget bill is now under deliberation for approval by the Legislative Yuan.

4. Russia in the Asia-Pacific Region

(1) General

For Russia to facilitate the development of underground resources and to bolster economy and social infrastructure in the far east region, it is important to build closer economic relations with Asia-Pacific countries. Recognizing the increasing importance of the Asia-Pacific region in its foreign policy, Russia is actively engaged in diplomatic activities with countries in the region. At the same time, it is actively committing itself to resolving regional problems, such as the issue of the Korean Peninsula, to secure its influence, because the peace and stability of the Asia-Pacific region is important for Russia.

(2) Military Posture

The force levels of the Russian military in the Russian far east region have declined and their current

force level remains far smaller than its peak. Training and other operations, after reaching bottom, have been gradually showing an upward trend in recent years. In 2004, the permanent combat readiness troops conducted “Mobility 2004” as exercise for rapid deployment from the western part of Russia to the far east region.

For the future of the Russian forces in this region, it is necessary to continue to monitor the future developments as the Russian forces are attributing more importance to the inter-theater mobility of permanent combat readiness troops for dealing with conflicts, and political and economic conditions in the country still remain largely uncertain. However, it is unlikely that the force level and posture of the Russian forces in this region would return to that of the Soviet forces during the Cold War era within the foreseeable future.

5. Southeast Asia

(1) General

The countries in Southeast Asia have until now worked to achieve political stability and sound economic progress while striving to deepen relations of mutual reliance with other countries both inside and outside the region. On the other hand, such destabilizing factors as the territorial dispute over the Spratly Islands, minority ethnic issues, separatist and independent movements, and Islamic extremist organizations persist in the region, while there have been incidents in which the safe passage of ships have been obstructed by pirates.

(2) Developments in ASEAN

The turning point for ASEAN was the realization of ASEAN 10 with the formal admission of Cambodia to ASEAN in 1999, more than 30 years after its establishment. In 2001, the ASEAN-member countries made a statement for reducing economic disparity among them and confirmed the importance of cooperation towards economic integration. The countries have thus promoted cooperation in the economic and trade areas. These countries are expected to cooperate with each other in various areas, including peace and stabilization of the region. In recent years, active movements centering on ASEAN have been observed.

On the other hand, while the economic gap among ASEAN member countries has widened due to the expansion of ASEAN membership, there also exist political differences among countries of the region. Additionally, a change of generation in leadership has been taking place, and ASEAN is facing various challenges including discussions about effective measures against cross-border crimes such as terrorism and review of traditional principles such as non-intervention in domestic affairs and consensus methods. Attention should be given to how ASEAN, groping for solutions of these issues, takes steps to realize a “community” in the future.

(3) Maritime Safety in the Malacca and Singapore Straits

The Straits of Malacca, lying between Sumatra and Malay Peninsula is an important sea passage in the Asia-Pacific region, together with the Singapore Straits located to its south east. The Southeast Asian waters have been the scene of half as many attacks of piracy and armed robbery as those in the entire globe.

It has been pointed out that the acts of piracy are becoming more heinous and aggravated in recent years.

As for security of the Straits of Malacca, the coastal countries shall bear its primary responsibility but its security exerts influence over the interests of other countries using the straits. For cross-border issues like terrorism and piracy, it is necessary to take multilateral cooperative measures. Accordingly, various talks and cooperation have been promoted towards establishment of specific arrangements for cooperation among the coastal countries of the Straits of Malacca, other interested countries including Japan, and relevant international organizations.

6. Other Regions

Australia

As seen in its engagement in the East Timor issue and Solomon Islands issue in July 2003, Australia intends to engage actively in efforts to resolve regional security issues. Having reviewed its national defense strategy in terms of security environment influenced by the 9-11 terrorist attacks, and by the bombing in Bali, Indonesia, in October 2002, Australia released a report entitled “Australia’s National Security: A Defense Update 2003” in February 2003. The report stresses that the twin threats of terrorism and the proliferation of WMDs represent significant changes in the global strategic environment in the past two years, and that they are real and immediate threats to Australia.

India

With a total population of more than one billion, vast land, and a geographical position that is important in maritime traffic, India has great influence in South Asia.

India states following points on its national security policies;

the possession of military capabilities to protect the national interest and the minimum level deterrent against nuclear threats;

response to various security challenges ranging from terrorism, low-intensity conflicts, to conventional wars and nuclear wars;

enhancement of international cooperation to deal with new threats such as terrorism and WMDs.

In addition to its friendly relationship with Russia, India has made progress in improving relations with the U.S. and China. With regard to its relation with Pakistan, with which India has a pending issue over Kashmir, both countries have made some progress in mutual confidence building through the continued “Composite Dialogue” which began in February 2004.

Pakistan

Pakistan’s fight against terrorism and approach to nonproliferation of WMDs is drawing international attention. President Musharraf has been improving relations with India, and also expressed his support for the U.S.-led war on terrorism and prevention of the proliferation of WMDs. In the meantime, Islamic extremist groups at home and abroad criticized President Musharraf’s policy. Achieving stability in Pakistan is crucial from the viewpoint of securing stability in South Asia.

Central Asia

Countries in Central Asia are making efforts to establish security frameworks that are independent from that of the Commonwealth of Independent States (CIS). The Shanghai Cooperation Organization (SCO) has been an example, established as a multilateral security scheme. The U.S. military presence in this region has continued to date as the region is surrounded geographically by two superpowers, Russia and China, and was strongly influenced by Russia in the past.

7. U.S. Forces in the Asia-Pacific Region

The U.S., which is also a nation in the Pacific, continues to play an important role in ensuring peace and stability in the Asia-Pacific region by deploying forces under the Pacific Command, a joint command of the Army, Navy, Air Force, and Marine Corps.

The U.S. has repeatedly referred to its significant role in the Asia-Pacific region.

The U.S. Pacific Command has its headquarters in Hawaii and forward-deployed forces, mainly drawn from the Navy and Air Force, in the Pacific Ocean and Indian Ocean with the objective of providing quick, flexible responses to any contingency and guaranteeing the security of the region.