American, Australian, and Japanese Perspectives on a Changing Security Environment

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# Table of Contents

**Executive Summary**  

**Chapter 1, The Changing Security Context in Asia**  

**Chapter 2, Australian Views of the Changing Security Environment and Extended Deterrence**  

**Chapter 3, Challenges to Extended Deterrence in the Japan-U.S. Alliance: From Gray Zone to Nuclear Deterrence**  

**Chapter 4, American Views of Extended Deterrence**  

**Conclusion**
Executive Summary

China’s growing assertiveness in the Asia-Pacific region is increasing the need for deepened security ties between the U.S. and allies at the very time the U.S. faces a constrained budget environment. The U.S. is reducing its nuclear arsenal, straining the credibility of extended nuclear deterrence in the eyes of its allies.

Facing an increasingly assertive China, both Japan and Australia are deepening military cooperation with the U.S. and with one another. Japan is exploring ways to reinterpret its constitution to allow it to play a more active role in collective self-defense, has lifted restrictions on defense cooperation, and is playing a more active role in security cooperation in the region. The Australian government is increasing its defense budget; acquiring new capabilities, to include a new generation of attack submarines; and is considering granting greater access to Australian facilities to the United States.

Australian Views of the Changing Security Environment and Extended Deterrence

Australian security planners consider three alternative futures for China: (1) China, under the strong leadership of the Communist Party of China (CPC), pursues an increasingly assertive foreign policy; (2) the CPC, fearful of losing authority, acts assertively to demonstrate its legitimacy and divert attention from domestic matters; or (3) poor economic performance leads to mass demonstrations and potential revolution.
Discussions of Australian security increasingly portray Canberra as having to choose between its economic relationship with Beijing and its security relationship with Washington. However, that view is simplistic. Although the U.S. no longer dominates the Western Pacific economically, Australia’s economic dependence on China is often overstated. Whereas Australia and China trade mostly in raw materials, Australia and the United States trade more in services. In addition, flows of foreign direct investment between China and Australia are small compared with Australia’s investment relationships with Europe and the United States.

Mainstream Australian strategic thinkers believe that the external security environment is increasingly challenging and that China’s authoritarian and expansive policies are a concern. A recent poll by the Lowy Institute found that almost half of the Australian population (48 percent) thinks it “likely” that China will become a military threat to Australia in the next 20 years. In the current strategic environment, the Chinese government has a strong incentive to seize the opportunity to strike first at unhardened and lightly defended bases.

Because of the shifting military balance in the Asia-Pacific region, many argue that Australia’s strategic significance has increased, and thus that Canberra must acquire the capability both to deter attacks independently, increase its value as a member of the Australia-U.S. alliance, and exercise a leadership role in developing regional alliances and partner capabilities. By contrast, some argue that the most important priority should be strengthening Australia’s economy, even at the expense of security.
Challenges to Extended Deterrence in the Japan-U.S. Alliance: From Gray Zone to Nuclear Deterrence

From a Japanese perspective, a key feature of the modern security environment is a “gray zone” between peace and war. Such a dynamic is at play in the East China Sea, where disagreement between Tokyo and Beijing over territorial claims to the Senkaku Islands plays out in the diplomatic realm as well as showdowns between commercial, coast guard, and military vessels, but falls short of armed conflict. In the South China Sea, China’s island building and US Freedom of Navigation Operations fall into the category of “gray zone” conflict as well.

These conflicts present a deterrence challenge for the U.S. and its allies. Preventing China from achieving a *fait accompli* change to the status quo requires the forward deployment of forces to deny Beijing a window of opportunity for aggression. However, even in the face of forward-based forces, China has been engaging in “salami slicing” tactics and creeping expansion, which can be reversed only through compellence.

Extended deterrence must evolve into “collective deterrence” in which allies not only rely on the U.S. for deterrence, but also use clear diplomatic and military signals, as well as their own “gray zone” deterrence including paramilitary forces.

China’s military modernization has justifiably heightened concerns about Beijing’s development of anti-access/area denial (A2/AD) capabilities. One logical response to this growing threat is to increase and disperse forward-based ships and aircraft. However, a light and dispersed presence, could invite China to take advantage of what they perceive to be a window of opportunity to launch a first strike on Japan.
In order to strengthen deterrence and limit China’s first strike option, Japan and other U.S. allies must harden their bases and increase their active air and missile defense capabilities. The United States, for its part, needs to expand its strike capability. The U.S. should not accept mutual vulnerability with China, as it could lead Beijing to perceive that it could take actions to which the US could not effectively respond.

If North Korea succeeded in blackmailing Japan, it would destroy the value of U.S. deterrence and invite further provocation by nuclear-armed states. The U.S. must therefore work with allies to increase and maintain robust deterrence.

American Views of Extended Deterrence

U.S. policy seeks to protect U.S. allies and interests through a robust deterrence posture. U.S. policy in Asia has remained relatively constant across decades and very different presidential administrations. U.S. goals in the Pacific include: defending U.S. territory against attack, defending allies and quasi-allies like Taiwan, ensuring the free flow of goods and services, and preventing hegemony and maintaining a balance of power. The U.S. has defended these interests with extended deterrence, including nuclear deterrence, and rotational deployments of forces to reassure allies and deter adversaries.

Chinese A2/AD capabilities threaten to hold at risk U.S. forces like carrier strike groups, threatening U.S. ability to uphold its security commitment and defend its interests and allies. As China continues to modernize its nuclear and missile forces, the increasing vulnerability of tactical nuclear delivery platforms could lead to crisis instability. If China were able to deny access to airfields in Japan and Guam,
it would threaten the ability of the United States to project power in support of its allies and interests.

Successful deterrence involves risk. In particular, the United States will need to accept an increased level of risk in the future, including risk to forward-based forces, in order to protect its interests in the Pacific. The alternative, a neo-isolationist approach that narrowly defines U.S. interests and commitments, is both infeasible and undesirable. By contrast, a forward leaning strategy designed to safeguard U.S. interests in an increasingly risky security environment would rest upon a mixture of forward based and standoff capabilities bifurcated into forces for presence, deterrence, and reassurance, on the one hand, and warfighting on the other. To implement this forward leaning strategy, the U.S. should harden and diversify bases, develop the ability to threaten China with the prospect of a long war on multiple fronts, revive the defense industrial base, increase technology and information sharing between allies, and improve mobilization planning. Improving collective security will include, particularly, cooperation and assistance with allied undersea warfare and investment in expeditionary basing capability.
Chapter 1
The Changing Security Context in Asia

The security environment in the Asia-Pacific region is changing rapidly. China and India are exerting greater strategic weight within the region and beyond. China is demonstrating growing assertiveness in prosecuting its territorial claims in the East China Sea and South China Sea. America’s allies in the region are increasingly seeking reassurance and support from the United States and are broadening and deepening their ties to one another. The United States, for its part, has pledged to rebalance its strategic attention and force posture to place greater emphasis on the region. At the same time, however, the United States is facing a period where the resources available to meet its interests are decreasing.

The change in the broader security environment is reflected in the nuclear sphere. Whereas the United States is reducing the size of its nuclear arsenal, China is modernizing and expanding its nuclear force, giving Beijing a greater ability to coerce its neighbors, deter U.S. intervention, and deny the United States escalatory options should it choose to intervene. Russia has for years sought to compensate for its conventional military weakness by placing increased emphasis on nuclear weapons for tactical, operational, and strategic purposes. North Korea, for its part, appears unlikely to eliminate its nuclear arsenal and in fact appears to have embarked on a policy of threatening the United States and Japan both through statements and its weapons’ testing. As a result, the demand for extended deterrence by U.S. allies is likely to grow at the very time that the credibility and
capability of U.S. extended nuclear deterrence guarantees is likely to be called into question.

These trends are placing U.S. alliances in the region under greater stress. Japan, for its part, has already relaxed constraints on defense cooperation and is exploring ways to revise or reinterpret its constitution to permit the exercise of collective self-defense. Moreover, as Japan confronts continued confrontations with China over the Senkakus/Diaoyus, continued collaborative discussions between the United States and Japan will help inform the policy communities in both countries of public and private perceptions in each country. Australia is increasing its defense budget with the goal of spending two percent of its Gross Domestic Product on defense in future years. Moreover, the U.S. and Australian governments are exploring options to grant the U.S. military greater access to facilities in Australia.

The United States and Australia enjoy a strong and sustained bilateral strategic relationship. American and Australian soldiers have fought side-by-side in every war that the United States has fought since World War II. The United States and Australia have an intimate intelligence relationship. And, with few exceptions, both countries share a common worldview and have successfully worked together to maintain a stable strategic security environment in Asia, the Pacific and in other parts of the globe.

Similarly, the United States and Japan enjoy a long history of cooperation in the defense sphere. That cooperation entered new realms after the September 11, 2001 terrorist attacks, as Japan deployed Ground Self-Defense Force units to southern Iraq and Maritime Self-Defense Force units undertook counter-piracy
patrols in the Gulf of Aden. Moreover, Operation TOMODACHI, undertaken in the
wake of the 2011 Tohoku earthquake and tsunami, highlighted alliance cooperation.

The rise of China has, however, meant that the old relationships are
insufficient. A China with a powerful navy and air force, and claims on ocean
territory recognized by no other state, yet stoutly defended by Beijing, poses a new
and serious security threat in the Asia Pacific. Japan, in particular, finds its own
territory at risk from Chinese claims, and Australia, often isolated in the Pacific
region, has become more apprehensive for its long-term security.

In this context, it is all the more important for the United States to diagnose
the state of its alliances with Australia and Japan, as well as their growing
relationship with one another. In particular, it is important to understand each
party’s views of the evolving security environment, deterrence, extended
deterrence, reassurance, and nonproliferation.

This study is the culmination of a multi-national research effort to examine
American, Australian, and Japanese attitudes toward the security environment,
deterrence and reassurance, and proliferation. In particular, it seeks to answer the
following questions:

- How do leaders in country’s government and security community view the
  security environment in which they operate?
- What trends do they believe will characterize it over the next two decades?
- What are the most significant uncertainties the country’s government faces
  in planning for the future?
- What shocks or discontinuities would pose the greatest challenge?
- What threats is the country likely to face?
- Given the above, what can be done to strengthen deterrence and extended
deterrence?
Chapter 2, written by Dr. Ross Babbage of Strategic Forum, explores Australian views of the changing security environment and extended deterrence. It is based upon an extensive set of interviews with Australian leaders and national security thinkers as well as a review of the contemporary Australian strategic literature. Chapter 3, written by Sugio Takahashi of the National Institute for Defense Studies in Tokyo, provides a Japanese view of security challenges. Chapter 4, by Prof. Thomas G. Mahnken of Johns Hopkins SAIS, offers an American view of both challenges and potential solutions. The report’s conclusion summarizes the project’s findings and points the way to future research.
Chapter 2
Australian Views of the Changing Security Environment and Extended Deterrence

Introduction

One of the challenges in preparing this chapter has been to summarize the views of Australians on their changing security environment. This is not straightforward because there is inevitably a diversity of views across the country.

Nevertheless, public opinion polling suggests that on many central aspects of their security most Australians are in broad agreement. Statements by relevant politicians and senior officials also rarely diverge markedly from what might be seen to be ‘mainstream’ perspectives. In addition, Australian defense and security personnel have a culture of participating routinely in trusted closed-door discussions and debates with external security specialists and people from industry. These private exchanges reveal a similar broad agreement on the key priorities for Australian security concern and national security investment.

In addition to the above, in preparing the foundational work for this chapter, two carefully tailored closed workshops were held with senior officials to talk through the key issues at some length. This chapter draws on all of these sources and aims to reflect accurately the views of the Australian people and especially those of the country’s national security community.
Australia’s More Challenging Strategic Landscape

During the last decade, Australians have gradually come to realize that their strategic outlook is growing more challenging. Prominent factors have been the continued rise of China’s economy to rival that of the United States, the Chinese deployment of formidable military capabilities, and Beijing’s assertive nationalist strategies abroad, including extensive cyber operations against Australia and its close allies and partners. A related development has been the strengthening of security cooperation between a group of authoritarian states that includes Russia, China, North Korea, Iran, Syria and several other non-democratic regimes.

Further complicating Australia’s security outlook is the morphing of the United States into a different kind of ally. Many Americans are war-weary, worried by the failure to contain international terrorism, concerned by delays in restoring their economy and frustrated by the fraught processes of decision-making in Washington. There is also deep unease in the United States about the assertive behavior of China, Russia and other authoritarian states and the weakening of many long-standing American technological and military advantages.

Australians are watching as senior American defense and foreign policy specialists debate whether they should respond to the markedly altered international environment by sustaining strong forward commitments or by adopting more restrained types of international policy. They have also noted Washington’s evolving approach to U.S. allies. The Obama Administration has helped foster these divergent tendencies by the hesitancy of its actions in Syria, the
broader Middle East and in East Asia, its severely constrained defense spending, and its sometimes clumsy management of alliance relations.

Further complicating Canberra’s strategic outlook is that, in stark contrast to the Cold War, Australia is no longer far distant from the center of major power tensions. For the first time since the Second World War, the country finds itself close to the center stage of global strategic competition and a likely theatre of any future major war. The U.S., China and a range of other major powers are already maneuvering to exploit Australia’s enhanced strategic significance.

Given these markedly altered circumstances, Australia’s strategic thinkers are quietly debating how best to secure the country’s vital interests in the more challenging security environment now developing. There is an emerging consensus that the time has come to take stock of the substantially altered strategic environment and consider new options for enhancing the country’s security.

**Primary Strategic Changes to Australia’s Security Environment**

When Australians consider the major changes underway in their strategic environment, nine developments are especially prominent.

1. **Altering economic balance in the Indo-Pacific**

   Australian policy makers are acutely aware that the U.S. and its close allies no longer dominate economic activity in the Western Pacific.
In real, or purchasing power parity, terms China’s economy is already about the same size as that of the U.S. China certainly faces major challenges in coming years, especially in shifting its economy from export-led growth to that driven more by domestic consumption and services. This, together with the maturing of industrialization and an ageing of the population, means average economic growth rates in China are likely to be lower and periodically fluctuate. The Secretary of the Australian Treasury, John Fraser, has spoken publicly about the implications of these perturbations for Australia.1 Nevertheless, there is a general consensus in Australia that for the next three decades the pace of economic growth in China is still likely to be faster than that in North America.

At the same time, China is developing a high level of economic integration with its Western Pacific neighbors. China is already the largest trading partner of Australia, Japan, South Korea and Taiwan and by 2020 will probably be the largest trading partner of almost every western Pacific Rim nation.

For Australia, the strategic implications of China’s growth are complex. Some commentators conclude that the country’s stronger economic links with Asia are inexorably drawing Australia into China’s strategic orbit. A few argue Australia

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should, as a consequence, distance itself from the U.S.\textsuperscript{2} This line of thinking oversimplifies the developing situation and, in particular, overlooks the qualitative aspects of Australia’s relationships with its economic partners.

Although China is easily Australia’s largest trading partner, the figures for merchandise trade, on their own, convey a misleading picture of the economic relationship. China and Australia sell each other large quantities of goods, but they trade much lower quantities of services. Indeed, Australia and the U.S. trade more than double the value of services Australia and China exchange.

Perhaps even more revealing, China is only the seventh largest investor in Australia, far behind the U.S., the UK, Japan and several other European and Asian countries. China, meanwhile, attracts only 1.1 per cent of Australia’s investment abroad, compared to 29.8 per cent going to European Union countries and 28.5 per cent going to the U.S.\textsuperscript{3}

There are also major differences in the quality of Chinese investments in Australia compared to those from other advanced economies. Many American, European and Japanese investments comprise medium- and high-technology footprints that contribute to Australia’s and the globe’s longer-term development.

\textsuperscript{2} For a discussion on these and related issues see: Hugh White \textit{Power Shift: Australia’s Future Between Washington and Beijing} (Quarterly Essay, Issue 39, 2010).

and production of cutting-edge systems. By contrast, China’s much smaller scale investments in Australia involve very little advanced technology transfer and focus heavily on mineral developments and associated infrastructure together with some residential and agricultural property.

This more complete picture highlights the fact that in many respects the Australia-China economic relationship is conducted at arms-length. The two countries are reluctant to engage intimately in each other’s economies by operating extensively in their partner’s services sectors and investing in advanced systems. To some extent, this reflects a failure to identify attractive investment opportunities. However, other factors include difficulties in bridging cultural differences, concerns about each other’s regulatory, legal and political frameworks, and limited levels of trust.

Australia’s leaders recognize the strategic challenges posed by this developing situation. Prime Minister Malcolm Turnbull addressed these issues directly in January 2015:

Obviously the questions posed by emerging Asia’s rise are pivotal to the future of the Asia-Pacific:

- How quickly will these economies expand in the next few years, and what reforms are required to rekindle the rapid catch-up growth of the early 21st century? (and by catch-up growth I mean the process by which

4 For instance, Boeing’s operations in Australia are only second in scale to those in the U.S. Similarly, BAE Systems, Thales, Saab and other global companies in Australia develop and produce advanced technologies and systems to meet worldwide demands. There are other cutting-edge Western investments in Australia’s information technology, telecommunications, pharmaceutical industries and other sectors.
developing economies converge with the productivity of developed economies).

- What will the global distribution of economic production look like when the most rapid phase of catch-up growth has run its course in China, India and Indonesia?

- How will tensions along the way be handled, including those arising from the inevitable translation of enlarged economic resources into enhanced military power?

- What are the implications for the environment, and for supply and demand for natural resources?

- And how ready are Western nations and Western-dominated multilateral institutions to adapt to a very different distribution of global power than that which they’ve been used to?\(^5\)

From Australia’s perspective, China is certainly rising to be a major economic power. However, because China’s economic relationships with Australia and a range of other regional countries largely comprise the simple trade of commodities and medium-technology manufactured goods, Beijing’s strategic influence is not as strong as many assume. Moreover, in the next two decades trade with other Asian developing economies is likely to grow more rapidly than with the maturing and slowing /Chinese economy. Indeed, within two decades it is possible that Australia’s trade with India might rival that with China and trade with Indonesia and a number of other rapidly rising Asian countries will probably gain new prominence. In that timeframe Australia’s trade and investment links across the Indo-Pacific will almost certainly diversify and deepen greatly.

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Peter Varghese, the Secretary of the Department of Foreign Affairs and Trade, highlighted the strategic uncertainties generated by these shifts in economic power:

This idea of an Indo-Pacific region is particularly important because we are living at a time of profound transition in the economic and strategic environment of Asia. A key question for Australian policy makers is how will the shift in economic weight in our region affect the distribution of power and what will it mean for Australia’s national interests?6

There is a strong consensus amongst Australian policy makers that the implications of the geo-economic changes underway are profound. However, what should be done about these changes remains the subject of intense debate.

2. The rise of powerful authoritarian states

For Australia, the most concerning aspect of China’s re-emergence as a major power springs not from the growing strength of its economy, geographic size, vast population, or even from its rising military capabilities. Rather, it springs from the nature of China’s authoritarian regime, its Leninist ideology and, most of all, from its assertive and highly revisionist international strategy. China is ruled by a regime that seeks to overthrow large parts of the rules-based international order, created and long nurtured by the Western powers.

The consensus amongst Australian strategic thinkers is that the Chinese regime’s primary goal is to reinforce the strength and longevity of the ruling Communist Party of China (CPC). That goal is central to the regime’s elaborate

mechanisms to ensure domestic stability, economic growth and restoration of Chinese pre-eminence in the Indo-Pacific.

The Chinese leadership’s strategy is generally considered to have four major sub-goals.

First, China wishes to control information flows to maintain internal cohesion and undermine potential domestic and international opponents. Specific measures include propaganda campaigns to underline the legitimacy of the CPC. Domestic intelligence and cyber operations are conducted to suppress potentially subversive information flows and to identify, monitor, coerce and, when appropriate, arrest dissidents and troublesome minorities. Programs to control information from international sources include very active diplomacy, sophisticated propaganda programs and foreign intelligence operations to, among other purposes, cultivate agents of influence and spread disinformation. These programs also include the propagation of highly assertive legal positions in so-called “lawfare” operations to bolster the legitimacy of Chinese claims. Chinese students and other citizens abroad, together with Confucius Institutes and similar organizations, are periodically marshaled to support Beijing’s international operations.7

7 Confucius Institutes have been established in many Western universities, including nine in Australia. These organizations are funded by, and closely affiliated with, the Chinese Ministry of Education. The publicly stated purpose of these Confucius Institutes is “to promote a better understanding of Chinese culture.” However the executives of the central headquarters of the organization in Beijing are all Chinese Government officials and most, if not all, appear to be members of the CPC. Serious allegations have been made about the involvement of Confucius Institutes in espionage and other intelligence-related activities. See, for instance, “Former Canadian Intelligence Agent: The Confucius Institute Is an Espionage Institution” (NTD.TV, 2 November 2014) http://www.ntd.tv/en/programs/news-
A second core goal of the Chinese leadership is to sustain economic growth and modernization. Economic prosperity certainly reinforces the domestic legitimacy of the Party. But sometimes Chinese financial institutions and corporations are encouraged to operate in locations and for purposes that are driven more by the CPC’s strategic goals than by intrinsic economic value. China’s state-owned enterprises are used in some environments to directly serve Party and national interests by engaging in intelligence and other types of strategic operations.

China’s intelligence organizations are heavily engaged in industrial espionage to steal the intellectual property required to produce advanced products and services. These operations facilitate Chinese industrial shortcuts and strengthen competitive advantages.²

² It is interesting in this context to note the agreement reached between Presidents Barak Obama and Xi Jinping in September 2015 prohibits each side from spying on each country’s intellectual property for commercial gain, consultation and cooperation between relevant law enforcement agencies and a commitment to work together to "an architecture to govern behavior" that is enforceable and clear. However, it is also notable that the Director of National Intelligence, James Clapper and other senior U.S. intelligence officials have repeatedly expressed skepticism that this agreement will significantly modify Chinese behavior. See, for instance, Andrea Shalel, “Top U.S. Spy Says Sceptical About U.S.-China Cyber Agreement,” Reuters 30
A third important sub-goal of the Chinese leadership is to build strong military capabilities. Australia’s strategic planners realize that these are not intended to match those of the U.S. and its allies’ ship-for-ship, aircraft-for-aircraft or tank-for-tank. Rather, they are structured asymmetrically to conduct surprise, very fast-paced operations to blind and destroy most traditionally-structured enemy forces that are forward-based in the Western Pacific, while deterring nuclear escalation. To support this development of modern military capabilities, China’s intelligence, cyber and military industries are tasked with gathering, assessing and exploiting advanced technologies and military systems so China can outflank or surpass Western capabilities in priority fields.

A fourth key sub-goal of the Chinese leadership is assertive multi-dimensional operations that lay claim to territory, seabed, airspace and parts of outer space that are either poorly defended or difficult for opposing forces to occupy or protect. Through a series of incremental steps by a diverse range of civilian and military agencies, China seeks to create new “facts” and new “realities” that are hard for opposing forces to contest. In some cases, such as Chinese operations to undermine Philippine and Vietnamese holdings in the South China Sea, China has been prepared to deploy overwhelming force to coerce acquiescence. In others, such as the harassment of U.S. and Japanese ships and aircraft in the East and South China seas, Beijing has modulated its assertive actions so that they always fall below the threshold for triggering forceful allied responses. The end result is a form of flexible

“salami-slicing” strategy that has gradually expanded China’s presence in internationally contested areas and strengthened Beijing’s assertion of regional pre-eminence.

The success of these carefully tailored actions has deepened Australian and regional concerns about China’s future goals and it has also undermined regional confidence in the deterrence and defensive value of security partnerships with the U.S..

Of key importance to the Communist Party’s leadership is that these assertive international operations are warmly welcomed at home. They reinforce deep-seated nationalist sentiments and signify progress towards China returning to its “rightful place” as a leading global power.

Australian strategic planners realize that there is broad support in the CPC for the four main themes in Chinese strategy, but they have also noted that there are signs of disenchantment concerning some stances taken by the Party leadership in recent years. In particular, there are concerns in the Party about corrupt behavior and worries about excesses in some counter-corruption campaigns. Many Party members in business also worry about the direction of the economy and difficulties in maintaining economic momentum and social harmony.

When considering the future of China in the coming 30 years, Australian security planners usually focus on three categories of scenario:

• First, the CPC leadership may maintain a substantial degree of economic, social and security stability, permitting China to continue its military modernization
and assertive strategic operations. This is generally assessed as the most likely future.

- Second, the CPC leadership may fear it is losing control of the Party and the country and decide to reinforce its legitimacy and authority by adopting a more nationalist stance. This might lead to more aggressive international operations to rally the population and strengthen national cohesion.

- Third, worsening economic conditions combined with serious corruption scandals and other problems could trigger mass demonstrations and a strong move within the Party to liberalize China’s political system. If sustained, such a change could effectively amount to a new Chinese revolution. New political parties might be legalized and permitted to stand against the CPC in elections. While developments of this kind may improve the prospects for more moderate international policies and actions in the longer term, in the short term they would probably be combined with strong nationalist appeals in order to help hold the country together. While this scenario is possible, it is probably the least likely during the coming three decades.

The bottom line for Canberra is that any of these broad scenarios may exacerbate Australia’s security challenges. For the medium term at least, China will continue to be a powerful revisionist state, prepared to contest long-standing international norms. This outlook raises important issues for Australia’s immediate strategy but even more serious questions for the type of strategy Australia may need in 2020-2040.
3. **China’s stronger military forces and assertive strategies**

While most countries in the Indo-Pacific are taking steps to modernize their military capabilities, it is the scale, breadth and speed of China’s military expansion that is generating the most concern amongst Australian strategic thinkers.

For the first time since the Second World War, the U.S. and its close Western allies can no longer assume operational dominance in this theatre. Australian defense planners have noted that during the last ten years China’s defense spending has quadrupled while defense spending in the U.S. has grown by a total of only 12 per cent.\(^9\)

Australian concerns about Chinese military developments focus primarily on ten key Peoples’ Liberation Army (PLA) capabilities whose rapid development and deployment is transforming the military balance in the Western Pacific.

First, China is deploying a new generation of strategic nuclear forces that are more capable and survivable. The new DF-31, DF-31A, and DF-41 inter-continental ballistic missiles (ICBMs) are carried on road and rail-mobile transporters that are shuffled through an extensive network of deep underground tunnels and associated alternative launch sites. There are also four new nuclear-powered ballistic missile-

firing submarines (SSBNs) in service with more under construction. Bomber aircraft armed with long-range cruise missiles supplement this growing strategic arsenal.\textsuperscript{10}

Second, the PLA has invested heavily in overlapping surveillance systems that are designed to provide a clear picture of what is happening in China’s maritime approaches. This surveillance network includes satellite systems, surface- and sky-wave over-the-horizon radars, a sophisticated system of electronic emissions monitoring, high-altitude, long-endurance uninhabited aerial vehicles (UAVs) and a developing network of medium and long-range undersea sonar arrays. This means that, in contrast to previous decades, allied aircraft, ships and submarines operating in much of the Western Pacific will in many circumstances be detected, tracked and potentially targeted.

Third, China is fielding a very large force of cruise and ballistic missiles with the capability to accurately strike targets out to 3,000km whether they are fixed bases or ships at sea. These systems provide a strong capability to attack U.S. and allied bases in the region with little warning, potentially destroying most forward-based military capabilities in the first few hours of a major conflict. The U.S. and its allies have no comparable theatre missile capabilities and are not well placed to balance this formidable PLA force. A notable feature of Figure 1 is that all of the so-called Second Island Chain in the Western Pacific, including the critical U.S. base

facilities in Japan and Guam, are within range of one or more of the Chinese theatre ballistic and cruise missile systems.

**Figure 1: Range Capabilities of China’s Land-Based Conventionally-Armed Missiles and the First and Second Island Chains**

For Australia, this means the forward-deployed forces of its closest ally in the Western Pacific are more vulnerable to surprise attack than at any time since the Second World War. This brittleness in the allied force posture is encouraging revisions to American basing, to patterns of operational deployment, to cooperation with regional allies and friends, to priorities for U.S. force modernization and to allied theatre strategy. However, some Australians worry that these American and allied counters have so far been modest in scale, uncoordinated and slow in implementation.11

A fourth major change in China’s military capability is the commissioning of fleets of modern nuclear and diesel-electric powered submarines. The currently deployed force comprises five nuclear attack submarines (capable of launching torpedoes, cruise missiles and mines), four nuclear powered ballistic missile-firing submarines (SSBN’s) and 57 diesel attack submarines most of which carry modern torpedoes and anti-ship missiles. China now operates more submarines than the U.S. and is likely to have between 85 and 100 modern boats in 2030.12

A fifth major development is the design, testing and production of several classes of modern warships. In each of the last few years China has laid down, launched or commissioned over 50 naval vessels and now routinely launches each

11 See a more detailed discussion of these issues, see Ross Babbage, Game Plan: The Case for a New Australian Grand Strategy (Ballarat: Menzies Research Centre and Connor Court, 2015), especially pp. 20-37.
12 See: Ronald O'Rourke, China Naval Modernization: Implications for U.S. Navy Capabilities Background and Issues for Congress (Washington DC: Congressional Research Service, 2014), 39-40. This is also argued in Babbage, Game Plan, 24.
year more warships than any other country.\textsuperscript{13} Most of the new surface combatants are multi-purpose and feature wide-area airspace surveillance and control systems, surface-to-air missiles, and long-range anti-ship missiles. In most respects they are comparable to modern Western warships.

A sixth major change is the rapid expansion of China’s modern fighter-bomber force. Over 600 fourth-generation aircraft (broadly equivalent to Western F-16s and F/A18s) are in service with several fifth-generation combat aircraft in advanced development (approaching the capabilities of the most modern American air-superiority fighters and fighter-bombers, the F-22 and F35).\textsuperscript{14} When operating within China’s wide-area surveillance system and supported by tanker and airborne early warning and control aircraft, they are capable of posing a threat to allied maritime and air forces anywhere in the Pacific west of the Second Island Chain.

A seventh major change is the strengthening of China’s air defenses. Chinese surface-to-air missile systems now form a dense network along most of the eastern coast and in the vicinity of high priority facilities inland. This modern and well-protected air defense system poses a major challenge to Western operations.

An eighth major change is China’s development of sophisticated capabilities for space warfare. The Chinese high command views the West’s heavy dependence on space-based systems as a major vulnerability. Consequently, it is deploying capabilities to interfere with, damage and destroy space-based systems so that by 2020 the PLA will be able to attack spacecraft in all normally employed orbits through both missile and unconventional means. 15

A ninth important Chinese military advance is its development of strong cyber capabilities. The Chinese military appreciates the Western allies depend heavily on secure near-real-time transmission, interpretation and display of vast streams of digital data sourced from numerous sensors. The Chinese realize that if, in a crisis, they can cut or severely cripple these information flows, the Western military machine would lose much of its strength. Relevant Australian and allied agencies have in recent years reported extensive Chinese probing, intelligence gathering and various forms of attacks on sensitive information and computer networks. 16

15 For recent testing of these capabilities see Military and Security Developments Involving the People’s Republic of China 2015, 35.
A tenth major change is development of a highly assertive Chinese strategy for coercion and major conflict in the Indo-Pacific.\textsuperscript{17}

China’s new military capabilities have already had a marked impact on Australia’s strategic environment and Australian defense planning. During the coming 25 years, China’s anti-access and area denial capabilities are projected to grow stronger, reach out further and manifest themselves in new ways. Moreover China, in contrast to the U.S., can afford to concentrate almost all of its military investments in the Western Pacific and optimize its coercive power and leverage in this theatre. A key effect is to magnify Beijing’s strategic influence and its power to manage future crises in Australia’s approaches.

The Australian public generally shares the concerns of Australian security planners. The latest Lowy Poll found that almost half of the Australian population (48 percent) thinks it ”likely” that China will become a military threat to Australia in the next 20 years.\textsuperscript{18}

The bottom line for Australia is that the challenge posed by the PLA to the U.S. and its close allies in the Western Pacific is arguably the most serious the country has faced since the Second World War. Many of the assumptions that have


underpinned Australian security planning during the last 70 years are now doubtful. For example, it can no longer be assumed that in this theatre the allies will enjoy an operational sanctuary in space, that their surveillance and information networks will remain inviolate, that their operational bases will have high levels of security or that their air, surface and sub-surface forces will possess uncontested access to the Western Pacific. These developments in Chinese military strategy and capabilities have fundamental implications for Australia’s defense planning.

4. **Broader military developments in the Indo-Pacific**

Partly in response to China’s surging strategic capabilities and its assertive international behavior, Australian security analysts are well aware that India, Russia and Indonesia, along with many other Indo-Pacific countries, are modernizing and expanding their armed forces.

**India**

While Delhi remains concerned to effectively deter and, if necessary, defeat Pakistan, its military development is now driven more strongly by the need to counter the rising military power of China. India has deployed 120 medium range ballistic missiles and some 30 short-range ballistic missiles with more anticipated. It is also testing the country’s first intercontinental ballistic missile, its first submarine-launched ballistic missile and its first land attack cruise missile. All of these systems will be capable of delivering nuclear weapons.
The Indian Navy has ordered two locally built aircraft carriers, has active programs to construct both nuclear and conventionally powered submarines, and is also building several classes of destroyers and frigates.

The Indian Air Force plans to upgrade or replace the bulk of its combat aircraft during the coming decade. The Indian Army is modernizing its armor, air defense and other systems for high intensity warfare while simultaneously deploying units to contain low-level insurgencies in several parts of the country.

Although India’s program of military modernization is impressive, most projects are delayed and there are cost over-runs. Ponderous decision-making and industrial inefficiencies mean that not all of the capabilities ordered will be in service until the late 2020s.

**Russia**

Russia is also replacing many of its Cold War military systems. Defense expenditure has risen to around 4 per cent of GDP,\(^{19}\) breathing new life into some of the country's defense industries.

Moscow plans to replace almost all its land and sea-based strategic missile forces by 2021.\(^{20}\) The Russian Navy is working to modernize its shore-based infrastructure while simultaneously introducing into service new classes of nuclear-
powered submarines and warships. The Russian Air Force is focusing on modernizing its command and control systems, improving its combat aircraft fleet and acquiring new types of air-launched weaponry. The Russian Army has been reorganized to provide more high-readiness units and is receiving some new equipment.

Australian security planners realize that Russia remains a major strategic player in the Western Pacific with some 22 submarines and nine cruisers and destroyers, significant numbers of combat and reconnaissance aircraft and four army groups deployed to this theatre.21

Indonesia

Indonesia is showing early signs of becoming a more significant player in Indo-Pacific security. President Joko Widodo has talked repeatedly about Indonesia’s future maritime role and his desire for the country to be transformed into a ‘global maritime axis’, with greatly strengthened civil and military maritime capabilities in both Southeast Asia and the Indian Ocean. President Widodo also proposed expanding national defense spending from 0.9 per cent to 1.5 per cent of GDP.22

Indonesian officials not only appreciate the strategic importance of the archipelago’s international straits, they are also deeply concerned about China’s assertion of sovereignty over at least some of Indonesia’s Natuna Islands, towards

the southern end of the South China Sea. There is a sense that in order to maintain the country’s territorial integrity and further its broader strategic aspirations, modernized maritime capabilities deserve priority.

In the face of the more challenging strategic environment, Japan, South Korea and many of the ASEAN countries are also upgrading their military capabilities. In most cases they are placing a high priority on bolstering maritime and air defenses with some, such as Japan and South Korea, also developing defenses against ballistic missile attack.

5. **Australia now close to center stage**

For the first time in 70 years, Australia now finds itself located near the center of major power competition.

During the Cold War the primary focus of superpower tensions was Central Europe. This meant that when the Australia, New Zealand, U.S. alliance (ANZUS) was developing its substantive form, Australia was located on the other side of the world from the main action. Australia was in a backwater, able to assist in some marginal ways but never required or able to play a central role in Western strategy.

However, for Australia the long era of comfortable detachment from the center of global competition is now over. China appears intent on pushing U.S. and allied influence out of East and Southeast Asia in order to restore the regional predominance that most Chinese see as their manifest destiny. China’s assertive stance has triggered the U.S. to respond by rebalancing its global posture so that some 60 per cent of U.S. Navy, Marine and Air Force units and over 100,000 U.S.
Army troops will be deployed to the Asia-Pacific by 2020.\textsuperscript{23} For the first time since the Second World War, Australia's approaches may be the most likely focus of hostilities at the outbreak of conflict between the major powers.

This geo-strategic switch has many consequences for Australia's strategy. Australia is no longer a marginal player in superpower contingency planning. In U.S. assessments Australia now looms as a geographically large, strategically located and militarily capable close ally near the center of future major power hostilities. Not surprisingly, American defense planners are starting to view Australia in a different light, reminiscent in some respects of the critical phases of the Second World War.\textsuperscript{24}

\textbf{6. A different USA behaving in non-traditional ways}

Another driver for change in Australian security strategy is that the country's closest ally, the U.S., is morphing into a different sort of superpower. It is entirely possible that the U.S. may emerge in the coming two decades to not possess the largest global economy, its military forces may not be so dominant in the Western Pacific and it may choose to be more detached from international security


engagements. The development of a U.S. with these characteristics would be a very significant departure from Australia’s experience since the Second World War and require a thorough rethinking of Australian security priorities and strategies.

With many Americans feeling war-weary after extended military commitments to Iraq and Afghanistan, with the challenges posed by international terrorism not contained, with the U.S. economy emerging only slowly from the global financial crisis and with the processes of political decision-making in Washington fraught, serious debates are underway about the country’s future goals and strategies.

As Tom Switzer of Sydney University’s United States Studies Centre has argued:

The upshot is that Americans today appear less concerned about foreign policy than at any time since the heyday of isolationism between the world wars. In a polity that is acutely sensitive to public opinion, veritably driven by polls, focus groups and the relentless 24/7 news and internet environment, this means that foreign policy is severely downgraded in the calculations of politicians... But the point here is that America no longer has the will, wallet or influence to impose an ambitious global leadership across the world.25

One of the reasons for America's deep questioning of its international policy is the scale of demographic change in the U.S. With the passing of the Second World War generation, the influx of Hispanic migrants and substantial shifts in social values, the priorities of many Americans are changing and the burden of international activism is being more acutely felt. In effect, the “liberal hegemonic

order” that G. John Ikenberry argues the U.S. has striven to establish since 1945, and which has largely driven U.S. grand strategy in the decades since, is now under serious challenge.

Those arguing for much more selective U.S. international engagement state that the high-tempo international activism of the last two decades was unnecessary and unsustainable.

Part of the pressure for change comes from a sense that global security leadership is getting much harder. One reason for this is that the military technological lead that American forces have enjoyed for over 70 years is eroding. In January 2015, Bob Work, the U.S. Deputy Secretary of Defense, delivered an informal conversational presentation in Washington in which he explained this view in greater detail:

But now to what I really want to talk about, and that it's become very clear to us that our military's long comfortable technological edge -- the United States has relied on a technological edge ever since, well even in World War II. We've relied upon it for so long, it's steadily eroding.

Our perceived inability to achieve a power projection over-match, or an over-match in operations, clearly undermines, we think, our ability to deter potential adversaries. And we simply cannot allow that to happen.26

Some Americans argue that striving to restore a clear over-match is unnecessary because U.S. security is underpinned by distance from other major powers, with oceanic expanses effectively protecting it from many forms of attack. America continues to be exceptionally wealthy and its economy is relatively self-
sufficient. In addition, the U.S. continues to field the most capable conventional forces on the planet and it retains a powerful nuclear deterrent.

Amongst the downsides of maintaining a liberal hegemonic grand strategy, the critics argue, is that the allies and friends of the U.S. gain more from the strategy than does the U.S. itself. Allies tend to free ride on the generous military investments and activities of the U.S. by reducing their own defense spending and focusing national security attention on narrow self-defense. By claiming security guarantees from the U.S., allies effectively hold American security prerogatives hostage.

The better approach to U.S. grand strategy, argue Barry Posen and other critics of liberal hegemonic strategy, is to reduce markedly American force commitments in forward theatres, add major conditions to alliance obligations where allies are not pulling their weight and tolerate, even possibly encourage, the development of nuclear weapons by allies and friendly states to reinforce their own security and reduce the extended deterrence burden on Washington.

This alternative grand strategy, which Posen labels Restraint, would also facilitate reform of the U.S. armed forces into a more compact and modern structure designed primarily to dominate the maritime commons. Posen believes these changes would permit the U.S. to cut its defense spending from 4.5 per cent to 2.5 per cent of GDP.27

For Australians, the debate about the future direction of American grand strategy introduces a substantial element of risk. The prospect of the long-running

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liberal hegemonic strategy being replaced by Posen’s proposed strategy of Restraint is probably remote. However, some features of this type of strategy are evident in the Obama administration’s approach in recent years. His administration’s track record shows far greater hesitancy to commit forces overseas or to use force against state actors, such as Syria and Iran. There have also been significant force and facility reductions in Europe and severe restraints imposed on U.S. defense investments and spending.

Michael Fullilove, Executive Director of the Lowy Institute for International Policy, delivered a mainstream Australian assessment of the changing American situation:

I think our great and powerful friends are becoming less great and powerful... The U.S. retains enormous power, the only country in the world to run a truly global foreign policy. But the changeability and missteps of U.S. policy in the last 15 years are really striking.

This is not what you expect of a hegemon. So that creates a sense of unreliability or, at least, a question mark over the role the U.S. wants to play in the future.28

Australians have noted that the Obama Administration’s approach to alliances has also changed. Allies of the U.S. are expected to be active and substantial contributors to global security, not passive consumers.

Former Prime Minister Tony Abbott said the U.S. strategic pivot to Asia had firm bipartisan support in Australia. “I see the greater presence of the U.S. in our part of the world as a force for stability,” he said. “Australia’s alliance with the U.S. is a force for stability. Our alliance is not aimed at anyone. It is incumbent on close allies to demonstrate regularly that they make a significant difference to the U.S.-led alliance in the scale and pattern of their defense spending, their military

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commitments to trouble spots, their active diplomacy in support of allied interests and by other means.\textsuperscript{29}

There are important implications for Australia. The country’s future strategy needs to be crafted in a way that is workable when the country’s major power ally shifts its own security approach. There may be times in coming decades when American administrations appear to be reverting to a form of activist liberal hegemonic strategy. But, equally, there may be times when the U.S. behaves more like a weary titan and chooses to operate in a more detached, hesitant and even isolationist mode.

In recent years Australians have debated alternative options to maintain their security in this substantially changed strategic environment. For instance, Hugh White has argued that Australia should respond to the changing major power balance by moving more energetically to accommodate China’s international aspirations. While this view has received some attention in academic circles it has received very little support in the official community or on either side of politics.\textsuperscript{30} I have also argued elsewhere the merits of five alternative strategies to cope with the


\textsuperscript{30} For a discussion on these and related issues see Hugh White, \textit{Power Shift: Australia’s Future Between Washington and Beijing}
new security environment and recommend a new Australian grand strategy of partnership and leverage.\footnote{31}

One tentative conclusion from this discussion is that if Australians wish to retain the status and comfort of an especially close ally they will need to demonstrate clearly and repeatedly to American administrations of different types why the country deserves special treatment. It will be necessary for Australia to demonstrate exceptional value to the U.S. and, amongst other things, lift its defense spending to a level that, as a percentage of GDP, is closer to that of its major power protector.

7. \textit{Rising potential for misperception, miscalculation and escalation}

Another major change in Australia’s strategic environment is the significantly increased risk of security miscalculation and conflict escalation in the Indo-Pacific.

There are two potential causes of miscalculation. First, there is scope for key personnel on each side to misperceive the other side’s intentions, plans and actions. This is partly a consequence of a lack of transparency, limited opportunities for meaningful interaction between key personalities and shallow levels of mutual understanding. Consequently, there is scope for serious misperceptions to develop that could lead to dangerous decisions in crises.

A second potential cause of miscalculation in the Western Pacific is sudden aggressive behavior by operating units. This is intrinsically dangerous and has the potential to be viewed as portending more serious offensive action. Australian

\footnote{31 For a discussion of these issues, see Babbage, \textit{Game Plan}, 63-71.}
strategic analysts have noted that China's leadership can readily turn up the "fervor dial" via the Party-controlled media and directives to deployed PLA units to react strongly whenever they have an opportunity to maneuver close to U.S., Japanese or other allied forces. Notable recent examples of this type of behavior include exceptionally close aircraft man oeuvres, ships cutting across the bows of rivals to force emergency defensive measures and 'lighting up' ship or aircraft fire control radar systems in a manner that usually precedes the firing of major weaponry. This type of activity can test the boundaries of the other side's tolerance. It can also trigger major international incidents and potentially stimulate serious retaliatory action.

One of the primary reasons why these dangerous and often provocative actions occur is that limited progress has been made in concluding agreements that define the boundaries of acceptable behavior. During the early stages of the Cold War there were numerous similar incidents between the two sides' aircraft, ships and other assets and it took some years before agreements could be negotiated to codify acceptable behavior when units operate in close proximity. While presidents Obama and Xi Jinping agreed in November 2014 to negotiate similar protocols to avoid dangerous incidents between their respective forces, it is taking time for the details to be settled and applied routinely by forces on operations.

A closely related characteristic of the Western Pacific security environment is the potential for a minor exchange of fire or other provocation to escalate rapidly into major war. This disturbing situation results from the exceptionally strong missile and other offensive capabilities of the new PLA and the concentration and
unprotected nature, and hence vulnerability, of key elements of both sides' operating infrastructures. This mutual vulnerability gives both sides strong incentives to strike first and with great force.

In effect, if one side believes major conflict is inevitable and imminent, it will also know that by striking immediately it will almost certainly win the first major battles decisively.

This danger can be illustrated most clearly by pointing out that there are very few major U.S. military bases in the Western Pacific. In normal circumstances the primary American naval and air assets in theatre are concentrated at a small number of facilities in Japan and in Guam. Worse still, very few have hardened structures that would protect allied aircraft and ships from surprise missile or aircraft attack.

If the Chinese high command concludes major war is imminent, it has the power to destroy or seriously damage most American combat forces in the theatre within hours. This would inevitably cause extensive U.S. and allied casualties, limit allied options for early retaliation and, for at least some months, give Chinese forces a predominant position in the theatre.

The dangers of permitting this strategically unstable situation to continue are obvious. However, discussions with senior defense planners make clear that they believe that the Australian Government has the power to significantly reduce the risks of misperception, miscalculation and escalation in this theatre. New initiatives could be taken to enhance operational understanding between regional defense forces. Australia could also assist the U.S. and its other close allies to disperse their
forces by providing appropriate alternative bases and other facilities, hardening key installations and strengthening logistic and other support resilience in the theatre.

8. **The diffusion of new technologies and the rise of non-state actors**

Many technologies and systems that just a few years ago were the exclusive preserve of a few nation states are now readily accessible to terrorist groups, criminal syndicates and commercial enterprises. Systems now operated by many non-state actors include advanced surveillance sensors, secure communications networks and numerous types of advanced weapons systems.

Technology proliferation is also enabling relatively small nation states to acquire carefully selected military capabilities so as to disrupt seriously the normal operations of the armed forces of advanced countries. Amongst these systems are precision strike munitions, robotic surveillance and weapon systems, counter-space systems and nuclear, chemical and biological weapons. The acquisition of tailored mixes of these systems can make some regions of the world dangerous for even major power forces to enter and they can be very expensive to counter.

Terrorist groups, transnational criminal organizations and other non-state actors have also proven to be highly innovative in their ideological focus, their organizational and operational modes, their geographic footprints and in their development of partnerships and alliances. They have proven especially adept at exploiting ungoverned or weakly governed spaces and in coercing isolated populations into acquiescence or active support. For Australia and its allies these
non-state challenges pose particular difficulties in the Middle East, parts of Africa and also in sections of Central and Southeast Asia.

Some criminal and terrorist organizations have, in addition, shown that they can reach into the homelands of Australia and its close allies. Although these organizations don’t pose an existential challenge to Australia, they are certainly serious distractions for Australian defense and broader security planners.

9. Rise of a New World Order

The major changes in the international environment highlighted above suggest that we are witnessing the emergence of a new world order. This global order is characterized by new power centers and norms of international behavior, including abandonment of the use of force as a last resort and disregard for the UN Convention on the Law of the Sea. The new global order is also characterized by areas of major power friction that are markedly different from those of the Cold War or of the subsequent “unipolar moment."

Professor Alan Dupont provided a well-informed Australian perspective:

Future historians may well come to see 2014 as a bellwether year in world affairs, marking an epochal shift to a new, more turbulent world no longer dominated by the values or power of the U.S. and its Western allies.... But if 2014 lacks the end of an era feel of earlier tipping-point years, in retrospect it will be seen as the year in which a fraying Pax Americana (literally, American peace) finally unraveled and was replaced by a new order, the contours of which are becoming more discernible, even though the final form is still unclear. The consequences of this shift are likely to be profound, affecting the prosperity and security of every global citizen. And they pose daunting challenges in foreign
policy, trade and national security for Australians, the like of which we have not confronted before.\textsuperscript{32}

\textbf{Australian Views on the Country's Future Security}

\textit{Security uncertainties and risks}

In recent years Australia’s defense white papers and other core security documents have noted that the changing strategic environment offers opportunities for Australia to strengthen its security by working pro-actively with allies and partners to shape the future in positive ways. However, these documents also emphasize that there is little room for complacency. The security environment of the future will pose risks for Australia, including the possibility of serious coercion, attacks on close allies and friends and a possible broader breakdown in global order.

In consequence, successive Australian governments have endorsed the need to maintain a highly capable defense force and have been prepared to invest accordingly.

However, as a middle power with a population and tax base of some 24 million people, the scope for maintaining independent defense capabilities is limited. Hence, Australia has long built its security on a broader range of strategies and practical measures. Within that larger framework effective deterrence continues to play an important role.

**Deterrence and extended deterrence face new pressures**

Australian strategic planners tend to view their national deterrence operating at three layers, each of which has come under increased pressure in recent years.

First, is the nation's own capability to marshal deterrence power by exploiting its unusual geographic, economic and other characteristics and developing highly capable armed forces. This focus is emphasized in almost identical language in the last several Defense White Papers. The 2013 White Paper states:

> The highest priority task for the ADF is to deter and defeat armed attacks on Australia without having to rely on the combat or combat support forces of another country.\(^3^3\)

However, despite deterrence of coercion or attacks on Australia being a priority defense task, the country’s national security planners realize that these capabilities on their own may be inadequate in coming decades.

The second layer of Australian deterrence is that conferred by its close alliance with the United States. A key benefit of ANZUS is that in the event of Australia facing serious coercion or attack, an aggressive foreign power would need to weigh the prospect that such an attack is likely to precipitate conflict not only with Australia but with the United States as well. While this risk would almost certainly give any foreign aggressor pause for thought, a relative weakening of American military capabilities and the frequent hesitancy of Washington in dealing

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with international crises in recent years appears to have blunted the sharpness of allied deterrence.

One of the long-standing benefits of a close alliance with the U.S. is the American declaratory policy that an attack on an ally is considered equivalent to an attack on the territory of the U.S. Since the Second World War, this concept of extended deterrence has been used to deter military attacks on the Pacific allies and reinforce the strategic significance of their independent defense efforts. It has also been employed within the alliance network to dissuade allies such as Australia, Canada, Japan and South Korea from contemplating the acquisition of independent nuclear forces. Washington has repeatedly assured these allies that any major attack, including a nuclear attack, by a belligerent state on their territory would trigger swift American retaliation.

Unfortunately, when Australian strategic thinkers review this logic in current strategic circumstances, many conclude that a number of developments have undermined the credibility of these American assurances.

First, the substantial shift in the “correlation of forces” in the Western Pacific is reducing markedly Washington’s freedom of action in this theater, including its flexibility to assist allies in future crises.

Second, the idea that the U.S. would respond to a nuclear attack on an American ally with one or more nuclear retaliatory strikes stretched credibility in the 1980s when Washington had over 12,000 strategic nuclear warheads at its disposal. With the U.S. strategic nuclear capability now reduced to 1,600 warheads and heading for 1,250 or even to 1,000, the prospect that any U.S. administration
would use its thinly spread nuclear arsenal to defend an ally seems even less credible. With several other nuclear weapon states now holding hundreds of nuclear warheads, American strategic flexibility and extended deterrence is significantly weakened.

Third, U.S. international security policy has been characterized in recent years by caution and periodic timidity. This reflects the American public's war weariness and the Obama administration's predilection to let regional actors settle most regional disputes. A further motivation is a strengthened resolve in both the administration and Congress to rein in defense spending and reduce the scale of the country's budget deficit. A key consequence of this more hesitant American posture is to weaken global perceptions of American leadership.

Fourth, encouraged by the changing correlation of forces and American international caution, China, Russia and, to a lesser extent, North Korea have launched a succession of tailored coercive operations against U.S. allies and friends that always fall below the threshold for triggering American nuclear or even conventional force responses. The most notable area of such operations in the Indo-Pacific is in the South China Sea, where Chinese forces of various types have built new islands on underwater coral reefs and undertaken repeated small incursions and provocations. Over several years they have given substance to the claim that more than 80 per cent of these international waters and numerous islets and reefs come under Beijing's sovereignty. China has sought to “create new facts” and set new international rules in this theatre. Washington has so far responded with expressions of displeasure and occasional aircraft and ship passages through
contested areas. Many Australian security planners have been underwhelmed by the American response. The leading Australian researcher on the South China Sea, Professor Carl Thayer, has argued that more needs to be done:

First, the United States should take the lead in a campaign of “information warfare” to publicize details of Chinese unilateral destabilizing activities in the South China Sea, ensuring that this information is put in the public domain for use by the media, scholars, security specialists, other analysts, and elected officials...

Second, the United States should develop a strategy to counter Chinese activities using primarily – but not exclusively – nonmilitary assets. Under this new strategy, the United States should avoid directly confronting People’s Liberation Army Navy warships with its own naval forces. The United States should implement a cost imposition strategy involving joint and combined cooperation between civilian maritime agencies of like-minded external powers and the Philippines and Vietnam. This strategy should be carried out on three levels: among like-minded ASEAN dialogue partners (Australia, Japan, South Korea, New Zealand, and India); multilaterally with regional allies and security partners; and bilaterally with regional states.  

Senior Australian officials have also expressed unease about the current situation. Amongst them is Secretary of Defense, Dennis Richardson:

The speed and scale of China’s land reclamation on disputed reefs and other features does raise the question of intent and purpose; it is legitimate to ask the purpose of the land reclamation – tourism appears unlikely. China now has more law enforcement and Coast Guard vessels in the South China Sea than the other regional countries put together. And given the size and modernization of China’s military, the use by China of land reclamation for military purposes would be of particular concern. It is not constructive to give the appearance of seeking to change facts on the ground without any clarification of actual claims. It is legitimate to raise such questions and express such concerns because tensions and potential miscalculations are not in anyone’s interest.  

Fifth, China, Russia, Iran, North Korea and other non-democratic states have proven adept at fostering divisions within the U.S. and allied countries by modulating threats and coercive actions on the one hand with apparently reasonable pleas for cooling-off periods, negotiations and even for offers of various types of partnership on the other. A key consequence has been to complicate American foreign policy, reduce the coherence of Washington’s security priorities and undermine the resolution of the U.S. to firmly oppose some challenges to its own and its allies’ key interests.

These developments, in combination, have serious implications for the hard-nosed judgments Australian security planners must make about the level of deterrence membership of the U.S. alliance will confer in the future. The evidence suggests that in recent years allied deterrence has been undermined from both above and below. From above, America’s nuclear and conventional force superiority in the region is greatly reduced and Washington’s freedom of action has been significantly constrained. Simultaneously allied deterrence is being undermined from below by a succession of carefully crafted actions by Beijing, Moscow and Pyongyang that have seriously threatened core interests of allies and friends without triggering anything more than muted and largely ineffective responses from Washington. Many Australian security planners are reluctantly concluding that allied deterrence is not what it used to be.

affairs/defence/china-land-grab-a-danger-for-all-dennis-richardson/story-e6frg8yo-1227371948850 on 7 October, 2015.
There is, however, a third layer of Australian deterrence. This is the layer of deterrence that is conferred by the broader international community and the rules-based global security order. Successive Australian governments have worked hard to foster strong relationships with neighboring countries, across the Indo-Pacific, in North America and in Europe. They have also built considerable credibility for the country in the primary international institutions of relevance, especially in the United Nations. Hence, in the event of a serious threat developing to Australia international actors of influence are likely to be deeply concerned and many would be active in helping to thwart an aggressor. However, the limited international resolve and constrained military capabilities of many of these broader international actors is reducing the potency of this deterrence layer as well.

Implications for Australian Policymakers

Recognition that traditional security assumptions need review

There is a strong tendency in most large bureaucratic systems to focus heavily on internal processes and very short-term issues. Australia’s national security community is no exception. Some members of this community have sought to ignore or play-down the significance of the major changes underway in the country’s security outlook. Others have acknowledged the new security challenges but been slow to implement effective analytical, policy and budgetary responses. Nevertheless, there is a general consensus amongst the leaders of Australia’s national security community that the challenges now developing are likely to be significantly different from those of recent decades. New thinking is required,
strategies and investment priorities need to be reviewed and some important new initiatives should be developed.

Australia’s alliance with the U.S. needs more work

A core conclusion of this chapter is that the United States is under considerable pressure in the Western Pacific. The “correlation of forces in the economic, political and military realms has shifted substantially against it during the last decade and until the U.S. economy, programs of defense investment and strategic confidence recover, the security outlook for Australia and its key allies in the Indo-Pacific will be weakened.

Most Australian government officials and strategic analysts are very uncomfortable with this situation. Successive Australian assessments have emphasized the country’s enduring interest in sustaining the U.S.-led security order in the Indo-Pacific. There is a concern that unless the current tides of change are reversed, U.S. and Western influence in the region could be further reduced, allied deterrence eroded further and potential enemies emboldened to embark on new adventures.

There are several prominent views on how Australia’s approach to the U.S. alliance should adapt. One relatively modest-sized group advocates a more conditioned and even semi-neutral stance between China and the United States. For instance, Tom Switzer has summarized this argument as follows:

But one thing seems clear: China matters more to us than ever, which means in certain circumstances Australia may regard the U.S. alliance not just as the centerpiece of our foreign policy but as a pragmatic device to be adjusted to changing conditions.
It means we have to learn to be much more agile, discriminating, ambiguous and flexible in our foreign policy outlook.36

The second and normally dominant school of Australian thought is that while a changing security environment is buffeting the alliance, the fundamentals of the alliance and its value are unchanged. Peter Varghese, the Secretary of the Department of Foreign Affairs and Trade, neatly encapsulated this view when he remarked:

With multipolarity inevitably comes a reduced margin of influence for the United States. But for the foreseeable future America’s power will stay more multidimensional and more global than China’s. The U.S. will remain in a league of its own in global military reach and readiness to use force.

Our alliance with the U.S. is the bedrock of our strategic policy. The alliance is a deterrent to potential aggressors, an irreplaceable source of intelligence and defense technology and a communion of values. The last is important because the convergence of interests and values is a powerful combination in foreign policy.37

A third relatively strong view in official circles complements the second by arguing that, in addition, Australia has the potential to work even more closely with Washington, help the core allies develop a more coherent and effective strategy for the Indo-Pacific and, through these measures, make a disproportionate contribution to shaping a better security outlook for the region.

For instance, Michael Thawley, Prime Minister Tony Abbott’s Secretary of the Department of Prime Minister and Cabinet has been reported, as follows:

Mr. Thawley warned against "hysterical" debates about China's rising power and American decline. Australia’s role was to encourage American leadership and "get our economy back in gear" while also maximizing our military power, he said:

"Given that we think in my view that U.S. leadership is going to be crucial in the period ahead, we ought to maximize our capacity to influence U.S. strategy and to make sure it maintains its alliance commitments."

Mr. Thawley’s views carry considerable weight in Canberra....

A fourth and final school of thought argues that the most important immediate priority in strengthening Australia’s security is to do everything possible to boost the economy even if this means placing a lower priority on external security and the alliance. This logic is virtually never argued explicitly but it is periodically evident in the behavior of some ministers and senior officials. In the case of at least some of these people, it also reflects a very shallow understanding of Chinese strategy and the aggressive nature of Beijing’s international cyber and

39 This line of economy-first thinking was evident in the unexpected approval of a bid by a Chinese company to secure a 99-year lease on strategically important commercial port facilities in the northern city of Darwin. Although there were many complications arising from the specific circumstances of this deal, there was never any doubt that, should the Australian Government concluded that the deal entailed a security risk it had the constitutional power to do so. To the surprise of most national security experts and many senior officials (privately expressed) the government chose not to do so.
espionage operations. It also reflects a degree of national security complacency amongst some senior Australians.

Australian views of the alliance with the U.S. are, in consequence, mostly not whether the alliance should be maintained, but rather the extent to which the alliance should receive short-term priority. Public opinion polling routinely displays the commitment of the Australian public to the alliance. The latest Lowy Institute poll of Australian attitudes on international affairs found that the vast majority (78 percent) of Australians say the U.S. alliance is either “very” or “fairly important” for Australia’s security.40

At its National Conference in July 2015, Australia’s major opposition party, the Australian Labor Party, maintained its strong commitment to the Alliance but wound back its language.

The 2011 Labor platform had the usual language about the U.S. as the closest security ally and a vital global partner, and then added to this the claim that the alliance “is one of Australia’s great national assets.” The 2015 policy dropped the great-national-asset line.

The deputy leader of the Opposition and Labor’s shadow Foreign Minister Tanya Plibersek told the Financial Review that the changes to the policy platform on ANZUS aimed to emphasize a relationship that was “strong, long and deep but not compliant.41

Amongst the more obvious steps available to Canberra are to further lift its defense spending, it could take extra steps to strengthen defense force

41 For details see: Graeme Dobell, “Australia-East Asia/U.S. Relations: Alliance, Trade, Climate, and China,” Comparative Connections, (September 2015), 2.
interoperability with the U.S. and it could continue to make helpful contributions to allied operations in more distant theatres. In addition, Canberra could significantly expand its contribution of raw and processed intelligence, extend its sharing of wide-area surveillance data and participate more actively in the development of allied strategies and plans for the Indo-Pacific to senior U.S. officials.42

The Secretary of the Defense Department, Dennis Richardson, summarized the situation as follows:

Expressed in its most simple and basic terms, our relationship with China and the United States can be summarised in one simple phrase: friends with both, allies with one.” Richardson said that America’s superpower stature is not at risk over the short to medium term. The U.S. is committed to maintaining its global primacy, Richardson said, but as it juggles many pressing priorities, the U.S. “looks for much more help from allies such as Australia.43

The centerpiece of the Obama’s administration’s economic approach to Asia, the Trans-Pacific Partnership (TPP), is embraced by Australia as “one possible pathway toward realizing the vision of a free trade area of the Asia-Pacific.” 44

The Australian Government could also invite the U.S. and other close allies to use a wider range of defense and related facilities in Australia to strengthen their regional military presence and capacities to conduct contingent operations in the theater. The Australian Government could make clear to Washington that it is

42 These options are discussed in some detail in Babbage, Game Plan, 73-88.
prepared to facilitate the long-term stationing of U.S. military and related units at substantially expanded Australian defense bases. Canberra could also invite the United States and other allies and friends to make more frequent use of the country’s extensive network of large and relatively unconstrained exercise and range areas. Australia could, in addition, offer to support American forces operating in Australia by providing priority access to Australia’s extensive technological, industrial and broader logistic capabilities.

By offering to assist Washington in these and a number of other practical ways, Canberra would hope that the U.S. would feel encouraged to strengthen its own strategic commitment to the Indo-Pacific for the long term and in doing so rebuild allied deterrence and strategic confidence. In short, there are signs that Australia may be prepared to work steadily to become an even closer and more valuable ally of the United States.

Australia’s needs to reinforce regional security partnerships

There are also signs that the Australian Government is considering additional steps to reinforce its security relationships with a range of regional countries, especially in East, Southeast and South Asia and in the Southwest Pacific. The primary goals would be to further strengthen security understanding, provide assistance to overcome security weaknesses, foster greater security resilience and strengthen habits of close security cooperation.

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45 These options are discussed in some detail in Babbage, *Game Plan*, 82-85.
46 These options are discussed in some detail in Babbage, *Game Plan*, 86-87.
The precise form of these initiatives will likely depend on the circumstances of each nation, the priorities of the relevant security and defense leadership and the extent to which Australia is capable of assisting in an effective manner. Australia’s efforts will require coordinated whole-of-government action, including by the Department of Foreign Affairs and Trade, the Australian Federal Police, state and territory police, the Department of Immigration and Border Protection, etc.

Over time the intent would be to significantly improve regional confidence and security resilience by fostering a network of security partners across the Indo-Pacific. In the event of external aggression it would be hoped that these countries would conduct cooperative operations to bolster the region’s resilience and mutual defenses. An important additional goal would be to encourage the security leaders of regional countries to view Australia as their closest and most responsive security partner.

**Australia’s national defense effort needs to be sustained**

For most of Australia’s history the threat environment has been low and close allies have carried much of the load. In these circumstances the penalties for loose Australian defense priorities and limited discipline in budgeting have been modest.

A clear conclusion of this chapter is that those relaxed days are over. There is a growing consensus amongst Australia’s defense planners that there is now a need to sharpen investment priorities and embark on a sustained program of defense investment.
Australia is currently spending about 1.8 per cent of Gross Domestic Product (GDP) on defense. Across the last decade Australian defense spending has fluctuated between 1.6 per cent and 1.86 per cent of GDP. However, during serious crises in the past Australia has spent much more. Defense spending rose to 4 per cent of GDP during the Vietnam War, 5 per cent in the Korean conflict and at the height of the Second World War it peaked at 32 per cent of GDP.47

The current Australian government was elected in 2013 with a promise to spend 2 per cent of GDP on defense within a decade. The previous government’s 2013 Defense White Paper also committed to increasing defense funding towards 2 per cent of GDP but cautioned: “this is a long-term objective that will be implemented in an economically responsible manner as and when fiscal circumstances allow.” 48

The level of defense spending ultimately rests upon the depth of public and political concern for the country’s security and the state of the national economy. Given Australia is currently suffering the effects of low productivity levels, reduced terms of trade, a reform impasse in the Senate and the prospect of budget deficits for many years to come, extra funding for defense will not be easily won. Indeed, the ascension of Malcolm Turnbull to the Prime Ministership could lead to a reassessment of the coalition parties’ commitment to spend at least 2 per cent on defense and push the timeframe for achieving that goal out to the late 2020s.

Alternatively, a major crisis or series of crises in the Indo-Pacific might so concern the Australian people and government that defense spending is boosted rapidly at the expense of other priorities.

Raising defense spending to between 2 per cent and 2.5 per cent of GDP during the coming decade and sharpening investment priorities to execute preferred strategies in the Indo-Pacific would render Australia far more secure and also strengthen allied and regional partner deterrence and security confidence.

Conclusions

Australians need to address their changing strategic circumstances from a unique perspective.

On the one hand, the Australian continent is impressively large - similar in size to the continental United States. Australia also has several offshore territories in the Indian, Pacific and Southern Oceans, some of which are similar distances from the mainland as Hawaii is from North America.

On the other hand, in order to secure this vast country Australia only possesses a population, economy and tax base comparable to Texas. This means that Australia currently has a defense budget that is less than one-fortieth that which is available to the Pentagon. This funds a permanent defense force that numbers just over half a Melbourne Cricket Ground crowd. Hence, a central challenge for Australian defense planners is how to strengthen deterrence and defensive capabilities in the more demanding strategic environment now developing when the country’s independent resources are so limited.
Moreover, in contrast to the Cold War, Australia is now close to the center-stage of superpower rivalry and a likely region for any future major war. Australians are finding themselves in the unfamiliar and rather uncomfortable position of no longer being located in a strategic backwater. For the first time since the Second World War many Australians now consider themselves to be living in a front-line state.

The approaches to this situation do, however, vary significantly in different parts of Australian society. For instance, many business people are strongly attracted by the scale of the Chinese market and the potential to team with Chinese corporations to compete for global business. The recently agreed Australia-China Free Trade Agreement is expected to further broaden the opportunities for Australian enterprises in China. However, many business people also appreciate that future Chinese growth will be slower, business operations in China carry an unusual range of risks, Chinese medium-technology manufacturing is losing its competitive edge and other developing societies may offer more attractive options in the decades ahead.

Those Australians more concerned about human rights issues are disturbed by the scale and rate of continuing abuses in China and by the number of Australian citizens who have fallen foul of the Chinese criminal justice system in apparently dubious circumstances.

Another group of Australians tend to focus on the foreign policy and tactical management of relations with China. These people are more concerned by the perceived need to foster a positive diplomatic atmosphere, to develop stronger
personal relationships and to carefully control the language used in formal and informal dialogues, even if this requires a periodic marginalization of important Australian interests.

A final group of Australians focuses more on the national security and the defense implications of the changing landscape. These people worry more deeply about the potential for serious crises in the Indo-Pacific and whether and how the country could effectively deter serious coercion and attacks.

Despite this diversity of interests and opinions, there is a broad appreciation that major changes are underway in the Indo-Pacific security environment. Australians, especially in the northern half of the country, possess a sensitive defense nerve. Public opinion polling and other indicators suggest that there is a gradual increase in concern about rising security risks.

How these trends develop in the coming decade will depend very much on what happens in the Indo-Pacific and in Washington in the next few years. In the meantime, a range of precautionary steps is likely to receive increased attention in Canberra.
Chapter 3
Challenges to Extended Deterrence in the Japan-U.S. Alliance: From Gray Zone to Nuclear Deterrence

Introduction

The Asia-Pacific is the most dynamic region in the world, with its remarkable region-wide economic development since the mid-1980s, when Japanese companies expanded their production network toward Asia after the Plaza Accord and China’s rapid economic development following Deng Xiaoping’s initiative of economic reformation. Despite this economic success story, however, the security environment in this region is not necessarily stable. Even immediately after the end of the Cold War, the 1995 version of Japan’s National Defense Program Guidelines (NDPG), the capstone document of Japan’s defense strategy, described the Asia-Pacific region as “unclear and uncertain.” In the 21st century, this “unclear and uncertain” situation is getting even worse due to China’s rapid military modernization and its assertive military and paramilitary activities in this region as well as North Korea’s nuclear and missile developments. These trends in the regional security environment pose significant challenges to regional deterrence.

In some senses, however, the security environment in the Asia-Pacific region is less uncertain than that of other parts of the world. In this decade, horizon-scanning projects, such as NATO’s Multiple Futures Project49 and U.S. Global Trends

reports, led by the Western countries have emphasized the importance of “power diffusion” from states to non-state actors and movements including influence from religion. ISIL in Middle East is one of the most visible cases of such “power diffusion.” By contrast, in the Asia-Pacific region, especially in East Asia, states still virtually monopolize power. Even in countries like Myanmar and North Korea, which have serious domestic social unrest, state-based governance is still solid. This mitigates uncertainty in regional security. Surely North Korea poses a serious threat to the region, but if it collapses or an insurgency erupts and a Syria-like situation arises, the region would need to tackle a different kind of serious security challenge more like the current Mediterranean and European countries. While nobody can deny the possibility of a North Korean collapse out of the blue, the current challenge from the North Korean state armed with nuclear weapons and ballistic missiles is the more immediate threat. In this sense, the Asia-Pacific remains a “state-centric” region.

This continuing “state-centric” characteristic of Asia-Pacific does not mean that traditional concepts of deterrence remain as relevant today as they were in the past. Rather, fundamental and tectonic challenges to traditional deterrence strategy and structures are now emerging: creeping gray-zone expansion, anti-access/area denial (A2/AD) threats, and North Korea’s nuclear weapon and ballistic missile as a

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geostrategic game changer. This paper will to analyze the characteristic of these challenges and assess their significance in the context of regional deterrence.

1. Creeping Gray-Zone Expansion

*What are “Creeping Gray-Zone Expansions?”*

One of the key features of the contemporary security environment around the world is that the dichotomy between peacetime and wartime is no longer relevant; serious security challenges occur in a kind of “gray-zone” between wartime and peacetime. Looking back at major military operations since the Gulf War in 1991, most operations took place in such a “gray zone”: Operations Northern Watch and Southern Watch at Iraq after the Gulf War 1991, the peacekeeping operation in Bosnia and Kosovo, counter insurgency / stabilization operations in Iraq and Afghanistan, international counter piracy operations off the coast of Somalia, as well as various United Nations (UN) peacekeeping operations. The intensity of these military operations is lower than conventional warfare, but higher than that of traditional peacetime training and exercise.

The Asia-Pacific security environment is no exception to this trend. The showdown between Japanese and Chinese coast guards in East China Sea, friction between China and Southeast Asian countries in South China Sea, and North Korea’s provocations in Korean Peninsula are such kind of “gray zone security challenges.” In a sense, due to the absence of kinetic conflict, these are definitely not wartime situations, but in the sense that military/paramilitary showdowns are observed casting a shadow of military options, and that although a diplomatic solution is not
yet abandoned but nobody is optimistic, these are not necessarily appropriate to define as peacetime situations.

In East China Sea, there are two security challenges. The first one is now well known the Senkaku Islands. About a century ago, the Government of Japan surveyed the Senkaku Islands multiple times from 1885 to 1895, and confirmed that the Senkaku Islands were not only uninhabited but showed no trace of having been under the control of the Qing Dynasty of China. Following this confirmation, the Government of Japan made a Cabinet Decision on January 14, 1895, which is based on “occupation of terra nullius,” formally to incorporate these islands into the territory of Japan.\(^{51}\) Since then, including the San Francisco Peace Treaty of 1955 after World War II, no country challenged. It was not until a U.N. agency (Economic Commission for Asia and the Far East: ECAFE) indicated the possibility of the existence of petroleum resources on the East China Sea in the 1970s that Taiwan and China started to assert that the Senkaku Islands are their territory.\(^{52}\)

After September 2010, when a Chinese fishing boat intentionally clashed with a Japan Coast Guard (JCG) vessel to escape from Japanese territorial waters and was arrested by the JCG after that clash, the Senkaku Island was going to be a hot issue. In September 2012, the Government of Japan purchased the Senkaku Islands from a private Japanese citizen, who owned these islands. Since then, China has continuously dispatched government vessels near Senkaku Islands, to challenge the

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\(^{52}\) Ibid.
status quo. Since then, a showdown between these vessels and the JCG continues. In addition to these vessels, assertive military activities in these areas have been observed, including fire control radar illumination from PLA destroyer of JMSDF destroyer on January 2013 and infringement of Japanese territorial airspace on December 2012, and China's unilateral declaration of an Air Defense Identification Zone (ADIZ) including the Senkaku Islands on November 2013.

The other issue in the East China Sea between Japan and China is about demarcation of Economic Exclusive Zones (EEZs). Under UNCLOS, a country can extend its EEZ 200 nautical miles from territorial ground. In some cases, however, since the distance between two countries is shorter than 400 nautical miles, these two countries need to agree about demarcation to solve issues that arise from overlapping EEZs. In the case of the East China Sea between Japan and China, the Government of Japan’s position is that “boundary delimitation based on the geographical equidistance line is regarded as an equitable solution in the delimitation of such maritime area.” On the other hand, China claims the natural prolongation of its continental shelf to the Okinawa Trough, which gives a vast area of EEZ to China compared to demarcation based on the geographical equidistance line. Without the two countries’ agreement on demarcation, China has built many rigs to drill for natural gas from that area. Despite Japan and China having issued a joint press statement for East China Sea cooperation and agreed to joint

development in one specific zone and Japanese corporation’s participation in the
development of the existing oil and gas field in June 2008\textsuperscript{54}, China continues to
install rigs (as of September 2015, 14 rigs are installed)\textsuperscript{55} without any follow-up
efforts for joint development and Japanese corporation’s participation.

In the South China Sea, with a larger number of participants, there exist
multiple territorial disputes, mainly over the Paracel Islands and Spratly Islands. In
1992, China enacted the Act on the Territorial Sea and the Contiguous Zone of the
People’s Republic of China, which clearly mentions China’s claims over territorial
rights of these islands. In addition, China also claims that the “nine dash line”, which
encompasses most parts of the South China Sea without clear definition of that line.
Although related parties, ASEAN and China signed the Declaration on the Conduct of
Parties in the South China Sea (DOC) in 2002 to facilitate the peaceful resolution of
maritime disputes, China’s military and paramilitary vessels have actively operated
around the Scarborough Shoal and the Second Thomas Shoal, near the Philippines
and the James Shoal and the South Luconia Shoal near Malaysia. Similar military and
paramilitary activities have been conducted against Vietnam as well.

In addition, China has recently begun rapidly promoting land reclamation at
islets and rocks within the South China Sea, such as Johnson South Reef, Woody

\textsuperscript{54} “Japan-China Joint Press Statement: Cooperation between Japan and China in the
East China Sea,” (June 18, 2008); “Understanding on Japan-China Joint Development
in the East China Sea,” (June 18, 2008); “Understanding on the development of
Shirakaba (Chinese name: Chunxiao) oil and gas field” (June 18, 2008),
\textsuperscript{55} Ministry of Foreign Affairs, “The Current Status of China’s Unilateral
Development of Natural Resources in the East China Sea,” (September 24, 2015),
(http://www.mofa.go.jp/a_o/c_m1/page3e_000356.html) (accessed on November
10, 2015).
Island and Fiery Cross Reef. This land reclamation includes building airstrips and port facilities, which can be utilized for military. If military assets were deployed to these facilities, they would pose a threat to freedom of navigation and overflight. To demonstrate the fundamental importance of these principles, the U.S. destroyer U.S.S Lassen transited near Subi Reef, a rock submerged at high tide from which cannot extend territorial water and airspace, as a part of Freedom of Navigation mission on October 2015. In this way, like the East China Sea, military and paramilitary showdowns are observed in the South China Sea and these situations are likely to be continued for a while.

**Challenge to Extended Deterrence**

According to deterrence theory, there are some “windows of deterrence” situation which deterrence hardly works, including fait accompli and probing situations. Fait accompli is a situation whereby the adversary adopts a strategy in which it attempts to change the status quo before the deterring state can start to respond militarily. If the challenger estimates that he can act quicker than the deterrer and there is a high probability of occupying an island or some piece of land before the deterrer’s reaction, or if the aggressor expects no military reaction from the deterrer’s side once the status quo has physically been changed, this kind of challenge is highly difficult to deter.

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To deter such challenges, a tripwire like continuous presence in the location where challenger may intend to occupy before deterrer’s reaction would be effective. In reality, however, deploying a continuous presence is not always an easy or even a feasible option, either because of resource limitations or of geographical conditions. In the case of the maritime issues in the East China Sea and the South China Sea, the deterrer cannot build physically fixed barriers in the sea to prevent a fait accompli. In some cases, the deterrer could deploy a small military or paramilitary presence as a tripwire on the disputed islets which are the target of the challenger’s fait accompli tactics, but they might not do it because such a pre-deployment of physical presence might be portrayed by the challenger as a “unilateral change and escalation of the situation,” and there is a possibility that the challenger would take advantage of such pre-deployment as a pretext for military escalation.

Probing is a situation whereby the adversary launches challenges to find out the lower ceiling of deterrence commitment. This form of challenge intends to “probe” to determine under what circumstances the deterrer responds with a military reaction. If the defender reacts appropriately, the challenger stops trying to change the status quo. In this sense, by definition, this kind of challenge cannot be deterred, because that challenge only occurs below the deterrence commitment.

These two forms of creeping expansion are often referred as “salami tactics.” Thomas Schelling referred to “salami tactics” as “invented by a child,” who is told not to go into the water by his parents and gradually tries to go into the
He pointed out that most commitments are ultimately ambiguous in detail. That ambiguity means that there exist some rooms for a challenger to “test” the deterrer’s commitment through probing aggression, like “pretending the trespass was inadvertent or unauthorized if one meets resistance, both to forestall the reaction and to avoid backing down.” Once a challenger clarifies the deterrer’s commitment in such a way, next time it may challenge again by slicing the salami in a thinner way.

The serious challenge for deterrence of such “salami tactics” comes from the deterrer’s difficulty of responding after the challenger has already sliced the salami. Once the salami is sliced, what is expected for deterrence is to prevent another slice, rather than to put the sliced salami back together. To return to pre-sliced situation, the deterrer needs to put its hand into the challenger’s stomach and bring it back from that stomach. This is “compellence” rather than deterrence.

These difficulties in deterring creeping expansion through fait accompli and probing are the key intellectual challenge facing those who seek to create a theory of deterrence in the gray zone. Possessing the war fighting capability to win the kinetic war would not necessarily be sufficient to deter such threats. For example, in the case of the recent ongoing land reclamation in the South China Sea, the airstrips and port facilities that China has constructed could be neutralized very rapidly by cruise missiles strikes, were military conflict to break out. However, unless a kinetic conflict were to break out, the U.S. cannot destroy these facilities, because gray zone

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58 Ibid., location 1115.
security challenges lie below the level of military conflict. Unless a war has started, physical strikes against these facilities cannot be an option. And as long as actual military conflict has not broken out, these facilities have the effect of “gunboat diplomacy” to influence regional country’s decision making.

**How Should Extended Deterrence Adapt to the Challenge?**

In short, extended deterrence is country “A” provides security guarantee for country “B” to deter aggression against country “B” by other countries. However, in case of creeping gray-zone expansion, explicit armed aggression often does not occur. Rather, as ongoing situation in South China Sea and East China Sea illustrate, creeping gray-zone expansion often occurs at the level of paramilitary/law enforcement organization. As long as the gray zone situation remains at the law enforcement level, regional allies’ law must be enforced, rather than the law of a country that provides extended deterrence for the allies. Thus, building deterrent at the gray-zone, efforts (including paramilitary sector) by regional allies are crucially important. The role of a provider of extended deterrence is to assist regional allies’ efforts to deter and respond to gray-zone situation including building partner capacities and supporting regional allies’ response against creeping expansion to prevent escalation such as sending clear political and military signal to a challenger. As a meaning of the importance of both sides’ efforts is important, this is more like “collective” deterrence rather than “extended” deterrence.

Japan’s effort to develop robust deterrence against gray-zone security challenges and recent development in the Japan-U.S. Alliance could be one of the
cases to build gray-zone deterrence structure. In Japan, creeping gray-zone expansion has been at the top of the agenda in recent security and defense strategy. For example, Japan’s 2010 NDPG for the first time referred to the importance of gray zone security situations. Given the strategic environment of that time, NDPG 2010 intended to enhance Japan’s deterrence posture against opportunistic creeping expansion by rolling out a concept of “dynamic deterrence,” which complements a traditional posture to deter high-end conventional conflict.\(^{59}\) In particular, through continuous steady-state ISR, information gathering, military exercises and demonstration of operational effectiveness and readiness, dynamic deterrence seeks to sensitize a challenger that they are always watched over and there are no “windows of opportunity” for them to carry out a fait accompli or probing.

Two years following NDPG 2010, in September 2012, after Japan purchased the Senkaku Islands, China began continuously dispatching government vessels to the vicinity of the islands. In a sense, “dynamic deterrence” as described in NDPG 2010 did not effectively work to deter China’s challenge to the status quo, because Japan did not show any physical window of opportunity at that time. Under such a security environment, Japan reviewed the NDPG again and released a new version of the NDPG in December 2013.\(^{60}\) As with its 2010 version, NDPG 2013 also

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60 Government of Japan, *The National Defense Program Guidelines, for FY 2014 and Beyond* (December 17, 2013),
emphasized gray-zone security challenges, stating “there are ongoing regional conflicts involving various countries as well as an increase in the number of so-called ‘gray-zone’ situations, that is, neither pure peacetime nor contingencies over territory, sovereignty and maritime economic interests,” and also expressed the concern as such gray-zone security challenges in the Asia-Pacific region “tend to linger, raising concerns that they could develop into more serious contingencies.” As this language suggests, this NDPG recognizes that, compared to the time when the NDPG 2010 was formulated, the “gray-ness” of gray zone is getting darker.

Given this situation, NDPG 2013 redefined gray zone deterrence. In the security environment in which the NDPG 2013 was formulated, not only have darker gray-zone situations already occurred, but also it is feared that these situations will linger or even escalate. Therefore, it is particularly important to control the risk of escalation when promoting effective deterrence and responding to such situations.

In this regard, NDPG 2013 states that “the SDF will conduct strategic training and exercises in accordance with the development of the situation and swiftly build a response posture including advance deployment of units in response to the security environment and rapid deployment of adequate units. Thus Japan will demonstrate its will and highly developed capability to prevent further escalation.”61 This language could be interpreted as sending a signal to the other

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61 Ibid.
party by swiftly conducting military operations, including exercises in response to
the development of a situation, in other words, flexible deterrent option (FDO).

2. A2/AD Threats

What are A2/AD Challenges?

A2/AD threats are a hot topic in the current strategic debate. Debate on
“Air-Sea Battle,” following QDR 2010 and the CSBA report about it, was
significant.\(^{62}\) The *Joint Operational Access Concept*, published by the Joint Staff,
defines anti access (A2) as “actions and capabilities, usually long-range, designed to
prevent an opposing force from entering an operational area” and area denial as
“actions and capabilities, usually of shorter range, designed not to keep an opposing
force out, but to limit its freedom of action within the operational area.”\(^{63}\) This
paper uses these definitions as its working definition.

Attention to A2/AD threats, however, existed before recent concerns over
China’s military modernization. Rather, concern over the proliferation of such
capabilities was revealed at the beginning of the 21st century. QDR 2001, which was


released on September 30, 2001, dedicated one chapter to emphasizing the importance of anti-access threats, while most readers focused on how the Pentagon describes “war on terror.” In that chapter, “Creating the U.S. Military of the 21st Century,” the document indicates concern over future U.S. power projection through saturation attacks with ballistic and cruise missiles; access denial by advanced air defense systems against non-stealthy aircraft; threats against naval forces by anti-ship cruise missiles, advanced diesel submarines, and advanced mines; and space denial capabilities such as ground based laser systems.64 Although it did not discuss anti-ship ballistic missiles (ASBMs), QDR 2001’s concern over A2/AD threats was soon realized.

More updated concern by the Pentagon about A2/AD threats can be found in its annual report on Chinese military modernization. The latest one, the 2015 version of that reports, specifically describes about China’s A2/AD capabilities: information operations, cyber operations, long range precision strike capability, ballistic missile defense, surface and underwater operation capability, space operation capability, and integrated air and missile defense capability.65

Ironically, but not surprisingly, these Chinese capabilities have been developed to counter U.S. high-tech conventional military capabilities. After the

1991 Gulf War, when the U.S. clearly demonstrated its dominant information based precision strike capability, and the 1995-96 Taiwan Strait Crisis, when the U.S. sent two aircraft carriers through the Taiwan Strait to send a robust message to China not to intimidate Taiwan's voters for its first presidential election, China established “local war under high-tech condition” as a key strategic concept and kicked off huge research and development programs, to develop “counter intervention” capability against potential U.S. military intervention in case of Taiwan Strait contingency.66

To be sure, anti-access is not a new concept in any means. In the history of war, the weaker side usually seeks to block the entry of significant of adversary force to the main battlefield, since the Peloponnesian War.67 The current version of anti-access includes non-traditional strategic domain such as cyber and space. Capabilities in these two domains also can affect force-entry operation.

**Challenge to Extended Deterrence**

The 1991 Gulf War dramatically demonstrated its tremendous effects of U.S. global power projection with advanced precision strike capabilities. Countering this U.S. military power, the security experts in the world have witnessed two asymmetrical responses: terrorism/insurgency like 9/11, Iraq, and Afghanistan; and the development of A2/AD capabilities. China's development of advanced A2/AD capabilities is one such reaction to counter U.S. “full spectrum dominance,” which

the Pentagon sought in the 1990s.\textsuperscript{68} In this sense, development of A2/AD is a natural reaction to challenge the U.S. deterrent. Specifically, in the contemporary context of Asia-Pacific security, two challenges have emerged, or will emerge, because of China’s development of A2/AD capabilities.

The first challenge comes from its implication for creeping gray-zone expansion. First of all, combining creeping gray-zone expansion with the development of A2/AD capability, the U.S. and its allies would face a competing demand. One logical reaction to the A2/AD threat is to disperse forward-deployed forces to multiply the number of targets facing challengers with A2/AD capabilities in order to make their operational planning more complicated and avoid “putting all eggs on one basket.” And some discussions suggest that a light forward presence combined with standoff strike from outside of A2/AD range would be a better operational concept.\textsuperscript{69}

At the same time, however, one of logical reactions to creeping expansion in the gray zone is to maintain significant forward presence, rather than light presence, because the lack of significant forward presence would be perceived as a window of opportunity for creeping expansion to gradually change the status quo. Through


such competing demands, combination of A2/AD threats with gray zone security challenge complicates alliance responses to enhance deterrence in gray zone.

The second challenge comes from A2/AD’s implications for regional crisis stability. If all related parties have no first strike advantage, or if all parties are vulnerable to the other party’s invulnerable second strike capability, crisis stability can be maintained, because first strike would not bring about any kind of advantage even in the case of a tense crisis. In this vein, a situation of vulnerability is one of the key elements of crisis stability.

By developing A2/AD capabilities, the PLA acquired significant strike capabilities against regional countries through ballistic and cruise missiles and bombers. By contrast, regional countries, including Japan, do not have such capabilities for counter-strike, except for Taiwan’s small missile forces. In addition, most regional countries in the region are island nations that lack strategic depth, whereas China enjoys continental strategic depth. In short, there exists a lop-sided vulnerability between China and regional countries. In this sense, U.S. air and maritime strike capabilities are indispensable to offset such an asymmetric level of vulnerability. Facing highly advanced U.S. strike capabilities, even China cannot be invulnerable. In other words, in a situation of such asymmetric vulnerability, U.S. strike forces are essential to regional crisis stability.

In this context, the nuclear component of extended deterrence should also to be considered. If China’s advanced A2/AD capabilities hold U.S. ground-based tactical aircraft, aircraft carriers, and sea-based tactical strike capabilities at risk, and if China succeeds in neutralizing these capabilities, the U.S. would lose a
significant part of its strike forces and would be left with relying upon its underwater and strategic nuclear capability.

Needless to say, the U.S. strategic nuclear force maintains a robust second-strike capability, which both forms the ultimate foundation of deterrence and augments regional deterrence. On the other hand, China is making efforts to modernize its nuclear force, in addition to its conventional A2/AD capabilities. While the centerpiece of China's current strategic nuclear modernization is the road-mobile DF-31 ICBM, China is also deploying SSBNs armed with nuclear SLBMs to form the maritime leg of its nuclear force. Since China’s road mobile ICBM force gives it an invulnerable second-strike capability, the SLBM/SSBN deployment is not in and of itself a game changer. It does, however, enhance China's second strike capability.

Given the modernization of China’s nuclear force, the U.S.-China nuclear deterrent relationship is an important issue for regional security. More specifically, U.S. Government acceptance of the existence of a condition of mutual vulnerability between the two countries could cause deterioration in the regional security environment through the “stability - instability - paradox.” The “stability-instability-paradox” describes a situation in which mutual deterrence at the strategic level causes challenger’s aggressive behavior at the regional level, because that challenger perceives that the counterpart would refrain from responding to avoid escalation. In the current Asia-Pacific region, in the event that the U.S. explicitly accepts mutual vulnerability with China, combined with China’s A2/AD capability and asymmetrical vulnerability, China may take even bolder moves with the risk of
escalation from gray zone to conventional conflict, based on overconfidence in their deterrent against a U.S. response. To avoid such a situation, even given the existence of the PLA’s second strike capability, the U.S. should maintain its current “neither confirms nor denies” position about mutual vulnerability, which, should be continued. Under such strategic environment, deterrence need to be maintained in an integrated way of all potential components of the deterrent, including tactical strike capabilities, efforts for base resiliency of forward deployed tactical strike forces, missile defense capability, as well as the nuclear component of extended deterrence.

The third challenge that arises from China’s A2/AD capability arises from its implication for alliance management. China’s development of A2/AD capabilities raises the potential cost and risk to the U.S. of intervening in regional conflicts. Regardless of how the U.S. government actually makes decisions in the event of a contingency under A2/AD threat, this situation would affect China and regional countries’ views of U.S. strategic calculations. It is likely that regional states would perceive the United States as being more cautious than had been the case prior to the existence of the A2/AD threat. In other words, the “shadow” of the A2/AD threat could influence patterns of decision-making in China and other regional countries on U.S.-related security issues. For example, a challenger that possess more advanced anti-access capability could perceive a fait accompli-like challenge to the status quo to have a greater prospect for success than had previously been the case because his anti-access capability would make the response more costly. Regardless of the deterrer’s actual strategic calculation of the response, if a challenger perceives
that it can deter the deterrer's reaction to a fait accompli through A2/AD capabilities, deterrence will less likely to succeed.

**How Should Extended Deterrence Adapt to the Challenge?**

There are no easy solutions to these challenges. First of all, the most important thing is to enhance the resiliency of theater-based military presence. Although this is not so easy, enhancing the resiliency of forward deployed military force could mitigate competing demands to respond to creeping gray zone expansion and to counter A2/AD threats. If forward deployment forces retain their resiliency in the face of A2/AD threats, a source of the vulnerability of these forces, geographical proximity, can be turned into a strength, through being an effective staging point to neutralize A2/AD threats. With resiliency, forces deployed in these bases would not be to be concerned about access. In other words, “resilient” and “forward” stationed bases should be a key element to counter A2/AD threats. In addition, a “resilient” forward deployed force improves crisis stability by eliminating an adversary's first strike advantage.

The actual challenge is how to realize resiliency. For tactical air assets, fighter-based air defense, active defense such as missile defense, passive defense such as the physical hardening of facilities, and tactical dispersion among multiple in-theater bases are all potential measures for enhancing resiliency. In the U.S.-Japan alliance, closer cooperation on missile defense, synchronized operations between JSDF air defense and U.S. strike operations, and shared use of air bases by both countries' fighter units are measures to enhance extended deterrence in the
alliance. For maritime assets including aircraft carrier and amphibious forces, anti-ship ballistic and cruise missile and submarines poses grave risks. Air cover from resilient in-theater fighter and anti-submarine warfare (ASW) aircraft can reduce these vulnerabilities, while other countermeasures such as a blinding campaign would be necessary to deal with ASBM.\(^7^0\)

Without a resilient ground base structure, both defensive counter-air and ASW are difficult to effectively conduct. In this way, resiliency in the air and maritime domains are closely linked. At the same time, enhancing resiliency is no easy thing.

The U.S. can be expected to fulfill its treaty obligation to defend regional allies even without perfect (or near perfect) resiliency against A2/AD threats. However, military operations to fulfill treaty obligations would be riskier than in the past. This situation makes a “zero-casualty” mindset outdated and could be seen as the end of the “post-heroic war” era. Alliances in the contemporary Asia-Pacific region need to be managed based on the recognition of such a reality. For the U.S., extra efforts are needed to assure regional allies, such as retaining forward-based forces even without sufficient resiliency, and regional allies need to upgrade the value of the alliance for the U.S. Such efforts were made in NATO in the Cold War. In this sense, this is not a new challenge in international security, but rather a renewed challenge to alliance management in the Asia-Pacific in the 21st century.

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3. **North Korea’s Ballistic Missile and Nuclear Weapons**

*I. Situation regarding North Korea’s Ballistic Missile and Nuclear Weapons*

In terms of ballistic missile proliferation, Northeast Asia is a region rich of great concern. In addition to the PLA’s rapidly modernizing conventional and nuclear missile force, North Korea’s nuclear and ballistic missile development is a source of even greater concern for stability in the region. North Korea is estimated to be developing and deploying several types of ballistic missile: the Toksa solid fuel short range ballistic missile with 120km range; Scud variant ballistic missiles (Scud-B with 300 km range, Scud-C with 500 km range, and Scud Extended Range with 1000 km range); the No-Dong with a 1300km range; the Taepo-Dong 1 with a 1500 km range; the Musudan, which is suspected to be a modification of the SS-N-6 submarine launched ballistic missile (SLBM) of the former Soviet Union, possibly with a range of 2500-4000 km; the Taepo-Dong 2 with a 6000 km range; the KN08 demonstrated at the military parade in 2012 and 2013 and estimated to be an ICBM; and potentially SLBM about which there is little information. Among these, North Korea is estimated to have deployed several hundred of the Scud variants and No Dong. The Taepo-Dong 2, which can reach to the United States mainland, is still under development. The Taepo-Dong 1 may be developed as an interim experiment
missile in development process of Taepo-Dong 2. Most of these systems are road-mobile.  

In parallel with its missile development, North Korea is also developing nuclear weapons. It conducted nuclear tests in October 2006, May 2009, February 2013, and January 2016. According to Japan’s Defense White Paper’s estimate, “the possibility that North Korea has achieved the miniaturization of nuclear weapons and has acquired nuclear warheads cannot be ruled out.” Under such a situation, from the worst case thinking perspective, defense planner needs to prepare for the situation that North Korea has deployed or going to deploy nuclear tipped ballistic missiles.

**Challenge to Extended Deterrence**

Combined with P’ongyang’s nuclear development program, North Korea’s missile forces create serious security concerns in the region. However, North Korean thinking about nuclear strategy is unclear. More precisely, it is actually unclear whether North Korea even has a “nuclear” strategy.

Looking at North Korea’s behavior in this decade, however, the development of nuclear weapons itself looks like a part of a campaign of provoked. One possible observation is that North Korea’s nuclear weapons are actually a part of their “provocation,” rather than the instrument of a distinct nuclear deterrence strategy.

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72 Ibid., 19.
In other words, they may believe that the full range of military force can be used for provocation rather than formulating a separate military strategy for the nuclear component.

If North Korea’s leadership has thoughts about nuclear strategy, whether it sees nuclear weapons as an instrument of deterrence or war-fighting is an important question. Considering the huge gap in conventional military force between North Korea and the U.S.-ROK alliance, the early employment of nuclear weapons in the event of a military conflict would logical, just as it was for NATO in the Cold War. This question could be an important caveat when thinking about tailored deterrence and extended deterrence against North Korea.

At the same time, even if North Korea crosses the threshold of using nuclear weapons, the size of its nuclear arsenal will be limited. With such limited size, the only potential form of North Korea’s nuclear strategy would be “minimum-deterrence,” something like existential deterrence, which is based on the psychological effects of the existence of nuclear weapons on the others’ mind and which seeks to restrict their range of behaviors, rather than a strategy based upon the actual physical effects and military utility of nuclear weapon.

In conventional approaches to deterrence warhead yield, missile accuracy, and the number of nuclear-tipped missiles, are important variables to assess the credibility of deterrence, because these variables determine the kinetic effects of nuclear forces. However, considering the technological unreliability of North Korea’s ballistic missiles and the limited number of potential nuclear warheads that
P'yongyang will have for the foreseeable future, North Korea’s nuclear strategy may not be based on conventional concepts of nuclear deterrence.

Regardless of the actual content of North Korea’s nuclear strategy and the physical characteristics of its nuclear force, North Korea’s nuclear tipped theater ballistic missiles can be a geostrategic game changer in Northeast Asia. Since the 1950 Korean War, Northeast Asia had actually consisted of two sub-regional theaters: the Korean Peninsula and Japan. At the time of the Korean War, the battlefield was limited to the Korean Peninsula and the U.S. and the United Nation Command operated from Japan to support the battlefield on the Korean Peninsula.

In other words, at that time the Korean Peninsula was a battlefield theater and Japan was a safe staging theater. Under such a geostrategic situation, the U.S. concluded two separate alliances with Japan and Republic of Korea. This basic geostrategic format endured to the mid-1990s when the first North Korean nuclear crisis happened and Japan and the U.S. revised their Defense Guidelines in 1997.

North Korea’s nuclear tipped theater ballistic missiles fundamentally transformed this geostrategic setting. Before acquiring theater ballistic missiles, North Korea had no means to attack Japan except sabotage by special operation forces. But with the deployment of nuclear weapons and ballistic missiles, North Korea can use nuclear blackmail to intimidate Japan not to support U.S. operations on the Korean Peninsula. P'yonyang could also strikes by ballistic missiles with nuclear warheads to physically disrupt U.S. operation and force flow. In short, Japan is no longer a safe staging theater. Now this theater can also be a battlefield. In this way, North Korea’s nuclear tipped ballistic missiles “integrate” two formerly
separated theaters and change geostrategic dynamics. In other words, Japan loses its “sanctuary” status from North Korea’s military attack and in case of military conflict in the Korean Peninsula, Japan now needs to take more serious risk to support the U.S. If Japan is intimidated by North Korea and decided not to provide any support to the U.S., North Korea can drastically improve its military situation on the Korean Peninsula. Considering such a huge strategic benefit for North Korea, nuclear blackmail and actual strike against Japan should be a situation to be prepared for. For Japan, more robust assurances and deterrence are absolutely required for Tokyo to make a decision to support the U.S. under such serious threat from North Korea. In short, this is a challenge to extended deterrence from North Korea’s nuclear tipped ballistic missiles.

**How Should Extended Deterrence Adapt to the Challenge?**

In Northeast Asia, the U.S. provides nuclear guarantee for both Japan and South Korea. This guarantee of strategic deterrence is a critical component of the regional security architecture, while North Korea continuously challenges its stability. As discussed above, however, North Korea’s nuclear tipped ballistic missile worked as a geostrategic game changer. It has strategically integrated two separately handled sub-theaters so far into one theater. This means that Japan is now exposed to a much graver risk than before. Therefore, now is the time to strengthen the coordination of the U.S.-Japan and U.S.-South Korea alliances, which were established and developed separately. In this context, the recent development
of trilateral Japan-U.S.-South Korea defense cooperation is one application of extended deterrence to the new geostrategic environment.73

One important aspect of this “game change” is that it does not come from North Korea’s improvement of its strike capability against the U.S., and the necessity of augmenting assurance to Japan does not come from a questioning of the credibility of the U.S. to fulfill its treaty obligation. Even after the development of a nuclear tipped ICBM that can reach the U.S., regional allies should continue to have a legitimate belief that they can rely on U.S. deterrence. Were the U.S. to be “deterred” by North Korea, it would “prove” that a handful of nuclear weapon would be enough to deter the U.S. This, in turn, would undermine nuclear nonproliferation because North Korea would “prove” the effectiveness of nuclear weapons to deter the U.S. Such kind of post-event implication would raise skeptical assessment among other U.S. allies to the will of the U.S. to fulfill the commitment of the extended deterrence for them. This is an unaffordable cost for U.S. global security commitment. Therefore, as long as the U.S. intends to be a leader of international security affairs, regional allies can continue to expect the U.S. will continue to maintain current robust deterrence posture against North Korea.

In short, to think about a question how extended deterrence for the Japan-U.S. alliance should adapt, how to reinforce assurance in a sense that the U.S. would

certainly fulfill treaty obligation is not necessarily a right answer. The real answer should be how to minimize the risk of being attacked by nuclear weapons. Needless to say, one of the measures is BMD, which Japan and the U.S. have developed cooperatively since 1998. And now, although the U.S. and Japan have already deployed a ballistic missile defense system, it cannot guarantee protection against incoming missiles. Even if it succeeds in intercepting nearly 100 percent of incoming weapons, only one leakage of nuclear warhead will inflict tragic damage. From that perspective, to minimize risk of nuclear strike, combining full range of U.S. military capability would be definitely necessary. In short, developing the coordination of two bilateral alliances and combining every asset to work to neutralize North Korea’s nuclear blackmail and/or actual nuclear strikes are a key component to adapt extended deterrence to the new geostrategic environment.

**Conclusion**

In the contemporary world, there is no scarcity of security challenges in any part of the world. Compared to other regions, the unique character of security challenges in the Asia-Pacific comes from the fact that they mainly come from state actors, whereas the influence of non-state actors have emerged more evidently in other regions. In some senses, this might be seen as a revival of the security challenges that existed in the Cold War era. At the same time, they have also been “renewed” under 21st century international relations. Regarding creeping gray zone expansion, one of the reasons why parties employ paramilitary rather than military means is to avoid being accused of “military escalation.” if one party deploys a naval
vessel before the other, the global media would argue that that party had escalated the situation and it would be in a difficult position to handle following situation. Such influence by global media did not exist in the Cold War era.

Regarding the A2/AD threat, the risk of retaining forward deployed forces is going to increase compared to the 1990s and 2000s. At the same time, however, in the Cold War era, the U.S. maintained huge forward deployment forces under the range of Soviet tactical and theater nuclear weapons in both Europe and Asia and had a contingency plan to send aircraft carrier battle groups even under the threat of nuclear tipped anti-ship cruise missiles. Compared to the risk posed by these nuclear A2/AD capabilities, the current risk to forward deployed forces from China’s conventional A2/AD capabilities is less grave by any definition. After two decades’ experiences of “zero-casualty” conventional war (this “conventional” means that it does not include counter-insurgency), however, preparing for bloody war, which was prepared in the Cold War era, is no easy job.

The geostrategic effects of North Korea’s nuclear tipped theater ballistic missiles cannot be underestimated. Rather, such missiles fundamentally are transforming regional geostrategic dynamics. The regional alliance structure, however, was formed in the Cold War era and started to adapt to the geostrategic reality only very recently. Considering the unpredictability of North Korea, the renewal of extended deterrence should proceed as soon as possible.

From gray zone to nuclear strike, Asia-Pacific region has the full-range of state made security challenges. Tectonic changes in the global power structure triggered by the rise of China and nuclear proliferation by North Korea amplify the
magnitude of these challenges. Responding to these challenges, in the context of the credibility of U.S. extended deterrence, both assurance and deterrence need to be enhanced. With the mounting severity of the Asia-Pacific security environment, more efforts must be made to “think about the unthinkable” to prepare for actual contingencies and accumulate specific capabilities for deterring these contingencies. At the same time, while these efforts are to reduce risk for the U.S. and its regional allies, these are highly difficult work and nobody should be optimistic for deterrence success, considering complexity of the challenges. Si vis pacem, para bellum, is now very true in the Asia-Pacific. Unfortunately, this is a geostrategic reality.
There has been a bipartisan consensus in U.S. defense circles since the end of the Cold War that Asia’s global strategic weight is growing. Although the Obama administration’s announcement of a “pivot” or “rebalance” to the Pacific has justifiably received considerable attention, recognition of the increasing importance of Asia and calls for a growth in U.S. presence in the region have much deeper roots. The two East Asian security reports produced by the George H.W. Bush administration in 1990 and 1992 foretold the rise of Asia, whereas the 1995 and 1998 Clinton administration reports even more clearly pointed to a rising Asia’s importance to the United States. Subsequent strategy documents reiterated this importance, including the 2001 Quadrennial Defense Review, 2005 National Defense Strategy, the 2006 Quadrennial Defense Review, 2008 National Defense Strategy, the 2010 Quadrennial Defense Review, and the 2012 Defense Strategic Guidelines.74

These policy pronouncements are testimony to the fact that a favorable balance of power in Asia is key to protecting vital American interests. Although

administrations may use very different words to convey U.S. objectives in Asia, the historical record of U.S. behavior demonstrates remarkable continuity.

Today as in the past, U.S. strategy in the region rests on an underpinning of military power. Across decades, the United States has pursued a consistent set of objectives in the Asia-Pacific region. Defending American lives and property is one of the most fundamental responsibilities of the U.S. government. The United States also looks to its military to help reassure U.S. allies against attack or coercion by aggressive neighbors. It also seeks to deter aggression by competitors. But reassurance and deterrence ultimately require credible combat power and a strategy for employing it. If the credibility of U.S. military power is called into question, then allies may question the U.S. commitment to help defend them, and competitors may become tempted to take action.

Several challenges have begun to undermine the credibility of the U.S. commitment to stability in Asia. The most consequential of these is the growth of Chinese power and Chinese military modernization, which threatens not only to deny the United States access to areas of vital national interest, but also to erode the alliances that have served as the foundation of regional stability for over half a century.

A second challenge arises from North Korea’s communist regime, which has embarked upon increasingly aggressive behavior since it tested its first atomic weapon in 2006. It has tested nuclear weapons four times (in 2006, 2009, 2013, and 2016), and has also conducted a number of flight tests of long-range missiles. It is also a proliferator of nuclear technology, having sold a nuclear reactor to Syria.
and signed an identical cooperation agreement with Iran. The North Korean government is responsible for sinking the South Korean naval vessel *Cheonan* on March 26, 2010, killing 46 crewmen. P’yongyang is also responsible for shelling Yeonpyeong Island in May 2011, injuring 16 soldiers and 3 civilians. If the North Korean regime is bellicose, it is also weak. Looking to the future, the United States and its allies may face not only the need to plan to respond to North Korean provocation, but also the prospect of North Korean instability and collapse. Responding to a collapse of authority in North Korea, safeguarding North Korean nuclear material, and stabilizing the country could, in turn, require nearly half a million men to execute successfully.75

This chapter begins by describing America’s enduring U.S. interests in Asia, as well as the strategy that the United States has pursued for more than a half century to protect those interests. It goes on to describe the challenges to that strategy in peace and war. It then weighs strategic alternatives to meet U.S. objectives, and then describes the elements of a forward-leaning strategy to protect U.S. interests in Asia over the long term.

**Enduring U.S. Interests in Asia**

Discerning U.S. objectives from strategy statements can often prove challenging. The Congressionally-mandated National Security Strategies, which are prepared for domestic and international consumption, tend to speak in general

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terms. Rather than a limited and prioritized set of objectives, they often contain undifferentiated lists of desirable ends. Rather than discussing particular countries that threaten our interests, they tend to speak of challenges in only the most vague of terms.

One should, therefore, look to the practice of U.S. national security policy for an understanding of enduring U.S. interests in Asia. At least since World War II the United States has pursued a consistent set of objectives in the region. First and foremost, the United States has acted to defend U.S. territory against attack. This includes the need to protect the Continental United States, Hawaii, Alaska, Guam and the Northern Mariana Islands. The United States is also bound by treaty to defend American Samoa, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. Since World War II, U.S. strategy has been predicated upon meeting threats to the United States as far from America’s shores as possible through the forward stationing and rotational deployment of U.S. forces to U.S. territory and allied territory in the Western Pacific.

Second, the United States is committed by law to protect its allies. In Asia, these include Australia, Japan, South Korea, the Philippines and Thailand. The United States is also obligated to help defend quasi-allies such as Taiwan. The Taiwan Relations Act requires the U.S. government to both provide arms and services of a defensive nature to Taiwan and maintain U.S. military capacity to resist coercion of Taiwan by China.

The United States defends its allies through a strategy of extended deterrence and reassurance. Part of the U.S. defense commitment includes the
pledge to use nuclear weapons in defense of allies. As Secretary of Defense Robert Gates stated in October 2009, "North Korea continues to pose a threat to South Korea, to the region, and to others... And as such, I want to reaffirm the unwavering commitment of the United States to the alliance and to the defense of the Republic of Korea (ROK). The United States will continue to provide extended deterrence, using the full range of military capabilities including the nuclear umbrella to ensure ROK security." The United States also reaffirmed its extended deterrence guarantee to Japan in the wake of North Korean nuclear weapons and ballistic missile tests. Such an approach has helped promote stability in the face of provocation and has discouraged U.S. allies from taking destabilizing actions, such as acquiring nuclear weapons of their own.

Complementing deterrence is reassurance. The United States seeks to reassure its allies regarding its security commitments through a host of measures, including the deployment of U.S. forces to their territory, foreign military sales, as well as a variety of joint programs, including research and development, acquisition, training, and command arrangements. The United States effort to assist the Japan Ground Self Defense Force in developing an amphibious capability is one important recent example of this; cooperation between the United States and Japan on maritime ballistic missile defense is another.

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Third, the United States has acted over decades to assure access to the global commons in peacetime and commanding them in wartime. Command of the commons has benefited not only the United States, but others as well – none more than China. The free flow of goods, services and information has undergirded economic growth and prosperity for decades. It has lifted literally millions out of poverty and served as the midwife of globalization.

Fourth, the United States has for the past century sought to preserve a favorable balance of power across Eurasia. United States has repeatedly used force when its territory or allies were attacked and when a would-be hegemon has threatened the balance of power in Eurasia. The United States twice intervened on the European continent when it appeared that Germany was on the brink of dominating the Continent. Similarly, the United States resisted Japan’s attempt at hegemony in the Pacific. During the Cold War, the United States sought to prevent the Soviet Union from becoming a Eurasian hegemon. And U.S. defense planning after the fall of the Soviet Union similarly sought to prevent a would-be hegemon from arising.\(^78\)

Finally, the United States has acted for the common good by providing humanitarian assistance and disaster relief. Indeed, the United States generally leads international relief efforts. Moreover, the U.S. Navy, Marine Corps, and Coast Guard are often first on the scene to render assistance to those in need.

response to Typhoon Haiyan is but the most recent instance of such efforts. The United States is thus not only a global power, but also one that is active in the Asia-Pacific region.

**U.S. Strategy in Asia**

Since the end of World War II, the United States has developed a characteristic approach to protecting its interests in Asia. In peace and in war, the U.S. position in Asia has rested on a set of alliances, ground and air forces deployed on allied and U.S. territory, and carrier strike groups operating in the Western Pacific. The United States has deployed ground and air forces on allied territory in Japan and South Korea and on U.S. territory (Hawaii, Alaska, and Guam) to reassure allies and deter adversaries. During the Cold War, this included the forward basing of nuclear weapons on U.S. Navy ships and on allied territory for U.S. Air Force strike aircraft as an extended nuclear deterrent. The United States has also routinely deployed U.S. Navy Carrier Strike Groups (CSG) in the Western Pacific to demonstrate U.S. presence, reassure, and deter.

Significantly, the U.S. approach to demonstrating its presence, reassuring allies, and deterring aggressors mirrors its concept of operations in wartime. That is, the United States uses its most powerful naval assets, its CSGs, as instruments of peacetime presence, assurance, and deterrence. In time of war, these forward-deployed naval forces would serve as instruments of power projection.

It is worth noting that such a posture represents an historical novelty. Traditionally, sea powers (whether Britain in the 18th through 20th centuries or the
United States prior to World War II) relied upon small combatants such as frigates to show the flag and coerce adversaries; they kept their capital ships concentrated in home waters to train and prepare for a decisive fleet battle. Today, the United States faces the dual challenge of not having enough naval forces for peacetime missions as well as relying upon increasingly vulnerable ships for both peacetime and wartime missions.

There is a danger that the vulnerability of U.S. forces, and responses to it, will undermine the credibility of the American commitment to Asia. This is compounded by the fact that alternatives for demonstrating U.S. presence, such as the Littoral Combat Ship (LCS), have limited military capabilities, whereas some of the most potent strike platforms, such as nuclear attack submarines (SSNs), may have limited value as instruments of presence and reassurance due to their inherent stealthiness.

**The Chinese Challenge**

China has for some time been working systematically to undermine the American approach to assurance, deterrence, and warfighting. Specifically, China’s military modernization is giving it the ability to decouple America’s allies from the U.S. extended nuclear deterrent, to destroy fixed bases in the region, and to threaten U.S. power projection forces. This, in turn, could allow China to coerce U.S. allies and friends in the region, hold U.S. forces at arms length, and control the seas along the Asian periphery.

It is important to understand the scope and pace of Chinese developments. There is, on the one hand, the danger of overestimating the extent of Chinese
military modernization, of crediting China with capabilities that it does not possess. Overestimation would threaten to increase the pressure for competitive arms dynamics in the region. There is also, however, the danger of underestimating Chinese military modernization, which would open up the United States and other regional actors to surprise in the event of a future crisis or conflict.

**Decoupling our allies from the U.S. extended nuclear deterrent**

The United States is bound by treaty to defend Australia, Japan, South Korea, Thailand and the Philippines. Part of the U.S. defense commitment to Australia, Japan, and South Korea is the pledge to use U.S. nuclear weapons.

China’s propensity for secrecy and deception has raised questions, at least among some analysts, regarding the overall size of the Chinese nuclear arsenal. China has invested heavily for decades in tunneling and underground facilities to conceal, among other things, its nuclear missile force. Moreover, China is currently increasing the size and survivability of its nuclear force. According to the Defense Department’s annual report to Congress on Chinese military developments, China’s nuclear arsenal currently consists of approximately 50-60 intercontinental ballistic missiles (ICBMs), including the silo-based CSS-4 Mod 2 and multiple independently-targetable re-entry vehicle (MIRV)-equipped Mod 3 (DF-5); the

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solid-fueled, road-mobile CSS-10 Mods 1 and 2 (DF-31 and DF-31A); and the shorter range CSS-3 (DF-3). The CSS-10 Mod 2, with a range of more than 11,200 km, can reach most of the continental United States. China is also developing a new road-mobile ICBM, the CSS-X-20 (DF-41), possibly capable of carrying MIRVs.\textsuperscript{81} China also possesses four brigades of nuclear-armed intermediate-range and medium-range ballistic missiles for regional nuclear strike missions. These include CSS-2 intermediate-range ballistic missiles and road-mobile, solid fuel CSS-5 (DF-21C) medium-range ballistic missiles.\textsuperscript{82} Finally, China continues to produce the Jin-class nuclear ballistic missile submarine (SSBN) (Type 094) with associated CSS-NX-14 (JL-2) submarine-launched ballistic missile (SLBM) that has an estimated range of 7,400 km.\textsuperscript{83}

The United States, by contrast, is reducing its nuclear arsenal. The U.S. stockpile of nuclear weapons has decreased more than 75 percent since the Berlin Wall fell in late 1989.\textsuperscript{84} In accordance with the New START Treaty, the United States will further reduce its strategic nuclear force to 1,550 deployed warheads. It will similarly be limited to no more than 700 deployed ICBMs, deployed SLBMs, and nuclear-equipped heavy bombers.

\textsuperscript{82} Ron Christman, “China’s Second Artillery Corps: Capabilities and Missions for the Near Seas,” presentation to the Naval War College, China Maritime Studies Institute Annual Conference, May 2011.
Of greater relevance to the U.S. extended nuclear deterrence commitments, the United States has eliminated approximately 90 percent of its non-strategic nuclear weapons between 1991 and 2009. The Obama administration’s 2010 Nuclear Posture Review went further, eliminating the TLAM-N, which the Japanese government saw as the embodiment of the U.S. extended nuclear deterrence guarantee.

The buildup of Chinese nuclear forces, combined with the drawdown of American nuclear forces, means that in a future crisis the United States will possess a limited ability to contain escalation. This, in turn, could deter the United States from intervening in a crisis in support of its interests. In addition, the increasing vulnerability of tactical nuclear delivery platforms could lead to crisis instability.

**Destroying fixed targets in the region**

The United States relies heavily upon ports, airfields, and logistical sites along the Asian littoral to support its peacetime presence, to reassure allies, and to deter aggression. In time of war, these bases would serve as forward operating bases for U.S. combat forces. These include key sites in Japan, South Korea, and on U.S. territory in the Western Pacific.

These bases are increasingly vulnerable. China continues to deploy large numbers of precision-guided ballistic and cruise missiles. According to the Defense Department, China possesses at least 1,200 short-range ballistic missiles (SRBMs) in its inventory. China is increasing the lethality of its conventional missile force by fielding a new ballistic missile, the CSS-11 (DF-16), which possesses a range of 800-
1,000 km. The CSS-11, coupled with the already deployed conventional variant of the CSS-5 (DF-21) medium-range ballistic missile (MRBM), will improve China’s ability to strike not only Taiwan, but also other regional targets. In September 2015, China revealed the existence of the DF-26 IRBM, which has a range of 4,000 kilometers, putting Guam within its range. The DF-26 is a dual-purpose missile that can be equipped with either nuclear or conventional warheads.

In addition to ballistic missiles, China has deployed between 300 and 350 launchers for its missiles, most of which are mobile. In time of war, it is increasingly likely that Chinese missiles would be able to shut down operations on Taiwanese airfields, preventing Taiwan from controlling the Taiwan Strait, as well as U.S. airfields in Japan, preventing the United States from supporting Taiwan.

**Threatening U.S. power projection forces**

China is also increasing its ability to threaten U.S. power projection forces. The PLA’s development of the DF-21D anti-ship ballistic missile (ASBM), which could give China the ability to strike ships up to 1,500 km from China’s shores, has

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87 Ron Christman, “China’s Second Artillery Corps: Capabilities and Missions for the Near Seas,” presentation to the Naval War College, China Maritime Studies Institute Annual Conference, May 2011.
received considerable attention.\textsuperscript{89} As noted above, in 2015 the PLA revealed the existence of the 4,000 km-range DF-26, which reportedly includes an ASBM variant. Moreover, at least one analyst has argued that longer-range systems are likely to follow.\textsuperscript{90} China’s development of anti-access and area denial systems goes far beyond ballistic missiles, however. China is deploying increasingly capable diesel and nuclear attack submarines that are capable of firing anti-ship cruise missiles, surface combatants with advanced anti-air and anti-ship missiles, and maritime strike aircraft armed with ASCMs to engage surface combatants.\textsuperscript{91}

**Strategic alternatives**

The United States faces three fundamental strategic alternatives as it seeks to match its ends and its means in an increasingly turbulent environment. An evaluation of these options should incorporate an assessment of the risks and rewards of each option. Moreover, it is useful to differentiate among different types of risk. The United States should, for example, seek to minimize strategic risk: that is, the risk to achieving its political objectives and safeguarding its interests. The


United States should also, however, seek to reduce *operational risk*: that is, the risk that U.S. forces face. An ideal strategy would seek to minimize both. Of the two, however, strategic risk the more dangerous: the United States should be more willing to risk its forces than jeopardize its interests.

The first strategic alternative that lies before the United States is to continue its current approach to the region – that is, to pursue broad objectives even as the military balance shifts against it. By relying upon increasingly vulnerable forward-based forces for reassurance and deterrence, it would incur additional risk. Moreover, as the size of the Navy decreases, it will be increasingly difficult to maintain an American presence across the region. As a result, a continuation of the current U.S. posture in the region will over time lead to progressively greater strategic and operational risk.

There are things that the United States could do to reduce the risk to forward-based forces and to increase the credibility of the American commitment to allies. These range from hardening air bases and other military facilities against attack and diversifying the U.S. basing infrastructure, to the renuclearization of the U.S. force posture in the Pacific and the articulation of the conditions under which the United States might contemplate escalating to the use of nuclear weapons. Such measures are, however, expensive or politically problematic.

The second alternative, favored by neo-isolationists of various stripes in both parties, would be to scale back U.S. commitments and accept a narrower definition
of America’s role in the world than we have played for the better part of a century.⁹² Such a strategy would have the United States pull back from the Asian littoral and rely upon allies to shoulder a greater portion of the load, husbanding its resources against the possible emergence of a peer competitor.

Reducing commitments is, however, easier said than done. Protecting the United States against attack is one of the U.S. government’s most fundamental responsibilities. Similarly, the United States would lose more than it would gain by abrogating any number of treaties that commit the United States to the defense of allies across the globe. A failure on the part of the United States to continue to command the commons would similarly incur great economic, political, and military costs. It would, in other words, trade reduced operational risk for increased strategic risk. Moreover, offshore balancing reflects a sense of defeatism that is unwarranted. Although complacency would be unwise, it would be misguided to argue that the only, or even the best, option for the United States is to reduce its commitments in Asia.

A third approach would be to adopt a forward-leaning strategy, one that would balance the need to reduce the vulnerability of U.S. forces while maintaining U.S. commitments. It would rest upon a mixture of forward-based and standoff capabilities. Moreover, in order to reduce operational risk while not sacrificing America’s strategic interests, more than the current force posture it would feature

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greater specialization between forces for keeping the peace and those for fighting wars. The section that follows describes the elements of such a strategy.

**Elements of a strategy**

A forward-leaning strategy for Asia would rest upon two pillars: an effort to conduct a long-term competition with China in peacetime and measures to convince China that it cannot fight and win a quick regional war.

A long-term peacetime competition with China would seek to blunt the momentum of Chinese military modernization and channel Chinese resources away from the most disruptive capabilities.\(^{93}\) It would do so in three ways. First, the United States needs to develop new approaches to presence. U.S. force structure in the region should move away from the CSG and toward networks of capable surface ships as the most visible symbol of U.S. presence in the region.\(^{94}\) The United States should also continue to bolster its submarine fleet in the Pacific. Linking these combatants together will require resilient intelligence, surveillance and reconnaissance (ISR) and robust command, control and communications (C3) networks. This, in turn, will require the ability to exploit space and cyberspace.

Second, the United States will need to maintain its forward presence in the Western Pacific to reassure allies and deter aggression. However, the United States


\(^{94}\) See, for example, VADM Thomas Rowden, RADM Peter Gumataotao, and RADM Peter Fanta, “Distributed Lethality,” *U.S. Naval Institute Proceedings* 141, no. 1343 (January 2015).
will need to change the character of that presence in order to make it more
survivable and hence credible. The United States should, for example, harden and
diversity its bases in the region. These should be balanced between bases on
sovereign U.S. soil, such as Hawaii and Guam, and those on allied territory, such as
Japan and South Korea. Bases on U.S. territory guarantee access, whereas those on
allied territory provide extended deterrence and reassurance.

Third, the United States should adopt approaches to impose costs on China.
China’s military modernization is currently imposing significant costs on the United
States and its allies. It faces, for example, the need to make considerable
investments to counter China’s deployment of precision-guided conventional
missiles, including its anti-ship ballistic missiles. The United States should similarly
force China to take on difficult military problems – problems that take considerable
time and resources to respond to. During the Cold War, for example, the United
States’ pursuit of a manned penetrating bomber forced the Soviet Union to invest
considerable resources in air defenses, thereby denying those resources to more
offensive purposes.95 Today, China has forced the United States to invest in costly
measures to defend against its ballistic missile arsenal. Beijing, by contrast, has not
had to contend with a similar threat to its homeland.

The United States and its allies should increase their ability to strike at a
distance, and to strike deep into Chinese territory. The United States should, for
example, continue to develop a Conventional Prompt Global Strike capability. It

95 See the discussion in Thomas G. Mahnken, Technology and the American Way of
should also begin fielding the Next Generation Bomber to provide a flexible, global strike capability. By bolstering the ability of the United States to strike precisely at a distance, the United States will not only strengthen deterrence, but also force Beijing to increase its investments in active and passive defenses. The evidence suggests, for example, that Beijing already devotes considerable resources to hardening and tunneling; that tendency should be reinforced. China’s resources, as much as those of the United States, are limited; investments in defensive capabilities represent resources that will not be available for offensive arms.

As a complement to a long-term peacetime strategy, the United States and its allies must seek to convince China that it cannot fight and win a quick regional war. This, in turn, requires that the United States prepare to do three things. First, it must posture itself to avoid a quick defeat. The lack of such a capability could tempt an aggressor into launching a first strike in the hope of crippling the U.S. ability to respond. The United States relies heavily on forward-based forces not only for assurance and deterrence, but also for warfighting. As noted above, these are increasingly vulnerable. However, the United States should not pull back from the region. To do so would undermine our ability to reassure allies and deter potential aggressors. Rather, the United States needs both to shift the balance somewhat between forward-based and deployable forces as well as to ensure that forward-based forces are more survivable. Such moves will strengthen deterrence by preventing the PLA from believing that it can win a quick victory through a first strike.
Second, given the scope and magnitude of Chinese military modernization, it is increasingly unlikely that any war involving China would be a short one. Rather, it is increasingly likely that any such conflict would be protracted and high cost. The United States needs to prepare for such a conflict. That includes revitalizing the U.S. defense industrial base and reviving mobilization planning. Preparedness to wage and win a long war will further strengthen deterrence by demonstrating that a first strike against the United States would not be decisive.

Third, the United States and its allies need to present China with the need to fight a wider war, one that would involve many U.S. allies and partners, rather than a narrow one. The United States and its allies should ensure that China would have to fight many, not few. The United States and its allies should confront Beijing with the prospect that a war in Asia would involve many states from the beginning of a conflict. Moreover, one of the most powerful ways to deter a conflict with China may be to convince the leadership in Beijing that it would face a war in multiple theaters rather than one confined to the Taiwan Strait or the South China Sea. Capabilities to hold at risk China’s sea lines of communication (SLOCs), for example, might prove a potent deterrent.

**Acquiring Needed Capabilities**

For the U.S. military, these tasks may seem daunting. It must plan for a peacetime competition that requires presence, deterrence, and reassurance capabilities on station on an ongoing basis. It must also plan for major contingencies, most immediately in the Taiwan Strait and on the Korean peninsula.
To deter and if necessary defeat China in any contingency the U.S. military would need capabilities it lacks today, including the ability to break a prospective blockade around Taiwan, de-mine waters near the Strait and in the East China Sea, conduct wide area anti-submarine warfare and offensive mining, neutralize portions of the PRC’s C4ISR, and possibly hit large numbers of maritime and force enabling PLA targets such as over-the-horizon radar and space-based surveillance.

Some of the capabilities needed to perform such missions are either barely existent in the U.S. arsenal or have eroded to the point of irrelevancy. The U.S. has hardly any minesweepers in its fleet. It is highly dependent on Japan for air-based ASW, it is facing a tactical aircraft shortfall (both stealthy and non-stealthy) and it has done little to make its tactical aircraft more survivable and dispersed in the face of China’s precision-strike complex.

Maintaining the ability to fight and win wars will remain crucial to enhancing assurance and deterrence. U.S. forces should be capable of engaging in two near-simultaneous conflict scenarios while continuing to conduct presence missions in unaffected areas of Asia. The arsenal needs to be sized to cope with stressing scenarios. For example, SSNs should be available in numbers sufficient to conduct intelligence, surveillance, and reconnaissance (ISR) and strike missions in East and Southeast Asian waters. Aegis cruisers and destroyers should be able to provide simultaneous ballistic missile defense for Korea, Japan, and Taiwan. Naval air and missile defenses should be enhanced and the fleet enlarged to allow the Navy to project air power across China’s maritime frontier while retaining the ability to project power simultaneously in another theater. The United States needs sufficient
numbers of survivable air platforms to allow it to sustain an initial missile salvo and penetrate PLA airspace. Finally, the Marine Corps should maintain a MEU afloat in the East and South China Seas for speedy insertion into partner nations under attack.

Given the increasing possibility of surprise attack and escalation in the Asia-Pacific region, the U.S. military must both have the ability to deter vertical escalation with nuclear forces and to horizontally escalate, for example by carrying out distant blockades in the Indian Ocean. This imperative puts a high stress on the Navy, which must be able to conduct interdiction operations far afield while it also operates in defense of Taiwan, Japan, or others closer to China’s shores.

Key to any successful strategy will be expanding allied contributions. The United States is not the only state in the region that has reason to be concerned by the changing military balance. Other regional powers are concerned and have in fact already begun to respond. The United States needs to work closely with its allies to forge an integrated response.

There are a number of things that Japan can and should do to enhance deterrence in the Western Pacific. First, it can ensure that its airfields and other key facilities are survivable and hardened against attack. Second, the United States and Japan should together explore new arrangements to ensure greater access to Japanese airfields and ports for both U.S. forces as well as the Japan Self-Defense Force (JSDF). Such arrangements could involve increasing Japanese military and civilian access to U.S. bases in exchange for greater U.S. and JSDF access to Japan’s civilian infrastructure. Third, the Japan Maritime Self-Defense Force has
considerable expertise in antisubmarine warfare. It should continue to nurture and expand that expertise. Tokyo should follow through with its plans to expand the Japanese submarine force and should also modernize its fleet of antisubmarine warfare aircraft.

Fourth, Japan’s geography provides it an opportunity to serve as a barrier to Chinese naval expansion. Japan should follow through with the decision to deploy anti-ship cruise missiles on its southern islands.96

Finally, Japan should expand existing partnerships, including with Australia and India; it should also develop new ones. Tokyo should also improve its military-to-military relationship with Seoul. Tokyo’s decision to loosen restrictions on arms cooperation and export opens the door to creating new relationships. The agreement between Japan and Great Britain to cooperate on weapons development is a good step in this direction.

South Korea similarly has opportunities to enhance deterrence on the Korean peninsula and prepare for the possibility of instability. Measures to harden South Korea against North Korean coercion would include hardening airbases against attack and investing in counter-artillery and counter-SOF capabilities. At the same time, the military requirements that would flow from the collapse of the regime in

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P’yongyang would be daunting. This suggests that Seoul should reconsider its plans to reduce the size of the ROK Army.

Over the longer term, Seoul should plan to assume a broader regional role. The South Korean military distinguished itself in its deployment to northern Iraq; it can constructively play a more active role closer to home as well.

Australia has an impressive military for a middle power. Australian forces have fought side-by-side with American troops in every war since World War I. Moreover, Australia has deployed its forces far from the Asia-Pacific region.

However, the changing military balance in the region suggests that Canberra will face a tougher security environment closer to home. The 2016 Australian Defense White Paper recognized this, calling for, among other things, the modernization and expansion of Australia’s attack submarine fleet.

Australia could take a number of steps that would both increase its ability to respond to threats unilaterally as well as greatly enhance an alliance response in conjunction with the United States. Canberra should, for example, increase its undersea cooperation with the United States and others. The recent revision of Japan’s policy on arms cooperation, for example, opens the possibility of Australian cooperation with Japan, which deploys some of the world’s best attack submarines. The United States should work with Australia to ensure that whatever submarine Canberra selects to replace the Collins class represents a step forward in interoperability with the United States. In addition, Australia should develop and

deploy long-range precision strike systems to hold at risk forces that threaten Australia.

Taiwan, for its part, could do much more than it has to harden itself against Chinese coercion. Taipei should seek to harden key military infrastructure, including its airfields, against Chinese missile attack. In addition, Taipei should invest in systems, such as ASCMs and diesel submarines, which will allow it to inflict costs on China and protract a conflict.

The Philippines have for too long neglected its defenses. Manila has seen the result of this neglect as China has sought to bully the Philippines over its territorial claims in the South China Sea. The United States should help build the Philippines’ capacity for self-defense. Particularly important in this regard would be enhancing the ability of the Philippines to protect its territorial waters, enhance its marine forces for dislodgement and base protection, and become part of a wide ocean surveillance network.

In a period of limited and increasingly constrained defense resources, the United States needs to be looking for defense options that promise especially high leverage in the context of the changing military balance in the Asia-Pacific region. Four such option stand out: the development of a coalition ISR network in the Western Pacific, efforts to bolster allied undersea warfare, expanding the range of bases open to the United States, and measures to enhance nuclear deterrence.
A Coalition ISR Network for the Western Pacific

In light of the changing military balance in the Western Pacific, it makes sense for the United States to seek new ways of reassuring allies and friends and generating collective responses to crisis and aggression. A coalition ISR network represents a promising approach to do just that. First, the United States is stepping up its ISR assets in the region, to include the deployment of Global Hawk high-altitude, long-endurance UAVs to Guam. Second, a growing number of U.S. allies and friends in the region are interested in acquiring new ISR assets. Third, key allies are seeking to increase their situational awareness in the region. As part of its force posture review, for example, Australia has explored the use of the Cocos Island for maritime air patrol and surveillance activities.99

Although information-sharing agreements exist between the United States and its allies and partners in the Asia-Pacific region, most are bilateral. By contrast, a coalition ISR architecture would be designed to be open to all: states would contribute ISR assets and would in return receive the common operating picture the network generated.

A coalition ISR architecture in the Western Pacific would have several advantages. First, it would provide the United States, its regional allies and friends a common picture of activity in the Western Pacific. Such a shared understanding may be a necessary precondition to collective action. Second, such an approach could represent a significant deterrent to hostile action. It would be harder for an

aggressor to act without being caught, and an attack on the network would amount to an attack on all its members.

**Allied Undersea Warfare Cooperation**

The United States has enjoyed a hard-earned comparative advantage in undersea warfare for decades. Moreover, the United States is fortunate to have as allies states such as Great Britain, Japan, Australia, and Canada, which also have highly capable undersea forces. The United States should ensure that our Pacific allies and we retain our comparative advantage in undersea warfare. We should, for example, encourage Canberra to develop the shore infrastructure that would allow U.S. nuclear attack submarines to operate out of or rotate through Perth and Brisbane. We should also facilitate cooperation with and among Asian states with diesel submarines and develop cooperative expertise in anti-submarine warfare. The United States should offer to develop increasingly capable unmanned undersea vehicles with our close allies. Finally, the United States should offer Australia assistance with its program to replace the aging Collins-class attack submarines.

**Expanded Basing Options**

Bases are a key element of the U.S. strategy in the Asia-Pacific region. They are a central pillar of U.S. presence, reassurance, and deterrence in the region. That having been said, the risk to U.S. forward-based forces is clearly increasing. As the

United States moves forward, we need to balance the operational risk to our forces against the strategic risk of pulling back from the region. A balanced approach to basing should include hardening existing bases against attack. This is particularly important at main operating bases such as Andersen Air Base on Guam and Kadena Air Base in Japan. The United States should invest in hardened shelters as well as rapid runway repair kits for each of its major bases in the theater.

Hardening existing bases needs to be complemented by an expansion of the U.S. basing network in the region. An expanded network should balance between bases on sovereign U.S. territory and those on allied or friendly territory. Bases on U.S. territory assure access, whereas those on allied other nations’ territory provide reassurance. The United States should also invest in an expeditionary basing capability.

**Conclusion**

The United States faces challenging times ahead in the Asia-Pacific region. The rise of China and Chinese military modernization, combined with constraints on the U.S. defense budget, mean that in coming years the United States is likely to face an increase in both the operational risk to U.S. forces as well as the strategic risk to U.S. interests. It will take greater effort for the United States to protect its historic interests in the region. Failure to adjust the structure and posture of U.S. forces in the region threatens to open up a widening gap between our capabilities and commitments.
If complacency in the face of growing threats would be unwarranted, so too would be despair. There is quite simply no need to accept a narrower conception of the American role in the world. The United States has it in its power to field forces that will safeguard U.S. interests at an acceptable level of risk. This report has outlined a series of steps that the United States should take to achieve that aim. What will be required first and foremost is the political will to explain not just the costs but also the benefits of a vigorous U.S. role in the region, to seek adequate funding for an enhanced U.S. presence in the region, and to work with U.S. allies and friends in the region to make that posture a reality.
Conclusion

As this study shows, the United States and its allies share many perspectives on the security environment in the Asia-Pacific region. However, there are also a number of differences between the United States and its close allies. Moreover, neither the United States, nor Australia, nor Japan is a unitary actor: alternative perspectives exist within American, Australian, and Japanese societies regarding the security environment.

First, both the United States and its allies perceive an adverse shift in the military balance in the region. The most consequential driver of this shift is the rise of China and Chinese military modernization. In particular, as the Australian, American, and Japanese contributions to this report illustrate, China’s nuclear modernization and its acquisition of so-called anti-access/area denial (A2/AD) capabilities both highlight the vulnerability of U.S. bases and power projection forces in the region. An important subordinate trend, particularly for Japan and the United States, is the growth of North Korea’s nuclear arsenal as well as P’yongyang’s acquisition of the means to deliver nuclear weapons over long ranges, to include its intercontinental ballistic missile (ICBM) and submarine-launched ballistic missile (SLBM) programs.

Second, U.S. allies are increasingly expressing doubts about the willingness and ability of the United States to continue to play its traditional role in the region. In part, these concerns stem from the shifting military balance, but they clearly also go beyond it. Allied national security thinkers have drawn lessons from what they
see as irresolute U.S. behavior outside the region – to include President Obama’s walking back from the red line he drew over Syrian chemical weapons use as well as the perceived U.S. unwillingness to confront Russian aggression in the Crimea and eastern Ukraine – and are applying them to the Asia-Pacific region. As a result, security elites in Australia and Japan are expressing increased concern over the viability of U.S. security guarantees in general, and extended deterrence in particular.

Third, given the shifting military balance and growing concerns about U.S. staying power, U.S. allies have increased their efforts both to guarantee their security unilaterally and to explore new partnerships to help them do so multilaterally. Both Australia and Japan have increased their defense spending and are modernizing key portions of their force structure. Canberra and Tokyo are cooperating more closely than ever, and both capitols are reaching out to other partners in the region and beyond.

In the end, this report raises a fundamental question that deserves further study: *what it is it about U.S. behavior that assures allies, and what behavior undermines assurance?* On the one hand, the Obama administration’s pivot/rebalance to Asia has emphasized the importance of the region in U.S. national security. The administration’s rhetoric has been accompanied by a military strategy that has emphasized the Asia-Pacific region, to include the deployment of the most modern and capable elements of the U.S. force structure to Asia first.

On the other hand, the strategic focus of U.S. leaders remains divided – with Europe and the Middle East competing with the Asia-Pacific region for time and
attention. Moreover, interest in international engagement is waning among a substantial portion of the American electorate. Conversely, there appears to be a limited appetite for increasing defense spending, at least in the near term. A better appreciation of the drivers of assurance will help the United States more effectively manage its alliance relationships in an increasingly contested security environment in the Asia-Pacific region.