

Part 1. Strategic Environment

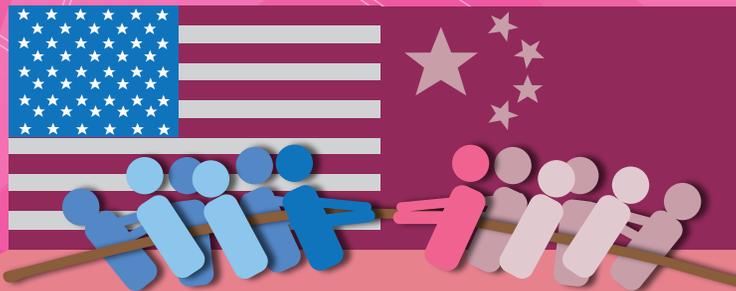
In the past 2 years, the global security environment remains in the form of “one hyperpower and many superpowers.” The US-led global security efforts are facing new challenges in the form of growing violent and extremist terrorist organizations, increasing instability in Eastern Europe, and reversion of US-Russia relations. Major security challenges in the Asia-Pacific Region include territorial water and island disputes in the East China Sea and South China Sea, and North Korea's development of nuclear weapons. PRC's continuing military modernization, its One Belt, One Road diplomatic and economic strategy, and increasing presence in the East China Sea and South China Sea remain major factors influencing regional security and stability and threatening the survival and development of the ROC.



Source: Shangri-La Dialogue

Chapter 1. Security Situation

Conventional political and military threats to the current state of global security include conflicts arising from sovereignty and territorial disputes over waters and land, religious conflicts, and racial issues. Non-traditional security threats have also become challenges across countries, including the spread of terrorism, impacts on economic security, increased difficulties in the containment and prevention of infectious diseases, global climate change, shortage of food and water resources, and cyber-attacks. Even though the United States (US) is still the leading actor in defining security environment in the Asia-Pacific Region, the PRC, with its rapid-growing national strength, has attempted to change the status quo in order to acquire greater influence.



Section 1. Global Security Environment

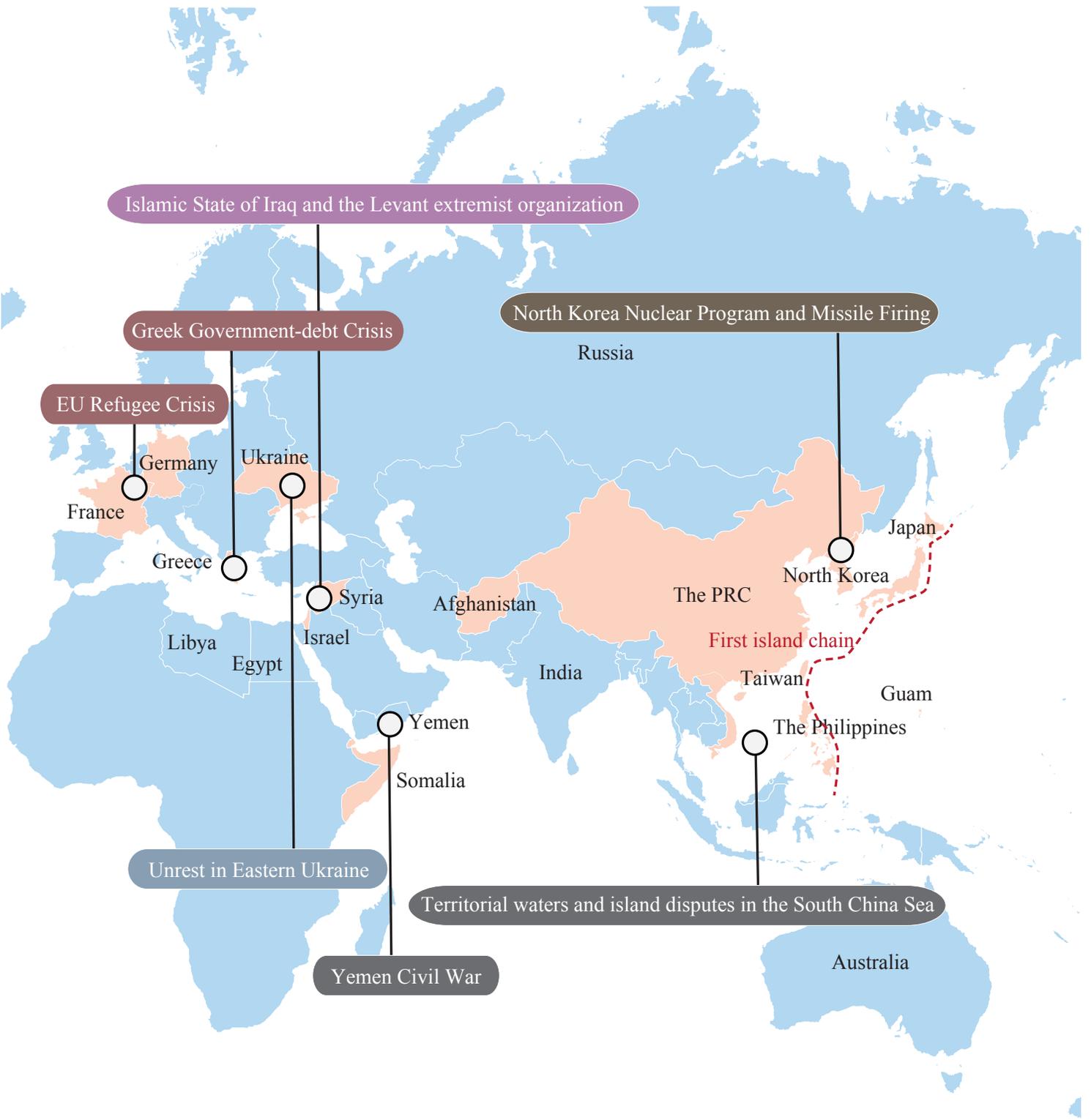
Global security is still being influenced by diplomatic and military strategies and policies of the US. However, major countries and regional organizations such as the PRC, EU, Russia, India, and Japan have also been expanding their influence in both global and regional affairs. US influence, in particular, is facing increasing challenges from the PRC. The overall state of global security is currently under the major influence of regional developments directed by major powers. Medium to small countries will employ geopolitical conditions, resource advantages, as well as economic and commercial interaction to expand their own influence to ensure both the survival and growth of their countries.

I. Asia

(1) The People's Republic of China

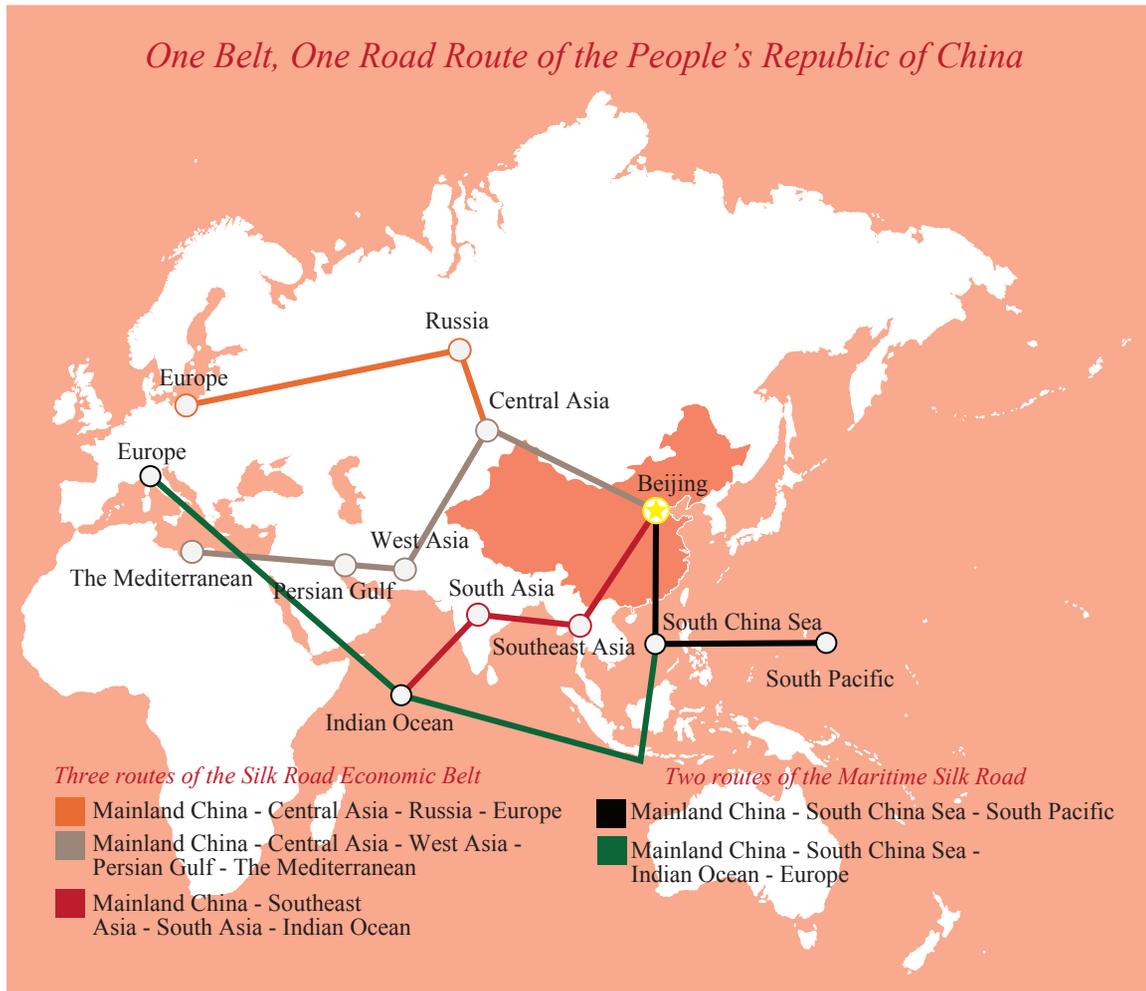
For the past 2 years, domestic policies of the PRC are still focused upon the leading directives of maintaining economic growth, internal stability, fighting corruption, enhancing governmental ethics, and strengthening the political leadership of the Chinese Communist Party. The PRC also recently established the Central Leading Group for Comprehensively Deepening Reforms and the Central National Security Commission, both chaired by Xi Jinping with Li Keqiang serving as the deputy. This move has been enacted to bolster the Xi-Li Administration, unify executive powers, and grant the PRC leadership with the ability to respond quickly against domestic and global security threats.

The PRC is also adopting the military strategic guideline of active defense that emphasizes those core interests of safeguarding national sovereignty, national security, territorial integrity, and national unity. In managing sovereignty disputes in the East China Sea and South China Sea, the PRC claims to adopt soft measures such as strengthening of communication, cooperation, and





One Belt, One Road Route of the People's Republic of China



mutual interests, however, it also emphasizes its stance of *no preemption but with assured counterattack* to express its determination in the defense of territories and sovereignty.

For diplomatic policies, Xi affirmed the country's neighborhood diplomacy directives at the Peripheral Diplomacy Work Conference and the Central Conference on Work Relating to Foreign Affairs in October 2013 and November 2014, respectively, insisting upon a policy that fosters an amicable, secure, and prosperous neighborhood environment. The PRC has also undertaken active participation in regional economic cooperation, such as moves to accelerate infrastructure and facility interconnectivity and integration as well as the

One Belt, One Road strategy aiming at creating a tight-knit mutual interest network with neighboring countries that spread westwards into the Atlantic and southwards to the Indian Ocean, securing PRC's leading role upon the global stage.

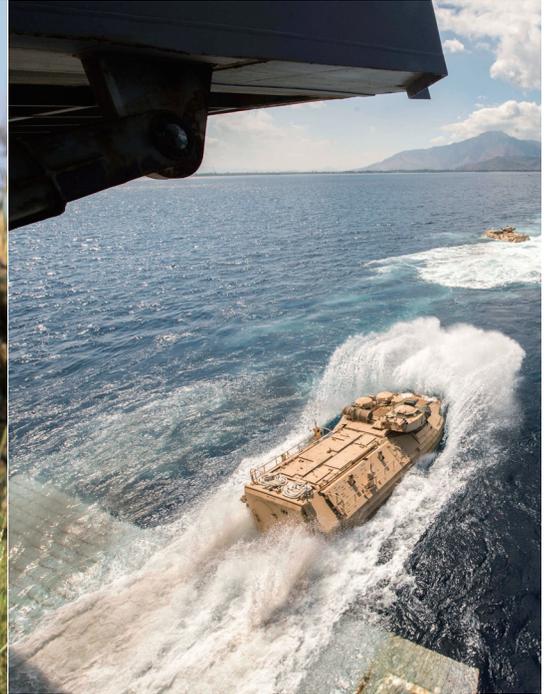
In its engagement with the US, the PRC has repeatedly emphasized its willingness to build a New Model of Major Power Relations with the US. However, disagreements between both sides still persist regarding issues of freedom of navigation in the South China Sea, compliance with international laws, cyber and information security, human rights, and other issues (such as issues related to Ukraine and North Korea). Strategic competition relations between the US and the PRC are expected to impact the strategic development direction of major countries around the world.

(II) Northeast Asia

1. Korean Peninsula

Since Kim Jong-un assumed party, political, and military leadership in North Korea in April 2012, he has continued the Songun (military first) policy and carried out ballistic missile tests in 2014 and 2015, once again raising the tensions between North Korea and other countries such as Japan, South Korea, and the US.

In order to response to North Korean provocations, South Korea has maintained its defense policy of deepening alliance and enhancing military cooperation with the US. Since 2011, South Korea has established regular Defense Strategic Dialogue with the PRC, enhanced multilateral cooperation through military training and senior level exchanges, and at the same time urged North Korea to return to the Six-Party Talks in order to reduce the possibility of military provocations by North Korea.



1 | 2 | 3 | 1.2 The Philippines, in response to conventional and unconventional security threats, have continued to participate in multinational joint operational exercises such as Cobra Gold and RIMPAC with the US with the hopes of improving its regional joint defense capabilities. (Source: US navy)

2. Japan

The Japanese Prime Minister Shinzo Abe retook the reins of his country's politics in December 2012 and ushered in a series of political and economic initiatives such as *Abenomics* and *Active Pacifism*. The Cabinet of Japan passed three new documents governing Japan's diplomacy and security policies, namely the *National Defense Program Guidelines*, *Medium Term Defense Program (FY2014 - FY2018)*, and *National Security Strategy* in December 2013. The Cabinet further abolished the *Three Principles on Arms Exports* and replaced it with the *Three Principles on Transfer of Defense Equipment and Technology* in April 2014. In July of the same year, Abe lifted restrictions on the right of collective self-defense by proposing the government's view on Article 9 of the *Constitution of Japan*, replacing the *Three Conditions for Exercising the Right of Self-Defense* with *Three Conditions for the "Use of Force"*. Such measures have dissolved the restrictions that only permitted the Japan Self-Defense Forces (JSDF) to conduct individual self-defense since its establishment in 1954.



3. The PRC is promoting the establishment of the Pakistan-China Economic Corridor, further improving the relations in both countries. The picture shows PAC JF-17 Thunder jointly developed by the PRC and Pakistan. (Source: Zhuhai Airshow)

Abe's Cabinet implemented measures to revise the *Law Concerning Measures to Ensure Peace and Security of Japan in Situations in Areas Surrounding Japan* by abandoning the definition for *surrounding* that have been in use for many years. It was replaced with the concept of *important influential situations* in order to rename the above-mentioned law to the *Law Concerning Measures to Ensure Peace and Security of Japan in Situations that will Have an Important Influence on Japan's Peace and Security*, so as to lift the restrictions upon JSDF geographical range of operations and allow the JSDF to accompany the US armed forces in joint operations around the world. Abe's Cabinet is also aimed to establish the *International Peace Support Law*, so that JSDF forces dispatched to support global counter-terrorism operations are governed by common law instead of the *Anti-Terrorism Special Measures Law*. This measure is expected to solidify US-Japan alliance, sending far-reaching impacts to the balance of power in the Asia Pacific region and even the Taiwan Strait.

Relations between the PRC and Japan plummeted to a new low after Japan issued a unilateral declaration on the nationalization of the Diaoyutai Islands in 2012. Leaders of both countries have reached a four-point consensus on the handling of the Diaoyutai Islands dispute at the 2014 Asia Pacific Economic Cooperation (APEC) summit, which potentially suggests a gradual ease of tension between the two countries. However, both the PRC and Japan have continued to increase their military forces and intensity of maritime patrols. Future aircraft and vessels standoffs between the two countries in the East China Sea as well as confrontations arising from the defense of territorial waters are still likely to occur.

(III) Southeast Asia

Recently, Southeast Asian countries have been pursuing ASEAN Integration with the objective of completing economic, social, cultural, and security integration by December 2015. This will create one of the largest emerging markets in the world with vast labor and mineral resources as well as market potential. The Strait of Malacca and South China Sea also serve as critical navigational routes between the Pacific Ocean and the Indian Ocean, thus making the region highly contested by the world's superpowers. In addition to territorial disputes, other sources of confrontation such as historical issues, religious discrimination, and demands for ethnic autonomy are still rife in this region, and would be another source of regional instability.

Southeast Asian countries are increasingly focused upon safeguarding their maritime rights and interests. Many countries have increased national defense budgets to drive military modernization and strengthen their naval and air force capabilities. The ASEAN Defense Ministers Meeting (ADMM) has also been established as a platform for building regional multilateral cooperation frameworks. Southeast Asian countries also continue to participate in joint operational exercises led by the US in order to promote joint defense capabilities.

(IV) South Asia

India is located in the hub of South Asia and has significant regional strategic advantages. India's economic growth in recent years has allowed it to expand its national defense budget. The country is thus procuring armaments from the US, Russia, and France. This is especially true after Narendra Modi became the Prime Minister of India in 2014. Modi emphasized the need to improve the self-sufficiency of national defense potential, upgrade armaments to improve overall military capabilities, and shape India into a major political, economic, and military power in South Asia. The PRC's One Belt, One Road strategy has made plans to extend the Qinghai-Tibet Railway to Nepal while strengthening political and military ties with Pakistan and Afghanistan to intervene in South Asian affairs. Such moves have reduced India's leadership and freedom to engage in regional affairs.

Continuing border conflicts between Pakistan and India in recent years have led to stagnant relations between the two countries. The PRC, however, is engaged in the establishment of the Pakistan-China Economic Corridor, and have made plans to establish Gwadar Port in Pakistan as its key strategic base in the String of Pearls Strategy. There are concerns that this move may disrupt the strategic balance in South Asia and the Indian Ocean.

(V) Middle East

As a result of the withdrawal of US and NATO forces, emergence of the Islamic State of Iraq and the Levant (ISIL) extremist organization, ethnic disputes, Syrian Civil War, and conflicts between Israel and Hamas, the Middle East has remained a key focus of global security concerns. Nevertheless, A preliminary framework agreement has been reached regarding Iran's nuclear issue, helping to promote regional stability. With military support from the US and its allies, Iraq has gradually suppressed internal rebel forces. However, the country must still deal with conflicts arising from its religious sects and ethnicities. Recently, the joint military force created by the Arab League has carried out combined attacks against the Yemeni rebels, hoping to achieve greater military gains.

II. Europe

(I) European Union (EU)

EU is facing multiple challenges in the form of politics, economics, diplomacy, and security issues highlighted by worsening EU-Russia relations as a result of the Ukrainian Crisis, attacks against France launched by Islamic State extremist terrorist organization, the Greek government debt crisis and anti-austerity policies, Britain's intention to leave the EU by referendum, as well as impacts on EU immigration policies and Mediterranean coastal defense as it faces refugees fleeing North Africa and Syria. Despite these challenges, EU member states are still working together, initiating security, military, and economic partnerships to ensure regional peace and stability.

(II) Russia

By carrying out military intervention of Ukrainian domestic politics, Russia is now under economic sanctions imposed by various European countries and the US, a move that is further compounded by falling gas prices, which have led to the collapse of the Russian Ruble and the country's economy. Faced with such challenges, Russia's strategic and collaborative partnership with the PRC has grown closer. Russia is also expanding economic and trade relationships with other countries in order to alleviate the financial crisis brought about by the Western sanctions.

III. The Americas

(I) The United States of America

The “*National Security Strategy 2015*” of the Obama Administration responds to the current state of global affairs by emphasizing the need to sustain economic growth, combat terrorism, and maintain international order. It also

points out the needs to address arresting global climate changes, fighting pandemics and security issues in the cyberspace, airspace, and maritime, and aspires to maintain the global leadership of the US.

In 1 July 2015, the US Department of Defense released the *National Military Strategy of the United States of America*, which points to the serious security concerns posed by the PRC, Russia, Iran, and North Korea. Nevertheless, the US has continued to invest in a substantial military-to-military relationship with the PRC and remained ready to engage Russia in areas of common interest, in an attempt to encourage military transparency of the two countries and reduce the potential for miscalculation.

As part of the Asia-Pacific Rebalance strategy, the US has continued to employ political and economic cooperation and regular multinational military exercises, such as Cobra Gold, CARAT, and RIMPAC and station its forces in Singapore, the Philippines, and Australia to strengthen its ties with its Asia Pacific allies, improve its relations with other countries, such as India, Vietnam, Malaysia, and maintain its leadership role for Asia Pacific stability and development.

(II) Central and South America

Illegal multinational economic activities, organized crime, and smuggling of narcotics have remained the leading issues affecting security in this region. However, the PRC has drastically increased its investments in South American countries in recent years due to the region's wealth of energy and food resources. South American countries are also pursuing socialist reformation and policies, and they are therefore dependent on the PRC for material and economic support, highlighting the increased standing and importance of the PRC in the region. As the PRC has begun to exert its influence in the backyard of the US, the US have thus recently reestablished formal relations with Cuba while improving its ties with other countries, such as Guatemala and Venezuela to strengthen its influences in Central and South America.

IV. Oceania

Despite being an ally of the US and playing a crucial role in the Asia-Pacific Rebalance strategy, Australia is compelled economically to expand its Mainland Chinese market. Hence, while Australia has agreed to allow US military garrisons and its participation in military cooperation, it has also maintained close economic and trade cooperation with the PRC, striking a balanced relationship with both the US and the PRC.

Security environments in the South Pacific are relatively stable. Various countries in the region are employing international collaboration opportunities to support resource development and maintain economic growth. However, rising sea levels caused by global warming is also influencing the survival and development of these countries.

V. Africa

Overall regional security issues in Africa in the last 2 years include political unrest, ethnic warfare, religious conflicts, border disputes, piracy, and terrorist attacks. As the continent has plenty of natural resources, countries and organizations, such as the US, Russia, the PRC, Japan, and the EU, are involved in the affairs of African countries to ensure the proper protection of their strategic resources. The PRC has taken particular focus upon its strategic deployment in Africa, investing in the region and providing economic support. The US has also recently increased its aid to African countries, signing a Cooperation Agreement with countries of the East African Community. Strategic competition between the US and the PRC in Africa is likely to intensify in the future.

Section 2. Asia-Pacific Security Situation

The Asia Pacific countries, including the PRC, India, and ASEAN members, have been undergoing transformations in recent years thanks to recent economic growth. These countries enjoy advantages in the scale of labor forces, resources, and markets, which have made the region a focus for global economics and geopolitics. In this backdrop of rapid economic development, the Asia Pacific is also facing various conventional and unconventional threats that include growing military power of the PRC, territorial water and island disputes in the East China Sea and South China Sea, strategic competition between major powers, proliferation of weapons of mass destruction, and spread of terrorism. Asia Pacific countries have thus increased arms procurement, further fueling the elements of regional instability.

I. Traditional Security Situation

(I) Expansion of the Military Power of the PRC

The PRC has, in recent years, experienced rapid growths in its economy and increases to its comprehensive national power, allowing it to initiate large-scale military modernization efforts. The PRC is also actively pursuing amicable diplomacy with its neighbors, and is an active participant of international humanitarian assistance missions in the hopes of alleviating fears and concerns about its growing national power and military strength. However, the PRC has maintained massive increases in its defense budget for many years, undertaking rapid modernization and development of its military structure. This has led to an increasing imbalance of cross-Strait military power as well as growing doubts and wariness amongst neighboring countries.

In 2015, the PLA has issued the *Directive on Military Training* as part of continuing enhancement of basic military training across services. By integrating training with field exercises, the PLA has gradually reformed its training programs and created innovative strategies for enhancing the PLA's coercion and war-fighting capabilities under informatized conditions. The PRC's 2015 white paper "PRC Military Strategy" described improving trans-theater mobility for its army, combat readiness patrols and blue seas training for its navy, and long-range operations and maritime flight training for its air force. The PLA is also taking advantage of its exercise and training activities to expand its operational depth and demonstrate to the world that its operational capabilities has reached the first island chain and is expanding towards the Indian Ocean and the second island chain. Additionally, the PLA is also developing anti-access / area denial (A2/AD) capabilities, tactics, techniques, and procedures in order to coerce foreign military forces from intervening in Taiwan Strait or Asia Pacific affairs, in order to ensure its core national interests and secure the areas crucially related to PRC's overseas interests.

(II) East China Sea, South China Sea, and Island Disputes

Current land and maritime disputes in northeast Asia include sovereignty issues and boundaries of exclusive economic zones (EEZ) for Diaoyutai Islands, gas fields in the East China Sea, the Kuril Islands, and Dokdo/Takeshima Island. Of which, the ROC's disputes with Japan include the sovereignty of the Diaoyutai Islands as well as rights to fishing and maritime resources resulting from overlapping EEZs. The government of the ROC complies with the President's directives for the East China Sea Peace Initiative, and proposes to resolve the disputes peacefully based on the conventions of the United Nations and relevant provisions in international law. This proposal has been positively received by public opinions around the world.

In the South China Sea, land reclamation has been carried out by the PRC, Vietnam, the Philippines, and other claimants in the region. In order to strengthen its sovereignty and claims (by international law) over the South China Sea, the PRC has employed various state-owned vessels in exercising its sovereignty and legal rights while constructing and expanding infrastructure of the Xisha (Paracel Islands) and Nansha (Spratly Islands) to establish a permanent and combat ready military presence in the region, leading to protests from the Philippines and Vietnam as well as concerned observations from the US and Japan. As a claimant to the South China Sea, the ROC has recently proposed the South China Sea Peace Initiative, which calls upon all countries to shelve disputes and promote joint development, a proposal that has gained global praise. However, before territorial, maritime and sovereignty disputes can be resolved properly, reactions from neighboring countries will continue to induce and affect the security environment of the Asia Pacific region.

(III) Strategic Coopetition between Major Powers

Strategic coopetition between the US, the PRC, and Russia are becoming increasingly complex. Although the US and the PRC have collaborated on issues regarding global climate change, suppression of terrorism, and development of new energy resources, the two countries remain contentious in other issues, such as the East China Sea and South China Sea sovereignty disputes, regional economic and trade integration, network security, and human rights. Economic sanctions imposed upon Russia by the US, Japan, and the EU also incited the comprehensive strategic partnership between the PRC and Russia, increasing the uncertainty of the Asia Pacific environment.

In addition, to break through the stranglehold imposed by the US-led international order, the PRC and Russia have expanded the Shanghai Cooperation Organization (SCO) in order to develop a new multilateral global order while strengthening PRC and Russia's influence in global affairs.

(IV) Proliferation of Weapons of Mass Destruction

As nuclear energy, nuclear technology, as well as applied biology and chemistry technologies become widely employed throughout the world, the potential risk of proliferation of raw materials used to generate nuclear energy or produce biological or chemical weapons has grown as well. Iran's nuclear weapons program is showing signs of positive development. However, North Korea has not given up on nuclear weapons testing. Chemical weapons were also employed during the Syrian Civil War. The chances of terrorist acquiring these weapons have greatly increased as well. Potential weapons proliferation may also result if improper supervision is provided for the weapons of mass destruction.

II. Non-traditional Security Situation

(I) Relative Fragility of Various National Economies

Global economies and markets are increasingly interconnected. Ups and downs of a single country's economy will influence regional or even global economic development. For example, the Greek government-debt crisis has affected Eurozone economy. Stock market fluctuations in the PRC also substantially affected various countries in the Asia Pacific. Strategic competition between the Trans-Pacific Partnership (TPP) offered by the US, Regional Comprehensive Economic Partnership (RCEP) offered by ASEAN, and the One Belt, One Road program offered by the PRC is likely to direct additional global investments into Asia Pacific markets while intensifying market competition. Regional economic security issues are likely to increase accordingly as a result.

(II) Spread of Global Terrorism

Global terrorism has employed the speed and convenience offered by global information networks to spread extremism, religious fanaticism, and sectarian

terrorism throughout the world. Terrorist targets are no longer limited to the US. Countries, such as the United Kingdom, France, Spain, Indonesia, and the Philippines, have all been subject to attacks by different terrorist groups. These incidents demonstrate that no single country is capable of fighting against terrorism alone as well as the necessity of having global counter-terrorism efforts.

In the last 2 years, extremist organizations, such as the Islamic State, made use of the Internet to broadcast hostage execution videos. The East Turkestan Islamic Movement also carried out terrorist attacks in the cities of Kunming (Yunnan Province) and Urumqi (Xinjiang Province). Both groups have thus been strongly condemned by the international community. Insurgencies in Southeast Asia include the autonomy movement of the Kachin Independence Organization in northern Burma, independence movement of the Sulu Army in the Malaysian state of Sabah, separatist movements in southern Thailand (involving three provinces), and Muslim Separatist Movement in the Philippines. All these insurgencies have been a main cause of frequent terrorist attacks in their respective regions, and have affected regional security and economic development.

(III) Increasing Difficulty in Preventing Communicable Diseases

As a result of climate changes, globalization, and convenience of international travel, the emergence of new communicable diseases, such as avian flu, novel influenza, superbug (NDM-1), Ebola, and norovirus, have been reported. Outbreaks, such as the 2014 Ebola outbreak which wreaked havoc throughout West Africa with a range of spread that went beyond initial forecasts as well as the 2015 Middle East Respiratory Syndrome (MERS) coronavirus in the Middle East and South Korea, also pose challenges to current health and disease prevention systems while threatening global economic activities.

(IV) Accelerated Climate Change

Global warming has led to increases in sea levels, encroaching tides along coastal regions, and floods in urban areas that threaten various infrastructures. Increasingly hot summers have also led to deaths and disease. Droughts have already begun to reduce food production. If these issues are not handled accordingly, the entire world will have to handle the resulting consequences. Currently, international conventions such as the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol serve to regulate carbon emissions for countries around the world. However, conflicting



Terrorists have rallied to the call of extremist organizations such as the Islamic State to launch attacks around the world, negatively affecting regional security and economic development. counter-terrorism activities have thus become a key focus for countries around the world. (Source: US navy)



1 | 2

1.2. Climate change is one of the most pressing global issues. Rising sea levels and tidal waters will flood coastal cities and threaten to damage relevant infrastructure. Increasingly hot summers have led to death and disease, while droughts have led to gradual decreases in food production. The picture shows the disastrous effects of Typhoon Haiyan in the Philippines. (Source: US navy)

opinions have begun to emerge between developed and developing countries while results of carbon reduction efforts have failed to reach expectations. Global warming is still worsening, severely affecting ecologies and economic development in various countries around the world.

(V) Increasing Risks for Energy Security

Crude oil and gas are strategic sources of fuel and raw materials for modern industries. However, most petroleum producing countries in the world happen to be located in the Middle East, a region rife with armed conflicts. Thus, various countries around the world have become concerned with issues of safe energy resource delivery and price stability. To oppose the economic sanctions imposed upon it by the EU, Russia has stopped supplying Europe with natural gas as a form of retaliation. Failure to resolve this issue effectively is likely to impact European economic development.

(VI) Increasing Competitions for Food and Water Resources

Global population is expected to reach 9 billion people by 2050, with water consumption increasing by 55% as a result. Forecasts have shown that by 2030, global water supplies may only be sufficient in satisfying 60% of the requirements, leading to insufficient global water and food resources. This issue is compounded with climatic anomalies as well as increasing demands in emerging countries. Food exports have reduced significantly, leading to increasing food prices as well as widening rich-poor divide. Less developed regions and countries will be worst hit, leading to popular uprisings, public unrest, disrupt social and political balance, and affect regional stability.

(VII) Increase of Network and Data Security Attacks

The 2015 National Security Strategy released by the US pointed out that cybersecurity remains one of the most daunting challenges faced by national, public, and economic security efforts. For national security, cyberspace attacks can be employed as a formidable military weapon. Enemies can use the Internet to paralyze key infrastructure such as communications, transport, and traffic systems to affect military capabilities. They may also sabotage financial and trade networks, water supply, power systems, and air navigation control systems to disrupt social order. Such attacks therefore pose serious threats to the survival and development of any country.

Targets of international terrorism are no longer restricted to the US, showing that counter-terrorism work must be jointly carried out by the international community. (Source: US navy)

