

## Chapter 1 Overview

Russia's invasion of Ukraine, which began in February 2022, has fundamentally overturned the European security order, bringing to a complete end the "post-Cold War" era in which relatively stable and cooperative great power relations existed despite gradually increasing tensions. Western countries, including Japan, have implemented unprecedented economic sanctions against Russia and support for Ukraine with the strong determination to uphold the principle that the change of status quo by force must not be allowed, and many countries have changed their own security policies. However, with no clear path to an end to the war in Ukraine while faced with uncertain energy supplies and inflation, the sustainability of support for Ukraine and the resilience of democracy are being tested in the West.

In the Indo-Pacific region, tensions between the United States and China, which have been on the rise for several years, increased in 2022, especially over Taiwan, and there is no prospect of a significant easing of tensions in the near future. Amid the war in Ukraine and the escalation of the US-China confrontation, Russia and China have become more united, and a confrontation with the West, between democracy versus authoritarianism, or a "new Cold War" as some call it, is dividing the world into blocs. International cooperation through multilateral frameworks is in serious jeopardy, and countries in the Global South most affected by the food and energy crises face the challenge of securing their national interests in an increasingly unstable international order. The world has entered a new era of fragmentation and instability in which the assumptions of the security structure that has prevailed since the end of the Cold War no longer hold, and even the foundations of the rules-based international order, which has been led by the United States since its construction at the end of World War II, are also threatened.

Looking back on 2022, a year of drastic changes in the international situation, the Strategic Annual Report 2022 analyzes the current state of the US-led international order, looks ahead to the post "post-Cold War" era, and makes recommendations for Japan's efforts in this context.

### **Russia's invasion of Ukraine and international response**

In response to Russia's invasion of Ukraine which began in February, the Ukrainian forces, with military support from Western countries, launched a large-scale counteroffensive in the summer. Russia unilaterally declared the annexation of four provinces in eastern and southern Ukraine in September, and since October it has been escalating the war, including carrying out missile attacks on Ukrainian cities, without a clear exit strategy.

Western nations, strongly determined not to allow the status quo to be changed by force, have deepened their unity and coordination through frameworks based on common values such as the G7, NATO and the EU, and swiftly launched unprecedented economic sanctions against Russia and support for Ukraine. Many Western countries, including Japan, have also made major shifts in their own security policies. Economic sanctions have had no significant short-term impact on Russian politics and society, and support for President Vladimir Putin remains high, helped by restrictions on the freedom of speech, and the path to an end to the war in Ukraine remains unclear. Meanwhile, Western countries are facing instability in energy supplies and inflation, partly due to sanctions and Russia's "weaponization of resources," the impact of which on domestic politics has become apparent. Amid this situation, the sustainability of their support for Ukraine and the resilience of their democracies are being tested. Many developing countries are trying to protect their national interests as they suffer the effects of a rapidly deteriorating food and energy situation arising from the conflict and monetary tightening by developed countries, while they were recovering from the COVID-19 pandemic.

#### **Ongoing US-China competition and the Indo-Pacific situation**

In Northeast Asia, where the Cold War structure has remained intact, North Korea has further heightened its threat to the region and the international community by launching numerous missiles including ICBMs. Amid this tension, the conservative administration came to power in South Korea after five years, and has drastically changed its predecessor's policies toward North Korea and Japan as well as in the security area. China continued to increase its military power and expand its political and economic influence, especially in the Indo-Pacific region, while struggling with its approaches towards COVID-19 at home and its economic slowdown. The US has continued to focus on the Indo-Pacific region even after Russia's invasion of Ukraine and views China as its most important strategic competitor, while trying to manage its relationship with China. However, the US-China relationship, which continues to be competitive and confrontational on all political, economic, and military aspects, has increased its level of tension in 2022, especially over Taiwan, and there is no prospect for a fundamental easing of tensions.

The US has worked to strengthen its relations with ASEAN countries in competition with China, and China's assertive outreach to Pacific island nations has brought attention to the strategic importance of the region. In the area of economic security, the US accelerated moves to promote "friend-shoring" in cooperation with allies and partners to reinforce supply chains and secure stable supplies of critical goods, while other countries, including Japan, took concrete steps to formulate new institutions and support measures.

### **International cooperation facing crisis**

Amid the war in Ukraine and the escalation of US-China confrontation, Russia and China have strengthened their ties, leading to a confrontation with the West, one between democracy versus authoritarianism, or a “new Cold War” that is splitting the world into blocs. As the world becomes divided, various frameworks of international cooperation are facing serious crises. The UN Security Council was exposed as dysfunctional by Russia’s veto over the invasion of Ukraine and it has failed to respond to North Korea’s missile launches.

On the nuclear issue, negotiations between the US and Russia came to a screeching halt amid growing concern over the possible use of nuclear weapons in light of the intimidation by President Putin. The first meeting of States Parties to the Treaty on the Prohibition of Nuclear Weapons and the NPT Review Conference were held, but the latter failed to adopt a final document due to Russian opposition. While the war in Ukraine casts a heavy shadow over international economic and environmental issues, agreements were somehow achieved at the G20 and APEC summits, the WTO Ministerial Meeting, and COP27, but international policy coordination remains challenging and the future of multilateral cooperation frameworks is becoming increasingly uncertain.

### **Perspective**

In Ukraine, neither the Russian nor the Ukrainian side has shown moves toward an early ceasefire, and fighting is likely to continue yet for some time. The sustainability of Western support for Ukraine and the resilience of democracy in these countries in the face of inflation and energy supply instability will encounter even greater tests as the war drags on. How the protracted war will change the positions of China, which has strengthened its strategic ties with Russia against the United States, and countries in the Global South, including India and the ASEAN countries, will be closely watched.

In the Indo-Pacific, there is no prospect for a fundamental improvement in US-China relations, and further escalation of tensions over Taiwan is expected. The US and China will continue to expand their influence in Southeast Asia and the South Pacific, and both countries will also persist in their efforts to gain advantages in the economic security area. North Korea will continue its nuclear and missile development while strengthening ties with China and Russia. Facing this security threat, South Korea is expected to strengthen security ties with Japan and the United States, which share fundamental values.

Multilateral cooperation frameworks will continue to face serious crises, and the UN Security Council will likely remain dysfunctional on matters where the US, the UK and France are at odds with China and Russia. The credibility of the nuclear nonproliferation regime is also at stake, given Russia’s actions

against the nuclear order, including its nuclear intimidation, growing reliance on nuclear deterrence, and moves to increase nuclear capabilities by relevant countries. Multilateral frameworks have been functioning relatively well in the areas of the economy and climate change, and it is important to further bolster multilateral efforts in these areas.

### **The future of Japan's diplomacy and security and recommendations**

As the free, open and stable international order faces a changing balance of power and intensifying geopolitical competition, the Japanese government revised its *National Security Strategy*, the *National Defense Strategy* and the *Defense Buildup Program* in December 2022. The *National Security Strategy* sets out Japan's diplomacy to reinforce the free and open international order, with a focus on the Japan-US alliance and greater cooperation with like-minded countries such as Australia, as well as the drastic enhancement of defense capabilities.

Regarding the strengthening of defense capabilities, stipulating the need for counterattack capabilities and concrete measures to achieve them notably represents a major shift in Japan's postwar security policy. It was also decided to take necessary measures so that the combined budget level for the fundamental reinforcement of defense capabilities and complementary initiatives will reach 2% of the current GDP in FY2027. The inclusion of economic security is another new feature of this *National Security Strategy*, symbolizing the expansion of the scope of security from traditional areas to the economy and technology.

The following is a summary of the recommendations based on this shift in Japan's foreign and security policy (see Chapter 5).

Regarding the fundamental reinforcement of Japan's defense capabilities, the key to realizing the new strategy is an increase in defense spending, and a conclusion on stable financial resources needs to be reached as soon as possible with the understanding and support of the general public. As for counterattack capability, it will be necessary to make maximum use of existing equipment while waiting to acquire a stand-off capability, and resolving the reduced aircraft operating rates, stockpiling ammunition and fuel, including precision-guided bombs and interceptor missiles, and fortifying defense facilities such as undergrounding command posts are all urgently required. It is also important to address issues such as protecting the defense production bases, expanding the use of civilian transportation capabilities and airport and port facilities, and securing SDF personnel. With respect to cyber defense, legal revision will be needed to enable active defense while ensuring the confidentiality of communications as stipulated in Article 21 of the Constitution.

Japan-US cooperation should be deepened and an integrated deterrence posture established, and both countries need to quickly reconcile their understanding of defense cooperation and formulate joint operation plans. There are also other important issues to consider, such as examining ways to strengthen Japan-US coordination in terms of command and control, and improving the credibility of extended deterrence through deepening of extended deterrence talks between Japan and the United States.

As the only country to have suffered atomic bombing during wartime, Japan is expected to exercise leadership through its unique efforts to conduct proactive nuclear arms control and disarmament diplomacy, such as by leading international discussions through the “International Group of Eminent Persons for a World without Nuclear Weapons” and promoting efforts to deepen the international community’s understanding on the realities of nuclear weapons use, including on the occasion of the G7 summit meeting.

In the area of economic security, the key issues include stepping up support and developing systems for fostering of advanced critical technologies, and formulating international rules and norms to ensure effective concrete measures to combat economic coercion.

In the Japan-US relationship, it is expected that Japan and the US will further strengthen their efforts to realize a “Free and Open Indo-Pacific (FOIP)”. It is also important to continue and augment efforts to improve understanding and support in the US for the importance of Japan as a reliable partner based on common values and for the Japan-US alliance, and to further broaden the foundation of the Japan-US relationship through personal exchanges and other means.

In relations with China, Japan should assert what it needs to assert and openly communicate its concerns, while at the same time pursuing closer dialogue aimed at resolving common issues such as climate change. It will also be necessary to communicate through various channels and opportunities, secure Japan’s economic interests and promote personal exchanges.

As North Korea accelerates its nuclear and missile development, it is important to deepen cooperation among Japan, the US and the ROK in all aspects of security. It would also be beneficial to deepen understanding of the growing threat posed by North Korea and of Japan’s policy responses, and to increase the effectiveness of sanctions on North Korea through cooperation with the G7 nations, Australia, the EU and other countries and through outreach to Asian countries. It is important to make early progress in pursuing closer cooperation with the ROK in defense, and early resolution of various concerns between Japan and the ROK is also desirable.

Japan-Russia relations have cooled to an unprecedented degree, and there is little hope for a recovery in relations for some time. Nevertheless, it is necessary to continue to negotiate with the Russian side on issues directly related to Japan's national interests, such as fisheries around the four northern islands and gas development in Sakhalin, and it is important to maintain relations for this purpose. It will be important for Japan to seek dialogue with Russia in areas that are in Japan's national interest to the extent compatible with its principled policy toward Russia, and to deepen frank exchanges of views on security issues, including those related to Ukraine.

Japan needs to further security and other cooperation with European countries, the EU and NATO, with whom Japan shares common values, and cooperation through the G7 would be beneficial in strengthening relations with European countries. There are high expectations of Japan in its role as the G7 presidency, including continued active support for Ukraine.

In the Indo-Pacific, Japan is expected to strengthen cooperation with ASEAN countries and Pacific island countries by providing high-quality infrastructure and human capacity development, and to actively promote cooperation in the provision of equipment and supplies and infrastructure development to improve the security and deterrence capabilities of the like-minded countries in the region.

It is important to promote defense cooperation with Australia and to expand and conduct concrete trilateral defense cooperation among Japan, the US and Australia. Greater defense cooperation with the Philippines is also needed, and closer multilateral defense cooperation, including that among Japan, the US, Australia and the Philippines, would contribute to regional peace and stability. Japan is also expected to improve defense cooperation and interoperability with India and, as the G7 chair country for 2023, to coordinate with India in the latter's capacity as G20 president.

Japan should continue to work on issues in the Middle East and Africa, such as assisting Afghanistan, promoting peace in the Middle East and supporting Palestine, and addressing the Iranian nuclear issue, as well as strengthening relations with countries in the Global South.

While there are organizational and structural difficulties in achieving UN reform, it is essential that Japan take advantage of the opportunity it has as a non-permanent member of the Security Council to advance discussions on UN reform, and to redouble its efforts to address global issues by leveraging its strengths in areas such as human security and health. It is also important that Japan contribute to maintaining and developing international and regional economic orders and promote international norms through regional frameworks such as the CPTPP, RCEP and IPEF, as well as to maintaining and strengthening the multilateral trade regime centered on the WTO. ■