



2030 Strategic Trends in Asia-Pacific

Implication for Japan-Russia Relations

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Emerging Proactivism in Japan's Foreign and Security Policy

- **Japan's foreign policy towards Asia-Pacific : Confused Decade?**

- “Expanded East Asian Community”: PM Koizumi’s Singapore speech (2002)
- “Arc of Freedom and Prosperity”: FM Aso (2006-07)
- “East Asian Community”: PM Hatoyama (2009-10)
- “Economic Diplomacy”: FM Maehara (2010-11)
- “Network Diplomacy”: FM Genba (2011-)
- “Asia’s Security Diamond”: PM Abe (2012-)

⇒ 7 Prime Ministers , 12 Foreign Ministers, 14 Defense Ministers in past 10 yrs



- **High prospects for a Abe Admin's long-term governance**



- **Describe by introducing a quadrant framework...**

- **China-In:** bilateral approach + regional order with China (≡engagement)
- **China-Out:** bilateral approach + regional order without China (≡ internal/external balancing)
- **Strong U.S. Commitment:** preference on more U.S. presence and strong U.S.-Japan alliance
- **Weak U.S. Commitment:** preference on less U.S. presence and weak U.S.-Japan alliance

Strong U.S. Commitment

Arc of Freedom and Prosperity (2006)

Asia's Security Diamond (2012)

Resonant Diplomacy (2007)

Network Diplomacy (2011)

Japan-China Joint Statement (2008.5)

China-In

China-Out

Hatoyama (DPJ) (2009.9)

Great Earthquake/ Operation Tomodachi (2011.3-)

Senkaku Collision Incident (2010.9)

Hatoyama's East Asia Community (2009)

Weak U.S. Commitment

Power Shift and Power Transition: A Case for Japan

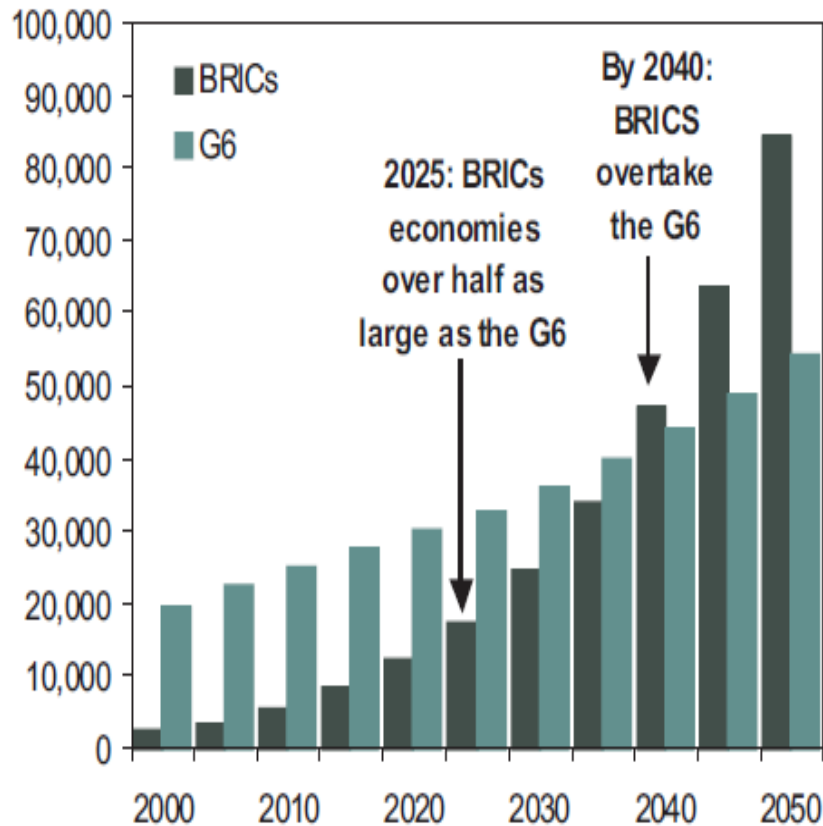
- *Most reasonable explanation is, undoubtedly, the “Rise of China”. The rapid change in the distribution of power brings about...*
 - The United States: Uncontested Primacy to Contested Primacy
 - Japan’s optimum policy mix between ‘deterrence’, ‘balancing’ and ‘integration’: but with whom? > seeking for new partnerships
 - Case for ‘collective balancing’ against China? or Patient and constructive ‘community building’ with China? > ‘Assertive China’ in 2010- has considerably weaken the latter.
 - In either case, Japan began to see ‘Emerging Powers’ such as India, Russia and Southeast Asia as crucial strategic partners to seek for a favorable balance of power in Asia.
- *In this context, Japan’s new FP towards the Asia-Pacific Region is driven by...*
 - Networking for Enhancing Regional Security
 - Strategic Financing
 - Capacity Building
- *Before getting into substance...Are ‘Power Shift’ and ‘Power Transition’ really happening? How serious to Japan?*

What will be the implication for Japan-Russia Relations?

In 2003, the Goldman Sachs said...

BRICs Have a Larger US\$GDP Than the G6 in Less Than 40 Years

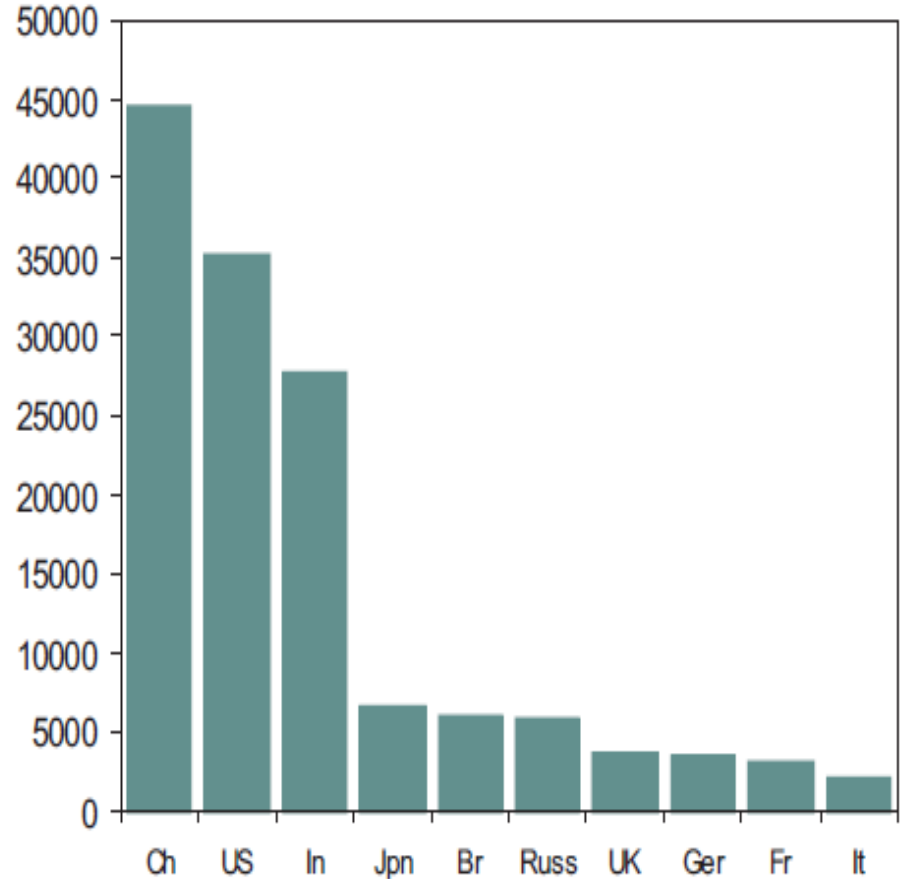
GDP (2003 US\$bn)



GS BRICs Model Projections. See text for details and assumptions.

The Largest Economies in 2050

GDP (2003 US\$bn)



GS BRICs Model Projections. See text for details and assumptions.



World Economy in 2030: Distribution of Wealth

- The economic growth of BRICs/N-11 exceed the pace of Goldman Sachs Report in 2003 (GS, 2003). **GS 2007 report** has revised the timeline as follows:
(eg) China exceeds Japan in nominal GDP in 2016 → 2010 (6yrs)
China exceeds US in 2041→2027 (14yrs)
- **Whither Chinese Economy?**: Most observed that Chinese economic growth rate hits its peak around 2015 and it will gradually decline (soft-landing scenario). **GS** predicts China's real economic growth rate will decline from current 10% to 5% in 2020s, and 3.5% in 2040s. **IMF and the World Bank** estimate that China will maintain the 7% growth until 2030s.
- ***The Policy Council of the Cabinet Office in Japan*** has estimated the composition ratio of the world economy in 2030 as follows: China 23.9%, USA 17.0%, Japan 5.8%, India 4.0%. In their estimate, they predict that potential growth rate of China will be 9.1% in 2010s and 7.9% in 2020s. Its estimate also predicts that China will exceed USA in mid-2020.

Asia-Pacific Economy in 2030: Projection Data

- IMF World Economic Outlook Database (IMF/WEO, April 2012) provides the settled GDP data (2005-2011) and the projection data (2012-2017) in USD constant price of 2011.
- **Assumption A:** High per capita GDP states: Japan, USA, Australia, and Singapore will maintain the average nominal growth rate of (2012-2017) until 2020.
- **Assumption B:** High per capita GDP states' 2020-2030 projection is based on the (GS,2007) data that provides projection data of every 5 years (modified by the margins of error between GS2007 and IMF/WEF 2012*).
- **Assumption C:** Emerging states: China, Korea and ASEAN5* (IMF definition of ASEAN5 includes Indonesia, Malaysia, Thailand, Philippines and Vietnam) corresponds with the average growth rate of (2012-2017) but adjusted to the rate (GS,2007) provides in every 5 years. For example, the Chinese growth model calculus is shown below.
- **Note:** The 2017-2030 projection data of ASEAN5 is the average data of Indonesia, Philippines and Vietnam since data of Thailand and Malaysia is not available in (GS,2007).

CHN Growth Model

	GS modified ratio	X
N0 (2011-16)	IMF/WEO	11.38%
N1 (2015-20)	= N0x83.55%	9.51%
N2 (2020-25)	= N1x88.55%	8.41%
N3 (2025-30)	= N2x88.93%	7.48%

Unit: Bil USD(nominal)	確定値(IMF) →						推計値(IMF) →				
Nominal GDP	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
JPN	4571.87	4356.75	4356.35	4849.19	5035.14	5488.42	5869.47	5897.97	5149.90	5285.27	5418.57
USA	12622.95	13377.20	14028.68	14291.55	13938.93	14526.55	15094.03	15684.75	16237.75	17049.03	18012.19
CHN	2256.92	2712.92	3494.24	4519.95	4990.53	5,930.39	7,321.99	8,227.04	9,020.30	9,951.94	11,020.12
IND	808.67	908.47	1152.81	1251.37	1253.98	1597.95	1838.17	1824.83	1972.84	2123.56	2308.02
KOR	844.87	951.77	1049.24	931.41	834.06	1014.89	1116.25	1155.87	1258.59	1337.12	1424.48
AUS	732.10	777.97	945.60	1054.59	991.85	1245.31	1490.52	1541.80	1589.12	1626.13	1668.45
ASEAN5	761.67	917.34	1093.25	1278.39	1266.45	1578.45	1827.27	1935.80	2139.71	2338.32	2539.50
SIN	125.429	145.75	177.58	189.964	185.638	227.382	265.622	276.52	286.925	296.592	306.968
ASEAN6	887.10	1063.09	1270.83	1468.36	1452.09	1805.83	2092.89	2212.32	2426.64	2634.91	2846.47
Taiwan	364.85	376.33	393.10	400.21	377.57	430.18	464.03	473.97	494.85	528.13	568.77
Russia	763.70	989.93	1299.70	1660.85	1222.89	1487.29	1,850.40	2,021.90	2,213.57	2,374.61	2,554.38

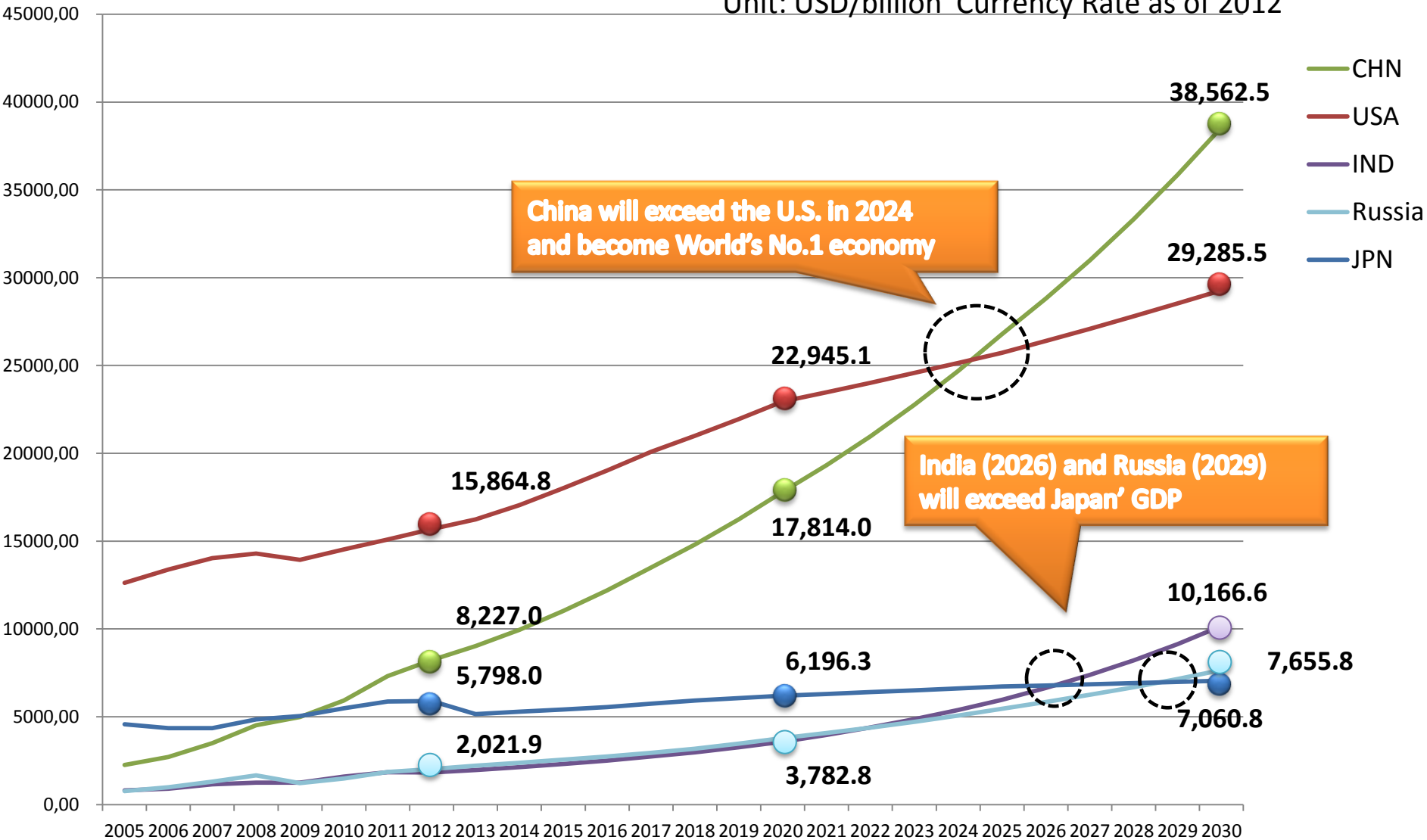
Source: IMF World Economic Outlook Databases (2013)

US\$ GDP											
2006 US\$ bn	Brazil	China	India	Russia	Canada	France	Germany	Italy	Japan	UK	US
2006	1,064	2,682	909	982	1,260	2,194	2,851	1,809	4,336	2,310	13,245
2010	1,346	4,667	1,256	1,371	1,389	2,366	3,083	1,914	4,604	2,546	14,535
2015	1,720	8,133	1,900	1,900	1,549	2,577	3,326	2,072	4,861	2,835	16,194
2020	2,194	12,630	2,848	2,554	1,700	2,815	3,519	2,224	5,224	3,101	17,978
2025	2,831	18,437	4,316	3,341	1,856	3,055	3,631	2,326	5,570	3,333	20,087
2030	3,720	25,610	6,683	4,265	2,061	3,306	3,761	2,391	5,814	3,595	22,817
2035	4,963	34,348	10,514	5,265	2,302	3,567	4,048	2,444	5,886	3,937	26,097
2040	6,631	45,022	16,510	6,320	2,569	3,892	4,388	2,559	6,042	4,344	29,823
2045	8,740	57,310	25,278	7,420	2,849	4,227	4,714	2,737	6,300	4,744	33,904
2050	11,366	70,710	37,668	8,580	3,149	4,592	5,024	2,950	6,677	5,133	38,514

Source: Goldman Sachs (2007)

U.S., China Japan Nominal GDP (2010-2030 Projection)

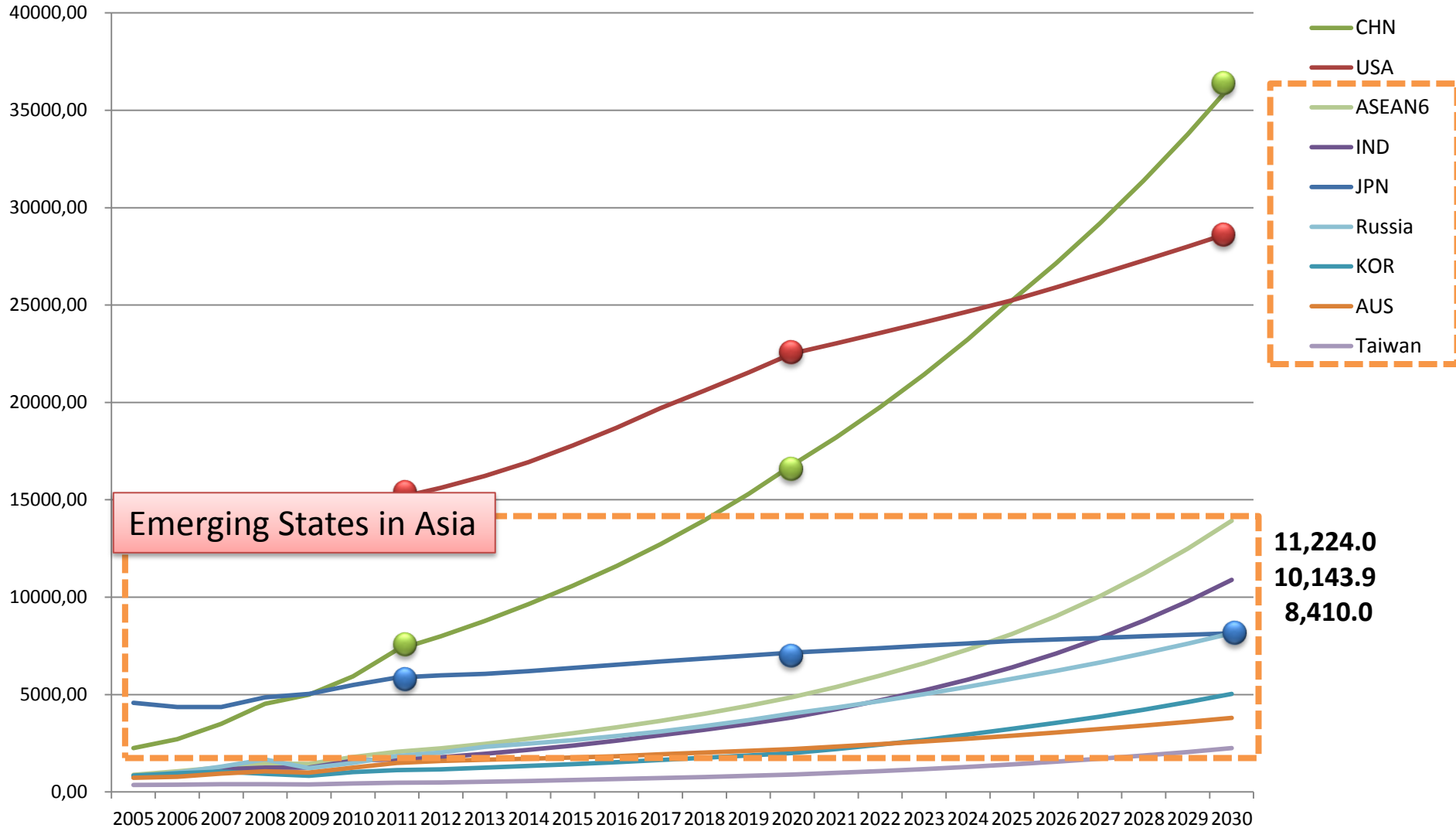
Unit: USD/billion Currency Rate as of 2012



Source: IMF World Economic Outlook Databases 2013(Modified)
Goldman Sachs Growth Model (2007) Applied

Nominal GDP of Asia-Pacific States (2010-2030 Projection)

Currency Rate as of 2012



Emerging States in Asia

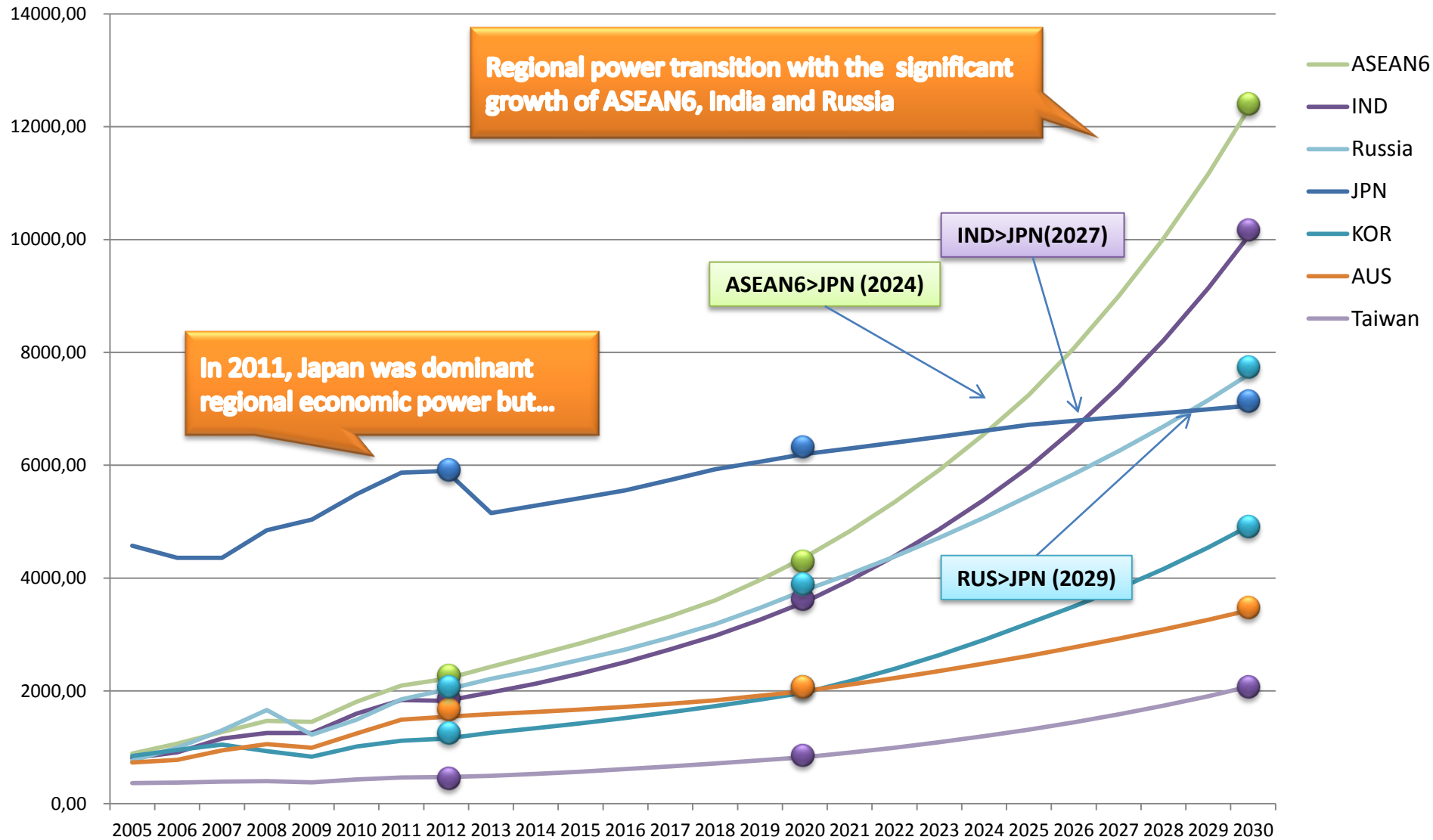
11,224.0
10,143.9
8,410.0

ASEAN5 (IMF): Indonesia, Malaysia, Thailand, Philippines, Vietnam

Source: IMF World Economic Outlook Databases 2011 (Modified)
Goldman Sachs (2007)

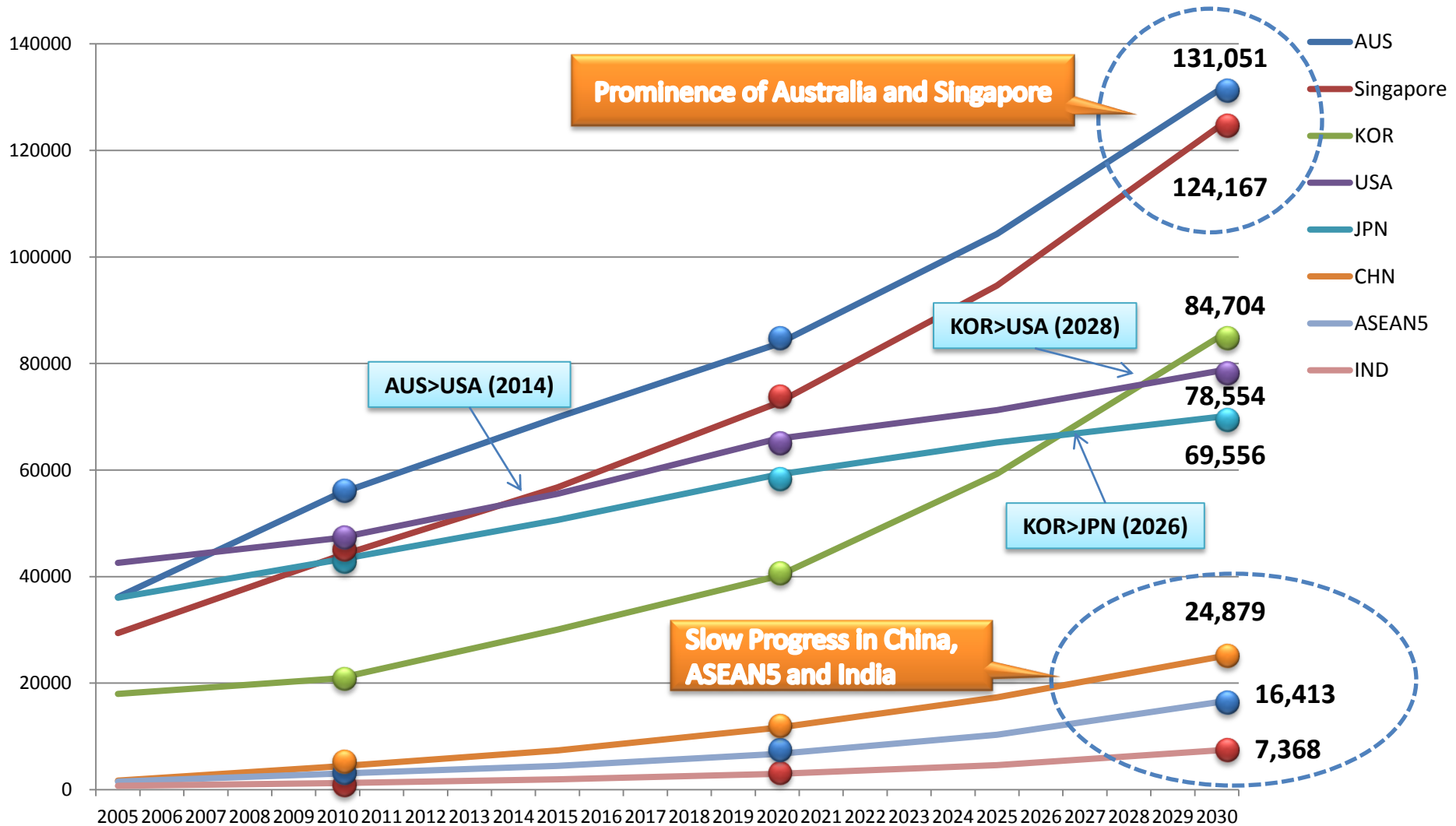
Nominal GDP of Emerging States in East Asia 2010-2030 Projection

Currency Rate as of 2012



GDP per capita (nominal) in Asia-Pacific 2010-2030 Projection

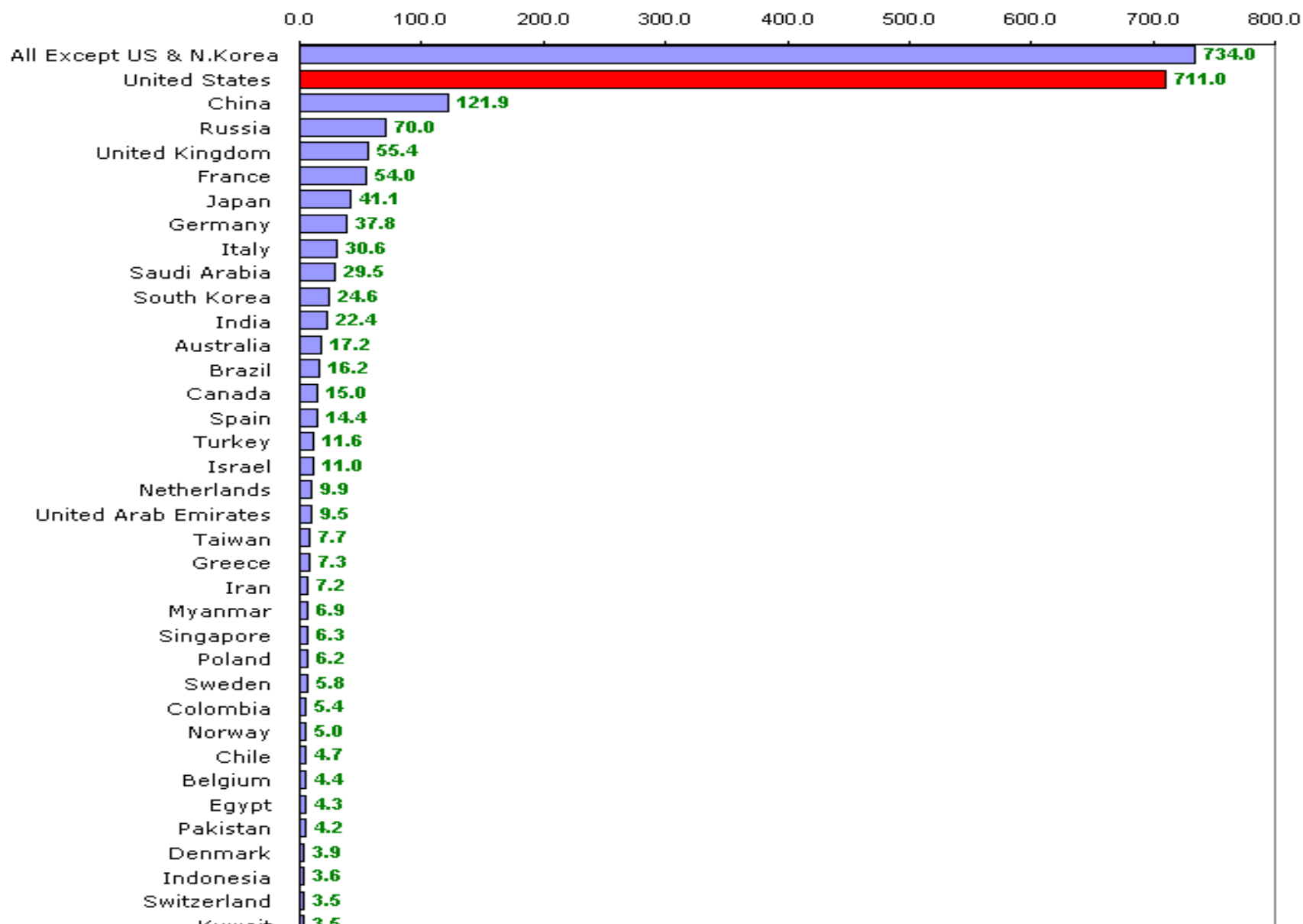
Unit: USD Currency Rate as of 2010



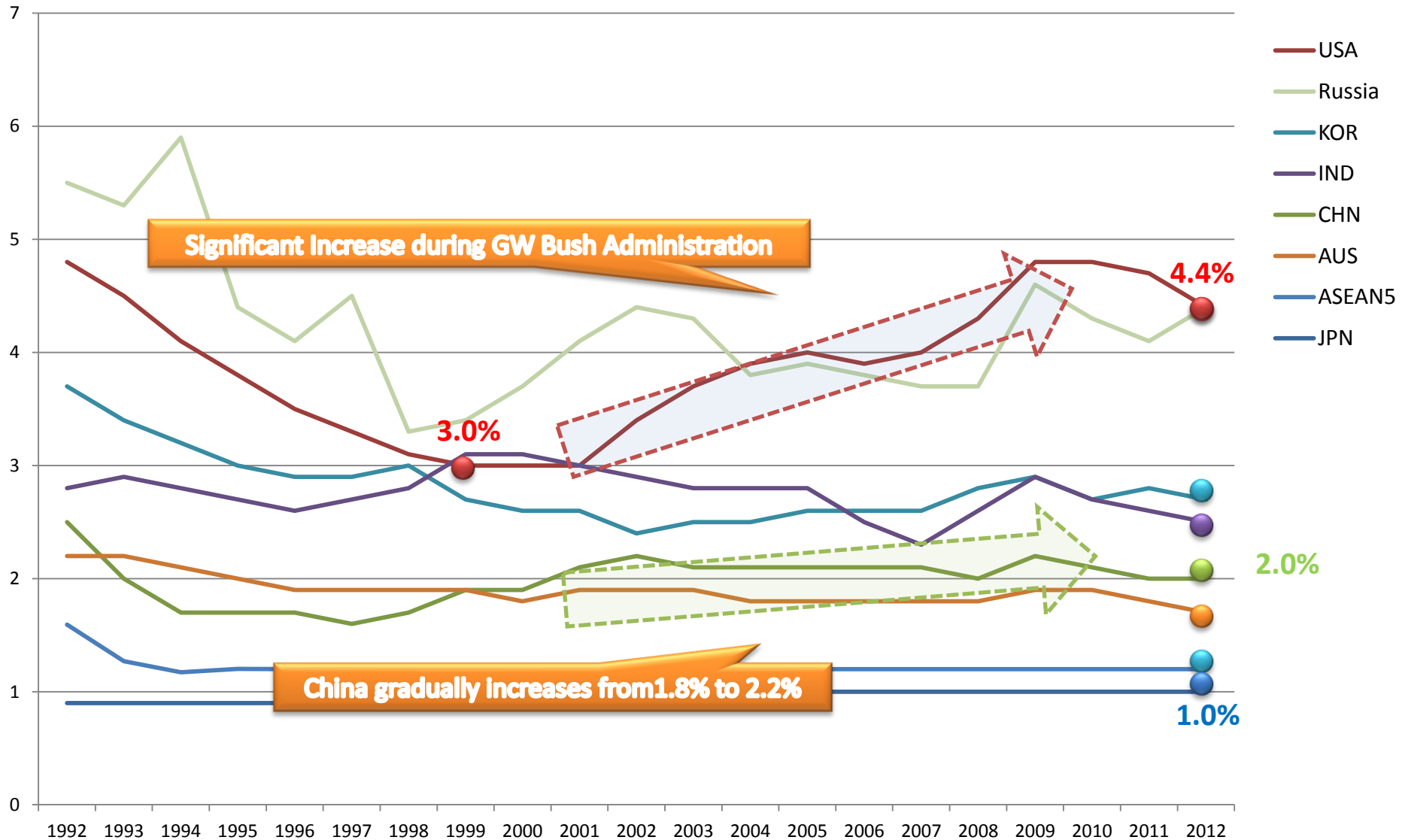
Source: IMF World Economic Outlook Databases 2011 (Modified)
 Goldman Sachs (2007)
 United Nations World Population Prospects, the 2010 Revision

Global Military Spending 2009

(Billions of \$)



Military Expenditure as percentage of GDP (1995-2012)



Military Expenditure in Asia Pacific (2030 Projection)

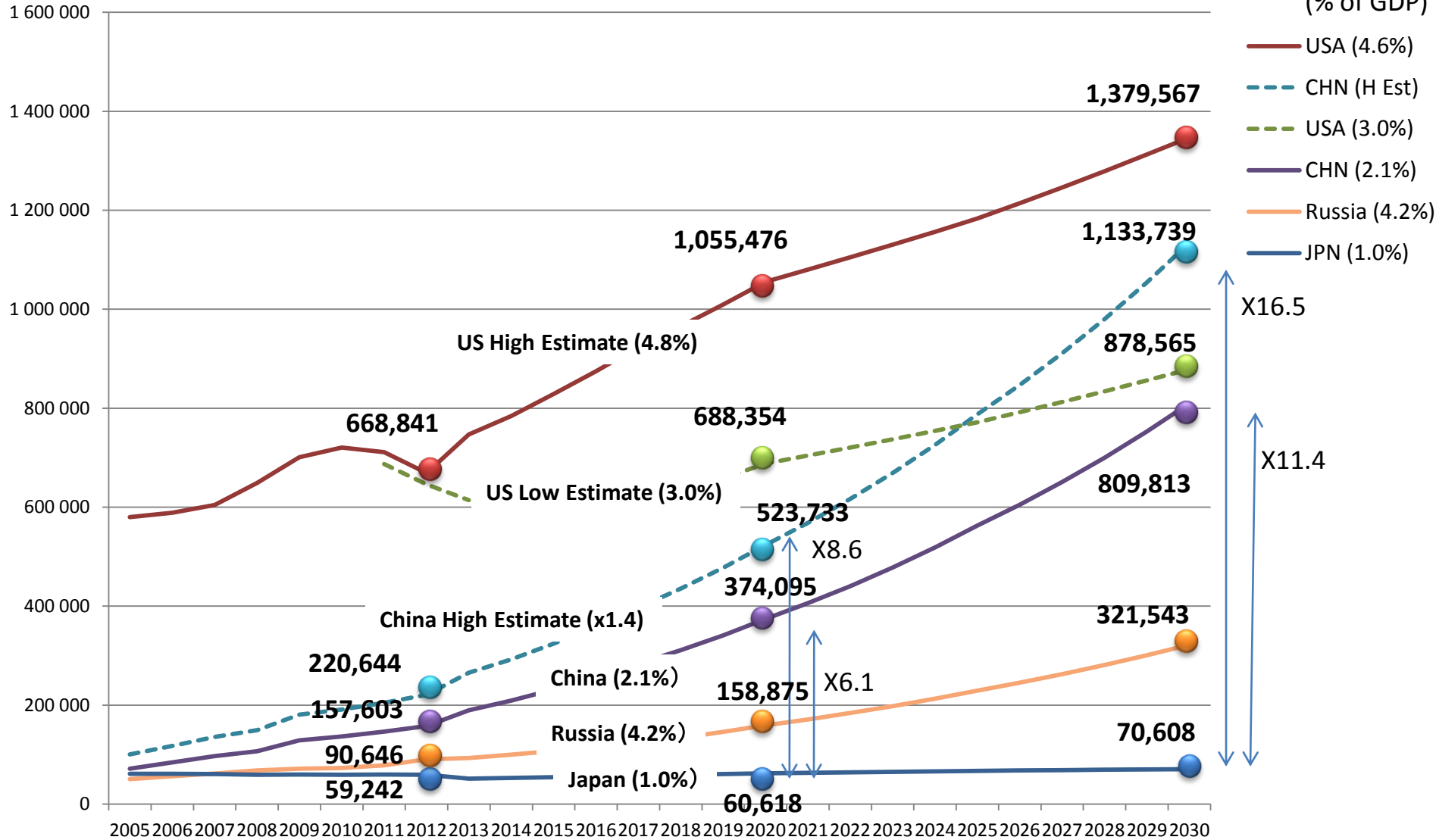
- Using data sets of the Stockholm International Peace Research Institute (SIPRI). Selecting countries from Asia-Pacific region and compare the data based on the constant USD as of 2009.
- **Basic Assumption**: The percentage of GDP allocated for the Military Expenditure in 2010 will be maintained till 2030.
- **Assumption on China 1)**: It is widely recognized that Chinese official defense budget announcement (CHN Yuan) did not match the international standard. SIPRI has estimated that its real budget is 150-160% of the Chinese official announcement.
- **Assumption on China 2)**: US DOD claims that SIPRI even underestimate the Chinese military budget. US Department of Defense, *Military and Security Developments involving the People's Republic of China* (May, 2013) estimates Chinese actual military related expenditure falls "between \$135 billion and \$215 billion" (SIPRI 140% added if maximum). Considering these views, this study also indicate [High Estimation Path] by adding 140% of the SIPRI standards.
- **Assumption on the U.S.**: The United States has announced to take major steps to reduce the military expenditure due to its severe fiscal pressure of the federal budget. This study also consider the rate at which if U.S. takes steps to reduce the budget to the level of Clinton Administration in 1999 (3.0%), shown as [Low Estimate Path]

Military Expenditure of U.S., China and Japan (2010-2030 Projection)

Unit: Million USD (Currency Rate as of 2009)

(% of GDP)

- USA (4.6%)
- - - CHN (H Est)
- - - USA (3.0%)
- CHN (2.1%)
- Russia (4.2%)
- JPN (1.0%)

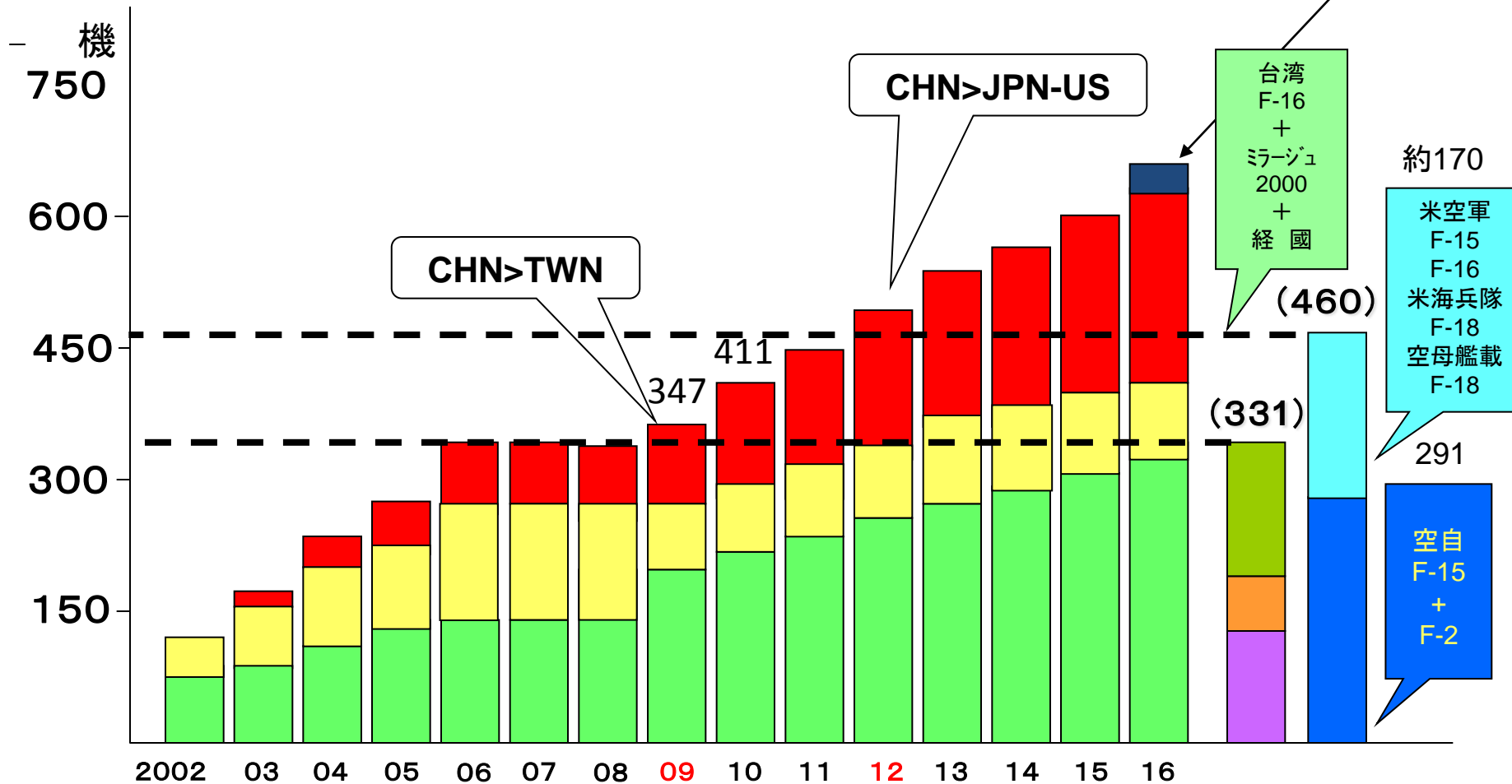


Source: SIPRI Military Expenditure Database 2013 (Modified)

Air Superiority (4th generation Fighters) in East Asia



第5世代機(J-20)?



1 我が国周辺の安全保障環境(6/9)

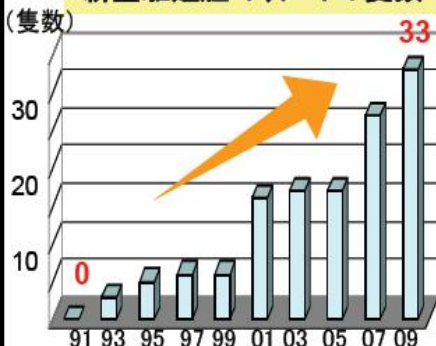
—中国軍の近代化及び我が国周辺における活動

新型潜水艦の隻数



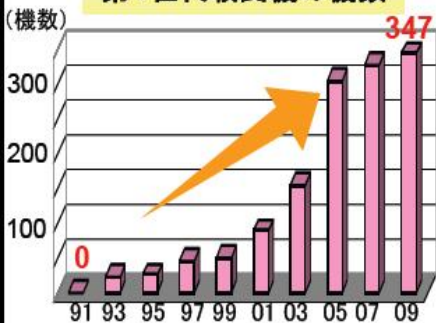
※ ジン・シャン・ツン・ユアン・キロの各級潜水艦の総隻数

新型駆逐艦・フリゲートの隻数



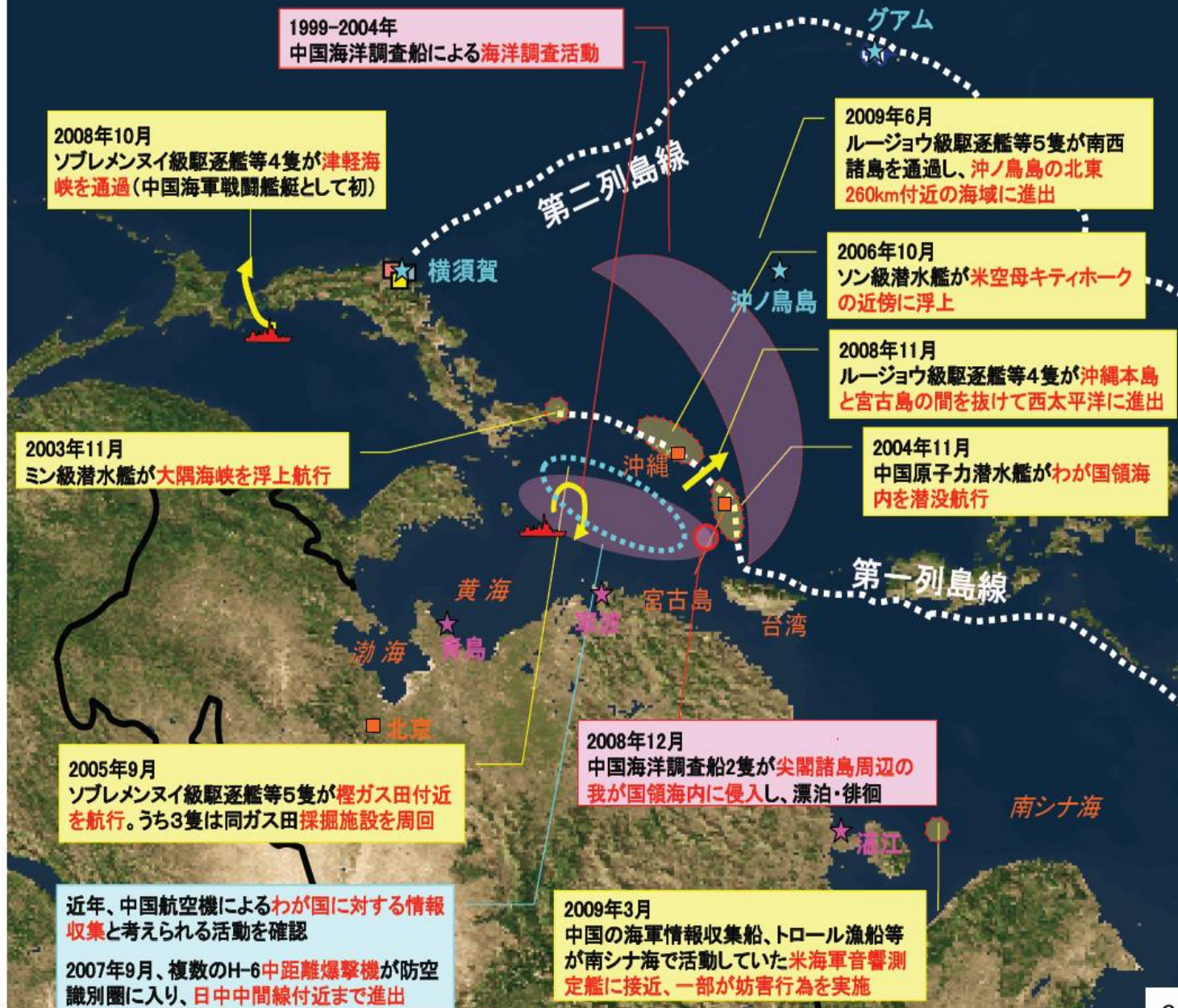
※ ルフ・ルーハイ・ソブレメンヌイ・ルーヤン・ルージョウの各級駆逐艦及びジャンウェイ・ジャンカイの各級フリゲートの総隻数

第4世代戦闘機の機数



※ Su-27・Su-30・J-10の総機数

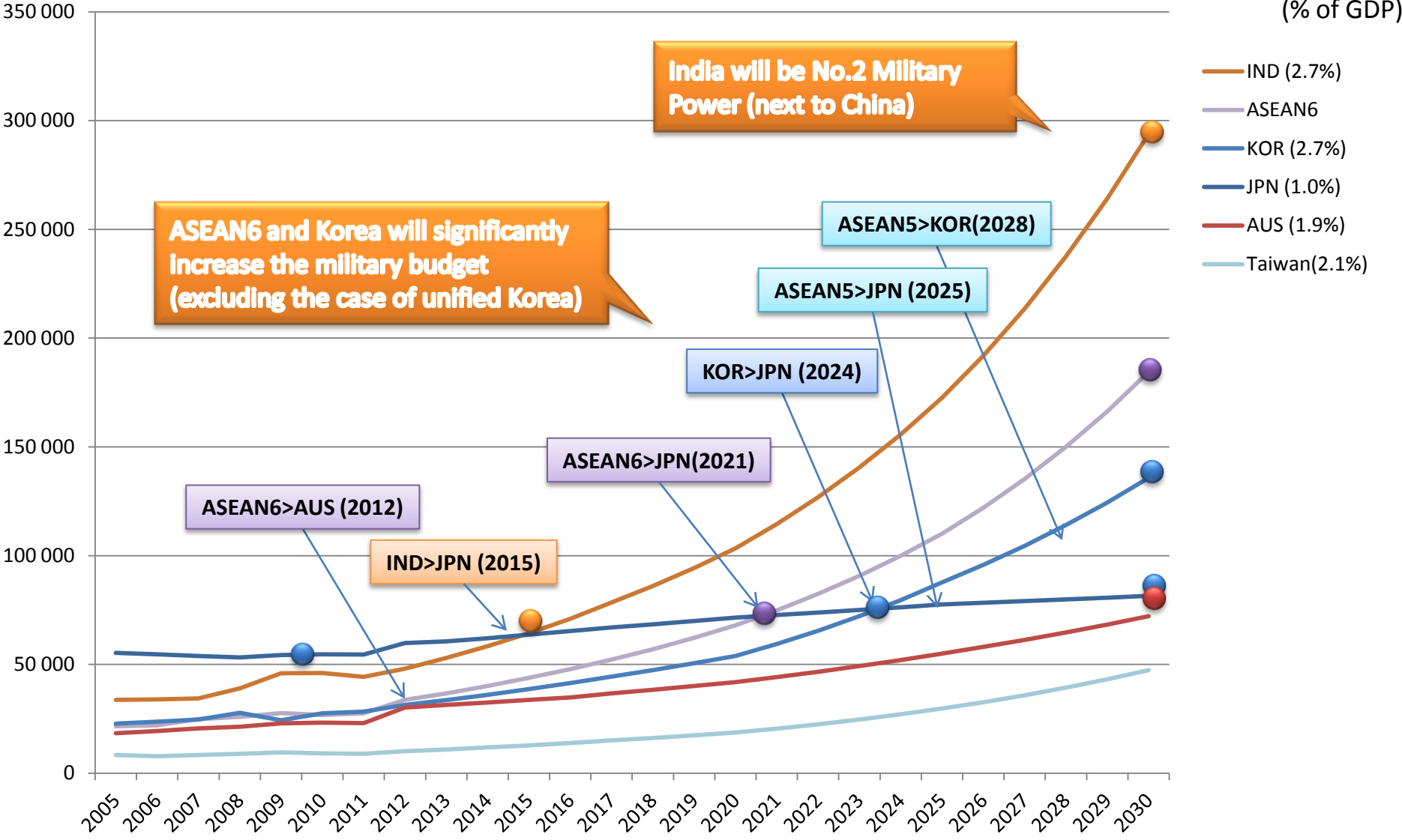
(資料源:ミサイル・バランス各年版)



Military Expenditure of Emerging States in Asia (2010-2030 Projection)

Unit: Million USD (Currency Rate as of 2011)

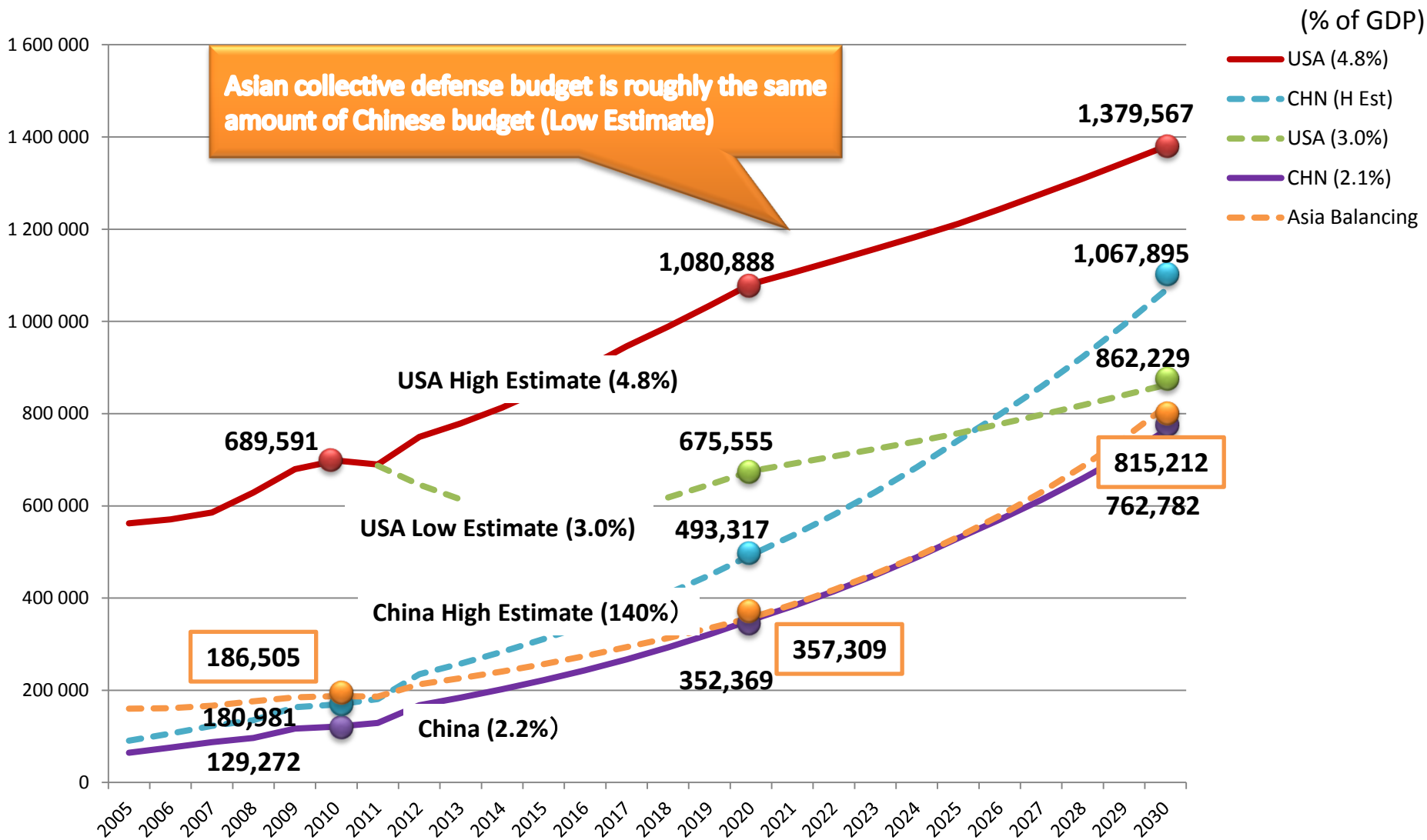
(% of GDP)



Source: SIPRI Military Expenditure Database 2010 (Modified)

Is Asian Collective Balancing against China Possible? (2010-2030 Projection)

Unit: Million USD (Currency Rate as of 2009)



*Asia Balancing: JPN+KOR+IND+AUS+ASEAN5+SIN+TWN

Source: SIPRI Military Expenditure Database 2011 (Modified)

Strategic Trends in 2030

Implication for Japan-Russia Relations



- **Power Transition: Trajectory to 2030**
 - The rise of China and the contested supremacy of the U.S.
 - Increasing influence of India, ASEAN, Russia and Korea
 - Diffusion of power distribution > More opportunities for cooperation with and among ‘emerging powers’
- **Security Trends in Progress**
 - New Hierarchy in Asia-Pacific Security ? “U.S.-China Relations”
 - U.S. Rebalancing to Asia: From ‘Hub-Spokes’ to ‘Networks’
 - U.S. Bilateral Alliance: Japan, Korea, Australia, Philippines and Thailand
 - Expanded Security Partnerships: Singapore, Indonesia, Vietnam, India
 - Slow Progress on Multilateral Security Structures
 - Northeast Asia: Six-Party Talks on North Korea’s Denuclearization
 - Southeast Asia: Code of Conduct on South China Sea / ASC in 2015

Japan-US "Common Strategic Objectives"

Shanghai Cooperation Organization (SCO)

Six-Party Talks

Networked Alliance Mechanisms

ASEAN+3 / East Asian Summit

ASEAN Security Community

ASEAN Regional Forum (ARF)

Layered Architecture of East Asian Security
Networked Bilateralism, Multilateralism &
Ad-hoc Mechanism

Strategic Trends in 2030

Implication for Japan-Russia Relations



- Japan-Russia Strategic Relations as a Crucial ‘Missing Link’
 - Strategic Importance of Russia as a ‘Key Player in Asia-Pacific’
 - Japan as a ‘Gate Way’ of Russia’s Strategic Engagement in Asia-Pacific
 - Jointly Explore the ‘Win-Win’ Game in Bilateral Relations
- Japan-Russia Summit (April 29, 2013)
 - “Joint Statement on the Development of Japan-Russia Partnership”
 - Launching of 2+2 Foreign and Defense Minister’s Consultation Process
 - > upgraded defense and security cooperation (including areas of counter-terrorism, piracy and transnational organized crimes)
 - Cooperation on Energy and Infrastructure projects. Launching on public-private consultation on the development of Russia’s Far East and Eastern Siberia
 - ‘Renewal of Peace Treaty negotiation’ > ‘designing mutually acceptable resolutions’



Strategic Trends in 2030

Towards Deeper Japan-Russia Strategic Relations

- Area 1: Maritime Security: Connecting South China Sea and Arctic
 - Securing SLOCs of South China Sea, East China Sea and Arctic Ocean > Russia-JPN-ASEAN
 - Intelligence, Surveillance and Reconnaissance (ISR) cooperation at sea
- Area 2: Energy Cooperation
 - Debate on “Japan-Russia Energy Alliance” (Natural Gas, Crude Oil and Nuclear Energy)
 - Prospects for ‘Sakhalin-Ibaraki Gas Pipeline project’ + Oil Imports + Joint LNG projects
- Area 3: Korean Peninsula
 - Jointly pursue DPRK’s comprehensive, verifiable, and irreversible nuclear dismantlement
 - Dialogue on crisis management and policy coordination during/after the Unification
- Area 4: Security Capacity Building of ‘Emerging Powers’
 - Building ASEAN’s maritime security capacity: equipments, trainings and infrastructure
 - Japan’s export of patrol ships to Philippines, Russia’s aid to Vietnam... further enhanced
 - ... but need more coordination! (+ Russian support on CoC on South China Sea)