United States of America

It's mid-November 2012. President Barack Obama defeated the Republican ticket of Mitt Romney and Tim Pawlenty and was reelected with a larger share of the popular vote (55%) than before and the same number of electoral votes. Republicans take 4 seats in the Senate (North Dakota, Nebraska, Montana and Missouri) but lose one in Arizona, meaning the Senate is divided 50-50. The House loses 14 Republican members, leaving Republicans in control but with a smaller majority than before.

In June 2011 the US suffered one of the biggest crises in its history when Republicans in the House refused to acquiesce to a routine raising of the country's ability to borrow. The US lost its AAA credit rating (downgraded to AAa) and overnight interest rates rose within the country an average of 2-3%, leading to a severe crisis of confidence in all the state’s political and financial institutions. Following so closely on the heels of the near shutdown of the government in April 2011, blame was placed squarely on the Tea Party and its allies in the Republican Party by the American public.

Shocked by the backlash, the Tea Party-led movement which had earlier urged the Republican party to “let it all crash down” agreed to regular raises of the debt ceiling in the future but the damage had already been done. America is in a severe “confidence of crisis” caused by never-ending political conflict and extreme levels of external debt. Isolationism had begun growing and claimed large parts of both political parties. The economic growth the US saw in 2010 and 2011 was ended by the debacle over raising the debt ceiling and the rise in interest rates (which caused commensurate rises in rates on everything from credit cards to home and car loans) is strangling the ability of the country to finance its way out of the crisis – a crisis which has gone on now, for over 5 years.

Abroad the US continues to maintain a presence across the world, with large garrisons of US forces still present all over the globe. The launch of the X-37B unmanned successor to the space shuttle, means the US has extended its ability to survey any area of the globe to outer space – on a 24x7 level. The Ballistic Missile Defense System (BMDS) continues to be deployed in the United States and abroad with an eye towards stopping a rogue missile launch from anywhere in the world. However – in operational tests the system has only destroyed 2 out of every 3 test missiles.

The US military, having declared “victory” and left Afghanistan (where fighting continues today between Taliban and the Afghan government) has engaged in a strategic rethinking of the doctrine of being able to fight two or more major armed conflicts at one time. While a commission examines where US strategic priorities lie in the next 25-50 years the US has begun redeploying Air Force, Army, Marines and Navy equipment and personnel from the Asian theater to its remaining bases in the Persian Gulf, Diego Garcia and Oman. It is rumored that any day now Iran will declare it has gained the ability to develop a nuclear weapon – that it has reached
‘Break Out Capability.’ This is expected to have a major destabilizing effect on the Gulf region and the anticipatory deployments by the US are seen as a sign that it intends to confront Iran if necessary.

The United States has become concerned over the large number of Chinese residents studying in the US legally as well as those smuggled to the US by human traffickers, and their potential to act as trained intelligence operatives of the PLA. There have been a number of cases of overseas Chinese in the US caught engaging in espionage and numerous reports of Chinese citizens seeking to observe military maneuvers, monitoring key US assets like bridges, dams and nuclear power plants as well as utilizing open-source information to glean insights into US strategic thinking.

Worryingly the US has also picked up a number of coded shortwave broadcasts aimed towards American cities with large numbers of Chinese residents, including Honolulu, San Francisco, New York, Chicago, Los Angeles, Washington DC and Seattle. The number of these broadcasts has increased significantly in the past three months and their character has changed. Previously the broadcasts were regular coded, numbered broadcasts which changed daily. Recently the broadcasts have consisted only of a repeated series of the same numbers: 88888888 followed by 99999999. Inquiries from the US to its contacts in the Ministry of State Security (MSS) in China have been inconclusive. There have also been several attempted cyber attacks on US defense networks emanating from China – US analysts feel China is “probing” the cyber-defenses of US defense and infrastructure networks. This has caused the US to dedicate more resources to its defenses against cyber attack.

**People’s Republic of China**

China is rising in power and confident of the future. The Chinese share of global GDP continues to increase while China per-capita income continued to rise, but more slowly than before.

Politically, China has failed to address rising ethnic tensions and continues its unchecked human rights abuses against its own people, particularly representatives of minority groups, artists, and university professors and students, drawing international and highly-publicized condemnation, but very few internal policy changes. China’s refusal to respond to charges of abuses and marginalization of its two major ethnic groups, the Tibetans and the Uighurs, have angered large segments of Chinese society. There are reports of Uighur unrest in China’s northwestern autonomous province of Xinjiang, and the Dalai Lama has officially retired in his political capacity as leader of the Tibetan people to allow for a democratically elected Tibetan government, albeit one in exile. Beijing refuses to recognize the Tibetan government, which has drawn the ire of the People’s Liberation Army (PLA). The PLA sees the new Tibetan government as a threat, since
it has received asylum from India, which defends its controversial border with China with nuclear missiles. The PLA feels that the Communist Party of China’s (CPC) failure to react to the Tibetan situation has weakened China, and for the first time in many years there are rumors of dissension between the political leadership and the PLA over these issues. While the dissent has mostly been kept quiet, the PLA Daily has been running editorials warning of the danger of “splittist” elements within the CPC as well as extolling the glories of the new offensive capabilities of the People’s Liberation Army.

In 2011 China launched its first aircraft carrier. This and China’s extensive number of ASBM (anti-ship ballistic missiles) give it the ability for the first time in hundreds of years to project force across its borders. The PLA has issued a warning of its “red line policy” regarding Taiwan and warned the US not to interfere in its sovereign affairs in the Taiwan Strait. US, Japanese and South Korean intelligence have picked up evidence of large numbers of Chinese troops and equipment being moved to Fujian province, facing Taiwan. The makeup of these forces are inline with the planning of an ambitious amphibious assault. US and Japanese inquiries to the Chinese Ministry of Foreign Affairs have been met with expressions of surprise on the part of the Chinese, who deny any military movement in either Fujian province or the Taiwan Strait.

In dealing with the DPRK there is a note of exasperation in China’s tone. In talks with the Foreign Minister of the Republic of Korea it has been mentioned obliquely by the Chinese Ministry of Foreign Affairs that China is tiring of the DPRK’s erratic leadership and is reconsidering its annual subsidy to the DPRK in order to increase pressure on the DPRK to resolve what appears to be an extended leadership crisis in the DPRK and follow China’s path of economic renewal. China appears to have made a choice that the DPRK as it exists now is no longer an ally worth spending much time or effort on and that the main goal now is to figure out some way to stabilize the situation so as to avoid a refugee crisis. Consequently China-South Korea contacts in business and tourism have picked up and spread, with far greater cultural exchanges and official visits than in previous years. This has annoyed North Korea.

**(Republic of China (Taiwan))**

Taiwan is unnerved by what it perceives as both US decline and China's new assertiveness and military strength. In presidential elections in early 2012 a leader who had his start in the radically-pro independence party Taiwan Solidarity Union (TSU), shocked the world by winning the presidency. This was seen as more a rejection of KMT and DPP rule than as a statement in favor of a declaration of independence by the Taiwanese people, but still the damage was done. China immediately warned Taiwan that any more towards independence would result in China employing “all options” to stop Taiwan and “reunify the motherland.” The United States also warned Taiwan publically and privately not to antagonize China through threats of a declaration of independence. As a consequence of the new
government's statements the US has suspended the delivery of new defensive weapons sold to the country under the Taiwan Relations Act – this has outraged some senators in the United States who accuse President Obama of "giving in" to Chinese demands vis-à-vis Taiwan. The US has received intelligence that an element of the Taiwanese military and government are agitating for Taiwan to build a "nuclear deterrent," which Taiwan has the capability to do within weeks.

The US has also picked up an increase in coded shortwave radio broadcasts from Taiwan aimed at the West Coast cities of San Francisco, Seattle and Los Angeles.

**Republic of Korea (South Korea)**

South Korea, under newly-elected President Kim Choong-Soo, has continued its new "get tough" policy with the DPRK, a policy put in place after the sinking of the Cheonan in March 2010 followed by a DPRK attack on the island of Yeonpyeong. Elements of this policy which were toughened after these two incidents include the threat to launch air attacks on North Korea in the event of another attack, within South Korea or on its personnel or embassies abroad. South Korea has been alert to the possibility of DPRK-trained assassination teams being inserted into its territory and to that of "sleeper cells" within South Korea trained to activate in the case of tensions or actual conflict between the two states.

In October 2011 South Korea uncovered one of these “sleeper cells” which had been inserted in South Korea in 1996. This cell was composed of 2 teams of 12 members who were working at the massive Hyundai automobile factory in the Ulsan industrial district on South Korea's east coast. It is thought that in the event of hostilities between South and North Korea the saboteurs were supposed to engage in industrial sabotage of not only the Hyundai automobile factory (which is the largest in the world) but of the strategically important shipyard and oil refinery located in the same area (both of which are the largest in the world). This discovery has unnerved the people of South Korea, who wonder how many more of these teams have been living and working amongst them for years. It has also caused South Korea to ramp up intelligence sharing with both the United States and Japan in hopes of uncovering further sleeper cells within all three states.

South Korea, increasingly confident of its role in the region, has also begun to take an interest in its "fraternal Korean brothers" outside the peninsula in both China, Russia (particularly the Sakhalin Koreans located on the strategically important and gas-rich Sakhalin Island) and Japan. This issue, with its vague insinuations of irredentism (strongly denied by South Korea) has irritated both Japan, Russia and China but as of yet has not led to any significant impact on economic relations or intelligence sharing with either state. South Korea has also engaged in extensive planning on the possibility of reunification. The election of President Kim Choong-Soo, formerly leader of the country's central bank, was seen as a sign of confidence by the Korean people in the economic ability of the ROK to handle the pressures of
reunification, were it to occur in the near future. South Korea is currently in the midst of final campaigning for National Assembly Elections, set to take place in Dec 2012.

**Democratic People’s Republic of Korea (North Korea)**

The DPRK, on the other hand, has experienced a worryingly quick decline since 2010. Kim Jong Il’s son, Kim Jong Un, was named General Secretary of the Workers Party of Korea a year after the death of his father in July 2011, but he has not yet been named Chairman of the Korean Defense Commission. This has led to concern by South Korean, Japanese and Western intelligence analysts that Kim Jong Un is not the favored candidate of the military in North Korea.

Kim Jong Un is considered too young and inexperienced by large portions of the population of the DPRK. This has led to a growing restiveness amongst the population of North Korea and for the first time since the Korean war there are reports of demonstrations against Kim Jong Un and the North Korean Workers Party - which have been brutally repressed. China is deeply concerned about refugee flows across its border in the event of North Korean economic collapse caused by military adventurism or the collapse of the regime because of protests against Kim Jong Un.

After a break the DPRK has again begun isolated aggressive military actions against both South Korea and Japan - despite warnings from China (which Japanese and US intelligence have picked up.) These include bellicose statements from the North Korean government on the unacceptability of the present maritime border in the West Sea, isolated artillery barrages along the border and the movement of troops and equipment to regions along the West Sea. Japanese self-defense forces have reported numerous armed encounters with what they presume to be North Korea Shark-class submarines operating off the Chugoku, Kyushu and Honshu prefectures.

Intelligence analysts from both Japan and South Korea detect what they see as signs of a split between the military and Kim Jong Un over this issue and at present there is confusion over who exactly is in charge of the military of the DPRK. Several Americans of Korean heritage and South Koreans are now being held by the DPRK, charged with violating the country’s territorial integrity by crossing the border with China illegally. There are confirmed reports these prisoners have been mistreated.

With great fanfare North Korea in mid-2012 announced the development of the Taepdong-3 long-range missile, which has a range of more than 6000-miles, capable of hitting the entire US West Coast. However the missile has never been tested, or even seen, and earlier tests of the Taepdong-2 were failures.

There is deep concern amongst China, Japan, South Korea and the United States that North Korea is more unstable than ever before, when unstable North Korea typically
seeks inducements from outside and thus more likely to make an unpredictable military move which could have major consequences for the region. Outside power is, as always, of limited use in getting the DPRK to change its behavior on any issue.

Japan

After the earthquake and tsunami Japan has turned inwards in order to rebuild. Following the collapse of the government, the Sunrise Party of Japan’s President Takeo Hiranuma, with the strong backing fellow SPJ member Shintaro Ishihara, the nationalist Governor of Tokyo, was elected by the Diet as prime minister in 2012 and immediately began agitating for a "New Japanese Way" which includes closer ties with other lateral Asian states (especially the Philippines, Vietnam, India and Taiwan to balance China, a rebuilding of Japanese offensive military strength (now outlawed by the Japanese constitution) and an encouragement of debate over whether Japan should acquire a nuclear weapon to balance out the threat held by the DPRK and Chinese nuclear arsenals. The Japanese people, still stunned after the earthquake, tsunami and nuclear disaster of 2011, have been muted in their response but there is known to be deep disquiet within many elements of Japanese society over the government’s trends towards more aggressive nationalism, particularly towards the idea of developing a nuclear deterrent.

Hiranuma, bolstered by powerful ultranationalist groups, is very negative towards China and the US. Chinese intelligence has picked up very vague signs of a budding alliance between the independence-minded leaders of Taiwan and Japan – which China has passed to the US with a warning of “Japanese interference in Chinese internal affairs”. The ethnic-Korean community in Japan, long identified with the DPRK, have been a prime target of Hiranuma’s hatred towards North Korea, which is based partly on North Korea’s abduction of Japanese citizens and its aggressive missile tests off the coast of Japan. The discovery of North Korean sleeper cells in South Korea has led to an aggressive Japanese response in attempting to uncover any similar cells in Japan – which has in turn led to accusations of illegal detention and overly aggressive questioning of ethnic Koreans in Japan. This has alienated South Korea as well. As of yet, however, South Korean and Japanese intelligence sharing has not been impacted.

Hiranuma has stated that the days of Japan being “occupied” by the presence of US forces on bases in Japan are “over.” While he recognizes and has not renounced The Treaty of Mutual Cooperation and Security between Japan and the United States he feels that Japan has been given short-shift in the relationship, and points to continuing North Korean provocations towards Japan as proof. Hiranuma is demanding the US-Japan treaty be “renegotiated” to take note of the necessity of Japan’s “New Way” policy and its developing defense relations with other Asian states located on the periphery of the continent.
Hiranuma has publically reminded North Korea of Japan’s ability to build a powerful nuclear weapon in days. This is turn has led to large demonstrations in Japan against the government fed by Japan’s deep anti-nuclear feelings, which were strengthened by the Fukushima nuclear disaster in 2011. Hiranuma has stated that Japan will act aggressively to defend its interests and territory in the region in the event of conflict. In order to curry favor with right-wing elements in the Japanese Self-Defense Forces, Hiranuma has taken to attending frequent military maneuvers and parades put on by the Japanese Self-Defense Forces. He also has visited the Yasukini shrine, which holds the remains of Japanese war criminals from WWII, twice in his capacity as Prime Minister of Japan.

The combination of Hiranuma’s actions and rhetoric have led to deep unease within both Koreas and China. China recalled its ambassador to Tokyo after Hiranuma’s most recent visit to Yasukini and issued a diplomatic protest “strongly denouncing the Prime Minister’s most recent visit to the shrine of the war criminals – sullying the memories of patriotic Chinese everywhere. Relations suffered a further blow when Hiranuma announced that Japan would permanently station members of the Japanese Self-Defense forces on the disputed Senkaku/Diaoyu islands in October 2012. Taiwan also privately condemned this move by the Japanese but strangely, did not issue a public protest. There has been a shift in Japanese rhetoric on the issue of Taiwan as well, with a very muted Japanese response to Taiwanese threats to declare independence.

The US is deeply concerned by Hiranuma’s bellicose rhetoric but is counting on its very close relations with both the Japanese Self-Defense Forces and the Intelligence and Analysis Bureau to act as a restraint on any Japanese movements towards militarism.

This is the global strategic & operational environment as of mid-November, 2012