

**Cooperation and Confrontation in the
East China Sea Dispute:
Lessons for China-Japan Relations**

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B.A. (Honours)
M.A. (International Relations)

Thesis submitted for the Degree of Doctor of Philosophy
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March 2009

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Summary

A gap exists in our understanding of the East China Sea territorial dispute. This dispute is concerned with the sovereignty of the Senkaku/Diaoyu islands and the contested jurisdiction over related maritime areas granted under the UN Convention of the Law of the Sea. Scholarship on the dispute can be divided into two camps. On the one hand are scholars who analyse the impact of material and ideational interests on escalation dynamics and dispute management. On the other side are those who have outlined several innovative delimitation solutions to the dispute, despite the lack of political will in China and Japan to pursue them. Absent from this debate is an understanding of the process by which Chinese and Japanese leaders pursue cooperative policy choices over confrontational ones. By exploring the cooperative and confrontational dynamics of the East China Sea dispute, this thesis aims to identify the conditions under which the political will to pursue settlement may emerge. This research aim is accomplished by a comparison between two cases of cooperation—over fisheries and marine scientific research—with two cases of confrontation, both over the Chunxiao gas field. Viewed through Harvey Starr's opportunity and willingness framework, the aim is to identify the conditions under which China and Japan may develop the political will to settle the East China Sea dispute. In light of the nascent joint development agreement reached in June 2008, and the importance of joint development as a first step towards the settlement options proposed by Ji Guoxing, Mark Valencia, and others, this thesis is particularly timely and provides a substantial contribution to the existing scholarly literature in the issue area.

Declaration

I certify that this thesis does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

James Manicom
Adelaide
March 2009

Acknowledgement

No one completes a PhD thesis without help from a wide array of colleagues, friends and family. First and foremost, thanks are due to my supervisor Andrew O’Neil, who has supported my work since my Master’s degree and has provided mentorship and friendship for five years. The School of Political and International Studies provided an exciting and diverse intellectual environment for postgraduate study. Thanks are due to the participants of the Work in Progress seminar series that attended my presentations and provided feedback, in particular Richard DeAngelis, John Fitzpatrick, Haydon Manning, Michael Sullivan and Maryanne Kelton. Richard Leaver functioned as a second supervisor and used his expertise to sharpen the discussion of many of the issues contained within. Several colleagues suffered through reading the entire manuscript, despite having their own research and family pressures, including Ben Habib, Alex Stephens, and Vlado Vivoda, who accurately described the thesis as “more than I ever wanted to know about the East China Sea dispute.” Vandra Harris provided guidance and inspiration through the fog of graduate study, often to the frustration of her own supervisor. My fieldtrip to China and Japan would have been a complete failure is not for John Bradford, the International Office at Flinders University, Francis Reagan, Xi Yanbin of the International Affairs Office at CASS, and of course the interviewees who agreed to discuss a controversial and topical national security issue. Chris Chung, Jean-Marc Blanchard, Steve Chan, Robert Sutter and Harvey Starr all provided valuable guidance on key arguments either through personal correspondence or through their role as a discussant at a conference. I am also indebted to reviewers at *Global Change, Peace, and Security*, *Contemporary Southeast Asia*, and the Australasian Political Studies Association for feedback and in some cases corrections to aspects of the project. Stephen Fildes of the Spatial Information Systems Laboratory at Flinders University drew the excellent maps contained within. I also owe a debt to Ian Storey and the Indo-Pacific Maritime Security Network for their informative and useful postings. Annan Govindasamy and Ben Page, through their tremendous work ethic and sense of humour, provided an office environment that was conducive to both work and fun. This thesis was completed with the support of the Endeavour International Postgraduate Research Scholarship, the Flinders Overseas Field Trip Grant, the Flinders Conference Travel Grant as well as extensive top-up funding from the Faculty of Social Sciences.

Finally, my graduate work could not have been accomplished without my family. Richard, Esther, Dan, Beth, Sarah, George and Loretta all provided financial, emotional or logistical support to the project. That said they’ve always wanted a reason to visit Australia! Lastly, love and thanks to Caroline, who helped prove that a couple can complete medical school and graduate school simultaneously.

Acronyms

Agency for Natural Resources and Energy (ANRE)
Air Defense Identification Zone (ADIZ)
Air Self-Defense Force (ASDF)
Arabian Oil Company (AOC)
Asia Pacific Economic Cooperation (APEC)
Asian Development Bank (ADB)
Association of Southeast Asian Nations (ASEAN)
Basic Ocean Law (BOL)
China National Offshore Oil Company (CNOOC)
China National Petroleum Corporation (CNPC)
Chinese Communist Party (CCP)
Confidence Building Measure (CBM)
Continental Shelf Convention (CSC)
Democratic Party of Japan (DPJ)
Distant Water Fishery (DWF)
East China Sea (ECS)
Exclusive Economic Zone (EEZ)
Exclusive Fisheries Zone (EFZ)
Food and Agriculture Organization (FAO)
Geographic Information Systems (GIS)
International Court of Justice (ICJ)
Japan Coast Guard (JCG)
Japan Defense Agency (JDA)
Japan Fisheries Agency (JFA)
Japan National Oil Company (JNOC)
Japan Oil, Gas and Metals National Corporation (JOGMEC)
Japan Petroleum Exploration Company (JAPEX)
Joint Development Zone (JDZ)
Law on the Territorial Sea and the Contiguous Zone (LTC)
Liberal Democratic Party (LDP)
Liquefied Natural Gas (LNG)
Marine Scientific Research (MSR)
Maritime Safety Agency (MSA)
Maritime Self-Defense Force (MSDF)
Mid-Term Defense Program (MTDP)
Ministry of Agriculture, Forestry and Fisheries (MAFF)
Ministry of Defense (MOD)
Ministry of Economy, Trade and Industry (METI)
Ministry of Finance (MOF)
Ministry of Foreign Affairs, China (MFA)
Ministry of Foreign Affairs, Japan (MOFA)
Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
National Defense Program Outline (NDPO)
National Development and Reform Commission (NDRC)
National Federation of Fisheries Cooperatives (NFFC)
National Institute of Defense Studies (NIDS)
National Oil Company (NOC)
National People's Congress (NPC)
Official Development Assistance (ODA)
People's Liberation Army Navy (PLAN)

People's Republic of China (PRC)
Provisional Measures Zone (PMZ)
Sea Line of Communication (SLOC)
Self-Defense Force (SDF)
South China Sea (SCS)
State Oceanic Administration (SOA)
United Nations (UN)
United Nations Convention on the Law of the Sea (UNCLOS)
World Trade Organization (WTO)
Units
Barrels per day (b/d)
Cubic Feet (cf)
Million tons of oil equivalent (mtoe)
Nautical mile (nm)

Introduction

The relationship between China and Japan is one of the most intriguing in contemporary world politics. The two are culturally similar in many ways, yet incapable of moving on from historical tragedies: they are economically integrated, yet seem to be on the brink of a strategic rivalry.¹ In the post Cold War period, scholars have become increasingly concerned that in the absence of an overriding common strategic objective, such as containment of the USSR, the two countries might permit their myriad differences to undermine their spectacular economic integration and development. How the two sides have managed to avoid conflict under these conditions has been the subject of two decades of scholarly debate.

This thesis is concerned with how China and Japan have confronted and cooperated with one another over their maritime territorial dispute in the East China Sea since it began in 1969, and what lessons can be drawn for its settlement. Territory is integral to nation-states; it is the source of a state's economic power, arguably the source of its identity, and it forms the physical basis upon which a state is founded.² Nations of peoples without territory, such as the Palestinians or the Kurds, aspire to have it. Historically states have fought wars to acquire or defend it.³ Unsurprisingly, large-N studies of war have found a high correlation between territorial disputes and the decision to go war.⁴ This is not to say that all territorial disputes lead to war; indeed, most do not. But given the focus of the literature on how territorial disputes lead to

¹ This description stems from Yinan He, "Ripe for Cooperation or Rivalry? Commerce, Realpolitik, and War Memory in Contemporary Sino-Japanese Relations," *Asian Security* 4, no. 2 (2008), pp. 162-197.

² On the final point see Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, 2 ed. (London: Verso, 1991), p. 6; E. J. Hobsbawm, *Nations and Nationalism since 1870: Programme, Myth, Reality* (Cambridge: Cambridge University Press, 1990), p. 177. On debates surrounding the formation of national identity see Ernst B. Haas, "Nationalism: An Instrumental Social Construction," *Millennium: Journal of International Studies* 22, no. 3 (1993), pp. 505-545; David Brown, *Contemporary Nationalism: Civic, Ethnocultural and Multicultural Politics* (London: Routledge, 2000). On the explicit relationship between identity, territory and war see Manus I. Midlarsky, "Identity and International Conflict," in *Handbook of War Studies II*, ed. Manus I. Midlarsky (Ann Arbor: University of Michigan Press, 2000), pp. 25-58.

³ See K.J. Holsti, *Peace and War: Armed Conflicts and International Order 1648-1989* (Cambridge: Cambridge University Press, 1991); Malcolm Anderson, *Frontiers: Territory and State Formation in the Modern World* (Cambridge: Polity Press, 1996).

⁴ John A. Vasquez, *The War Puzzle* (Cambridge: Cambridge University Press, 1993).

war, perhaps the time has come to analyse instances in which they do not lead to war. Indeed, despite globalisation, “borders matter”.⁵

While the research program on territorial disputes has a long pedigree, investigations of state behaviour towards maritime territorial disputes remains in their infancy. Maritime territorial disputes are distinct from land-based disputes in as much as they encompass a dispute not only over land, generally groups of rocks or islands, but also the maritime jurisdiction which stems from ownership of that land. These disputes have proven far more difficult to settle than other kinds of territorial disputes. Land-based territorial disputes, as well as maritime delimitation disputes have increasingly been settled through treaty negotiations or through third party arbitration.⁶ Conversely, only two Asian maritime territorial disputes have been submitted for third party arbitration—the Sipidan/Ligitan dispute between Malaysia and Indonesia and the Pedra Branca dispute between Malaysia and Singapore. The remainder, such as the Senkaku/Diaoyu island dispute, the Tokdo/Takeshima dispute, the Kurile Island/Northern Territories dispute, as well as the Spratly and Paracel islands disputes continue to fester. Some scholars have hypothesised that maritime territorial disputes in the Asia-Pacific are rarely settled by formal delimitation agreement because elites derive a degree of political legitimacy from continued low level tensions. Viewed this way, settlement will come as these regimes evolve into more mature states.⁷ This

⁵ Harvey Starr, "International Borders: What They Are, What They Mean and Why We Should Care," *SAIS Review* 26, no. 1 (2006), p. 9.

⁶ Jianwei Wang, "Territorial Disputes and Asian Security: Sources, Management and Prospects," in *Asian Security Order*, ed. Muthiah Alagappa (Stanford: Stanford University Press, 2003), pp. 382-423. I use the term 'maritime territorial dispute' to refer to disputes over offshore islands and their related jurisdictional claims to maritime space. This is distinct from a 'territorial dispute', which is defined as a conflicting claim by two or more states over the ownership of the same piece of land which excludes claims to contested maritime zones. Datasets that employ this definition conflate territorial disputes with maritime territorial disputes and include offshore island disputes such as the Senkaku/Diaoyu islands, but do not include the resultant maritime claims or simple delimitation disputes over the location of maritime boundaries. See for example Paul K. Huth, *Standing Your Ground: Territorial Disputes and International Conflict* (Ann Arbor: The University of Michigan Press, 1996), p. 26; Paul R. Hensel, "Contentious Issues and World Politics: The Management of Territorial Claims in the Americas, 1816-1992," *International Studies Quarterly* 45, no. 1 (2001), p. 90. However, this conceptualisation risks downplaying the salience of the material value derived from ocean space, which is often caught up in territorial political dynamics, particularly in light of the expansion of jurisdictional entitlements under the UN Convention on the Law of the Sea (UNCLOS). Thus, this thesis defines maritime territorial disputes as disputes between two or more countries over the sovereignty of offshore islands and their related maritime jurisdictional entitlements. This definition excludes land-based territorial disputes, maritime delimitation disputes such as the Timor Shelf or the Gulf of Tonkin, as well as disputes over the status of offshore features, such as the Sino-Japanese dispute over Okinotorishima islet.

⁷ Jean-Marc F. Blanchard, "Maritime Issues in Asia: The Problem of Adolescence," in *Asian Security Order: Instrumental and Normative Features*, ed. Muthiah Alagappa (Stanford Ca.: Stanford University Press, 2003), pp. 424-457.

investigation into the East China Sea dispute has some heuristic value because it yields insights into how cooperation can be achieved in a maritime territorial dispute, which in turn indicates how other Asia-Pacific maritime territorial disputes could be settled.

Rather than settling their maritime territorial disputes, Asia-Pacific policymakers have endeavoured to cooperate on different aspects of disputed maritime areas, such as fisheries, environmental management or military confidence building.⁸ These efforts occur under a variety of international conditions, which lie outside explanations of how Asian states behave towards their maritime territorial disputes. For example, Koo argues that economic interdependence has prevented maritime territorial disputes from escalating to war, and thus views these management efforts as an extension of this phenomenon.⁹ Economic interdependence explains the disincentives for war, but not the incentives for cooperation such as those which occurred in the East China Sea over fisheries jurisdiction in 1997 and over marine research activities in 2001. Alternatively, Chung's analysis of three Chinese territorial disputes indicates that settlement is likely when domestic political conditions permit it; a two level game dynamic. The fact that both the fisheries agreement and the notification agreement occurred in light of domestic pressure in Japan for an agreement is overlooked in Chung's analysis however.¹⁰ Similarly, others argue that elites attempt to balance the popular nationalist impulse for confrontation with their own state building prerogatives. However, this does not explain the conditions under which states choose to cooperate on disputed territorial issues.¹¹ Generally, states adopt a variety of initiatives to strengthen their own claims, thereby escalating a maritime territorial dispute, but also attempt to manage bilateral tensions and in some cases arrive at win-win outcomes for resources exploitation or joint policing.

In an effort to explore how China and Japan have cooperated on aspects of their maritime territorial dispute, this thesis explores the cooperative and confrontational

⁸ For a survey of these efforts in the region see Mark J. Valencia, "Maritime Confidence and Security Building in East Asia: Recent Progress and Problems," *Ocean Policy Studies*, no. 3 (2006), pp. 27-45.

⁹ Min Gyo Koo, "Scramble for the Rocks: The Dokto/Takeshima, Senkaku/Diaoyu, and Paracel and Spratly Islands Disputes" (PhD Thesis, University of California, 2005).

¹⁰ Chien-peng Chung, *Domestic Politics, International Bargaining and China's Territorial Disputes* (London: RoutledgeCurzon, 2004).

¹¹ Youngshik Daniel Bong, "Flashpoints at Sea? Legitimization Strategy and East Asian Island Disputes" (PhD Thesis, University of Pennsylvania, 2002).

dynamics of the East China Sea (ECS) dispute. This dispute is focused on the disputed sovereignty of the Senkaku/Diaoyu islands and the contested jurisdiction in the maritime areas they create under the UN Convention of the Law of the Sea (UNCLOS), which entered into force in 1994. The survey of the territorial conflict literature as well as much of the mainstream theoretical literature in International Relations provided in chapter one indicates that the ECS dispute can be seen as a least-likely case of territorial cooperation. This review identifies a gap in academic study of the East China Sea dispute; the conditions under which the political will to solve the dispute may emerge. Studies have thus far focused on one of two areas. The first develops solutions to the territorial dispute, occasionally recognising that the political will to pursue these options is absent in Beijing and Tokyo. The second is preoccupied with explaining dispute management efforts and escalation dynamics. Perspectives on this question depend largely on one's view of the driving force of the dispute; the material value of the contested ocean space or the ideational place the disputed islands hold for Chinese and Japanese national identity. This thesis aims to fill this gap by identifying the conditions under which the political will to cooperate in, if not settle, the East China Sea dispute will emerge in Beijing and Tokyo.

As chapter one argues, the East China Sea dispute poses some interesting challenges to conventional theories of International Relations.¹² It seems to embody all that is sacred about territory, but has nevertheless defied expectations that it will become militarised. From a pessimistic realist perspective the nexus of disputed territory, rising military power and growing energy needs creates a 'perfect storm' for conflict.¹³ From a pessimistic constructivist perspective, a long list of nationalist grievances, as well as the erosion of Japanese pacifist identity and the rise of a Chinese 'Great Power' identity may escalate a territorial dispute which has become increasingly prominent in each state's nationalist discourse.¹⁴ Optimistic realists

¹² The paradigm typologies used here are derived from Aaron L. Friedberg, "The Future of US-China Relations: Is Conflict Inevitable?," *International Security* 30, no. 2 (2005), pp. 7-45.

¹³ Kent E. Calder, "China and Japan's Simmering Rivalry," *Foreign Affairs* 85, no. 2 (2006), pp. 129-139; Arthur S. Ding, "China's Energy Security Demands and the East China Sea: A Growing Likelihood of Conflict in East Asia?," *The China and Eurasia Forum Quarterly* 3, no. 3 (2005), pp. 35-38; Michael T. Klare, "Fueling the Dragon: China's Strategic Energy Dilemma," *Current History* 105, no. 690 (2006), p. 185.

¹⁴ Thomas Berger, "Set for Stability? Prospects for Conflict and Cooperation in East Asia," *Review of International Studies* 26, no. 3 (2000), pp. 405-428; Leszek Buszynski, *Asia Pacific Security- Values and Identity* (London: RoutledgeCurzon, 2003); Zhongqi Pan, "Sino-Japanese Dispute over the Senkaku/Diaoyu Islands: The Pending Controversy from the Chinese Perspective," *Journal of Chinese Political Science* 12, no. 1 (2007), pp. 71-92.

argue that Chinese and Japanese leaders recognise the potentially disastrous implications of allowing a small territorial dispute to escalate, particularly given the role of the US as Japan's security guarantor. Both sides are deterred from escalation by the potentially catastrophic results.¹⁵ Optimistic constructivists argue that identity disputes between states are not pre-ordained and are surmountable.¹⁶ Indeed, the emergence of a pan-Asian identity may create expectations that disputes between the two will be settled: cultural similarities between China and Japan run deep.¹⁷ Finally, from the liberal perspective, the impact of economic interdependence has prevented escalation but has not led to the kind of deep interdependence that is conducive to lasting peace.¹⁸ This is particularly unfortunate in light of clear opportunities to build regimes on non-traditional security issues such as environmental management.¹⁹ Chapter one elaborates on this discussion and argues that these theoretical insights do not explain the process by which China and Japan have arrived at past cooperative agreements in the East China Sea or explain how they may overcome barriers to cooperation in the future.

In light of these competing theoretical perspectives, the trend in Asia-Pacific security studies scholarship has been to abandon paradigmatic debates and employ different aspects of each paradigm to a given subject of study.²⁰ An alternative proposal has

¹⁵ Michael McDevitt et al., "Sino-Japan Rivalry: A CNA, IDA, NDU/INSS, and Pacific Forum CSIS Project Report," *Issues & Insights* 7, no. 2 (2007); Mike M. Mochizuki, "Dealing with a Rising China," in *Japan in International Politics: The Foreign Policies of an Adaptive State*, ed. Thomas Berger, Mike M. Mochizuki, and Jitsuo Tsuchiyama (Boulder CO.: Lynne Rienner Publishers Inc., 2007), pp. 229-255.

¹⁶ Peter Hays Gries, "Social Psychology and the Identity-Conflict Debate: Is a 'China Threat' Inevitable?," *European Journal of International Relations* 11, no. 2 (2005), pp. 235-265; J.J. Suh, "War-Like History or Diplomatic History? Contentions over the Past and Regional Orders in Northeast Asia," *Australian Journal of International Affairs* 61, no. 3 (2007), pp. 382-402.

¹⁷ Austin and Harris, pp. 43-47. On the first point see Kishore Mahbubani, "The Pacific Impulse," *Survival* 37, no. 1 (1995), pp. 105-20.

¹⁸ Ming Wan, "Economic Interdependence and Economic Cooperation: Mitigating Conflict and Transforming Security Order in Asia," in *Asian Security Order: Instrumental and Normative Features*, ed. Muthiah Alagappa (Stanford: Stanford University Press, 2003), pp. 280-310.

¹⁹ Mark J. Valencia, *A Maritime Regime for North-East Asia* (Hong Kong: Oxford University Press, 1996). Indeed, Northeast Asian states appear to have adopted a more utilitarian attitude towards UNCLOS, which many viewed as a possible basis for a maritime regime. For this debate see Jin-Hyun Paik, "Law of the Sea and Stable Maritime Regime," in *Maritime Security and Cooperation in the Asia-Pacific toward the 21st Century*, ed. Dalchoong Kim, Seo-Hang Lee, and Jin-Hyun Paik, *East and West Studies Series* (Seoul: Institute of East and West Studies, Yonsei University, 2000), pp. 167-175; Sam Bateman, "UNCLOS and Its Limitations as the Foundation for a Regional Maritime Regime," *Working Paper #111* (Singapore: Institute of Defence and Strategic Studies, 2006).

²⁰ See Denny Roy, "Realism and East Asia," *The Journal of East Asian Affairs* 14, no. 1 (2000), pp. 159-178; G. John Ikenberry and Michael Mastanduno, eds., *International Relations Theory and the Asia-Pacific* (New York: Columbia University Press, 2003); Peter J. Katzenstein and Rudra Sil, "Rethinking Asian Security: A Case for Analytical Eclecticism," in *Rethinking Security in East Asia:*

been to abandon conventional International Relations theory all together and seek new theoretical insights from other sources.²¹ In this tradition, chapter two proposes an alternative theoretical lens for the analysis of the East China Sea dispute developed from the territorial conflict literature. It outlines the ‘opportunity and willingness’ framework developed by Harvey Starr which is informed by the ‘menu-for choice’ perspective of Bruce Russett and the environmental politics tradition of Harold and Margaret Sprout. Used in large-N studies of state behaviour, the framework is concerned with exploring the relationship between structural and environmental level developments on the one hand (opportunity), and decision-making process on the other (willingness). In seeking to explain cooperation and confrontation over territorial issues, scholars of East Asian International Relations should examine the issue through a territorial lens.²²

Based on the above, the thesis aims to contribute knowledge in three areas of International Relations. First, at an empirical level it seeks to contribute an understanding of the circumstances under which China and Japan may move to settle the East China Sea dispute in the future. Second, in the field of East Asian strategic studies, it makes a theoretical contribution by setting out the ‘opportunity and willingness’ framework as an alternative analytical lens for analysts to employ in the evaluation of the many maritime territorial disputes that plague the region. Finally, it seeks to contribute to the literature on territorial disputes by employing the ‘opportunity and willingness’ framework in a qualitative manner. The aim is to ascertain whether the framework maintains its explanatory power when used qualitatively and asks whether the use of a qualitative framework tell analysts anything about the interaction between the opportunity and willingness concepts.

Identity, Power and Efficiency, ed. J.J. Suh, Peter J. Katzenstein, and Allen R. Carlson (Stanford: Stanford University Press, 2004), pp. 1-33.

²¹ For example, David Kang has argued that East Asian state behaviour can be explained by its historic preference for a hierarchic international order. David C. Kang, "Hierarchy, Balancing and Empirical Puzzles in Asian International Relations," *International Security* 28, no. 3 (2003/04), pp. 165-180; David Kang, *China Rising: Peace, Power and Order in East Asia* (New York: Columbia University Press, 2007). Another scholar has employed insights from the English School to the Spratly Islands dispute. See Liselotte Odgaard, *Maritime Security between China and Southeast Asia* (Aldershot: Ashgate, 2002).

²² For one such attempt see Jean-Marc F. Blanchard, "China's Peaceful Rise and Sino-Japanese Territorial and Maritime Tensions," in *China's "Peaceful Rise" In the 21st Century: Domestic and International Conditions*, ed. Sujian Guo (Aldershot: Ashgate, 2006), pp. 211-236.

The primary contribution of the thesis is the identification of the conditions under which the political will to solve the East China Sea dispute may emerge. This is accomplished through the comparative analysis of cooperative and confrontational dynamics in the dispute. As noted above, chapter one argues that no one has explored how China and Japan move between confrontation and cooperation over the dispute and by extension how they may become willing to pursue settlement negotiations. This problem is well summarised by J.R.V. Prescott: “there...has to be a compelling reason...which will motivate the coastal states to commit the considerable *political will* as well as human and financial resources required to deliver a successful maritime boundary delimitation.”²³

The second area is a contribution to the theoretical ‘toolkit’ available to International Relations scholars. Ming Wan has convincingly argued that the post-1989 Sino-Japanese relationship seems to operate within a spectrum defined by the variables identified by International Relations theory. In his view, economic interdependence and rational strategic calculation provide a floor through which the relationship is unlikely to fall. Simultaneously, the relationship is unlikely to move beyond the ceiling created by divergent great power national identities, as well as mutually reinforcing poor public perceptions. The rivalry this relationship creates, as well as the potential for it to become beholden to security dilemma dynamics and associated arms races, means that while war is unlikely, China and Japan are equally incapable of a genuine improvement in the bilateral relationship in the medium term.²⁴

In between these two extremes however, the relationship follows a series of peaks and valleys. Although the International Relations paradigms outlined above can explain the outer limits of the bilateral relationship, different theoretical tools are required to explain changes within this spectrum. This is where this thesis seeks to make a theoretical contribution to the International Relations theoretical literature, by employing the ‘opportunity and willingness’ framework as a way of analysing the confrontational and cooperative dynamics in Sino-Japanese foreign policy, using the case of the East China Sea dispute. By operating between this floor and ceiling, the framework permits the analyst to focus on structural level variables that affect foreign

²³ J.R.V. Prescott and Clive Schofield, *The Maritime Political Boundaries of the World*, 2nd ed. (Leiden: Martinus Nijhoff Publishers, 2005), p. 245. Emphasis added.

²⁴ Ming Wan, *Sino-Japanese Relations: Interaction, Logic, and Transformation* (Stanford, CA: Stanford University Press, 2006), ch. 13.

policy decisions besides international power structure dynamics. The case studies reveal that other structural and environmental factors, such as the ratification of UNCLOS and the geological characteristics of the East China Sea seabed have impacted cooperative and confrontational policy choices. The ‘opportunity and willingness’ framework has not been used in this fashion before, and the thesis seeks to evaluate its analytical suitability under the conditions described above.

The East China Sea dispute is suitable for this endeavour for three reasons. First, as chapter one argues the ECS dispute is a least-likely case of territorial cooperation, yet has witnessed two cooperative agreements with a third, over resource exploitation, in an early stage. Second, as chapter three will argue, policy elites have found reasons to pursue both cooperation and confrontation over the Senkaku/Diaoyu islands as well as the wider jurisdictional challenges in the East China Sea. Finally, unlike other maritime territorial disputes in East Asia, the ECS dispute is the only bilateral dispute that has witnessed both threats of military force as well as multiple agreements on disputed territorial issues. Hence it is well suited for analysis of both cooperative and confrontational outcomes.

The thesis’ final contribution, while bearing in mind the perils of generalisation, is an effort to comment on what has been learned about the ‘opportunity and willingness’ framework. As chapter two will argue, the concepts are clearly interdependent, but the nature of this relationship remains an area of considerable debate. By exploring them in a qualitative framework, the thesis will strengthen the understanding of this relationship. For example, it is unknown which element drives the other. Does willingness lead policymakers to create policy opportunities, or does the existence of a policy opportunity create the willingness to pursue it?

To achieve these aims, the thesis is guided by four research questions and makes two comparisons based on four case studies. There are two case studies of cooperation (chapters four and five) and two case studies of confrontation, (chapters six and seven). The first comparison, between confrontational and cooperative dynamics, addresses the following two research questions:

Question One: Under what conditions do China and Japan cooperate with or confront one another over territorial issues in the East China Sea dispute?

Question Two: What factors are responsible for the success or failure of a given confrontational or cooperative policy choice?

The second comparison is made across all four case studies and addresses the following research questions:

Question Three: What factors create the conditions of political will to pursue the cooperative settlement of the East China Sea dispute?

Question Four: What factors can be expected to drive future cooperative and confrontational dynamics in the East China Sea territorial dispute?

These four research questions provide a framework to identify the conditions under which Chinese and Japanese leaders will develop the political will to solve the East China Sea territorial dispute. Before proceeding, it is important to outline what this thesis is *not* about. First, it excludes analysis of Taiwan and South Korea, both of which have claims to some or all of the East China Sea. In its current form, the East China Sea dispute is primarily a dispute between Japan and China. While any final solution is impossible without input from these other claimants, this remains outside the scope of the present study. Secondly, this thesis does not advance a legal or technical delimitation solution to the East China Sea dispute. As chapter one will demonstrate, this has been done admirably by others. This thesis is concerned with the gap between these proposals and the provisional cooperative agreements that have been achieved.

Structure of the thesis

The thesis proceeds in four parts. The first part presents three chapters which outline the theoretical and empirical parameters of the study. Chapter one elaborates on the survey of the territorial dispute literature and the literature on the East China Sea dispute. This discussion reveals that a central aspect of the dispute has been overlooked; the conditions under which Chinese and Japanese leaders may develop the political will to solve the dispute. Combined, these bodies of literature suggest that the ECS dispute is a least likely case of territorial cooperation.²⁵

²⁵ On least likely cases see Alexander L. George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge, MA: MIT Press, 2005), pp. 120-122; Harry Eckstein, "Case Study and Theory in Political Science," in *Strategies of Inquiry: Handbook of Political Science Vol. 7*, ed. Fred I. Greenstein and Nelson W. Polsby, *Handbook of Political Science* (Reading, MA: Addison-Wesley Publishing Co., 1975), pp. 118-119.

Chapter two surveys the literature on territorial conflict and develops a qualitative version of the ‘opportunity and willingness’ framework. It outlines how both elements of the theory are conceptualised and discusses the concept of territorial value as a method of identifying a state’s preferred territorial policy objectives. Chapter three provides a background to the case study chapters by analysing how policy elites in Japan and China have managed the disputed islands issue from the onset of the East China Sea dispute in 1969 until the most recent crisis over the islands in 2006. It argues that these efforts became more difficult by the turn of the 21st century because of the conflation of ideational and material elements of the dispute.

Part two of the thesis contains two cases studies of cooperation in the East China Sea dispute. While both have serious flaws, this does not detract from insights that may be gained into the cooperative behaviour of China and Japan. Chapter four presents the first case study of a cooperative outcome in the East China Sea dispute, the 1997 China-Japan Fisheries agreement. The chapter explores the fisheries balance between China and Japan and argues that the rise of UNCLOS created an opportunity for Japanese elites to change an unfavourable status quo. The willingness to do so was first evident in Japan’s fisheries lobbies which, although powerful political actors, still needed to overcome Japan’s historic aversion to the ocean enclosure movement that UNCLOS represented. Chapter five presents the second case study of a cooperative outcome in the ECS dispute, the 2001 Agreement on the Prior-Notification of Marine Research. This chapter explores how Chinese and Japanese leaders have dealt with the issue of maritime jurisdiction in the ECS with respect to marine research. In this case Japanese leaders became willing to address the issue with China, but had few options on their policy menu. This appears to be part of the reason the agreement has failed to stem Chinese intrusions into Japanese waters.

Part three of the thesis contains two case studies of confrontational policy choices in the East China Sea dispute. Chapter six explores China’s decision to proceed with the development of the Chunxiao gas project over Japanese protests between May 2004 and April 2005. Following the revelation that China had constructed a production

facility at the Chunxiao gas field,²⁶ Japanese leaders issued repeated requests that Beijing cease its activities. By choosing to ignore these requests and by asserting its claim militarily Chinese leaders escalated the Chunxiao dispute. The analysis indicates that China was willing to do this not only because of its energy needs, but also because it was in the interest of domestic constituencies such as CNOOC. Further, the bilateral political climate was not conducive to cooperation in light of widespread anti-Japanese protests taking place in China. Beijing was able to successfully implement this policy because of the considerable growth in its offshore resource development capabilities as well as its more capable navy. Chapter seven explores Japan's response to China's escalation; Tokyo's decision in April 2005 to prepare for exploratory drilling near the disputed median line. Japan's response to China's intransigence was to further escalate the dispute by granting the Teikoku Oil Company the right to drill in the disputed area. The willingness to pursue this policy course came amidst widespread public support for a more assertive policy as well as from within the policymaking apparatus and in the media. However, due to constitutional restrictions on Japan's use of force, as well as the strong Chinese reaction, this policy failed as Japan returned to the bargaining table with a joint development proposal in October 2005.

Part four of the thesis applies the lessons of the case studies to the final period under study and draws some conclusions and policy implications. Chapter eight explores the roots of the June 2008 'consensus' on resource development in light of the lessons of the case studies. Chapter nine, the final chapter, draws conclusions, identifies implications for current debates in Chinese and Japanese foreign policy, and explores avenues for future research.

To summarise, the next chapter (one) summarises the literature on the East China Sea dispute and territorial conflict generally and identifies the niche area of the thesis. There is a gap between those who explore how policymakers have managed tensions in the East China Sea, and the multitude of settlement solutions proposed by scholars

²⁶ Note on terminology. 'Chunxiao' refers to a gas field in the East China Sea, but also refers to a group of four fields; Chunxiao, Tianwaitian, Canxue and Duanqiao. This thesis uses 'Chunxiao' to refer to all four fields and 'Chunxiao field' to refer to the specific field. Many media publications and commentary do not make this distinction which creates confusion. In particular, the author is unaware whether the Japanese term for the Chunxiao field 'Shirakaba' refers to the field alone, or is also used to refer to all four fields in the area. All the fields have Japanese names; Shirakaba is often used in both contexts. This thesis uses the Chinese names for all the gas fields because they were discovered and named by entities operating for the government of the PRC.

such as Mark Valencia and others.²⁷ By identifying the conditions of cooperation, in particular how the political will to cooperate emerges, it will be possible to identify the circumstances under which Beijing and Tokyo will pursue these settlement options. This is critical because “how Japan and China handle their maritime disputes, and their maritime strategic posture, should be a guide to the disposition of the two governments toward each other in military strategic affairs.”²⁸

²⁷ See most recently Mark J. Valencia, "The East China Sea Dispute: Context, Claims, Issues, and Possible Solutions," *Asian Perspective* 31, no. 1 (2007), pp. 127-167.

²⁸ Greg Austin and Stuart Harris, *Japan and Greater China: Political Economy and Military Power in the Asian Century* (London: Hurst & Co., 2001), p. 99.

Chapter 1: Territorial Imperatives in the China-Japan Relationship

The East China Sea dispute is a recurring source of political tension in the China-Japan relationship and, as the following survey of the academic literature will indicate, an issue that has not been subject to comprehensive academic study. Generally, the dispute is viewed as a measure of the tone of the wider Sino-Japanese relationship. Although it is frequently cited as an example of China and Japan's inability to cooperate, the two have a track record of cooperation in the East China Sea in the areas of fisheries exploitation and conservation, and limited cooperation regarding marine surveys. There is even evidence that they are capable of managing crisis-like tensions over the use of the contested ocean area. For instance, in 2001 the Japanese navy sank a suspected North Korean spy ship as it fled Japanese waters. Despite elevated tensions over the political symbolism of the Japanese military sinking an unidentified vessel in Chinese-claimed waters, the two sides were able to avoid conflict, and even managed to agree on the raising of the vessel by the Japanese.¹ Nevertheless, the East China Sea has been the site of recurring confrontation. Military encounters between Chinese and Japanese aircraft and naval and coast guard vessels have been occurring with increased regularity. These are a source of concern given the high level state of political mistrust between the two neighbours. Similarly, there has been ongoing tension over Chinese natural gas installations near the Japanese-claimed area. Moreover, Chinese marine research and naval vessels routinely violate Japanese-claimed waters, which serve to heighten Japanese security concerns about China's future strategic posture.

Furthermore, the East China Sea dispute is a recurring theme in a hostile nationalist discourse between China and Japan. Popular sentiment over the contested areas has not been limited to benign political expression. There have been demonstrations, riots and bold attempts by activists on both sides to demonstrate their country's inalienable right to the disputed Senkaku/Diaoyu islands. This sentiment is politically significant on two levels. First, it could be indicative of genuine popular opposition to the territorial imperatives of the rival state, which in turn could constrain policymakers'

¹ For the Chinese and Japanese version of events respectively see Shih Chun-yu, "Casting Doubts on Japan's Sinking of Suspicious Ship," *Ta Kung Pao*, December 26 2001 in World News Connection (hereafter WNC), CPP-2001-12-26-000020; Japanese Defense Agency (JDA), *Defense of Japan 2002* (Tokyo: Urban Connections, 2002), pp. 125-126.

attempts to control the escalation of political tension or pursue settlement options. Second, these nationalist sentiments are not limited to the general public but are also present throughout the policy apparatus in both countries. This creates sections of government which may have suspicious or hostile views of the other state, which in turn impacts these bureaucratic arms' preferred policy outcomes. In short, in light of the Sino-Japanese rivalry, the fact that the two have managed to avoid overt conflict over their territorial dispute is striking.² Equally striking is that they have arrived at three cooperative agreements in their maritime territorial dispute, over fisheries, marine surveys and a tentative agreement on resource exploitation.³ This thesis seeks to uncover the underlying conditions of this cooperation and confrontation, in an effort to identify which trends in the future will be conducive to the formation of the political will necessary to pursue the settlement of the East China Sea dispute.

The East China Sea dispute has been studied from a variety of perspectives in International Relations. However, it has never been analysed as a single study as in this thesis. The first section of this chapter explores the East China Sea dispute as it is characterised in the literature on the China-Japan relationship and argues the ECS dispute is used in these works as an example to satisfy a defined set of theoretical aims. While insightful, this work does not explain why China and Japan behave the way they do towards their territorial dispute. The second section considers general academic treatments of territorial disputes and is divided into two parts. The first part explores the territorial dispute literature and argues it does not answer specific questions about the behaviour of China and Japan. Moreover, this literature's expectations of the circumstances under which states cooperate on territorial disputes indicates that the ECS dispute lies outside these expectations. The second part analyses the literature on Chinese and Japanese behaviour towards their respective territorial disputes. This section yields two important insights; first, that much of this

² A rivalry is defined as "as a relationship between adversaries who identify each other as threatening competitors and enemies. Once these perceptions emerge, subsequent interactions will be characterised by suspicion and hostility which can lead to misperception, expectations of bad faith behaviour and exaggerations of hostility." Karen Rasler and William R. Thompson, "Contested Territory, Strategic Rivalries, and Conflict Escalation," *International Studies Quarterly* 50, no. 1 (2006), p. 149.

³ Only two studies explicitly make the point that the cooperation seen on fisheries and marine surveys could translate to the wider East China Sea dispute. See Mark J. Valencia and Yoshihisa Amae, "Regime Building in the East China Sea," *Ocean Development and International Law* 34, no. 2 (2003), pp. 189-208 and Zhiguo Gao and Jilu Wu, "Key Issues in the East China Sea: A Status Report and Recommended Approaches," (paper presented at the Seabed Petroleum in the East China Sea: Geological Prospects, Jurisdictional Conflicts and Paths to Cooperation, Beijing, April 12-13 2005), pp. 34-38.

literature is China centric, and second, the works that focus on Japan are preoccupied primarily with the disputed Senkaku/Diaoyu islands, rather than with Japan's wider maritime claims. This discussion indicates that Chinese and Japanese territorial imperatives are motivated by a complex mix of variables and policy actors.

The third section explores the literature on the East China Sea dispute itself. There is a host of literature that describes the legal claims to the disputed territory, or which proposes solutions, but there has been little work done on understanding the process by which China and Japan have chosen to escalate or cooperate when faced with policy challenges in the East China Sea. Rather, the bulk of the literature seeks to explain non-escalation rather than cooperation, or is interested in the likelihood of the use of military force by China in the dispute. The chapter concludes that there is an important gap in our understanding of the ECS dispute, which pertains to the circumstances under which China and Japan choose to confront or cooperate with each other in the ECS dispute. Prior to any decision to select one of the existing settlement options, the political will to do so must emerge in both capitals. By filling this gap, this thesis will be able to identify what realistic future developments are germane to confrontation or to cooperation, and by extension what the necessary conditions of political will to settle the ECS dispute are.

1.1 The East China Sea dispute in the China-Japan relationship.

As outlined in the introduction, the East China Sea dispute is larger than simply the sovereignty dispute over the Senkaku/Diaoyu islands or the gas installations at Chunxiao. It includes elements such as marine research and naval patrols in the disputed area, fisheries exploitation and management, as well as the way these disputes impact Sino-Japanese interactions in the political arena. Those who analyse the China-Japan relationship often cite the East China Sea dispute, or some aspect of it, as one of the bevy of bilateral disputes that plague the 'cold' political dimension of the relationship.⁴ Other issues include disputes over history textbooks, Japanese politicians' visits to the Yasukuni Shrine, the Japanese role in a Taiwan Strait conflict, Beijing's manipulation of popular anti-Japanese sentiment, China's military

⁴ Tomohiko Taniguchi, "A Cold Peace: The Changing Security Equation in Northeast Asia," *Orbis* 49, no. 3 (2005), pp. 445-457; Feng Zhaokui, "Factors Shaping Sino-Japanese Relations," *Contemporary International Relations* (2001); Tomoyuki Kojima, "Japan's China Policy," in *Japan and China: Rivalry or Cooperation in East Asia?*, ed. Peter Drysdale and Dong Dong Zhang (Canberra: Australia-Japan Research Centre, 2000), pp. 33-47.

modernisation, as well as the ongoing process of competitive regionalism. For example, Kent Calder argues that the nexus of territorial disputes in the East China Sea, military build-ups by Beijing and Tokyo and greater resource needs are evidence of a highly unstable relationship.⁵ Some extend this logic to suggest that the Sino-Japanese relationship is best characterised by rivalry, and that the East China Sea is the most likely place for this rivalry to become militarised.⁶

For others, the East China Sea dispute is a likely spot of conflict because of developments in other dimensions of the relationship. Denny Roy views Japan's changing security posture as a possible cause of an ECS confrontation.⁷ This posture is viewed suspiciously in Beijing, which responds in kind with its own military posturing, particularly as it views itself as facing both Japan and its ally, the United States.⁸ Due to geographical realities, this posture occurs in the seas and skies of the East China Sea.⁹ Problematically, this becomes a cyclical issue; as both navies modernise their capabilities and expand their operational mandate, each develops a self-reinforcing concern about the other.¹⁰ Japanese analysts widely cite Chinese naval patrols and military spending as the basis of a 'China Threat', while the Chinese view greater Japanese military independence from Washington and more frequent overseas military operations as a threat.¹¹ In any case, because it is the nexus

⁵ Calder, "China and Japan's Simmering Rivalry," p. 129; Klare, "Fueling the Dragon: China's Strategic Energy Dilemma," p. 185; Barry S. Zellen and Michael T. Klare, "Energy, Resource Conflict and the Emerging World Order," *Strategic Insights* 7, no. 1 (2008), <http://www.ccc.nps.navy.mil/si/2008/Feb/klareFeb08.asp>. Accessed 03/06/2008.

⁶ McDevitt et al., p. 29; Jing-Dong Yuan, "Stopping the Free-Fall: Implications of Sino-Japanese Rivalry for Regional Stability and Canadian Interests," International Security Research and Outreach Programme, DFAIT, <http://www.dfait-maeci.gc.ca/arms/isrop/research/free-fall-2007/menu-en.asp?#6a3>. Accessed 22/10/2007; Willem Van Kemenade, *China and Japan: Partners or Permanent Rivals?* (The Hague: Netherlands Institute of International Relations, 2006).

⁷ Denny Roy, "Stirring Samurai, Disapproving Dragon: Japan's Growing Security Activity and Sino-Japan Security Relations," *Asian Affairs, an American Review* 31, no. 2 (2004), pp. 86-101.

⁸ Thomas J. Christensen, "China, the US-Japan Alliance and the Security Dilemma in East Asia," *International Security* 23, no. 4 (1999), pp. 49-80.

⁹ Denny Roy, "The Sources and Limits of Sino-Japanese Tensions," *Survival* 47, no. 2 (2005), pp. 198-199.

¹⁰ This phenomenon may be limited to the maritime realm as others have argued convincingly that the wider military relationship has not been characterised by security dilemma dynamics. See James Reilly, "The Curious Absence of a Security Dilemma in China-Japan Relations" (paper presented at the Greater China in an Era of Globalization, Hong Kong, July 14-15 2008).

¹¹ See Wenran Jiang, "The Japanese Assessment of the 'China Threat'," in *The China Threat: Perceptions, Myths and Reality*, ed. Herbert Yee and Ian James Storey (London: RoutledgeCurzon, 2002), pp. 150-165. On maritime power and strategic competition see Joshua Ho, "The Shifting of Maritime Power and the Implications for Maritime Security in East Asia," *Working Paper #68* (Singapore: Institute of Defence and Strategic Studies, 2004); Duk-Ki Kim, *Naval Strategy in Northeast Asia: Geostrategic Goals, Policies and Prospects* (London: Frank Cass, 2000); Jianwei Wang, "Adjusting to A 'Strong-Strong Relationship': China's Calculus of Japan's Asia Policy," in

of all that plagues the relationship, the ECS dispute remains the litmus security issue for China and Japan, from which the future trajectory of the relationship can be calculated.¹²

Other scholars attempt to draw conclusions about the trends in the broader relationship based on a claimant's posture towards the East China Sea dispute. For example, Green and Self view Japan's decision to declare an Exclusive Economic Zone (EEZ) in 1996 as evidence of a more assertive posture towards China.¹³ Alternatively, chapter four of this thesis views this decision as a policy change which was not directed against China, but rather the final step in the evolution of Japan's ocean policy. Indeed, the implications of this decision for the bilateral relationship were subject to much debate in MOFA. Others view Chinese intrusions into Japanese waters as part of a wider strategy to challenge US dominance in Asia.¹⁴

Recent theoretical work on the China-Japan relationship incorporates constructivist and interdisciplinary approaches and stresses the degree to which the relationship is hostage to competing national identities.¹⁵ Popular opinion in each state views the other with a negativity that borders on hostility, which causes otherwise simple government tasks, such as the approval of new history textbooks, to become diplomatic incidents.¹⁶ As there have been several incidences of popular unrest in China and Japan associated with the Senkaku/Diaoyu islands, the East China Sea dispute is often considered in this context; as evidence of China and Japan's

Japan's Asia Policy: Revival and Response, ed. Takashi Inoguchi (New York: Palgrave MacMillan, 2002), pp. 103-136.

¹² Mike M. Mochizuki, "Japan's Shifting Strategy toward the Rise of China," *Journal of Strategic Studies* 30, no. 4-5 (2007), p. 771.

¹³ Michael J. Green and Benjamin L. Self, "Japan's Changing China Policy: From Commercial Liberalism to Reluctant Realism," *Survival* 38, no. 2 (1996), pp. 35-58.

¹⁴ John J. Tkacik Jr., "China's New Challenge to the US Japan Alliance," Heritage Foundation, 2004, <http://www.heritage.org/Research/AsiaandthePacific/wm533.cfm>, Accessed 17/01/2007.

¹⁵ See for example Michael Heazle and Nick Knight, "Introduction: 2005 - China and Japan's Year of Living Dangerously," in *China-Japan Relations in the Twenty-First Century: Creating a Future Past?*, ed. Michael Heazle and Nick Knight (Cheltenham, UK: Edward Elgar, 2007), pp. 1-12; Thomas Berger, "Power and Purpose in Pacific East Asia: A Constructivist Interpretation," in *International Relations Theory and the Asia-Pacific*, ed. G. John Ikenberry and Michael Mastanduno (New York: Columbia University Press, 2003), pp. 387-419. For a regional perspective see Buszynski, *Asia Pacific Security - Values and Identity*; Berger, "Set for Stability? Prospects for Conflict and Cooperation in East Asia," pp. 405-428.

¹⁶ Caroline Rose, *Sino-Japanese Relations: Facing the Past, Looking to the Future?* (London: RoutledgeCurzon, 2005).

irreconcilable ideational divisions.¹⁷ However, this dynamic is inconsistent. Following the April 2005 anti-Japanese protests in Chinese cities, few would point to the East China Sea dispute as an example of either party exercising restraint on the manipulation of public opinion. However, this was the case in 1999 after the Chinese and Japanese governments restrained themselves as activists attempted to provoke yet another incident over the Senkaku/Diaoyu islands.¹⁸

The dispute is certainly tied to the national identities of both states, not only because of attachments to the disputed territory, but also because the rival claimant is Japan and China, which hold a unique place in the other's identity.¹⁹ Some scholars view Japan's more active military posture as a shift away from its pacifist identity.²⁰ Many Japanese people are supportive of a more activist foreign policy which befits a state of Japan's size and wealth.²¹ In light of Asia's experience during World War II, this shift opens Japan to criticism from its neighbours, China in particular. However, many Japanese people and policymakers dismiss Chinese concerns. They argue Japan should not be shy about asserting itself on the Senkaku/Diaoyu islands or in the defence of its maritime territory.²² Concurrently, Chinese national identity surrounds its historical experience of interference by foreign powers, especially Japan, which explains its hypersensitivity to issues of territorial integrity.²³ Thus, Japan has taken

¹⁷ Yinan He, "History, Chinese Nationalism and the Emerging Sino-Japanese Conflict," *Journal of Contemporary China* 16, no. 50 (2007), pp. 1-24; "Northeast Asia's Undercurrents of Conflict," *Asia Report #108* (Brussels: International Crisis Group, 2005).

¹⁸ See Rex Li, "Partners or Rivals? Chinese Perceptions of Japan's Security Strategy in the Asia-Pacific Region," *Journal of Strategic Studies* 22, no. 4 (1999), p. 20.

¹⁹ Unryu Suganuma, "The Diaoyu/Senkaku Islands: A Hotbed for a Hot War?," in *China and Japan at Odds: Deciphering the Perpetual Conflict*, ed. James C. Hsiung (New York: Palgrave MacMillan, 2007), pp. 135-172.

²⁰ Glenn D. Hook, "The Erosion of Anti-Militaristic Principles in Contemporary Japan," *Journal of Peace Research* 25, no. 4 (1988), pp. 381-394; Glenn D. Hook, *Militarization and Demilitarization in Contemporary Japan* (London: Routledge, 1996). For a dissenting view see Thomas Berger, "Norms, Identity and National Security in Japan and Germany," in *The Culture of National Security: Norms and Identity in World Politics*, ed. Peter J. Katzenstein (New York: Columbia University Press, 1996), pp. 317-356.

²¹ Richard J. Samuels, "Securing Japan: The Current Discourse," *Journal of Japanese Studies* 33, no. 1 (2007), pp. 125-152.

²² Tsuneo Watanabe, "Changing Japanese Views of China: A New Generation Moves toward Realism and Nationalism," in *The Rise of China in Asia: Security Implications*, ed. Carolyn W. Pumphrey (Carlisle, PA: Strategic Studies Institute, US Army War College, 2002), pp. 161-188.

²³ Allen Carlson, *Unifying China, Integrating with the World: Securing Chinese Sovereignty in the Reform Era* (Stanford: Stanford University Press, 2005); Martin Stuart-Fox, "Southeast Asia and China: The Role of History and Culture in Shaping Future Relations," *Contemporary Southeast Asia* 26, no. 1 (2004), pp. 116-139; Robert A. Scalapino, "China's Multiple Identities in East Asia: China as a Regional Force," in *China's Quest for National Identity*, ed. Lowell Dittmer and Samuel S. Kim (Ithaca: Cornell University Press, 1993), pp. 215-236.

the place of first amongst equals in the Chinese nationalist targets composed of Taiwan, the United States and Japan, in many cases regardless of efforts by policy elites to downplay the history issue.²⁴ At the very least, Japan and Taiwan have been exceptions to China's otherwise active engagement with Asia-Pacific states, not least because of this unique place in Chinese national identity.²⁵ According to Michael Yahuda, these mutually reinforcing negative images have created a lack of empathy for the other, which in turn has hindered the creation of institutions or constituencies which publicly favour improved relations, as predicted by the liberal internationalist notion of interdependence.²⁶ Consequently, recovering the disputed islands is part of the Chinese Communist Party's (CCP) mission to redress the 'Century Humiliation' at the hands of Japan and the West. In the words of Reinhard Drifte, for Japan, the East China Sea dispute is "part of an understanding of China which sees the giant neighbour threatening its identity in an increasing number of areas", while for China the dispute, "is part of the historical discourse of regaining what should rightfully be returned to China in order to restore its former national status."²⁷

Those coming from a liberal internationalist perspective tend to have a more optimistic view of the China and Japan relationship, and find evidence to support this in the East China Sea dispute. According to this view, China and Japan's shared needs for energy resources creates an overlapping interest that could lead to a cooperative outcome and the improvement of political relations.²⁸ Some argue that territorial disputes involving natural resources have a high probability of settlement, because of the possibility of resource sharing agreements, which are arguably more likely in a region with a high degree of interdependence.²⁹ Furthermore, both China

²⁴ Susan L. Shirk, *China: Fragile Superpower* (Oxford: Oxford University Press, 2007), pp. 144, 147-148; Peter Hays Gries, "Nationalism, Indignation and China's Japan Policy," *SAIS Review* 25, no. 2 (2005), pp. 105-114. The classic statement is Allen S. Whiting, *China Eyes Japan* (Berkeley, CA: University of California Press, 1989).

²⁵ For this debate see David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security* 29, no. 3 (2004/2005), pp. 64-99 and Nicholas Khoo, Michael L.R. Smith, and David Shambaugh, "Correspondence: China Engages Asia? Caveat Lector," *International Security* 30, no. 1 (2005), pp. 196-213.

²⁶ Michael Yahuda, "The Limits of Economic Interdependence: Sino-Japanese Relations," in *New Directions in the Study of China's Foreign Policy*, ed. Alastair Iain Johnston and Robert S. Ross (Stanford: Stanford University Press, 2006), pp. 162-185.

²⁷ Reinhard Drifte, *Japan's Security Relations with China since 1989* (London: RoutledgeCurzon, 2003), p. 52.

²⁸ Liping Xia, "The Prospects of China-Japan Relations," *Korea and World Affairs* 31, no. 2 (2007), pp. 204-221.

²⁹ David Ong and B.A. Hamzah, "Disputed Maritime Boundaries and Claims to Offshore Territories in the Asia Pacific Region," in *Calming the Waters: Initiatives for Asia Pacific Maritime Cooperation*,

and Japan are stakeholders in a stable international system and are unlikely to upset this balance over a small group of islands.³⁰ This, in turn, is underwritten by the interdependent economic relationship that has been consistently driven by policy elites in both capitals.³¹ Not all liberals are optimistic, however. Many worry about the lack of formal institutions in Northeast Asia as a whole, particularly in light of research which suggests a link between the absence or weakness of institutions and resource conflict.³²

Some view East Asia's maritime territorial disputes as a possible arena in which to foster regional multilateral cooperation, as these disputes contain a wide array of issues that affect all regional states equally, yet require a multilateral solution.³³ The classic issue is that of overfishing of migratory fish stocks. Despite the fact that newly signed agreements are designed to prevent fishery disputes between parties and encourage conservation in a given area, these agreements are all bilateral. Thus, third-parties can continue to overexploit fishery resources in areas in which they are not signatories to an agreement.³⁴ If a regional fisheries regime could be created, it could subsequently be expanded to other areas of concern, such as environmental degradation, pollution, and policing transnational crime and piracy.³⁵ The aim is to develop a regime in which all states have an equal stake in the regional maritime

ed. Sam Bateman and Stephen Bates, *Canberra Papers on Strategy and Defence No. 114* (Canberra: Strategic and Defence Studies Centre, Australian National University, 1996), p. 41.

³⁰ Austin and Harris, p. 8.

³¹ Hanns Gunther Hilpert and Nakagane Katsuji, "Economic Relations: What Can We Learn from Trade and FDI?," in *Chinese and Japanese Relations in the Twenty-First Century: Complementarity and Conflict*, ed. Marie Soderberg (London: Routledge, 2002), pp. 130-153.

³² Kent E. Calder, "The New Face of Northeast Asia," *Foreign Affairs* 80, no. 1 (2001), pp. 106-122; Mark F. Giordano, Meredith A. Giordano, and Aaron T. Wolf, "International Resource Conflict and Mitigation," *Journal of Peace Research* 42, no. 1 (2005), pp. 47-65.

³³ Valencia, *A Maritime Regime for North-East Asia*; Ian Townsend-Gault, "Resource Regimes and Maritime Cooperation in Southeast Asia," in *The Seas Unite: Maritime Cooperation in the Asia Pacific Region*, ed. Sam Bateman and Stephen Bates, *Canberra Papers on Strategy and Defence No. 118* (Canberra: Strategic and Defence Studies Centre, Australian National University, 1996), pp. 211-222;

³⁴ Michael Leifer, "The Maritime Regime and Regional Security in East Asia," *The Pacific Review* 4, no. 1 (1991), pp. 126-136; Andrew Mack, "Security Regimes for the Oceans: The Tragedy of the Commons, the Security Dilemma and Common Security," in *Freedom for the Seas in the 21st Century: Ocean Governance and Environmental Harmony*, ed. John M. Van Dyke, Durwood Zaelke, and Grant Hewison (Washington D.C.: Island Press, 1993), pp. 409-419; Ian Townsend-Gault, "Regimes for Managing Regional Seas and Oceans: The Use and Abuse of International Law," in *Maritime Cooperation in the Asia-Pacific: Current Situation and Prospects*, ed. Sam Bateman, *Canberra Papers on Strategy and Defence No. 132* (Canberra: Strategic and Defence Studies Centre, Australian National University, 1999), pp. 69-80; Mark J. Valencia, "Relevance of Lessons Learned to Northeast Asia," in *Maritime Regime Building: Lessons Learned and Their Relevance for Northeast Asia*, ed. Mark J. Valencia, *Publications on Ocean Development* (The Hague: Martinus Nijhoff Publishers, 2001), pp. 131-148.

³⁵ Valencia and Amae, pp. 189-208.

order. A prerequisite to a region-wide maritime regime is settling the maritime territorial disputes in East Asia.

These analyses have not sought to provide a complete explanation of Sino-Japanese behaviour towards their maritime territorial dispute. Rather, theoretical treatments have used the East China Sea dispute as evidence of their paradigm's strength. However, as Mike Mochizuki puts it, "the recent evolution of Japan's strategy toward China is compatible with different theoretical explanations."³⁶ Cooperative agreements are evidence of regime building, military posturing is evidence of an emerging rivalry, popular protests over the islands are evidence of divergent, and possibly hostile, national identities. The following section explores efforts to understand state behaviour towards territorial disputes specifically.

1.2 State behaviour towards territory

1.2.1 The territorial dispute literature³⁷

The literature on territorial conflict highlights several elements that could strengthen the study of maritime territorial disputes in the Asia-Pacific because it is rooted in efforts to explain the circumstances under which states choose to go to war. A summary of this sub-field indicates a strong correlation between territorial disputes and the incidence of militarised disputes between states. Subsequent research has investigated why these disputes escalate and often become intractable, and why states eventually settle their territorial disputes. Territorial explanations of war view territory as a highly salient issue for governments.³⁸ All else being equal, governments are more likely to incur costs and take risks on this than on other issues.³⁹ Territory often provides the issue that sets off the chain of events that can

³⁶ Mochizuki, "Japan's Shifting Strategy," p. 769.

³⁷ I have chosen to refer to this body of literature in this way. It may also be called 'peace studies' or 'conflict studies'. This reference is to literature that uses statistical analysis to prove or disprove hypotheses about why states go to war. Key texts include J. David Singer and Paul F. Diehl, eds., *Measuring the Correlates of War* (Ann Arbor: University of Michigan Press, 1990); Paul K. Huth, "Territory: Why Are Territorial Disputes between States a Central Cause of International Conflict?," in *What Do We Know About War?*, ed. John A. Vasquez (Lanham: Rowan & Littlefield Publishers, Inc., 2000), pp. 85-110; Paul B. Senese and John A. Vasquez, "Alliances, Territorial Disputes, and the Probability of War: Testing for Interactions," in *The Scourge of War: New Extensions on an Old Problem*, ed. Paul F. Diehl (Ann Arbor: University of Michigan Press, 2004), pp. 189-221.

³⁸ David Downing, *An Atlas of Territorial and Border Disputes* (London: New English Library, 1980); Alan J. Day, *Border and Territorial Disputes* (London: Longman, 1982).

³⁹ Paul F. Diehl, "What Are They Fighting For? The Importance of Issues in International Conflict Research," *Journal of Peace Research* 29, no. 3 (1992), pp. 333-344; John A. Vasquez and Marie T. Henehan, "Territorial Disputes and the Probability of War: 1816-1992," *Journal of Peace Research* 38, no. 2 (2001), pp. 123-138.

lead states into military conflict. Decisions made along the way—proximate causes—are what can drive a dispute through the onset of a crisis, escalation and, ultimately, war. Finally, disputes over territory are more likely to involve a military dimension, and, once militarised, territorial disputes most often escalate to full scale war.⁴⁰

In its early phase, the sub-field sought to provide alternatives to the dominant realist paradigm, which viewed conflict as an inevitable by-product of an anarchic world composed of insecure nation-states. By contrast, John Vasquez's *The War Puzzle* attempted to demonstrate that states quarrelled over specific issues, some more than others, and that as a result, inter-state disputes could be settled peacefully.⁴¹ Vasquez concluded that territorial issues were most common across international disputes and were, consequently, the underlying cause of war. This was instructive in as much as it permitted an end to hostilities through territorial settlements, as distinct from the realist assessment that the best outcome to be expected was perpetual confrontation.

Subsequent work on territorial conflict attempted to understand the circumstances under which territorial disputes become militarised. This work demonstrated that territorial disputes have a stronger causal relationship with militarised disputes than geographic proximity or inter-state interactions.⁴² The proximity argument held that if two states were neighbours for long enough, they would eventually come to a disagreement over something.⁴³ However, unchanging geographic proximity cannot explain a variable, in this case war; not all contiguous states fight each other.⁴⁴ On the other hand, it followed from the interaction argument that states who interacted often enough would eventually find something to quarrel over. However, there is no *a priori* reason to assume this to be true, since there is no evidence that interactions are detrimental, rather than favourable, to the relationship. A more nuanced approach revealed that conflict is in fact related to the severity of the threat to a state encompassed by the territorial dispute. Among those 'high gravity' threats are matters

⁴⁰ Paul B. Senese and John A. Vasquez, "A Unified Explanation of Territorial Conflict: Testing the Impact of Sampling Bias, 1919-1992," *International Studies Quarterly* 47, no. 2 (2003), p. 295.

⁴¹ Vasquez, *The War Puzzle*, p. 3.

⁴² John A. Vasquez, "Why Do Neighbours Fight? Proximity, Interaction, or Territoriality," *Journal of Peace Research* 32, no. 3 (1995), pp. 277-293.

⁴³ Manus I. Midlarsky, "Power, Uncertainty, and the Onset of International Violence," *The Journal of Conflict Resolution* 18, no. 3 (1974), pp. 395-431; Stuart A. Bremer, "Dangerous Dyads: Conditions Affecting the Likelihood of Interstate War, 1816-1965," *Journal of Conflict Resolution* 36, no. 2 (1992), pp. 309-341; Stephen A. Kocs, "Territorial Disputes and Interstate War, 1945-1987," *The Journal of Politics* 57, no. 1 (1995), pp. 159-175.

⁴⁴ Vasquez, "Why Do Neighbours Fight?," p. 280.

of existence, territory and grave damage to a nation, while 'low gravity' concerns are economic, political, influence, etc.⁴⁵

These works are indicative of the divide contained within the study of the impact of geography on conflict. As Diehl observed in 1991, geography was viewed as either a facilitating factor or as a source of conflict.⁴⁶ In the first instance, studies that explored why neighbours fought one another more than distant states were concerned with the impact of geographic conditions on a state's decision to use force.⁴⁷ These were subsequently enriched by the use of Geographic Information Systems (GIS) data to more clearly identify the physical barriers to military force such as mountains, the lack of infrastructure or distance to high value military targets.⁴⁸ Alternatively, Vasquez and others were concerned with how state leaders perceived the value of their disputed territory and why they decide to fight over territory; geography as the source of conflict. States value territory not only for material reasons, such as resources or markets, but also as a source of national identity and a legitimising mechanism for political elites.⁴⁹ This division among those researching the relationship between geography and territory remains; research designs now explore how these two aspects of geography interact.⁵⁰

The territorial dispute literature reveals a number of important findings relevant to the analysis of the East China Sea dispute, particularly with regard to the domestic political dynamics associated with territorial disputes. Paul Huth's landmark study of territorial disputes offered a 'modified realist model' that incorporated domestic political calculations. Huth found that if leaders expect significant political support for pressing a territorial claim, they are more likely to do so, even if the territory under dispute is strategically irrelevant. Similarly, if they believe that failing to

⁴⁵ Hemda Ben-Yehuda, "Territoriality and War in International Crises: Theory and Findings, 1918-2001," *International Studies Review* 6, no. 4 (2004), p. 93.

⁴⁶ Paul F. Diehl, "Geography and War: A Review and Assessment of the Empirical Literature," *International Interactions* 17, no. 1 (1991), pp. 11-27.

⁴⁷ Randolph M. Siverson and Harvey Starr, "Alliance and Border Effects on the War Behaviour of States: Refining the Interaction Opportunity Model," *Conflict Management and Peace Science* 10, no. 2 (1989), pp. 21-46; Randolph M. Siverson and Harvey Starr, "Opportunity, Willingness and the Diffusion of War," *The American Political Science Review* 84, no. 1 (1990), pp. 47-67.

⁴⁸ Harvey Starr, "Opportunity, Willingness and Geographic Information Systems (GIS): Reconceptualizing Borders in International Relations," *Political Geography* 21 (2002), pp. 243-261.

⁴⁹ Friedrich Kratochwil, Paul Rohrlich, and Harpeet Mahajan, *Peace and Disputed Sovereignty: Reflections on Conflict over Territory* (Lanham: University Press of America, 1985).

⁵⁰ See Harvey Starr, "Territory, Proximity, and Spatiality: The Geography of International Conflict," *International Studies Review* 7 (2005), pp. 387-406.

support a longstanding claim could incur domestic political costs, they would be reluctant to seek a settlement.⁵¹ It followed that newly democratic states are more conflict prone than established democracies, and less likely to offer concessions, because of this political insecurity.⁵² Reputation matters: governments are reluctant to negotiate over territory if it will impact negatively on their reputation, however longer serving leaders are less concerned about their reputation, and are thus more likely to pursue accommodation.⁵³ All political leaders can be expected to escalate a territorial dispute if their domestic political status is weak than if the disputed territory is strategically significant.⁵⁴ Democratic states are not necessarily more cooperative; they are less likely to make territorial compromises when the issues at stake are politically salient or when to do so would be domestically unpopular.⁵⁵ Clearly, the decision to pursue confrontation or accommodation relies on more than simply the value of a given territory to a state, but also on ruling elites' perceptions of their domestic political fate. Indeed, political pressure is not limited to democratic states. Recent research into the legitimacy of the CCP indicates a leadership that is very insecure and beholden to domestic political constituencies and prerogatives.⁵⁶

If one views the Sino-Japanese relationship as a 'strategic rivalry', a related research program to the territorial dispute literature, then the fact that China and Japan have not escalated the East China Sea dispute to war requires explanation.⁵⁷ As Rasler and Thompson observe, territorial disputes taking place between rivals are far more war-prone than those not characterised by rivalry dynamics. The chances of escalation are

⁵¹ Huth, *Standing Your Ground*, ch. 3.

⁵² Paul K. Huth and Todd L. Allee, *The Democratic Peace and Territorial Conflict in the Twentieth Century*, ed. Steve Smith, vol. 82, *Cambridge Studies in International Relations* (Cambridge: Cambridge University Press, 2002), p. 281. See also Blanchard, "Maritime Issues in Asia," pp. 242-457.

⁵³ See Barbara F. Walter, "Explaining the Intractability of Territorial Conflict," *International Studies Review* 5, no. 4 (2003), pp. 137-153. This observation is made regarding internal territorial claims, such as separatist movements. Nevertheless, it corroborates Huth's findings. On the latter point see Giacomo Chiozza and Ajin Choi, "Guess Who Did What: Political Leaders and the Management of Territorial Disputes, 1950-1990," *Journal of Conflict Resolution* 47, no. 3 (2003), pp. 251-278.

⁵⁴ Huth, *Standing Your Ground*, p. 182.

⁵⁵ Paul K. Huth and Todd L. Allee, "Domestic Political Accountability and the Escalation and Settlement of International Disputes," *Journal of Conflict Resolution* 46, no. 6 (2002), pp. 775-780; Hensel, "Contentious Issues and World Politics," p. 106.

⁵⁶ The most articulate and informative of this research is Shirk, ch. 6.

⁵⁷ John A. Vasquez, "Distinguishing Rivals That Go to War from Those That Do Not: A Quantitative Comparative Case Study of the Two Paths to War," *International Studies Quarterly* 40, no. 4 (1996), 531-558; Karen Rasler and William R. Thompson, "Explaining Rivalry Escalation to War: Space, Position, and Contiguity in the Major Power Subsystem," *International Studies Quarterly* 44, no. 3 (2000), pp. 503-530; Michael Colaresi, Karen Rasler, and William R. Thompson, *Strategic Rivalries in World Politics* (Cambridge: Cambridge University Press, 2008).

further elevated if the rivals are territorially contiguous.⁵⁸ These trends do not mean that China and Japan will go to war over the East China Sea, but they do suggest that the fact they have not is unusual. This makes an investigation of their territorial cooperation all the more relevant.

The territorial conflict literature also supports liberal internationalist expectations of how escalation in territorial disputes can be prevented. John O'Neal and Bruce Russett have found a strong correlation between trade relationships, democracy and the absence of militarised disputes between states.⁵⁹ Similarly, Kinsella and Russett have found that although states live under anarchic conditions, the Kantian principles of democracy, interdependence and international institutions can mitigate the inherent insecurities of this situation.⁶⁰ Applied to the Asia-Pacific region, one scholar has persuasively argued that increasing economic interdependence between claimants has underwritten stability in the region's maritime territorial disputes.⁶¹

While economic interdependence identifies the incentives not to escalate a territorial dispute, it does not explain why leaders take domestic political risks to attempt to cooperate or settle it. The pessimism noted above regarding the eventual settlement of the East China Sea dispute appears to be well founded as it displays none of the conditions germane to cooperation outlined in the territorial dispute literature. For example, none of the "background" conditions to peaceful territorial settlement identified by Kacowicz appear to apply to the ECS dispute.⁶² The power distribution between the two parties is not asymmetric given China's economic and military transformation; the trend is towards parity. The two parties have opposite styles of government, one party authoritarian rule versus a liberal democracy. Only Kacowicz's final condition, "a convergence of norms and rules of international law and morality sustained by the parties in relation to a disputed territory", may apply

⁵⁸ Rasler and Thompson, "Contested Territory, Strategic Rivalries, and Conflict Escalation," p. 159-160.

⁵⁹ John R. O'Neal and Bruce Russett, "The Classical Liberals Were Right: Democracy, Interdependence, and Conflict, 1950-1985," *International Studies Quarterly* 41, no. 2 (1997), pp. 267-294.

⁶⁰ David Kinsella and Bruce Russett, "Conflict Emergence and Escalation in Interactive International Dyads," *The Journal of Politics* 64, no. 4 (2002), pp. 1045-1068.

⁶¹ Koo, pp. 180-181.

⁶² Arie M. Kacowicz, "The Problem of Peaceful Territorial Change," *International Studies Quarterly* 38, no. 2 (1994), pp. 219-254, quote on p. 219.

with regard to the impact of UNCLOS on the fisheries dispute.⁶³ However, continued disagreement over the delimitation principles recognised by UNCLOS has exacerbated other dimensions of the dispute. The ECS dispute also lies outside Beth Simmons' observation that states seek to settle territorial disputes when there are significant opportunity costs to be borne by its continuation, such as lost trade volume.⁶⁴ While these dynamics may be at play in the Russo-Japanese dispute over the Northern Territories, they are certainly not a factor in the ECS dispute.⁶⁵ The Sino-Japanese economic relationship is arguably the most dynamic and interdependent of any two states in the world and this has not visibly been disrupted by the territorial dispute.⁶⁶ Nevertheless, this trade relationship has not prevented the recurrence of cyclical tensions, nor has it created incentives for cooperation or settlement.

Taken together, these quantitative studies provide insights into when states choose to eschew military force in the pursuit of territorial objectives, but do not offer insights into the process by which specific cooperative settlements were reached. Furthermore, they do not explain all circumstances of territorial compromise. The reason maritime territorial disputes and the East China Sea dispute are of particular interest is that they appear to be exceptions to many of the trends and processes revealed by the territorial dispute literature. For example, the influence of domestic politics on the ECS dispute appears to corroborate Huth's findings that domestic constituencies are a primary barrier to the peaceful settlement of territorial disputes.⁶⁷ However, both the fisheries agreement and the notification agreement were strongly supported by domestic political actors.

1.2.2 Chinese and Japanese policy towards their territorial disputes

In light of the apparent contradictions above, a second body of literature explores state specific territorial policy. Although this literature is highly China-centric, there

⁶³ Ibid., p. 219.

⁶⁴ Beth A. Simmons, "Capacity, Commitment, and Compliance: International Institutions and Territorial Disputes," *Journal of Conflict Resolution* 46, no. 6 (2002), pp. 832-833; Beth A. Simmons, "Rules over Real Estate: Trade, Territorial Conflict and International Borders as Institution," *Journal of Conflict Resolution* 49, no. 6 (2005), pp. 823-848

⁶⁵ G.J.R. Linge, "The Kuriles: The Geo-Political Spanner in the Geo-Economic Works," *Australian Geographical Studies* 33, no. 1 (1995), pp. 116-132.

⁶⁶ One scholar notes that during the April 2005 riots in China trade relations suffered a "wobble". See James J. Przystup, "Japan-China Relations: No End to History," *Comparative Connections* 7, no. 2 (2005), pp. 127-129.

⁶⁷ Huth, *Standing Your Ground*, pp. 171-179.

have also been important insights made into Japanese behaviour. The common point of departure for much of this literature is China's motivations for the use of force. This is because territorial concerns have been at the centre of many of the People's Republic of China's (PRC) historic uses of force; indeed it is more likely to use force when territory is at stake.⁶⁸

The literature on China and its territorial disputes can be broadly divided into two camps; those who view territorial disputes as something over which China is particularly sensitive and those who view Chinese behaviour as a function of its strategic interest. In the first instance, Greg Austin argues that China's behaviour with regard to its maritime claims is driven by the "unshakeable conviction that these territories belong to China according to commonly accepted standards of international law."⁶⁹ China's territorial strategy is a product of the CCP's insecurity over its borders. Chinese leaders have a vision of what modern China ought to look like, a view that includes Taiwan and the Spratly islands for example, and Beijing is reluctant to settle on alternatives.⁷⁰ Regardless of whether these areas have historically been under Chinese control or not, they are part of the Chinese self-image, and thus of paramount importance. Scholars argue that Chinese leaders prioritise redressing past territorial encroachments into the South China Sea over traditional strategic interests such as maintaining a peaceful external environment conducive to economic growth.⁷¹ It is particularly instructive to consider the role territorial disputes have played in the Chinese historical experience. Alastair Johnston argues that China has a *para bellum* strategic culture, conditioned by centuries of

⁶⁸ Alastair Iain Johnston, "China's Militarized Interstate Dispute Behaviour 1949-1992: A First Cut at the Data," *The China Quarterly*, no. 153 (1998), p. 29. See also Gerald Segal, *Defending China* (Oxford: Oxford University Press, 1985).

⁶⁹ Greg Austin, *China's Ocean Frontier: International Law, Military Force and National Development* (St. Leonards, NSW: Allen & Unwin, 1998), p. 4.

⁷⁰ M. Taylor Fravel, "Regime Insecurity and International Cooperation: Explaining China's Compromises in Territorial Disputes," *International Security* 30, no. 2 (2005), pp. 46-83.

⁷¹ Shee Poon Kim, "The South China Sea in China's Strategic Thinking," *Contemporary Southeast Asia* 19, no. 4 (1998), pp. 369-387; Chen Jie, "China's Spratly Policy: With Special Reference to the Philippines and Malaysia," *Asian Survey* 34, no. 10 (1994), pp. 893-903; Jae-hyung Lee, "China's Expanding Maritime Ambitions in the Western Pacific and the Indian Ocean," *Contemporary Southeast Asia* 24, no. 3 (2002), pp. 549-568. The latter is considered to be China's fundamental strategic interest along with maintaining cordial relations with the United States. See Michael D. Swaine and Ashley J. Tellis, *Interpreting China's Grand Strategy: Past, Present and Future* (Santa Monica: RAND, 2000).

threats from external sources.⁷² Consequently, according to Johnston, China's *Realpolitik* is not the product of the international system as neorealists argue, but of China's historical experience, its interactions with its neighbours and its strategic culture.⁷³

This raises the possibility that Chinese territorial ambitions are independent of calculations of its longer-term strategic interests. Nevertheless, the Chinese have been willing to compromise on territorial prerogatives, which indicates a degree of rational strategic calculation.⁷⁴ This interpretation is consistent with China's efforts since the 1990s to settle its border disputes as part of its 'peaceful rise' strategy.⁷⁵ As part of this strategy, Chinese leaders sought to reinforce their territorial claims, while de-emphasising confrontational rhetoric, often accepting unfavourable terms in settlements. According to Fravel, China has settled seventeen of its twenty-three territorial disputes, often receiving less than 50% of the disputed territory.⁷⁶

However, it is important to note that China's conciliatory stance has been focused generally on its land-based territorial disputes. China has been less inclined to compromise on its maritime boundaries although some of these, such as the Spratly islands dispute, have witnessed progress in the area of confidence building and joint development schemes.⁷⁷ Some scholars argue that China has been unable to compromise on its maritime territorial disputes because these disputes have become ingrained in the nationalist discourse, which in turn constrains Chinese leaders. Consequently, despite their relatively low material value, disputed maritime

⁷² Alastair Iain Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History*, ed. Jack L. Snyder and Richard H. Ullman, *Princeton Studies in International History and Politics* (Princeton: Princeton University Press, 1995).

⁷³ Alastair Iain Johnston, "Cultural Realism and Strategy in Maoist China," in *The Culture of National Security: Norms and Identity in World Politics*, ed. Peter J. Katzenstein (New York: Columbia University Press, 1996), pp. 216-268.

⁷⁴ Chi-Kin Lo, *China's Policy Towards Territorial Disputes: The Case of the South China Sea Islands* (London: Routledge, 1989), p. 7.

⁷⁵ Shambaugh, "China Engages Asia," pp. 64-99; Allen Carlson, "Constructing the Dragon's Scales: China's Approach to Territorial Sovereignty and Border Relations in the 1980s and 1990s," *The Journal of Contemporary China* 12, no. 37 (2003), pp. 677-698.

⁷⁶ Fravel, "Regime Insecurity and International Cooperation," p. 55.

⁷⁷ Leszek Buszynski, "ASEAN, the Declaration on Conduct and the South China Sea," *Contemporary Southeast Asia* 25, no. 3 (2003), pp. 343-362. However, China and Vietnam to continue to provoke each other by reinforcing their occupied features and exercising their maritime jurisdiction in overlapping areas, such as exploring for resources. See Leszek Buszynski and Iskandar Sazlan, "Maritime Claims and Energy Cooperation in the South China Sea," *Contemporary Southeast Asia* 29, no. 1 (2007), pp. 143-171.

territories have a great deal of ideational value to Chinese policymakers, which makes Beijing unlikely to compromise for fear of domestic instability.⁷⁸ A survey of the literature on Chinese behaviour towards the South China Sea dispute helps inform an analysis of the ECS dispute. It reveals a pattern of Chinese behaviour, future trajectories and identifies relevant policy actors.

China specialists have argued that China's policy in the South China Sea (SCS) follows a distinct pattern. Beijing will authorise the use of force to occupy disputed territory, while diplomatically indicating a willingness to negotiate informally, often on joint development ventures or other confidence building measures such as the Declaration on the Conduct of Parties in the South China Sea reached with rival Association of Southeast Asian Nations (ASEAN) claimants. Simultaneously, it will not surrender its claims to sovereignty, exercise its jurisdictional rights and continue to upgrade the relevant military technologies.⁷⁹ China uses its naval assets to establish a physical presence in the area in order to strengthen its claims. As You Ji observes, "the PLAN's [PLA Navy] presence in the Spratlys is more political than military."⁸⁰ This behaviour allows China to reconcile its strategic interests in the South China Sea, such as protecting access to resource rights, with the larger foreign policy prerogative of 'peaceful rise' while protecting it from domestic criticism.⁸¹

However, realist assessments note that this restraint could be a temporary condition, relating to China's relative weakness compared to the Japanese and American navies.⁸² Indeed, all South China Sea claimants lack the naval power to press their claims.⁸³ Assessments of the 1995 Mischief Reef incident, when the Chinese

⁷⁸ See Chung, *Domestic Politics*. This corroborates research comparing a selection of maritime territorial disputes from across the region. See Bong, pp. 259-271.

⁷⁹ Eric Hyer, "The South China Sea Disputes: Implications of China's Earlier Territorial Settlements," *Pacific Affairs* 68, no. 1 (1995), pp. 34-54. For a dissenting view see Lo.

⁸⁰ You Ji, "The Evolution of China's Maritime Combat Doctrines and Models: 1949-2001," *Working Paper # 22* (Singapore: Institute of Defence and Strategic Studies, 2002), pp. 15-16.

⁸¹ Paul B. Senese, "Chinese Acquisition of the Spratly Archipelago and Its Implications for the Future," *Conflict Management and Peace Science* 22 (2005), pp. 79-94; Michael Studeman, "Calculating China's Advance in the South China Sea," *Naval War College Review* 51, no. 2 (1998), pp. 68-90; Lee Ngok, "Fishing in Troubled Waters? Chinese Strategic Considerations in the South China Sea," *American Asian Review* 12, no. 4 (1994), pp. 103-120.

⁸² Felix K. Chang, "Beyond the Unipolar Moment: Beijing's Reach in the South China Sea," *Orbis* 40, no. 3 (1996), pp. 353-374; William J. Dobson and M. Taylor Fravel, "Red Herring Hegemon: China in the South China Sea," *Current History* 96, no. 611 (1997), pp. 258-263; Michael G. Gallagher, "China's Illusory Threat to the South China Sea," *International Security* 19, no. 1 (1994), pp. 169-194.

⁸³ Ralf Emmers, "Maritime Disputes in the South China Sea: Strategic and Diplomatic Status Quo," *Working Paper # 87* (Singapore: Institute of Defence and Strategic Studies, 2005).

occupied a reef in the Kalayaan area claimed by the Philippines, argue that China's overwhelming military superiority ensured a non-military Philippine reaction. Although its military forces suffered years of neglect during the Cold War, the Philippines expelled US forces from the Subic naval base on the back of nationalist rhetoric and sovereignty concerns when the Cold War ended. In the absence of US forces, the realist expectation that China would press its claims against a militarily weaker power proved correct.⁸⁴ Consequently, many view the American force presence in the region as designed to deter Chinese aggression in the South China Sea, despite Washington's reluctance to become involved on the Philippines' behalf in 1995.⁸⁵ Hence a shift in the regional balance of power provided an opportunity for a more assertive Chinese stance.⁸⁶

The research on China's SCS ambitions has also identified the PLAN as an influential actor in maritime territorial policy. China's assertive turn in the South China Sea in the latter days of the Cold War was a result of a more active and vocal PLAN lobby, despite Beijing's shift to economic priorities.⁸⁷ Furthermore, there is a growing sense in some quarters of the Chinese policymaking apparatus that an active naval presence in offshore areas is imperative to China's future security.⁸⁸ Chinese naval thinkers

⁸⁴ Leszek Buszynski, "Realism, Institutionalism and Philippine Security," *Asian Survey* 42, no. 3 (2002), pp. 483-501; Esmond D. Smith Jr., "China's Aspirations in the Spratly Islands," *Contemporary Southeast Asia* 16, no. 3 (1994), pp. 274-294. One scholar has argued that the Philippines inflated the Mischief Reef incident as part of an attempt to re-establish a defence relationship with the United States. See Greg Austin, "Unwanted Entanglement: The Philippines Spratly Policy as a Case Study in Conflict Enhancement," *Security Dialogue* 34, no. 1 (2003), pp. 41-54.

⁸⁵ James E. Auer and Robyn Lim, "The Maritime Basis of American Security in East Asia," *Naval War College Review* 54, no. 1 (2001), pp. 39-58. In the wake of Chinese occupation of Mischief Reef in early 1995, the United States issued a statement expressing its interest in freedom of navigation, and urged all parties to exercise restraint, rather than an expression of regret which singled out China. See Appendix G in Ralph A. Cossa, "Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict," (Honolulu, Hawaii: Pacific Forum CSIS, 1998). Some view the Chinese occupation of Mischief Reef was the result of internal political manoeuvring during the post-Deng leadership transition while others viewed it as a test of the US commitment to the region. See Ian James Storey, "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute," *Contemporary Southeast Asia* 21, no. 1 (1999), p. 100.

⁸⁶ For example see Lee, "China's Expanding Maritime Ambitions," pp. 549-568. This author examines the shift in the regional military balance in favour of China, which he views as evidence of China's ambitions. For this argument as it relates to sea lane control see Daojiong Zha and Mark J. Valencia, "Mischief Reef: Geopolitics and Implications," *Journal of Contemporary Asia* 31, no. 1 (2001), p. 92.

⁸⁷ See John W. Garver, "China's Push through the South China Sea: The Interaction of Bureaucratic and National Interests," *The China Quarterly*, no. 132 (1992), pp. 999-1028; Samuel S. G. Wu and Bruce Bueno de Mesquita, "Assessing the Dispute in the South China Sea: A Model of China's Security Decision Making," *International Studies Quarterly* 38, no. 3 (1994), pp. 379-403; Michael Leifer, "Chinese Economic Reform and Security Policy: The South China Sea Connection," *Survival* 37, no. 2 (1995), pp. 44-59.

⁸⁸ Jun Zhan, "China Goes to the Blue Water: The Navy, Seapower Mentality and the South China Sea," *Journal of Strategic Studies* 17, no. 3 (1994), pp. 180-208; David Winterford, "Chinese Naval Planning

and military strategists recognise that China is reliant on seaborne trade for its economic growth, as well as aware of the potential resource boom that lies beneath the sea.⁸⁹ This is informed by the historical lessons learned from the success of British and American imperial experiences contrasted with the failure of the German experience.⁹⁰ As a result, a blue water Chinese navy is required to ensure the continued security of China's sea lanes as well as to safeguard its maritime territory. Chinese naval ambitions have been subject to debate since Liu Huaqing's offshore defence strategy was first articulated in 1985. This strategy included the stated aim of controlling the seas to the 'first island chain', composed of the Japanese archipelago through the Philippines, by the year 2000.⁹¹ The impact of this Chinese strategy, as well as its growing maritime capabilities on Japanese threat perceptions should not be underestimated.

Compared to the Chinese case, there has been significantly less written about Japan's territorial policy. Japan's maritime territorial disputes with Russia, South Korea and China date back to the Japanese colonial period at the turn of the 20th Century. The contemporary territorial status quo is derived from the 1945 San Francisco Treaty.⁹² Thus, Japan's stance towards its maritime territorial disputes has to be understood in the context of its post-war experience as an occupied state, without control over its own foreign and defence policy. The article nine 'peace clause' of the Japanese constitution, which forbids Japan from using military force to settle its disputes, continues to colour Japanese policy towards its territorial disputes. Japan's strategic culture is central to explanations of Japan's policy towards its maritime territorial disputes. If, as some constructivists argue, Japan has adopted a genuinely pacifist strategic culture, then its reluctance to become militarily engaged over encroachments into its territory is simple; a military response is simply not on the cards. However, Japan has recently adopted a more active military posture, evidenced by its pursuit of

and Maritime Interests in the South China Sea: Implications for US and Regional Security Policies," *The Journal of American-East Asian Relations* 2, no. 4 (1993), pp. 369-398.

⁸⁹ David Lei, "China's New Multi-Faceted Maritime Strategy," *Orbis* 52, no. 1 (2008), pp. 139-157.

⁹⁰ This observation is made by Xu Qi (trans. by Andrew S. Erickson, and Lyle Goldstein), "Maritime Geostrategy and the Development of the Chinese Navy in the Early Twenty-First Century," *Naval War College Review* 59, no. 4 (2006), p. 48.

⁹¹ See Alexander Chieh-cheng Huang, "The Chinese Navy's Offshore Active Defense Strategy: Conceptualization and Implications," *Naval War College Review* 47, no. 3 (1994), pp. 7-32.

⁹² Kimie Hara, "50 Years from San Francisco: Re-Examining the Peace Treaty and Japan's Territorial Problems," *Pacific Affairs* 74, no. 3 (2001), pp. 361-382; Kimie Hara, *Cold War Frontiers in the Asia-Pacific: Divided Territories in the San Francisco System*, Nissan Institute/Routledge Japanese Studies Series (London: Routledge, 2007).

a ballistic missile defence capability and its deployments to Iraq. Moreover, there is serious debate about constitutional reform to permit Japan to participate in collective security operations. A loosening of the restrictions on the Self Defense Force (SDF) may lead to a more assertive territorial policy in the future.

However, even though there is growing support in Japan for a more activist strategic policy, political support for a revisionist territorial policy is unlikely, despite the conservative attachment to Japan's disputed territories.⁹³ This is simply not a realistic scenario. Popular support for a more active SDF is not yet mainstream and, more importantly, 'active' does not mean revisionist; it means a Japan that is capable of supporting United Nations (UN) mandated peace-keeping missions and other collective security operations but also capable of defending Japanese interests independently.⁹⁴ Indeed, those politicians who overstep their critique of Japan's pacifist norms soon pay the political price.⁹⁵

As a result of its constitutional constraints, Japan has opted for a more subtle approach to the Senkaku/Diaoyu islands dispute. As it is satisfied with the territorial status quo, Japan uses its economic leverage over China to prevent revisionist designs from Beijing.⁹⁶ As part of this policy, Japan occupies the islands, exercises jurisdiction around them, and routinely denies China's claim that the sovereignty over the islands is disputed. However, as chapter three will argue, Chinese policy elites have shifted their focus away from the islands and focused on control of the maritime territory which surrounds them. What Gerald Segal labelled "Japanese ambivalence about China's true intentions" has prevented a prompt, decisive response from Tokyo.⁹⁷

⁹³ For this argument as it pertains to the Takeshima dispute see Sung-jae Choi, "The Politics of the Dokto Issue," *Journal of East Asian Studies* 5, no. 3 (2005), pp. 465-494. February 7 is celebrated as Northern Territories Day, and marches in 2008 were attended by Prime Minister Fukuda Yasuo. For background on the Northern Territories dispute see Kimie Hara, "Hoppo Ryodo Mondai (the Northern Territories Problem): A Territorial Issue between Japan and Russia," in *Eurasia: World Boundaries Volume 3*, ed. Carl Grundy-Warr (London: Routledge, 1994), pp. 163-182.

⁹⁴ Richard J. Samuels, *Securing Japan: Tokyo's Grand Strategy and the Future of East Asia* (Ithaca, NY: Cornell University Press, 2007), pp. 185-209.

⁹⁵ For example, Nishimura Shingo was fired as parliamentary vice-minister of the Defense Agency in 1999 for suggesting that Japan arm itself with nuclear weapons. "Fallen Nishimura Radical but Naive," *Yomiuri Shimbun*, November 29 2005.

⁹⁶ Linus Hagstrom, "Quiet Power: Japan's China Policy in Regard to the Pinnacle Islands," *The Pacific Review* 18, no. 2 (2005), pp. 159-188.

⁹⁷ Gerald Segal, "The Coming Confrontation between China and Japan?," *World Policy Journal* 10, no. 2 (1993), p. 28.

Japan's territorial policy is also informed by its threat perceptions, particularly as they relate to Sea Line of Communication (SLOC) security.⁹⁸ Chinese naval activism in the East China Sea and beyond has placed Japan on the defensive. While the Japanese recognise that Chinese invasion of the islands is unlikely, Chinese provocations are viewed as a measure of Beijing's broader ambitions to become a regional maritime power. When Chinese naval vessels and aircraft are sighted near the Senkaku/Diaoyu islands, this is viewed in Japan as part of a more assertive Chinese policy to expand its sphere of military operations to the first island chain and in turn as a threat to Japanese SLOC security. Termed 'creeping expansionism' by one Japanese scholar, China has been a primary driver of Japanese SLOC insecurity since the early 1990s.⁹⁹ Nevertheless, it remains unclear whether the Maritime Self-Defense Force (MSDF) is prepared to defend Japan's maritime interests from Chinese expansion. The MSDF is primarily occupied with the defence of the territorial sea, while the Japanese Coast Guard (JCG) has responsibility for policing the EEZ.¹⁰⁰

Japan has been more active towards its other two territorial disputes arguable because in these it is the challenger state. Japan successfully kept the Tokdo/Takeshima islets out of the 1998 Japan-South Korea fishing agreement, and Koreans view stringent enforcement of Japan's fishery regulations in its claimed EEZ as part of an assertive Japanese policy to control the area.¹⁰¹ Similar to other claimant states in territorial disputes, Japan reiterates its territorial claims at every opportunity.¹⁰² Although Japan's negotiations with Russia have taken place from a position of weakness, it does not occupy the islands and Russia is an overwhelmingly stronger military power, this has not prevented diplomatic initiative. Tokyo has used economic aid packages,

⁹⁸ Euan Graham, *Japan's Sea Lane Security 1940-2004: A Matter of Life and Death?*, ed. J. A. A. Stockwin, The Nissan Institute/Routledge Japanese Studies Series (London: Routledge, 2006); Raphael Israeli, "The Three Seas in Japan's Strategy in East and Southeast Asia," *American Asian Review* 18, no. 4 (2000), pp. 1-23.

⁹⁹ The origins of this phrase are mixed. One interview subject attributed it to Prof. Hiramatsu Shigeo, while Reinhard Drifte attributes it to Prof. Nishihara Masashi. See Reinhard Drifte, "Japan's Energy Policy in Asia: Cooperation, Competition, Territorial Disputes," *CEPMLP Internet Journal* 11, no. 3 (2002), <http://www.dundee.ac.uk/cepmlp/journal/html/vol11/article11-3.html>. Accessed 15/03/2006. For an early articulation of this view see Shigeo Hiramatsu, "China's Naval Advance: Objectives and Capabilities," *Japan Review of International Affairs* 8, no. 2 (1994), pp. 118-132.

¹⁰⁰ When referring to the JCG prior to its name change in 2000, this thesis uses the acronym MSA for Maritime Safety Agency.

¹⁰¹ Chi Young Pak, "Resettlement of the Fisheries Order in Northeast Asia Resulting from the New Fisheries Agreements among Korea, Japan and China," *Korea Observer* 30, no. 4 (1999), pp. 587-622.

¹⁰² Taewoo Kim, "Japan's New Security Roles and ROK-Japan Relations," *The Korean Journal of Defense Analysis* 11, no. 1 (1999), pp. 147-168.

as well as the prospect of improved bilateral economic relations as an incentive to foster improved political relations.¹⁰³ Nevertheless, Russia has not made concessions on the islands even when faced with a need for economic aid in the wake of the Cold War, instead maintaining the position that “economic reform...will neither succeed or fail based on Japan’s input.”¹⁰⁴ Subsequently, local political actors have attempted to engage their Russian counterparts. For example, the Hokkaido government pushed for regional cooperation with Northern Territories authorities.¹⁰⁵ Despite these efforts however, Moscow has remained intransigent and, arguably, has recently become more hardline towards the dispute as part of its recent return to Cold War-style foreign policy.¹⁰⁶ Both these disputes, like the Senkaku/Diaoyu islands, are kept alive in Japan by conservative leaders who derive political gain from being active on nationalist issues.¹⁰⁷ The bulk of Japanese efforts on its maritime territorial disputes have been focused on the disputed islands, largely due to their prominence in Japanese national identity. However, as this thesis argues, this has occurred to the detriment of its wider East China Sea policy, which has permitted China to establish a favourable status quo in the waters west of Japan.

This review reveals several important variables that motivate Chinese and Japanese leaders in their stance towards territorial disputes. In both states territorial issues are beholden to nationalist actors at both the popular level as well as in government. Secondly, some government constituencies derive a degree of utility from territorial disputes; in particular the PLAN and Japanese political conservatives. Finally, both states have significant security interests at sea. In Japan concerns over SLOC security are paramount to its existence as a trading state. These concerns also pervade in China, which also may be dissatisfied with the existing maritime territorial status quo, due to a sense of historical entitlement to maritime space in the Asia-Pacific.

¹⁰³ Randall E. Newnham, "How to Win Friends and Influence People: Japanese Economic Aid Linkage and the Kurile Islands," *Asian Affairs, an American Review* 27, no. 4 (2001), pp. 247-260.

¹⁰⁴ Richard deVillafranca, "Japan and the Northern Territories Dispute: Past, Present and Future," *Asian Survey* 33, no. 6 (1993), pp. 610-624; Andrew Mack and Martin O'Hare, "Moscow-Tokyo and the Northern Territories Dispute," *Asian Survey* 30, no. 4 (1990), pp. 393-394

¹⁰⁵ Yutaka Okuyama, "The Dispute over the Kurile Islands between Russia and Japan in the 1990s," *Pacific Affairs* 76, no. 1 (2003), pp. 51-52.

¹⁰⁶ Victor Yaseman, "Russia: Moscow Takes Assertive Stance in Kuriles Dispute," *Radio Free Europe* (2006), <http://www.globalsecurity.org/military/library/news/2006/09/mil-060904-rferl01.htm>. Accessed 21/02/2008.

¹⁰⁷ Daniel J. Dzurek, "Comments on 'Island Disputes in East Asia'," in *Security Flashpoints: Oil, Islands, Sea Access and Military Confrontation*, ed. Myron H. Nordquist and John Norton Moore (The Hague: Martinus Nijhoff Publishers, 1998), pp. 419-430.

Nevertheless, the review also revealed that a holistic analysis of the East China Sea dispute, defined as the dispute over both the Senkaku/Diaoyu islands and the surrounding ocean space, has not been attempted.

1.3 The East China Sea dispute: Causes, claims and solutions

Scholarly analysis of the East China Sea dispute can be broadly divided into two camps; that concerned with legal claims, maritime delimitation and the search for a solution, and that which focuses on dispute management and escalation dynamics. The latter camp is divided over the drivers of the dispute: some stress the resource dimension, while others highlight domestic political factors. The discussion below reveals a gap between these two approaches; an understanding of the conditions under which Chinese and Japanese leaders may develop the political will required to pursue cooperative outcomes or possibly the settlement of the East China Sea dispute.

1.3.1 Claims and possible solutions

Much of the material on the East China Sea dispute is focused on outlining the legal basis for each party's claim to the disputed territory. A related body of literature comes from maritime political geographers who explore the various ways in which boundary delimitation could occur, if leaders were willing. While important, legal analysis generally offers optimistic assessments of the role international law might play in dispute settlement. Many analysts focus purely on legal questions and ignore the limited impact international law has on changing state behaviour. UNCLOS has arguably exacerbated disputes over maritime territory because it has expanded states' entitlements to ocean territory, while not providing sufficient guidance on potentially conflicting maritime claims, a fear first expressed in the late 1970s.¹⁰⁸ Choon-ho Park offered a perceptive observation on the impact of international law on the settlement of territorial disputes: "[w]hile international law will undoubtedly be an essential element to any resolution, the key question is whether it will merely provide a vocabulary used to express political and economic pressures, or will help ultimately to shape the resolution of the controversy."¹⁰⁹ The Sino-Japanese track record in the

¹⁰⁸ Martin H. Katchen, "The Spratly Islands and the Law of the Sea: "Dangerous Ground" For Asian Peace," *Asian Survey* 17, no. 12 (1977), pp. 1167-1181; Barry Buzan, *A Sea of Troubles? Sources of Dispute in the New Ocean Regime*, Adelphi Paper 143 (Oxford University Press: International Institute for Strategic Studies, 1978).

¹⁰⁹ Choon-ho Park, *East Asia and the Law of the Sea* (Seoul: Seoul National University Press, 1985), p. 41.

East China Sea dispute indicates the latter to be the case, as both parties have used international law selectively to reinforce their territorial claim.¹¹⁰

For example, China and Japan disagree on the fundamental legal principle upon which to base maritime claims. China claims a continental shelf for the whole of its natural prolongation as far as the Okinawa Trough.¹¹¹ UNCLOS also recognises EEZ claims to 200 nautical miles (nm) for those geographically disadvantaged states with little or no continental shelf, such as Japan, which claims an EEZ extending from the strait baselines along its coast. In the event of an overlap with a neighbouring state, Japan claims an EEZ as far as a median line bisecting the claims. China does not recognise Japan's median line in the East China Sea as it was declared 'unilaterally'. China and Japan's competing claims to maritime jurisdiction in the East China Sea are discussed in chapter three. The point here is that international law has not provided a common basis for negotiation, despite rhetoric to the contrary.

Much of legal literature on the East China Sea dispute compares the conflicting legal regimes that govern maritime delimitation and extrapolates possible solutions. The strength of this body of work is that, if Chinese and Japanese leaders ever decide to settle the dispute, there will be no shortage of alternative solutions. There are several proposals that accord differing weight to the Senkaku/Diaoyu islands and others that trade sovereignty for resource access.¹¹² International legal scholarship has generally proceeded in phases reflecting developments in the dispute. Early legal works outlined the basis and parameters of each party's claim.¹¹³ Following the Deng

¹¹⁰ On this trend as pertains to the wider region see Sam Bateman, "East Asia's Marine Resources and Regional Security," review of Paper for Workshop on East Asia Security, conducted at Wilton Park, UK, July 1996., *Maritime Studies* (1996), pp. 13-24.

¹¹¹ Jeanette Greenfield, *China's Practice in the Law of the Sea* (Oxford: Clarendon Press, 1992), p. 119.

¹¹² For various settlement options see Mark J. Valencia, "Northeast Asia: Petroleum Potential, Jurisdictional Claims, and International Relations," *Ocean Development and International Law* 20 (1989), pp. 35-61; Ji Guoxing, "The Diaoyudao (Senkaku) Islands Dispute and Options for Equitable Settlement," *The Korean Journal of Defense Analysis* 6, no. 2 (1994), pp. 285-311; Peter A. Dutton, "Carving up the East China Sea," *Naval War College Review* 60, no. 2 (2007), pp. 49-72; Valencia, "The East China Sea Dispute," pp. 127-167; John Donaldson and Alison Williams, "Understanding Maritime Jurisdictional Disputes: The East China Sea and Beyond," *Journal of International Affairs* 59, no. 1 (2005), pp. 135-156; Yasuhiro Goto, "East China Sea Dispute: Learn from the Australians and East Timorese," *AJISS-Commentary*, no. 17 (2007).

¹¹³ Early legal work on the dispute is Toshio Okuhara, "The Territorial Sovereignty over the Senkaku Islands and the Problems on the Surrounding Continental Shelf," *Japanese Annual of International Law* 15 (1971), pp. 97-106; Thomas R. Ragland, "A Harbinger: The Senkaku Islands," *San Diego Law Review* 10, no. 3 (1973), pp. 664-691; Anonymous, "The East China Sea: The Role of International Law in the Settlement of Disputes," *Duke Law Journal* 1973, no. 4 (1973), pp. 823-865; Tao Cheng,

Xiaoping's *modus vivendi* proposed in 1978, that the two sides shelve sovereignty issues and focus on joint resource development, analysts followed suite.¹¹⁴ Several important works have identified the barriers to maritime agreement, but have not meaningfully explored how they can be overcome.¹¹⁵ Following the passage of UNCLOS in 1982, scholars attempted to reconcile the regime with newly emerging legal questions, particularly the question of whether the Senkaku/Diaoyu islands are legally defined islands and, if so, what impact they will have on boundary delimitation.¹¹⁶ More recent legal works offer new interpretations of the relevant documents or updates based on new legal precedent.¹¹⁷ The primary shortcoming of the legal scholarship is that it is highly unlikely either party will submit the dispute for international legal adjudication. This is due in no small part to the fact that Japan denies the very existence of a territorial dispute over the islands. For its part, China has historically eschewed third party arbitration and stressed bilateral solutions to territorial questions. Ultimately, most legal interpretations recognise that international law at best provides one of many potential avenues to the resolution of territorial disputes; avenues which will not be pursued in absence of political will in Beijing and

"The Sino-Japanese Dispute over the Tiao-Yu-Tai (Senkaku) Islands and the Law of Acquisition," *Virginia Journal of International Law* 14, no. 2 (1974), pp. 221-266.

¹¹⁴ Ying-jeou Ma, *Legal Problems of Seabed Boundary Delimitation in the East China Sea*, vol. 62 (Baltimore: Occasional Papers/Reprints Series in Contemporary Asian Studies, 1984); Park, *East Asia and the Law of the Sea*; Wei-chin Lee, "Trouble under the Water: Sino-Japanese Conflict of Sovereignty on the Continental Shelf in the East China Sea," *Ocean Development and International Law* 18, no. 5 (1987), pp. 585-611.

¹¹⁵ See Daniel J. Dzurek, "What Makes Some Boundary Disputes Important?," *IBRU Boundary and Security Bulletin* 7, no. 4 (1999-2000), pp. 83-95; David A. Colson, "Island Disputes in East Asia," in *Security Flashpoints: Oil, Islands, Sea Access and Military Confrontation*, ed. Myron H. Nordquist and John Norton Moore (The Hague: Martinus Nijhoff, 1998), pp. 407-417; Bernard H. Oxman, "Political, Strategic, and Historical Considerations," in *International Maritime Boundaries*, ed. Jonathan I. Charney and L.M. Alexander (The Hague: Martinus Nijhoff Publishers, 1993), pp. 3-40; One exception is Douglas M. Johnston and Mark J. Valencia, *Pacific Ocean Boundary Problems: Status and Solutions*, ed. Shigeru Oda, vol. 16, Publications on Ocean Development (Dordrecht: Martinus Nijhoff Publishers, 1991).

¹¹⁶ Jonathan I. Charney, "Central East Asian Maritime Boundaries and the Law of the Sea," *The American Journal of International Law* 89, no. 4 (1995), pp. 724-749; Alex G. Oude Elferink, "Is It Either Necessary or Possible to Clarify the Provision on Rocks of Article 121(3) of the Law of the Sea Convention," in *Borderlands under Stress*, ed. Martin Pratt and Janet Allison Brown (London: Kluwer Law International, 2000), pp. 389-407; Yoshiro Matsui, "International Law of Territorial Acquisition and the Dispute over the Senkaku (Diaoyu) Islands," *Japanese Annual of International Law* 40 (1997), pp. 3-31; Daniel J. Dzurek, "Effect of the Diaoyu/Senkaku Islands on Maritime Delimitation," in *Borderlands under Stress*, ed. Martin Pratt and Janet Allison Brown (London: Kluwer Law International, 2000), pp. 409-420.

¹¹⁷ Steven Wei Su, "The Tiaoyu Islands and Their Possible Effect on the Maritime Boundary Delimitation between China and Japan," *Chinese Journal of International Law* 3 (2004), pp. 385-420; Erdem Denk, "Interpreting a Geographical Expression in a Nineteenth Century Cession Treaty and the Senkaku/Diaoyu Islands Dispute," *The International Journal of Marine and Coastal Law* 20, no. 1 (2005), pp. 97-116.

Tokyo.¹¹⁸ The conditions under which this political will may emerge is the central focus of this thesis.

1.3.2 Dispute management and escalation dynamics

Analysts are divided over the driving forces of the East China Sea dispute. Some argue the dispute is driven by material factors, such as resource demand or geopolitical calculations, while others stress ideational factors, such as national identity and domestic political legitimacy. These works have generally reflected the state of the dispute at the time of writing. Throughout the 1990s, prior to the discovery of commercially viable hydrocarbons, but at the height of nationalist activity, the ideational school was dominant. Subsequently, as China began to exploit resources in the East China Sea, the material dimension became more accepted as a motive. Consequently there has been little research done on the interaction between these two motives because they have not occupied the same temporal space.¹¹⁹

As will be discussed in chapter three, the Senkaku/Diaoyu islands dispute has been plagued by incidents sparked by nationalist groups. Neither China nor Japan could compromise their stance on the dispute for fear of alienating nationalist constituencies in their respective polities, as well as in government.¹²⁰ This view was supported by strong appeals in China that tied the island dispute to the broader anti-Japanese discourse.¹²¹ Furthermore, political elites in Japan and Taiwan were able to hijack the dispute for domestic political gain during the electoral cycle.¹²² The Senkaku/Diaoyu islands have become caught up in the antagonistic history between China and Japan, making their competing claims irredentist ones.¹²³ When nationalist fervour reached a fever pitch in 1996, elites in China had to weather criticism from nationalist groups in

¹¹⁸ One article which recognises the need for political will, but offers no insight into how it may emerge is Donaldson and Williams, p. 152.

¹¹⁹ One exception was the hypothesis that Asian states, as maturing states, had high resource needs and were insecure about their territorial integrity. See Blanchard, "Maritime Issues in Asia," pp. 424-457.

¹²⁰ Andrew Mack, "Island Disputes in Northeast Asia," *Working Paper # 1997/2* (Canberra: Department of International Relations, Australian National University, 1997); Mark J. Valencia, "Domestic Politics Fuels Northeast Asian Maritime Disputes," *Asia Pacific Issues* 43 (2000).

¹²¹ "Commentary Accuses Japan of Historical 'Cover-Ups'," *Xinhua News* July 24 1996, FBIS-CHI-96-143

¹²² See Chien-peng Chung, "The Diaoyu/Tiaoyutai/Senkaku Islands Dispute: Domestic Politics and the Limits of Diplomacy," *American Asian Review* 16, no. 3 (1998), pp. 135-164.

¹²³ Unryu Suganuma, *Sovereign Rights and Territorial Space in Sino-Japanese Relations: Irredentism and the Diaoyu/Senkaku Islands*, ed. Joshua A. Fogel, Asian Interactions and Comparisons (Honolulu: Association for Asian Studies Inc and University of Hawaii Press, 2000).

order to prevent them from seriously disrupting relations with Japan.¹²⁴ Subsequently, elites on both sides attempted to restrain further nationalist outbreaks, but were occasionally thwarted by secondary political actors attempting to challenge the nationalist credentials of the ruling party.¹²⁵

Clearly, ruling elites are caught between their interest in bilateral stability and their interest in maintaining their political relevance to their constituents. In Japan, conservative politicians in particular derive a great degree of legitimacy from national symbols such as visits to the Yasukuni Shrine as evidence of their support for an assertive, independent Japan. In China, the legitimacy of the CCP is tied to the party's ability to protect the territorial integrity of the PRC and defend China from further foreign interference. Viewed through Robert Putnam's two-level games thesis, Chien-peng Chung argues that compromises on China's territorial disputes have occurred when there has been little opposition from domestic constituencies.¹²⁶ Consequently, negotiations on the Senkaku/Diaoyu dispute have not occurred because of the high degree of nationalist attachment, and conflict has been avoided because the islands are not believed to be valuable in a material sense.¹²⁷ Building on the analysis of Downs and Saunders, Youngshik Bong has found that parties to Asian territorial disputes find them useful legitimising issues, which help reinforce elite power. Thus ruling elites will only compromise on material aspects of these disputes, like fisheries, and not on the sovereignty questions, lest they provoke a nationalist reaction.¹²⁸ Thus, "the prominence of political morality in Sino-Japanese relations comes at the cost of a pragmatic attitude toward issues of contention, and no political will exists to prevent pending disagreements from turning into hot spots."¹²⁹

However, while providing insights into the barriers to settlement, these analyses do not tell the entire story. The first major critique of the ideational version of events is that its singular focus on nationalist opposition as a barrier to cooperation overlooks

¹²⁴ Erica S. Downs and Phillip C. Saunders, "Legitimacy and the Limits of Nationalism: China and the Diaoyu Islands," *International Security* 23, no. 3 (1998/99), pp. 114-146.

¹²⁵ Phil Deans, "Contending Nationalisms in the Diaoyutai/Senkaku Dispute," *Security Dialogue* 31, no. 1 (2000), pp. 119-131.

¹²⁶ Chung, *Domestic Politics*, pp. 8-9.

¹²⁷ Chien-peng Chung, "Resolving China's Island Disputes: A Two-Level Game Analysis," *Journal of Chinese Political Science* 12, no. 1 (2007), p. 53.

¹²⁸ Bong, ch. 2.

¹²⁹ Liselotte Odgaard, "Perception, Pragmatism and Political Will: Maritime Disputes and Balances of Power in the Asia-Pacific," *Asian Perspective* 26, no. 4 (2002), p. 136.

the fact that, as chapters four and five will demonstrate, cooperation has occurred despite this opposition, with support from other domestic constituencies. Second, the ideational argument views the disputed islands as worthless in a material sense to Chinese and Japanese leaders, who thus have little incentive to escalate.¹³⁰ This follows more general analysis of Asia's territorial disputes, which suggested that a reduction in the territorial imperative of Asian states was related to a reduction in the intrinsic value of land in developing Asian economies.¹³¹ However, the disputed islands are linked to the wider resource wealth of the ECS, as well as to questions about ocean governance. The discovery of commercial resources in the East China Sea in 2004 triggered a new phase of the dispute in which policy elites in Beijing and Tokyo, rather than nationalist groups or lone politicians, drove tensions over the area. In addition to the possibility of resource wealth, there is also the issue of naval activity in the ECS, which has direct bearing on the national security of both states. This is important because the benign predictions of Chung and Bong assume rational elites who are disinterested in the material value of the East China Sea.

Recent work argues that tensions in the East China Sea are driven by a materialist need for resources. According to this view, overlapping maritime claims are highly volatile due to the growing energy needs of Asian states and a concomitant growth in defence spending.¹³² Resource interests explain China's reliance on the outmoded concept of natural prolongation of the continental shelf in the East China Sea, and its claim to historical title in the South China Sea. China and Japan are both sufficiently desperate for energy that either party would consider the use of military force to secure access to East China Sea resources.¹³³ According to Selig Harrison, China's growing energy needs will force it to drill in the East China Sea, regardless of whether or not Japan agrees to jointly develop the resources buried there.¹³⁴ Analysts argue that the resource value of the ECS as a whole indicates that it could provide for

¹³⁰ Bong, p. 26; Chung, *Domestic Politics*, p. 17.

¹³¹ Wang, "Territorial Disputes," p. 381.

¹³² The classic works of this nature are Michael T. Klare, *Resource Wars* (New York: Henry Holt & Co., 2002), pp. 109-137 and Mamdouh G. Salameh, "China, Oil and the Risk of Regional Conflict," *Survival* 37, no. 4 (1995-1996), pp. 133-146.

¹³³ James C. Hsiung, "Sea Power, Law of the Sea, and a Sino-Japanese East China Sea "Resource War"," in *China and Japan at Odds: Deciphering the Perpetual Conflict*, ed. James C. Hsiung (New York: Palgrave MacMillan, 2007), pp. 133-153.

¹³⁴ Selig S. Harrison, "Quiet Struggle in the East China Sea," *Current History* 101, no. 656 (2002), pp. 271-277.

the long term energy security of either party.¹³⁵ Even those who view energy security as an area of nascent cooperation between the two are pessimistic about the likelihood of cooperation over resource development in the East China Sea.¹³⁶ These resource-centric arguments are strengthened by a growing 'energy nationalism' across Asia and by the fact that neither Japan or China displayed an interest in the sovereignty of the Senkaku/Diaoyu islands until after a bullish energy assessment was released in 1969.¹³⁷ These works generally view China as the more insecure state with regard to energy security, despite the fact that it is less reliant on imports than Japan.¹³⁸ According to Arthur Ding "The significance of the two's [China and Japan] latest rivalry over energy resources, especially those in the East China seabed, is to be understood in the context of China's growing thirst for energy supplies."¹³⁹

The materialist school also points to rising military spending as evidence of state resolve to consider military force for the purpose of securing access to resources.¹⁴⁰ In addition to providing the ability to contest control over disputed maritime areas, advanced naval capabilities also provide the ability to police and secure vital SLOCs. Because both the PLAN and MSDF are increasing their operational parameters and

¹³⁵ Wenran Jiang, "East Asia's Troubled Waters- Part I," 2006
<http://yaleglobal.yale.edu/display.article?id=7302>. Accessed 10/05/2007.

¹³⁶ Hongyi Harry Lai, "China's Oil Diplomacy: Is It a Global Security Threat?," *Third World Quarterly* 28, no. 3 (2007), p. 535.

¹³⁷ Mikal Herberg, "Asia's Energy Insecurity: Cooperation or Conflict?," in *Strategic Asia 2004-05: Confronting Terrorism in the Pursuit of Power*, ed. Ashley J. Tellis and Michael Wills (Seattle Wa.: The National Bureau of Asian Research, 2004), pp. 339-377. For earlier versions of this thesis see Mark J. Valencia, "Energy and Insecurity in Asia," *Survival* 39, no. 3 (1997), pp. 85-106; Kent E. Calder, *Asia's Deadly Triangle: How Arms, Energy and Growth Threaten to Destabilize Asia Pacific* (London: Nicholas Brealey Publishing, 1996). For a rejoinder see Robert A. Manning, *The Asian Energy Factor: Myths and Dilemmas of Energy, Security and the Pacific Future* (New York: Palgrave, 2000). For early recognition of the energy issue see Victor H. Li, "China and Offshore Oil: The Tiao-Yu Tai Dispute," in *China's Changing Role in the World Economy*, ed. Bryant G. Garth (New York: Praeger Publishers, 1975), pp. 143-162; Selig S. Harrison, *China, Oil and Asia: Conflict Ahead?* (New York: Columbia University Press, 1977). This is notwithstanding Japanese attempts to ensure that the return of Okinawa included the islands.

¹³⁸ Only 9.87% of China's total energy consumption comes from imported oil. Author's calculations based *BP Statistical Review of World Energy* 2008, pp. 21, 41. Japan meanwhile relies on imported oil 48.5% of its total energy consumption. Author's calculations from data contained within Energy Information Administration (EIA), "Japan: Country Analysis Brief," (US Department of Energy, 2008) <http://www.eia.doe.gov/emeu/cabs/Japan/Background.html>. Accessed 02/02/2009. However, China's relationship with the United States, which polices the global SLOC chain, contributes to its sense of energy insecurity. On these concerns see Marc Lanteigne, "China's Maritime Security and the 'Malacca Dilemma'," *Asian Security* 4, no. 2 (2008), pp. 147-149.

¹³⁹ Ding, p. 36.

¹⁴⁰ James C. Bussert, "Oil May Be Focal Point of Sino-Japanese Dispute," *Signal* 61, no. 3 (2006), pp. 33-36. See also Bernard D. Cole, *The Great Wall at Sea: China's Navy Enters the 21st Century* (Annapolis MA: Naval Institute Press, 2001), ch. 3.

capabilities, the possibility of an incident near the disputed gas fields is elevated.¹⁴¹ Others maintain that China's relative military weakness will discourage it from initiating a military conflict over the East China Sea.¹⁴² Ultimately the materialist view confuses cause and effect. While some view the territorial dispute as a rationale for the acquisition of more advanced military hardware, others argue that these resource considerations are subservient to a broader strategic rationale for a more robust maritime presence in the region by both parties.¹⁴³ The territorial dispute is not a driver for military modernisation, but remains a possible flashpoint because of improved naval capabilities.

This discussion reveals little consensus on what drives state policy towards the East China Sea dispute and little in the way of theoretically informed analysis. Correctly identifying how leaders perceive territorial value and the policy ends gained from the disputed territory is integral to offering a complete explanation.¹⁴⁴ One exception to this is the work of Jean-Marc F. Blanchard, who views the islands as valuable to Beijing not only as a source of resource wealth, but also because they are an important source of anti-Japanese rhetoric upon which the CCP's legitimacy rests.¹⁴⁵ However, as Fravel notes, territorial value is variable, not fixed.¹⁴⁶ While Blanchard's value conceptions may hold in the early 2000s, it could be argued that following the April 2005 anti-Japanese protests, the nationalist sentiment provoked by popular anti-Japanese feelings has become a liability for the CCP. This is because the ruling elites recognise there are many sources of anti-Japanese sentiment in the Chinese national

¹⁴¹ Bernard D. Cole, "Chinese Naval Modernization and Energy Security" (paper presented at the 2006 Pacific Symposium, Washington DC, June 20 2006), p. 11.

¹⁴² Peter Kien-hong Yu, "Solving and Resolving the East China Sea Dispute: Beijing's Options," *The Korean Journal of Defense Analysis* 17, no. 3 (2005), p. 113.

¹⁴³ One the first point see Christopher W. Hughes, "Japanese Military Modernization: In Search of a 'Normal' Security Role," in *Strategic Asia 2005-06: Military Modernization in an Era of Uncertainty*, ed. Ashley J. Tellis and Michael Wills (Seattle: National Bureau of Asian Research, 2005), p. 109; June Teufel Dreyer, "China's Military Strategy Regarding Japan," in *China's Military Faces the Future*, ed. James R. Lilley and David Shambaugh (Armonk, NY: ME Sharpe, 1999), p. 325; Kim, *Naval Strategy in Northeast Asia*, pp. 136-142. For the latter view see Toshi Yoshihara and James R. Holmes, "Japanese Maritime Thought: If Not Mahan Who?," *Naval War College Review* 59, no. 3 (2006), pp. 23-51; Peter J. Woolley, *Japan's Navy: Politics and Paradox 1971-2000* (Boulder, Co: Lynne Rienner Publishers, 2000); Graham, ch. 8. On China's strategic doctrine and the role of the territorial dispute therein see James R. Holmes and Toshi Yoshihara, "The Influence of Mahan Upon China's Maritime Strategy," *Comparative Strategy* 24, no. 1 (2005), pp. 23-51; Thomas M. Kane, *Chinese Grand Strategy and Maritime Power* (London: Frank Cass, 2002), pp. 36-41.

¹⁴⁴ Jean-Marc F. Blanchard, "Linking Border Disputes and War: An Institutional-Statist Theory," *Geopolitics* 10, no. 4 (2005), pp. 688-711.

¹⁴⁵ Blanchard, "China's Peaceful Rise," pp. 230-235.

¹⁴⁶ M. Taylor Fravel, *Strong Borders Secure Nation: Cooperation and Conflict in China's Territorial Disputes* (Princeton NJ: Princeton University Press, 2008), p. 11.

identity, but none are as high risk of becoming militarised as the ECS dispute. Consequently, Beijing downplayed nationalist sentiment following the agreement on joint development in June 2008.¹⁴⁷ Thus, state leaders' preferred policy options for disputed territory change over time. This thesis seeks to build on Blanchard's work in three ways. First, it aims to develop a rigorous conception of territorial value as a source of preferred policy outcomes for claimant states; this is outlined in chapter two. Second, the thesis analyses Japan's role, policy and behaviour towards the dispute, which has thus far been under analysed. Finally, this thesis places the role of maritime geography at the forefront of analysis. This approach considers the possibility that policymakers' decisions are informed not only by the territorial (island) aspect of the dispute, but also by the implications for maritime claims in the wider East China Sea.¹⁴⁸ This is an important difference as Blanchard omits analysis of the fisheries dimension as well as the strategic value of East China Sea from his analysis.¹⁴⁹

1.4 Conclusion: The East China Sea dispute as a least likely case of territorial compromise?

This review indicates several reasons why an inquiry into the cooperative and confrontational dynamics of the East China Sea dispute will add to existing scholarship. First, the dispute is omitted from work on China's behaviour towards its territorial disputes because it has not been the site of an overt use of military force, as has the Paracel or the Spratly islands dispute, nor has it been the site of a formal treaty settling the dispute.¹⁵⁰ Second, there are many barriers to territorial settlement in the East China Sea dispute. A longstanding inimical historical relationship combined with poor popular perception of one another means that Chinese and Japanese leaders appear to confront all the domestic political barriers to territorial settlement outlined above. Furthermore, the East China Sea is likely to be the medium through which a Sino-Japanese military rivalry will be played out. Nevertheless, the ECS dispute has not visibly disrupted the trade relationship, one of the most profitable and dynamic in the world; hence leaders have little incentive to pursue

¹⁴⁷ Stephen Chen, "Anti-Japanese Protesters Assail Beijing's Gas Pact," *South China Morning Post*, June 19 2008.

¹⁴⁸ For an analysis that views geography as a determining factor of East Asia's strategic alignment see Robert S. Ross, "Geography of the Peace: East Asia in the Twenty-First Century," *International Security* 23, no. 4 (1999), pp. 81-118.

¹⁴⁹ Blanchard, "China's Peaceful Rise," p. 228.

¹⁵⁰ See Fravel, *Strong Borders Secure Nation*, ch. 6. Carlson chooses the South China Sea dispute as a case study of Chinese maritime interests on the grounds that it is more significant to China than the East China Sea dispute. See Carlson, *Unifying China, Integrating with the World*, p. 251, fn 10.

cooperation according to this logic. Recent literature on Chinese behaviour towards its territorial disputes had argued that Chinese leaders are more likely to compromise on a territorial dispute if they believe it will result in greater internal political stability.¹⁵¹ This makes the ECS an intriguing case, as vocal minorities in China have called for a more assertive stance towards Japan with regard to the Senkaku/Diaoyu islands.¹⁵² While this appears to provide the basis for a more assertive stance, the CCP has also exercised restraint and has pursued cooperative outcomes such as the 1997 fisheries agreement and the 2001 notification agreement on marine research operations in the disputed ECS waters. As a consequence of these seemingly conflicting dynamics, the East China Sea dispute should be considered a least likely case study in territorial compromise.

This chapter has identified three gaps in the understanding of Sino-Japanese behaviour towards the ECS dispute. In particular, there is no attempt to address how political elites develop the political will to pursue cooperation in the ECS. Filling this gap will contribute to an understanding of how states can overcome the significant barriers to maritime delimitation agreements. There is a litany of possible solutions to the dispute; the key question is determining how China and Japan can get to this point. Second, existing analyses are overly China-centric, omitting a coherent analysis of Japan's behaviour towards the territorial dispute. Although this is likely a product of the fact that Japan has to date been viewed as the occupying state in the dispute, the Chinese attempts to develop resources at Chunxiao begs questions about which side has demonstrated the most initiative.¹⁵³ Finally, there is clearly room for a fuller theoretical treatment of the ECS dispute and of maritime territorial disputes more generally. This thesis aims to fill these gaps with an analysis of the ECS dispute through the theoretical lens of the opportunity and willingness framework.

In developing the opportunity and willingness framework, Most and Starr argue that a convincing theory of international politics should avoid deterministic claims to universality and instead attempt to develop theories that hold under certain circumstances. For Most and Starr, the key ingredient of a good theory is a clear outline of what it seeks to explain and what it does not. The next chapter sets out how

¹⁵¹ Fravel, "Regime Insecurity and International Cooperation," pp. 46-83.

¹⁵² Chung, *Domestic Politics.*, chapter 3.

¹⁵³ This contribution is attempted in light of the call made by Jean-Marc F. Blanchard. See Blanchard, "China's Peaceful Rise.", pp. 235-236.

the opportunity and willingness framework will be applied to a maritime territorial dispute and why it is well suited to questions about the necessary conditions of state action.

Chapter 2: Opportunity and Willingness in the Study of Maritime Territorial Disputes

At its most basic level, the East China Sea dispute is a disagreement over maritime space in East Asia. Because it is a maritime territorial dispute, over both islands and ocean space, it encompasses a variety of legal, material and ideational factors. The introduction argued that while International Relations theory can explain the parameters within which the Sino-Japanese relationship fluctuates, it struggles to explain how leaders behave towards their territorial disputes within this range. Chapter one argued that existing analyses of the ECS dispute do not explain the pattern of confrontation and cooperation. This is partly because few analyses view the dispute as being more than over the sovereignty of the Senkaku/Diaoyu islands. In fact, the dispute is also over the contested maritime space in the ECS itself, and in turn over expectations of the benefit control of this area would mean for each party's wider strategic aims. Despite the 'positional' nature of the dispute, policy elites on both sides have been willing, under certain conditions, to limit their territorial ambitions in one way or another, if not cooperate on certain dimensions of the dispute. In an effort to advance debate, this thesis is preoccupied with highlighting the conditions under which policy elites in China and Japan choose to either confront or cooperate on the ECS dispute. Consequently, the appropriate theoretical lens through which to analyse the dispute is one that synthesises the impact of multiple factors, but which does not *a priori* favour one over another.

This research aim requires the use of a theoretical framework which permits multi-variate, multi-level analysis of both the international structure, the agents which act within that structure as well as the interaction between them. Harvey Starr's opportunity and willingness framework has successfully been applied to large-N analyses of territorial disputes, the spread of war, as well as social science research methodology. This chapter outlines its central tenets and derives a way to apply them in a qualitative sense to the East China Sea dispute. It then outlines the justification for the selection of the four case studies. In doing so, the thesis is breaking new theoretical ground in as much as the framework provides a more complete lens through which to analyse maritime territorial disputes. The opportunity and willingness framework is rooted firmly in geographic explanations of political behaviour, traditionally the decision to make war. Due to this background, it is well

suitable to the analysis of maritime territorial disputes. The thesis aims to fill the gap in the literature's understanding of the political will for the settlement of the East China Sea dispute. The advantage of the opportunity and willingness framework in a comparative case study is that it permits the analysis of actors' decisions and how these are informed by the environments in which they operate. The framework presented here is derived from the territorial dispute literature and is concerned with the analysis of three groups of variables: opportunity encompassing structural, environmental and geographic factors; willingness encompassing decision-making dynamics; and leaders' perceptions of territorial value as a source of preferred policy outcomes.

This chapter proceeds in five sections. The first section introduces the opportunity and willingness framework and traces its intellectual origins and development. The second section examines how opportunity and willingness has been used to analyse territorial disputes and other phenomena. The third and fourth sections develop the opportunity and willingness framework used in this thesis; first by elucidating the concepts of opportunity and willingness, and then by exploring the role of 'value' in the study of territorial disputes. The final section summarises the thesis' contribution and considers issues of methodology and case selection.

2.1 Opportunity and willingness in the study of war

Harvey Starr's original purpose in putting forward the opportunity and willingness framework was to provide a 'pre-theoretical' way for students to order the many competing variables germane to the study of conflict. He suggested two categories: opportunity, defined as the possibility of interaction between entities and willingness, defined as process and activities that cause leaders to choose the opportunity for war.¹ These categories permit the classification of varying levels of analysis, disciplines and theoretical paradigms as part of a process to build a complete theory of war.

Starr's underlying assumption, that the activities of policy-makers are constrained by their environments, was derived from the work of Harold and Margaret Sprout. The Sprouts developed the 'ecological' triad which held that International Relations could be understood by examining an entity, its environment and the relationship between

¹ Harvey Starr, "'Opportunity' and 'Willingness' as Ordering Concepts in the Study of War," *International Interactions* 4, no. 4 (1978), p. 364.

them.² These three concepts remain the cornerstone of the framework. 'Environmental possibilism' recognises that any environment constrains an actor in some way. For example, China cannot invade the United States due to breadth of the Pacific Ocean and its weakness in power projection and amphibious landing capabilities; a function both of geographic and technological realities. This concept is not static, nor is it causal. China may one day develop the capability to invade the United States, but this does not mean it will do so upon gaining this capability: it simply adds this option to the list available to Chinese policymakers. 'Environmental probabilism' argues that these environmental limits are observable to both actor and analyst, and can thus provide clues as to expected outcomes: the Chinese know they cannot invade the US and thus are unlikely to try. The analyst can probably discard this possibility for the time being. Finally 'cognitive behaviouralism' holds that any reaction will be subject to the perceptions of the actor about its environment. There may come a time when Chinese military elites believe they are capable of successfully invading the US due to a misperception of their own military capability, or perhaps a miscalculation about likely American responses.³

Each of these distinctions avoids a deterministic relationship between the environment and the actor; an actor is never entirely constrained by its surroundings, there is always choice.⁴ The strength of the Sprouts' environmental triad is that it combines flexibility with academic rigour. It is sufficiently flexible to include insights from a variety of academic disciplines and paradigms, yet it is sufficiently rigorous to permit the investigation of hypotheses about a state's behaviour, as it is grounded in the study of the constraints the state faces. In this way it is explicitly directed at policy-relevant research because policies are the outcome of actors' perceptions of their environments.⁵ Furthermore, because it does not privilege actor over structure or vice-versa, it avoids the pitfalls of the 'level of analysis problem' and the agency-structure debate in International Relations scholarship.⁶

² Harold Sprout and Margaret Sprout, "Environmental Factors in the Study of International Politics," in *International Politics and Foreign Policy*, ed. James N. Rosenau (New York: The Free Press, 1969), pp. 41-56.

³ Benjamin A. Most and Harvey Starr, *Inquiry, Logic and International Politics* (Columbia, N.C.: University of South Carolina Press, 1989), ch. 2.

⁴ Starr, "'Opportunity' and 'Willingness,'" p. 366.

⁵ Sprout and Sprout, p. 56.

⁶ See J. David Singer, "The Level of Analysis Problem in International Relations," in *International Politics and Foreign Policy*, ed. James N. Rosenau (New York: The Free Press, 1969), pp. 20-29; K.J. Holsti, *International Politics: A Framework for Analysis*, 4th ed. (Englewood Cliffs, NJ: Prentice-Hall

Like the Sprouts, Starr assumes a state's physical environment (geography) presents the greatest constraint on the pursuit of its foreign policy interests for two reasons.⁷ First, states are most likely to interact with the states with which they share borders, and next most likely to interact with states that are proximate, close but not contiguous, to them. This is based on Zipf's 'law of least effort' which holds that, all else being equal, states interact more frequently with proximate and contiguous states.⁸ The opportunity for cross-border interaction is conditioned by a border's physical nature. Certain interactions may be impossible due to geographical constraints; oceans or mountain ranges may impede the ability of two states to interact, or may dictate the tone of interactions between them. For example, mountainous borders may hamper cross border trade, as well as military operations across it, rendering the border less relevant than others to policymakers.⁹

The second impact of geography on a state's foreign relations relates to distance. A state's ability to pursue its interests at distant borders is considerably less than its ability to do so in its own neighbourhood. Based on Kenneth Boulding's 'loss of strength gradient', Starr argues that states are less capable of pursuing war across great distances as they encounter logistical and tactical difficulties.¹⁰ Furthermore, the costs of using military force far from home can have a positive or negative impact on a state's future 'viability' in its region.¹¹ In short, borders create an environment that makes interactions, and by extension conflict, more or less likely.¹² The opportunity concept is designed to capture these limitations. At its most basic level opportunity is

Inc., 1983). Indeed, some argue that opportunity and willingness mirror Wendt's agency and structure distinction. See Alexander Wendt, "The Agent-Structure Problem in International Relations Theory," *International Organization* 41, no. 3 (1987), pp. 337-370; Gil Friedman and Harvey Starr, *Agency, Structure, and International Politics* (London: Routledge, 1997).

⁷ Harvey Starr, "Joining Political and Geographic Perspectives: Geopolitics and International Relations," *International Interactions* 17, no. 1 (1991), pp. 1-9.

⁸ Randolph M. Siverson and Harvey Starr, *The Diffusion of War: A Study of Opportunity and Willingness* (Ann Arbor: The University of Michigan Press, 1991), p. 32.

⁹ Starr, "'Opportunity' and 'Willingness,'" pp. 363-387. This early work assumed cross border interactions were inherently hostile due to an assumed mistrust between states. This was based on Midlarsky, "Power, Uncertainty, and the Onset of International Violence," pp. 395-431. Similarly, changes in borders were a source of uncertainty for states. See Benjamin A. Most and Harvey Starr, "Diffusion, Reinforcement, Geopolitics and the Spread of War," *American Political Science Review* 74, no. 4 (1980), pp. 932-946.

¹⁰ Starr, "'Opportunity' and 'Willingness,'" pp. 368-369. See also Kenneth E. Boulding, *Conflict and Defense: A General Theory* (New York: Harper and Row, 1962), pp. 78-79.

¹¹ Most and Starr, "Diffusion, Reinforcement," pp. 934-935. See also Boulding, ch. 4.

¹² Harvey Starr and Benjamin A. Most, "The Substance and Study of Borders in International Relations Research," *International Studies Quarterly* 20, no. 4 (1976), p. 588.

a clear demonstration of constraints. For example, if two nations do not share a contiguous border, it is virtually impossible for them to be involved in a territorial dispute, unless one is a colonial power.

However, the constraints on interaction placed by a state's geographic environment are not constant because technological advances and shifting regional political trends may yield opportunities in the future that are unthinkable today. Viewed as capabilities, the operationalisation of opportunity is based on two criteria: existence and distribution.¹³ A given capability needs to exist so it is available to some member of the international system, but it may not be evenly distributed through the international system. For example, all states live in the world where nuclear weapons exist, but not all states enjoy the same policy options that take advantage of this capability because nuclear weapons are not evenly distributed throughout the system.¹⁴ Thus opportunity is a "shorthand term for the possibilities that are available within any environment...it represents the total set of environmental and structural factors."¹⁵ Viewed this way, it is similar to a menu for choice; options which are not on the menu are not possible.¹⁶ At its most broad, opportunity refers to geographic environment, technological capabilities, changing normative structures; everything which impacts decision makers' policy environment, both fixed (geographic location) and variable (technology, international laws, cross border interactions).¹⁷

Alternatively, willingness is concerned with how leaders perceive their policy environments. Willingness is "a shorthand term for the choice (and process of choice) that is related to the selection of some behavioural option from a range of alternatives... [it is] the willingness to choose (even if the choice is no action), and to employ available capabilities to further some policy option over others."¹⁸ Factors that impact on willingness include government legitimacy, political culture, public opinion and the domestic political context in which political decisions are made. The

¹³ Most and Starr, *Inquiry, Logic and International Politics*, pp. 30-32.

¹⁴ Siverson and Starr, *The Diffusion of War*, p. 24. See also Most and Starr, *Inquiry, Logic and International Politics*, pp. 31-32.

¹⁵ Most and Starr, *Inquiry, Logic and International Politics*, p. 23.

¹⁶ Bruce Russett, Harvey Starr, and Richard Stoll, "Introduction," in *Choices in World Politics: Sovereignty and Interdependence*, ed. Bruce Russett, Harvey Starr, and Richard Stoll (New York: W.H. Freeman and Company, 1989), p. 1.

¹⁷ Most and Starr, *Inquiry, Logic and International Politics*, p. 36.

¹⁸ *Ibid.*, p. 23.

study of willingness is the study of “the processes by which decision makers *recognise* opportunities, and then translate those opportunities into alternatives that are weighed in some manner; willingness means the decision to choose among those alternatives and accept costs and benefits accompanying that option.”¹⁹ The issue of recognition is important because it permits misperception and miscalculation on the part of the decision-maker. Willingness recognises that rational policy actors can make decisions when confronted with a complicated set of policy options that would otherwise appear irrational.²⁰ However, as will be described below, identifying accurate indicators of willingness has proved to be difficult, as the concept is often oversimplified for the purposes of statistical analysis. Most often, the willingness for war has been operationalised as the existence of a territorial dispute between two states.

One of the primary challenges of the framework is accurately capturing the relationship between opportunity and willingness. If both are jointly necessary conditions for an event, how much of one versus the other is required for the event under study to occur? The concepts are interdependent as well as independent. As Siverson and Starr note, “anything that affects the structural possibilities of the environment(s) within which decision makers must act also affects the incentive structures for those decision makers.”²¹ Most and Starr also note the most difficult aspect of the framework is interpreting this relationship; how does one element impact on the other? Which impacts more on a given policy outcome?²² As the following section will demonstrate, exploring the relationship between the two has proved problematic. Starr recognises that geography makes states relevant to one another “through *some combination* of opportunity and willingness”.²³ The quantitative research program that has thus far dominated the use of opportunity and willingness has operationalised the two variables in one way or another to explore the impact of various territorial and political factors on the occurrence of conflict, but has

¹⁹ Ibid., pp. 34-35.

²⁰ This stems from the Sprouts’ concept of cognitive behaviouralism. Siverson and Starr, *The Diffusion of War*, p. 24.

²¹ Ibid., p. 24. This is well demonstrated by the issue of alliances. Alliances reflect willingness in as much an alliance represents a common policy preference with another actor, but can also reflect opportunity because alliances create an opportunity for war that would otherwise not exist.

²² Most and Starr, *Inquiry, Logic and International Politics*, pp. 42-45.

²³ Starr, “Territory, Proximity, and Spatiality,” p. 391. Emphasis added.

not yielded much insight into the relationship between the two concepts.²⁴ One of the advantages of a qualitative analysis is a more focused analysis of the two concepts across a more limited number of case studies. By exploring how scholars have used the opportunity and willingness framework, the next section seeks to determine what aspects need to be included in a qualitative opportunity and willingness framework that will provide a complete analysis of a given territorial conflict, in this case the East China Sea maritime territorial dispute. This thesis will be able to offer theoretical insight into the relationship between the concepts of opportunity and willingness and their component parts, as well as empirical insights into the cooperative and confrontational behaviour pattern that has been witnessed in the East China Sea.

2.2 The opportunity and willingness research program

The opportunity and willingness framework was originally designed to explain the impact of geography on state behaviour. As discussed in chapter one, the territorial dispute literature regarded this impact as twofold; geography as a facilitating condition for conflict and as a source of conflict.²⁵ As Starr argued in 2005, the opportunity and willingness framework can be viewed as an attempt to unite these two approaches. When viewed as a facilitating condition, geography provides the opportunity for war to occur and when viewed as a source of conflict, geography, manifested as a territorial dispute, provides the willingness.²⁶ In addition to exploring the conditions of territorial conflict, the framework has also been used to study the diffusion (spread) of war to neighbouring states.

Early work focused primarily on the latter phenomenon: why do wars spread once under way? Focusing on the opportunity dimension, early work found that diffusion of war across borders was most probable among states that were geographically 'relevant' to one another.²⁷ Contiguous states were more likely to take an interest in the wars of a neighbour, and consequently were more likely to intervene in those conflicts to ensure an outcome that favoured their interests. Conceptually, this research laid the groundwork for future inquiries into the spread of war by

²⁴ See for example Kathryn Furlong, Nils Petter Gleditsch, and Havard Hegre, "Geographic Opportunity and Neomalthusian Willingness: Boundaries, Shared Rivers, and Conflict," *International Interactions* 32, no. 1 (2006), pp. 79-108.

²⁵ Diehl, "Geography and War," pp. 11-27.

²⁶ Starr, "Territory, Proximity, and Spatiality," pp. 387-406.

²⁷ Most and Starr, "Diffusion, Reinforcement," pp. 932-946.

introducing the link between contiguous states and political relevance. Most states, with the exception of great powers, only have the opportunity to interact with neighbouring or regional states. Contiguous states are more relevant to one another than regional states (non-contiguous states that are part of the same geographic region), which in turn are more relevant than distant states. This is based on Boulding's 'law of viability', in which states are most powerful close to home, and get progressively weaker the further away from home they operate.²⁸ Likewise, Most and Starr argued that the more neighbours a state has, the more likely it is to be vulnerable to other states ('conditionally viable' in Boulding's terms), the more likely it is to feel insecure about its environment and, by extension, form alliances. These conditions in turn increase the probability of it engaging in an arms race or going to war.

Later work on diffusion observed that states joined wars not only due to geographic opportunities but also because they wanted to as a matter of policy. In these analyses willingness was operationalised as alliances, while opportunity continued to reflect shared borders. In developing the interaction opportunity model, Siverson and Starr argued states interact through two mediums, their cross-border relations and their alliances, both of which could facilitate the spread of war. The application of the interaction opportunity model is based on the view that the diffusion of wars is dependent on the depth of interaction that exists between warring states and potential participants in new or ongoing wars.²⁹ In this way interaction becomes a necessary, but not sufficient, condition for the diffusion of war.

Subsequently, the opportunity and willingness framework began to permeate other works on the study of war.³⁰ Paul Senese's work in 1996 explored the link between geography and the issues of dispute between states and the impact on conflict escalation. Senese found that disputes over territorial concerns escalated more quickly and ferociously than other types of inter-state dispute because these concerns were

²⁸ Boulding, ch. 4.

²⁹ Siverson and Starr, *The Diffusion of War*, pp. 32-34; Siverson and Starr, "Alliance and Border Effects on the War Behaviour of States," p. 25.

³⁰ For an outline of how most studies of geography and conflict can be organised under opportunity and willingness. See Starr, "Territory, Proximity, and Spatiality," pp. 387-406.

more salient to policymakers.³¹ This reality was grounded in two phenomena; the fact that proximate states can more easily bring force to bear against one another and the primacy of territorial concerns for state leaders over other types of issues. Like Starr, Senese viewed territorial proximity as the opportunity to choose the war option, and the existence of a territorial dispute as the willingness to do so.³²

Tures and Hensel advanced the conception of opportunity beyond the notion of simple territorial contiguity because it could not account for contiguous states that have long track records of peaceful interactions.³³ Variation in the physical nature of the border, as well as what is present on the other side may affect states' ability to go to war. States may not be able to cross a border due to geographic barriers like rivers or mountains, and if they do, there may be little of value on the other side of the border. Most states place their capital cities and infrastructure far from potential aggressors and the influence of this should not be understated. For example, this logic underwrote the selection of Ottawa as the national capital of Canada, and arguably explains why the government of Myanmar moved its entire capital city north towards a more ethnically homogenous region.³⁴ With opportunity defined as the ability to militarily reach the capital of the target state, Tures and Hensel were able to predict instances when conflict did and did not arise in land-based territorial disputes. This conceptualisation aptly accounts for the relationship between military force and geography. Technological capabilities can enable leaders to overcome the constraints imposed upon them by geographical conditions. For instance, if China or Japan is to challenge the other in the East China Sea, significant military capabilities are required. More important than possession of these capabilities is whether or not policymakers recognise these constraints associated with fighting at sea.

Recent studies using Geographic Information Systems (GIS) data have further modified the opportunity and willingness concepts by facilitating the analysis of a

³¹ Paul B. Senese, "Geographical Proximity and Issue Saliency: Their Effects on the Escalation of Militarized Interstate Conflict," *Conflict Management and Peace Science* 15, no. 2 (1996), pp. 133-161.

³² *Ibid.*, pp. 136-137.

³³ John A. Tures and Paul R. Hensel, "Measuring Opportunity and Willingness for Conflict: A Preliminary Application to Central America and the Caribbean" (paper presented at the Annual Meeting of the American Political Science Association, Washington DC, September 2 2000). Like Senese they regard the existence of a territorial dispute as the indicator of willingness.

³⁴ Alan Sipress, "As Scrutiny Grows, Burma Moves Its Capital," *The Washington Post*, December 28 2005. Tures and Hensel's analysis leaves aside the power projection capabilities of superpower states, as these are not 'normal' in the international system.

border's characteristics.³⁵ Opportunity was operationalised by 'ease of interaction' reflected by the level of infrastructure such as roads, railways and the slope of the terrain, within a 50km buffer area on either side of a given border. Willingness was understood as the salience or importance of the boundary to policymakers based on its proximity to concentrated urban populations, capital cities, active civilian and military airfields, cultural landmarks and other significant infrastructure such as oil fields or power plants. Values of each indicator were aggregated based on the clustered presence of these features.³⁶ Borders or parts of borders that scored high on both indexes were deemed to be 'vital'. Borders that approached the 'vital' level were characterised by high levels of cooperation, which challenged the traditional view that contiguity led to an increased opportunity for conflictual interactions, rather than cooperative.³⁷ Importantly, these findings indicate that states can cooperate over materially valuable areas. Previous work that viewed willingness simply as the existence of a territorial dispute glossed over these complexities.

Subsequent work grouped borders into three categories defined by their salience and found that neither highly salient (vital) borders, nor irrelevant borders witnessed conflict. It was in fact borders in the middle range, characterised by a combination of territorial incentives and interaction opportunities that accounted for the more war prone border regions.³⁸ Importantly, willingness was regarded as more than a simple conception of material territorial value; it was a function of cross border relations as well. While geographic factors impact the interaction opportunities between states, over time states which interact become more salient to one another; their proximity increases the chance that there will be considerable costs and benefits to how conflicts between the two are managed.³⁹ Leaders' interests in material territorial value were not a sufficient driver for conflict if leaders also valued positive bilateral relations.

³⁵ For a technical background see Starr, "Opportunity, Willingness and Geographic Information Systems (GIS)," pp. 243-261.

³⁶ Harvey Starr and G. Dale Thomas, "The 'Nature' of Contiguous Borders: Ease of Interaction, Salience, and the Analysis of Crisis," *International Interactions* 28, no. 3 (2002), pp. 234-235.

³⁷ *Ibid.*, p. 229.

³⁸ Harvey Starr and G. Dale Thomas, "The Nature of Borders and International Conflict: Revisiting Hypotheses on Territory," *International Studies Quarterly* 49, no. 1 (2005), pp. 123-139.

³⁹ Starr, "International Borders," p. 7.

Recognising that cross-border interactions are not inherently negative introduced a new degree of complexity to conceptions of how policymakers assign value to borders and border territories. As noted at the outset, scholars generally viewed contiguity and territory as two separate entities, one providing opportunity (geography as facilitating condition of conflict), and the other willingness (geography as a source of conflict) respectively. However, as noted above, there is clearly a point at which leaders' interest in the material value of territory wanes and they prioritise other bilateral foreign policy objectives. Likewise, not all borders witness conflictual interactions, some witness cooperative interactions. Opportunity and willingness are not independent of one another, and may become mutually reinforcing over time.

In this light, Paul Senese argued that when considered as part of the same equation, territory and contiguity can offer insight into the interaction between the opportunity and willingness concepts. He argues that territorial disputes provide a willingness to initiate a dispute over territory, regardless of whether the parties in question are contiguous. However, non-contiguous states escalate their territorial disputes to war more often than contiguous states, indicating that while contiguity provides the opportunity for a dispute, it can in fact moderate the willingness to go to war that is expected by the existence of a territorial dispute.⁴⁰ Willingness (territory) has a higher impact on escalation than does opportunity (contiguity), which in fact acts as a moderator. Neighbours have incentives to manage their territorial disputes. Clearly there is more to willingness than territorial value. This is in line with Starr's argument above that contiguous neighbours are highly salient to one another, and would thus prefer to avoid long-term confrontation or conflict.⁴¹ The most war-prone dyads, according to Senese, are the non-contiguous states with conflicting territorial claims. It appears that significant opportunity costs need to be overcome to pursue war with a distant adversary, not only due to the logistical difficulties of waging distant wars, but also because once overcome, there is little incentive to pursue accommodation.⁴² Conversely, due to the high degree of salience between neighbours, contiguous dyads have incentives to pursue accommodation; the costs of a protracted militarised dispute with a neighbour are high enough to suggest that states would often rather pursue accommodation.

⁴⁰ Paul B. Senese, "Territory, Contiguity and International Conflict: Assessing a New Joint Explanation," *American Journal of Political Science* 49, no. 4 (2005), p. 778.

⁴¹ Starr and Thomas, "The Nature of Borders and International Conflict," p. 135.

⁴² Senese, "Territory, Contiguity and International Conflict," p. 778.

This brief summary of the opportunity and willingness research program indicates several ways in which opportunity and willingness can be employed qualitatively to produce insights into states' cooperative and confrontational behaviour towards territorial disputes. Opportunity, designed to reflect the policy environment that confronts policymakers, has been viewed in two ways. It has been understood as the constraints imposed by geography, mitigated by technological capabilities, on the pursuit of a foreign policy outcome. These factors in turn impact the second aspect, the interaction opportunities between states, which in turn affect the probability of cooperation or conflict over time. Willingness has been viewed as the mere existence of a territorial dispute between two states: the value of a disputed territory is taken as given. Later analyses viewed territorial value as subject to the salience of a border region or political relationship to policy elites. Before extrapolating how these lessons can be applied to maritime territorial disputes it is worth offering a justification of the East China Sea dispute as a suitable case for exploring the opportunity and willingness framework.

The East China Sea dispute and the Sino-Japanese relationship are home to many of these same puzzles. China has interaction opportunities with all of its fourteen contiguous neighbouring states, as well as any of those states' allies. As overlapping maritime jurisdictional zones of the East China Sea constitute territorial contiguity, China also has the opportunity of going to war with Japan and its ally, the United States. This environmental fact is recognised by Chinese policymakers, which in turn affects how they approach their disputes with Japan. Simultaneously, the pacifying effects identified by recent research are also evident. China and Japan, separated by only a 'narrow strip of water', are clearly quite salient to one another. The trade relationship is deep and the two have several common cultural roots.⁴³

The East China Sea is both a source and facilitating condition of conflict. Viewed as a source of conflict, it is home to considerable living and non-living resources. In addition, the military dominance of the ECS by the other party may be strategically unacceptable to both Tokyo and Beijing. However, these willingness factors may be mitigated by its role as a facilitating condition for conflict. The geographic realities of

⁴³ This argument is made in Akira Iriye, *China and Japan in the Global Setting* (Cambridge MA: Harvard University Press, 1992).

the East China Sea impose constraints regarding the use of military force. It is not clear that either party has the capabilities required to overcome these constraints. War at sea requires at minimum a green water naval capability and long-range air power, and the probability of escalation may also act to deter the parties from full scale war.⁴⁴ Capability constraints may also affect the policy choices of Chinese and Japanese leaders in other areas as well. For example, the absence of the capability to exploit a given disputed resource may reduce its value of one claimant, or reduce that claimant's bargaining power.

Similarly, in light of the historic closeness between China and Japan, how the two states have interacted on and across the East China Sea may have an impact their behaviour towards the territorial dispute. Indeed, the ECS has witnessed different tones of interaction opportunities between China and Japan. For example, Chinese and Japanese fishermen have coexisted in the East China Sea for decades, despite occasional tensions. Likewise, despite seemingly competitive energy security strategies, cooperation over onshore and offshore resource development has been driven by oil companies in both states. It is unclear whether these dynamics occur independently of the bilateral relationship, which raises the question: when are leaders in Beijing and Tokyo willing to put aside territorial issues in favour of improved relations, and when do they prioritise territorial objectives? Understanding the constraint and incentive structures confronted by policymakers in China and Japan may reveal insights into the interaction of the opportunity and willingness framework. The following section examines how the opportunity and willingness framework can be applied to the study of maritime territorial disputes.

2.3 Opportunity and willingness in maritime territorial disputes

The qualitative analytical framework employed in this thesis starts with the assumption that policymakers face three choices with regard to their territorial disputes. They can cooperate, do nothing or confront one another over a given aspect

⁴⁴ See Koo, pp. 180-181. Fravel notes that China does not have the military supremacy at sea that it largely enjoys on the continent. See M. Taylor Fravel, "Securing Borders: China's Doctrine and Force Structure for Frontier Defense," *Journal of Strategic Studies* 30, no. 4-5 (2007), pp. 707-737. Bernard Cole argues that the PLAN will remain subordinate to the American and Japanese navies until at least 2016, but will pose a serious challenge to these forces in the region. See Bernard D. Cole, "Rightsizing the People's Liberation Army Navy: How Much Naval Force Will Beijing Deploy by 2016?," *Asia Policy*, no. 4 (2007), pp. 84-88.

of the disputed territory.⁴⁵ Within these decisions, a variety of foreign policy tools may be used to achieve policy aims. This thesis is concerned with observing instances of cooperation and confrontation; it does not explicitly consider the escalation to war. This assumption is based on Ming Wan's observation, noted in the introduction, that the Sino-Japanese relationship operates within certain systemic parameters that make war unlikely.⁴⁶ However, this does not preclude policymakers from behaving confrontationally or cooperatively to try to achieve their territorial objectives. War remains a risk for policymakers, but it is far from a plausible outcome. Pursuant to the discussion of territorial value below, each case study chapter begins with an outline of the value of the disputed territorial issue to each claimant. This informs the discussion of what leaders hope to achieve by making claims to the disputed territory.⁴⁷ These territorial objectives, aims and goals are offset by the analysis of what options were available to leaders to achieve their aims (opportunity) and how the process by which leaders chose a given option from a range of alternatives (willingness). First, this section outlines how the opportunity and willingness will be conceptualised to explain state policy towards cooperation and confrontation in the East China Sea dispute.

The thesis will employ a threefold characterisation of opportunity in order to analyse the full scope of interaction between the geographical, structural, and normative factors that inform the world in which leaders make their foreign policy choices. In its simplest version, opportunity represents the 'menu for choice' for leaders; the total

⁴⁵ This has most recently been employed by Fravel, *Strong Borders Secure Nation*, pp. 12-13, but dates back to Huth, *Standing Your Ground*, p. 30.

⁴⁶ Wan, *Sino-Japanese Relations*, p. 338.

⁴⁷ It could be argued that in the case of Japan, these decisions are not made independently due to its alliance with the United States. However, the United States has long maintained its neutrality on the status of the Senkaku/Diaoyu islands. While American leaders have been ambiguous as to whether the security treaty extends to the islands, most famously Ambassador Walter Mondale in 1996, the consensus is that it does. In any case, Japan bears primary responsibility for its national defence even under the (somewhat ambiguous) geographic area defined by the security treaty. Thus, American military involvement in an East China Sea conflict is only likely if a skirmish between China and Japan escalated dramatically. Therefore, this thesis assumes that Japan's policy towards the East China Sea dispute is not determined by the US alliance and only addresses the alliance as it relates to Chinese military calculations. See Kerry Dumbaugh et al., "China's Maritime Territorial Claims: Implications for U.S. Interests," *CRS Reports for Congress* RL31183 (Washington DC: 2001), p. 22; Larry A. Niksch, "Senkaku (Diaoyu) Islands Dispute: The US Legal Relationship and Its Obligations," *CRS Reports for Congress* 96-798 F (Washington DC: 1996). On the US role in the Senkaku/Diaoyu island dispute see Jean-Marc F. Blanchard, "The US Role in the Sino-Japanese Dispute over the Diaoyu (Senkaku) Islands, 1945-1971," *The China Quarterly* no. 161 (2000), pp. 95-123; John M. Van Dyke, "North-East Asian Seas: Conflicts, Accomplishments and the Role of the United States," *The International Journal of Marine and Coastal Law* 17, no. 3 (2002), pp. 397-421.

set of foreign policy options that are achievable under a set of circumstances.⁴⁸ These include the geographical realities that inform the East China Sea dispute, the set of international laws and norms that govern the various aspects of the dispute, as well as those institutions that govern domestic affairs and the exercise of foreign policy. Changes in international or domestic institutions may affect the ‘menu’ state leaders confront when making a decision. According to Bruce Russett,

...research on international politics, has too much neglected the *environment* of politics. That is, we have often failed to study the role of social, economic and technological factors in providing the *menu* for political choice. Relatively speaking, too much effort has gone into examining the ways in which choices are made, the political process itself, rather than into asking, in a rigorous and systematic way, what possible choices were in fact available and why those possibilities and not some others were available.⁴⁹

The advantage of the opportunity and willingness framework, in light of Russett’s call, is that it permits the analysis of both environment (opportunity) and of political process (willingness).

The second sense in which opportunity is employed is as a set of capabilities. As capabilities can change the policy environment, by overcoming geographic constraints, in this sense they are viewed broadly; ‘capabilities’ includes not only military technologies and doctrine, but also those related to the exploitation of living and non-living resources in the disputed area, as well as other capabilities relevant to the use of maritime space. Changes in capabilities can alter the overall structure of the dispute, or the range of possibilities, and in turn explain changes in state behaviour.⁵⁰ For example, a state is unlikely to embark on a war at sea without a degree of naval capability. Similarly, a state’s ability to exploit living and non-living resources will necessarily impact on its choices if these resources are disputed.

The third conceptualisation of opportunity is the notion of interaction opportunities. Based on the notion that proximate states interact frequently and may become salient to one another, the model argues that state interactions will impact state policy towards shared borders. This thesis explores two levels of interaction opportunities. At the inter-state level, it analyses interaction between governments over the issues at stake in the dispute. Secondly, at the sub-state level, the thesis explores interactions

⁴⁸ Most and Starr, *Inquiry, Logic and International Politics*, ch. 2.

⁴⁹ Bruce Russett, "A Macroscopic View of International Politics," in *The Analysis of International Politics: Essays in Honor of Harold and Margaret Sprout*, ed. James N. Rosenau, Vincent Davis, and Maurice A. East (New York: The Free Press, 1972), p. 109.

⁵⁰ Most and Starr, *Inquiry, Logic and International Politics*, pp. 30-31.

across the East China Sea that may influence policymakers on territorial questions. This includes those between non-government organisations, lobby groups, and bureaucratic arms of government on both sides of the border. The aim is to ascertain what, if any, impact of dispute specific interaction has been on the decisions to pursue cooperation or confrontation. This concept may seem to border on willingness; indeed they are close. As discussed above, Senese's work indicates that interaction opportunities affect the willingness of leaders to escalate a territorial dispute. Interaction opportunities should not be confused with willingness, however. Because of Senese and Starr's observations that conflictual interaction opportunities can be mitigated by high degrees of political salience, this thesis assesses the impact of countervailing forces in the bilateral political relationship as a matter of willingness. Interactions over the disputed area inform the policy environment, and are thus classified as opportunity, but balancing territorial incentives against bilateral political indicators falls under willingness. The analytical challenge of the willingness concept is to identify how policymakers recognise their opportunities and to identify which opportunities influenced the policy choice. This is the subject to which the discussion now turns.

As noted above, willingness is the process by which policymakers choose one option over another, and while it is an easier concept to grasp than opportunity, it is more difficult to conceptualise. The review above revealed that the bulk of the conceptual work has explored opportunity; until recently, willingness was viewed simply as the existence of a territorial dispute.⁵¹ In an effort to broaden the utility of the concept, this thesis separates territorial value from willingness and considers it first as a way to outline policymakers' preferred territorial objectives at a given time; this is discussed below. In the case studies, following the discussions of territorial value and opportunity, the analysis of willingness explores how leaders perceive their policy options and how they locate territorial objectives within the wider foreign policy agenda. The discussion below briefly considers the ways in which scholars have analysed the foreign policy making process.

⁵¹ Some scholars have noted that willingness continues to be an "elusive concept". See Furlong, Gleditsch, and Hegre, p. 79.

There a number of ways in which International Relations scholars investigate the impact of political actors on foreign policy outcomes.⁵² Given the value of territory to nation-states, it is reasonable to assume there may be internal constituencies within states that are pre-disposed to be influential on territorial questions, either due to the organisational characteristics of the state, or because of domestic political bargaining.⁵³ In light of the indicators of political will outlined below, the recognition that secondary political actors have interests that impact the willingness of policy elites to choose a given policy option is even more compelling. This is further strengthened by the insights of area specialists into both Chinese and Japanese policymaking process. According to Kenneth Lieberthal, “the most important factors shaping China’s international impact are the ebb and flow of elite politics and factional disputes.”⁵⁴ Similarly, many scholars have explored how Japan’s foreign and security policy remains hostage not only to its domestic institutions, but also to secondary political actors that pursue their own agendas.⁵⁵ Finally, the background of the East China Sea dispute provided in chapter three indicates that secondary political actors such as bureaucratic arms of government, non-central politicians and lobby groups, have been quite influential in shaping Chinese and Japanese territorial policy in the past. Thus, the analysis of domestic political factors and bureaucratic politics has the potential to contribute to an understanding of willingness.

Territorial issues are nested within a wider set of foreign policy objectives. As noted by Senese and Starr and Thomas, contiguous states become highly salient to one

⁵² For a comprehensive review of the field of Foreign Policy Analysis, see Christopher Chung, "The Spratly Islands Dispute: Decision Units and Domestic Politics" (PhD thesis, University of New South Wales, 2004), ch. 2.

⁵³ See for example John W. Kingdon, *Agendas, Alternatives, and Public Policies*, 2nd ed. (New York: Longman, 2003); Graham Allison and Philip Zelikow, *Essence of Decision: Explaining the Cuban Missile Crisis*, 2nd ed. (New York: Longman, 1999). This is not an attempt to contribute to the debate on Allison’s framework, which has been extensive. This is merely to note that bureaucratic and organisational political behaviour may offer insight into a qualitative analysis of state ‘willingness’. For critiques of Allison’s approach see David A. Welch, "The Organizational Process and Bureaucratic Politics Paradigms: Retrospect and Prospect," *International Security* 17, no. 2 (1992), pp. 112-146.

⁵⁴ Kenneth Lieberthal, "China: How Domestic Forces Shape the PRC's Grand Strategy and International Impact," in *Strategic Asia 2007-08: Domestic Political Change and Grand Strategy*, ed. Ashley J. Tellis and Michael Wills (Seattle: The National Bureau of Asian Research, 2007), p. 38; David M. Lampton, ed., *The Making of Chinese Foreign and Security Policy in the Era of Reform, 1978-2000* (Stanford: Stanford University Press, 2001), especially ch. 2, 3, 5 and 10.

⁵⁵ Kent E. Calder, "The Institutions of Japanese Foreign Policy," in *The Process of Japanese Foreign Policy: Focus on Asia*, ed. Robert L. Grant (London: Royal Institute of International Affairs, 1997), pp. 1-24; Glenn D. Hook et al., *Japan's International Relations: Politics, Economics and Security* (London: Routledge, 2001), ch. 2. This is particularly true with regard to China policy. See Quansheng Zhao, *Japanese Policymaking: The Politics Behind Politics: Informal Mechanisms and the Making of China Policy* (Hong Kong: Oxford University Press, 1995).

another, and may have strong incentives to manage their territorial disputes as a result.⁵⁶ Thus, any discussion highlighting the value of a disputed territory to a claimant must be tempered by an analysis of possible incentive structures leaders face to manage the dispute and achieve their territorial objectives through alternative, cooperative means. However, efforts to balance both bilateral and territorial preferences also occur in a temporal setting. The historical record in chapter three indicates that leaders have been willing to forgo territorial cooperation at the expense of bilateral relations if cooperation would endanger the longer term pursuit of their territorial objectives. Therefore, a second indicator of willingness is efforts by policy elites to balance between the salience of a bilateral political relationship with territorial objectives. How does the bilateral relationship impact the territorial dispute at a given time? Where do territorial issues fit in relation to other objectives in the relationship? This thesis treats this phenomenon as distinct from interaction opportunities which is a measure of inter-state interaction on matters relating to the disputed territorial issue.

Finally, because the central research question pertains to the emergence of political will, the thesis requires a method of identifying the existence and the strength of political will. Although this concept has been underutilised in International Relations, there are some insights to be gained from the Public Policy literature on corruption.⁵⁷ The most rigorous theoretical treatment of political will defines it as “the commitment of actors to undertake actions to achieve a set of objectives...and to sustain the costs of those actions over time.”⁵⁸ A cost in this sense refers not only to material costs, but also the political costs of a sustained policy that is, or may become, politically unpopular. Like previous work on political will, Brinkerhoff’s treatment recognises the relationship between political will and the environment in which policy is made. Political will changes “subject to shifts and modulations over

⁵⁶ Senese, "Territory, Contiguity and International Conflict," p. 777; Starr and Thomas, "The Nature of Borders and International Conflict," p. 135.

⁵⁷ See Davidson R. Gwatkin, "Political Will and Family Planning: The Implications of India's Emergency Experience," *Population and Development Review* 5, no. 1 (1979), pp. 29-59; Sahr J. Kpundeh, "Political Will in Fighting Corruption," in *Corruption and Integrity Improvement Initiatives in Developing Countries*, ed. Sahr J. Kpundeh and Irene Hors (New York: United Nations Development Programme, 1998), pp. 70-87; Jeremy Shiffman, "Generating Political Will for Safe Motherhood in Indonesia," *Social Science & Medicine* 56, no. 6 (2003), pp. 1197-1207. For one instance in the field of International Relations see Alistair J. K. Shepherd, "Top-Down or Bottom-Up: Is Security and Defence Policy in the EU a Question of Political Will or Military Capability?," *European Security* 9, no. 2 (2000), pp. 13-30.

⁵⁸ Derick W. Brinkerhoff, "Assessing Political Will for Anti-Corruption Efforts: An Analytic Framework," *Public Administration & Development* 20, no. 3 (2000), p. 242.

time in the face of changing circumstances and events.”⁵⁹ He identifies five indicators of political will, which in the aggregate indicate the presence and degree of political will. All are equally applicable in a foreign policy context and are outlined below.

1. *Locus of initiative*- where does the initiative for the decision lie? In the central government, a related agency, or from outside the government completely? The more centrally directed the decision, the greater the political will
2. *Degree of analytical rigour*- This reflects the extent to which the decision maker undertakes an analysis of the foreign policy issue and “uses that analysis to design a technically adequate and politically feasible” decision.⁶⁰ Evidence of a well thought out policy decision is evidence of a higher degree of political will.
3. *Mobilisation of support*- Does the decision-making team mobilise popular support for the foreign policy decision? Do these efforts attempt to inform the public about the long-term impacts and outcomes of the decision? A comprehensive effort that effectively mobilises public support is associated with strong political will.
4. *Application of credible sanctions*- Are leaders willing to enforce their decision with punitive measures, or merely with symbolic measures? Credible sanctions applied strongly receive higher ratings of political will.
5. *Continuity of effort*- Do leaders commit sufficient resources to a sustained program to ensure the foreign policy decision sticks? Sustained efforts indicate greater political will.⁶¹

Viewed in isolation, a strong showing by a single indicator does not amount to the existence of political will. However, a strong showing by several indicates a coherent and sustained effort by a government to pursue a given policy decision, chosen from the menu dictated by the environment in which they operate. The conceptualisation of opportunity and willingness described here could be applied to a range of foreign policy questions. This thesis is particularly interested in two kinds of decisions—the decision to confront the other party, and the decision to cooperate with the other party, over a maritime territorial dispute. The final aspect of the framework is the

⁵⁹ Ibid., p. 243. Indeed, he subsequently identifies several environmental factors which may influence the political will to fight corruption.

⁶⁰ Ibid., p. 242.

⁶¹ These are adapted from Ibid. pp. 242-243.

conceptualisation and analysis of the value policymakers place on the disputed territory.

2.4 Opportunity, willingness and the problem of territorial value

As noted above, an implicit assumption in the literature on the East China Sea dispute, and territorial disputes generally, is that states are willing to choose war because they see something of value in the disputed territory. However, this oversimplifies the problem as it does not account for situations in which policymakers may value other foreign policy objectives over the territory itself. Territorial objectives are not pursued in isolation but are nested within a state's wider foreign policy and strategic agenda. This is why the opportunity and willingness concepts outlined above include the analysis of bilateral interactions across a border and their impact on state policy; these are designed to explore how states perceive their territorial objectives in relation to other foreign policy objectives.

But how can the analyst identify states' preferred policy objectives with regard to disputed territory? A state's preferred objectives for a disputed territory can be discerned from an exploration of how leaders perceive the value of the disputed territory in question. This is not a simple exercise as different aspects of a disputed territory may have more or less value to state leaders at a particular time and under particular conditions. For example, China and Japan did not dispute the hydrocarbon dimension of the East China Sea during the early to mid-1990s, possibly because the hydrocarbon potential was not proven, global prices were low, and neither party's foreign policy agenda was characterised by acute energy insecurity. However, under different conditions, between 2004 and 2008, this aspect of the territorial dispute became quite active. Clearly, the value leaders place on a given aspect of a territory influences policy at a given time. Nevertheless, few analyses conceptualise territorial value in a way that is systematic and reflects differences of degree in territorial value by opposing claimant states as well as changes in state preferences over time.⁶² This section unites two models of territorial value to conceptualise how state leaders value territory at a given time, and by extension identify what they hope to achieve when a given cooperative or confrontational decision is made.

⁶² Although Blanchard's work notes that territory provides a variety of functions to state leaders, he views these interests as static. Blanchard, "China's Peaceful Rise," p. 230.

As noted in chapter one, a conception of value is integral to any theoretical treatment of state policy towards territory. As Kimura and Welch have observed, state interests cannot be assumed and are difficult to predict using theory. Consequently, they must be discovered empirically on a case by case basis using theories “that themselves provide ample room for exogenous inputs [and] ...help us organise our search for, and assessment of, empirical inputs.”⁶³ Consequently, each case study in chapters four through seven employs the value model outlined below to discern how and why the relevant aspect of the disputed territory is of interest to the claimant states during the period of study. Jean-Marc F. Blanchard argues that states derive certain functions from disputed territories, which are not limited to material functions, but include nation-building, as well as legitimising domestic political decisions. Consequently, the likelihood of conflict over a given territory is a function of how leaders perceive its value, defined by the functions the territory provides for leaders.⁶⁴ While insightful, one shortcoming of this model is that it treats value as constant across both claimant states; it assumes both parties value an aspect of the disputed territory equally. The model presented below allows the analyst to identify different territorial values for different claimant states.

According to Starr, territory is valued for both tangible reasons, such as providing foodstuffs and resources for exploitation, as well as intangible reasons, such as the formation of a group identity, as distinct from ‘others’.⁶⁵ Tangible territorial aspects include: security from external danger, the provision of basic needs for survival, the accumulation of wealth such as resources, as well as a demographic container, a space in which its occupants exist and interact.⁶⁶ Territory also has a symbolic or intangible function to its inhabitants, such as a homeland, a source of historic and possibly religious or cultural security, independence, status or prestige as well as a sense of justice or equality which in turn creates a sense of exclusive attachment

⁶³ Masato Kimura and David A. Welch, "Specifying "Interests": Japan's Claim to the Northern Territories and Its Implications for International Relations Theory," *International Studies Quarterly* 42, no. 2 (1998), p. 216.

⁶⁴ Blanchard, "Linking Border Disputes and War," p. 692.

⁶⁵ Starr, "Territory, Proximity, and Spatiality," p. 392. This is similar to the ‘concrete and symbolic’ distinction employed by the ‘issue based’ approach to the analysis of war, articulated by Paul Diehl. See Diehl, "What Are They Fighting For?," pp. 333-334.

⁶⁶ Paul R. Hensel et al., "Bones of Contention: Comparing Territorial, Maritime, and River Issues" (paper presented at the Annual Meeting of the American Political Science Association, Philadelphia, August 31 2006), p. 3; David Newman, "Real Spaces, Symbolic Spaces: Interrelated Notions of Territory in the Arab-Israeli Conflict," in *A Roadmap to War: Territorial Dimensions of International Conflict*, ed. Paul F. Diehl (Nashville: Vanderbilt University Press, 1999), pp. 5-12.

which excludes 'others'.⁶⁷ While most of these functions are clearly unique to land territory, many of these types of value are evident in disputed maritime territories as well. The East China Sea is home to potentially vast hydrocarbon resources which could improve energy security for both claimants. Both claimants rely on fish protein from the sea in their diets. Similarly, control of the ECS would confer a significant military advantage as it would grant the ability to disrupt SLOCs. Also, as noted by Blanchard and Bong, the disputed Senkaku/Diaoyu islands have become part of regime legitimisation and nation building strategies in Tokyo and Beijing.⁶⁸

However, the analysis of a territory's tangible and intangible values only tells half the story. Not all aspects of a disputed territory are necessarily valued equally by both parties. This is especially true in the case of maritime territorial disputes for a variety of reasons. National defence, resource exploitation and policing are all more difficult on sea than on land. These actions require capabilities that are not widespread throughout the international system and absence of any one of these capabilities on the part of a claimant may affect the value of the disputed territory to policymakers.⁶⁹ In an effort to conceptualise the political value of territory to each claimant, and the relationship it has on motivations for war, Goertz and Diehl have drawn a distinction between intrinsic and relational value.⁷⁰ Intrinsic value is the value of territory that is of universal importance across all states; it can be equally understood by both actors and is often expressed in material terms. Intrinsic value may refer to the presence of exploitable resources, the value of the territory as a potential market for goods and the advantages brought by control of the territory itself and its population, including new strategic opportunities related to ownership. It could include a function as living space, as a food source or any military-strategic functions.⁷¹

Relational value refers to value that is subject to the orientation of a particular claimant state; for these reasons the territory may be more valuable to one party than the other. Close geographic proximity to a national homeland area would raise a

⁶⁷ Newman, pp. 12-16. See also Paul R. Hensel, "Territory: Theory and Evidence on Geography and Conflict," in *What Do We Know About War?*, ed. John A. Vasquez (Lanham: Rowan & Littlefield Publishers Inc., 2000), pp. 59-60.

⁶⁸ Blanchard, "China's Peaceful Rise," p. 230; Bong, p. 18.

⁶⁹ Gary Goertz and Paul F. Diehl, *Territorial Changes and International Conflict*, ed. Manus I. Midlarsky, vol. 5, *Studies in International Conflict* (London: Routledge, 1992), p. 15.

⁷⁰ *Ibid.*, p. 12.

⁷¹ *Ibid.*, pp. 14-17.

territory's value to one claimant, as noted by Siverson and Starr above. Similarly, the presence of an ethnically similar people would increase the value of a territory to one claimant over the other.⁷² While a rival claimant may also claim the territory on similar grounds, because these claims are by their very nature irreconcilable, they are classified as relational. The French people will never be able to comprehend the substance of a rival German claim to Alsace-Lorraine. Similarly, a state may have perceived entitlement on historical grounds to a piece of disputed territory on nationalist or irredentist grounds. This, for example, would explain the Israeli preoccupation with the West Bank; it forms a part of a historic Jewish homeland.⁷³ Relational value does not only apply to immaterial or ideational characteristics. There may also be a unique security aspect, a material value that benefits one state over another. For example, Israel placed a higher value on the Golan Heights as a strategic buffer zone than did Syria.

Contrary to some interpretations of Goertz and Diehl's work, relational value is designed to capture the variation between the two claimants states' perception of what is ultimately at stake in the territorial dispute. It is not synonymous with intangibility.⁷⁴ When choosing indicators for each, the authors state "intrinsic importance relates to the value that territory has for all parties to a territorial dispute...relational importance refers to the different significance attached to the territory by the parties in the territorial exchange."⁷⁵ While relational territorial aspects are often cast in symbolic terms, this is not always the case. The strategic gains made by Israel's occupation of the Golan Heights provided a material benefit: security. If a tangible value differs between two parties it is relational, not intrinsic. This raises a host of intriguing questions for the analyst. Do both states need the contested resources equally? Can both states access the contested resources and get them to a market? Are there barriers to one state using the contested resources which would diminish the territory's value?⁷⁶

⁷² Ibid., pp. 17-20.

⁷³ All examples are from Ibid., pp. 17-19.

⁷⁴ For this interpretation see Koo, p. 30; Starr, "International Borders," p. 8.

⁷⁵ Goertz and Diehl, p. 66-67. The authors also use tangible elements such as trade to operationalise differing importance, a relational aspect.

⁷⁶ This is recognised by Goertz and Diehl. See Ibid., p. 15.

This thesis proposes a method of unifying these two approaches to conceiving territorial value, through the conceptualisation of territorial value illustrated in Figure 1.

Figure 1: Territorial Value

<i>Intrinsic</i>	<i>Relational</i>	
Intrinsic-tangible: material value equally understood by both parties.	Relational-tangible: material value understood by one party.	<i>Tangible</i>
Intrinsic-intangible: symbolic value equally understood by both parties.	Relational-intangible: symbolic value understood by one party.	<i>Intangible</i>

This graph captures the complexity of territorial value without conflating the relational and intangible elements. Moreover, it permits the exploration of territorial objectives on a case by case basis. For instance, trade flows are a material function that might mean more to one party than to another; they could be both relational and tangible. Similarly, the strategic value of a state may be a tangible element, but it is not necessarily intrinsic; strategic value in some circumstances could be is more valuable to one party than another as in the case of the Golan Heights noted above; relational-tangible. Resources are tangible, but are they necessarily equally valued by both parties? Geographical barriers might prevent one state from fully exploiting the resources of a disputed area, rendering the resources worthless if attained by conquest. Alternatively, a resource dispute could be particularly integral to one state's culture and lifestyle, which would render it more valuable to it than to its opponent. Resources are tangible, but they are also relational. Intangible issues are present on both sides, but are by their very nature relational. Viewed this way, the issues at stake in the East China might be viewed as follows.

Figure 2: Territorial Value in the East China Sea Dispute

<p>Intrinsic-tangible:</p> <ul style="list-style-type: none"> • Resource value of Xihu Trough • Fisheries resources • Employment in the fisheries industry 	<p>Relational-tangible:</p> <ul style="list-style-type: none"> • Food security (Japan) • Marine survey data (China) • Command of the East China Sea (China) • PLAN operational experience (China) • ‘Creeping expansionism’ (Japan)
<p>Intrinsic-intangible:</p> <ul style="list-style-type: none"> • Null by definition⁷⁷ 	<p>Relational-intangible:</p> <ul style="list-style-type: none"> • Disputed Senkaku/Diaoyu islands • Political gain of asserting jurisdictional claims

2.5 Methodology, case selection and contribution of the thesis

As noted in the introduction, this thesis attempts to make three contributions to the International Relations discipline. First and foremost, as a work in the field of Asian security studies it seeks to identify and explain the underlying conditions of Chinese and Japanese decisions to confront each other, or to cooperate with one another in the East China Sea. These findings enable the identification of the conditions under which the political will for settlement will appear; a key gap in academic understanding. Doing this will enable the thesis to accomplish its second aim: to outline and test the suitability of the opportunity and willingness framework as an alternative mode of study in a field that has become bogged down in paradigmatic theoretical debates.⁷⁸ At the very least, it may be able to offer useful insights into other maritime territorial disputes. The thesis explores four decisions made in the East China Sea dispute using a qualitative approach. In so doing it will provide refinements to Harvey Starr’s opportunity and willingness framework and comment on lessons learned about the relationship between the opportunity and willingness concepts; the third aim.

⁷⁷ A given intangible element of territorial value, such as national pride, identity, symbolism, or historical memory by definition cannot be understood by the other party. Thus this field is empty.

⁷⁸ See the exchange in David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security* 27, no. 4 (2003), pp. 57-85; Amitav Acharya, "Will Asia's Past Be Its Future?," *International Security* 28, no. 3 (2003/04), pp. 146-164.

Unlike previous work on opportunity and willingness, this thesis opts for the qualitative method. In so doing it sacrifices a degree of universality for the sake of targeted and rich comparison. Chapter one identified the East China Sea dispute as a least likely case of territorial cooperation, a key criteria for Eckstein's crucial case study designation.⁷⁹ Consequently, the thesis incorporates a wide variety of variables for consideration, each subsumed under the opportunity and willingness concepts. As the ECS dispute is chosen as a least likely case of territorial cooperation, the thesis also has some heuristic value, in as much as it identifies important mechanisms and conditions that have as yet been omitted from large-N analyses of territorial cooperation.⁸⁰

Identifying the conditions of cooperation and confrontation is achieved by comparing two cooperative decisions on East China Sea disputes; the decision to seek a renegotiation of the China-Japan fisheries agreement, and the decision to reach agreement on the notification of marine research in 2001, with two confrontational decisions; China's decision to begin production at the Chunxiao gas field over Japanese protests in 2004 and 2005, and Japan's subsequent decision to grant exploration rights in the disputed area to its oil companies in 2005. From a methodological standpoint, the co-existence of opportunity and willingness is a necessary condition for an event to have occurred.⁸¹ Consequently, it may be possible to extrapolate what events will be necessary in the future to bring about cooperative outcomes in the ECS dispute. While necessary conditions require large-N analyses in order to hold, and this thesis has a small-N focus, this does not by definition imply the conditions under which China and Japan cooperate are not necessary. It means they are not universally necessary, i.e. other states may not cooperate under these same conditions. This lack of universality does not disprove the model, however. According to Most and Starr, "it might...be more sensible to search for models or

⁷⁹ According to some this is the benchmark for the ability of single case studies to provide generalisations. See Bent Flyvbjerg, "Five Misunderstandings About Case Study Research," *Qualitative Inquiry* 12, no. 2 (2006), pp. 224-228. See also Eckstein, pp. 79-137;

⁸⁰ George and Bennett, pp. 45-46.

⁸¹ See Gary Goertz and Harvey Starr, "Introduction: Necessary Condition Logics, Research Design and Theory," in *Necessary Conditions: Theory, Methodology and Applications*, ed. Gary Goertz and Harvey Starr (Lanham MA: Rowan & Littlefield Publishers Inc., 2003), pp. 1-23; Claudio Cioffi-Revilla and Harvey Starr, "Opportunity, Willingness, and Political Uncertainty: Theoretical Foundations of Politics," *Journal of Theoretical Politics* 7, no. 4 (1995), pp. 447-476.

theories that operate, hold, or are valid only under certain explicitly prescribed conditions.”⁸²

These four case studies are selected because they have been the most high profile decisions by policymakers related to the East China Sea dispute. As chapter three argues, the bulk of central leadership policy decisions regarding the disputed islands were in fact responses to actions by secondary political actors. More importantly, as chapter one indicated, they have been covered elsewhere. Confrontational rhetoric in response to prompts by nationalist groups is not the same as a top-down decision to confront the other party over the ECS dispute as occurred in 2004 and 2005. One incident that was considered and discarded as a possible case study was the 2001 North Korean spy ship incident. This was discarded because of inadequate source material, and because, as it was a disagreement over entitlement to maritime space, it can be subsumed under the issues explored in chapter five. Another was Tokyo’s decision to increase its legal control over the Senkaku/Diaoyu islands in 2003 and 2005 by first leasing and then buying the islands from their private owner. However, as chapter three indicates, there appears to be little debate as to why this decision was made, and thus it is of little value from an analytical standpoint.

The four cases chosen, however, do require explanation. Why did Chinese and Japanese leaders agree to re-negotiate their fisheries agreement in 1997? In Japan in particular there was long standing opposition from Ministry of Foreign Affairs and elements of the fisheries lobby, which were historically opposed to the EEZ regime under which the new agreement was negotiated. The 2001 notification agreement on marine research is an intriguing case as it appears the two parties tried to arrive at an agreement that accomplished as little as possible, particularly when compared to the comprehensive scope of the fisheries agreement. On the confrontational side, why did Chinese leaders confront Japan over the Chunxiao gas issue when they did? If, as noted above, economic interdependence explains the restraint exercised on both sides, why did China decide to confront its most important trading partner so militantly? Given its track record of acquiescence to Chinese resource exploration activities in

⁸² Most and Starr, *Inquiry, Logic and International Politics*, p. 99. On case studies and necessity see George and Bennett, pp. 25-28; Douglas Dion, "Evidence and Inference in the Comparative Case Study," in *Necessary Conditions: Theory, Methodology and Applications*, ed. Gary Goertz and Harvey Starr (Lanham MA: Rowan & Littlefield Publishers Inc., 2003), pp. 93-112.

the East China Sea, why did Japan respond with a confrontational policy of its own at that time?

The next chapter provides a background to the East China Sea dispute and explores the dynamics of the escalation and management of the Senkaku/Diaoyu islands dispute. It identifies key trends and actors. The four subsequent case study chapters consider a confrontational or a cooperative decision made by China and/or Japan with regard to the East China Sea dispute and examines it through the lens of the opportunity and willingness framework. The second part of the thesis deals with two cooperative actions; the decision to settle the fisheries issue in 1997 and the decision to initiate diplomatic talks over the issue in 2001. Part three considers two confrontational actions; the Chinese decision to drill for oil in the East China Sea and to deploy naval assets to these installations and the Japanese decision to proceed with exploratory drilling in April 2005. Part four provides a conclusion. Chapter eight considers the findings in light on the 'new consensus' in the East China Sea dispute achieved in June 2008. The findings are summarised in chapter nine, which also provides some avenues for future research and considers the issue of generalisation to other maritime territorial disputes. These findings should indicate what factors may change or need to change in order for a more comprehensive cooperative agreement to occur.

Chapter 3: History of the East China Sea Dispute, Material and Ideational Elements

This chapter provides a background to the East China Sea dispute and divides it into three phases.¹ The ‘onset phase’ between 1969 and 1978 was characterised by the establishment of a territorial status quo in the Senkaku/Diaoyu islands dispute. The second period, the ‘crisis management phase’ was characterised by three high profile diplomatic incidents in the 1990s during which secondary political actors attempted to reinforce their state’s claim to the disputed territories. These actions forced political elites to abandon their typically cautious attitude towards the dispute in order to maintain the legitimacy of their territorial claim, as well as to protect against domestic political criticism.² During this period, Chinese and Japanese leaders balanced domestic political calculations and territorial imperatives with their interest in maintaining bilateral stability.

Finally, the ‘East China Sea’ phase began in the late 1990s, and is ongoing. During this phase, segments of the Chinese and Japanese governments became more attuned to the immediate implications of the territorial dispute for their ability to use the ocean areas which surrounded the disputed islands. This phase is characterised by a new territorial status quo under which China exercises a greater degree of indirect control over the disputed area, through resource production facilities and an expanded naval presence. Consequently, Japanese policy appears to be reacting to the new situation created by China. Although popular nationalist sentiment continued to focus on the islands, as this phase progressed nationalist groups, secondary political elites, bureaucratic actors and finally public opinion became equally concerned with their governments’ stance towards the contested ocean space in the East China Sea as well as the islands. Problematically, these actors brought with them their ideational/nationalist mindset, which hindered the ability of political leaders to manage the disputes. For their part, political leaders were less willing to incur

¹ A comprehensive background is available in Jean-Marc F. Blanchard, "An Island of Friction in a Sea of Problems: China and the Diaoyu (Senkaku) Islands and East China Sea Disputes" (paper presented at the Annual Meeting of the Association of Chinese Political Studies, San Francisco, July 30-31 2005).

² The dynamics of these two phases have been covered in great detail in the ‘ideational’ school of literature outlined in chapter one. Phase three builds on this literature and is based on James Manicom, "The Interaction of Material and Ideational Factors in the East China Sea Dispute: Impact on Future Dispute Management," *Global Change, Peace and Security* 20, no. 3 (2008), pp. 375-391.

domestic political costs due to tensions in the East China Sea because they too retained a material interest in its resource and strategic value.

3.1 Phase 1: Dispute onset and the territorial status quo

3.1.1 The onset of the dispute.

The Senkaku/Diaoyu islands dispute erupted between Taiwan and Japan in the wake of the publication of the Emery Report in May 1969. Named for its lead investigator and issued by the UN-funded Economic Commission for Asia and the Far East, the report found that the seabed of the East China Sea “may be one of the most prolific oil reserves in the world.”³ On July 17 1969, Taiwan declared its sovereignty over the continental shelf area based on the principle of the natural prolongation of its territory, enshrined at the time under the 1958 Continental Shelf Convention (CSC), which Taiwan had signed but not ratified. It entered into an oil concession arrangement with Gulf Oil a year later, and ratified the CSC in August 1970.⁴

In reply, Japan issued its own declaration of sovereignty, on September 12 1970, which claimed the islands as part of the Ryukyu island chain. Then under the administration of the United States, the Senkaku/Diaoyu islands would be returned to Japan with the reversion of Okinawa. Simultaneously, Japanese oil companies bid for concession blocks in the sea area using the islands as basepoints, which overlapped with Taiwan’s Gulf concession.⁵ Tokyo immediately began to assert its authority over the islands; it argued Taiwan’s oil concessions were illegal and did not prejudice Japan’s rights to the continental shelf. Tokyo was supported in this effort by Okinawan authorities, which ensured that any Taiwanese attempt to mark the islands was unsuccessful.⁶ In September 1970 Okinawan authorities removed a Taiwanese flag placed on Uotsuri (the largest of the islands) and the Japanese Maritime Safety Agency (MSA) increased its efforts to turn away Taiwanese fishermen from the area.⁷

³ K.O. Emery et al., "Geological Structure and Some Water Characteristics of the East China Sea and the Yellow Sea," *Technical Bulletin 2* (1969), pp. 40-41.

⁴ Park, *East Asia and the Law of the Sea*, pp. 11-12. The decision to ratify the Continental Shelf Convention was designed to provide a legal basis for Taiwan’s claim to the islands. Taipei modified its interpretation of the 6 of the Continental Shelf Convention to reflect its view that sovereignty over the continental shelf conferred on the possessor sovereignty over any islands, rocks and islets located above. Anonymous, "The East China Sea," p. 842. For an evaluation of the differing claims see Austin, *China's Ocean Frontier*, ch. 6.

⁵ For these details see Ma, pp. 32-35, 63.

⁶ Cheng, "The Sino-Japanese Dispute," p. 242.

⁷ Li, "China and Offshore Oil," p. 146; Ragland, pp. 664-691.

However, Japan did not outline its claim in international legal terms for some time.⁸ On March 8 1972, the Japanese foreign ministry articulated its legal claim to the islands which relied on the argument that the islands were *terra nullius* in 1895 when they were incorporated into Japan, and that Japan has demonstrated effective occupation of them since.⁹ In light of the political tensions and under pressure from its oil companies, Tokyo pressed Taiwan and South Korea—which claimed the northern part of the ECS—to enter into joint development negotiations predicated on shelving the sovereignty question. Informal meetings were held in November and December 1970.

These meetings came to an abrupt end when Mainland China entered the fray. The PRC's claims to the disputed islands did not rely on existing international law and was instead a reaction to the situation which presented itself in 1970. As joint development meetings between Japan, Taiwan and South Korea proceeded, Beijing expressed its objections via the *People's Daily* on December 4 1970. China claimed sovereignty over the islands and condemned the Japanese and Taiwanese efforts to jointly develop the resources as an attempt to steal Chinese resources.¹⁰ In 1971 Beijing claimed the islands based on historical usage dating back to the Ming Dynasty when they were used as navigation points by sea voyagers from the province of Taiwan. Beijing's posture towards the dispute was confrontational from the outset. The articulation of its sovereignty claim tapped into nationalist sentiment. Actions and sentiments attributed to the "Chinese people" were mentioned five times and the basis of the Japanese claim characterised as "gangster logic".¹¹ Further rhetoric came

⁸ Cheng notes that Japan's flirtation with oil concessions would also have served to strengthen its claims to the area. In 1974 one analyst noted that no government had officially outlined its claim. Cheng, "The Sino-Japanese Dispute," pp. 242-243. Writing in 1984 Ma uses Japan's concession areas to outline its territorial claim. See Ma, p. 35.

⁹ Furthermore, the islands were not included in territories surrendered under the San Francisco Treaty. See Cheng, "The Sino-Japanese Dispute," pp. 344-345. This analysis has been updated with the emerging principle of the 'critical date' in Matsui, pp. 3-31.

¹⁰ Interestingly, China did not base its claim to the seabed on the natural prolongation of the continental shelf in its initial declaration. This was carried two days later and was excerpted from a British media publication. According to one scholar makes China's early attitude towards maritime delimitation difficult to ascertain. See James C. Hsiung, *Law and Policy in China's Foreign Relations: A Study of Attitudes and Practice* (New York: Columbia University Press, 1972), p. 110.

¹¹ Statement of the Ministry Foreign Affairs of the PRC, quoted in Hungdah Chiu, "An Analysis of the Sino-Japanese Dispute over the T'iaotutai Islets (Senkaku Gunto)," *Chinese Yearbook of International Law and Affairs* 15 (1998), pp. 15-17.

at the UN seabed conference in March 1972 when the Chinese representative called the Japanese occupation of the islands “a glaring act of aggression”.¹²

In light of these statements, Japan subsequently decided to set aside its development proposals in March 1971. Such was the credibility of the Chinese threat that the US issued a warning that any American ships operating in the oil sector in the East China Sea did so at their own risk, and could not expect American military protection.¹³ Joint development discussions with Taiwan eventually became moot as Japanese diplomatic recognition shifted to Beijing, but Japan did pursue a separate joint development venture with South Korea in the Sea of Japan and northern East China Sea. Although the agreement was signed in 1974, Japan did not ratify it until 1977 for fear of Chinese objection derailing the normalisation process.¹⁴

Japan’s policy response reveals two objectives; the pursuit of claims to the disputed territory and resources, as well as the prevention of occupation by another state. Japan achieved the latter; it retained, and arguably consolidated, effective control over the islands. Following the reversion of Okinawa, Japanese authorities regularly policed the area. However, Japan did not pursue the resource wealth in the seabed at that time due to the Chinese threat, which delayed the implementation of the joint development agreement with South Korea. Nationalist demonstrations in Japan stemming from the dispute were negligible, with only a few demonstrations taking place between March and May 1972. Nationalists criticised the termination of the oil exploration contracts, but had little recourse to criticise the government.¹⁵ The territorial status quo, of Japan occupying and administering the islands while ignoring Chinese claims to sovereignty, was set.

3.1.2 The 1978 Incident: Reinforcing the territorial status quo

The 1978 incident over the islands is the first example of secondary political groups using the dispute to further their own ends; in this case backbench Liberal Democratic Party (LDP) Diet members who opposed the inclusion of an ‘anti-hegemony’ (i.e.

¹² Chae-Jin Lee, *Japan Faces China: Political and Economic Relations in the Postwar Era* (Baltimore: John Hopkins University Press, 1976), p. 109.

¹³ Park, *East Asia and the Law of the Sea*, pp. 16-19; For details see Harrison, *China, Oil and Asia: Conflict Ahead?*, ch. 1.

¹⁴ Lo, p. 172. On the relationship between the islands and the establishment of diplomatic ties between Japan and China see Lee, *Japan Faces China*, pp. 108-109.

¹⁵ Chung, *Domestic Politics*, p. 35.

anti-Soviet) clause in the China-Japan Peace and Friendship Treaty. While the details have been examined elsewhere, it is worth revisiting to examine the degree of pressure placed on Japanese elites by the minority group, and the lengths to which each side went to demonstrate its resolve.¹⁶

The treaty negotiations had stalled due to differences over the tone and severity of the anti-hegemony clause. The Chinese sought a strong declaration because the Soviet Union represented their most immediate strategic threat, but the conservative, pro-Taiwan faction of the LDP in particular remained hesitant. A strong declaration could exacerbate relations with a superpower with which Japan had several conflicting foreign policy concerns including the close proximity of the Soviet military, the Northern Territories territorial dispute, as well as the opportunities for energy imports from the Russian Far East. In an effort to scuttle the Treaty, these conservatives publicly pressed the government to include the Senkaku/Diaoyu islands in the agenda of the normalisation talks on April 7 1978, knowing this sensitive issue could undermine the talks.¹⁷

The precise details of China's response remain unclear. On April 12, between 80 and 100 fishing vessels appeared near the islands; some occupants were lightly armed and the vessels were draped in white banners declaring Chinese sovereignty over the Senkaku/Diaoyu islands. The consensus in the literature is that Chinese military personnel orchestrated the affair.¹⁸ The reply from nationalist segments of Japanese politics was animated. In Tokyo, conservative Diet members tabled a resolution condemning the Chinese move in the strongest terms, while locally the Okinawa Prefectural Assembly called for the Japanese government to defend Japan's national sovereignty. Prominent nationalist ministers like Nakasone Yasuhiro called on the government to oppose China's territorial claims.

¹⁶ A detailed analysis of the crisis is available in *Ibid.*, pp. 36-42.

¹⁷ Daniel Tretiak, "The Sino-Japanese Treaty of 1978: The Senkaku Incident Prelude," *Asian Survey* 18, no. 12 (1978), p. 1241. There is some conjecture on whether these Diet members genuinely sought the return of the islands or merely sought to scuttle the treaty. Tretiak views latter as their primary motivation. Chung on the other hand argues that due to the strong Chinese desire for the treaty, these members may have calculated that Japan's bargaining position on the islands issue was strong as a result and that the time was ripe to press China to abandon its claim. However, Chung provides no evidence to support this. See Chung, *Domestic Politics*, p. 36.

¹⁸ Chung, *Domestic Politics*; Tretiak, p. 1235; Austin, *China's Ocean Frontier*, pp. 77-78.

The Chinese response may have been a product of factional politics in Beijing. According to Chung, the peculiar event was an effort by Deng to shore up his nationalist credentials against those in China who opposed his wider reform program, while not endangering the treaty negotiations by sending regular forces to the islands.¹⁹ Had Deng confronted the Japanese over the islands, the treaty would have been scuttled, but to have accepted the rhetoric emanating from Tokyo and Okinawa would have appeared soft.²⁰ The result was a show of force disguised as a fisheries protest. Deng then characterised the incident as an ‘accident’ to visiting pro-China members of the Japanese government, and ensured that Chinese representatives in Japan reiterated both their interest in Japanese trade as well as their support of the Japanese position on the Northern Territories question.²¹ In an effort to resist further pressure domestically, the issue received little attention in the Chinese state media.²² On May 27 1978, Prime Minister Fukuda Taeko announced the Treaty negotiations would re-commence and in October Deng travelled to Tokyo to sign the document. It was here that he issued his *modus vivendi* that the sovereignty dispute should be shelved for future, wiser generations to solve and that the two sides should focus on the joint development of resources.²³

Clearly, government policy toward the territorial dispute was heavily influenced by secondary political actors. When Deng Xiaoping uttered his famous phrase he was in fact repeating existing Chinese policy. The Chinese had first indicated the dispute could be shelved in 1972 and in January 1975 promised not to raise the issue during the treaty negotiations.²⁴ The fact that an understanding had been reached three years

¹⁹ One scholar speculates that the incident reflected differences in Beijing over Japan policy and reflected an attempt by segments of the Chinese policy apparatus to disrupt the treaty negotiations. See Wolf Mendl, *Japan's Asia Policy: Regional Security and Global Interests* (London: Routledge, 1995), p. 82.

²⁰ Furthermore, to not have responded to the Japanese action could have compromised China's claims. Simultaneously it may be argued that an international tribunal would not view the Chinese response as an adequate demonstration of its objections to Japan's claim. It is unclear whether this was a consideration at the time however.

²¹ Chung, *Domestic Politics*, pp. 38-40.

²² Han-yi Shaw, *The Diaoyutai/Senkaku Islands Dispute: Its History and an Analysis of the Ownership Claims of the PRC, ROC and Japan*, vol. 152 (Baltimore: Occasional Papers/Reprints Series in Contemporary Asian Studies, 1999), p. 16.

²³ Lo, pp. 171-172.

²⁴ Joachim Glaubitz, "Anti-Hegemony Formulas in Chinese Foreign Policy," *Asian Survey* 16, no. 3 (1976), p. 207. This was mostly likely an early concession by the Chinese in light of their predominant territorial concern, the status of Taiwan. See Joseph Y.S. Cheng, "Normalization of Sino-Japanese Relations: China's Bargaining Position Regarding the Taiwan Question," *Asia Quarterly*, no. 4 (1980), p. 258.

prior to the 1978 incident raises the question of whether the Chinese perceived the actions by conservatives in 1978 as a change in Japanese policy. Tretiak notes that Fukuda did not rattle the nationalist cage as he could have, which had the added bonus of dispelling Chinese concerns he did not want the Treaty to proceed.²⁵ This is evidence that policy elites on both sides sought to keep the issue in check, which in turn strengthens the interpretation that the Chinese ‘fisheries protest’ was aimed at domestic constituencies. For his part, Deng sought to soften the incident with the diplomatic overtures above, as well as his solution to shelve the issue. By accepting these overtures, Fukuda permitted both sides to save face and allowed the Treaty to proceed.²⁶

Popular nationalist groups were not satisfied, however. In August 1978 the Japanese nationalist group *Seirakai* erected a primitive lighthouse on Uotsuri Island.²⁷ That the Ministry of Foreign Affairs (MOFA) revoked the Ministry of Transport approved licence for the construction of a lighthouse indicates Tokyo’s interest in downplaying the issue at such a sensitive time (the treaty had been concluded but not signed). However, when the incident dissipated a heli-pad was constructed on Uotsuri in August 1979 and the lighthouse was added to Japanese navigational charts in September 1989.²⁸ This may reflect a compromise between MOFA and the Ministry of Transport over the appropriate way to deal with an initiative of a non-government organisation.²⁹ Although it is unclear whether these bureaucracies are beholden to nationalist motivations, Chung argues that subsequent crises in 1990 and 1996 demonstrate that the interaction between Japanese government officials and nationalist groups was evident.³⁰

3.2 Phase two: Dispute management

The second phase of the East China Sea dispute followed Deng’s *modus vivendi* and was a period during which Chinese and Japanese elites successfully managed the domestic political dynamics that plagued the territorial dispute. These lessons indicate that it was possible to keep tensions over the disputed islands from completely

²⁵ Tretiak, p. 1243.

²⁶ *Ibid.*, p. 1244.

²⁷ One analyst has argued that *Nihon Seinensha* “drove” the 1978 dispute but does not describe how. See Deans, p. 125.

²⁸ Chung, *Domestic Politics*, p. 41.

²⁹ Mendl, p. 82.

³⁰ Chung, *Domestic Politics*, p. 36.

disrupting the bilateral relationship, but that a period of tension was often a necessary prerequisite. This was in no small part due to the fact that, following UNCLOS' entry into force in 1994, policy elites in Beijing and Tokyo were not disinterested in the islands themselves. A critical aspect of any territorial dispute is the dogmatic reassertion of one's claim, which was dutifully carried out by Beijing and Tokyo during each political incident arising from the islands.

3.2.1 The 1990 incident³¹

The 1990 incident was sparked by the MSA's decision to recognise a second lighthouse built in September by nationalist group *Nihon Seinensha* (the Japanese Youth Federation).³² The primary response came from Taiwan. Nationalists, including athletes bearing a mock Olympic torch, attempted to land on the islands. They were met by a combined MSA-MSDF contingent of twelve patrol boats and two helicopters which prevented the protestors from landing on the islands. This was captured on Taiwanese television and sparked anti-Japanese demonstrations across Taiwan as well as calls to ban Japanese products. On October 18 Beijing condemned the lighthouse and demanded that Tokyo control its nationalist groups.³³ Tensions waned when Japanese Prime Minister Kaifu Toshiki declared the government would not recognise the lighthouse. Taipei replied in kind, stating that it would not protect Taiwanese going to the island and that fishermen had to apply for permission before hand.³⁴ Beijing reiterated its claim to sovereignty in person through Vice Foreign Minister Qi Huaiyaun on October 27 in Tokyo.

The official Chinese reaction was inadequate in the view of Chinese nationalists overseas. Hong Kong media criticised Beijing for not being more forceful in its objections, on the grounds that Ministry of Foreign Affairs (MFA) statements had been in reply to questions from a Taiwanese reporter and Beijing had not reiterated its

³¹ Although Taiwan does not feature in this thesis, this Taiwan-Japan dispute is analysed with a view to exploring the nationalist dynamics at play in Japan.

³² There is some ambiguity about whether the lighthouse, which sparked the 1990 incident, was in fact the same lighthouse constructed by nationalists in 1978 and recognised in 1989. Shaw refers to it as a new lighthouse, while media reports of the time refer it as an upgraded version of the original lighthouse. The latter explanation is accepted by Chung. However, according to Chung the lighthouse was added to navigational charts in September 1989, which raises the question of why the MSA needed to recognise it again in September 1990. This may be because, according to Shaw, the application for recognition of the lighthouse in 1989 was rejected. See Shaw, pp. 17-18; Chung, *Domestic Politics*, pp. 41-42; Tai Ming Cheung and Charles Smith, "Rocks of Contention," *Far Eastern Economic Review*, November 1 1990, p. 19.

³³ Downs and Saunders, pp. 127-133.

³⁴ Chung, *Domestic Politics*, pp. 42-43; Shaw, pp. 17-18.

right to use force to defend the islands. Demonstrations were held outside the Japanese embassy in Hong Kong. Throughout the dispute Beijing attempted to restrict nationalist expression through media blackouts and restricted demonstrations on the Mainland.³⁵ The latter development was most troubling to domestic Chinese activists because they had been expected to be given permission to demonstrate against Japan. This in turn increased criticism of the CCP for its approach to the dispute.³⁶

It remains unknown whether the MSA's decision to recognise the lighthouse was the product of deliberate endorsement of the nationalist agenda or merely the product of bureaucratic inertia.³⁷ It may be that not all sectors of the Japanese government are as aware of the sensitivity of these rocks. For example, the Ministry of Transport acquiesced to the 1978 lighthouse construction, which was overturned by MOFA, for fear of destabilising relations with China. If this is true, however, it would be difficult to argue that the MSA would not be sensitive to the implications of recognising the lighthouse in 1990, given that the policing and patrol of the rocks is under its jurisdiction. Indeed, one interviewee suggested that the Ministry of Transport's decision to recognise the lighthouse in 1990 was driven by its interest in reinforcing Japan's effective occupation of the islands, while MOFA was motivated by the 'China School' in the Asian Affairs Bureau which had historically favoured a soft line in Japan's China policy.³⁸ In any case, the incident demonstrates that interaction between nationalist groups and the Japanese government can create a climate of tension. *Nihon Seishinsha* maintains links with LDP Diet members, but it is unclear whether these links impacted the MSA's decision to recognise the lighthouse. Japanese authorities intervened only when it appeared that the dispute would cause friction with Taiwan. Whatever the reason for the MSA's decision, Tokyo calculated that recognition of the lighthouse was not worth negative political fallout with Taiwan.

³⁵ Following the chaos of the anti-Japanese protests in China in the mid-1980s Chinese leaders were more careful to control anti-Japanese sentiment. See Shirk, pp. 160-164.

³⁶ Downs and Saunders, pp. 131-132.

³⁷ See Phil Deans, "The Diaoyutai/Senkaku Dispute: The Unwanted Controversy," Kent University *Kent Papers in Politics and International Relations* vol. 6, 1996, www.kent.ac.uk/politics/research/kentpapers/deans.html. Accessed 02/11/2006.

³⁸ Author Interview "B", February 1 2008, Tokyo.

3.2.2 The 1992 incident³⁹

On February 25 1992, China passed its 'Law on the Territorial sea and Contiguous Zone' (LTC) which outlined its rights and responsibilities pertaining to the newly created maritime zones under UNCLOS which China had signed in December 1982. The LTC also reiterated China's claims to its disputed territories in the South China Sea and the Senkaku/Diaoyu islands. The chief Japanese concern was that the LTC breached the agreement to shelve the disputes. Japan's strongest rebuttal came through Prime Minister Miyazawa Kiichi who reiterated Japan's sovereignty and described the dispute as a "closed case" which should be left to future generations as suggested by Deng in 1978.⁴⁰ In response, Beijing stated that the law did not contravene the shelving arrangement and expressed hope the issue would not sour bilateral relations. This was articulated personally by CCP General Secretary Jiang Zemin at a meeting with Miyazawa in early April.⁴¹

The passage of the LTC occurred at a particularly sensitive time in the Sino-Japanese relationship. Chinese policy elites were seeking to end their international isolation after the Tiananmen Square massacre. To this end, they were in the process of organising a visit to China by the Japanese Emperor, which carried a great deal of symbolism for both sides.⁴² However, the LTC attracted criticism of China from Japan's political right, which was opposed to the Emperor visiting China in the first place. Rightist media criticised the plan and the government issued special protection to those officials working on the issue for fear they would be targets of violence by rightist groups.⁴³ Miyazawa subsequently needed to build political consensus to ensure the visit occurred by downplaying the LTC. MOFA spokesman Hashimoto Hiroshi publicly explained the LTC as an effort by China to clean up its domestic legislation and stated that both sides understood the sovereignty dispute was

³⁹ This has only recently emerged as a significant event in the history of the Senkaku/Diaoyu islands dispute. See Linus Hagstrom, *Japan's China Policy: A Relational Power Analysis*, ed. Marie Soderberg, European Institute of Japanese Studies, East Asian Economics and Business Series (London: Routledge, 2005).

⁴⁰ Miyazawa Kiichi quoted in "Miyazawa Opposes China's Territorial Claim," *Jiji Press English News Service*, February 27 1992.

⁴¹ Mendl, p. 82.

⁴² Young C. Kim, "Japanese Policy Towards China: Politics of the Imperial Visit to China in 1992," *Pacific Affairs* 74, no. 2 (2001), p. 229. To commemorate the 20th anniversary of the normalisation of diplomatic relations Jiang Zemin, then General Secretary of the CCP, was scheduled to visit Japan and talks were underway for a reciprocal visit to China by Emperor Akihito later in the year. See "Japan Regrets Timing of Chinese Claim on Islands," *Kyodo News*, March 2 1992.

⁴³ Kim, "Japanese Policy Towards China," pp. 234-235.

shelved.⁴⁴ He was aided in this by Beijing's public assurances that the LTC did not represent a change in policy and that China still wanted positive relations with Japan.

The law's timing merits investigation as it may demonstrate the influence of internal political groups on Chinese policy. It is widely suspected that the islands were included in the LTC against the wishes of the MFA and as a result of intense lobbying by the PLA, especially the Navy.⁴⁵ This debate appears to have concerned how best to press China's claim to sovereignty. The MFA maintained that the inclusion of the reference would upset the political relationship with Japan, but military delegates of the National People's Congress (NPC) argued that it was required to maintain China's claim.⁴⁶ In any event, the military won the day, and their argument may be correct. The need to re-state one's claim to disputed territory is pervasive across maritime territorial disputes, as failure to do so could be viewed as a renunciation of the claim.⁴⁷ In this case, for China to have claimed the islands in the South China Sea and not those in the East China Sea could have had future legal repercussions since Beijing had characterised both as an inviolable part of its sovereignty.

The LTC was a watershed event for some Japanese strategists, who viewed it as indicative of China's future maritime posture, because it was overly provocative regarding the defence of China's maritime space.⁴⁸ For example, the law unnecessarily asserted the PLA's right to military enforce China's maritime territorial integrity and its right to pursue vessels onto the high seas. However, UNCLOS requires states to pass laws defining their maritime boundaries as well as their rights and responsibilities. Furthermore, the degree of the LTC's inconsistency with

⁴⁴ Drifte, *Japan's Security Relations with China*, p. 50.

⁴⁵ Denny Roy, *China's Foreign Relations* (Lanham, MA: Rowman & Littlefield, 1998), p. 75; Drifte, *Japan's Security Relations with China*, p. 50.

⁴⁶ Austin, *China's Ocean Frontier*, p. 313.

⁴⁷ Some argue the China's claim was in response to perceived encroachments by other regional states onto what China viewed as its own territory. See Kim, "The South China Sea in China's Strategic Thinking," p. 380. On the criteria for effective occupation and administration under international law see Alexander M. Peterson, "Exploration of the East China Sea: The Law of the Sea in Practice," *Beppress Legal Series Working Paper 1730*, (2006), p. 7; David A. Colson, "Sovereignty over Pulau Ligitan and Pulau Sipadan (Indonesia/Malaysia)," *The American Journal of International Law* 97, no. 2 (2003), pp. 398-406; J. G. Merrills, "Sovereignty over Pulau Ligitan and Pulau Sipadan (Indonesia V. Malaysia), Merits, Judgement of 17 December 2002," *International and Comparative Law Quarterly* 52, no. 3 (2003), pp. 797-802.

⁴⁸ Hiramatsu Shigeo cited in Hagstrom, "Quiet Power," p. 166.

UNCLOS is debatable.⁴⁹ The Japanese objection to how China has defined its jurisdictional zones is the first indication that the Senkaku/Diaoyu dispute was widening to encompass the entire East China Sea.

On balance, neither government had an incentive to see the LTC issue escalate into a full-fledged diplomatic incident. The PRC had an interest in positive relations with Japan, particularly in light of the international condemnation that followed the Tiananmen Square incident, and wanted to ensure the success of the Emperor's visit. Miyazawa wanted improved relations with China and had invested a great deal of personal political capital to ensure the Emperor's visit occurred. Nevertheless, the tensions over the LTC are indicative of the dynamics during this phase of the dispute. Both governments were willing to manage nationalist pressures for the sake of bilateral relations, but secondary political groups on both sides advocated more hardline policies; the PLA on the Chinese side and the political right in Japan.

3.2.3 The 1996 incident

The nationalist outbursts and subsequent confrontation over the Senkaku/Diaoyu islands in 1996 was the lowest period to date in the East China Sea dispute. Like its predecessors, the 1996 incident was sparked by a reaction to a central government policy decision; in this case Chinese and Japanese ratification of UNCLOS. There are signs the internal political climate in China and Japan was conducive to manipulation by secondary political groups. Some analysts have observed that, similar to the 1990 dispute, China was in the midst of a nationalist propaganda campaign, this time due to the missile exercises over Taiwan in March.⁵⁰ Throughout 1996 Beijing encouraged the celebration of China's achievements since the economic opening. As Avery Goldstein remarked in retrospect, "Beijing did not have to massage public opinion much at all to evoke the desired response in support of government policy."⁵¹ Further, although he had been elevated to all three leadership positions in China,

⁴⁹ Prior to Chinese ratification of UNCLOS, Hyun-Soo Kim argued that China's use of strait baselines down its eastern coast would not be consistent with UNCLOS principles, although Greenfield disagrees. See Greenfield, pp. 65-72; Hyun-Soo Kim, "The 1992 Chinese Territorial Sea Law in Light of the UN Convention," *International and Comparative Law Quarterly* 43, no. 4 (1994), pp. 894-904. Similarly, Kim argued that the Chinese insistence that foreign military ships request permission before entering its territorial sea is inconsistent with the right of innocent passage permitted all ships. On this point Greenfield notes that the Chinese are exploiting a loophole in which coastal states can pass laws governing their own territorial seas.

⁵⁰ Downs and Saunders, pp. 133-139.

⁵¹ Avery Goldstein, "China in 1996: Achievement, Assertiveness, Anxiety," *Asian Survey* 37, no. 1 (1997), pp. 34-35.

Jiang Zemin was still consolidating his power amidst reports of Deng's failing health. To this end, Jiang promoted more generals to shore up his military credentials and moved more of his Shanghai allies to high level positions. In Japan, newly elected Prime Minister Hashimoto Ryutaro returned the LDP to power after three years in a coalition. Given the party's links with rightist pressure groups and the likelihood of a general election at some point that year, some demonstration of Hashimoto's rightist credentials was to be expected.⁵²

The NPC standing committee ratified UNCLOS on May 15 1996, at which time China outlined the strait baselines that form the basis of its territorial sea.⁵³ It claimed a continental shelf and EEZ up to 200nm from its baselines which were enshrined into law two years later. China also reaffirmed its sovereignty over the islands claimed in the 1992 LTC and reaffirmed its position that the coastal state could reserve the right to place limits on the innocent passage of warships through its territorial sea.⁵⁴ As China did not explicitly claim the Senkaku/Diaoyu islands in its reaffirmation of the LTC claim, Japan did not protest China's declaration, whereas the Philippines and Vietnam did.⁵⁵ Japan ratified UNCLOS and announced the delimitation of its EEZ and continental shelf on June 7 1996. Its declaration is generally consistent with UNCLOS, except on the matter of dispute resolution, in which it adopts a median line principle in the event of overlapping zones if no other line has been agreed upon.⁵⁶ The Chinese protested the declaration on the grounds that it used the Senkaku/Diaoyu islands as basepoints for determining Japan's maritime entitlements.⁵⁷

⁵² For a discussion on this phenomenon see Daiki Shibuichi, "The Yasukuni Shrine Dispute and the Politics of Identity in Japan," *Asian Survey* 45, no. 2 (2005), pp. 197-215.

⁵³ "PRC Declaration on Sea Baselines for Paracel Islands," *People's Daily*, May 16 1996, pp. 35-36, in FBIS-CHI-96-096. This declaration also included baselines in the Paracel islands.

⁵⁴ "PRC UNCLOS Ratification Statement," www.un.org/Depts/los/convention_agreements/convention_declarations.htm. Accessed 02/01/2007

⁵⁵ "Status of the Convention and Its Implementing Agreements," www.un.org/Dept/los/LEGISLATIONANDTREATIES/asia/htm. Accessed 14/10/2005.

⁵⁶ Government of Japan, *Law on the Exclusive Economic Zone and the Continental Shelf (Law No. 74 of 1996)*. Japan altered this stance in 2004 following its discovery of the Chunxiao project. Japanese officials now assert that Japan claims an EEZ 200nm from its baselines. Some interpret this as hardening of Japan's position. See Reinhard Drifte, "The Politics of the East China Sea Gas Dispute: Ongoing Discussion between China and Japan," in *Peace in Northeast Asia: Resolving Japan's Territorial and Maritime Disputes with China, Korea and the Russian Federation*, ed. Thomas J. Schoenbaum (Cheltenham, UK: Edward Elgar, 2008), p. 15.

⁵⁷ Mark J. Valencia, "China's Push for Offshore Oil: A Chance for Joint Deals," *The Straits Times*, September 25 2004.

As Japan's EEZ bill was being considered in the Diet, *Nihon Seinensha* constructed a lighthouse on Kita Kojima, a small island in the Senkaku/Diaoyu islands. On July 18 MFA spokesman Cui Tiankai expressed "grave concern" over the construction of the lighthouse.⁵⁸ Nevertheless, he reiterated China's pledge to seek a solution through "friendly consultation" and expressed hope that both sides would exercise restraint.⁵⁹ This occurred the same day Hashimoto expressed his support for China's bid for membership in the World Trade Organisation. However, bilateral relations quickly deteriorated when Hashimoto visited the Yasukuni Shrine on July 29. Concurrently, *Nihon Seinensha* applied to have its lighthouse officially recognised and raised a flag on it. In response to media queries in Hong Kong, Japanese Foreign Minister Ikeda Yukihiko reasserted Japan's claim and denied the existence of a dispute based on Japan's effective occupation of the islands. Although this was the long standing Japanese position towards the dispute, it was condemned by Beijing. In response MFA spokesman Shen Guofang drew a link between the actions of Japanese nationalist groups and the private views of the Japanese government and stated that China would not compromise on issues of sovereignty.⁶⁰

Subsequently, secondary political actors within China further escalated tensions. Editorials in state media asserted China's resolve to defend its territorial integrity and the PLA held war games simulating amphibious operations on islands off Liaoning Province.⁶¹ Nationalist discontent was expressed at rallies in Hong Kong but was suppressed from public manifestation on the Mainland. While the Chinese nationalist work *China Can Say No* published in the summer of 1996 was not related to the Senkaku/Diaoyu islands dispute, the authors quickly released a sequel in response to tensions with Japan. *China Can Still Say No* was released in the fall after the authors were criticised for being too soft on Japan in the original.⁶² Despite being suppressed in the streets, Mainland Chinese nationalism moved online with the emergence of websites such as *Defend Diaoyutai* and electronic message boards were covered with anti-Japanese slogans.

⁵⁸ Cui Tiankai quoted in "Spokesman Warns Japan over Lighthouse on Disputed Islands," *People's Daily*, July 18 1996, p. 1, in FBIS-CHI-96-139.

⁵⁹ Cui Tiankai quoted in "Foreign Ministry Spokesman Discusses Diaoyutai Issue," *People's Daily*, July 25 1996, pp. 9-10, in FBIS-CHI-96-144.

⁶⁰ Downs and Saunders, p. 135.

⁶¹ *Ibid.*, pp. 134-135.

⁶² Peter Hays Gries, *China's New Nationalism: Pride, Politics and Diplomacy* (Berkeley CA: University of California Press, 2004), p. 123. The original was aimed predominantly at the United States.

Nihon Seinensha escalated the dispute further on September 9 when members landed on the islands to repair the lighthouse after a typhoon. Tokyo maintained that it did not condone the group's actions and maintained it had no jurisdiction over what it maintained was private land. The Chinese Foreign Ministry lodged an official complaint. As the anniversary of the Japanese invasion of China, September 18, approached Chinese state-run media continued to attack the link between Tokyo and nationalist groups. While the CCP permitted its media to vilify the Japanese action on the islands, policymakers were pushing for a solution, although not too hard so as to incur accusations of being unpatriotic. Foreign Minister Qian Qichen met with Ikeda at the United Nations on September 19 and both agreed the dispute should not overshadow bilateral relations. However, Qian pressed Ikeda to strengthen government control over the nationalist groups, and while Ikeda agreed the recognition of the lighthouse would be detrimental, he made no promise to remove it.⁶³ Disaster struck three days later when Chinese activists from Hong Kong attempted to land on the islands. Blocked by the MSA, four protestors jumped into the water and one, David Chan, drowned. On the day of the funeral, Hashimoto announced the LDP would support the Japanese claim to the islands. Beijing replied on October 1 with Li Peng's reiteration of China's position during his National Day address. A week later Chinese nationalists claimed a small victory when they successfully landed on the islands and hoisted both Chinese and Taiwanese flags.

The dispute was finally brought to a close ahead of the twenty-fifth anniversary of the normalisation of relations, which was used as a pretext to settle the tensions. Deputy Foreign Minister Tang Jiaxuan travelled to Tokyo on October 29 and accepted Japan's promise to better manage the bilateral relationship and matters related to the islands in the future.⁶⁴ Japan had announced it would not recognise the lighthouse in fisheries negotiations with Taiwan on October 3. In light of these recurring nationalist incidents over the islands, an elaboration of nationalist grievances and policy elites' management attempts is worthwhile.

3.2.4 The Diaoyu islands in Chinese national identity

The Chinese claim to the Senkaku/Diaoyu islands is replete with references to its history with Japan. The Chinese sense of victimisation at the hands of 'Japanese

⁶³ Chung, *Domestic Politics*, p. 49; Downs and Saunders, pp. 135-136.

⁶⁴ Downs and Saunders, p. 136.

aggression' is apparent in its view that the islands should have been returned to China along with Taiwan and other Japanese conquests that China lost under the Treaty of Shimonoseki (1895). This was stipulated under the Potsdam and Cairo Declarations and China argues that Japan ceded all claims to the islands under the San Francisco Treaty.⁶⁵ China claims sovereignty over the islands on the basis of their use as navigational points by Ming dynasty ships on the route to the Ryukyu kingdom to collect tribute.⁶⁶

Historical feelings of persecution at the hands of the Japanese are evident in the popular sentiment associated with the Senkaku/Diaoyu islands dispute. In 1990 Chinese nationalists accused the CCP of trading away China's territory in exchange for yen loans. In 1996, the dispute was again linked with Japan's Official Development Assistance (ODA), which is viewed in China as *de facto* proxy for war reparations from the Sino-Japanese war. Nationalist groups also petitioned Jiang Zemin and the leadership to send warships to the islands to destroy the lighthouse.⁶⁷ Policy elites have also used symbolic dates to manipulate tensions. Chinese state media used the September 18 anniversary of the Japanese invasion of China to escalate its rhetoric against Japan and Li Peng reiterated China's claims in his National Day address. Simultaneously, it was the advent of the twenty-fifth anniversary of diplomatic normalisation that was used as a pretext to downplay the 1996 tensions. The CCP has used the history issue to escalate tensions with well timed accusations of Japanese remilitarisation.⁶⁸ Shortly after news broke of the lighthouse construction in 1996, in a climate of escalating tensions, a *Xinhua* news agency editorial accused the Japanese of attempting to cover up its war deeds following changes to captions at the Nagasaki Atomic Bomb Museum. On its own, the story is fairly tame; it even concedes that the changes were made by "a small portion of the Japanese people".⁶⁹ However, in the climate of escalating tensions over

⁶⁵ See Suganuma, *Sovereign Rights and Territorial Space in Sino-Japanese Relations*, pp. 118-127.

⁶⁶ *Ibid.*, pp. 112-113.

⁶⁷ Chung, *Domestic Politics*, p. 49.

⁶⁸ Thomas Berger, "The Construction of Antagonism: The History Problem in Japan's Foreign Relations," in *Reinventing the Alliance: US-Japan Security Partnership in an Era of Change*, ed. G. John Ikenberry and Takashi Inoguchi (Basingstoke: Palgrave MacMillan, 2003), pp. 63-88. Indeed, both sides have used the historical discourse for political gain. See Caroline Rose, *Interpreting History in Sino-Japanese Relations* (London: Routledge, 1998).

⁶⁹ Words like 'aggression' were replaced with 'enlarged power sphere'. See Commentary, "Commentary Accuses Japan of Historical 'Cover-Ups'," *Xinhua News*, p. 8.

the islands, the choice to publish it was clearly made to appeal to nationalist sentiment.

A second example reveals the link between history issues and the disputed islands. Shortly after the second landing by Japanese nationalists, in August 1996, the *Beijing Review* published a four page series of articles on the Senkaku/Diaoyu issue. While the first, 'Japan Don't Do Anything Foolish' condemned the ongoing incident and reiterated China's historical claims, the subsequent articles warned of a rightist revival in Japan and tied the Senkaku/Diaoyu islands with Japanese denials of its aggression and the visits to the Yasukuni Shrine. In short:

Japan's challenge to China's sovereignty over the Diaoyu Islands is not accidental but is an inevitable result of emerging rightist elements in Japan's internal political situation and Japan's intention to flex its muscle. To illustrate this recent tendency, many Japanese have distorted the country's history, glorified its war of aggression and imbued its countrymen with a sense of militarism.⁷⁰

The conflation of the history issue with the debate over the Senkaku/Diaoyu islands attracted expressions of nationalist sentiment. Combined with the anti-Japanese tone of post-Tiananmen Square Chinese nationalism, it is clear that the Chinese Communist Party values the disputed islands as an anti-Japanese legitimising symbol.⁷¹

Nevertheless, the discussion above revealed several examples of elites downplaying the salience of the islands to prevent escalation. This was first evident in the 1978 incident when Deng and Kiichi arrived at a tacit understanding about the fishing boat incident. It was further evidenced in 1990 when Beijing absorbed serious damage to its nationalist credentials to downplay the dispute. This is likely due to China's diplomatic isolation in the wake of the Tiananmen Massacre in June 1989 and because Japan was the first country to re-establish diplomatic and economic relations.

⁷⁰ People's Daily Commentator, "Japan: Don't Do Anything Foolish," *Beijing Review* 39, no. 39 (1996), p. 7. See also Da Jun, "Rightist Revival in Japan: Cause for Vigilance," *Beijing Review* 39, no. 39 (1996), pp. 8-9; "Backgrounder: History Proves Diaoyu Islands Are China's Territory," *Beijing Review* 39, no. 39 (1996), p. 10.

⁷¹ This point is made by Bong, ch. 2 and Blanchard, "China's Peaceful Rise," pp. 211-236. This anti-Japanese tone emerged during the 'patriotic education' campaign which followed Tiananmen Square. The CCP sought to strengthen its credentials as the defender of the Chinese nation as it moved away from communist thought as a legitimising mechanism. See Suisheng Zhao, *A Nation State by Construction: Dynamics of Modern Chinese Nationalism* (Stanford: Stanford University Press, 2004), ch. 6. Others argue that while this campaign was driven from the state, it is equally important to realise that it had a receptive audience in the Chinese people who are sympathetic to the national humiliation discourse. See Zheng Wang, "National Humiliation, History Education, and the Politics of Historical Memory: Patriotic Education Campaign in China," *International Studies Quarterly* 52, no. 4 (2008), pp. 783-806.

Although policy elites in Beijing were pressured to take a hardline stance by nationalists, they resisted to further improve Sino-Japanese relations.⁷²

This was also evident during the 1996 incident. Despite the strong rhetoric from Beijing, China took many steps to suppress domestic nationalist expression. Although this served the short-term goal of managing tensions, it appears it was also part of a longer-term strategy to curtail rising nationalist sentiment, which was increasingly targeting the legitimacy of the CCP. Ironically, the CCP was accused of not being nationalistic enough. One leading activist, Tong Zeng, was flown to central China to prevent him from organising protests in front of the Japanese embassy on the September 18 anniversary.⁷³ *China Can Still Say No* was banned and website access and computer networks were restricted or closed.⁷⁴ This point should not be overstated however, as in the early stages of the dispute, in July-August, Chinese state media was staunchly anti-Japanese. An article on July 23 argued that Japan could not wait for talks on the EEZ delimitation issue and “let right-wingers build a lighthouse on Diaoyutai thus...encroaching on China’s territorial sovereignty.”⁷⁵ The view that the Japanese government was in league with the nationalists was pervasive in the Chinese interpretation of events. The management of nationalist sentiment reveals that Chinese policy elites did not want to be forced into a narrow list of policy options that included war or capitulation.

3.2.5 The Senkaku islands in Japanese national identity

Similarly, in Japan the Senkaku islands are linked to questions about Japan’s post-war international posture in light of the region’s historical experience with Japan’s Imperial military. The Japanese argue that the Senkaku/Diaoyu islands were *terra nullius* when they were discovered in 1895 and thus were not taken from China under the Treaty of Shimonoseki, as the Qing government of the time did not object to their appropriation by Japan.⁷⁶ Following World War II they were administered by the US until their reversion along with rest of Okinawa in 1972. Problematically for the Chinese claim, a 1950s CCP propaganda article condemning the American occupation of Okinawa referred to the Diaoyu islands as being part of Okinawa,

⁷² This argument is made in Downs and Saunders, pp. 114-146.

⁷³ Ibid., p. 137; Chung, *Domestic Politics*, pp. 49-50.

⁷⁴ Gries, *China's New Nationalism*, p. 124.

⁷⁵ "Article Urges Watching Japan on Diaoyutai Dispute," *People's Daily*, July 23 1996, pp. 6-7 in FBIS-CHI-96-142.

⁷⁶ Matsui, p. 6; See also Okuhara, pp. 97-106.

which reinforces the Japanese argument that they are part of Okinawa, rather than Taiwan as China claims.⁷⁷

The Senkaku/Diaoyu islands dispute needs to be viewed in the context of Japan's relationship with China, and the latter's criticisms of Japan's wartime atrocities and its suspicions about Japan's changing role in the international system. Although many of the crises outlined above were triggered by popular nationalist groups, there is no doubt that segments of the Japanese government and public believe that Japan should be more assertive towards China. This stems indirectly from internal Japanese debates about the nature of Japan's global role in light of the constitutional constraints placed on its foreign and strategic policy following its occupation by American forces. Japan's global role has been increasing steadily over time, driven by its economic success in the 1970s and 1980s. Despite its decade-long recession and regional dissatisfaction with its response to the Asian Financial Crisis, Japan remains a global leader in ODA and a regional leader in institutions such as the Asia Pacific Economic Cooperation (APEC) forum, ASEAN +3 and the East Asian Summit.⁷⁸ However, there is a growing belief in Japan that its military activism should match its economic and institutional roles. In this view Japan should have sent support troops to the 1991 Gulf War and should reform its constitution to permit Self-Defense Force (SDF) participation in humanitarian operations. Although it dispatched minesweepers to the Gulf, Japan was still faulted internationally, and by the United States in particular, for its 'check book diplomacy'.⁷⁹

Few Japanese advocates of a more active international profile for Japan favour an overt military role; instead they view increased Japanese activism in the context of multilateral humanitarian operations that would be matched with Japanese UN Security Council membership.⁸⁰ This evolution has included an increase in humanitarian military operations, greater defence cooperation with the US, and an

⁷⁷ Suganuma, *Sovereign Rights and Territorial Space in Sino-Japanese Relations*, p. 127. This thesis does not offer an opinion on the strength of either sovereignty claim. For an argument that Japan has a stronger claim see Austin, *China's Ocean Frontier*, ch. 6. For arguments that China has the stronger claim see Ji, pp. 300-304; Steven Wei Su, "The Territorial Dispute over the Tiaoyu/Senkaku Islands: An Update," *Ocean Development and International Law* 36, no. 1 (2005), pp. 45-61.

⁷⁸ See Reinhard Drifte, *Japan's Foreign Policy for the 21st Century: From Economic Superpower to What Power?*, 2nd ed. (New York: MacMillan Press Ltd., 1998).

⁷⁹ Green and Self, pp. 35-58.

⁸⁰ As Richard Samuels notes, scholarly and government debates have been far more complex in their divisions. For a summary of these debates see Samuels, "Securing Japan: The Current Discourse," pp. 125-152.

expanded mandate for the SDF. Despite this internationalist orientation, Japan's strategic shift has been driven largely by developments in China's international posture, not least its growing activism in waters surrounding Japan.⁸¹ Thus, it has also exacerbated tensions with China, as Beijing decries the resurgence of Japanese 'militarism'.⁸² As evidenced by the discussion above, conservative segments of Japanese society use the Senkaku/Diaoyu islands dispute as a symbol, along with other nationalist symbols, to assert their version of Japan's history. Concomitantly, this has a policy related outcome; the existence of a constituency that favours a more assertive Japanese stance towards the dispute and by extension, China. Further, ties between the LDP and the large, well funded right-wing pressure groups are well documented and, according to some, are evident with regard to the Senkaku/Diaoyu island dispute as well.⁸³

The point is well made by Prime Minister Hashimoto's visit to the Yasukuni shrine on July 29 1996 as tensions were escalating. Despite the relatively moderate rhetoric that characterised the early stages of the incident, Hashimoto's visit to the Yasukuni shrine caused an eruption of anti-Japanese sentiment in China. This was the first visit to the shrine by a serving Prime Minister since Nakasone in 1985. The decision to visit the shrine at the time reveals how the two issues, the islands and history, are linked in the nationalist mindset. The increase in nationalist group activity after the visit could be evidence that nationalist groups interpreted the visit as tacit support for their activities. Notably, Hashimoto did not visit the shrine on August 15 to commemorate Japanese surrender, which would have been seen as more controversial, opting instead for his birthday.⁸⁴ As 1996 was an election year, Hashimoto may have been trying to appeal to both sides of the political spectrum, visiting the shrine to assuage the right, while avoiding the August 15 date to placate the left. Despite these efforts to downplay the visit, the effect was to escalate the 1996 incident and reinforce the Chinese view that the islands were linked with Japan's

⁸¹ Christopher W. Hughes, *Japan's Re-Emergence as a 'Normal' Military Power*, Adelphi Paper 368/9 (Oxford: The International Institute for Strategic Studies, 2004), p. 45; Samuels, *Securing Japan*, pp. 140-143.

⁸² Roy, "The Sources and Limits of Sino-Japanese Tensions," pp. 191-214. While China has traditionally viewed the US-Japan alliance as a necessary evil, this is changing to one that is less sanguine. See Austin and Harris, p. 21; Wu Xinbo, "The End of the Silver Lining: A Chinese View of the US-Japanese Alliance," *The Washington Quarterly* 29, no. 1 (2005-06), pp. 119-130.

⁸³ See Shibuichi, pp. 199-201; Chung, *Domestic Politics*, p. 58.

⁸⁴ "Japan PM Visits Controversial Shrine," *Reuters*, July 30 1996.

military past.⁸⁵ These events also reinforced the Chinese perception that government-sanctioned appeals to nationalism were connected to Tokyo's resolve to assert the sovereignty over the islands and in turn its "superiority and dominance in East Asia."⁸⁶

The Chinese suspicion that Tokyo was in league with the right was not unfounded. Prime Minister Hashimoto had been chairman of the Japanese *Association of Bereaved Families of the War Dead*, a leading nationalist group and his statement that the LDP supported Japan's stance on the Senkaku/Diaoyu islands occurred within a month of Diet elections. The result of this election was a dramatic shift to the right.⁸⁷ A closer analysis of Tokyo's policy illustrates a deeper level of cooperation. On the one hand, Tokyo maintained that it did not sanction the nationalist activities, and moreover could take no actions towards private citizens acting on private land. Simultaneously, however, it used the MSA to prevent Chinese protestors from landing on this 'private land'.⁸⁸ However, this tacit cooperation may not support Tokyo's long-run objectives. Some argue that popular nationalists support Japanese government policy by maintaining a high level of activity on the islands.⁸⁹ However if, in Japan's view, it owns the islands, then actions to assert its ownership by private citizens are unnecessary, particularly given the damage it does to the Sino-Japanese relationship.⁹⁰ The effect of this preoccupation with the islands on Japan's posture towards the wider jurisdictional dispute in the EEZ is revisited later in the chapter.

3.2.6 The legal utility of the Senkaku/Diaoyu islands

In light of the discussion above, the material dimension of the islands was often overlooked during this phase of the dispute. Indeed, the contested sovereignty over the Senkaku/Diaoyu islands is related to only part of the larger delimitation dispute in

⁸⁵ Some argue the brevity of the visit indicates that Hashimoto did not want to provoke a strong Chinese reaction. Shibuichi, p. 209.

⁸⁶ Chien-peng Chung, "The PRC's Changing Moral and Realist Perceptions toward Territorial Disputes," *Issues & Studies* 36, no. 5 (2000), p. 185.

⁸⁷ Chung, *Domestic Politics*, p. 44.

⁸⁸ Chung, "The Diaoyu/Tiaoyutai/Senkaku Islands Dispute," p. 161. The Senkaku/Diaoyu islands were owned the Koga family which purchased them in 1932 after a failed attempt to colonise them. However, this marked the first time the Japanese government publicly expressed the view that the islands were private land. For details of the Koga family see Suganuma, *Sovereign Rights and Territorial Space in Sino-Japanese Relations*, p. 118.

⁸⁹ Chung, "The Diaoyu/Tiaoyutai/Senkaku Islands Dispute," pp. 160-161; Chung, *Domestic Politics*, p. 58.

⁹⁰ As Hagstrom notes there is little the elected Japanese government can do to escalate the dispute other than drill for oil; it controls the islands and persistently denies the islands are disputed. Hagstrom, "Quiet Power," pp. 159-158.

the East China Sea. Nevertheless following declaration of EEZs there was a greater interest on the part of policy elites, particularly in China, on the status of the disputed islands. As noted in chapter one, the delimitation dispute stems from overlapping claims based on different legal principles. China argues that the natural prolongation of East China Sea's continental shelf was formed from sediment from the Yangtze River, and thus the seabed and subsoil as far as the Okinawa Trough should be under Chinese jurisdiction. Japan claims an EEZ extending from its straight baselines, including those drawn around its offshore islands such as Okinawa to an unspecified median line that roughly bisects the East China Sea. According to Zou Keyuan, this reflected traditional Japanese attitudes towards overlapping EEZ claims and was consistent with the boundary drawn under Japan's 1977 Law on the 200-mile Fishery Zone.⁹¹ Chinese leaders do not recognise the Japanese median line because it was drawn 'unilaterally', without consultation with China, which according to one expert could render the line meaningless for delimitation purposes.⁹²

Both delimitation methods are recognised under UNCLOS, although international legal jurisprudence has increasingly shifted away from natural prolongation arguments in favour of approaches that construct a median line, which can then be adjusted to reflect special circumstances or entitlements. It is unknown what impact this trend will have on the East China Sea dispute, however. China maintains that the International Court of Justice's (ICJ) 1969 decision on the North Sea case implies that the median line approach does not apply to the East China Sea.⁹³ By embracing the median line solution, Beijing could surrender the eastern extent of its claim to the East China Sea; consequently it is likely that Beijing will continue to dogmatically adhere to its version of international law.⁹⁴

⁹¹ Zou Keyuan, "China's Exclusive Economic Zone and Continental Shelf: Developments, Problems, and Prospects," *Marine Policy* 25, no. 1 (2001), p. 77.

⁹² Sun Pyo Kim, *Maritime Delimitation and Interim Arrangements in North East Asia*, ed. Vaughn Lowe, vol. 40, Publications in Ocean Development (The Hague: Martinus Nijhoff Publishers, 2004), p. 27.

⁹³ China argues that median lines do not apply when a coastal state faces an island state. Selig S. Harrison, "Seabed Petroleum in Northeast Asia: Conflict or Cooperation?" (paper presented at the Seabed Petroleum in the East China Sea: Geological Prospects, Jurisdictional Conflicts and Paths to Cooperation, Beijing, April 12-13 2005), pp. 6-7.

⁹⁴ Prescott and Schofield, pp. 439-440.

The sovereignty over the Senkaku/Diaoyu islands impacts the delimitation of the southern end of the East China Sea.⁹⁵ Japan requires them to be considered ‘islands’ under the terms of UNCLOS because this would entitle the islands to an EEZ and continental shelf claim, as opposed to rocks which are entitled only to a 12nm territorial sea.⁹⁶ Japan thus uses them as basepoints in its EEZ claim.⁹⁷ China meanwhile argues that the islands are merely rocks that are not entitled to a continental shelf or an EEZ claim. Thus, contrary the ideational assessments of the dispute, the value of the islands to both parties is more than simply symbolic; the islands are valuable because they generate claims to potentially resource rich ocean space.⁹⁸ The following section details the third phase of the East China Sea dispute in light of a growing recognition by policymakers, particularly in China, of the material aspects of the East China Sea dispute. Interestingly, secondary political actors also became aware of these issues. Unsurprisingly, the rise of the material dimension of the dispute reduced policy elites’ interest in managing nationalist outbursts related to ECS jurisdictional claims.

3.3 The East China Sea phase: From islands to maritime zones

Many analysts argue that following the 1996 incident Tokyo and Beijing have become less beholden to nationalist constituencies. According to Chung, these efforts are

indisputable evidence that all three governments [including Taipei] were engaging in tacit communication and behaviorable convergence with one another, to signal the fact that they were trying their utmost to play down, if not suppress, the entire controversy by doing nothing to encourage and everything to restrain their domestic nationalist forces; and that they expected this goodwill to be reciprocated by the opposing governments.⁹⁹

This is demonstrated by the fact that repeated landing attempts by protestors in the latter half of the 1990s did not result in significant political crises.¹⁰⁰ Continued landing attempts indicate that the significance of the dispute had not waned for

⁹⁵ Mark J. Valencia, "Troubled Waters," *Far Eastern Economic Review* 139, no. 13 (1988), p. 29.

⁹⁶ On the status of rocks versus islands in the Law of the Sea, see Jonathan I. Charney, "Rocks That Cannot Sustain Human Habitation," *The American Journal of International Law* 93, no. 4 (1999), pp. 863-878.

⁹⁷ According to Selig Harrison, the Okinawa Trough marks the limit of Japan’s continental shelf claim, and thus sovereignty over the Senkaku/Diaoyu islands allows Japan to “jump” the Trough and claim EEZ jurisdiction into the East China Sea up to its declared median line with China. See Harrison, "Seabed Petroleum in Northeast Asia," p. 8.

⁹⁸ The resource value of the East China Sea will be discussed in detail in subsequent chapters.

⁹⁹ Chung, *Domestic Politics*, p. 58.

¹⁰⁰ The MSA counted three attempts in 1997 alone. See Japanese Maritime Safety Agency (MSA), "Annual Report on Maritime Safety 1998," www.kaiho.mlit.go.jp/e/tosho/apoms1.pdf, p. 16. Accessed 25/04/2007.

nationalist groups, but merely that policy elites continued to ignore them. However, there is evidence that sections of each government remained focused on threats to their claim. This is particularly the case on the part of conservative Japanese politicians, but also bureaucratic actors on both sides. As a consequence of the jurisdictional entitlements of UNCLOS, Chinese and Japanese leaders became increasingly aware of the need to exploit their newfound maritime territory. This development shifted elite, bureaucratic and popular concern away from the sovereignty dispute over the islands and towards jurisdiction over maritime zones granted by their ownership. This was first evidenced in 1992 by Japanese concern about China's LTC and was made more explicit in 1996 when nationalists constructed a lighthouse in response to EEZ declarations. It has been most evident in the period since 1997. This is significant because this transfer of elite interest was mirrored at the secondary political level as these actors brought their ideational bias to their interpretations of the conflict over the maritime zones.

3.3.1 Management of nationalist tensions

On May 7 1997 opposition Diet member and outspoken nationalist Nishimura Shingo landed on the Senkaku/Diaoyu islands to fulfil an election pledge made at the height of the 1996 incident.¹⁰¹ Although he was condemned by policy elites in Japan, nationalist protestors from Hong Kong and Taiwan set sail to the islands in an attempted landing. They were met by a considerable MSA force and repelled. While MFA spokesman Cui Tiankai reiterated China's claim to the islands and expressed hope for a negotiated settlement, he noted that the Japanese government had said Nishimura's landing "contravened the policy of the Japanese government."¹⁰² This is indicative of dynamics observed by Chung noted above.

However, nationalists have continued their efforts. In 2000 *Nihon Seinensha* landed on Uotsuri Island and constructed a Shinto shrine. The act was denounced by Chinese nationalists and caused both states to reassert their claim.¹⁰³ The highest profile landing by Mainland Chinese protestors occurred on March 24 2004 when seven activists from the *Federation for Defending the Diaoyu Islands* were arrested by the JCG for landing on Uotsuri Island, where they attempted to plant a Chinese flag. This

¹⁰¹ "Senkaku Visit Riles Japan, China," *Asahi Shimbun*, May 6 1997. The pledge occurred during the political campaign for the October 20 1996 lower house elections.

¹⁰² Xue Chao, "Foreign Ministry News Briefing," *Beijing Review*, May 19 1997.

¹⁰³ Su, "The Territorial Dispute over the Tiaoyu/Senkaku Islands," pp. 46-50.

marked the first time a Chinese nationalist group initiated a landing on the islands, rather than as a response to a provocation by a Japanese group or official.¹⁰⁴ The protestors were detained in Okinawa briefly and then deported to China. Japan protested, but China argued that the group's actions were legal as the islands were Chinese territory. Nationalist protestors burned a Japanese flag outside the embassy in Beijing. Chinese public opinion was further agitated when *Nihon Seinensha* promised to conduct its own landing on the islands in response.¹⁰⁵ Rhetoric from both capitals was strong but measured. Koizumi stressed calm and said that the protestors would be dealt with under Japanese law. Beijing meanwhile reiterated its claim to the islands and labelled the detention of the activists illegal. These measured replies were soon drowned out by demonstrations of nationalism in Chinese streets and internet chat rooms and in Japanese newspapers.¹⁰⁶ Indeed, conservative Japanese politicians, such as Ministry of Economy, Trade and Industry (METI) Minister Ishihara Nobuteru, called for Japan to strengthen its presence on the islands to reinforce its territorial claim.¹⁰⁷ There is evidence that Chinese policymakers attempted to manage the dispute. According to Chung, Beijing prevented subsequent visits by the *Federation* in April and July 2004.¹⁰⁸ There is also evidence that Tokyo sought to limit the political fallout as it banned *Nihon Seinensha* from visiting the islands.¹⁰⁹ Furthermore, there is evidence that the Cabinet Office intervened to prevent the Chinese protestors from being prosecuted under Japanese law in Okinawa, which could have further inflamed the situation.¹¹⁰

In 2002 Tokyo leased the islands from their private owner, which, according to one scholar, marks the first time a government initiated an action explicitly over the islands.¹¹¹ The move was denounced by China and Taiwan as an effort to strengthen

¹⁰⁴ Jian Zhang, "The Influence of Chinese Nationalism on Sino-Japanese Relations," in *China-Japan Relations in the Twenty-First Century: Creating a Future Past?*, ed. Michael Heazle and Nick Knight (Cheltenham, UK: Edward Elgar, 2007), pp. 21-22.

¹⁰⁵ The details of this incident are based on Koo, pp. 183-187 and John W. Donaldson and Martin Pratt, "International Boundary Developments: Boundary and Territorial Trends in 2004," *Geopolitics* 10, no. 2 (2005), p. 418,

¹⁰⁶ J. Sean Curtin, "New Sino-Japanese Strain over Disputed Islands," *Asia Times Online*, March 30 2004, <http://www.atimes.com/atimes/Japan/FC27Dh01.html>. Accessed 15/03/2006.

¹⁰⁷ "Japan Should Build Lighthouse, Heliport in Senkakus- Minister," *Kyodo News*, April 3 2004.

¹⁰⁸ Chung, "Resolving China's Island Disputes," p. 62.

¹⁰⁹ "Japan Bans Political Group from Sailing for Disputed Islands," *Kyodo News*, March 27 2004.

¹¹⁰ "Japan Deported Chinese Protestors under Political Pressure," *Kyodo News*, April 2 2004.

¹¹¹ Hagstrom, *Japan's China Policy*, p. 151.

Japan's hold over the territory.¹¹² This effort was further consolidated on February 9 2005; Japan took formal possession of the disputed islands, which in turn triggered small demonstrations in Beijing. Rather than being a deliberate attempt to provoke China, this stance may be designed to allow Tokyo a greater degree of control over future landing attempts on the islands. Following its decision to ban *Nihon Seinensha* from landing on the islands in 2004, Tokyo subsequently passed a law banning anyone, of any nationality, from landing on the islands.¹¹³ Beijing denounced the law and small protests occurred in Hong Kong and Beijing. Subsequently, two landing attempts by Chinese nationalists in 2006 and 2007 were turned away. Both states' responses have followed the pattern: Beijing decries the violation of its territorial sovereignty while Tokyo files a diplomatic protest and nationalist fervour is tolerated for a short period.¹¹⁴

3.3.2 Rise of material concerns in the East China Sea dispute

Although state elites have been able to manage the islands issue, the analysis of nationalist grievances since 1996 indicates that nationalist constituencies have begun to view the East China Sea itself with the same degree of ideational attachment as they do the disputed Senkaku/Diaoyu islands. The 1996 lighthouse incident marked the first time a popular nationalist group had undertaken an action in light of EEZ concerns, rather than as an expression of sovereignty over the islands. China did not make fresh claims to the islands in its EEZ declaration, it merely reiterated claims made under the LTC. Nevertheless, *Nihon Seinensha's* decision to build the lighthouse appears to have been based on a perceived need to demonstrate Japanese opposition to China's EEZ claim, as Tokyo did not protest China's declaration. This concern by nationalist groups in Japan was mirrored by the actions of secondary policymakers in Japan, as evidenced by Nishimura's promise to land on the islands during the 1996 lower house elections.

¹¹² Roy, "Stirring Samurai, Disapproving Dragon," p. 89. For a strident critique see Liu Huadi, "Japan's Sinister Designs in Illegally Leasing Diaoyu Dao," *Jiefangjun Bao*, January 20 2002 in WNC, CPP-2003-01-20-000029. However, given that the owner, Kurihara Yukihiro was considering selling the islands at the time, Tokyo may have calculated that it had little choice other than to lease them, lest they be purchased by another, potentially dangerous actor, such as a Chinese entity, or *Nihon Seinensha*.

¹¹³ Robert Marquand, "Japan-China Tensions Rise over Tiny Islands," *Christian Science Monitor*, February 11 2005.

¹¹⁴ "Barring of Diaoyu Offenders 'Unreasonable'," *China Daily*, October 18 2006; "China Slams Blocking of Activists," *The Japan Times*, October 31 2007.

While many of the jurisdictional disagreements in the East China Sea dispute predated the entry into force of UNCLOS, its ratification by China and Japan in 1996 accentuated these issues for policy makers. Aside from the stalemated negotiations over a new fisheries accord, there was also the issue of the growing number of Chinese vessels appearing in Japanese-claimed waters. Reports of Chinese vessels entering Japanese waters surfaced in the early 1990s, but ceased after complaints from Tokyo.¹¹⁵ However, the issue resurfaced in the latter half of the 1990s and was first officially noted by Japan in the 1997 Defense White Paper. Concern about intrusions has been reiterated in subsequent volumes, while the severity of the 1996 incident has been downplayed.¹¹⁶ These intrusions increased through 2000 and were no longer restricted to survey vessels. PLAN vessels have increasingly been detected operating in Japan's claimed EEZ and near the Senkaku/Diaoyu islands. From China's perspective these activities are consistent with its claims to the islands and jurisdiction in the East China Sea. In the words of Geoffrey Till, "local navies have a basic national duty to exercise maritime sovereignty since it is a fundamental principle of international law that for sovereignty to be recognised, it needs to be exercised."¹¹⁷

Nationalists also became attuned to the new dimension of the East China Sea dispute. In 1999 the Lower House Committee on Security, led by Nishimura, planned a visit to the islands to "demonstrate Tokyo's sovereignty" in light of a growing number of intrusions by Chinese vessels into Japanese waters.¹¹⁸ This incident emphasises the interaction between sections of the Japanese government and nationalist groups on the intrusions issue, rather than the islands. First, although the trip was proposed by Nishimura, the idea had broad support across the bipartisan committee. Second, the committee sought to use an MSDF plane to make an aerial survey of the islands, whereas coast guard planes had been used previously. SDF Director-General Hosei Norota pledged to help the committee members make the trip. The shift towards the

¹¹⁵ Austin, *China's Ocean Frontier*, p. 88.

¹¹⁶ Drifte, *Japan's Security Relations with China*, p. 52. For example one version notes that China "had strong reactions" the 1996 lighthouse construction. See Japanese Defense Agency, *Defense of Japan 1998* (Tokyo: The Japan times Ltd., 1998), p. 51.

¹¹⁷ Geoffrey Till, "The Navies of the Asia-Pacific in a Revolutionary Age," in *Maritime Security and Cooperation in the Asia-Pacific toward the 21st Century*, ed. Dalchoong Kim, Seo-Hang Lee, and Jin-Hyun Paik, *East and West Studies Series* (Seoul: Institute of East and West Studies, Yonsei University, 2000), p. 36. Till does not distinguish between the limited sovereignty states exercise over the territorial sea and jurisdiction over the EEZ.

¹¹⁸ Koichi Iitake, "Lawmakers Set Sights on Visit to Senkaku Islands," *Asahi Shimbun*, August 4 1999.

use of military over coast guard vessels represents an attempt to be more assertive on the issue. In 1997, calls to have the MSDF mobilised to prevent incursions into Japan's territorial waters and landings on the islands were rejected by the head of the SDF because defence against illegal entry was not within the MSDF's operational mandate.¹¹⁹ Although the flight was cancelled due to opposition from moderate sections of the government, *Nihon Seinensha* conducted a landing of its own on September 5.¹²⁰

Finally, the controversy surrounding China's exploration efforts in the Xihu Trough is the latest in a series of bilateral disputes over jurisdictional entitlements in the East China Sea. In the 1990s, Chinese exploration vessels were sighted in the vicinity of the Senkaku/Diaoyu islands, possibly in an effort to shore up its sovereignty claim.¹²¹ More recently, however, Chinese exploration and production efforts have not occurred near the Senkaku/Diaoyu islands; rather they are within its EEZ, just inside the Japanese drawn median line. However, the proximity of China's Chunxiao production complex to Japan's claimed EEZ has raised concerns in Tokyo that Chinese projects may be tapping resources on the Japanese side of the line. Political tensions first surfaced in 2001 when Chinese survey vessels began crossing the median line more frequently to conduct resource surveys.¹²² By the late 1990s, writings on China's international situation focused less on the disputed islands and became more concerned with "differences between China and Japan over maritime rights and interests and sovereignty in the East China Sea."¹²³ Although it was not an original source of the protests, anti-Japanese protestors in China included Japan's claims to the East China Sea in their protests in April 2005. This led to a backlash from conservative elements in Japan. For example, one editorial in a prominent daily newspaper argued "If Japan accepts the Chinese claim [to gas fields near the median line in the ECS] the Senkaku Islands—part of Japanese territory—will be taken over by

¹¹⁹ Austin and Harris, p. 102.

¹²⁰ Valencia, "Domestic Politics Fuels Northeast Asian Maritime Disputes," p. 3. The dispute was contained because it received only a limited amount of coverage in Chinese state media. See for example "Highlights of Major Beijing-Based Newspapers," *Xinhua News Agency*, September 8 1999.

¹²¹ See "Japan Asks China to Investigate East China Sea Incident," *Kyodo News*, December 16 1991; "Spokesman: Vessel Leaves Disputed Area near Diaoyutai Islands", *Agence France-Presse*, February 15 1996; "Drillship Enters Senkaku Area," *Petroleum Economist*, March 1 1996.

¹²² Harrison, "Quiet Struggle in the East China Sea," p. 274.

¹²³ Wu Peng, "China's Regional Security Interests and Corresponding Strategic Countermeasures," *Ta Kung Pao*, June 30 1999, in WNC, FBIS-CHI-1999-0701.

China. The Chinese claim is outrageous.”¹²⁴ Clearly, secondary political actors view the contested maritime jurisdiction in the East China Sea, and the activities that fall under these entitlements through the same ideational lens they view the disputed islands. The fact that political elites also have an interest in the material aspects of the ECS means that these elites are less likely to repeat the crisis management efforts of the 1990s.

3.4 Conclusion

This chapter provided a background to the East China Sea maritime territorial dispute and argued that since 1996 nationalist actors have begun to view the material benefits of the East China Sea in ideational terms. The background helped identify the various secondary political actors that have attempted in the past to manipulate policy outcomes in the dispute. The interaction between these groups and policy elites is contained in the analysis of willingness in parts two and three of the thesis. Several secondary political groups were responsible for the various crises over the disputed islands. Conservative politicians and popular nationalist groups were often embroiled in the dispute from its inception, while it was the MSA that precipitated the small incident in 1990. In China, the PLAN ensured that the disputed islands were included in the 1992 LTC, while popular national groups in China were evident in 1996 and became particularly active after 2000. Moreover, the shift in the Japanese Defense Agency’s (JDA) stance on the role of the MSDF regarding the islands is telling. It certainly appears that sectors of the Japanese government link the islands with the maritime zones they generate, and that both are worth demonstrations of Tokyo’s sovereignty and jurisdiction.

The analysis also found that the dispute has moved beyond conceptions of the islands themselves and has become linked with wider concerns about maritime jurisdiction. This was demonstrated by China’s inclusion of territorial claims in its first law on the new maritime zones granted under UNCLOS, and by the construction of a lighthouse in response to Japan’s EEZ declaration. Events since 1997 indicate that nationalist groups are equally sensitive to jurisdictional disputes as they are to the islands.

From a theoretical standpoint, this means that a framework, such as the opportunity and willingness framework which does not privilege material or ideational interests

¹²⁴ Yoshio Okubo, "Political Pulse: Time Govt Stood up to China over EEZ Oil, Gas Reserves," *Yomiuri Shimbun*, July 10 2004.

but accounts for their interaction, is suitable to the analysis presented in this thesis. Although embryonic, this trend indicates a small shift in nationalist thinking, which defends threats to the material value of the East China Sea in ideational terms with demonstrations of nationalist sentiment and ownership. Concurrently, policy elites in Beijing and Tokyo also developed interests in the wider issues arising from the contested territory in the ECS. For Japanese leaders, Chinese intransigence over the intrusions was evidence of its blue-water naval ambitions, which appears geographically determined to occur at the expense of Japan. Further, the discovery of commercially viable hydrocarbon resources brought a potentially dangerous development to the dispute against the backdrop of rising energy insecurity in both countries. How China and Japan have behaved towards these issues may indicate how they could be expected to pursue cooperation and confrontation in the future. Part two explores two cases studies of cooperation beginning with the 1997 China-Japan fisheries agreement.

Part II: Conditions of Cooperation in the East China Sea.

Part two of the thesis is concerned with exploring the conditions under which China and Japan adopted cooperative policies towards the East China Sea dispute. This builds towards a comparison with the conditions of confrontation discussed in Part three. Chapter four explores the source of cooperation over fisheries, while chapter five explores cooperation over marine research activities in the contested area. Although both agreements have had varying degrees of success, this does not detract from the fact that they are instances of cooperation between China and Japan over their maritime territorial dispute. Indeed, the reasons for their failure reveal insights into the limits of cooperation. As each chapter deals with a separate jurisdictional issue, both parties' perspectives are analysed in each chapter.

Chapter 4: Cooperation on Fisheries Jurisdiction, 1997-2000

China and Japan reached a compromised on their maritime jurisdiction in the East China Sea in November 1997 when they signed the China-Japan Fisheries Agreement. The final agreement was not completed until February 2000 and it came into force in June 2000. The political circumstances surrounding the decision by Beijing and Tokyo to compromise on their disputed fisheries jurisdiction yield important insights into the conditions required for a lasting settlement of the East China Sea dispute. Viewed through the prism of the opportunity and willingness framework, this chapter analyses the internal and external forces that shaped Chinese and Japanese resolve to cooperate on fisheries issues by re-negotiating their 1975 Fisheries Agreement. As outlined in chapter two, the first section explores the territorial value of the fisheries in the East China Sea. Both sides placed a high value on the intrinsic-tangible value of the East China Sea: fisheries resources. In a relational-tangible sense, concerns of food security are particularly acute in Japan.

The second section explores the policy opportunities that confronted Chinese and Japanese leaders in light of the indicators outlined in chapter two. First, the dramatic improvement in Chinese Distant Water Fishery (DWF)¹ capabilities permitted China to exploit loopholes in the existing 1975 bilateral fisheries agreement. This loophole permitted Chinese vessels unregulated access to Japanese coastal waters. Second, the normative change in international maritime law, brought about by the entry into force of UNCLOS in 1994, offered a potential solution to this rapidly worsening situation.² This presented Japanese authorities with a chance to renegotiate the 1975 China-Japan fisheries agreement and redress an unfavourable status quo. Finally, the analysis of Sino-Japanese ‘interaction opportunities’ over the fisheries issue indicates a long history of deep engagement at both local and central government levels that ensured a small degree of predictability in bilateral exchanges over the issue.

¹ A distant water fishery refers to those located on the high seas or, with permission, in foreign states’ coastal or offshore waters. Guifang (Julia) Xue, *China and International Fisheries Law and Policy*, ed. Vaughn Lowe, vol. 50, Publications on Ocean Development (Leiden: Martinus Nijhoff Publishers, 2005), p. 136, fn 68.

² I call this a normative change because states began to declare EEZs long before the concept became enshrined in the international law. The word ‘normative’ is employed to make the point that it was a change in states’ policy environment, and thus falls under the term ‘opportunity’.

The third section explores the emergence of the willingness to re-negotiate the agreement in Beijing and Tokyo. Japan's opposition to ocean enclosure was longstanding, thus Tokyo was reluctant to embrace the new ocean regime. Furthermore, there was concern, particularly in the Japanese Ministry of Foreign Affairs (MOFA), that renegotiating the agreement would exacerbate territorial tensions with China. However, domestic political pressure from the fisheries lobby for a new fisheries agreement that protected Japan's fisheries industry created the willingness to pursue re-negotiation in Tokyo. The lobby's concerns were a direct result of improved Chinese DWF capabilities and the inadequacies of the existing fisheries agreement. There is no evidence of a similar debate in China. Beijing had long favoured the UNCLOS regime and viewed a renegotiated fisheries agreement as part of wider maritime delimitation negotiations, which could confer recognition on the three million square kilometres of maritime jurisdiction it claimed.³ An analysis of the state of the bilateral relationship through the negotiations indicates that policymakers remained committed to cooperation despite periodic downturns in the relationship, indicating the strength of leaders' willingness to achieve their territorial objectives through cooperative means.

The fourth section explores the outcome—the 1997 China-Japan Fisheries Agreement—in the context of Brinkerhoff's indicators of political will. The fifth and final section considers what has been learned about the conditions of cooperation. From a Japanese standpoint, the opportunity presented by UNCLOS ratification was insufficient on its own to create the political impetus to renegotiate the fisheries agreement because of institutional inertia in Japan concerning residual opposition to the ocean enclosure movement. Significant activism by secondary political actors was required to overcome this policy inertia.

4.1 The value of fisheries in the East China Sea

This section describes the fisheries issue as it was interpreted by policymakers on both sides through the 1980s and 1990s. While both parties rely on protein sources from the East China Sea, traditional concerns about food security made Japan especially nervous about rising Chinese catch levels. The discussion reveals that, on

³ Nobukatsu Kanehara and Yutaka Arima, "Japan's New Agreement on Fisheries with the Republic of Korea and with the People's Republic of China," *Japanese Annual of International Law* 42 (1999), p. 21.

balance, the issue was more vital to Japan, which explains why Tokyo was the driving force behind the decision to negotiate.

4.1.1 The intrinsic-tangible value of East China Sea fisheries to China

Beijing values the East China Sea fisheries for two intrinsic-tangible reasons: fish products as a source of meat protein and employment as a driver of national development. The fisheries industry was targeted for dramatic expansion on both counts in the late 1970s and 1980s, and demand for fish products is sustained by eastern China's increasingly affluent population.⁴ The East China Sea is home to fourteen traditional Chinese fishing grounds, including the vital Zhoushan Fishing Ground. Throughout the 1980s and 1990s, East China Sea fisheries accounted for half of China's total annual catch of 25.3 million tons. According to the Food and Agriculture Organization (FAO), the East China Sea remains China's most important fishing ground accounting for 34% of its total marine catch, with Zhejiang province (home of Zhoushan) representing 22% of marine capture fisheries catch in 2004.⁵

The expansion of the fisheries industry increased the importance of the industry to coastal communities. As a source of employment, the number of motorised fisheries vessels increased from 14,000 in 1970 to 200,000 by 1988 before levelling off at 249,000 by 1999. The fisheries industry employed 1.25 million people by the late 1980s and currently over twenty million people rely on the fisheries industry for employment.⁶ The importance of employment in the Zhoushan fisheries area to Zhejiang's economy is evidenced by the local government's implementation of the necessary cutbacks under the 1997 fisheries agreement. Rather than cut back on excess capacity, and risk rising unemployment, provincial authorities decided to police inshore fishing, while promoting the distant water industry and coastal fish breeding.⁷

However, Chinese authorities have struggled to enforce conservation measures on their coastal fishermen, partly due to the realities of the fishery environment in East

⁴ Stanley D.H. Wang and Bing-yi Zhan, "Marine Fishery Resource Management in PR China," *Marine Policy* 16, no. 3 (1992), pp. 198-199.

⁵ This data is from Food and Agriculture Organisation of the United Nations (FAO), "Fishery and Aquaculture Country Profile: China," http://www.fao.org/fishery/countrysector/FI-CP_CN/en. Accessed 16/10/2008.

⁶ Wang and Zhan, p. 199.

⁷ "Zhejiang Rejuvenates Fishery Industry," *Xinhua*, October 24 1997.

Asia. As many stocks are migratory, there is little incentive to enforce conservation in one's own EEZ when other states will not exercise the same responsibility when the fish migrate to their EEZ.⁸ This is also the product of the reliance of coastal communities on fishing as a source of income. The development of China's DWF notwithstanding, most Chinese fishing vessels are equipped with engines below 20 horsepower and designed for coastal fishing.⁹ China's reluctance and inability to manage its coastal fisheries, as well as cut back its excess capacity is indicative both of the demand for fish products in China, as well as the importance of the fisheries industry to coastal Chinese states. Due to overfishing by Japanese vessels and Chinese coastal fishermen for much of the 1960s and 1970s, the percentage of coastal areas of the East China Sea as a total of China's catch has been steadily declining since 1981, when it peaked at 53.8% of China's total catch.¹⁰ This drove Chinese vessels into Japanese coastal waters.

4.1.2 The intrinsic-tangible value of East China Sea fisheries to Japan

Japan also values East China Sea fisheries as a source of protein and employment. Japan is the world's leading fishing nation and East China Sea fisheries have historically composed an important part of Japan's total catch.¹¹ The Yellow and East China Sea combined are one of Japan's eight offshore fishing sectors.¹² Driven by exploding demand following World War II, the Japanese DWF industry became the largest in the world. However, developments in the Law of the Sea negotiations during the late 1970s that favoured the expansion of state jurisdiction seaward, the 'ocean enclosure movement', threatened to reduce Japanese access fishing grounds around the world. Following its peak in 1973, at 41% of Japan's total catch, Japan's DWF catch fell from 2.45 million tons in 1978 to 800,000 tons in 1990.¹³ This in turn raised the importance of offshore and coastal fisheries to Japanese fishery production. Indeed according to one expert "except for a brief period in the early 1970s, when the

⁸ Valencia, *A Maritime Regime for North-East Asia*, p. 245.

⁹ Yann-huei Billy Song, "China's Ocean Policy: EEZ and Marine Fisheries," *Asian Survey* 29, no. 10 (1989), p. 998.

¹⁰ Liu Rongzi, "Exploitation and Management of the Fishery Resources and Regional Cooperation in the Yellow Sea and the East China Sea," in *Ocean Affairs in Northeast Asia and Prospects for Korea-China Maritime Cooperation*, ed. Dalchoong Kim, et al., *East West Studies Series* (Seoul: Institute of East and West Studies, Yonsei University, 1994), p. 53.

¹¹ Zou Keyuan, *Law of the Sea in East Asia: Issues and Prospects* (London: Routledge, 2005), p. 89.

¹² Park, *East Asia and the Law of the Sea*, p. 56.

¹³ Wilfram Ken Swartz, "Global Maps of the Growth of Japanese Marine Fisheries and Fish Consumption" (M.S., University of British Columbia, 2004), p. 12; Tsuneo Akaha, "Muddling through Successfully: Japan's Post-War Ocean Policy and Future Prospects," *Marine Policy* 19, no. 3 (1995), p. 172.

distant water fisheries were thriving, the offshore fisheries have always tended to be the most important fisheries in Japan.”¹⁴ Clearly, the East China Sea continues to play an important role in Japan’s fisheries industry. However, due to the conservation measures applied to Japanese coastal waters under the 1975 China-Japan Fisheries Agreement and by reduced access to DWF areas abroad, total Japanese fishery production declined from 12.2 billion tons in 1985 to 11 billion tons in 1990 and dropped even further by 1995 to 7.5 billion tons, a 32% decline.¹⁵ This was driven by a 37% decrease offshore and coastal fisheries production between 1990 and 1995. The reduction in catch in all Japanese fishing areas has given rise to concerns about the future of the Japanese fisheries industry.

Fish protein continues to be in demand in Japan, despite rising prices and shifts to Western-style diets. Japan consumed 10.8 million tons of seafood in 1998, but due to catch reductions only 60% of this was provided by Japanese vessels.¹⁶ As imports have risen, so has unemployment among Japanese fishermen, in light of the restructuring of the industry and the reduction in real wages. The total number of fisheries workers has declined by 30% since 1995.¹⁷ In absolute terms, the total number of fisheries enterprises decreased from 190,271 in 1988 to 163,169 by 1995. This contraction was felt most acutely in the offshore industry where total vessels decreased from 8,536 in 1988 to 6,964 in 1995.¹⁸ Clearly, with its coastal and offshore fisheries industry under threat, there was incentive for Tokyo to better manage fishery relations with China.

4.1.3 Relational-tangible value to Japan

Japanese sensitivities to food security concerns indicate that Japanese leaders placed higher value on the security of East China Sea resources than did their Chinese counterparts. Defined as “the ability of countries to meet target consumption levels” of a given food source, Japanese dominance as a global fishing power ensured a sense of security that fish products would be available and affordable to the Japanese

¹⁴ Swartz, p. 13.

¹⁵ Minister's Secretariat Statistics Department, Ministry of Agriculture, Forestry and Fisheries, "Fishery Production," http://www.maff.go.jp/toukei/abstract/1_9/44a.htm. Accessed 23/01/2008, author's calculations.

¹⁶ Valencia and Amae, p. 193.

¹⁷ Yuichi Hayashi, "Japan Fishery Products Annual Report," ed. Global Agriculture Information Network (USDA Foreign Agricultural Service, 2007), p. 4

¹⁸ This data is from Office of International Policy Planning Division, Ministry of Forestry, Fisheries and Agriculture, "Abstract of Statistics on Agriculture, Forestry and Fisheries in Japan," <http://www.maff.go.jp/toukei/abstract/index.htm>. Accessed 15/10/2008.

consumer.¹⁹ However, the ocean enclosure movement threatened Japanese food security. According to one estimate, if all UNCLOS jurisdictional claims were granted, 90% of the global fisheries catch could be under coastal state jurisdiction, meaning that Japan would have to negotiate access for its fisheries fleets.²⁰ This would inevitably lead to a reduction in catch levels.

Whether this threat was real or imagined, Japanese policymakers and people have long been hyper-sensitive to threats to food security. Food security concerns became a particularly acute issue in Japan in the 1970s following the US soybean embargo in 1972 and the impact of the first oil crisis on Japanese agriculture.²¹ At the popular level these concerns are based on the severe food shortages during World War II; indeed, the soybean embargo was largely symbolic as it did not result in a decrease in soybean consumption.²² According to some, food security concerns were so severe in Japan as to increase the real cost of consuming food in Japan.²³ The ocean enclosure movement was merely the latest version of this threat. According to Tsuneo Akaha, the “threat [of the EEZ regime]...had to do with the real issue of the size of Japan's fish catch and the food supply for Japanese consumers.”²⁴ Indeed, by the time fishery negotiations with China began in 1996, Japan's self-sufficiency ratio in fish meat protein was 56%, down from a peak of 113% in 1964.²⁵ The impact of this trend on the Japanese stance towards UNCLOS will be outlined in section 4.3.

¹⁹ Anthony H. Chisholm and Rodney Tyers, "Food Security: An Introduction and Overview," in *Food Security: Theory, Policy and Perspectives from Asia and the Pacific Rim*, ed. Anthony H. Chisholm and Rodney Tyers (Lexington, MA: Lexington Books, 1982), p. 5.

²⁰ Reiko Niimi, "The Problem of Food Security," in *Japan's Economic Security*, ed. Nobutoshi Akao (New York: St. Martin's Press, 1983), pp. 183-185.

²¹ J.W.M. Chapman, "Energy and Food Security," in *Japan's Quest for Comprehensive Security: Defence, Diplomacy, Dependence*, ed. J.W.M. Chapman, R. Drifte, and I.T.M. Gow (New York: St. Martin's Press, 1982), pp. 182-217.

²² Saburo Yamada, "The Problem of Food Security in Japan," in *Food Security: Theory, Policy and Perspectives from Asia and the Pacific Rim*, ed. Anthony H. Chisholm and Rodney Tyers (Lexington, MA: Lexington Books, 1982), pp. 217-237

²³ Michael Gorham, "Japan's Policy of Food Security: An Alternative Strategy," *Federal Reserve Bank of San Francisco Economic Review* (1979), pp. 31-45. Some have argued that all Northeast Asian states have food security concerns, most acutely in the area of fisheries which account for the bulk of protein consumption yet are increasingly scarce. Alan Dupont, *East Asia Imperilled: Transnational Challenges to Security* (Cambridge: Cambridge University Press, 2001), pp. 106-109. Nevertheless this was felt most acutely in Japan.

²⁴ Tsuneo Akaha, *Japan in Global Ocean Politics* (Honolulu: University of Hawaii Press and Law of the Sea Institute, University of Hawaii, 1985), p. 42.

²⁵ Roger Smith, "Japan's High Seas Fisheries in the North Pacific Ocean: Food Security and Foreign Policy," in *Japan at the Millennium: Joining Past and Future*, ed. David W. Edgington (Vancouver: UBC Press, 2003), p. 85; Fisheries Agency, *FY 2005 Trend in Fisheries* (Ministry for Forestry, Fisheries and Agriculture, 2006), p. 34.

Hence both China and Japan had an overarching interest in exploiting East China Sea fisheries by the mid-1990s which is reflected by Figure 3. There was a sense of urgency on the Japanese side as government, industry and popular concerns were heightened by concerns over food security and the future of the fisheries industry. Despite the shared interest in exploiting ECS resources and ensuring the conservation of these resources, the section below will indicate that the Japanese side in particular viewed these concerns in a zero-sum fashion.

Figure 3: Territorial Value of the East China Sea, 1996

Intrinsic tangible: <ul style="list-style-type: none"> - Fisheries resources. - Employment in the fisheries industry 	Relational tangible: <ul style="list-style-type: none"> - Acute sense of food insecurity in Japan
Intrinsic intangible: <ul style="list-style-type: none"> - null 	Relational intangible: <ul style="list-style-type: none"> - null

By the 1990s, increased fishing capabilities and growing perceptions of food scarcity combined with a rising number of confrontations between fishermen and between enforcement agencies was raising tensions on all sides.²⁶ As will be described below, the value of fisheries to both sides was accentuated by the rise of the Chinese DWF industry.

4.2 Opportunity knocks: Capabilities, environment and interaction

This section explores the policy environment in which Japanese and Chinese leaders made the decision to seek the renegotiation of the fisheries agreement. Changes in Chinese technological capabilities in the mid-1980s enabled the Chinese DWF industry's expansion into Japanese waters. This in turn altered the fisheries balance in Northeast Asia, which accentuated Japanese concerns outlined above. Simultaneously, a possible solution presented itself as UNCLOS came into force in 1994. By ratifying the agreement, Japanese leaders could create a common basis with which to restore equity to fisheries resource exploitation in the East China Sea. This section also explores the historical interaction opportunities between the two sides

²⁶ Jin-Hyun Paik, "Fisheries Regime in Northeast Asia: Current Situation and Prospects," in *Ocean Affairs in Northeast Asia and Prospects for Korea-China Maritime Cooperation*, ed. Dalchoong Kim, et al., *East West Studies Series* (Seoul: Institute of East and West Studies, Yonsei University, 1994), pp. 75-87.

over fisheries management issues in an attempt to assess its impact on the negotiations.

4.2.1 China's DWF industry: Increased capabilities in a changing environment

By the mid-1990s the balance of power between Chinese and Japanese fisheries had shifted towards greater parity. Hitherto, Chinese fisheries did not have the requisite capabilities to fish Japanese coastal waters to any serious extent, which led to the depletion of Chinese coastal waters as these were fished by both Chinese and Japanese fishermen. This situation changed during the reform period as China witnessed widespread adoption of modern fishing practices and growing demand for fish products from a more affluent population. Beijing sought to expand the Chinese fisheries industry into one that was regionally competitive in distant waters, in particular in waters off Japan. After embracing new technologies throughout the 1980s, Chinese vessels were able to fish in waters off the coast of Japan and South Korea, rather than off China. China's DWF industry expanded considerably after 1985 following a concerted effort to build the industry including incentives such as tax breaks, funding allocations, and scientific research.²⁷ Its vessels were driven to Japanese waters by depleted fish stocks in Chinese coastal waters due to forty years of commercial Japanese fishing.²⁸

Consequently, Chinese fisheries production increased dramatically, from 8.8 million tonnes in 1985 to 14.7 million tonnes in 1990 to 32.7 million tonnes in 1995. These statistics indicate a 33% increase between 1980 and 1985, but following the launch of China's DWF industry, total fishery production increased by 40% between 1985 and 1990 and by 55% between 1990 and 1995.²⁹ While China's DWF fleet remained relatively backward by global standards—it could not fish year round like its Japanese counterpart—it was able to challenge Japanese boats regionally.³⁰ By 2002 China's DWF had a fleet of 1700 vessels and annual output of 830,000 tonnes.³¹ Greater Chinese fishing in Japanese waters created a situation that undermined

²⁷ Xue, *China and International Fisheries Law*, pp. 136-138.

²⁸ *Ibid.*, pp. 90-100.

²⁹ FAO, "Fisheries and Aquaculture Information and Statistics Service," <http://www.fao.org/figis/servlet/TabSelector>. Accessed 23/01/2008, author's calculations. This increase was also driven by rising production of China's inland freshwater fish.

³⁰ This is based on Xue, *China and International Fisheries Law*, pp. 136-138.

³¹ Guifang (Julia) Xue, "China's Distant Water Fisheries and Its Response to Flag State Responsibilities," *Marine Policy* 30, no. 6 (2006), p. 653.

Japanese supremacy in Northeast Asian fisheries. As noted above, this shift exacerbated the steady decline of the Japanese coastal fisheries industry because it allowed China to exploit a loophole in the 1975 China-Japan fisheries agreement and in Japanese fisheries law. As will be described below, due to Japan's opposition to ocean enclosure, Chinese and Korean vessels were exempt from Japanese coastal fisheries laws although in the late 1970s, these countries did not fish these waters to a serious extent. Consequently, with the rise of the DWF industry, Chinese fishermen gained unregulated access to Japan's coastal waters, whilst Japanese fishermen continued to be bound by quotas and conservation measures in Chinese coastal waters.

This situation led to a rise in the number of fishing disputes following the 1975 agreement. As one observer has noted, overt fishing disputes between China and Japan were largely unheard of prior to diplomatic normalisation, due to the concern in both capitals of the potential for escalation. Somewhat ironically, diplomatic normalisation and the end of Cold War tensions in Northeast Asia led to more frequent fishing disputes between coastal states, as states tolerated an increasing amount of illegal fishing by their own fishermen.³² Chinese fishing in Japanese waters also exacerbated depletion and many high value species approached extinction. For example, the catch size of yellow croaker and hairtail peaked in the 1960s and has since been replaced with smaller, lower value species such as mackerel and filefish.³³

Unregulated fishing altered the Northeast Asian environment for Japan in three ways. First, because Chinese fishing in Japanese waters was not illegal under the 1975 agreement Japanese authorities could not police Chinese vessels. This was resented by Japanese fishermen who often took it upon themselves to prevent Chinese fishermen from fishing in their waters; Chinese fishermen retaliated.³⁴ Second, because of the unregulated nature of Chinese fishing in Japanese coastal waters, Chinese fishermen were able to use methods banned for Japanese fishermen such as drift netting, which further angered Japanese coastal fishermen as they had only

³² Paik, "Fisheries Regime in Northeast Asia," p. 76. There is debate on this point. Valencia argues that improved political relations in Northeast Asia permitted vessels to travel outside their coastal waters. See Valencia, *A Maritime Regime for North-East Asia*, p. 245

³³ Liu, p. 52.

³⁴ Clive Schofield cited in Dupont, p. 108, fn. 119.

recently had these conservation measures forced on them under the 1975 agreement.³⁵ These both led to increased tensions between rival fishermen, which led to more confrontations between Chinese and Japanese fishermen in Japanese waters.³⁶ In Northeast Asia's tense security environment, the potential for accidents in these policing actions is high and could have grave consequences for regional stability. In short, as one analyst notes, fishery disputes are more than simple peripheral issues in Northeast Asia—they go directly to the heart of national interests.³⁷ Japan in particular was dissatisfied with the situation and sought to close the loophole in the 1975 China-Japan Fisheries Agreement. The opportunity to do so arose in 1995-96 when East Asian states ratified the UNCLOS treaty.

4.2.2 UNCLOS and expanded maritime jurisdiction

UNCLOS' entry into force in 1994 added the renegotiation of the 1975 agreement to policy 'menu' for Beijing and Tokyo. Expanded maritime jurisdiction could provide the basis for a renegotiated agreement if both sides agreed to negotiate along these lines. China embraced the UNCLOS regime as its provisions provided the basis for a Chinese claim to over three million square kilometres of maritime jurisdiction. Japan's response was consistent with that of other East Asian states. These states all had mature fisheries industries and consumed vast amounts of seafood, much of it produced on the high seas near the coastal waters of non-Asian states. The rise of the EEZ regime therefore forced East Asian states to re-negotiate their access to waters that were formerly high seas, but that were now subject to coastal state jurisdiction. As this often led to a reduction in catch quantity, it forced East Asian states to consider the impact of domestic and foreign fishing in their own coastal waters. Consequently, the generally negative view on the part of East Asian states towards the EEZ regime shifted towards acceptance through the 1980s and 1990s.³⁸

³⁵ Smith, pp. 82-83.

³⁶ These were particularly prevalent between squid and sea bream fishermen. "Gov't Welcomes Japan-China Agreement on Fisheries Pact," *Kyodo News*, March 6 2000.

³⁷ Paik, "Fisheries Regime in Northeast Asia," cited in Xue, *China and International Fisheries Law*, p. 165.

³⁸ Park Hee Kwon, *The Law of the Sea and Northeast Asia: A Challenge for Cooperation* (The Hague: Kluwer Law International, 2000), pp. 49-51. Jin-Hyun Paik cites several reasons why East Asian states were reluctant to declare EEZs including the reduction of navigational freedoms, the implications for the litany of territorial disputes in the region, as well as the technical difficulties associated with delimitation. See Jin-Hyun Paik, "Exclusive Economic Zones and Maritime Boundary Delimitations in Northeast Asia," in *The Seas Unite: Maritime Cooperation in the Asia Pacific Region*, ed. Sam Bateman and Stephen Bates, *Canberra Papers on Strategy and Defence No. 118* (Canberra: Strategic and Defence Studies Centre, Australian National University, 1996), pp. 177-181. On the technical difficulties associated with ocean boundary delimitation see Douglas M. Johnston, *The Theory and History of Ocean Boundary-Making* (Kingston: McGill-Queens University Press, 1988).

The shift towards the enclosure of ocean space from high seas into jurisdictional zones administered by the coastal state began with the creation of a 12nm contiguous zone for the purposes of enforcement of coastal state customs laws under the 1958 Geneva Convention on the Territorial Sea and Contiguous Zone. As this document did not specify a limit on the breadth of the territorial sea or fishery zones, states adopted a variety of distances that reflected their interests. The trend, however, was towards the expansion of state jurisdiction over ocean space which “would perhaps be accelerated each time the question is opened to discussion at the international level.”³⁹ Fisheries zones and territorial seas of varying breadth were raised at the 1960 Geneva Convention, but failed to gain widespread support.⁴⁰

Nevertheless states continued to declare them unilaterally. For example, Iceland declared a 50nm fishery zone in September 1962 and extended it to 200nm a year later, a trend which was mirrored by Pakistan, the Soviet Union as well as Western countries such as the US, Canada, the United Kingdom and New Zealand, all of which declared modest 12nm fishery zones.⁴¹ The 500 year norm of a three nautical mile territorial sea, the distance of a cannon shot and contiguous to the high seas, was over. As negotiations were ongoing at the Third Law of the Sea Conference, the geographically disadvantaged states of Latin America declared 200nm territorial seas in order to exploit the resources of the seabed and the super adjacent waters. This was in response to the widespread acceptance of state jurisdiction over the continental shelf under the CSC. As the waters off Latin America plunged to huge depths just offshore, these states could not declare continental shelves.⁴²

As a similarly geographically disadvantaged state, with no continental shelf, Japan could have embraced this expansion of ocean territory. However, as the leading high seas fishery nation in the world, Japan opposed any steps to subject ocean space to any kind of sovereign authority as it recognised that this could reduce its fish catch on the high seas. It was not until Japan lost access to 50% of its traditional high seas

³⁹ Hiroshi Kasahara, "International Aspects of the Exploitation of the Living Resources of the Sea," in *Pacem in Maribus*, ed. Elisabeth Mann Borgese (New York: Dodd, Mead & Company, 1972), p. 125.

⁴⁰ Greenfield, p. 88.

⁴¹ *Ibid.*, p. 93.

⁴² Some scholars favoured ocean enclosure as a way of redressing inequities inherent in the international system which had been brought about through the uneven distribution of global resources. See George Kent, "Dominance in Fishing," *Journal of Peace Research* 13, no. 1 (1976), pp. 35-47.

fisheries zones, when the US and the USSR declared Exclusive Fisheries Zones (EFZ, the precursor to the EEZ) in 1976 and 1977 respectively, that Japan declared an EFZ of its own to ensure the security of its coastal fisheries. Responding to this legal change was made all the more urgent for Japan by the improvement in Chinese fishery capabilities described above.

As noted above, the role of DWF in Japan's total catch was enormous, despite being a fraction of the total of Japanese fishing fleet. During the 1960s, DWF vessels accounted for 5% of the fleet, yet accounted for one third of the total catch.⁴³ However, through the 1970s and 1980s, Japan was fighting a losing battle against the trend towards ocean enclosure.⁴⁴ As a greater number of states asserted their jurisdiction over coastal waters fished by Japanese vessels, Tokyo sought to negotiate with coastal states for continued access. To accomplish this it needed to recognise coastal state jurisdiction over formerly high seas, and as a result, it eroded the very norms it was trying to protect.⁴⁵ These agreements often also required Japanese DWF vessels to tolerate greater competition from domestic fishermen and obey coastal state conservation laws.⁴⁶ This in turn led to reduced catch from Japan's DWF industry and a reduction in self-sufficiency in animal protein.

Conversely, Chinese support for ocean enclosure is longstanding. As a developing state with immense claims under the new regime, China was an ardent supporter of ocean enclosure throughout the UNCLOS negotiations. According to Jeanette Greenfield, Beijing has long advocated the maximum state jurisdiction over the maximum possible area. Rather than adopt the 3nm territorial sea in 1958, it declared a territorial sea of 12nm.⁴⁷ China supported maximum state jurisdiction over the EEZ,

⁴³ Haruhiro Fukui, "How Japan Handled UNCLOS Issues: Does Japan Have an Ocean Policy?," in *Japan and the New Ocean Regime*, ed. Robert L. Friedheim (Boulder Co.: Westview Press, 1984), p. 44.

⁴⁴ Some argue that the ocean enclosure movement only partly explains the decline of Japan's DWF industry. For example, Stokke argues that higher labour and fuel costs as well as excess capacity explain the decline of Japanese DWF fisheries in northern waters. Haward and Bergin argue these concerns also had a damaging impact on Japanese distant water tuna fisheries. Nevertheless, these ancillary issues were sector specific and exacerbated the problem created by the enclosure movement, which impacted across the entire fisheries industry. See Olav Schram Stokke, "Transnational Fishing: Japan's Changing Strategy," *Marine Policy* 15, no. 4 (1991), pp. 231-343 and Marcus Haward and Anthony Bergin, "The Political Economy of Japanese Distant Water Tuna Fisheries," *Marine Policy* 25, no. 2 (2001), pp. 91-101.

⁴⁵ Akaha, *Japan in Global Ocean Politics*, p. 57.

⁴⁶ *Ibid.*, p. 57.

⁴⁷ Xue, *China and International Fisheries Law*, p. 128.

arguing that “if the economic zone were truly part of the high seas, then it would make no sense talking about the establishment of such a zone.”⁴⁸ This ‘maximalist’ attitude went beyond the size of maritime zones, and extended to the degree of state authority over a given maritime zone. While the contiguous zone under the 1958 Geneva Convention set out a 12nm area for the purpose of policing adjacent to a 3nm territorial sea, China favoured “the establishment of extensive zones for other purposes such as security and the protection of coastal fishery resources and national economic interests.”⁴⁹ Furthermore, China has traditionally exercised jurisdiction over a vast area of ocean space for the purposes of conservation in the Yellow Sea and the East China Sea as well as created military zones that forbid entry of foreign vessels.⁵⁰

The result of these differing attitudes towards the enclosure trends was the delayed acceptance of the EEZ regime in East Asia as a whole.⁵¹ Although it declared a 200nm EFZ in 1977 to protect its domestic fisheries from the expansion of Soviet maritime jurisdiction, Japan sought to minimise the regional impact.⁵² The Cabinet decision on the EFZ stipulated that the status quo would continue vis-à-vis Chinese and South Korean fishermen, in order to prevent reciprocal declarations. In essence, provided these states did not declare EFZs of their own, they could continue to fish the newly enclosed Japanese waters, although at the time this amounted to very little actual fishing.⁵³ This *quid pro quo* ensured continued Japanese access to Korean and Chinese waters which, after the enclosure of American, Soviet and Canadian waters, accounted for a high proportion of Japan’s distant water catch.⁵⁴ However, Chinese and Korean vessels were largely unregulated when operating in Japan’s coastal waters. Under the 1975 China-Japan Fisheries agreement, resource management fell under the responsibility of the flag state, and Japanese coastal waters were high seas for the purposes of Chinese and Korean fisheries vessels. The rise in China’s fisheries capabilities outlined above allowed Chinese vessels to exploit this loophole.

⁴⁸ Ling Ching, Chinese delegate to the Third UN Conference on the Law of the Sea, quoted in Greenfield, p. 89.

⁴⁹ Ibid., p. 86.

⁵⁰ Ibid., pp. 100-101.

⁵¹ My understanding of Northeast Asia’s response to the new ocean regime is based on Park, *East Asia and the Law of the Sea*, ch. 3.

⁵² The dynamics of this decision are analysed in Akaha, *Japan in Global Ocean Politics*, ch. 7.

⁵³ Greenfield, p. 98; Kanehara and Arima, p. 5.

⁵⁴ Akaha, *Japan in Global Ocean Politics*, p. 135.

Therefore, by the 1990s, the situation in Japan's coastal waters was critical. Chinese fishermen were more active off the Japanese coast, with deleterious effects on Japanese coastal fishermen and fish stocks.⁵⁵ According to one estimate, between 1992 and 1996 Chinese and Korean fishermen each fished more in Japan's EFZ than Japan did off these states' coasts.⁵⁶ Consequently, the Chinese catch was exploding; China's catch in 1999 was 40.8 million tons, nearly double its catch in 1994.⁵⁷ As a result of reduced catch numbers, Japanese imports of fish products had been steadily increasing since 1992.⁵⁸ Rising imports from China led to a renewed domestic focus on Japan's offshore fisheries, as these fish products purchased from China were often caught in Japanese waters and then sold to Japanese markets.⁵⁹ The situation was accentuated by an increasingly zero-sum view on the part of the Japanese; Japanese catches in its neighbours' waters were on the wane, and its neighbours' catches in its waters were on the rise.⁶⁰ The problem was exacerbated in the Japanese mindset by a simultaneous decline in DWF opportunities in light of the global acceptance of the EEZ regime.

This presented an existential threat to the Japanese fisheries industry as the existing agreement with China only applied to Japanese fishing off the Chinese coast. From an external standpoint, this shift in Japan's fisheries environment, coupled with the normative and legal trend towards greater enclosure, threatened Japanese fisheries on two fronts. First, due to enclosure, catch quantities from DWF were down; second, due to greater Chinese fishing, Japanese coastal fisheries were being depleted. Consequently, there were substantial environmental and structural pressures on Japan to re-negotiate the fisheries order in East Asia in order to protect the industry. The declaration of an EEZ, which placed resource management under the jurisdiction of the coastal state, would permit Japan to close the loophole in the 1975 agreement.

⁵⁵ Zou, *Law of the Sea in East Asia*, p. 92.

⁵⁶ Kanehara and Arima, p. 8, fn. 21.

⁵⁷ Valencia and Amae, p. 193.

⁵⁸ Tsuneo Akaha, "Fishery Relations in Northeast Asia," in *UN Convention on the Law of the Sea and East Asia*, ed. Dalchoong Kim, et al., *East and West Studies Series* (Seoul: Institute of East and West Studies, Yonsei University, 1996), pp. 149-155.

⁵⁹ Smith, p. 85.

⁶⁰ Joon-Suk Kang, "The United Nations Convention on the Law of the Sea and Fishery Relations between Korea, Japan and China," *Marine Policy* 27, no. 2 (2003), p. 113.

4.2.3 Interaction opportunities in the fisheries realm

The final element impacting the policy environment in 1996 was the nature of China-Japan relations on fisheries issues. Despite a rising sense of food insecurity and the rise in the occurrence of fisheries disputes, China and Japan had over fifty years of generally positive interaction on fisheries issues prior to the commencement of negotiations towards the new agreement in 1996. Indeed, while some analysts argue that Northeast Asian fishery relations have been more conflictual than cooperative, the Sino-Japanese relationship could be considered an exception.⁶¹ Due to geopolitical realities of the Cold War, the earliest agreements were non-governmental and occurred between fisheries organisations from both countries.⁶² The 1955 China-Japan Fishery Agreement was signed between the Japan-China Fisheries Council and the China Fisheries Association and was a result of recognition on both sides that fishing in the waters between the two states needed to be regulated. The Chinese were displeased to see so many Japanese fishing boats off their coast and adopted several protective measures to prevent Japanese fishing.⁶³ In their efforts to enforce the unilaterally drawn 'Mao Zedong line', between 1950 and 1954 one hundred and fifty eight Japanese boats were detained by Chinese authorities.⁶⁴ Subsequently, between 1955 and 1975 three fisheries agreement were signed between the Japan-China Fisheries Council and the China Fisheries Association.⁶⁵ Although Japan was not able to convince the Chinese to move the location of the Mao line until 1963, they successfully negotiated continued access to Chinese coastal waters.⁶⁶ According to Sun Pyo Kim, even during periods when agreements were not renewed stability prevailed because Japanese vessels generally followed the terms of the last agreement that was in force.⁶⁷ These agreements designated fishery zones, determined how

⁶¹ Valencia, *A Maritime Regime for North-East Asia*, p. 264.

⁶² Tsuneo Akaha argues that agreements were able to be concluded because the issue of fisheries cut across the ideological divide of the Cold War. Akaha, "Fishery Relations in Northeast Asia," pp. 144-145.

⁶³ On early Sino-Japanese fishery relations see Park, *East Asia and the Law of the Sea*, pp. 70-84.

⁶⁴ Zou, *Law of the Sea in East Asia*, p. 90.

⁶⁵ The only period fisheries were not regulated by these agreements was between June 1958 and November 1963. The 1955 agreement was not renewed by China in 1958, who accused the Japanese of repeated infringements, and a new one was not negotiated until November 1963. See Greenfield, p. 95. Others believe the agreement was not renewed due to the Nagasaki Incident of 1958, which caused considerable diplomatic strain at the time. See Masahiro Miyoshi, "New Japan-China Fishery Agreement: An Evaluation from the Point of View of Dispute Management," *Japanese Annual of International Law* 41 (1998), p. 32.

⁶⁶ Sun Pyo Kim, "The UN Convention of the Law of the Sea and New Fisheries Agreements in Northeast Asia," *Marine Policy* 27, no. 2 (2003), p. 106.

⁶⁷ *Ibid.*, p. 106 fn 27.

many vessels from each state were permitted to operate in these zones, and outlined procedures for emergency port access, as well as communication protocols.⁶⁸

With diplomatic recognition in 1972, it became possible to negotiate a governmental fishery agreement. Signed on August 15 1975, the thirty year anniversary of Japanese surrender, the China-Japan Fisheries Agreement was largely identical to previous non-governmental agreements, save for stricter conservation measures including six conservation zones and seven closed zones in the East China and Yellow Seas. Japanese boats retained their access to Chinese coastal waters, but the Japanese government was required to ensure its vessels complied with protection measures. Simultaneously, the seeds of the discord described above were sown as Chinese fishermen explored new areas off the Japanese coast in the Sea of Japan. Driven away from Chinese coastal areas by reduced catch, by 1996 Japanese and Chinese fishermen fished the same waters off the coast of Japan.⁶⁹

Therefore, by the mid-1990s, the fisheries environment in Northeast Asia was considerably less hospitable than hitherto for Japan. As a result of China's more capable DWF industry, and the loophole in the 1975 agreement, Japanese fisheries interests were at risk. With the ratification of UNCLOS by both sides, Japanese policymakers had the tool with which to redress the fisheries imbalance with China. Indeed, there was every reason for optimism in any treaty renegotiation; China and Japan had reached common ground before, and under less congenial circumstances. Renegotiation became a theoretical possibility when UNCLOS came into effect in 1994, but Japanese policymakers remained reluctant to ratify the agreement. As will be analysed below, there were several reasons why Japan was reluctant to embrace the EEZ regime and to renegotiate the agreement with China. These were due primarily to the likelihood that negotiating boundary delimitation could aggravate territorial disputes with China and South Korea as well as policy inertia in Japan's bureaucracy. Domestic political pressure by the influential Japanese fisheries lobbies made policymakers willing to choose the re-negotiation policy option. The following section explores the dynamics of these twin concerns, and explores possible barriers to the agreement.

⁶⁸ The details of these agreements are not relevant to the discussion here. For details see Greenfield, pp. 95-102; Park, *East Asia and the Law of the Sea*, pp. 70-79.

⁶⁹ This section draws on Zou, *Law of the Sea in East Asia*, pp. 91-92.

4.3 Willingness: Japan's change of heart

Willingness, it may be recalled, is the process by which policymakers recognise the constraints and opportunities of their policy environments, and how they select their policy options in light of these. The rise of the Chinese DWF industry upset the favourable nature of the fisheries balance in Northeast Asia and the EEZ regime presented a possible solution. Moreover, the long history of generally cooperative fishery relations arguably indicated a high probability of success. However, Japanese policy elites remained cautious for two reasons: Japan's long standing opposition to ocean enclosure, as well as the risk of exacerbating territorial disputes with China. The reduction in DWF catch, combined with declining catch numbers in Chinese coastal waters and conservation measures applied to Japanese fishermen in Japanese waters, created a groundswell of domestic political pressure for the re-negotiation of the fishery agreement with China. As a consequence of these external pressures on the Japanese fishing industry, the powerful fisheries lobby mobilised and pressured the ruling Liberal Democratic Party (LDP) to ratify UNCLOS and re-negotiate the fisheries order.⁷⁰ The lobby was supported by the Ministry for Agriculture, Forestry and Fisheries (MAFF) as well as by elements of the ruling LDP itself.⁷¹ This pressure overcame the reluctance of some segments of the Japanese policymaking apparatus to fully embrace the new EEZ regime, and the reluctance from segments of MOFA to declare maritime zones that would likely be disputed by Japan's neighbours.⁷² The Chinese decision was less complicated. Beijing viewed the renegotiation of the fisheries agreement in the context of wider delimitation negotiations that would confirm Chinese jurisdiction over three million square kilometres of ocean space.

4.3.1 Domestic politics and lobby groups in Japan

Historically, the ocean enclosure movement was a heavily debated subject across the Japanese policy apparatus. For instance, MAFF had long been opposed to the enclosure of maritime space due largely to industry concerns. When Tokyo finally adopted an EFZ in 1977, it was able to do so only because it had the broad support of the DWF fisheries lobby, the Fisheries Agency, and the general public.⁷³ Even then,

⁷⁰ On the link between the fisheries lobby, MAFF and political factions in the ruling coalition in Japan see Noel A. Ludwig and Mark J. Valencia, "Building North-East Asian Maritime Regimes: Will Japan Take the Lead?," *Marine Policy* 19, no. 2 (1995), pp. 91-95.

⁷¹ *Ibid.*, pp. 83-84.

⁷² Indeed, this was a longstanding concern for MAFF dating back to the Soviet EFZ declaration in 1977. See Akaha, *Japan in Global Ocean Politics*, p. 131.

⁷³ Ludwig and Valencia note that the Japanese fishing lobby is not monolithic. The primary division is between the powerful DWF lobby, the Japan Fisheries Association (JFA), and the less influential

the legislation applied only to fisheries within the EFZ; for all other purposes (navigation, seabed exploration, etc.) the ocean remained classified as high seas, which is consistent with Japan's opposition to ocean enclosure.⁷⁴ Following the EFZ declaration in 1977, MAFF was reluctant to renegotiate the fisheries order with China so soon after agreement had been reached in 1975. Previous negotiations had been long, arduous processes and ambiguities has resulted in thousands of seizures of Japanese boats by Taiwanese and Mainland authorities, as well as the loss of seventy-two lives.⁷⁵ In addition, there were those in MAFF and the fisheries lobby who feared a reciprocal declaration by the Chinese and South Korean governments which could have imposed limits on Japanese access to their coastal waters.⁷⁶ Therefore, in the 1990s, there was a great deal of bureaucratic inertia against the renegotiation of the bilateral fisheries agreement.

As the EEZ regime gained greater acceptance throughout the 1980s, other Japanese concerns mirrored those of academics who viewed the EEZ regime with caution. Some have argued that in East Asia, geographic realities make delimitation and boundary disputes inevitable under the new regime, while others argued that the EEZ regime would result in the conflation of national sovereignty with national jurisdiction, resulting in an increasingly zero-sum approach to fisheries exploitation.⁷⁷ Neither of these eventualities was in the Japanese interest. For example, noting the challenge presented by overlapping claims, MAFF minister Ohara Ichizo said "the question is what we should do about these areas. We hope to expedite an adjustment at the working level."⁷⁸ This reluctance to embrace the new ocean regime for fear of aggravating existing territorial disputes was widely shared across Northeast Asian states at the time. In the words of one academic this "reluctance has been specifically

National Federation of Fisheries Cooperatives (NFFC) which represents small coastal fisheries. See Ludwig and Valencia, p. 94.

⁷⁴ Akaha, *Japan in Global Ocean Politics*, pp. 140-145.

⁷⁵ *Ibid.*, pp. 135-136,

⁷⁶ *Ibid.*, p. 131.

⁷⁷ See Jin-Hyun Paik, "Exploitation of Natural Resources: Potential for Conflict in Northeast Asia," in *Calming the Waters: Initiatives for Asia-Pacific Maritime Cooperation*, ed. Sam Bateman and Stephen Bates, *Canberra Papers on Strategy and Defence No. 114* (Canberra: Strategic and Defence Studies Centre, Australian National University, 1996), pp. 171-184 and Jennifer L. Bailey, "States, Stocks and Sovereignty: High Seas Fishing and the Expansion of State Sovereignty," in *Conflict and the Environment*, ed. Nils Petter Gleditsch (Dordrecht: Kluwer Academic Publishers, 1997), pp. 215-234.

⁷⁸ Ohara Ichizo quoted in "Japan, S. Korea Set to Declare 200-Mile Economic Zone," *Japan Economic Newswire*, February 20 1996.

linked to the difficulty delimiting maritime boundaries.”⁷⁹ However, as described above, greater Chinese fishing in Japanese coastal waters created a new variety of disputes that highlighted the shortcomings of the existing Sino-Japanese fisheries agreement. By declaring an EEZ Japan could assert its jurisdiction over the exploitation of fisheries resources up to 200nm offshore. While this would certainly overlap with the Chinese claims, UNCLOS could nevertheless provide the basis for a renegotiated agreement.

For its part MOFA, which argued in favour of adopting an EEZ in the 1970s, remained reluctant to ratify UNCLOS right away. As MOFA has no domestic constituency to report to, it is unconcerned with protecting domestic groups’ interests, unlike MAFF. Its concerns relate to Japan’s foreign policy interests and how they are perceived abroad.⁸⁰ For example, in the mid-1970s, one of MOFA’s concerns was reconciling UNCLOS’ territorial sea entitlements with Japan’s three non-nuclear principles. Concerns were that American nuclear-powered vessels, which regularly passed through Japan’s straits, would violate these Japanese laws.⁸¹ However, as the EEZ regime gained global and regional acceptance, MOFA argued that Japan did not want to appear intransigent in the face of global normative and legal change.⁸² Following the Russian declaration of an EFZ, MOFA began to favour the declaration of an EFZ in order to respond.⁸³ By the mid-1990s however, there was considerable debate in MOFA over the issue of how to handle the Senkaku/Diaoyu Islands issue in light of UNCLOS.⁸⁴ If Japan included the islands as basepoints in its EEZ declaration it could risk political strife with China, which had claimed the islands in its 1992 Law on the Territorial Sea and Contiguous Zone. Simultaneously, there was concern that if Japan did not include the islands in its EEZ declaration, the Chinese could argue that Japan had lost interest in its territorial claim.⁸⁵ Moreover, as noted above, Japanese sovereignty over the islands is integral to Japan’s claim to jurisdiction in the East

⁷⁹ Paik, "Fisheries Regime in Northeast Asia," p. 83.

⁸⁰ This characterisation is from Tsuneo Akaha, "A Cybernetic Analysis of Japan's Fishery Policy Process," in *Japan and the New Ocean Regime*, ed. Robert L. Friedheim (Boulder Co: Westview Press, 1984), p. 179.

⁸¹ This was prior to the emergence of the international straits and innocent passage concepts. See Akaha, *Japan in Global Ocean Politics*, pp. 117-118.

⁸² Fukui, p. 26.

⁸³ Akaha, *Japan in Global Ocean Politics*, p. 131.

⁸⁴ The legal uncertainties associated with this were the topic of much academic debate prior to UNCLOS coming into effect. See Lee, "Trouble under the Water," pp. 585-611; Ma, p. 239.

⁸⁵ "Island Row Might Hamper Ratification of Sea Convention," *Japan Economic Newswire*, December 16 1995.

China Sea, as it allows Japan to 'jump' the Okinawa Trough, the limit of the Chinese continental shelf claim, and claim a 200nm EEZ into the East China Sea.⁸⁶

Despite MOFA's opposition, pressure from the fisheries lobby grew. Japanese coastal fishery unions favoured ratification of UNCLOS as a way to protect their industry. Because of the *de facto* acceptance of the EEZ regime globally, which reduced access for Japan's DWF industry, opposition to ratification from DWF groups no longer mattered. The loss of the DWF due to ocean enclosure shifted the focus to the protection of Japanese home waters from foreign fishing.⁸⁷ Indeed, these conglomerates had already begun to adapt to the EEZ regime by rationalising their fleets, and by diversifying away from the fishery industry.⁸⁸ Meanwhile, coastal fishery groups, which had begun to cautiously support enclosure as a way to guard against Russian fishing in northern waters, became more overt in their support for ratification.⁸⁹ At the NFFC national convention in 1995, the largest coastal fisheries group, two thousand members voted in favour of adopting the EEZ regime. This timely support occurred as the Diet was considering UNCLOS ratification on its agenda.⁹⁰ Political pressure also occurred in the streets of Tokyo when the NFFC and the JFA organised a rally calling for the establishment of a 200nm EEZ. The rally was attended by over six thousand people, including government officials and by one estimate was the largest demonstration in Tokyo in twenty years.⁹¹ It is worthwhile here to recall the data identified earlier in the chapter that highlighted Japan's dramatic drop in fishery production between 1990 and 1995 driven by declines in the offshore fisheries industry. In essence, the Japanese fisheries industry was choosing between the lesser of two evils. While the rise of the enclosure movement had threatened the future of the fishing industry in Japan, the inequities of the 1975 agreement with China threatened the collapse of Japan's remaining fishing areas and, by extension, the offshore and coastal fishing industries.

⁸⁶ Dzurek, "Effect of the Diaoyu/Senkaku Islands on Maritime Delimitation," p. 412.

⁸⁷ Ludwig and Valencia, p. 94. With the decline of the DWF fisheries, the smaller lobbies were able to exert greater pressure on the government to declare an EEZ to protect the coastal fishery grounds, given that the DWF fisheries objections were rendered moot as early as 1985 with the widespread acceptance of ocean enclosure and the parallel rise of Chinese DWF.

⁸⁸ DWF lobbying efforts were now focused on securing compensation from the government. See. Haward and Bergin, pp. 94-95; Fukui, p. 47.

⁸⁹ Akaha, "A Cybernetic Analysis of Japan's Fishery Policy Process," pp. 191-192.

⁹⁰ "Fishing Industry Unions to Vote for 200-Mile Zone," *Japan Economic Newswire*, November 21 1995.

⁹¹ "Fishermen Seek Early Establishment of Exclusive Zone," *Japan Economic Newswire*, February 28 1996; Bong, p. 63.

When Japan ratified UNCLOS in July 1996, there was an expectation on the part of the fisheries lobby that fisheries agreements with Korea and China would be renegotiated, particularly as these two states had also ratified UNCLOS.⁹² NFFC director Akira Sugawara described the South Korean EEZ declaration as “natural” and argued the opportunity had arisen to re-negotiate Japan’s fishery agreements.⁹³ Pressure from the coastal fisheries lobby increased as the Japanese government began to enforce conservation measures in its coastal waters. Their concern was that because of the loophole in the 1975 agreement, Chinese and Korean fishermen were exempt from these measures, which further put Japanese fishermen at a relative disadvantage.⁹⁴ In the words of NFFC managing director Noboru Azami, “if left unchecked resources will be depleted...and it will be impossible to sustain the fishing business.”⁹⁵ Although Japanese policymakers were aware of the potential impacts of the Senkaku/Diaoyu Island dispute on the fishery negotiations, by 1996 these concerns were regarded as less pressing than the maintenance of the Japanese offshore fishing industry. In an effort to limit the negative influence of the territorial disputes on the fishery negotiations, both parties agreed to shelve the territorial dispute in the very early stages of the negotiations.⁹⁶ Once it became clear that Japan would adopt the new EEZ regime, China and South Korea followed suit in an effort to protect their coastal fisheries.⁹⁷

4.3.2 China’s decision

China’s decision to renegotiate the 1975 agreement was a direct result of its decision to ratify UNCLOS, which extended a claim to over three million square kilometres of

⁹² Kanehara and Arima, p. 8.

⁹³ Akira Sugawara quoted in “Fishery Leader Urges Talks to Be Completed within 1 Year,” *Japan Economic Newswire*, February 20 1996.

⁹⁴ In fact, the 1996 EEZ law retained this exemption for Chinese and Korean fishermen, pending the outcome of bilateral fisheries negotiations. See Moritaka Hayashi, “Japan: New Law of the Sea Legislation,” *The International Journal of Marine and Coastal Law* 12, no. 4 (1997), p. 577.

⁹⁵ Noboru Azami quoted in “Japanese Fishermen Assail Agreements with Korea, China,” *The Wall Street Journal*, April 3 1997.

⁹⁶ “Japan, China Make Progress toward New Fishery Accord,” *Kyodo News*, April 22 1996. This is likely because this was a hold over from the previous 1955 and 1975 agreements. See Zou, *Law of the Sea in East Asia*, ch. 6; Xue, *China and International Fisheries Law*, ch. 6.

⁹⁷ Xue, *China and International Fisheries Law*, p. 161. Some sources allude to pressure from within China to renegotiate the fisheries agreement, but others argue there was no concerted push from any Chinese fisheries organisations. See, respectively, Zou, *Law of the Sea in East Asia*, p. 92 and Xue, *China and International Fisheries Law*, p. 98.

territory under its jurisdiction.⁹⁸ As a reflection of this interest, Beijing insisted that negotiations encompass both the issues of delimitation as well as fisheries management. Japan initially proposed a median line that bisected the East China Sea which was the limit of its 1977 EFZ, which China rejected.⁹⁹ When it became clear that boundary delimitation would be too complex and would delay the conclusion of a fisheries agreement, China agreed to focus on the fishery agreement and return to delimitation in due course.¹⁰⁰ To protect future delimitation claims, the 1997 fisheries agreement notes that nothing in the agreement will prejudice either party's claims to the EEZ or the continental shelf.¹⁰¹

4.3.3 Balancing territorial objectives with the bilateral relationship

Recall from chapter two that an indicator of willingness is whether policymakers sustain their commitment to a policy choice in light of competing prerogatives in the bilateral relationship. The evidence indicates that policymakers remained committed to achieving and implementing a fisheries agreement despite bilateral tensions. Prior to the signing date in November 1997 Chinese and Japanese negotiators met informally in April and August 1996, through the tumultuous period when all eyes were on the Senkaku/Diaoyu islands (described in chapter three). These talks also occurred following the disastrous period of 1995-1997 when the relationship was marred by Chinese nuclear tests, Japan's corresponding use of ODA as coercive diplomatic mechanism, China's military posturing towards Taiwan and the subsequent re-statement of the US-Japan security alliance.¹⁰² Officials met formally in December 1996 and February 1997, and hosted eight rounds of official consultation and two subsequent informal rounds prior to signature.¹⁰³

Like its predecessor, the 1997 agreement was signed as part of a wider set of agreements on a symbolic date in the bilateral relationship; on November 11 1997 as

⁹⁸ Xue, *China and International Fisheries Law*, p. 127. This is the area of Chinese claim, it is disputed by coastal states in the East and South China Seas.

⁹⁹ Zou Keyuan, "Sino-Japanese Joint Fishery Management in the East China Sea," *Marine Policy* 27, no. 2 (2003), p. 134.

¹⁰⁰ Kanehara and Arima, p. 21; Zou, *Law of the Sea in East Asia*, p. 105.

¹⁰¹ See Article 12, "Fishery Agreement between China and Japan," Appendix I, Zou, *Law of the Sea in East Asia*, p. 179.

¹⁰² This assessment is based on Michael J. Green, "Managing Chinese Power: The View from Japan," in *Engaging China: The Management of an Emerging Superpower*, ed. Alastair Iain Johnston and Robert S. Ross (London: Routledge, 1999), pp. 152-153.

¹⁰³ The dates relating to fishery talks are from Reinhard Drifte, "Japanese-Chinese Territorial Disputes in the East China Sea: Between Military Confrontation and Economic Cooperation," *Working Paper #24* (London: Asia Research Centre, London School of Economics and Politics, 2008), Table 2.

part of the celebration of twenty-five years of diplomatic recognition. Subsequent discussions ahead of implementation centred on the dimensions of the jointly managed Provisional Measures Zone (PMZ) and the catch quotas that would apply within it, but these talks were unaffected by the subsequent developments in bilateral relations.¹⁰⁴ For instance, Jiang Zemin's disastrous visit to Japan in late November 1998 did not derail the negotiations.¹⁰⁵ Combined with the fact that the seeds of cooperation were planted during a period of bilateral tension, in mid-1996, this indicates that policymakers on both sides remained committed to cooperation.

Hence, Japanese policymakers replied to the challenge of greater Chinese fishing and seized the opportunity presented by the EEZ regime to renegotiate the fisheries agreement with China. Tokyo overcame its reluctance to do so following considerable pressure from the coastal fisheries lobby. This decision was made over the protests of those who were strictly opposed to ocean enclosure such as sectors of MOFA that viewed the process as likely to lead to a dispute with China. Although the fisheries lobbies eventually won the day, MOFA's concerns about reigniting the territorial dispute were realised. As explored in chapter three, under pressure from the political right, Japan included the Senkaku/Diaoyu islands in its EEZ declaration in July 1996. This declaration occurred days after *Nihon Seinensha* erected a lighthouse on the islands, which was viewed in Beijing as supportive of the nationalist action.¹⁰⁶ The next section explores the outcomes of the negotiations and comments on the effectiveness of the resulting agreement.

4.4 Cooperation achieved: The provisional measures zone

The result of the fisheries negotiations was a new agreement which took effect on June 1 2000. As the new fisheries agreement was designed to reflect UNCLOS and the new EEZ regime, the primary difference between the 1975 and 1997 agreements pertains to jurisdictional responsibility for resource management in the area covered

¹⁰⁴ Although these are negotiated annually, generally speaking China receives three times the catch limit of Japan. See Kim, "The UN Convention of the Law of the Sea," p. 106; Valencia and Amae, p. 193. One scholar cites a raft of differences including how to handle the northern part of the PMZ which overlaps South Korea's EEZ claim. See Zou, *Law of the Sea in East Asia*, pp. 101-102. For the South Korean perspective on this issue see Pak, pp. 614-616. Despite this, the 52nm compromise was reported prior to the November 1997 signing. "Japan, China to Ink New Fisheries Pact Soon," *Japan Economic Newswire*, September 3 1997.

¹⁰⁵ "A Question of Meaning: China's State Visit to Japan Leaves Relations Strained," *The Economist*, December 5 1998; "Japan, China Hope to Resolve Fishing Dispute Next Week," *Kyodo News*, November 4 1999.

¹⁰⁶ Hagstrom, *Japan's China Policy*, p. 146.

by the agreement. The 1975 agreement, signed prior to the conclusion of UNCLOS, relies on flag state jurisdiction over resource management. The 1997 agreement placed this jurisdiction with the coastal state, which is consistent with EEZ jurisdictional entitlements under UNCLOS. This meant that Japanese authorities could regulate the behaviour of Chinese vessels operating offshore, thereby closing the loophole of the 1975 agreement. The PMZ was created to avoid delimiting a boundary in the East China Sea, within which jurisdiction rests with the Joint Fisheries Committee. This panel is tasked with regulating catch limits, determining which species are exploitable, determining respective catch weight by the other party in the PMZ and other conservation mechanisms. Within the PMZ, flag state responsibility applies rather than coastal state responsibility as is the case in the EEZ. If a Chinese vessel witnesses a breach by a Japanese vessel, it can advise the Japanese authorities, but take no action itself and vice versa. This was designed to reduce the number of incidents between fishermen and authorities on the high seas and was a priority for Japanese negotiators from the outset.¹⁰⁷

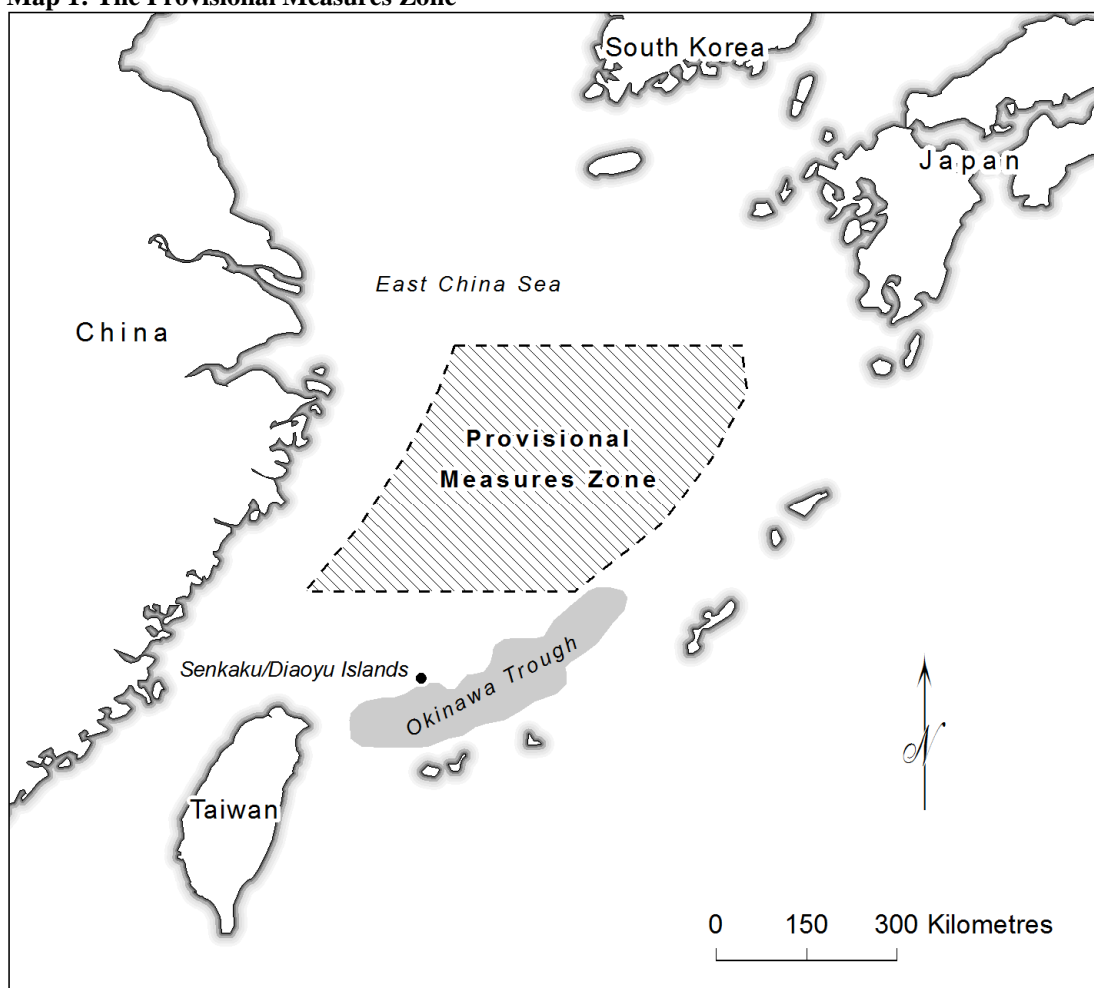
The PMZ permits the parties to sidestep the issue of delimitation of the maritime boundary by designating a large area in the middle of the East China Sea for joint management. The challenge was to arrive at a solution which did not recognise the validity of the basis for the other party's claim to jurisdiction in the East China Sea. For China this meant finding a mechanism to avoid recognition of Japan's median line, while for Japan this meant exercising jurisdiction far from its coasts where the Chinese continental shelf claim ended. Consequently, the PMZ is located in the middle of the ECS, and does not use Japan's median line as a basis for its location (see Map 1). Determining the size of the PMZ, however, was one of the more complex issues as each party's preference was determined by their conflicting attitudes towards ocean enclosure. With a vocal and politically powerful fisheries lobby, Japan wanted a small PMZ. This would mean that a larger share of the ECS would be governed as a Japanese EEZ, in which Japan could regulate the fishing activities of all its vessels and regulate Chinese fishing in a larger area. This measure was widely supported by the coastal fisheries lobby which wanted maximum protection of its fishing grounds. Conversely, China wanted a large PMZ. Given the

¹⁰⁷ Zou, "Sino-Japanese Joint Fishery Management," p. 134; "Japan, China to Continue Informal Fishery Talks Wednesday," *Kyodo News*, April 9 1996.

near barren state of Chinese coastal waters, a larger PMZ would give China greater access to waters closer to Japan which were not yet overfished.

Japan initially suggested a PMZ with borders 100nm from their respective coasts, while China suggested 24nm: the compromise distance was 52nm.¹⁰⁸ Importantly, some scholars argue that despite the official statements to contrary, the PMZ has implications for subsequent boundary delimitation. By assigning a distance from each party's baseline of 52nm, Japan and China have effectively indicated two areas of the East China Sea that are not in dispute; the area between each party's coastal baselines and the nearest boundary of the PMZ.¹⁰⁹ This could mean that China has recognised Japan's EEZ claim to a distance of 52nm offshore, as opposed to the outer limits of the continental shelf.

Map 1: The Provisional Measures Zone



Source: Spatial Information System Laboratory, Flinders University.¹¹⁰

¹⁰⁸ Zou, "Sino-Japanese Joint Fishery Management," p. 135.

¹⁰⁹ Zou, *Law of the Sea in East Asia*, p. 105.

¹¹⁰ This map does not display all the zones outlined by the 1997 China-Japan Fisheries Agreement. It merely shows the location of the PMZ to illustrate the area in which China and Japan have compromised on their jurisdiction over fisheries.

The primary source of nationalist discontent, the status of the Senkaku/Diaoyu islands, was sidestepped by the first agreement in 1955, and subsequent agreements maintained the same parameters. The first bilateral agreement reached in 1955 covered sea areas north of 27N.¹¹¹ This line remained as the southern most point in the 1997 agreement. The area south of 27N is viewed to be an area where neither party will interfere with the fishery activities of the other. Doing so was not without costs, however. In an effort to sidestep the territorial issue, early Japanese drafts of its EEZ legislation omitted the area west of 135 degrees longitude where the islands are located. This was publicly opposed by several Cabinet-level politicians on the grounds it could damage Japan's claim to the islands.¹¹² While the islands were not omitted from Japan's EEZ laws, the new fisheries agreement merely called for the status quo in that area. Subsequent to the conclusion of the agreement, China and Japan exchanged notes pledging not to apply one another's fishery laws to each other's vessels.¹¹³ In doing so, the negotiators were able to sidestep any ideational pressure from nationalists. That the 27N line had been contained in previous agreements certainly helped to depoliticise this process. This was in no small part due to the depth of past interactions over fisheries issues.

However, it should be noted that two serious challenges remain before the agreement could be labelled a complete success. First, illegal fishing operations continue to be rife due to the unemployment created by the agreement's conservation mechanisms. The Chinese fishing industry was particularly hurt by the agreement because it reduced the number of Chinese boats permitted to operate in Japanese waters at a time when China had a massive excess in fishing capacity.¹¹⁴ The agreement put 170,000 Chinese fishermen out of work and had knock on effects throughout the fish processing industry in coastal provinces.¹¹⁵ This explains why Beijing delayed publicising the final agreement, reached on February 27 2000 until March 23. In 2000, only 900 of 4,000 requested permits were granted to Chinese vessels to fish in

¹¹¹ Ibid., p. 91. Taiwan and the Senkaku/Diaoyu islands are located south of this line.

¹¹² Bong, p. 63.

¹¹³ Xue, *China and International Fisheries Law*, pp. 275-276.

¹¹⁴ Indeed, in an effort to cushion its fishery industry from the blow of the 1997 agreement, China sought continued access to traditional Chinese squid fisheries in the Sea of Japan and the North Pacific for an additional five years at 1996 levels. See Ibid., p. 96.

¹¹⁵ Valencia and Amae, p. 195; Zou, "Sino-Japanese Joint Fishery Management," p. 137.

Japanese coastal waters, and limited to 600 boats at any one time.¹¹⁶ Beijing has subsequently attempted to reduce its fisheries capacity by scrapping vessels and cracking down on illegal fishing by Chinese fishermen.¹¹⁷ Consequently, with no other skills and little employment alternatives, Chinese fishermen continue to fish both Chinese and Japanese waters illegally, despite efforts by the Chinese Ministry of Agriculture to educate fishermen about the terms of the agreement.¹¹⁸ While the Chinese State Oceanic Administration (SOA) struggles to police illegal fishing by Japanese and Chinese fishermen in Chinese waters, the JCG is far better organised and equipped to police Japanese waters.¹¹⁹ Nevertheless, it has not been successful at dramatically reducing the amount of illegal fishing in Japanese waters. It could be argued that the fishery agreement has merely given fishermen more rules to violate.¹²⁰ However, these failures were not foreseen at the time of the negotiation of the agreement in 1997, although they became apparent during the course of the 1990s.

Second, as noted in chapter one, at a regional level, the conclusion of a host of overlapping bilateral fisheries agreements between China, Japan and South Korea has not created a coherent multilateral strategy for fisheries conservation in Northeast Asia.¹²¹ These states have resisted a trilateral approach to fishery stock management which, given the migratory nature of many species, is integral to prevent the collapse of fish stocks.¹²² In light of China's emergence as a major seafood importer, the depletion of Northeast Asian fisheries is likely to continue.¹²³

¹¹⁶ "China Prepares for Implementation of Sino-Japan Fishing Pact," *Japan Economic Newswire*, March 23 2000.

¹¹⁷ For details see Huiguo Yu and Yunjun Yu, "Fishing Capacity Management in China: Theoretic and Practical Perspectives," *Marine Policy* 32, no. 3 (2008), pp. 351-359.

¹¹⁸ Chen Chunmei, "Use of Oceans Faces Legal Restrictions," *China Daily*, June 26 1996.

¹¹⁹ On Chinese efforts to police illegal fishing by Chinese flagged vessels see Zou, "Sino-Japanese Joint Fishery Management," pp. 136-137.

¹²⁰ Shortly after the agreement was implemented in June 2000 Japanese authorities seized Chinese vessels in Japanese waters for a variety of offences such as catching the wrong species of fish; using too small a mesh in their nets and incorrectly stating their boat's tonnage. Valencia and Amae, p. 196. On this and other inadequacies of the Northeast Asian fisheries agreements see Guifang (Julia) Xue, "Bilateral Fisheries Agreements for the Cooperative Management of the Shared Resources of the China Seas: A Note," *Ocean Development and International Law* 36, no. 4 (2005), pp. 363-374.

¹²¹ Moritaka Hayashi, "Regional Fisheries Management in the East China Sea," in *Recent Developments in the Law of the Sea and China*, ed. Myron H. Nordquist, John Norton Moore, and Kuen-chen Fu (Leiden: Martinus Nijhoff Publishers, 2006), pp. 219-227.

¹²² On these issues see in particular Valencia, *A Maritime Regime for North-East Asia*, ch. 6. See also Paik, "Exploitation of Natural Resources," pp. 171-184.

¹²³ Knut Bjorn Lindkvist, Torbjorn Trondsen, and Jinghua Xie, "Restructuring the Chinese Seafood Industry, Global Challenges and Policy Implications," *Marine Policy* 32, no. 3 (2008), pp. 432-441.

Nevertheless, the agreement should be viewed as a success in light of China and Japan's territorial objectives outlined in section 4.1. Properly enforced, the agreement could ensure sustainable access to fish protein in the East China Sea. From the perspective of territorial dispute management, the agreement should have reduced the number of confrontations between fishermen, although it arguably has increased the number of illegal fishing operations. The bilateral fisheries relationship remains troubled; discussions on fishing in the other party's EEZ are tense and often do not end in an agreement. For example, there was no agreement on EEZ fishing quotas for 2001 as the year began.¹²⁴ Nevertheless, both sides recognise they have a shared interest in sustainable fisheries management in the East China Sea. This was manifested in a desire to arrive at an agreement which maximised a state's ability to access the disputed resource, in this case fish and seafood products. While Japan's fish catch continued to decline, the loophole created by the 1975 agreement and China's relative rise as a fisheries power was closed. The 1997 agreement also contained unparalleled conservation measures by Northeast Asian standards, although the fact that these measures are undermined by other bilateral fishery agreements in the region should be noted.¹²⁵ However, this does not detract from the point that Chinese and Japanese policymakers committed their fishermen to serious measures aimed at conserving marine resources; the weakness in conservation measures is the result of the trend towards bilateralism in Northeast Asia, as well as the presence of highly migratory fish stocks, not due to a lack of resolve by policymakers towards the issue at hand.¹²⁶

As noted in the introduction, the central aim of the thesis is to outline the conditions of cooperative political will. The findings of this chapter indicate that the Japanese decision was fraught with domestic political calculation; Beijing seemed willing to take whatever steps were necessary to ensure the recognition of its maritime territorial claims. Meanwhile, in Japan there was serious policy inertia that delayed the adoption of UNCLOS principles. Viewed through Brinkerhoff's indicators of political will, a moderate amount of political will to renegotiate the fisheries agreement is evident on both sides.

¹²⁴ Van Dyke, "North-East Asian Seas," p. 411.

¹²⁵ This point is made by Valencia, *A Maritime Regime for North-East Asia*, ch. 6; Kim, "The UN Convention of the Law of the Sea," pp. 97-109.

¹²⁶ Xue, "Bilateral Fisheries Agreements," pp. 363-374; Zou, "Sino-Japanese Joint Fishery Management," p. 138.

1. *Locus of initiative*- This indicator is low in the Japanese case. Tokyo's decision to renegotiate the fisheries agreement came after its decision to ratify UNCLOS. The latter was due largely to political pressure from the fisheries lobby, and over the objections of MOFA. Greater political will existed in China, which had been a long standing advocate of ocean enclosure.
2. *Degree of analytical rigour*- This indicator is high in both states. MOFA's misgivings indicate that the policy apparatus was concerned about the possible side effects for bilateral relations. Moreover, the fact that MAFF and MOFA changed their positions over the course of the twenty year debate is indicative of serious policy debate in Japan. Beijing's early rejection of Japan's median line indicates the Chinese knew early on what they wanted to achieve.
3. *Mobilisation of support*- This indicator is low in Japan as support was mobilised from the bottom up. The demonstrations conducted by the NFFC, and the political clout they attracted indicated wide ranging domestic support for the decision. Within China, there is no evidence of serious opposition to the expansion of Chinese maritime jurisdiction.¹²⁷
4. *Application of credible sanctions*- This indicator is moderate in both states. Leaders in Beijing and Tokyo were willing to enforce, as best they could, the terms of the fisheries agreement. However, in practice these efforts proved difficult. Japan has reduced its excess fishing capacity and policed illegal coastal fishing, while trying to maintain a critical mass of employment in the fisheries industry.¹²⁸ China has been less successful. While it has reduced employment in its coastal fisheries industry, policing illegal fishing has been difficult. One scholar has noted that Chinese laws still do not adequately police foreign fishing in China's EEZ; nor do they prevent Chinese fishermen from fishing illegally off the coasts of neighbouring states or without proper licences off China.¹²⁹

¹²⁷ This is a difficult assertion to make due to the opacity of the Chinese policymaking process. However, given the nature of China's stance at the UNCLOS III negotiations, its prompt signature of the document in 1982, as well as its behaviour with regard of ocean jurisdiction issues since, there is little doubt that the expansion of Chinese control over East China Sea waters was widely supported across the government.

¹²⁸ See MAFF, *FY 2005 Trend in Fisheries*, p. 11.

¹²⁹ Zou, "China's Exclusive Economic Zone and Continental Shelf," p. 75.

5. *Continuity of effort*- This indicator is high. Chinese and Japanese leaders stayed true to bilateral discussions through the political turmoil of 1996, and remained committed until the agreement was reached in February 2000. This indicates a high degree of political will to achieve cooperation. While some have been sceptical of the depth of this cooperation because of the annual troubles determining catch limits in the PMZ, Chinese and Japanese leaders continued to meet bilaterally to discuss delimitation and other Law of the Sea issues.¹³⁰ Also, both sides have been willing to enforce the terms of the agreement on their own fishermen.

Consequently, the political will could best be described as moderate. Despite the Chinese willingness, they have struggled to implement it effectively. In Japan, political will increased as time passed.

4.5 Conclusion: The conditions of cooperation

This chapter has argued that when faced with an increasingly confrontational environment over a scarce resource located in an area of contested sovereignty, Japan and China found a way to cooperate to ensure continued sustainable access to that resource. In light of the assumption noted in chapter two, that policy elites face three choices with regard to disputed territorial issues, the chapter highlighted several conditions that were conducive to cooperation through the 1997 fisheries agreement. Most important of these was the normative change brought about by the entry into force of UNCLOS in 1994. This gave Japan the necessary mechanism to address a growing problem in its coastal waters; fishing by an increasingly capable, and unregulated Chinese DWF industry. The EEZ regime was able to give Japan greater control over its coastal areas, and the exploitation of resources within these areas. Following the contraction of Japan's DWF industry, coastal and offshore fisheries gained renewed importance. However pressing the Japanese government may have viewed this matter, the pressure from the fisheries lobbies prodded the LDP coalition into action. Due to these pressures, doing nothing was not a viable policy option, and the loophole in Japan's fisheries regulation meant that confrontation was not possible either. From the Chinese standpoint, although it stood to lose from the application of fishery regulations to Japanese coastal waters, its primary aim was the delimitation of the maritime boundary with Japan. When this proved impossible, Chinese

¹³⁰ Chinese Ministry of Foreign Affairs, "China's Maritime Demarcation and Bilateral Fishery Affairs," 2001, www.fmprc.gov.cn/eng/wjb/zzjg/tyfls/tyfl/2626/2628/t15476.htm. Accessed 17/10/2007

policymakers nevertheless proceeded because establishing jurisdiction over part of its maritime entitlements supported the national interest.

The negotiations were also supported by the longstanding Sino-Japanese interaction in the fisheries industry. Despite conflicts between fishermen, Sino-Japanese fishery regulation authorities had a forty-two year old relationship by 1997. It is difficult to ascertain the precise impact of this history. As noted above, the shelving of the disputed islands was facilitated by the fact that previous agreements have similar clauses. Although the islands gained new value as basepoints for Japan's EEZ claim, elites' resolve to put aside questions of sovereignty as well as maritime delimitation was evident early in the negotiations. The signing of a new fishery agreement was a fitting symbolic accomplishment on the occasion of the twenty-fifth anniversary of diplomatic recognition. It was made all the more significant by the fact that it came on the heels of a particularly bad period in the Sino-Japanese relationship, and was not derailed by subsequent developments. Indeed, it is quite likely that the outpouring of popular sentiment over the Senkaku/Diaoyu islands in mid-1996—analysed in chapter three—strengthened policymakers' resolve to avoid further tensions. The long history of fisheries management helped depoliticise the process.

Despite these cooperative efforts, the agreement was not able to bring a definite end to fishery disputes between China and Japan, nor meaningfully address the conservation challenges which threaten to destabilise Northeast Asian fisheries. Nevertheless, the agreement stands as an example of Sino-Japanese cooperation over scarce resources in an area of contested jurisdiction. The opportunity and willingness framework revealed the process by which policymakers recognised the challenges which confronted them, and acted accordingly. Clearly the high level of interaction between Chinese and Japanese policymakers on fisheries issues was a vital factor. In addition, a noteworthy structural stimulus came in the move in Northeast Asia to ratify UNCLOS, which was clearly in the interests of all coastal states. Japan was the most reluctant state to embrace this opportunity and was prodded by domestic political action, which proved sufficient to reverse almost forty years of Japanese diplomacy opposing ocean enclosure. As the fishery agreement was being implemented in June 2000, a new challenge emerged in the East China Sea dispute: how would China and Japan interpret the activities of the other in a body of water

they just recognised that they shared for all intents and purposes? This is the subject of chapter five.

Chapter 5: Cooperation on Marine Research Activities, 2000-2001

The second instance of Sino-Japanese cooperation over the East China Sea dispute occurred in February 2001, when the two sides exchanged a *note verbale* promising to notify the other when they undertook marine surveys in disputed waters. Following increased intrusions by Chinese naval and marine research vessels into its claimed Exclusive Economic Zone (EEZ) through the late 1990s, and following a number of diplomatic protests through 2000, Tokyo suspended an Official Development Assistance (ODA) loan to China to convince Beijing to discuss the issue. The loan was released in October 2000 after Chinese Foreign Minister Tang Jiaxuan agreed in principle to talks toward a notification agreement. Unlike the fisheries agreement, however, the notification agreement has failed to curtail Chinese survey activities. Tokyo accused Beijing of transgressing it in July 2001, and this behaviour has not subsided. Further, no subsequent diplomatic agreement on the marine survey issue has been negotiated. Nevertheless, the process by which the agreement was reached may highlight the conditions under which future cooperation in the East China Sea might be achieved.

This chapter proceeds in five sections. The first section describes the issues at stake for each party using the value matrix introduced in chapter two. The marine research issue is larger than simply a debate about who can do what and where in the East China Sea; it has implications for how Chinese and Japanese vessels of all description will coexist in the waters between the two states. Both parties viewed the legality of marine surveys in the context of the wider strategic implications for their freedom of action on East China Sea waters. Policymakers in Tokyo viewed Chinese intrusions into its EEZ as a relational-tangible threat to its national security. China valued its survey activities as an intrinsic-tangible source of important scientific data and intelligence and as a relational-tangible source of operational experience for the PLA Navy (PLAN). The second section explores Japan's policy opportunities to respond to Chinese intrusions into its EEZ. Due to shortcomings in its ability to police Chinese activities in its waters, and faced with Chinese intransigence following numerous diplomatic remonstrations, Tokyo used ODA pressure to convince Beijing

to meaningfully address Japanese concerns.¹ The third section analyses the dynamics of the Japanese decision to press China for an agreement governing marine surveys in the summer of 2000. Tokyo's willingness to assert itself over the issue emerged following a provocative shift in Chinese survey activity, combined with greater domestic voices calling for action.

The fourth section explores the fallout from the agreement and why it failed to meaningfully alter Chinese behaviour. Three reasons can be identified. First, misunderstandings of the terms of the agreement, particularly the definition of a marine survey, made violations easy to dispel as accidents. Second, as a result of both parties' reluctance to prejudice their territorial claims, the geographic scope of the agreement was vague, which facilitated cheating. Combined with the highly fragmented nature of the Chinese bureaucracies involved in marine surveys, it is also possible that bureaucratic misunderstanding has led to recurrent violations of the agreement. Ultimately, these issues could have been surmountable had the political will existed to address them. This political will was particularly absent on the Chinese side. Despite its more cooperative rhetoric following the ODA pressure, it appears that the Chinese were unmoved by the ODA threat. The importance of Japanese ODA to Beijing was beginning to decrease, which reduced its effectiveness as a diplomatic tool. Viewed this way, the Chinese acquiescence to the agreement can be understood as recognition of the severity of the diplomatic signal carried by the ODA pressure, but one that was insufficient to outweigh the broader territorial objectives met by the surveys. The final section summarises what has been learned about the conditions of cooperation. Contrary to the findings of chapter four, Japan's willingness to address the issue appears to have driven the cooperative process; yet limited policy opportunities constrained Japan's ability to achieve a satisfactory outcome.

5.1 The value of marine surveys in the East China Sea

There are many different activities that occur in contested maritime spaces; chapter four explored how China and Japan have shared their fisheries jurisdiction in the East

¹ I do not describe what happened as a 'sanction' because the loan was never cut off, it was merely delayed. Further, the link between the ODA and the issue upon which Japan sought a change in Chinese policy was more subtle than in previous instances of Japanese ODA sanctions. See Saori N. Katada, "Why Did Japan Suspend Foreign Aid to China? Japan's Foreign Aid Decision-Making and Sources of Aid Sanction," *Social Science Japan Journal* 4, no. 1 (2001), pp. 39-58. Takamine defines sanctions broadly and views the 2000 delay as a sanction. See Tsukasa Takamine, "A New Dynamism in Sino-Japanese Security Relations: Japan's Strategic Use of Foreign Aid," *The Pacific Review* 18, no. 4 (2005), p. 441. As a result I use the phrase ODA 'pressure'.

China Sea. Under UNCLOS, states are entitled to conduct a variety of research activities on or below ocean waters. However, these entitlements are complicated by unclear definitions of what constitutes marine scientific research; different types of research are subject to different laws in different maritime zones, which are in turn interpreted differently by states. This is further complicated by disputed maritime boundaries. The root of the problem in the case of the East China Sea is the increase in Chinese marine research activity combined with its non-recognition of the Japanese EEZ claim.² In short, how could Chinese and Japanese authorities enforce their jurisdiction over marine research in an area both claimed as their own? Before assessing the value of the issue to each party, a brief discussion of the legal regime surrounding marine surveys is in order to clarify the activities discussed in this chapter. The purpose of this discussion is not to discuss the legalities of Chinese survey activities, but to outline the problems associated with defining particular activities to regulate as part of an agreement.³

The EEZ regime is a union between two separate, pre-existing definitions of ocean space, 'high seas' where flag-state laws apply and 'territorial waters', where coastal states have near-absolute sovereignty, with one exception.⁴ The EEZ regime is a compromise between states that enjoyed the freedom of the seas, such as the United States and Japan, and coastal states that sought to maximise control over expanded ocean areas. This divided states that favoured free access to waters for scientific purposes from states that were concerned about the security implications of foreign vessels operating near their shores.⁵ The consensus reached at UNCLOS favoured the latter; a marine scientific research (MSR) activity in the territorial sea is subject to the express consent of coastal states. Within the EEZ the coastal state is expected to

² Zou Keyuan, "Governing Marine Scientific Research in China," *Ocean Development and International Law* 34 no. 1 (2003), p. 18.

³ For a comprehensive analysis of marine scientific research in international law see Florian H. Th. Wegelin, *Marine Scientific Research: The Operation and Status of Research Vessels and Other Platforms in International Law*, ed. Vaughn Lowe, vol. 49, Publications in Ocean Development (Leiden: Martinus Nijhoff Publishers, 2005).

⁴ The right of innocent passage for all vessels provided the passage is not prejudicial to the security of the coastal state.

⁵ Sam Bateman, "Hydrographic Surveying in the EEZ: Differences and Overlaps with Marine Scientific Research," *Marine Policy* 29, no. 2 (2005), p. 165.

consent to MSR but it may deny permission if the research violates its EEZ entitlements such as resource exploitation or the construction of islands.⁶

The rules governing the legalities of marine research activities in the EEZ are complicated by the poorly defined concepts in UNCLOS. There is an explicit effort to define the rights and responsibilities surrounding MSR under Part XIII, but not to define it as separate from other scientific activities which occur at sea.⁷ Thus, the concept of MSR does not cover all manner of scientific research possible. As Hayashi notes, article 19(2) refers to research *or* survey activities (thereby drawing a distinction) and articles 21(1) and 40 distinguish between MSR and hydrographic surveys.⁸ This implies that hydrographic surveys are outside the restrictions outlined in Part XIII, although UNCLOS does not explicitly outline regulations for them. As one legal scholar notes, “it is foremost of all the function of the platform that determines whether PART III on marine scientific research applies. Only where a *scientific research* activity is pursued the platform has to conform to its rules.”⁹ As will be described below, Chinese vessels are not always forthcoming about the type of activity they are engaged in.

Furthermore, states that favour free use of the sea, such as the US, use this ambiguity to argue that other scientific activities do not require the consent of the coastal state as they are outside the definition of MSR. As Sam Bateman argues, this depends on the type and intent of the survey conducted.¹⁰ Surveys that take place in an EEZ which are aimed at resource exploitation require coastal state permission under Part V; they are part of coastal state jurisdiction over resource exploitation in the EEZ and include exploratory surveys. Alternatively, some argue that hydrographic surveys should not

⁶ "United Nations Convention on the Law of the Sea," (UNCLOS), 1994 Part XIII, http://www.un.org/Depts/los/convention_agreements/texts/unclos/closindx.htm, Accessed 15/03/2006. See also Kim, *Maritime Delimitation and Interim Arrangements*, p. 70.

⁷ MSR is loosely defined as a set of principles such as: it will be conducted exclusively for peaceful purposes, it will be conducted in ways consistent with the scientific methods compatible with the convention, it will not interfere with other legitimate uses of the sea outlined in the convention and it will be conducted in ways consistent with the environmental protections outlined in the convention. See UNCLOS, Part XIII, article 240. For a discussion of definitions from the Chinese perspective see Zhang Haiwen, "The Conflict between Jurisdiction of Coastal States on MSR in EEZ and Military Survey," in *Recent Developments in the Law of the Sea and China*, ed. Myron H. Nordquist, John Norton Moore, and Kuen-chen Fu (Leiden: Martinus Nijhoff Publishers, 2006), pp. 317-331.

⁸ Moritaka Hayashi, "Military and Intelligence Gathering Activities in the EEZ: Definition of Key Terms," *Marine Policy* 29, no. 1 (2005), p. 130.

⁹ Wegelin, p. 356. Emphasis in original.

¹⁰ Bateman, "Hydrographic Surveying in the EEZ," p. 165.

require coastal state permission because the data collected is of universal benefit, does not prejudice the security of the coastal state, and is intended to provide safe navigation.¹¹ The US and others argue that military intelligence gathering activities are not subject to coastal state jurisdiction because, unlike scientific research, the information gathered is not publicly disseminated and because military intelligence gathering activities are consistent with the norm of freedom of navigation and overflight through an EEZ.¹² These definitional issues are further complicated when two states claim EEZ jurisdiction over the same area because either may sanction survey activities that the other regards as illegal.

For example, China's EEZ law is arguably inconsistent with UNCLOS directives on the freedom of navigation for military vessels. Under the Convention, military ships have a right to innocent passage through the EEZ, but China asks military ships to give prior notice before sailing through its waters. The Chinese posture towards marine scientific research indicates that China seeks a degree of control over the activities of foreign ships in its EEZ greater than that permitted under UNCLOS. Specifically, PLAN commanders view all survey activity as a kind of battlefield preparation, and thus prejudicial to the security of China.¹³ Clearly, as is the case with many areas of legal ambiguity, states often pass their own laws to police their EEZs as they see fit.¹⁴ As will be discussed below, unlike China, Japan has not passed laws that govern survey activities within its EEZ, which has had a serious impact on the Japanese policy menu.

Bateman's argument that the intent and type of survey are integral to determining its legality raises some intriguing issues with regard to the East China Sea. Chinese survey activities in Japanese waters are often performed by vessels capable of many types of survey, including military vessels. Thus, it is difficult to ascertain in real time the type and intent of survey being conducted. For this reason, as one Japanese author

¹¹ R. R. Churchill and A. V. Lowe, *The Law of the Sea*, 3rd ed. (Manchester: Manchester University Press, 1999), p. 405, fn 3.

¹² Bateman, "Hydrographic Surveying in the EEZ," p. 167.

¹³ Ren Xiaofeng and Cheng Xizhong, "A Chinese Perspective," *Marine Policy* 29, no. 2 (2005), pp. 139-146.

¹⁴ The Chinese stance towards military and MSR activities in its EEZ is outlined in Cheng Xizhong, "A Chinese Perspective on Operational Modalities," *Marine Policy* 28, no. 1 (2004), pp. 25-27. The expulsion of the USNS *Bowditch* from the Chinese EEZ in 2001 and 2002 is indicative of the Chinese stance. See John M. Van Dyke, "Military Ships and Planes Operating in the Exclusive Economic Zone of Another Country," *Marine Policy* 28, no. 1 (2004), pp. 34-35.

has noted, a military vessel engaged in non-military research in the EEZ exists in something of a “legal gap” as far as enforcement measures for the coastal state are concerned.¹⁵ Hence it is unknown which surveys at a given time require Japanese permission and which do not. Therefore in practice, there is a three-fold overlapping characterisation of possible research or survey activities in an EEZ; MSR (requiring coastal state permission), hydrographic surveys (not requiring permission) and military intelligence gathering (not requiring permission).¹⁶

5.1.1 Relational-tangible value of Chinese survey activities to Japan

From the Japanese perspective, Chinese survey activities in its claimed waters are part of a strategic-level apprehension about future Chinese behaviour in East Asia. In Tokyo’s calculations the survey activities are part of a larger pattern of Chinese non-recognition of Japan’s maritime claims; Chinese survey vessels hence are ‘intruding’ into Japanese waters. As the surveys became more frequent over the late 1990s, Tokyo came to view the issue as one of national security; a relational-tangible value. This is based on the increasingly widespread view among Japanese security analysts that Chinese naval activities in the East China Sea are part of a pattern of behaviour dubbed ‘creeping expansionism’. This refers to perceived efforts by China to legally and physically expand control over disputed maritime areas as part of an incremental, yet steady, process designed to increase Chinese *de facto* control over a given contested area.¹⁷ Left unchecked, this process could create a status quo in the ECS which is favourable to China, particularly in light of favourable shifts in the regional balance of power.¹⁸ For some Japanese strategists, there is no debating the strategic value of the ECS; Japan must stand up to the Chinese advance.¹⁹ Behaviours that are a part of this incremental process include marine survey activities, resource exploitation, legal declarations of Chinese jurisdiction or sovereignty, naval patrols, as well as actual military operations and occupation.

Proponents of this view identify the Chinese expansion into the South China Sea in 1974, when it took the Paracel islands chain from Vietnam by force, as indicative of

¹⁵ Document provided to the author by interview subject A not for citation.

¹⁶ For the purposes of this discussion the term ‘survey activities’ refers to all three of the typologies discussed; in other instances the type of activity will be specified.

¹⁷ For this assessment as it relates to the East China Sea see *East Asian Strategic Review 2001* (Tokyo: The National Institute for Defense Studies, 2001), p. 200.

¹⁸ Author Interview "C", February 4 2008, Yokohama. This author was referred to a possible American withdrawal from the Asia-Pacific region.

¹⁹ Author interview "G", January 29 2008, Tokyo.

this process.²⁰ This strategic apprehension remained a minority view in the early 1990s because Chinese maritime activity seemed relatively benign. Following the Cold War, the number of Chinese vessels policing East China Sea waters increased. Unsurprisingly reports of Japanese vessels being boarded or fired upon increased dramatically, peaking at seventy-two incidents between March 1991 and July 1993. When the Japanese Maritime Safety Agency (MSA) arrested several perpetrators operating in Japanese waters near Okinawa and the Sakishima islands, it determined they were Chinese officials enforcing smuggling regulations.²¹ Subsequently, Chinese and Japanese policymakers held talks to reduce the number of maritime incidents relating to piracy, with mixed results.²² Also of concern to Japan is the high number of survey vessels that operate in the vicinity of the Senkaku/Diaoyu islands and significant improvements in Chinese naval and air military capabilities.²³ Japanese suspicions were further reinforced by the 1992 Law on the Territorial Sea and Contiguous Zone (LTC) and by strategic developments in China's naval posture.

As noted in chapter one, China's naval ambitions, as outlined by Admiral Liu Huaqing, called for a shift from coastal to an 'offshore defence strategy' with an extended defence perimeter to the 'first island chain' which stretches down Japan's southern islands, through Okinawa and Taiwan and through to the Philippines into the South China Sea.²⁴ Particularly worrying for Japanese strategists, some Chinese strategists defined 'offshore' as the area containing the EEZ and the continental shelf, which implies an inevitable conflict with Japan as it contests the Chinese entitlement to the full extent of these claims.²⁵ Liu defined a 'second island chain' extending off

²⁰ Hiramatsu, "China's Naval Advance," pp. 118-132.

²¹ This section draws on Ibid., pp. 130-132; Graham, pp. 188-189. For an account of one such event see "Japan Asks China to Investigate East China Sea Incident," *Kyodo News*.

²² Valencia, *A Maritime Regime for North-East Asia*, p. 267.

²³ Samuels, *Securing Japan*, pp. 140-143. The pursuit of hydrocarbon resources in the East China Sea was not a significant part of Japanese perceptions at the time, as Chinese efforts in this area were not yet significant. These perceptions came later, and are analysed in part III of the thesis.

²⁴ On Liu's influence on Chinese naval strategy see Cole, *The Great Wall at Sea*, pp. 165-168; Huang, pp. 16-18. I refer to this strategy as 'offshore defence' as does Cole. Huang refers to it as 'offshore active defence'. 'Active' is a holdover from the Maoist guerrilla warfare concept of 'active defence'. Kim refers to it as 'offensive defence' doctrine which is less useful because it captures the ambiguity in the offense-defence balance inherent in all Chinese strategy at the expense of the strategy's explicitly naval focus. See Kim, *Naval Strategy in Northeast Asia*, p. 140

²⁵ Huang, p. 19 Table 2 for these variations in definition. All definitions envision China exercising effective control of the East China Sea, the South China Sea, the Yellow Sea and the Bohai Gulf. Others argue that only two divisions of waters exist in Chinese naval strategy, coastal and high seas. In this view, the 'high seas' can only be defended by blue water capabilities. See Wilfried A. Herrmann, "Chinese Military Strategy and Its Maritime Aspects," *Naval Forces* 20, no. 2 (1999), pp. 14-17.

the east coast of Japan, through the Marianas to Guam and Palau, over which Chinese control would be established by 2020, with the PLAN becoming a truly global, blue water navy by 2050.²⁶ As the Japanese state is situated between China and the Pacific Ocean, these pronouncements appear to confirm the creeping expansionism thesis.

Furthermore, China's four primary maritime interests lie within the first island chain, which contributes to the perception that China's emergence as a regional maritime power will occur at the expense of Japanese national security. According to *China's National Defense in 2002*, the Navy's primary missions are "to guard against enemy invasion from the sea, defend the state's sovereignty over its territorial waters, and safeguard the state's maritime rights and interests."²⁷ These interests include securing offshore islands and territorial waters, which may possess hydrocarbon or other resources or which other states may seek to claim as their own; the protection of the SLOCs through which China's trade passes; coastal defence to protect the coastal industrial bases upon which China's continued economic growth is predicated; and the deterrence of invasion of the mainland.²⁸ Recent assessments of China's naval ambitions conclude Beijing seeks a robust coastal defence strategy aimed to deny the US 7th fleet access to the Taiwan Strait, but not one that is aimed at blue water power projection capabilities.²⁹ While this partly assuages American concerns about China's emergence as a peer competitor, it is quite concerning to the Japanese because these area denial strategies operate close to Japanese waters.³⁰ Indeed, even attempts by

²⁶ Cole, *The Great Wall at Sea*, pp. 166-167.

²⁷ *China's National Defense in 2002*, (Beijing: Information Office of the State Council of the People's Republic of China, 2002), ch. 3. Previous pronouncements placed the defence of "maritime rights and interests" on par with the defence of territorial integrity and national sovereignty. See *China's National Defense in 2000*, (Beijing: Information Office of the State Council of the People's Republic of China, 2000).

²⁸ You Ji and You Xu, "In Search of Blue Water Power: The PLA Navy's Maritime Strategy in the 1990s," *The Pacific Review* 4, no. 2 (1991), p. 143; You Ji, *The Armed Forces of China* (St. Leonards, NSW: Allen & Unwin, 1999), pp. 161-163. The latter scenario is viewed to be particularly remote. See Nan Li, "The PLA's Evolving Warfighting Doctrine, Strategy and Tactics, 1985-95: A Chinese Perspective," *The China Quarterly*, no. 146 (1996), p. 448; John Wilson Lewis and Xue Litai, *China's Strategic Seapower: The Politics of Force Modernization in the Nuclear Age* (Stanford CA: Stanford University Press, 1994), p. 226. Others add using the PLAN as a diplomatic tool to this list of missions, although this is a relatively recent development. See Cole, *The Great Wall at Sea*, p. 173. This includes port visits, military exchanges and joint exercises.

²⁹ Ronald O'Rourke, "China Naval Modernization: Implications for US Navy Capabilities - Background and Issues for Congress," *CRS Reports for Congress* RL33153 (Washington DC: 2007); US Department of Defense, "Annual Report to Congress: Military Power of the People's Republic of China 2006" (US Government Printing Office, 2006), p. i.

³⁰ For a synopsis of China's sea denial strategy in a Taiwan Strait scenario see Bernard D. Cole, "Beijing's Strategy of Sea Denial," *China Brief* 6, no. 23 (2006), pp. 2-4. For a comprehensive analysis see Roger Cliff, Mark Burles, Michael S. Chase, Derek Eaton, and Kevin L. Pollpeter, *Entering the*

Chinese strategists to allay American concerns of Chinese naval expansionism by stressing its regional focus worries Japanese strategists. Even the most limited conceptions of Chinese seapower envision control over the East China Sea.³¹

These doctrinal precepts make clear that defending territorial seas and maritime zones is well within the scope of China's strategic naval thinking. The Senkaku/Diaoyu islands, the Spratlys and the Paracel islands all exist within Liu's first offshore chain, as do the seas and maritime zones they occupy in the Yellow Sea, the East China Sea and the South China Sea.³² Against this backdrop, Chinese marine survey activity is clearly a concern to Japan because it is regarded as part of a wider Chinese expansionist exercise.

5.1.2 The intrinsic-tangible value of marine surveys to China

Chinese policymakers value the marine surveys because of a growing demand for the data gathered which is necessary for China's national development and security. Specifically these purposes are: the exploitation of maritime resources; safe navigation through the sea as a secure medium of trade; and the use of the sea as a medium over which to project power and achieve national security objectives. For example, submarine operations, such as those blockade or area denial missions in a Taiwan Strait conflict, cannot be successful without up-to-date knowledge of the ocean floor. Thus, Chinese military surveys are aimed at gathering this information.³³

China values data gathered by hydrographic surveys because it contributes to safe navigation for its vessels. Because this information is provided in open sources, and contributes to the betterment of all who use the area, these activities are theoretically less politically contentious. The growth in Chinese survey capabilities is indicative of this interest in survey data. According to Bernard Cole, by the late 1990s, China's research fleet was made up of forty-seven multi-purpose ships capable of conducting both MSR and intelligence gathering activities, while an additional eighty fishing

Dragon's Lair: Chinese Antiaccess Strategies and Their Implications for the United States (Santa Monica, CA: RAND, 2007).

³¹ Zhang Wenmu, "Sea Power and China's Strategic Choices," *China Security* 2, no. 2 (2006), p. 25.

³² Cole, *The Great Wall at Sea*, p. 166.

³³ Peter Howarth, *China's Rising Sea Power: The PLA Navy's Submarine Challenge* (London: Frank Cass, 2006), pp. 89-90. On the role of submarines in a Taiwan Strait scenario see Lyle Goldstein and William Murray, "Undersea Dragons: China's Maturing Submarine Force," *International Security* 28, no. 4 (2004), pp. 161-196; Michael A. Glosny, "Strangulation from the Sea? A PRC Submarine Blockade of Taiwan," *International Security* 28, no. 4 (2004), pp. 125-160.

trawlers could be used for offshore surveillance. This research fleet is operated by several bureaucratic arms including the Academy of Sciences, the Ministry of Communications, the Hydrographic Department, as well as the PLAN itself.³⁴ Each bureaucratic arm has overlapping and competing requirements for the data. For example, the *Kexue* class oceanographic research vessel, while ostensibly used for MSR activities is also capable of conducting electronic intelligence gathering operations.³⁵ Furthermore, there is some evidence that the ship is operated not only by the PLAN, but also by the Institute of Oceanology of the Chinese Academy of Sciences.³⁶

5.1.3 The relational-tangible value of the surveys to China

There are also two relational aspects to Chinese survey activities; value that cannot be appreciated by Japan. First, while hydrographic data is purportedly for public dissemination, much of the survey data is gathered for military purposes, which Japan views as antithetical to its interests. The Chinese use the data to meet the operational requirements of the more active PLAN. Safe navigation and accurate underwater topography are integral to advanced PLAN training operations, which have been prioritised to improve its operational prowess.³⁷ Furthermore, the very act of conducting naval intelligence gathering and research operations provides the navy with a pretext to gain valuable operational experience.³⁸ Chinese naval battle groups have transited the international straits that pass through Japan, and in some cases violated Japanese territorial waters, under the guise of conducting marine research. For example, in May 2000 a PLAN vessel circumnavigated the main Japanese islands. Although this was a research vessel, and appeared to conduct several research activities such as collecting data on tides and wave patterns, there were also concerns that the vessel may have gathered electronic intelligence on nearby air defence

³⁴ Cole, *The Great Wall at Sea*, p. 104. In addition, the National Marine Bureau, the National Land Resources Department, the State Education Department and the China Marine Oil Company also operate civilian marine survey vessels. Stephen Saunders, ed., *Jane's Fighting Ships 2008-2009* (Cambridge: Jane's Information Group, 2008), p. 148.

³⁵ Andrew Toppan, "World Navies Today: Chinese Scientific, Research and Experimental Vessels," http://www.hazegray.org/worldnav/china/aux_othr.htm. Accessed 26/03/2008.

³⁶ China Defence Today, "Type 625c Oceanographic Survey Ship," http://www.sinodefence.com/navy/research_survey/type625c.asp. Accessed 17/04/2008.

³⁷ *China's National Defense in 2004*, (Beijing: Information Office of the State Council of the People's Republic of China, 2004); David Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects* (Berkeley, CA: Stanford University Press, 2002), p. 101

³⁸ Valencia, "Maritime Confidence and Security Building in East Asia," p. 37.

installations.³⁹ The circumnavigation was also an important landmark in Chinese naval training, as the PLAN extends the reach of its daily operations.

A greater Chinese naval presence, whether conducting marine research or military training, contributes to Japanese threat perceptions. Japanese strategists tend to view these activities in the same light, not least because of the difficulties of distinguishing between them.⁴⁰ According to Fumio Ota of the National Defense Academy of Japan, the motivations for Chinese survey activities depend on their location. Those conducted between the median line and the Okinawa Trough are aimed at resource exploitation, while those conducted “east of Japan’s Southwest islands” are aimed to gather data for military and resource purposes.⁴¹ Furthermore, the probability that the survey data is used to make Japanese-claimed waters safer for Chinese submarines indicates that eventually “they [Chinese submarines] will pass through the (Bashi) Channel between Taiwan and the Philippines and make inroads into Japan’s Pacific water zone.”⁴² For Japanese strategists, these training exercises are Liu Huaqing’s naval strategy in practice, which threatens Japan’s national security interests.

The second relational aspect of the survey activity is the fact that Beijing views the survey activities as a legal extension of China’s maritime claims, wherein it has the right to conduct research relating to resource exploitation. Because the Chinese claim the waters in which they are operating, they argue they do not need to seek Japanese permission for their resource or MSR surveys. For example, in 1997, the MSA asked a Chinese exploration vessel to leave waters 75nm west of Okinawa. In reply to repeated requests, the captain of the Chinese vessels said “We are on the high seas so there should be no problem...We are not required to answer your questions.”⁴³ However, this aspect is against the explicit text to the contrary in UNCLOS Article 241: “Marine scientific research activities shall not constitute the legal basis for any claim to any part of the marine environment or its resources.”⁴⁴ Nevertheless, Beijing

³⁹ “Chinese Spy Boat in Pacific Off Tokyo Last Month: Paper,” *Japan Economic Newswire*, June 10 2000.

⁴⁰ Author interview “B”.

⁴¹ Fumio Ota, “How Should Japan Respond to Chinese Maritime Expansion?,” *Japanese Dynamism* no. 26, (The Tokyo Foundation, 2005).

⁴² Shigeo Hiramatsu, “China Aims to Advance into the Pacific Ocean; I Would Like to Pay Attention to Its Active Marine Survey Activities,” *Seiron*, July 21 2003, in WNC, JPP-2003-07-23-000069.

⁴³ “Chinese Vessel Leaves Okinawa Waters after Warnings,” *Agence France-Presse*, May 2 1997, in WNC, FBIS-EAS-97-122.

⁴⁴ UNCLOS, Part XIII, Article 246.

appears to appreciate the insightful comment made by Geoffrey Hill quoted above. Maritime jurisdiction must be exercised to be recognised.

These values indicate that Chinese and Japanese territorial objectives on the survey issue are mutually exclusive. China has several reasons to continue its survey activities, but ensuring that Chinese vessels were not engaging in activities prejudicial to Japanese security became an increasingly important objective for Tokyo. The value the claimants placed on Chinese marine surveys in the East China Sea is summarised below.

Figure 4: Territorial Value of the East China Sea, 2000

<p>Intrinsic tangible:</p> <ul style="list-style-type: none"> - Data gained from surveys 	<p>Relational tangible:</p> <ul style="list-style-type: none"> - PLAN operational experience (China) - Reinforcing jurisdictional claim (China) - Chinese ‘creeping expansionism’ (Japan)
<p>Intrinsic intangible:</p> <ul style="list-style-type: none"> - null 	<p>Relational intangible:</p> <ul style="list-style-type: none"> - null

As Japan was the state trying to alter the status quo, the next section explores the Japanese policy environment as Chinese intrusions into Japanese-claimed waters became mainstream security concerns in 1998-1999.

5.2 Opportunity: The challenge of limited policy options

By the late 1990s, Japanese leaders viewed the Chinese research activities as violations of Japan’s claimed EEZ; a pressing national security issue. This change emerged from shifts in Japan’s policy environment as Chinese intrusions became more frequent and, importantly, more confrontational. However, the ability of Japanese leaders to respond effectively was highly constrained. Due to the legal vagaries described above, it was impossible to determine what laws, Japanese or international, were being broken, which complicated enforcement options. Moreover, Japanese operational and legal constraints on the use of force further undermined a confrontational stance. That left diplomatic protest and ODA pressure as the remaining policy options for Japan. Section 5.3 explores the process by which Japanese leaders chose among these remaining policy options.

5.2.1 Changes in the environment: Intrusions accelerate.

According to the Japanese Maritime Safety Agency, the year 1994 marked the beginning of Chinese MSR related violations of Japanese waters.⁴⁵ While the vast majority of illegal vessels in Japanese waters were fishing vessels, the rise in Chinese survey activity was unwelcome and over time they appeared to increase both in frequency and in size of expedition. For instance, the MSA recorded four Chinese MSR vessels operating in Japanese waters in 1997.⁴⁶ The following year the MSA reported a dramatic increase in the number of Chinese MSR vessels operating in Japanese waters; twenty-three MSR vessels were detected on fifteen occasions.⁴⁷

In addition, the intrusions became more confrontational as Chinese naval vessels followed research vessels into Japanese waters. In May and July 1999 PLAN flotillas consisting of twelve and ten vessels respectively were spotted in the Japanese EEZ north of the Senkaku/Diaoyu islands.⁴⁸ This was the first recorded incident of Chinese warships in Japanese waters.⁴⁹ In the first half of 2000 Chinese naval vessels were spotted in battle formation in groups of three to five vessels in March, April and June.⁵⁰ In late May 2000 the Maritime Self Defense Force (MSDF) dispatched a destroyer to monitor the *Yanbing* icebreaker as it traversed the Tsugaru Strait.⁵¹ While these are international waters, it was the first time a Chinese warship had traversed the strait from the Sea of Japan. Furthermore, although no such activity was detected on this occasion, the *Yanbing* is capable of conducting intelligence gathering operations. Indeed, it was subsequently detected again sailing repeatedly—three times by one estimate—through the Tsugaru Strait between May and June 2000 as part of its circumnavigation of Japan.⁵² In June and July 2000 the *Dongdiao 232* research ship was observed operating in the Japanese EEZ, despite Chinese assurances in June to address the intrusions issue. Simultaneously, a second ship, the *Da Yang 1*, was

⁴⁵ MSA, "Annual Report on Maritime Safety 1998," p. 17.

⁴⁶ *Ibid.*, p. 34.

⁴⁷ "Number of Illegal Ships More Than Double," *Kyodo News*, September 20 1999.

⁴⁸ *East Asian Strategic Review 2000*, (Tokyo: The National Institute for Defense Studies, 2000), p. 209; JDA, *Defense of Japan 2002*, p. 63; "10 Chinese Navy Ships Seen in Waters near Senkaku Isles," *Japan Economic Newswire*, July 16 1999.

⁴⁹ Japanese Defense Agency, *Defense of Japan 1999*, (Tokyo: Urban Connections, 1999), p. 38.

⁵⁰ Japanese Defense Agency, *Defense of Japan 2000*, (Tokyo: Urban Connections, 2000), p. 49.

⁵¹ Kiriko Nishiyama, "Japanese Destroyer Tracks 'Suspected' Chinese Spy Ship Passing through Tsugaru-Kaikyo Strait," *Agence France Presse*, May 25 2000, in WNC, FBIS-EAS-2000-0525.

⁵² *East Asian Strategic Review 2001*, p. 202.

spotted 170km off Fukue Island.⁵³ Finally, it was later revealed that 2000 was in fact the most active year for PLAN submarine operations with six total patrol excursions recorded.⁵⁴

5.2.2 Interaction opportunities: No effort to clarify the issue

In light of the above, Sino-Japanese interactions over the intrusions issue were coloured by mistrust from the outset, which impeded efforts to clarify each side's concerns. Japan's response to China's intrusions was complicated by two factors: first, the challenge of determining what kind of activity a given vessel is engaged in, and second, determining whether that activity is legal in the waters in which the vessel is located at the time. Greater transparency from China about the nature of its survey activities could have partly alleviated some of these concerns. Even if the trained eye can determine what kind of survey is occurring at a given time by examining a ship's movement, it is impossible to know the purpose of the information being used. As noted above, this is the criterion determining whether or not a given activity is in fact permitted under UNCLOS. This difficulty, in turn, prevents an enforcement action if the activities are judged illegal in real time. Japanese government publications distinguish between two types of vessels, but do not speculate on the types of activity those vessels undertake. An MSDF report published in September 1999 stated that there had been thirty-one incidents of Chinese naval vessels entering Japan's EEZ in fiscal 1999, and twenty-three marine exploration ships during the same period.⁵⁵ The report recognised that the former is not illegal, but that the latter infringes on Japanese UNCLOS entitlements.

The difficulty ascertaining the purpose of the Chinese vessels is reflected in media reports.⁵⁶ Some refer to the *Yanbing* as an icebreaker, while others refer to it as an intelligence ship, or a research vessel.⁵⁷ This is likely because, like many Chinese support ships, it has multiple functions, not all military in nature. Most Chinese

⁵³ "Japan Vice Defense Minister: DA to Monitor PRC Vessel near Sea of Japan," *Sankei Shimbun*, July 18 2000, in WNC, FBIS-EAS-2000-0718. *Dongtiao-232* is described by the JDA as a "missile range instrumentation ship". See *East Asian Strategic Review 2001*, p. 202; JDA, *Defense of Japan 2002*, p. 63.

⁵⁴ O'Rourke, p. 12.

⁵⁵ "China Naval Visits in E. China Sea Cause for Concern: Sankei," *Kyodo News*, April 18 2000.

⁵⁶ Official Japanese assessments were published in 2002. See JDA, *Defense of Japan 2002*, pp. 63-64.

⁵⁷ Strictly speaking 'Yanbing' refers to the class of this ship. As there is only one vessel of this class in operation, the name of the ship in question is *Haibing 723*. See China Defence Today, "Research & Survey Vessels," http://www.sinodefence.com/navy/research_survey/default.asp. Accessed 26/03/2008.

icebreakers double as electronic surveillance ships and tugboats, while the *Dongdiao 232* doubles as a missile tracking ship and an electronic intelligence ship.⁵⁸ The distinctions between vessels and their various functions are generally absent from media reports, however.⁵⁹

Because China uses both military and civilian vessels to conduct hydrographic surveys, MSR and military activities, it is impossible to determine for what purpose, civilian or military, or end, commercial or public good, the data will be used. Furthermore, reports indicate that Chinese vessels conduct multiple types of research on a single voyage. For example, on separate occasions the *Dongdiao 232* was observed cruising steadily through the international straits that pass through Japan, but was also seen stationary for up to one hour, as well as sailing back and forth along the coast.⁶⁰ According to Bateman, being stationary for periods of time would permit a ship to take bottom samples as part of a MSR project or a military mapping operation. When a ship is conducting a hydrographic survey, it will be underway following a regular pattern, such as sailing back and forth along the coast.⁶¹ Thus, the *Dongdiao 232* appeared to conduct both legal and illegal surveys (under international law) in Japanese waters on this occasion.

These uncertainties complicate enforcement operations. Japanese authorities were not entitled to 'question' Chinese vessels conducting research in the EEZ. Thus, when the MSDF dispatched a destroyer to monitor the *Haibing 723* after it passed through the Tsugaru Strait in late May 2000, it could do little other than observe. Without evidence that Japanese laws are being broken there is little recourse for action to board the vessel to determine the type of research being conducted, or to force the vessel from Japanese waters.⁶² Furthermore, as China does not recognise the Japanese

⁵⁸ Toppan, "World Navies Today: Chinese Scientific, Research and Experimental Vessels."; China Defence Today, "851 (Dongdiao 232) Electronic Intelligence Ship," http://www.sinodefence.com/navy/research_survey/851.asp. Accessed 23/03/2008.

⁵⁹ This assessment is based on the author's assessment of assorted media reports from *Kyodo News*, *Sankei Shimbun*, *Agence France Presse* and *Mainichi Daily News*. All have been referenced elsewhere.

⁶⁰ This information is gathered from "Japan DA Chief on PRC Navy Ships in Japanese Waters," *Sankei Shimbun*, July 15 2000 in WNC, FBIS-EAS-2000-0715; "Japan Vice Defense Minister: DA to Monitor PRC Vessel near Sea of Japan," *Sankei Shimbun*.

⁶¹ Bateman, "Hydrographic Surveying in the EEZ," p. 168.

⁶² Nishiyama, "Japanese Destroyer Tracks 'Suspected' Chinese Spy Ship Passing through Tsugaru-Kaikyo Strait"; "Chinese Spy Boat in Pacific Off Tokyo Last Month: Paper," *Japan Economic Newswire*. This is notwithstanding the larger legal debate over whether it is ever acceptable for a coastal state to forcibly expel military or non-commercial vessels from the territorial sea. See Churchill and Lowe, *The Law of the Sea*, pp. 87-90.

territorial claim, it can claim that its vessels do not need to request Japanese permission, nor follow MSA requests when asked to leave. MSA reports indicate that when Chinese vessels are hailed, the explanation given is that they are conducting legal marine research activities.⁶³ Japan's ability to police Chinese violations of its EEZ is limited by three challenges: distinguishing between the various research activities a given ship is undertaking at a given time; clarifying whether that activity takes place in Japanese waters; and finally whether or not that activity is permitted in Japanese waters. As Kim notes, "there is a clear need for neighbouring littoral states to talk in order to have a common understanding as to which research can be conducted in the disputed areas without the consent from the other coastal State."⁶⁴

This understanding was clearly absent at the time. The primary avenue through which Japanese leaders conveyed their displeasure was at the Consultations on the Law of the Sea that followed the conclusion of the fisheries agreement. These director-general level talks began in August 1998 and provided a forum for Japanese policymakers to air their grievances on the intrusions issue to China, but with little success. The evidence presented here indicates that interactions on the intrusion issue were tense. At the local level, Chinese vessels routinely ignored or disobeyed commands from the MSA. At the inter-government level, meetings on UNCLOS matters occurred only twice between the conclusion of the fisheries agreement and the commencement of the notification agreement talks, in August 1998 and January 2000.⁶⁵ Consequently, Japanese diplomatic protests yielded very little. In contrast to Sino-Japanese interactions in the fisheries realm, interactions on the survey issue were infrequent, tense and generally mistrustful.

5.2.3 Japan's limited policy menu

Thus, while environmental pressure was mounting for Japanese leaders to assert themselves on the intrusions issue, poor interactions with China undermined the potential for enforcement operations. The analysis of Japan's remaining policy options; asserting its policy preference militarily or the use of ODA pressure reveals that the latter was the only viable option. In addition to the difficulties enforcing its UNCLOS jurisdiction noted above, Japan's inability to respond was compounded by its own lack of domestic legislation.

⁶³ "Beijing, Tokyo Scrambling over Territorial Sea Rights," *Mainichi Daily News*, June 10 1999.

⁶⁴ Kim, *Maritime Delimitation and Interim Arrangements*, p. 72.

⁶⁵ Drifte, "Japanese-Chinese Territorial Disputes in the East China Sea," Table 3.

Prior to its ratification of UNCLOS, waters outside the Japanese territorial sea were considered high seas for all purposes other than fisheries. Thus, foreign survey vessels could operate freely regardless of their activity.⁶⁶ Following UNCLOS ratification Japanese policymakers were of the view that MSR in its EEZ should not be conducted without Japanese consent, but that it should be subject to as little regulation as possible. This position was adopted because the Japanese government viewed MSR activities as being beneficial for all mankind in principle.⁶⁷ Therefore, no specific laws relating to MSR were adopted, but a set of guidelines was adopted and communicated to the UN. However, the guidelines “confer on the government no new...competence, have no regulatory effect and do not bind the conduct of the government legally.”⁶⁸ Furthermore, legal amendments passed following the declaration merely extended *existing* Japanese laws to the EEZ and territorial sea.⁶⁹ No new laws were written. Consequently, Japanese laws could only be applied to surveys by foreign vessels to the extent that they pertain to a jurisdictional entitlement, such as fisheries or seabed resource exploitation. Despite the absence of specific domestic laws, however, the MSA is entitled to ask foreign vessels to stop the activity or leave the EEZ under international law.⁷⁰ However, since the definition of MSR, as distinct from military research or hydrographic surveys, is often subject to the purpose of the data being collected, there is no way for Japanese authorities to ascertain the legalities of a given survey without boarding the vessel, the legal recourse for which did not exist at the time.

⁶⁶ The problem is well illustrated by the legalities of MSR activities in international straits. Vessels transiting international straits may not carry out any research or survey activity without the prior consent of the coastal state. See Churchill and Lowe, *The Law of the Sea*, p. 405. However, as Japan has no laws forbidding research in its international straits, there may be no grounds for Japanese authorities to confront Chinese vessels as in the aforementioned case involving the *Dongdiao 232*. The legal status of Chinese intelligence gathering activities in Japanese straits is ambiguous, as the ability of a coastal state to regulate this activity is limited because intelligence gathering activities are seen to be consistent with navigational freedoms. However, transit passage forbids transiting vessels to undertake activities which are not part of the act of transiting. For this discussion see Churchill and Lowe, *The Law of the Sea*, ch. 5.

⁶⁷ Akira Takada, "Marine Scientific Research in the Exclusive Economic Zone and Japan-China Agreement for Prior Notification (1995-2001)," *Japanese Annual of International Law* 44 (2001), pp. 138-140.

⁶⁸ *Ibid.*, p. 141.

⁶⁹ Hayashi, "Japan," p. 572.

⁷⁰ Takada, p. 140.

Furthermore, due to the constitutional and operational limits on the use of force Japanese authorities cannot enforce these requests. The problem is well articulated by Japanese Defense Agency (JDA) Director General Kazuo Torashima who stated:

We need accurate information on their [Chinese vessels'] activity. We cannot say that we have no idea what they are doing. What we can do is to take actions that are allowed internationally. There are many ways to do that. One of the ways is to make complaints through diplomatic channels.... Japan's territorial waters fall under the jurisdiction of the Maritime Safety Agency and the Fisheries Agency. Therefore we all can collect information to make comprehensive decisions. After that, we can take necessary actions.⁷¹

Consequently, from a theoretical standpoint, a more assertive Japanese response was not on the policy menu. Despite Tokyo's view that conducting MSR activities in its EEZ without consent was forbidden, the Chinese intrusions did not violate any Japanese laws. Without a legal foundation upon which to base its opposition, a more assertive Japanese stance would at best have seemed unreasonable and at worst been illegal. Moreover, Japanese defence laws and doctrine were not adequately prepared to enforce Japanese laws on MSR, had they existed. It was not until October 2001 that new guidelines on the use of force at sea were passed through the Diet, and it was not until December 2001 that these were exercised against the 'suspicious' ship in the EEZ that was later revealed to be a North Korean spy vessel.⁷² The importance of a legal basis for a militarised response to an intrusion is demonstrated by an incident on March 23-24 1999. Japanese MSA and MSDF forces chased two suspicious vessels from Japanese waters, which were later revealed to be North Korean espionage vessels. The MSDF was not allowed to disable the fleeing vessels but was instead permitted only to fire warning shots and bombs from pursuing vessels and passing patrol planes.⁷³ The vessels escaped Japanese waters resulting in heavy criticism of the operational limits on Japanese coast guard and military vessels. The legal basis for maritime security operations in this case was under fisheries and customs law, neither of which pertains to the Chinese survey or military activities in the EEZ.⁷⁴ In light of this, ODA pressure was the only realistic Japanese options to approach the intrusions issue with the Chinese.

⁷¹ "Interview with New Cabinet Members: Defense Agency Director General Kazuo Torashima," *Sankei Shimbun*, July 17 2000, in WNC, FBIS-EAS-2000-0717.

⁷² JDA, *Defense of Japan 2002*, pp. 128-131.

⁷³ "Mysterious Ships Run for North Korean Waters," *Mainichi Daily News*, March 25 1999.

⁷⁴ This incident is detailed in JDA, *Defense of Japan 1999*, pp. 208-214.

Japanese Official Development Assistance to China has been extensive.⁷⁵ At various points in the relationship, Japanese leaders have used ODA sanctions to convey their displeasure with developments in Chinese foreign policy to their counterparts in Beijing. Indeed, in light on the constitutional restrictions on the use of force, some view Japan's ODA diplomacy as its primary diplomatic tool.⁷⁶ Following the Tiananmen incident in June 1989, ODA pressure became a more popular foreign policy tool as Japanese public concerns about Chinese behaviour rose.⁷⁷ Several incidents in the late 1990s reinforced public concern about Chinese behaviour and Japan's China policy. In response to massive public pressure, Tokyo imposed ODA sanctions on China between 1995 and 1997 as a result of its nuclear tests in 1995 and missile diplomacy over the Taiwan Strait in 1996. Combined with repeated Chinese condemnations of Japanese attitudes towards the history question and the Yasukuni Shrine, best demonstrated by Jiang Zemin's remonstrations during his 1998 visit to Tokyo, there was a sense amongst Japanese people that China's rise in Asia could have negative implications for Japan. For example, a poll data released by the Prime Minister's Office in 1996-97 indicated that, for the first time, a minority of Japanese had "friendly feelings" towards China.⁷⁸ As a result of these worsening public sentiments, pressure has increased on Japanese leaders to cut ODA when China behaves in ways which are against Japanese sentiments.⁷⁹

As a by-product of these concerns, by the late 1990s there were growing calls across Japan to reduce ODA payments to China; based on four main arguments. These arguments centred around the logic of giving ODA to China in light of Japan's economic stagnation, the fact that Chinese elites do not communicate sufficient gratitude to the Chinese people, that China's economic growth has resulted in active Chinese aid program and, finally, that China's human rights record and military posture violate the Organization of Economic Cooperation and Development's ODA

⁷⁵ For background on Japan's ODA to China see Marie Soderberg, "The Role of ODA in the Relationship," in *Chinese and Japanese Relations in the Twenty-First Century: Complementarity and Conflict*, ed. Marie Soderberg (London: Routledge, 2002), pp. 114-129.

⁷⁶ Quansheng Zhao, "Japan's Aid Diplomacy with China," in *Japan's Foreign Aid: Power and Policy in a New Era*, ed. Bruce M. Koppel and Robert M. Orr Jr. (Boulder CO: Westview Press, 1993), p. 169.

⁷⁷ Japanese leaders became more attuned to public opinion on foreign policy issues following the electoral reforms of the early 1990s. See David Arase, "Japan, the Active State? Security Policy after 9/11," *Asian Survey* 47, no. 4 (2007), pp. 568-570.

⁷⁸ Masayuki Masuda, "Japan's Changing ODA Policy Towards China," *China Perspectives*, no. 47 2003, <http://chinaperspectives.revues.org/document358.html>. Accessed 17/03/2008.

⁷⁹ Soderberg, p. 121.

guidelines.⁸⁰ The intrusions issue ties to the latter concern that Japanese aid either directly or indirectly support Chinese military modernisation.⁸¹ Increased Chinese research activities in the EEZ, as well as a higher naval presence in Japanese-claimed waters, supported this perception.⁸² This point was conveyed on several occasions to the Chinese. In May 2000 Japanese Foreign Minister Kono Yohei told his Chinese counterpart Tang Jiaxuan that Japan would review its ODA policy in light of China's increased military spending.⁸³

The evaluation of Japanese policy menu indicates that the increasingly threatening posture of the Chinese intrusions made the issue more pressing for Japanese leaders. Poor interaction opportunities between the two did nothing to provide an opportunity for a diplomatic solution. Simultaneously, Japan's legal and constitutional shortcomings limited Japan's policy menu to the application of ODA sanctions. The process by which Tokyo decided to pursue this course is analysed below.

5.3 The emergence of willingness

Several factors underwrote the Japanese decision to use ODA pressure to convince China to negotiate on the intrusions issue. Central policy elites in Tokyo were pressured by greater public concern about the issue, which stemmed not only from increased media coverage, but also from bureaucratic arms in the national security apparatus.⁸⁴ While the security bureaucracy is typically regarded as the least influential government department in Japan, it nevertheless publicised its concerns about the intrusions issue.⁸⁵ These in turn were first picked up by conservative and subsequently mainstream media, which drove the public response. The analysis of the policymaking process indicates that Tokyo chose the ODA option after the failure of repeated diplomatic attempts to persuade Beijing to alter its behaviour. It is not likely

⁸⁰ Yutaka Kawashima, *Japanese Foreign Policy and the Crossroads: Challenges and Options for the Twenty-First Century* (Washington D.C.: Brookings Institution Press, 2003), pp. 101-102.

⁸¹ Tomoyuki Kojima, "To Make China a Responsible Major Power: Japan's ODA Programs for China as Diplomatic Strategy," *Gaiko Forum* (January 2001), pp. 38-45, in WNC, FBIS-CHI-2001-0110.

⁸² *Ibid.*; Reinhard Drifte, "The Ending of Japan's ODA Loan Programme to China: All's Well That Ends Well?," *Asia-Pacific Review* 13, no. 1 (2006), pp. 105-107.

⁸³ "ODA to China: Bold Review Based on Guidelines Necessary," *Sankei Shimbun*, May 12 2000, in WNC, FBIS-EAS-2000-05-13.

⁸⁴ This is not to argue that Japanese leaders are hostage to either media or public opinion, merely to suggest that these factors galvanised the need to act. See Drifte, *Japan's Security Relations with China*, pp. 56-58.

⁸⁵ Takamine, "A New Dynamism in Sino-Japanese Security Relations," p. 454; JDA, *Defense of Japan 2000*, pp. 48-49. This assessment of the influence of the security bureaucracy is based on Calder, "The Institutions of Japanese Foreign Policy," pp. 4-6.

that the Chinese were compelled to negotiate because of the use of ODA pressure; it is more likely that the decision to use ODA pressure was received in Beijing as an indication of the importance Tokyo placed on the issue.

5.3.1 Role of the bureaucracy and the media

The environmental shift brought by the increased intrusions was first interpreted by Japanese defence officials in the context of China's military modernisation. That Japanese concerns were articulated in publicly available defence publications is particularly telling for two reasons; first, Japanese defence publications are among the most transparent in the world due to the relatively comprehensive degree of civilian control over the military. Hence, when these publications mention a concern, it is legitimate.⁸⁶ Second, Japan is generally very sensitive to the concerns of neighbouring states regarding its military posture. Any shift towards defence 'normalcy' invites condemnation from China and South Korea. Consequently, Japanese defence sources do not mention names lightly. Thus, when publications first noted the intrusions as a defence concern in 1998, and mentioned China by name, it attested to the degree of Japanese concern. The MSA's *Annual Report on Maritime Safety 1998*, noted "activities of foreign marine research vessels have been identified in the East China Sea. In particular...Chinese marine research vessels have frequently been identified."⁸⁷ The *Defense of Japan 1997* referred to China's ambitions for a blue-water navy and its ambitions for disputed maritime territory across Asia, including the Japanese occupied Senkaku/Diaoyu islands. In 1998 the report went further and noted that China's increase in surveying activity around the islands was connected to the sovereignty dispute.⁸⁸ This link was strengthened in the 1999 edition which drew attention to the circumnavigation of Japan by PLAN vessels that year.⁸⁹ It is noteworthy that the intrusions issue was viewed in the context of China's maritime and territorial ambitions from the outset.

Similarly, annual assessments of Japan's security environment published by the JDA's think-tank, the National Institute of Defense Studies (NIDS), were

⁸⁶ On a related note, the degree of detail included in some media reports of Chinese intrusions suggests that such detail was made available by defence officials. These details include location, bearing, speed and duration of journey of a given ship. See for example "Japan DA Chief on PRC Navy Ships in Japanese Waters," *Sankei Shimbun*.

⁸⁷ MSA, "Annual Report on Maritime Safety 1998," p. 17.

⁸⁸ JDA, *Defense of Japan 1998*, p. 51; See also Kim, *Naval Strategy in Northeast Asia*, p. 173.

⁸⁹ JDA, *Defense of Japan 1999*, p. 38.

increasingly candid about the threat posed by Chinese maritime expansion, evidenced by the intrusions into Japanese waters. Chinese “naval activities” were listed as a growing security concern for Japanese security planners on the grounds that these were on the rise and seemed to be primarily located in the East China Sea.⁹⁰ A comprehensive analysis of the issue, including maps indicating the location of Chinese intrusions, was included in a later volume. This volume argued that Chinese research activities were “designed to make such activities a *fait accompli* that China can use to its advantage in defining a boundary of its own EEZ and its continental shelf”.⁹¹ These reports indicate a reversal of Japanese policy not to confirm reports of Chinese naval incursions for fear of upsetting the bilateral relationship.⁹² These publications were further amplified by the Japanese media.

Public concerns were elevated in light of greater media reporting on the intrusions issue. While conservative media publications like the *Sankei Shimbun* reported diligently on the intrusions from the outset, it was not until 2000 that more centrist and liberal media picked the story and voiced their concerns through editorials.⁹³ MSDF reports on increased Chinese naval activity in fiscal 1999 were carried by major news outlets.⁹⁴ By mid-2000 there was a high degree of consensus across the spectrum of Japanese newspapers. Ahead of Foreign Minister Kono’s visit to Beijing in late August, the *Yomiuri Shimbun* warned that China’s insensitivity towards Japan’s concerns regarding the naval incursions exacerbated feelings of mistrust on the part of Japanese people.⁹⁵ Similarly, the liberal *Asahi Shimbun* viewed China’s attitude towards Japan’s concerns as “insincere and detrimental to its trustful relations with Japan.”⁹⁶ In the wake of Kono’s visit, a *Sankei Shimbun* editorial criticised the leniency showed to China, arguing: “Japan is being too lenient toward the PRC if it interprets from such detached utterances that the PRC has decided to exercise self-

⁹⁰ *East Asian Strategic Review 2000*, p. 209.

⁹¹ *East Asian Strategic Review 2001*, p. 200.

⁹² This assessment is based on a variety of sources. Graham in particular notes that the Japanese government did not comment on media reports of Chinese submarine incursions in the mid-1990s. See Graham, p. 213. This is reflected in Japan’s generally softly-softly approach to China through the 1990s. See Green and Self, pp. 38-39. Others have called this the ‘Friendship Diplomacy Paradigm’. See Mochizuki, “Japan’s Shifting Strategy,” pp. 736-776.

⁹³ Drifte, *Japan’s Security Relations with China*, p. 57.

⁹⁴ “Chinese Naval Ships on Rise near Japan,” *The Japan Times*, March 22 2000, “China Naval Visits in E. China Sea Cause for Concern: Sankei,” *Kyodo News*.

⁹⁵ “Japanese Editorial Excerpts,” *Kyodo News*, August 28 2000.

⁹⁶ “Japanese Editorial Excerpts,” *Kyodo News*, August 27 2000.

restraint over the operations by its naval vessels.”⁹⁷ In this climate, survey data from the Roper Center indicates that Japanese people continued to view China as potential military adversary through 2000.⁹⁸

Some may debate the link between media, public opinion and Japanese foreign policy choices.⁹⁹ Indeed, it is very difficult to get public opinion data from Japan on Japanese sentiments towards China, much less on specific issues of the day, such as Chinese maritime incursions.¹⁰⁰ However, contrary to the pacifist assumptions made by many scholars about Japanese public opinion, recent research indicates that Japanese newspaper editorials are important shapers of public opinion on security matters.¹⁰¹ Indeed, as Michael Green notes, the media plays a role in as much as it often inflates the nature of threats to Japan.¹⁰² As noted above, there is ample evidence that Japanese people became more concerned about the implications of China’s rise through the 1990s, and in some cases pressured Tokyo to apply ODA sanctions in response to perceived deviant Chinese foreign policy behaviour. Indeed, as Rousseau finds, Japanese public opinion becomes less sanguine about China following perceived ‘deviant’ behaviour such as the nuclear tests or the Taiwan Strait missile exercises.¹⁰³ Moreover, others argue that by 2000, Japanese China policy was increasingly being influenced by the LDP and public opinion, rather than by MOFA’s

⁹⁷ "Japanese Daily Notes Kono's Visit to PRC Helped Promote Bilateral Relations," *Sankei Shimbun*, September 2 2000 in WNC, JPP-2000-09-02-000036.

⁹⁸ See Shin Joho Center, "USIA #2000-I20012: Foreign Companies/Relations with US/Military Issues," May 18-22 (Roper Center, 2000); Shin Joho Center, "USIA Poll # 2000-I20045: Economic Conditions/International Relations/Military Issues/North Korea/Security," September 27-October 1 (Roper Center, 2000).

⁹⁹ See Jean-Pierre Lehman, "Japanese Attitudes Towards Foreign Policy," in *The Process of Japanese Foreign Policy: Focus on Asia*, ed. Robert L. Grant (London: Royal Institute of International Affairs, 1997), pp. 123-141. One author makes this point with regard to public attitudes about the US alliance. See Anthony DiFilippo, "How Tokyo's Security Policies Discount Public Opinion: Toward an Alternative Security Agenda," *Pacifica Review: Peace, Security and Global Change* 14, no. 1 (2002), pp. 23-48

¹⁰⁰ David L. Rousseau, *Identifying Threats and Threatening Identities: The Social Construction of Realism and Liberalism* (Stanford: Stanford University Press, 2006), p. 182. As Rousseau notes, the best source of polling data, the Cabinet Office, is not translated into English. See <http://www8.cao.go.jp/survey/index.html>.

¹⁰¹ Tomohito Shinoda, "Becoming More Realistic in the Post-Cold War: Japan's Changing Media and Public Opinion on National Security," *Japanese Journal of Political Science* 8, no. 2 (2007), pp. 171-190. On the pacifist assumption in public opinion research see Akitoshi Miyashita, "Where Do Norms Come From? Foundations of Japan's Postwar Pacifism," *International Relations of the Asia-Pacific* 7, no. 1 (2007), p. 107.

¹⁰² Michael J. Green, *Japan's Reluctant Realism: Foreign Policy Challenges in an Era of Uncertain Power* (New York: Palgrave, 2001), p. 69.

¹⁰³ Rousseau, p. 184.

Asia bureau.¹⁰⁴ Thus, given the consensus among the range of newspapers noted above, conservative, central and liberal, it is reasonable to assume that public opinion at the time reflected this consensus in the media. As Mike Mochizuki notes, public opinion might not contribute to “concrete policy choices”, but “public opinion can constrain policy outcomes enough to have general strategic consequences.”¹⁰⁵ In short, failure to act on the intrusions could have been politically damaging to the LDP, which was already reeling from electoral setbacks in the June 2000 Lower House elections.¹⁰⁶

5.3.2 Alternative foreign policy tools: Pursuing the diplomatic option

In response to this pressure, Japanese policymakers increased the frequency and level of their diplomatic protests. No longer limited to senior foreign affairs bureaucrats, Japanese diplomatic representations took several forms. At the elite level, Prime Minister Obuchi Keizo raised the issue with Premier Zhu Rongji during his first official visit to China in July 1999, but was rebuffed on the grounds that there was nothing wrong with Chinese activities.¹⁰⁷ At the party level, LDP General Secretary Hiromu Nonaka raised intrusions issue with Zhao Qizheng, director of the CCP’s Overseas Publicity Office, on June 11 2000 in a meeting between the CCP and Japan’s ruling coalition parties.¹⁰⁸ Japanese diplomats raised the issue with their Chinese counterparts at the 7th Japan-China Security Dialogue also in June. They argued that Chinese intentions with regard to its research vessels were not clear, and that Japanese consent was required. Foreign Minister Kono met with Chinese Foreign Minister Tang in Bangkok in late July 2000 and raised the issue once again.¹⁰⁹ Chinese interlocutors repeatedly rebuffed Japanese concerns on two grounds. First, the survey activities occurred within the Chinese EEZ and thus did not require Japanese permission, and second that military survey activities were normal and legal, and hence did not require Japanese permission. During the Security Dialogue,

¹⁰⁴ Drifte, "The Ending of Japan's ODA Loan Programme to China," p. 106. See also Tsukasa Takamine, "Domestic Determinants of Japan's China Aid Policy: The Changing Balance of Foreign Policymaking Power," *Japanese Studies* 22, no. 2 (2002), pp. 191-206.

¹⁰⁵ Mike M. Mochizuki, "Japan's Long Transition: The Politics of Recalibrating Grand Strategy," in *Domestic Political Change and Grand Strategy*, ed. Ashley J. Tellis and Michael Wills (Seattle: The National Bureau of Asian Research, 2007), pp. 95-96.

¹⁰⁶ See William T. Beer and Tsuneo Watanabe, "Mori Continues to React, Not Lead after Election," *Japan Watch*, September 20 2000.

¹⁰⁷ Masahiko Sasajima, "Japan's Domestic Politics and China Policymaking," in *An Alliance for Engagement: Building Cooperation in Security Relations with China*, ed. Benjamin Self and Jeffrey W. Thompson (Washington DC: Henry L. Stimson Center, 2002), pp. 99-100.

¹⁰⁸ "Nonaka Asks China to Address Maritime Intrusions," *Kyodo News*, June 12 2000.

¹⁰⁹ Masuda, "Japan's Changing ODA Policy Towards China."

China agreed to address the issue of MSR, but stood by its assertion that its military activities were 'normal'.¹¹⁰

5.3.3 The decision to apply ODA pressure

The decision to apply ODA pressure was made in the wider context of reduced public support in Japan for ODA to China and the clear failure of the diplomatic pressure to change Beijing's attitudes towards the intrusions issue. In August 2000, the LDP ordered the suspension of a loan pending clarification of the intrusions issue by China. Premier Zhu subsequently altered his stance and agreed to talks on a notification agreement for research activities in the Japanese EEZ. The loan was finally released in October 2000 and agreement reached in February 2001. The ODA decision is particularly intriguing because it demonstrates Japan's limited diplomatic resources when confronted with Chinese intransigence and domestic calls for action. Repeated remonstrations at all levels of government did little to achieve the end in mind.

The decision to use ODA coercively was opposed by MOFA, which had repeatedly ignored requests from the defence sector to use ODA pressure.¹¹¹ In fact, rather than curtailing ODA, on August 2 MOFA announced the extension of a special yen loan package totalling 17.2 billion yen on the grounds that special yen loans were separate from the ODA packages subject to annual review.¹¹² Members of the LDP, who viewed ODA as a diplomatic tool that could be used to address the intrusions issue, took issue with this as did conservative media.¹¹³ On August 8, the Foreign Affairs Committee of the LDP declared that the Chinese intrusions were a threat to Japanese sovereignty and asked Kono to convey these concerns to the Chinese during his upcoming visit. The committee reiterated these concerns on August 24; it declared that the intrusions were a matter of national security and postponed approval for the loan.¹¹⁴ In essence, the LDP compelled MOFA to attach conditions to the approval of a set of special yen loans to China.¹¹⁵ Kono was sent to Beijing in late August 2000 to request meetings on the implementation of a scheme to address the intrusions issue.

¹¹⁰ Drifte, *Japan's Security Relations with China*, p. 57. "Japan Voices Concern Chinese Naval Activities around Japan," *Japan Economic Newswire*, June 20 2000.

¹¹¹ Takamine, "Domestic Determinants of Japan's China Aid Policy," p. 201.

¹¹² Masuda, "Japan's Changing ODA Policy Towards China."

¹¹³ "New Aid to China--the Incoherent Japanese Diplomacy without Strategies," *Sankei Shimbun*, August 18 2000 in WNC, FBIS-CHI-2000-0818.

¹¹⁴ "LDP Delays China Loans over Encroaching Ships," *Kyodo News*, August 24 2000.

¹¹⁵ Takamine, "A New Dynamism in Sino-Japanese Security Relations," p. 455.

He stressed the public support for ODA in Japan was on the wane in light of China's increased defence spending and due to the intrusions into Japanese waters.¹¹⁶ At the height of these exchanges, the JDA released its annual white paper, which contained some of the most forthright criticism of Chinese foreign and defence policy on record.¹¹⁷

In light of this pressure, and despite vocal protests from state media and its Ministry of Foreign Affairs (MFA), China softened stance on the intrusions issue.¹¹⁸ Zhu told Kono, "We had no idea that the activities of the exploration ships were causing concern in Japan."¹¹⁹ Regarding research vessels, Tang agreed to establish a notification scheme, but one that did not affect the delimitation of the East China Sea.¹²⁰ On the issue of military vessels, whereas the Chinese had previously described the activities as normal, Tang replied that the circumstances causing Japanese concern no longer existed. MOFA took the latter statement to indicate there would be no more activities by Chinese naval vessels for the time being.¹²¹ Perhaps as a sign of good faith, a Chinese research ship that had been operating in Japanese-claimed waters at the time of the meeting left the area.¹²² The ODA loan was released on October 10 ahead of Zhu's visit to Tokyo.

Therefore, as Chinese naval intrusions became more frequent and increasingly bold, Japanese leaders became willing to pressure the Chinese on the issue. Unlike the findings of chapter four, it appears that in this case, the willingness to act contributed to the opportunity to do so, as Japanese policymakers confronted the Chinese following rising public pressure and despite Japan's limited policy menu. ODA pressure was the only option Tokyo could use to address the intrusions issue with China. Diplomatic remonstrations had been ineffective. A more confrontational response, such as a more assertive response from Japanese coastal patrols was also

¹¹⁶ Ibid., p. 455.

¹¹⁷ "Editorial - a Defensive Report," *Mainichi Daily News*, August 4 2000; JDA, *Defense of Japan 2000*, pp. 45-49

¹¹⁸ "Cancellation of Japan Loan Would Hurt Ties, Says China Paper," *Kyodo News*, August 28 2000; "China Says Warship Operations Irrelevant to Loans from Japan," *Kyodo News*, August 25 2000.

¹¹⁹ Zhu Ronji quoted in Yoshihisa Komori, "Latest Intrusion of PRC Vessels in Japanese EEZ to Have Serious Impact," *Sankei Shimbun*, 8 September 2000, in WNC, FBIS-EAS-2000-0908.

¹²⁰ "Tang Jiakuan, Kono Discuss Ties, Zhu's Visit, East China Sea Dispute," *Xinhua Domestic Service*, August 28 2000 in WNC, FBIS-EAS-2000-1013.

¹²¹ Japan Ministry of Foreign Affairs, "Japan-China Foreign Ministers Meeting," August 28 2000, www.mofa.go.jp/region/asia-paci/china/fmv0008/meet_4.html. Accessed 01/11/2007.

¹²² "Chinese Ship Leaves Japan's Economic Waters Off Kyushu," *Kyodo News*, August 29 2000.

not an option for two reasons. First, despite Japanese statements to the contrary, it is not clear that Chinese activities violated any Japanese laws. Second, even if they did; the Japanese response would still have been constrained by the operational limitations on MSA and MSDF vessels. One important insight from this analysis is the possibility that the range of policy options available to a government determines a cooperative policy outcome, but also the success of the agreement reached. The next section explores this relationship.

5.4 Cooperation achieved: The agreement on prior notification of marine research

Following the Kono-Tang talks on August 28 2000 and Tang's agreement in principle to negotiate, deputy director-general level negotiators from the foreign affairs ministries met on September 15 and on September 27-28 to discuss the details of the notification agreement.¹²³ Reinhard Drifte has catalogued a total six rounds of formal meetings and one informal consultation between September 2000 and January 2001 en route to the exchange of a *note verbale* in February 2001.¹²⁴ Jurisdictional issues were the primary stumbling blocks. As there is no agreed boundary in the East China Sea, and neither party wanted the notification scheme to prejudice future delimitation negotiations, it was particularly difficult to agree on an area in which notification would apply.¹²⁵ Second, there was disagreement over the degree of transparency required. Japan sought full disclosure of the details of a survey, whilst China sought to minimise the details exchanged.¹²⁶ Timing was another issue. Chinese negotiators were offering one week's notice, while the Japanese sought six months.¹²⁷ The final compromise called for a two month notification prior to any Chinese survey conducted in "waters near Japan and in which Japan takes an interest," while Japan would notify China prior to any survey in waters "near" China.¹²⁸ The notification

¹²³ Takada, pp. 146-147.

¹²⁴ Drifte, "Japanese-Chinese Territorial Disputes in the East China Sea," Table 1. However, this has not been recorded elsewhere. The MOFA website seems to only indicate the two mentioned by Takada, although Drifte cites the China Division of MOFA as the source of the six rounds he identifies.

¹²⁵ The Chinese Foreign Ministry was quick to make this point. See "China Does Not Recognize Exclusive Economic Zone Unilaterally Announced by Japan," *Zhongguo Xinwen She*, September 14 2000 in WNC, FBIS-CHI-2000-0914.

¹²⁶ Japan Ministry of Foreign Affairs, "Press Conference 19 September 2000," www.mofa.go.jp/announce/press/2000/9/919.html. Accessed 05/04/2007; Japan Ministry of Foreign Affairs, "Press Conference 3 October 2000," www.mofa.go.jp/announce/press/2000/10/1003.html. Accessed 25/04/2007.

¹²⁷ "Maritime Row Unlikely to Be Resolved before Zhu's Visit," *Kyodo News*, October 7 2000.

¹²⁸ Takada, pp. 147-148.

should include the name of the organisation conducting the research, the vessel's name and type, as well as details of the research project such as its length and the area concerned.¹²⁹ However, despite this agreement, Chinese survey and naval vessels were detected intruding into Japanese waters in July 2001. Japanese Foreign Minister Makiko Tanaka expressed her concerns over the issue to Tang on the sidelines of the ASEAN +3 meeting in late July.¹³⁰ Despite these protests Chinese vessels have repeatedly violated the notification agreement, either by not giving notification at all, or by giving inaccurate details in their notification.¹³¹ A discussion of possible explanations of this phenomenon is in order in the interest of evaluating the likelihood and sustainability of future cooperative outcomes.

5.4.1 Reasons for the agreement's failure

Interviews with Japanese strategists suggested three possible reasons for the failure of the notification agreement to govern marine survey activity. Some expressed the view that the agreement has been misunderstood by both parties.¹³² In this view, the problems with defining exactly what constitutes marine research have led to misunderstanding about the conditions under which the agreement applies. The notification agreement, combined with Japan's coastal state entitlements to regulate resource exploitation in its EEZ, meant that the Chinese would now seek consent for all surveys.¹³³ However, the EEZ boundary, and as a result the jurisdictional entitlements granted by the boundary, are under dispute, thus Chinese research activities into resources sidestep the agreement all together. China can claim the surveys are permissible under its continental shelf claim, provided a vessel is located there.

Furthermore, although Japan made diplomatic remonstrations to China over the continued presence of naval vessels in the EEZ in July 2001, there is no evidence that Beijing considered military activities to be covered by the agreement. For example,

¹²⁹ "Japan, China Agree on 2-Month Maritime Notice System," *Kyodo News*, February 19 2001.

¹³⁰ Japan Ministry of Foreign Affairs, "Japan-China Foreign Minister's Meeting (Summary)," July 24 2001, www.mofa.go.jp/region/asia-paci/china/meet0107.html. Accessed 01/11/2007.

¹³¹ *East Asian Strategic Review 2002* (Tokyo: The National Institute for Defense Studies, 2002), pp. 213-215.

¹³² Author interview "A", January 29 2008, Tokyo; Author interview "H", January 30 2008, Tokyo.

¹³³ Takada, p. 149.

six naval vessels were seen in waters off Okinawa as early as February 2001.¹³⁴ The *Defense of Japan 2001* reported six sightings of Chinese warships had been made by May 2001.¹³⁵ The *Haibing 723* made two visits to the Japanese EEZ in July and November 2001, and was apparently conducting military research.¹³⁶ For some Japanese interviewees these events indicate that Chinese vessels violate the agreement deliberately.¹³⁷ In this view, Chinese violations are part of China's position of non-recognition of Japan's median line.¹³⁸ The nature of the violations of the agreement indicates this trend. Of the five cases of violation in 2001, three vessels were operating within 100km of the Senkaku/Diaoyu islands.¹³⁹ In addition to being a politically sensitive area, these activities are consistent with the Chinese claim to the area.¹⁴⁰

Second, some Japanese strategists argue that the agreement's vague nature facilitates Chinese violations. The agreement is merely a *note verbale*, an exchange of points of view, not a formal binding treaty. These strategists attribute the agreement's weakness to the 'China School' in MOFA, which was in charge of negotiating the agreement.¹⁴¹ The China School had been overruled by the LDP in the decision to link ODA with the intrusions issue in August, and watering down the resulting agreement with China could have been a way to regain lost face or a degree of control over China policy.¹⁴² Evidence of a disconnect between MOFA and the security apparatus emerged when Foreign Minister Tanaka appeared to defend China's research activities at a Lower House Committee on Foreign Affairs meeting.¹⁴³ Viewed against the backdrop of an internal battle for control over foreign policy

¹³⁴ JDA, *Defense of Japan 2002*, p. 63. According to NIDS these vessels, which included four amphibious landing ships, were 470km off Okinawa outside the Japanese EEZ. *East Asian Strategic Review 2002*, p. 215.

¹³⁵ Japanese Defense Agency, *Defense of Japan 2001*, (Tokyo: Urban Connections, 2001), p. 54.

¹³⁶ JDA, *Defense of Japan 2002*, p. 63.

¹³⁷ Author interview "A". This is also the view of Hagstrom, *Japan's China Policy*, p. 150.

¹³⁸ *East Asian Strategic Review 2002*, p. 214.

¹³⁹ *Ibid.*

¹⁴⁰ Chinese behaviour is consistent with its claim to the Senkaku/Diaoyu islands and its non-recognition of the median line. As noted above these actions cannot be used as the basis for a claim.

¹⁴¹ Author interview "B". For details on the China School as a foreign policy actor see Sasajima, pp. 83-86; Murata Koji, "Domestic Sources of Japanese Policy Towards China," in *Japan's Relations with China: Facing a Rising Power*, ed. Peng Er Lam, *Sheffield Centre for Japanese Studies/Routledge Series* (London: Routledge, 2006), pp. 37-49.

¹⁴² The China School has traditionally been viewed as pro-China. For example, it opposed ODA sanctions against China in response to the 1995 nuclear tests. See Katada, p. 55.

¹⁴³ "Japan Foreign Minister Defends PRC Marine Survey in EEZ," *Sankei Shimbun*, June 21 2001, in WNC, FBIS-EAS-2001-0621.

making power, this view must at least be taken as plausible.¹⁴⁴ Certainly, the wording of the area governed by the agreement is sufficiently subjective so as to permit a Chinese vessel to disregard it completely.

A final reason cited by Japanese strategists is that bureaucratic misunderstanding has contributed to repeated violations of the agreement. This would explain the presence of a Chinese survey vessel in Japanese waters in early September 2000 after the Kono-Tang talks. Chinese officials dismissed the incident as an accident and Japanese officials were reluctant to make a protest given the newly reached consensus on the issue.¹⁴⁵ As noted above, Chinese marine research is undertaken by a variety of bodies which are not responsible for relations with Japan; they are responsible for marine research.¹⁴⁶ For example, of the five violations of the agreement detected in 2001, some vessels were operating for the Chinese Academy of Sciences, while others were operating for the National Bureau of Oceanography or the Ministry of Land and Natural Resources.¹⁴⁷ One Japanese strategist expressed the view that the strength of certain bureaucratic arms, such as the PLAN, would permit them a degree of autonomy in their research activities.¹⁴⁸ Interviews with Chinese strategists partly corroborated this. One scholar noted that the MFA was not aware of the activities of the *Han* class submarine that was detected in Japanese territorial waters in 2004.¹⁴⁹ This seems to be an overstatement as not all the survey ships detected are registered or operated by the PLAN.

¹⁴⁴ On the battle between MOFA and the LDP for control over China policy and the decline of the China School see Peng Er Lam, "Mediating Geopolitics, Markets and Regionalism: Domestic Politics in Japan's Post-Cold War Relations with China," in *Regional Cooperation and Its Enemies in Northeast Asia: The Impact of Domestic Forces*, ed. Edward Freidman and Sung Chull Kim (London: Routledge, 2006), p. 172; Koji, "Domestic Sources of Japanese Policy Towards China," pp. 44-45; Tsukasa Takamine, *Japan's Development Aid to China: The Long-Running Foreign Policy of Engagement* (London: Routledge, 2006), ch. 4.

¹⁴⁵ Komori, "Latest Intrusion of PRC Vessels in Japanese EEZ to Have Serious Impact"; "China Should Give Notice of Maritime Research: Kono," *The Japan times*, September 9 2000.

¹⁴⁶ This possibility was corroborated by Prof. Ma Yingjeo, Deputy Director of the Institute of World Politics and Economics, during the author's presentation to the Chinese Academy of Social Sciences on January 21 2008 as well as in another interview. Author Interview "E", January 18 2008, Beijing.

¹⁴⁷ This is based on the list contained in *East Asian Strategic Review 2002*, p. 214 cross referenced with the data available from Toppan, "World Navies Today: Chinese Scientific, Research and Experimental Vessels" and China Defense Today, "Research & Survey Vessels."

¹⁴⁸ Author Interview "B"; Hagstrom, *Japan's China Policy*, p. 150.

¹⁴⁹ Author Interview "D", January 14 2008, Beijing. Others were of the view that PLA only follows the directives of the central authorities. Author Interview "F", January 25 2008, Beijing.

Chinese vessels typically violate the agreement by not offering prior notification, by conducting a different type of operation than that specified, or by operating in a different area of the sea than originally stated. If these bureaucracies operate under official view that China's ocean territory extends to the continental margin, and that notification of research is required in areas 'where Japan has an interest', they may not recognise the need to notify Japan of their research activities. For example, it is likely that the *Fendou 4*, which was twice detected in Japanese waters in 2001 and affiliated with the Ministry of Land and Natural Resources, was conducting resource based surveys of the seabed, as this function is part of the Ministry's portfolio.¹⁵⁰ Consistent with China's view on its continental shelf claim, and the parameters of the notification agreement, no notification of the *Fendou's* operations was offered.¹⁵¹ Indeed, when contacted to explain their actions, the vessel's operators argued they were operating on the Chinese continental shelf.¹⁵²

Ultimately, Chinese violations are likely combination of all three factors. As one Japanese interviewee pointed out, bureaucratic mistakes happen, but are not the norm.¹⁵³ In addition, Beijing may dispatch ships to undertake marine research for political purposes and politically powerful actors like the PLA may ignore central directives or only obey them for a short time. Thus, the notification agreement could be viewed as a success from the Chinese perspective because it has retained a large degree of freedom of action regarding the behaviour of its vessels in the disputed area of the East China Sea. Conversely, the agreement is widely viewed as a failure in Japan as it has done little to curtail Chinese activities or its maritime expansion. Nevertheless, Japan has not sought a replacement, despite continued domestic pressure in light of recurring intrusions, as well as rising tensions over Chinese resource exploitation activities. This is likely due to a worsening diplomatic climate, particularly in the maritime realm.¹⁵⁴ In 2003 a *Ming*-class submarine transited the

¹⁵⁰ This affiliation is based on "Taiwan Threatens to Board Chinese Ship," *Daily Collection of Maritime Press Clippings*, no. 133 (2005), p. 3.

¹⁵¹ This draws on the data from *East Asian Strategic Review 2002*, p. 214.

¹⁵² "Editorial Urges Tokyo to Limit PRC Vessel Access to Economic Zone," *Sankei Shimbun* July 21 2001, in WNC, JPP-2001-07-22-000025.

¹⁵³ Author Interview "C".

¹⁵⁴ Author Interview "A". Conservative media accused the government of ignoring the issue so as to avoid provoking China because of this downturn in relations. See "DA Pressured Not to Announce PRC Ships Activity near Japan Due to 'Delicate' Ties", *Sankei Shimbun*, July 14 2001, in WNC, JPP-2001-07-15-000024.

Osumi Strait and the *Han* submarine incident in November 2004 marked the beginning of a significant downturn in bilateral relations.¹⁵⁵

Furthermore, Japan's policy opportunities have remained limited. The effectiveness of ODA pressure as a diplomatic tool was reduced as talk of attaching conditions and its cessation accelerated. Furthermore, the relative decline in the amount of aid reduced Chinese attachment to it.¹⁵⁶ Indeed, the use of ODA pressure in 2001 was likely only successful as a diplomatic symbol of the degree of Japanese concern, rather than as a tangible cost to deviant Chinese behaviour. Japan subsequently addressed some of the legal and operational shortcomings that had hamstrung its ability to police its EEZ. It also continued dialogue on the issue with the Chinese at the Japan-China Security Dialogue in February 2004 and at issue-specific consultations on MSR activities in April 2004.¹⁵⁷ The implications of this change in posture are addressed in later chapters. Nevertheless, had Japan's policy options been more robust in 2000, it could have forced a more binding agreement from Beijing.

5.4.2 Political will for cooperation

Brinkerhoff's indicators reveal very little political will on either side for sustained adherence to the notification agreement.

1. *Locus of initiative*- Cooperation was largely driven by Tokyo, but primarily in response to pressures from outside the central policymaking apparatus; thus the indicator for Japan is moderate. Beijing appeared willing to address the issue only when Tokyo made it abundantly clear that the issue was important, thus this indicator for China is low.
2. *Degree of analytical rigour*- The fact that Chinese and Japanese policymakers have at times distinguished between the different kinds of research indicates a degree of analytical rigour. Nevertheless, progress on clarifying specifically the kinds of research covered by the agreement was limited; consequently, this indicator is low for both states.

¹⁵⁵ The details of the Han incident are discussed in Peter A. Dutton, "International Law and the November 2004 "Han Incident", " *Asian Security* 2, no. 2 (2006), pp. 87-101. For details of the former see Howarth, *China's Rising Sea Power*, p. 89.

¹⁵⁶ Drifte, "The Ending of Japan's ODA Loan Programme to China," pp. 94-117. ODA as a percentage of Chinese GDP declined from 1.9% in 1989-90 to 0.8% in 2000-01. David Arase, "Japanese ODA Policy toward China: The New Agenda," in *Japan's Relations with China: Facing a Rising Power*, ed. Peng Er Lam, *Sheffield Centre for Japanese Studies/Routledge Series* (London: Routledge, 2006), p. 93.

¹⁵⁷ Japanese Defense Agency, *Defense of Japan 2004*, (Tokyo: Inter Group Corp., 2004), p. 62.

3. *Mobilisation of support*- Japanese domestic support for the agreement was widespread, thus the indicator is high. China's repeated violations imply that the terms of the agreement were either not communicated to the relevant bureaucracies, or are violated deliberately. Thus the indicator for China is low.
4. *Application of credible sanctions*- Japanese authorities were unable to apply costs on China for its violations. The fact that subsequent adjustments theoretically made it easier for Japan to act against the intrusions, but that no action has been forthcoming indicates a lack of political will. This indicator is low. China's recurrent violations indicate central authorities have not taken steps to curtail violations by its vessels; the Chinese indicator is low.
5. *Continuity of effort*- Japan's reliance on diplomatic protest, despite its improved capabilities to enforce its EEZ entitlements, indicates a moderate degree of political will to ensure China abides by the agreement. Beijing continues to violate the agreement: the indicator for China is low.

Consequently, the political will for cooperation could best be described as moderate in Japan and low in China. In the Japanese case, this was as much a function of its inability to respond to Chinese intrusions as it was about its willingness to. For its part, China seems to derive a degree of utility from violating the agreement, as violations are defended as being consistent with China's claim to jurisdiction over the East China Sea. These findings indicate that a limited policy menu affects the success of a cooperative agreement in two ways. First, it affects the strength of the final agreement, and second, in the absence of other enforcement mechanisms, a limited policy menu cannot prevent cheating.

5.5 Conclusion: The conditions of cooperation

Contrary to chapter four, in the case of the notification agreement Japanese action was defined by the limited policy options it faced. These options were limited by the environmental realities in which the intrusions issue occurred. Due to the nature of China's maritime claim and the type of activities its vessels were engaged in, as well as shortcomings in Japanese law combined with legal and constitutional limitations, a more assertive policy option was not available to Tokyo. In light of these limited opportunities, Japanese leaders used ODA pressure to encourage China to address the survey issue. Similar to the case of the fisheries agreement, domestic political pressure played an important role in creating the willingness on the part of Japanese

elites to act. This pressure came from media and public opinion, and was aimed at Japanese policy elites in response to a festering issue in the bilateral relationship. Elements of the security bureaucracy were complicit in this as they increased their reporting of Chinese intrusions in their public annual reports. This made the 'doing nothing' choice outlined in chapter two politically unacceptable.

While the move was successful in getting China to the negotiating table, it was not sufficient to encourage lasting cooperation for a number of reasons. First, ODA pressure has never been a completely effective tool for influencing Chinese policy. The reduction of ODA in the early part of the millennium, combined with wider debates in Japan about its future, reduced the effectiveness of ODA pressure. Second, there were a number of problems with the notification agreement, both its design, as well as in the type of behaviour it aimed to control. Whether by design or accident, the vague wording of the agreement has reduced its effectiveness at preventing unannounced Chinese research activities in Japanese waters. Japan's limited policy opportunities prevented it from enforcing the agreement.

Limitations to Japan's menu for choice were modified following the conclusion of the 2001 notification agreement. Following the first use of force by the Japanese military since World War II, on the North Korean spy vessel fleeing the Japanese EEZ in December 2001, there is evidence of political will in Japan to eliminate the legal constraints on the policing of its EEZ. In response to the Han submarine transiting Japan's territorial sea in November 2004, a 'maritime security operation' was ordered and MSDF vessels and planes tracked the submarine out of Japanese waters.¹⁵⁸ This is widely regarded as the highest level of alert the Japanese military has ever exercised, and only the second instance of a maritime security operation. Unlike previous instances, MSDF aircraft used sonar tracking deliberately to warn the submarine it was being tracked.¹⁵⁹ Thus, in response to the incident Japan "clearly signalled to China that it is willing to flex military muscles of its own."¹⁶⁰ Regardless of these operational changes, domestic regulations on MSR in the EEZ have not been adopted, thus Chinese vessels continue to operate outside the Japanese legal system.

¹⁵⁸ "China: "Peaceful Rise in Light and Shadow", in *East Asian Strategic Review 2005* (Tokyo: The National Institute for Defense Studies, 2005), pp. 105-106.

¹⁵⁹ These warnings were ignored. Dutton, "International Law and the November 2004 'Han Incident'," p. 87.

¹⁶⁰ *Ibid.*, p. 99.

In light of the increasingly competitive nature of Sino-Japanese interactions over the East China Sea, the discussion now turns to analyse instances when China and Japan have chosen to confront one another over the East China Sea dispute.

Part III: Conditions of Confrontation in the East China Sea.

Part three of the thesis aims to identify the conditions under which China and Japan have confronted one another over the East China Sea dispute. This builds towards a comparison with the conditions of cooperation in chapter eight. This section of the thesis proceeds differently from the previous section. It explores confrontational policies adopted by each party over the same territorial issue; resource exploitation in the East China Sea. As confrontational policy decisions are by definition unilateral, each party's perception of the issue is analysed in a separate chapter. Chapter six explores the Chinese decision to pursue resource development in the ECS over Japanese protests, while chapter seven explores Japan's decision to drill in the disputed area. These decisions were both manifested in the tensions over the Chunxiao gas field between May 2004 and October 2005 (see Appendix).

Chapter six explores the conditions under which Beijing chose to proceed with the development of Chunxiao over strident Japanese opposition. Through 2004-05 China proceeded with the development of Chunxiao, adopted a more confrontational military posture in the East China Sea and consolidated its legal claim to resource exploitation at Chunxiao over Japanese requests that it do the opposite. In doing so, China asserted its version of the territorial status quo. Chapter seven identifies the conditions under which Japan responded with a confrontational decision of its own. Ministry for Economy, Trade and Industry (METI) Minister Nakagawa Shoichi issued an ultimatum on April 1 2005: Beijing cease its activities or accept Japanese drilling on the east side of the median line. In light of continued Chinese intransigence, Tokyo decided to proceed with exploratory drilling on April 14 2005.

Chapter 6: China's Escalation 2004-2005, Protecting Jurisdiction

This chapter explores the Chinese decision to proceed with production at the Chunxiao gas field over Japan's vocal diplomatic protests throughout 2004 and early 2005. Chinese entities first began negotiations to develop the Chunxiao area in late 2001, and production agreements were finalised with UNOCAL and Royal Dutch/Shell in August 2003. The 'Chunxiao dispute' erupted in May 2004 when Japan discovered that China had constructed a drilling installation 5km from the Japanese median line. Faced with repeated Japanese requests to cease its activities and share the seismic data it had gathered on the area, Beijing faced three choices as outlined in chapter two; it could accept Japan's opposition and seek a cooperative solution, it could do nothing, or it could confront Japan over the issue. Beijing chose the latter. Between 2004 and 2005 Beijing ignored Japanese protests and consolidated its position at Chunxiao by exercising its jurisdiction there, and denying Japan's right to do the same on its side of the median line. China made vague offers of joint development while Japan issued numerous requests for the technical data of the Chunxiao area as a prerequisite to negotiations. UNOCAL and Shell pulled out of Chunxiao in September 2004 due to concerns over its commercial viability. China's national oil companies (NOCs), the China National Offshore Oil Corporation (CNOOC) and Sinopec, persisted with the project and Japanese diplomats repeated their opposition amid speculation that production at Chunxiao had begun. Ministerial level discussions took place in late October 2004, but made little headway other than to further frustrate Tokyo.

In light of rising domestic pressure for action, Tokyo conducted surveys of the median line area. When these surveys revealed a possibility that the Chunxiao structures extended onto the Japanese side of the median line, METI Minister Nakagawa issued an ultimatum on April 1 2005: Beijing was to share seismic data and cease the development of the Chunxiao field or accept Japanese drilling on the east side of the median line.¹ The dynamics of the Japanese decision to confront China, by subsequently granting drilling rights to Teikoku Oil, are analysed in chapter seven.

¹ Mayumi Negishi, "Japan Ready to Drill in Disputed Waters," *The Japan Times*, April 2 2005.

The official Japanese concern is that the Chunxiao development takes place so close to the median line that it may extract resources on the Japanese side of the median line to which Japan is entitled. To ascertain China's territorial objectives, the first section locates resource exploitation of the East China Sea in the mindset of Chinese policymakers at the time. Chinese policymakers value the ECS for its resource value, in particular the natural gas resources; an intrinsic-tangible factor. This resource wealth underwrote a more overtly assertive Chinese naval posture, which in turn gave the ECS a degree of strategic value to Beijing; a relational-tangible factor. Finally, reflective of the dynamics explored in chapter three, the deteriorating nature of the bilateral relationship combined with the use of anti-Japanese sentiment as a legitimising tool for the CCP added a degree of relational-intangible value to the dispute. China's posture towards the East China Sea dispute gained a degree of political salience for Chinese leaders that in the past had been limited to the disputed islands.

The analysis then explores the opportunities that made possible the Chinese decision to confront Japan. A decade long Chinese push to develop its offshore areas, in light of rising energy demands, saw Beijing develop the capabilities needed to independently exploit Chunxiao. The analysis of interaction opportunities over Chinese resource production activities in the East China Sea from 1992 reveals an incoherent Japanese response. Tokyo has a track record of complicity with Chinese resource development, which hindered its ability to effectively communicate its new found opposition to the project in May 2004.² Consequently, this opposition was viewed in China as an attempt to secure resources to which Japan was not entitled. Viewed in light of China's jurisdictional claim, it is entirely plausible that Beijing genuinely rejected the legal basis of Tokyo's argument that it was entitled to a share of Chunxiao resources. The environmental shift occasioned by Japan's more vocal opposition to ECS resource development, combined with China's strength in offshore resource exploitation techniques and the incomprehensible nature of Japan's claim, set the stage for Beijing to resist Tokyo's request to cease Chunxiao development.

² Informal discussions between Chinese and Japanese oil companies occurred through the 1980s but were repeatedly stymied by the delimitation and sovereignty issues. See Susumu Yarita, "Toward Cooperation in the East China Sea," (paper presented at the Seabed Petroleum in the East China Sea: Geological Prospects, Jurisdictional Conflicts and Paths to Cooperation, Beijing, April 12-13 2005), pp. 22-28.

The third section analyses the Chinese willingness to adopt a confrontational policy position. It is likely that constituencies within China favoured confrontation because it served their policy ends. In particular, East China Sea resource development is consistent with the PLAN's operational ambitions. Also, CNOOC had strong commercial reasons to resist Japanese involvement in light of the potential consequences of cooperation. Balanced against the sunk costs of the Chunxiao dispute and limited policy space created by the political salience of popular anti-Japanese sentiment, policymakers in Beijing would have found cooperation difficult even if they had wanted to. As it was, Beijing was thoroughly unconvinced by the Japanese argument that it was entitled to participate in Chunxiao development. The final section explores the outcome of this phase of the dispute which ended in April 2005.

6.1 Value of East China Sea resource development to China

6.1.1 Intrinsic-tangible: Resource needs and energy security

China's energy security situation has become progressively more precarious as its spectacular economic development has continued at breakneck pace. Rising energy consumption has pushed the limits of China's domestic production capacity. As the world's second largest energy consumer and oil importer, China's energy security has become a strategic policy priority for Beijing.³ An examination of China's energy security challenges indicates that it had good reason to value offshore hydrocarbon resources. While the literature and debates on China's energy security strategy are extensive, the aim here is simply to evaluate if and how East China Sea resources fit into Chinese energy security.

While coal remains its primary energy source, rising demand for oil in the transportation sector has exacerbated China's sense of energy insecurity. According to Kent Calder, Beijing's response to energy insecurity has been characterised by five key elements: the diversification of primary energy source; the diversification of import sources; the pursuit of overseas equity partnerships; increased energy efficiency; and developing the military capabilities required to protect Chinese energy supplies.⁴ China's reliance on the Middle East for its oil imports has generated concerns about supply disruption through the global SLOC chain, as well as concern

³ "China Now World's Second Largest Crude Oil Importer," *Reuters*, June 26 2008.

⁴ Kent E. Calder, "Coping with Energy Insecurity: China's Response in a Global Perspective," (paper presented at the Global Dialogue on Energy Security, Beijing, October 16 2006).

about price spikes due to supply shortage. China's global equity partnerships are designed to address the latter concern by giving China the ability buy oil directly from a producing country, rather than from the market.⁵ However, it is important to note that China is able to meet close to 90% of its energy requirements through domestic energy sources.⁶ This is largely because China continues to rely on coal as its primary source of base-load power generation, of which it has ample domestic supplies. Nevertheless, international concern over China's energy security policy focuses largely on its import dependence on oil, for two reasons. On the demand side, China's oil consumption, underwritten largely by demand growth in the transportation sector, shows little sign of slowing.⁷ On the supply side, many international actors blame Chinese demand for creating the shortfalls that drove the dramatic price spikes in the oil market since 2004. Moreover, there is a perception that China's energy security strategy is hostile both to Western energy security as well as Western security interests.⁸ As a possible solution to energy security challenges, the resource potential of the East China Sea addresses Calder's strategies in two important ways: the diversification of primary energy source and the diversification of import sources. Consequently, Chinese policymakers are likely to view the resource potential of the ECS with significant interest.

As part of its attempt to diversify energy sources, Beijing has prioritised a greater reliance on natural gas to drive the economies of Eastern China. As a share of total

⁵ Aaron L. Friedberg, "'Going Out': China's Pursuit of Natural Resources and Implications for the PRC's Grand Strategy," *NBR Analysis* 17, no. 3 (2006). See also Philip Andrews-Speed, Liao Xuanli, and Roland Dannreuther, *The Strategic Implications of China's Energy Needs*, Adelphi Paper 346 (Oxford: The International Institute for Strategic Studies, 2002).

⁶ Erica S. Downs, "China," in *The Brookings Foreign Policy Studies Energy Security Series*, (Washington D.C: Brookings Institution, 2006), p. 1, <http://www.brookings.edu/reports/2006/12china.aspx>. Accessed 17/03/2007.

⁷ The bulk of this thesis was completed prior to the financial crisis that gripped the global economy in the latter half of 2008. While the longer term effects are unknown, the reader should be aware that as of January 2009, Chinese oil demand has not decreased. The rate of consumption *growth* has decreased concomitant with the decline in GDP growth. The International Energy Agency predicts Chinese oil demand to grow at 90,000 b/d in 2009, down from pre-crisis predictions of 440,000 b/d, because GDP growth has slowed to 6.5%/a. Others predict demand growth of 200,000 b/d. Viewed this way, in the long-term oil demand will reflect the future trajectory of China's GDP growth. See David Sheppard, "World Oil Demand to Shrink Sharply This Year: IEA," *Reuters*, January 16 2009; "As China's Demand for Oil Slows, Retail Price War Breaks Out," *The Oil Daily*, January 6 2009, respectively.

⁸ Daojiong Zha, "China's Energy Security: Domestic and International Issues," *Survival* 48, no. 1 (2006), pp. 182-185. For an outline of American concerns see Kenneth Lieberthal and Mikal Herberg, "China's Search for Energy Security: Implications for US Policy," *NBR Analysis* 17, no. 1 (2005), p. 17. Some argue that China's response to oil vulnerability has been 'normal'. Xu Yi-chong, "China's Energy Security," *Australian Journal of International Affairs* 60, no. 2 (2006), pp. 265-286.

energy production, natural gas is expected to double by 2020.⁹ Under the tenth five year plan (2001-2005), natural gas consumption was projected to be raised from 2% currently to between 8% and 10% by 2020.¹⁰ However, this goal faces several barriers including domestic production shortfalls, inadequate infrastructure, high costs to consumers, and import restrictions.¹¹ To tackle infrastructure problems, Beijing commissioned the West-East pipeline to bring gas reserves from Xinjiang province to east coast markets. However, these markets in the Yangtze Delta, composed of Shanghai, Zhejiang and Jiangsu provinces, need to be developed further because demand remains critically low.¹² As evidenced by Table 1, aside from renewable energy sources, natural gas demand is expected to grow at the highest rate of all primary energy sources to 2015, with continued strong growth through 2030.

Table 1: China's Primary Energy Demand (mtoe)

	1990	2005	2015	2030	2005-2015*	2015-2030*
Coal	534	1,094	1,869	2,399	5.50%	3.20%
Oil	116	327	543	808	5.20%	3.70%
Gas	13	42	109	199	10.00%	6.40%
Nuclear	0	14	32	67	8.80%	6.50%
Hydro	11	34	62	86	6.10%	3.80%
Biomass	200	227	225	227	-0.10%	0.00%
Other renewables	-	3	12	33	14.40%	9.90%
Total	874	1742	2,851	3,819	5.10%	3.20%
* Average Annual Rate of Growth						

Source: World Energy Outlook 2007¹³

Natural gas is likely to come from three sources: domestic production, Liquefied Natural Gas (LNG) imports and pipeline imports from neighbouring countries such as Russia and Kazakhstan.¹⁴ Given Beijing's persistence with natural gas despite its high relative cost compared to coal, David Fridley argues that there is a significant degree

⁹ Bernard D. Cole, "Oil for the Lamps of China: Beijing's 21st Century Search for Energy," *McNair Papers # 67* (Washington D.C.: National Defense University, 2003), p. 69.

¹⁰ *Ibid.*, p. 27.

¹¹ David Fridley, "Natural Gas in China," in *Natural Gas in Asia: The Challenges of Growth in China, India, Japan and Korea*, ed. Ian Wybrew-Bond and Jonathan Stern (Oxford: Oxford University Press, 2002), pp. 5-65.

¹² *Ibid.*, p. 31.

¹³ International Energy Agency, *World Energy Outlook 2007* (Paris: OECD/IEA, 2007), p. 287. MTOE stands for million tons of oil equivalent. Fifty mtoe equals roughly one million barrels per day.

¹⁴ Kang Wu and Fereidun Fesharaki, "Higher Natural Gas Demand Has China Looking Worldwide," *Oil & Gas Journal* 103, no. 27 (2005), p. 50.

of political will in Beijing to see the natural gas expansion through. According to Fridley:

it is reasonable to imagine this political commitment translating into the wide array of reforms and policy development necessary not only to expand the domestic market with domestically produced gas, also to lay the foundation for the infrastructure needed to bring in pipeline gas from Russia or other locations.¹⁵

This will exist because the development of natural gas serves many national objectives, including the economic development of the Western provinces, reduced carbon emissions, and the strengthening of China's NOCs in the face of the World Trade Organization (WTO) mandated opening to foreign competition. Emergent natural gas markets often resemble a chicken and egg scenario. It is difficult to create a market where there is no demand for a good, but given the significant infrastructure requirements required for natural gas, which contribute to its high cost relative to coal, there is rarely demand for natural gas before the market can be developed. This has particularly been the case in Shanghai.¹⁶

In light of these plans to increase demand in coastal areas, offshore natural gas resources could play an important role in Chinese energy security. Energy experts note that Beijing's predilection for self-sufficiency is unsustainable in the face of geographic realities. Domestic gas reserves are far from their intended markets, while imported LNG is only economical close to terminals.¹⁷ However, offshore natural gas fields in the East and South China Seas are "welcome exceptions to this rule."¹⁸ Early expectations were that CNOOC's gas projects in the East China Sea could potentially fuel the economies of Shanghai, Zhejiang province, and Hong Kong.¹⁹ According to CNOOC, the Xihu Trough basin, stretching from the median line to the Okinawa trough, has natural gas reserves of 17.5 trillion cubic feet (cf). The total reserve base of all Chunxiao fields currently in development is 363.9 billion cf.²⁰

¹⁵ Fridley, p. 63.

¹⁶ Chun Chun Ni, "China's Natural Gas Industry and Gas to Power Generation," *Working Paper #397*, (Japan: Institute of Energy Economics, 2007), p. 29; Fridley, p. 23.

¹⁷ Fridley, p. 31.

¹⁸ Philip Andrews-Speed, *Energy Policy and Regulation in the People's Republic of China* (The Hague: Kluwer Law International, 2004), p. 132.

¹⁹ Anonymous, "China Expects Offshore Production to Buttress Overall Output Target," *Oil & Gas Journal* 99, no. 51 (2001), p. 64.

²⁰ Energy Information Administration (EIA), "East China Sea," US Department of Energy, 2008, http://www.eia.doe.gov/emeu/cabs/East_China_Sea/Background.html. Accessed 07/03/2008.

The second advantage to Chinese energy security is that this proximity to markets provides a degree of supply security. To prevent supply disruption, China has diversified its sources of imported energy by investing in all manner of energy projects around the world. As Erica Downs notes, although self-sufficiency has historically been a top priority for Chinese leaders, its oil import dilemma has forced its leaders to look overseas. This in turn has forced Chinese leaders to pursue projects in a wide variety of locations in order to minimise the potential for supply disruption from foreign powers or price volatility.²¹ China's overseas holdings are extensive, accounting for 15% of total imports.²² While these 'equity oil' stakes give assurance of supply, they are not necessarily the most cost effective option as price volatility can cause a host country to re-negotiate the terms of an agreement if there is more money to be made on the world market.²³ Consequently, in light of these supply security concerns, if it lives up to its potential, the East China Sea could provide China with a source of oil and gas close to the centre of its military power.²⁴ Estimates of unproven oil reserves in the ECS vary between 70 and 160 billion barrels, with official Chinese estimates towards the high end, and international estimates closer to 100 billion barrels.²⁵ Like many states that lack global power projection capabilities, China is more comfortable operating its military in its own geographical area. While the PLAN is still not a globally capable navy, it is strongest in China's offshore areas.²⁶

Thus, China's interest in the ECS is based on its intrinsic-tangible need for additional energy sources. The energy potential of the ECS may include precisely the type of energy sources that China needs the most, oil and natural gas, in an ideal geographic location.

²¹ Erica S. Downs, *China's Quest for Energy Security* (Santa Monica, CA: RAND, 2000), pp. 53-54.

²² Lieberthal and Herberg, p. 14.

²³ For a discussion on this Chinese strategy see Tatsu Kambara and Christopher Howe, *China and the Global Energy Crisis: Development and Prospects for China's Oil and Natural Gas* (Cheltenham UK: Edward Elgar, 2007), pp. 120-125. Equity oil refers to the buying of equity stakes in overseas oil fields and is considered an alternative to buying oil directly from the international market. See Erica S. Downs, "The Chinese Energy Security Debate," *The China Quarterly* no. 177 (2004), pp. 35-36.

²⁴ Paul C. Yuan, "China's Offshore Oil Development: Legal and Geopolitical Perspectives," *Texas International Law Journal* 18, no. 1 (1983), pp. 107-126.

²⁵ EIA, "East China Sea."

²⁶ This is not to argue that the PLAN is the dominant naval force in the East China Sea, merely to note that this is where it is strongest relative to other areas.

6.1.2 Relational-tangible: The strategic value of the East China Sea

Resource development at Chunxiao is consistent with China's strategic maritime ambitions. While Japan's perception of this was explored in chapter five, it is worth analysing where East China Sea resource development fits into the Chinese strategic mindset in 2004-05. As Michael McDevitt argues, Beijing's commitment to costly PLAN development is underwritten by its view that the Navy is responsible for safeguarding China's primary strategic interests. These interests, whether securing seaborne trade, securing energy interests, or deterring Taiwanese independence, all occur at sea.²⁷ The issue of resource development was highly valued in Beijing in 2005 not simply as a maritime interest, but also because of changes in Japanese military doctrine and posture which seemed to indicate a desire to forestall Chinese maritime expansion. While the full scope of China's maritime strategic objectives and naval capabilities are subject to some debate, particularly with regard to its current and future ability and intention to match the US Navy, there is little question that China intends to extend its naval power through the East China Sea to the shores of Japan.²⁸

For example, as noted above, even the most limited conceptions of Chinese seapower include the capacity to recover Taiwan and the offshore islands, including the Senkaku/Diaoyu islands.²⁹ Furthermore, military writings view the Chunxiao dispute in strategic terms. In 1995, Chinese military writings regarded the ocean as China's "second national territory" due to the importance of the resources which lay beneath.³⁰ More recently, Land and Resources Minister Tian Fengshan, in an interview with a PLA magazine, noted that the East China Sea would become the primary site of China's offshore gas development.³¹ This is striking because currently

²⁷ Michael McDevitt, "The Strategic and Operational Context Driving PLA Navy Building," in *Right Sizing the People's Liberation Army Navy: Exploring the Contours of China's Military*, ed. Roy Kamphausen and Andrew Scobell (Carlisle, PA: Strategic Studies Institute, 2007), pp. 481-522.

²⁸ For those that argue that the US Navy is vulnerable to the Chinese navy's sea denial strategy see Toshi Yoshihara and James R. Holmes, "Command of the Sea with Chinese Characteristics," *Orbis* 49, no. 4 (2005), pp. 677-694; Howarth, p. 167; Eric A. McVadon, "China's Maturing Navy," *Naval War College Review* 59, no. 2 (2006), pp. 90-107. For the argument that China's navy remains vulnerable see Cole, *The Great Wall at Sea*; J. Marshall Beier, "Bear Facts and Dragon Boats: Rethinking the Modernization of Chinese Naval Power," *Contemporary Security Policy* 26, no. 2 (2005), pp. 287-316; Cole, "Rightsizing the People's Liberation Army Navy," pp. 84-88.

²⁹ Zhang, p. 25.

³⁰ Maria Hsia Chang and Xiaoyu Chen, "The Nationalist Ideology of the Chinese Military," *The Journal of Strategic Studies* 21, no. 1 (1998), p. 59.

³¹ Yu Chunguang, "PRC Land and Resources Minister Interviewed on Security of Oil Resources," *Jiefangjun Bao*, July 20 2002, in WNC, CPP-2002-07-20-000016.

the bulk of CNOOC's offshore operations occur in the Bohai Gulf and the Beibu Gulf.³² The PLAN's role as protector of this domain was outlined by the 2004 edition of China's defence white paper, which charged the PLAN not only with safeguarding China's territorial seas, but also its "maritime rights and interests."³³

Simultaneously, military authors were increasingly candid about Japan's impact on China's maritime security. One article observed that Japan's international straits, through which Chinese trade passes into the Pacific, functions as a potential "plug."³⁴ In an article detailing the strategic value of Okinawa to US forces, two authors note that by controlling Okinawa, American forces sit between "China's East China Sea and the Pacific Ocean."³⁵ This view of the Japanese islands as a strategic barrier between Mainland China and the wider Pacific was becoming a recurring theme amongst state media.³⁶ As David Shambaugh notes, PLA strategists have redefined China's strategic frontiers to include its maritime areas; these are viewed as more than merely areas of jurisdiction, they are areas of sovereignty.³⁷ As a reflection of these concerns, the Chinese military presence around Japan in 2004 was the highest on record, with twenty-two recorded intrusions into Japanese waters by naval and research vessels, including the aforementioned Han submarine incident in November 2004.³⁸

Furthermore, from the Chinese perspective, modifications to Japanese military doctrine appeared to be designed to prevent the fulfilment of these ambitions. Changes to the operational rules for Japan Coast Guard (JCG) vessels, demonstrated in December 2001 against the North Korean spy vessel, were denounced in China as resurgent Japanese militarism.³⁹ State-sponsored media criticised the scale of the

³² "News Briefs International: China." *Platt's Oilgram*, April 20 2006.

³³ *China's National Defense in 2004*, ch. 3, section II. As noted in chapter one, these concerns are also related to the potential impact of American SLOC control on Chinese energy security.

³⁴ Liu Jiangping and Feng Xianhui, "Going Global: Dialogue Spanning 600 Years," *Liaowang*, September 8 2005, in WNC, 2005-09-08-1477.1_89870599299e4719.

³⁵ Lu Baosheng and Guo Hongjun, "Okinawa: 'Hub' of the Pacific," *Jiefangjun Bao*, June 22 2003, in WNC, CPP-2003-06-23-000084.

³⁶ Liu Yi-chien, "China's 21st Century Navy Prospects," *Ta Kung Pao*, September 1 1999, in WNC, FBIS-CHI-1999-1011.

³⁷ Shambaugh, *Modernizing China's Military*, p. 67.

³⁸ James J. Przystup, "Japan-China Relations: Trying to Get Beyond Yasukuni," *Comparative Connections* 7, no. 1 (2005), p. 116.

³⁹ Bin Shan, "Japan Steps up Military Expansion at Sea," *Jiefangjun Bao*, February 4 2002, in WNC, CPP-2002-02-04-000044.

Japanese response and the fact that the JCG opened fire on the vessel without being fired upon.⁴⁰ While this is hardly surprising, it is noteworthy that Chinese military leaders took heed of the potential for the Maritime Self-Defense Force (MSDF) and the JCG to act under these new laws against Chinese vessels. The deployment of troops to Okinawa and the addition of the defence of offshore islands from invasion to the list of Ground Self-Defense Force operations in the 2004 National Defense Program Outline (NDPO) were further noted in China as evidence that Japan was trying to resist China's rightful maritime expansion.⁴¹ In short, by the turn of the century, the development of East China Sea resources was located squarely within the view that China, as a great power, needed and was entitled to project power across the East China Sea and into the Pacific. It was thus a reason for Chinese policymakers to value resource development in the East China Sea in a strategic, relational-tangible, sense.

6.1.3 Relational-intangible: Anti-Japanese sentiment in Chinese foreign policy

As outlined in chapter three, nationalists in both China and Japan shifted the focus of their discontent from the Senkaku/Diaoyu islands to the disputed maritime zones generated by UNCLOS. During the Koizumi period, anti-Japanese sentiment in China became particularly vocal and politically active. While this sentiment was fostered by the Chinese Communist Party (CCP) in the early 1990s, due to the spread of the internet in China, by the turn of the century it enjoyed a degree of independence from central control.⁴² Consequently, Chinese leaders are faced with the challenge of balancing their nationalist credentials with China's overarching national development goals.⁴³ Chinese elites recognise that a degree of pragmatism is needed to manage its relationships with Japan and the United States, the objects of the assertive nationalist discourse.

⁴⁰ Chun-yu, "Casting Doubts on Japan's Sinking of Suspicious Ship." In fact the JCG vessel came under small arms fire and a missile was fired in its direction. For details see John J. Tkacik Jr., "How the PLA Sees North Korea," in *Shaping China's Security Environment: The Role of the People's Liberation Army*, ed. Andrew Scobell and Larry M. Wortzel (Carlisle, PA: US Army War College, Strategic Studies Institute, 2006), pp. 163-164.

⁴¹ "Impact on China-Japan Ties," *Zhongguo Tongxun She*, September 22 2004, in WNC, CPP-2004-09-22-000217.

⁴² Mario Esteban, "The Management of Nationalism During the Jiang Era (1994-2002) and Its Implications on Government and Regime Legitimacy," *European Journal of East Asian Studies* 5, no. 2 (2006), pp. 181-214; Bruce J. Dickson, "Dilemmas of Party Adaptation: The CCP's Strategies for Survival," in *State and Society in 21st Century China: Crisis, Contention and Legitimation*, ed. Peter Hays Gries and Stanley Rosen (London: RoutledgeCurzon, 2004), pp. 141-158;

⁴³ See Gries, *China's New Nationalism*, ch. 7.

Because Japan occupies pride of place in the Chinese nationalist debate, disputes with Tokyo pose a unique set of problems. First, although they recognise the importance of the economic relationship, Chinese policy elites have long been suspicious of Japan and harboured their own negative sentiments.⁴⁴ Second, the list of grievances between the two is so great that dispute management efforts can be undermined by competing national objectives or by independent action by secondary political actors.⁴⁵ One scholar has identified an active debate over Japan policy, informed by popular opinion, between academics and foreign affairs bureaucrats between 2002 and 2004.⁴⁶ The outcome of this debate, borne out in 2005-06, was a rejection of the moderate view that favoured reconciliation with Japan. Therefore, during the apex of tensions over the Chunxiao dispute, anti-Japanese sentiment was particularly pervasive at the policymaking level, which in turn could constrain Beijing's ability to be flexible.

Consequently, in 2004-05, Chinese leaders valued resource development in the East China Sea in relational-intangible terms because, as a dispute with Japan over contested territory, Beijing is vulnerable to pressure from popular nationalist groups within China or within the policymaking apparatus. Some of the most active Chinese popular nationalist groups derive their names from the disputed islands. For example, the *Chinese Federation to Defend Diaoyutai* was founded by Tong Zeng in 1996 following the crisis over the islands. This group organises rallies to protest a wide range of Chinese nationalist grievances. Based in Hong Kong, the *Action Committee for Defending the Diaoyu Islands* orchestrated the March 2004 landing and regularly protest aspects of the Sino-Japanese relationship.⁴⁷ While Beijing is not completely beholden to the whim of popular nationalist groups, it is sensitive about maintaining the nationalist credentials of the CCP.

⁴⁴ Chih-Yu Shih, "Defining Japan: The Nationalist Assumption in China's Foreign Policy," *International Journal* 50, no. 1 (1995), pp. 539-563; Whiting, *China Eyes Japan*.

⁴⁵ Whiting hypothesises that Chinese surveys near the disputed islands in the mid-1990s were less about antagonising Japan and more about ensuring access to oil reserves. See Allen S. Whiting, "China's Japan Policy and Domestic Politics," in *Japan and China: Rivalry or Cooperation in East Asia?*, ed. Peter Drysdale and Dong Dong Zhang (Canberra: Australia-Japan Research Centre, 2000), p. 17. For the second point see Chang and Chen, pp. 44-64.

⁴⁶ Peter Hays Gries, "China's 'New Thinking' on Japan," *The China Quarterly* no. 184 (2005), pp. 831-850. This hardline turn in Chinese foreign policy was also reflected by the demise of the 'peaceful rise' rhetoric. See Robert L. Suettinger, "The Rise and Descent of 'Peaceful Rise'," *China Leadership Monitor* 12 (2004), pp. 1-10.

⁴⁷ This discussion is based on Zhang, "The Influence of Chinese Nationalism," pp. 15-34.

Figure 5: Territorial Value of the East China Sea to Beijing 2005

Intrinsic tangible: - Resource value of the Xihu Trough.	Relational tangible: - Strategic value, power projection, PLAN ambitions
Intrinsic intangible: - null	Relational intangible: - Valued as an anti-Japanese symbol

As indicated in Figure 5, China's territorial objective in 2004 and 2005 was to continue the development of Chunxiao. Resource exploitation contributed to energy security and was integral to carving out an area of Chinese military influence in the East China Sea. Furthermore, these activities were widely supported by vocal public sentiment that favoured an assertive stance toward East China Sea claims because of the unique role Japan plays in the Chinese nationalist mindset.

6.2 Opportunity: Capability, interaction and the menu for choice

In light of the value Chinese policymakers place on resource development in the East China Sea, this section explores the structural and environmental factors that determined the Chinese policy menu in 2005. China's interest in ECS resource development was outlined above. However, in light of China's traditional technological backwardness and fluctuating global oil prices, its ability to pursue offshore resources has not always been assured. Indeed, as argued in chapter three, China lacked the capabilities to pursue the disputed resources at the onset of the ECS dispute in 1970. Thus, China's push to develop offshore resources in the disputed area has to be understood in the context of its acute sense of energy insecurity, which emerged after its shift to net oil importer status in 1993. This shift strengthened Beijing's resolve to proceed with further opening of its upstream oil sector, which included plans to exploit ECS resources. Chinese NOCs, in particular CNOOC, developed the necessary capital and technological expertise to become leading offshore energy producers.⁴⁸ Viewed in this light, the opportunity to exploit Xihu Trough resources in 2005 would not have presented itself without the development of these capabilities and China's shift to oil importer status in 1993. The Chunxiao

⁴⁸ The proposition that China's offshore capabilities may have an impact on its behaviour towards the continental shelf disputes was first identified by Selig Harrison in 1977. See Harrison, *China, Oil and Asia*, p. 57.

development is part of this effort and, by extension, these capabilities added the confrontational option to the Chinese menu of choice in 2005. Interaction opportunities during this period were characterised by an incoherent Japanese response to China's offshore development. Japan both criticised and abetted China's offshore development in the East China Sea during the 1990s. When Tokyo began to be more critical of China's projects following its discovery of the Chunxiao projects in 2003, the legitimacy of these protests were undermined by Tokyo's previous acquiescence.

6.2.1 China's capabilities: China's offshore experience pre-1993

Prior to 1993, China's offshore oil industry was a fledgling energy sector beholden to foreign partners for capital, technology and partnership in its exploration activities. Driven by high oil prices and a demand for foreign exchange dollars, but hamstrung by technological limitations, China's offshore oil exploration was limited to the shallow waters of the Bohai Gulf and the Pearl River mouth basin.⁴⁹ Despite domestic construction programs, China's most advanced rigs, seismic exploration ships and supply ships were purchased from abroad.⁵⁰

Following Deng's reforms, Beijing expanded its corporate legal structures to better engage foreign companies, and created CNOOC in 1982 to pursue its own offshore interests independently.⁵¹ To attract foreign investment the 'Regulations of the PRC on the Exploitation of Offshore Resources in Co-operation with Foreign Enterprises' was passed by the NPC on January 30 1982. It outlined the parameters under which foreign companies would operate in the PRC, created CNOOC, and ensured that all foreign technologies became the property of China.⁵² These developments further improved CNOOC's technological capabilities and expertise although falling prices in the late 1980s reduced technological transfers concomitant with declining foreign

⁴⁹ Hence, despite a rise in domestic demand, Chinese industry tolerated energy shortages so that China could export its oil to earn foreign exchange. Larry Chuen-ho Chow, "The Changing Role of Oil in Chinese Exports 1974-1989," *The China Quarterly*, no. 131 (1992), pp. 750-765. This policy belied the claims of earlier analysis which suggested that China's potentially enormous domestic demand would limit its export earnings. See Tatsu Kambara, "The Petroleum Industry in China," *The China Quarterly*, no. 60 (1974), pp. 699-719.

⁵⁰ Kim Woodard, *The International Energy Relations of China* (Stanford: Stanford University Press, 1980), pp. 200-210.

⁵¹ For these developments see Greenfield, pp. 168-179.

⁵² State Council, "Regulations on the Exploitation of Offshore Resources in Co-Operation with Foreign Enterprises," 1982, <http://www.asianlii.org/cn/legis/cen/laws/roteoopricwfe19821069>. Accessed 20/03/2007. For an outline of China's strategy to modernise its petroleum industry see Ronald C. Keith, "China's Resource Diplomacy and National Energy Policy," in *Energy, Security and Economic Development in East Asia*, ed. Ronald C. Keith (New York: St. Martin's Press, 1986), pp. 17-78.

interest in China's offshore sector. Nevertheless, advanced drilling technologies such as 3D seismic technology, logging and coring technology, as well as horizontal drilling technology were imported, primarily from the United States.⁵³ By the mid-1990s as one energy expert observed, "the cost of technology is no longer a burden on Chinese offshore development, but CNOOC...needs considerable investment to conduct its own exploration."⁵⁴ Technological hurdles had been overcome, but financial barriers remained.

These financial hurdles were due to the high relative cost of offshore exploration in the late 1980s which reduced foreign interest. Further, commercial discoveries in the East China Sea remained sparse. By some estimates, China's entire total offshore oil production was only 18,000 barrels per day (b/d) in 1988.⁵⁵ While this declining interest could partly be attributed to low global oil prices and poor discoveries, international companies were also turned off by the perception that they were not offered the most prospective blocs and by harsh contract terms from China.⁵⁶

6.2.2 Structural shift 1993: Net oil importer status and the opening of the East China Sea

China's shift to net oil importer status in 1993 was not unexpected. It was clear in the 1980s that onshore Chinese production had peaked.⁵⁷ Nevertheless, the shift sparked renewed focus on domestic oil production, in particular offshore. New areas such as the Tarim Basin in Western China and the East China Sea were opened to foreign

⁵³ Kuen Wook Paik, *Gas and Oil in Northeast Asia: Policies, Projects and Prospects* (London: Royal Institute of International Affairs, 1995), p. 133. For an inventory of CNOOC's offshore drilling fleet in the early 1990s see Chen Degong, "Offshore Exploration and Exploitation for Oil and Gas in China," in *Ocean Affairs in Northeast Asia and Prospects for Korea-China Maritime Cooperation*, ed. Dalchoong Kim, et al., *East West Studies Series* (Seoul: Institute of East and West Studies, Yonsei University, 1994), pp. 96-97.

⁵⁴ Paik, *Gas and Oil in Northeast Asia*, p. 134. This does not apply to deep water drilling (greater than 200m) where Chinese rig technology still lags behind the Western world. See Ian Cross, "Far East Deepwater Exploration to See Strong Growth, Bias to Gas," *Oil & Gas Journal* 100, no. 45 (2002), p. 48.

⁵⁵ "China's Coming Oil Dilemma," *Platt's Oilgram*, August 5 1988.

⁵⁶ James P. Dorian, *Minerals, Energy and Economic Development in China* (Oxford: Clarendon Press, 1994), pp. 170-171.

⁵⁷ Xin Dingguo, "The Present and Long-Term Energy Strategy of China," in *China's Energy and Mineral Industries: Current Perspectives*, ed. James P. Dorian and David G. Fridley (Boulder: Westview Press, 1988), p. 53. In fact, China's status as an oil exporter had long been exaggerated. Beijing kept domestic oil consumption low by stressing the use of coal to free up oil for export as part of its strategy to raise foreign exchange dollars. See Dong Yongshun, "An Estimation of the Prospects for China's Petroleum Trade," in *China's Energy and Mineral Industries: Current Perspectives*, ed. James P. Dorian and David G. Fridley (Boulder: Westview Press, 1988), p. 56.

enterprises.⁵⁸ To secure financing, new contract terms were announced which included reduced fees on small fields and a more flexible bargaining approach by CNOOC.⁵⁹ The most productive agreement was Texaco's \$400 million joint venture to explore the Pinghu oil and gas field 375 km off Shanghai.⁶⁰ A Japanese consortium formed between the Japan Petroleum Exploration Company (JAPEX) and Teikoku Oil and financed by the Japan National Oil Corporation (JNOC) also secured two blocks in the ECS.⁶¹ By the end of 1994, CNOOC and its partners had found geologic reserves of 1.2 billion tonnes of oil and 180 billion cubic metres of gas. Offshore production quadrupled between mid-1994 and mid-1996, reaching 380,000 b/d.⁶² The importance of foreign investment in this jump cannot be overstated. In the words of one study, "offshore oil production...has depended from the start on heavy participation of foreign companies in exploration and development".⁶³ However, despite this promising start, low global oil prices and few commercial discoveries reduced the interest of foreign enterprises.⁶⁴ By 1999, only one foreign enterprise remained involved in the East China Sea.⁶⁵ As foreign investment dried up, discoveries in the East China Sea languished.

⁵⁸ On the various problems confronting foreign involvement in Tarim Basin exploration see Anonymous, "China's Upstream Oil and Gas Industry Opens in Steps to Outsiders, Awaits Big Discovery," *Oil & Gas Journal* 92, no. 48 (1994), p. 43-47; Peter Zipf, "Major's Set to Grab Asia Opportunities: But Face Daunting Terms for Tarim Basin Bidding," *Platt's Oilgram*, September 28 1993.

⁵⁹ See Michael Cannon, "China's Tax System Relatively Benign, but Problems Remain," *Oil & Gas Journal* 92, no. 48 (1994), pp. 61-63. For contract terms see Michael Arruda and Ka Yin Li, "China Energy Sector Survey Part III: Foreign Inbound Investment," *China Law & Practice* 18, no. 1 (2004), pp. 19-27.

⁶⁰ Anonymous, "China's Upstream Oil and Gas Industry Opens in Steps to Outsiders, Awaits Big Discovery," p. 44.

⁶¹ "Japanese Consortium Wins Blocks 41/17 and 42/03 in East China Sea," *Petroleum Economist*, January 19 1994.

⁶² Anonymous, "China's Upstream Programs Advance Onshore and Offshore," *Oil & Gas Journal* 93, no. 39 (1995), p. 31; Energy Information Administration, "Privatization and the Globalization of Energy Markets," US Department of Energy, 1996, p. 34, www.eia.doe.gov/emeu/pgem/contents.html. Accessed 06/03/2007.

⁶³ International Energy Agency, *China's Worldwide Quest for Energy Security* (Paris: International Energy Agency, 2000), p. 58. See also Anonymous, "China's Offshore Oil Production Ramping Up," *Oil & Gas Journal* 89, no. 22 (1991), pp. 32-33.

⁶⁴ For the details of China's more productive offshore areas see International Energy Agency, *Global Offshore Oil Prospects to 2000* (Paris: International Energy Agency, 1996), pp. 118-120.

⁶⁵ Alan Petzet, "Exploration, Production Futures Bright for East China Sea," *Oil & Gas Journal* 97, no. 32 (1999), pp. 80-81. Primeline Petroleum Corporation discovered a commercially viable gas field, Vicky-1, in 1997. Renamed Lishui, the field has proven reserves of 292 Bcf of gas and negotiations are ongoing to bring the gas to market in Wenzhou in Zhejiang province. Primeline Petroleum Corporation, "Lishui 36-1 (Vicky) Discovery," <http://www.primelineenergy.com/s/Lishui36-1.asp>. Accessed 23/06/2008.

Reduced international interest did not dissuade Beijing from pursuing offshore resources. Recognising that international investment could be fickle, Beijing resolved to ensure its NOCs could meet China's future energy needs. Following the restructuring of the Chinese petroleum industry in the late 1990s, exploration and production activities in the East China Sea were rejuvenated.⁶⁶ This restructuring created more competition between NOCs, ahead of the opening of the petroleum industry to global competition under China's WTO commitments. In 1997 Beijing created a third national oil company—China National Star Petroleum Corporation—which was awarded a bloc in the Xihu Trough in the East China Sea.⁶⁷ Regulations were adjusted to encourage greater competition. Most importantly, CNOOC was no longer restricted to offshore areas, and the China National Petroleum Corporation (CNPC) was no longer limited to onshore activities. Greater competition between Chinese NOCs renewed partnerships between Chinese oil companies and foreign enterprises, as did a change in focus from oil to natural gas discoveries.⁶⁸ In June 2002 CNOOC and Sinopec (which gained access to the ECS through its purchase of Star Petroleum) signed a strategic agreement with UNOCAL and with Royal Dutch/Shell for the development of the Xihu Trough, which in turn led to their involvement in Chunxiao in August 2003. As Zou Keyuan notes, while CNOOC formerly relied on foreign entities to discover oil, the company now seeks quick capitalisation from foreign entities to bring CNOOC discoveries to market.⁶⁹ Thus, in addition to its technological capabilities, CNOOC also has the financing to pursue offshore resources independently.

China's primary East China Sea production facilities are located at Pinghu and at Chunxiao. Pinghu was discovered in conjunction with Texaco by the Shanghai Oil and Gas Company in 1992.⁷⁰ Development began in 1996 and production began in April 1999 with gas pumped to Shanghai via pipeline. Currently, the field is wholly Chinese operated, with 40% ownership with the operator Shanghai Gas and Oil

⁶⁶ A discussion of China's petroleum industry reforms can be found in Andrews-Speed, *Energy Policy and Regulation*, ch. 7. The purpose of this discussion is to examine the impact of this change on East China Sea development.

⁶⁷ Anonymous, "China's New Petroleum Structure Continues to Evolve under Reform," *Oil & Gas Journal* 95, no. 40 (1997), p. 28.

⁶⁸ "Offshore Fields Make a Splash in China's Upstream," *Petroleum Intelligence Weekly*, July 2 2001.

⁶⁹ Zou Keyuan, "China's Governance over Offshore Oil and Gas Development and Management," *Ocean Development and International Law* 35, no. 4 (2004), pp. 350-351.

⁷⁰ "News Briefs International: China," *Platt's Oilgram*, November 18 1992; Petzet, "Exploration, Production Futures Bright for East China Sea," p. 80.

Company and the remainder split equally between Sinopec and CNOOC subsidiary Donghai Oil. The advantage of having two major Chinese oil firms involved has been their ability to lay the pipeline infrastructure to bring the gas and oil to market in Shanghai and Ningbo respectively.⁷¹ A two phase expansion was initiated in 2002 in an effort to expand production capacity by 25-37%.⁷² Pinghu has total proven reserves of 26 billion cf of gas and 2.4 million barrels of light crude oil.⁷³

The Chunxiao field is located 70 km southeast of the Pinghu field and 5km from Japan's claimed median line. Exploration and production activities began in 2001. CNOOC and Sinopec each hold a 50% share in the development of Chunxiao, which is made up of four fields, Tianwaitian, Chunxiao, Can Xue and Duanqiao.⁷⁴ Although Sinopec subsidiary Star Petroleum initially carried out the exploration of the area, the central government ordered CNOOC to take a 50% stake at no cost.⁷⁵ As mentioned above, Shell and UNOCAL joined the project in August 2003 and offered a \$1 billion cash injection.⁷⁶ However, Shell and UNOCAL exited the project in September 2004, arguing the reserve base was not commercial and that agreement could not be reached on a production plan in light of several complicated geological features.⁷⁷ As of April 2007, Tianwaitian produced 17.65 million cf of gas per day and production at Chunxiao had yet to begin. Plans are to link Tianwaitian with Chunxiao and then directly to Ningbo and to Shanghai via Pinghu (see Map 2).⁷⁸

⁷¹ Anonymous, "Exploration, Development to Pick up in Frontier Basins Off Eastern China," *Oil & Gas Journal* 99, no. 51 (2001), p. 67.

⁷² Winnie Lee, "Expansion Begins at Pinghu Gas Field in East China Sea," *Platt's Oilgram*, August 21 2002.

⁷³ EIA, "East China Sea."

⁷⁴ Some sources list the Baoyuting and Wuyunting fields as part of Chunxiao, but as evident in Map 2, these are farther removed from the other four, which are clustered together. See *Ibid.*

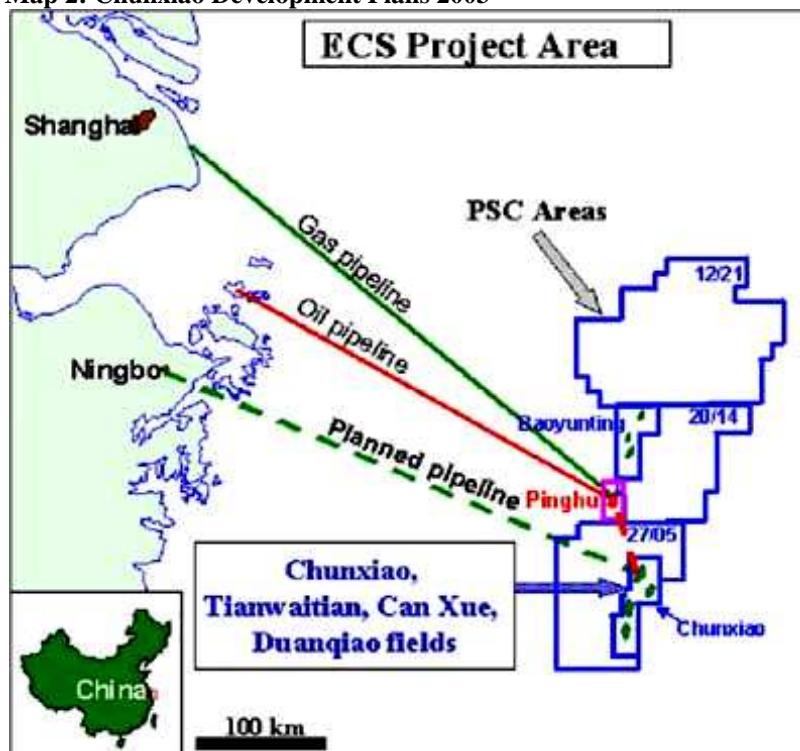
⁷⁵ Winnie Lee, "CNOOC Ltd. Expected to Take Parent's Place in Xihu Trough Gas Project," *Platt's Oilgram*, June 25 2001.

⁷⁶ "What's New around the World: China," *Petroleum Intelligence Weekly*, August 21 2003.

⁷⁷ "Shell, UNOCAL Exit East China Sea Project; CNOOC Says It Still Intends to Start Output in Mid-2005," *Platt's Oilgram*, September 30 2004; "Corporate," *Petroleum Economist*, November 1 2004.

⁷⁸ EIA, "East China Sea," pp. 2-3. Map available at "Shell Factsheet East China Sea," http://www.shell.com/home/content/china-en/news_and_library/press_releases/2003/eastchinaseai_0819.html. Accessed 30/10/2008.

Map 2: Chunxiao Development Plans 2003



Source: Shell website

The fact that the East China Sea projects are entirely Chinese-operated is indicative of CNOOC's capabilities.⁷⁹ With the exception of deep water operations, CNOOC is largely self-sufficient and, as a result of being state owned, will pursue projects deemed non-commercial by foreign enterprises. Thus, future Chinese exploration in the ECS is unlikely to require foreign technological expertise as the entire area under dispute is perfectly within Chinese capabilities. This bodes poorly for Japan, which in the past has been able to assure positive relations with China through oil development; sometimes remaining involved in non-profitable projects.⁸⁰ Japanese entities may be able to gain access to ECS projects on investment grounds, as Chinese NOCs are constantly seeking financial partners, but it is unlikely that Japan will be able to leverage China based on its offshore drilling expertise.

6.2.3 Interaction opportunities: Japan's reaction to China's offshore development

Japan's track record of involvement in East China Sea resource exploration does not reveal consistent resistance to Chinese activities which has undermined Tokyo's

⁷⁹ "Bohai Bay Bonanza," *Petroleum Economist*, December 1 2004.

⁸⁰ Paik, *Gas and Oil in Northeast Asia*, p. 31. For details see Chae-Jin Lee, *China and Japan: New Economic Diplomacy* (Stanford, CA: Hoover Institution Press, 1984), ch. 4

ability to convey its opposition to Beijing. The Japanese government did not protest China's opening of the East China Sea to foreign oil companies in 1994, despite repeated sightings of Chinese resource survey vessels near the Senkaku/Diaoyu islands, and the nature of China's continental shelf claim. Indeed, as noted above, a Japanese consortium successfully bid for blocks on the Chinese side of the median line.⁸¹ Tokyo also did not issue any protest over the development of the Pinghu field when production began, despite concerns from some quarters. Hiramatsu Shigeo viewed Beijing's agreement with Texaco to develop the Pinghu field as part of China's preparations to "extend its reach into the East China Sea".⁸² Japanese policymakers considered objecting to the Pinghu development in 1998, but decided against doing this because the field was not considered close enough to the median line to risk alienating China.⁸³ This decision followed years of tacit Japanese acceptance of Chinese exploration activities in Japanese-claimed waters, discussed in chapter five.

The Japanese policymaking apparatus remained paralysed in the face of incremental, but steady, Chinese expansion through the East China Sea. Few policymakers were concerned about the potential implications of the Chinese activities. Addressing the Diet in December 1995 Takemi Keizo, now Chairman of the LDP's Special Committee on Ocean Matters, drew a link between China's shift to oil importer status, its more frequent exploration activities and the PLAN's expanded operational scope, the same points raised by Hiramatsu. He stated: "I'm deeply concerned that China's continued ocean research may accumulate a number of irreversible advantages in its favour. I ask the government to take measures to prevent such a situation."⁸⁴ Some blame the inaction on the left-leaning Japanese governments of Prime Ministers Murayama Toiichi and Obuchi Keizo, even though the latter

⁸¹ "Japanese Consortium Wins Blocks 41/17 and 42/03 in East China Sea," *Petroleum Economist*. Although Japan's median line policy was not declared with regard to the EEZ until its ratification of UNCLOS in 1996, Japanese negotiators used the median principle in their early talks with China on delimitation in the ECS in November 1980. See Johnston and Valencia, p. 109. However, some view the absence of other bids by Japanese companies as evidence that the disputed islands have impacted the interest of Japanese oil companies in resource exploitation in the East China Sea. See Paik, *Gas and Oil in Northeast Asia*, p. 38.

⁸² Hiramatsu, "China's Naval Advance," pp. 128-132, quote at p. 132.

⁸³ "Government Aims at Fresh Start in Negotiations on Gas Field Development, Fears China Creating Fait Accompli," *Sankei Shimbun*, November 10 2004, in WNC, JPP-2004-11-16-000043.

⁸⁴ Takemi Keizo quoted in "Planning National Strategies-Resources and Energy / China Warnings Went Unheeded," *Yomiuri Shimbun*, April 28 2005.

considered protesting the Pinghu development in November 1998.⁸⁵ This view is consistent with scholarly assessments of Japan's China policy noted in chapter five. It was fragmented and ad hoc due a lack of policy coordination in government, not least due to the role of the 'China School', which adopted a reflexively cautious approach to China. China's offshore push coincided with this incoherent period in Japanese China policy, which limited Tokyo's ability to calculate the longer-term consequences of Chinese maritime expansion, as well as its ability to react to it.

Despite calls to be aware of China's expanded maritime presence Japanese actions conflicted with this message. The Asian Development Bank (ADB) granted a \$130 million loan to Shanghai Petroleum to develop a pipeline from the Pinghu gas field to Shanghai in February 1996.⁸⁶ While Tokyo does not directly control the ADB, its influence is sufficient to make this loan at odds with the reports above that Japanese leaders considered issuing a diplomatic protest over the Pinghu development. This was embarrassingly revealed by the Japanese government in February 2005 as it made preparations to release the findings of its surveys of the median line area.⁸⁷ One possible explanation is that conflicting bureaucratic prerogatives were not picked up due to a lack of oversight at the executive level. For example, the Ministry of Finance (MOF) may have agreed to the ADB loan on the grounds that greater production of natural gas could help alleviate global prices for Japan, a natural gas importer. It would not consider the possible consequences for the territorial dispute, as would MOFA or the SDF. Japanese media was critical of the perceived lack of coordination between MOFA, charged with negotiations relating to territorial disputes, and the Agency for Natural Resources and Energy (ANRE) in METI, charged with exploring for deep sea resources.⁸⁸ One reason for this lack of coordination may be that the issue of resource exploitation in a disputed area does not fit comfortably within the portfolio of any particular branch of the Japanese government. This was evidenced when the Japanese government set up a multi-ministry panel to deal with the Chunxiao issue, because "it is not an issue to be handled by a single department or

⁸⁵ Ibid. It is difficult to accuse Obuchi of being soft on China. See Benjamin Self, "China and Japan: A Façade of Friendship," *The Washington Quarterly* 26, no. 1 (2002), p. 79.

⁸⁶ "Asian Development Bank Approves Loan to Develop Ping Hu Oil/Gasfield in East China Sea," *Petroleum Economist*, February 28 1996.

⁸⁷ "Govt Funded Pipeline for China," *Yomiuri Shimbun*, February 25 2005.

⁸⁸ "Govt Foot Dragging on China Gas Rig Blamed on Ministry Sectionalism," *Yomiuri Shimbun*, June 20 2004.

agency of the Government.”⁸⁹ In any case, as one Chinese scholar put it, the inconsistency in Japan’s diplomatic position, as indicated by the ADB decision, undermined the legitimacy of its protests in the eyes of Beijing.⁹⁰

Japanese inaction may also be due to the fact that Japanese policymakers and public were preoccupied with the disputed islands for much of the 1990s. As one academic has argued, Japan’s stance towards the Senkaku/Diaoyu dispute was characterised generally by ‘strategic non-action’, such as denying the fact that the islands were disputed. As noted in chapter three, this policy was successful because China was concerned about the negative fallout from political crises over the islands. Japan responded to Chinese attempts to claim sovereignty over the islands by reiterating its legal claim to them and denying that this fact was in dispute. Hagstrom argues this policy was effective in as much as it supported Japan’s strategic aims of encouraging a responsible China and not escalating the territorial dispute.⁹¹ However, as a consequence, Tokyo did not reconsider its ban on oil exploration near the islands for fear of provoking a Chinese response. While this ‘strategic non-action’ succeeded in maintaining peace with regard to the disputed islands, it arguably failed to advance Tokyo’s interests with regard to resource exploration. As the challenger to the territorial status quo, China had nothing to lose by conducting exploration activities in the East China Sea; indeed, activities near the Senkaku/Diaoyu islands support the Chinese non-recognition of Japan’s median line. Thus while Tokyo was preoccupied with Chinese exploration activities near the islands, it was not concerned with these activities in what would become its EEZ.⁹² For instance, China’s Donghai oil well, drilled in 1982, is located in the disputed zone.⁹³ The policy of non-action with regard to the disputed islands did not adapt to the changing nature of Chinese behaviour, which in turn undermined Japan’s ability to respond to more concerted Chinese exploration activities in the wider East China Sea.

⁸⁹ Press Secretary Hatsuhisa Takashima quoted in Japan Ministry of Foreign Affairs, "Press Conference 18 June 2004," <http://www.mofa.go.jp/announce/press/2004/6/0618.html>. Accessed 05/05/2008.

⁹⁰ Daojiong Zha, "Calming Troubled Waters," *Beijing Review* 51, no. 28 (2008).

⁹¹ Hagstrom, "Quiet Power," p. 168.

⁹² "Drillship Enters Senkaku Area," *Petroleum Economist*; "Spokesman: Vessel Leaves Disputed Area near Diaoyutai Islands," *Agence France-Presse*.

⁹³ Johnston and Valencia, p. 105. This drilling period also led to discovery of Longjing 1 and 2 and Pinghu 1.

The point is also well made by the Japanese preoccupation with the intrusions issue in the latter part of the millennium. Despite growing concerns about the Chinese maritime threat, its resource exploration efforts remained secondary considerations to the intrusions issue. For example, Chinese resource exploitation activities in the East China Sea are not mentioned as a security concern in MOFA's annual *Blue Book* until the 2005 edition, which describes the Chunxiao dispute in detail.⁹⁴ The previous year's edition mentions the intrusions issue and diplomatically states that the notification agreement is "basically functioning effectively" despite eight Chinese violations in 2003.⁹⁵ Similarly, the *Defense of Japan 2004* describes in detail the intrusions of Chinese research and naval vessels into Japanese waters, but does not mention China's resource exploration in the ECS until the 2006 edition.⁹⁶ Japan's ad hoc reaction to China's resource exploitation in the East China Sea hindered its ability to communicate its opposition effectively and consistently.

Japan's acceptance of China's resource exploration activities in the East China Sea through the 1990s contrasted sharply with its sudden reaction in May 2004. Tokyo issued formal diplomatic protests following the detection of a drilling platform under construction at the Chunxiao site and subsequently conducted its own survey of the median line area. This reaction reinforced the Chinese perception that the Japanese claim was unsubstantiated and opportunistic. Tokyo's stated concern was that due to the proximity of Chunxiao to the median line, the geological features containing the gas might extend onto the Japanese side of the line. If this were true, then Tokyo could have a claim to a share of the resources produced.⁹⁷ Following CNOOC's conclusion of five production sharing contracts with UNOCAL and Shell in August 2003, MOFA and the ANRE issued repeated requests to Beijing to share seismic data gathered on the Chunxiao field.⁹⁸ Following the discovery of the drilling platform, Japanese diplomatic protests became more frequent and high profile. Japanese Foreign Minister Kawaguchi Yoriko raised the issue with her counterpart Li

⁹⁴ Japan Ministry of Foreign Affairs (MOFA), "Diplomatic Blue Book 2005," p. 37, <http://www.mofa.go.jp/policy/other/bluebook/2005/index.html>. Accessed 05/05/2008.

⁹⁵ Japan Ministry of Foreign Affairs, "Diplomatic Blue Book 2004," p. 48, <http://www.mofa.go.jp/policy/other/bluebook/2004/index.html>. Accessed 05/05/2008; James J. Przystup, "Japan-China Relations: Not the Best of Times," *Comparative Connections* 6, no. 3 (2004), p. 119.

⁹⁶ See JDA, *Defense of Japan 2004*, pp. 62-63; Japanese Defense Agency, *Defense of Japan 2006*, (Tokyo: Japanese Defense Agency, 2006), p. 32.

⁹⁷ MOFA, "Diplomatic Blue Book 2005," p. 37.

⁹⁸ Kensuke Nakazawa, "Govt Slow to Wake up to Potential of EEZ," *Yomiuri Shimbun*, August 27 2004.

Zhaoxing at the Third Asia Cooperation Dialogue in Qingdao on June 21 and reiterated Japan's request for the data. In response, Li proposed that the delimitation issue be shelved and the two sides focus on the joint development of the disputed area. However, Beijing did not elaborate on Li's joint development proposal until May 2005.⁹⁹ Similarly, METI Minister Nakagawa expressed his concerns to his Chinese counterpart Zhang Guobao, vice-minister of China's National Development and Reform Commission (NDRC) on the sidelines of the ASEAN +3 energy ministers meeting in Manila. He reportedly demonstrated to Zhang how resources could be siphoned across the median line using a cup and a straw.¹⁰⁰

This marked the first overt point of difference between the two sides over the Chunxiao dispute. Japan would not consider joint development talks until China provided the seismic data it had gathered on the median line area. China argued that Japan was not entitled to the data and remained vague about joint development talks. The nature of Japan's protests reinforces the point above that Tokyo's initial perceptions of the Chunxiao dispute were conditioned by the intrusions issue. Japanese policymakers were less concerned about the possibility of gas production, and more concerned about what intelligence the Chinese had gathered about the seabed and what role this could play in Chinese submarine operations.¹⁰¹ Indeed, Japan's protests in May 2004 also contained remonstrations over a Chinese research vessel sighted in the Japanese EEZ on May 7.¹⁰² In light of these developments, political pressure grew on Japan's government to demonstrate initiative on the Chunxiao issue. Polemic newspaper editorials drew a link (incorrectly) between East China Sea delimitation and the potential implications for the Senkaku/Diaoyu islands dispute. As noted in chapter three, the *Yomiuri Shimbun*'s Yoshio Okubo argued that Japanese recognition of China's claim to the East China Sea necessarily implied the surrender of the Senkaku/Diaoyu islands.¹⁰³ Even the generally balanced *Nihon Keizai Shimbun* argued that China's posture towards the gas issue "seems to echo a series of Chinese actions in recent years that appear to reflect the country's maritime

⁹⁹ Japan Ministry of Foreign Affairs, "Press Conference 22 June 2004," <http://www.mofa.go.jp/announce/press/2004/6/0622.html>. Accessed 05/05/2008.

¹⁰⁰ "Oil Rivals See Value of Cooperation," *Nihon Keizai Shimbun*, July 5 2004.

¹⁰¹ Kosuke Takahashi, "Gas and Oil Rivalry in the East China Sea," *Asia Times*, July 27 2004.

¹⁰² The vessel stayed despite Japanese protests until May 13. See James J. Przystup, "Japan-China Relations: Not Quite All About Sovereignty - but Close," *Comparative Connections* 6, no. 2 (2004), pp. 124-126.

¹⁰³ Okubo, "Political Pulse: Time Govt Stood up to China over EEZ Oil, Gas Reserves."

ambitions, such as a major buildup of its naval forces and expansion of activities of its vessels.”¹⁰⁴

In response to this pressure, Tokyo commissioned the *Ramform Victory*, a Norwegian ocean survey vessel, to conduct a study of the median line area. Although this was the first active policy initiative Japan took on the Chunxiao dispute, it sought to limit negative fallout with China. For example, it provided notification of the survey despite its official view that such notification was not required for a survey of this nature under the 2001 agreement.¹⁰⁵ Tokyo also registered an official protest following reports that China was constructing an undersea pipeline from Chunxiao to the mainland.¹⁰⁶ To further signal its resolve to pursue the issue with China, Japan publicly announced that it was not dissuaded in its quest for East China Sea resources by the exit of UNOCAL and Shell from Chunxiao in September.¹⁰⁷ It was against this backdrop that Chinese and Japanese director-general level representatives met for talks in Beijing on October 25 2004.

These negotiations further strengthened Japanese resolve on the issue. Chinese foreign ministry spokesmen called the talks “advantageous” which could not have been further from the Japanese assessment. The Chinese were described as vague and did not provide the seismic data requested. Nakagawa was quoted as saying “I don’t know why these discussions were even held.”¹⁰⁸ The Chinese position conformed to its previous argument that its projects did not take place in a disputed area; hence there was no need for Japan to be concerned.¹⁰⁹ Following the talks, there were greater calls from within the Japanese bureaucracy for a “fresh start” for Japanese

¹⁰⁴ "Editorial: Japan, China Should Negotiate Gas Development Deal," *Nihon Keizai Shimbun*, October 22 2004.

¹⁰⁵ Japan Ministry of Foreign Affairs, "Press Conference 2 July 2004," <http://www.mofa.go.jp/announce/press/2004/7/0702.html>. Accessed 05/05/2008. This may indicate a Japanese attempt to expand the utility of the median line concept. Recall that the notification agreement called for notification in waters of “of concern to Japan” and “near China”; the median line is not mentioned. By providing notification when its ships operate near the median line, Japan is trying to establish its legitimacy as the *de facto* boundary in the East China Sea.

¹⁰⁶ "Japan Eyes More Protest over China's Pipeline to Disputed Gas Fields," *Kyodo News*, August 27 2004.

¹⁰⁷ "Japan to Go on Exploring Gas Resources in E. China Sea," *Kyodo News*, September 30 2004.

¹⁰⁸ Eric Watkins, "Japan, China in Stalemate over Maritime Boundaries," *Oil & Gas Journal* 102, no. 42 (2004), p. 28.

¹⁰⁹ Ralph Jennings, "China Wants to Continue Gas Exploration Dispute with Japan," *Kyodo News*, October 26 2004.

policy.¹¹⁰ It became clear to many policymakers that Tokyo's discreet diplomatic approach had done little to achieve Japanese interests and that the time had come to get tough with China. One editorial in the *Yomiuri Shimbun* is worth quoting at length.

For more than 40 years, the Japanese government has shelved private-sector applications for exploring rights in the disputed area, and refused to grant permission for initial surveying and development plans. Furthermore, Japan remained inactive with regard to the matter even after the mid-1990s when China started full-fledged oceanic surveys in waters off its coast.

Such attitudes have reflected excessive consideration by the Foreign Ministry and other government entities toward China. For example, the Japanese government reluctantly started collecting data on seabed resources in the area in July--only after the Chunxiao gas project came to light--because of a spate of criticisms within Japan over the government's inaction.¹¹¹

The chance for Japan to assert itself came in April 2005 when the results of the *Ramform Victory's* survey were made publicly available. Published on February 19 by the ANRE, it found a "high probability" that the Chunxiao reserves extended to the Japanese side and there was a possibility that the drilling platform could extract resources from the Japanese side.¹¹² Nakagawa subsequently issued an ultimatum demanding that China stop its drilling activities in light of the report's findings or Japan would proceed with exploratory drilling operations of its own.¹¹³ The report was widely seen in Japan as the evidence required for a legal basis for Japanese opposition to the Chunxiao project.

By early 2005 China's policy environment was characterised by several factors that favoured confrontation over cooperation. Chunxiao was the product of over ten years of offshore development and was seen as a first step in the wider development of the East China Sea. As a result of this period, Chunxiao represented what could be achieved in the wider East China Sea. Furthermore, Beijing knew it did not require Japanese investment to achieve its resource development aims at Chunxiao. The analysis of interaction opportunities indicates that Tokyo had tacitly accepted and in some cases been complicit in East China Sea resource development for ten years. Tokyo's sudden change of heart following the discovery of commercially viable resources at Chunxiao seemed opportunistic. The Chinese intransigence at the talks in

¹¹⁰ "Government Aims at Fresh Start in Negotiations on Gas Field Development, Fears China Creating Fait Accompli," *Sankei Shimbun*.

¹¹¹ "Japanese Editorial Excerpts," *Kyodo News*, October 27 2004.

¹¹² Quoted in Harrison, "Seabed Petroleum in Northeast Asia," p. 4.

¹¹³ Negishi, "Japan Ready to Drill in Disputed Waters."

October 2004 was thus hardly surprising. Japan's requests for seismic data and its sudden opposition to Chinese resource exploration activities were a stark contrast to its passive acquiescence to Chinese offshore resource development in the East China Sea prior to 2003. As one Chinese interviewee pointed out, Japan did not protest the East China Sea developments until a commercially viable production site was found.¹¹⁴ Nevertheless, these factors alone do not explain Beijing's confrontational decision. The analysis of willingness indicates that Chinese leaders chose the confrontational option in light of longer-term concerns over the implications of the cooperative alternative for China's ambitions in the East China Sea.

6.3 Willingness: China chooses confrontation

This section explores the process by which Chinese leaders decided to confront Japan over the Chunxiao gas field. As argued above, resource development in the East China Sea was consistent with China's strategic objective of expanding its maritime sphere of influence. Nevertheless, confronting Japan was not a forgone conclusion; acquiescing to Japanese demands could have aided the capitalisation of CNOOC's projects in the East China Sea, and arguably could have aided overall resource development. Furthermore, despite the generally poor state of bilateral relations, summit meetings in late 2004 in Vientiane and Santiago rhetorically committed Chinese and Japanese leaders to handling history issues appropriately. Also, economic ties passed through an important threshold in 2004: China became Japan's number one trading partner, replacing the United States.¹¹⁵ Consequently, the Chinese decision to choose the confrontational policy option needs to be explained.

Viewed in the context of the willingness indicators outlined in chapter two, three factors contributed to the Chinese willingness to confront Japan. First, Chinese policymakers believed cooperation could set a precedent that might negatively affect China's longer term jurisdictional claims in the East China Sea. Chinese leaders did not accept Tokyo's argument that it was entitled to participate in the Chunxiao project and, moreover, were concerned that ceasing these activities would confer legitimacy on the Japanese legal position. This ruled out both policy alternatives. Second, the continued expansion of China's maritime presence was consistent with the interests of two bureaucratic actors: CNOOC and the PLAN. In light of the potentially

¹¹⁴ Author Interview "I", January 15 2008, Beijing.

¹¹⁵ This characterisation of the relationship in early 2005 comes from Przystup, "Japan-China Relations: Trying to Get Beyond Yasukuni," p. 109.

precedent setting nature of the cooperative option, it would have been resisted by these actors. Finally, bilateral relations during this period were getting progressively worse and reached their nadir in April 2005. Although the downturn in relations was not directly related to the East China Sea dispute, in light of the relational-intangible value noted above, Beijing would have found cooperation an unpopular, and arguably impossible, choice. In short, Beijing calculated that achieving its territorial objectives was more important than potential ramifications for bilateral relations.

6.3.1 China rejects Japan's claim

As noted above, interaction opportunities weakened the credibility of Japan's opposition to the Chunxiao project. As Japanese policy became more assertive throughout 2004, Chinese policymakers consistently rejected the basis of Japan's position on three related grounds—that the Chunxiao development occurred in an undisputed section of the East China Sea, that this section was under Chinese jurisdiction and that these claims and production activities were consistent with international law. From China's perspective, Japan's sudden infatuation with ECS resource wealth between May 2004 and April 2005 was an attempt to fabricate a legal claim to resources that belonged to China. This is an important insight into how Chinese leaders perceived the costs associated with the cooperative option on the policy menu. Cooperation carried implications for the long-term development of East China Sea resources.

The Chinese had persistently rejected the Japanese argument that the extension of the Chunxiao feature east of the median line amounted to the theft of Japanese resources. In the Chinese view these resources were not Japan's to exploit as China also claimed jurisdiction over the area.¹¹⁶ At best, the reserves on the east side of the line were disputed. Moreover, Japan had declared the median line unilaterally. Thus, Beijing argued, there was nothing wrong with Chunxiao, even under the Japanese interpretation of international law.¹¹⁷ Japanese policymakers recognise privately that this is a legitimate point, and in the words of one strategist, the median line policy, officially adopted in 1996 as part of Japan's EEZ legislation, was a mistake.¹¹⁸

¹¹⁶ For this distinction as it relates to joint development see Jiang, "East Asia's Troubled Waters."

¹¹⁷ See the statements by Chinese foreign ministry spokesman Kong Quan in Watkins, "Japan, China in Stalemate over Maritime Boundaries," p. 28.

¹¹⁸ Author Interview "A". Recall that Tokyo has subsequently attempted to argue that it claims a 200nm EEZ. See Drifte, "The Politics of the East China Sea Gas Dispute," p. 15.

Indeed, MOFA officials lamented the median line for this reason.¹¹⁹ In claiming jurisdiction to the median line, rather than the 200nm limit, Japan effectively conceded ocean space to China. Viewed this way, the Japanese decision to conduct seismic surveys east of the median line was viewed in Beijing as a change in the status quo that has existed since the onset of the dispute in 1970. Several Chinese interviewees blamed the Japanese media for being unclear about these details; in particular that Chunxiao lay on the Chinese side of Japan's median line. By misleading the public this way, the media supported Tokyo's argument that its resources were being collected by China.¹²⁰ According to one Chinese official, the Japanese claim, following twenty years of the Chinese development, was "unbelievable and unreasonable."¹²¹ As a result, Chinese decision-makers viewed Japan's more assertive policy as a threatening gesture that seemed out of proportion with its stake in the dispute.

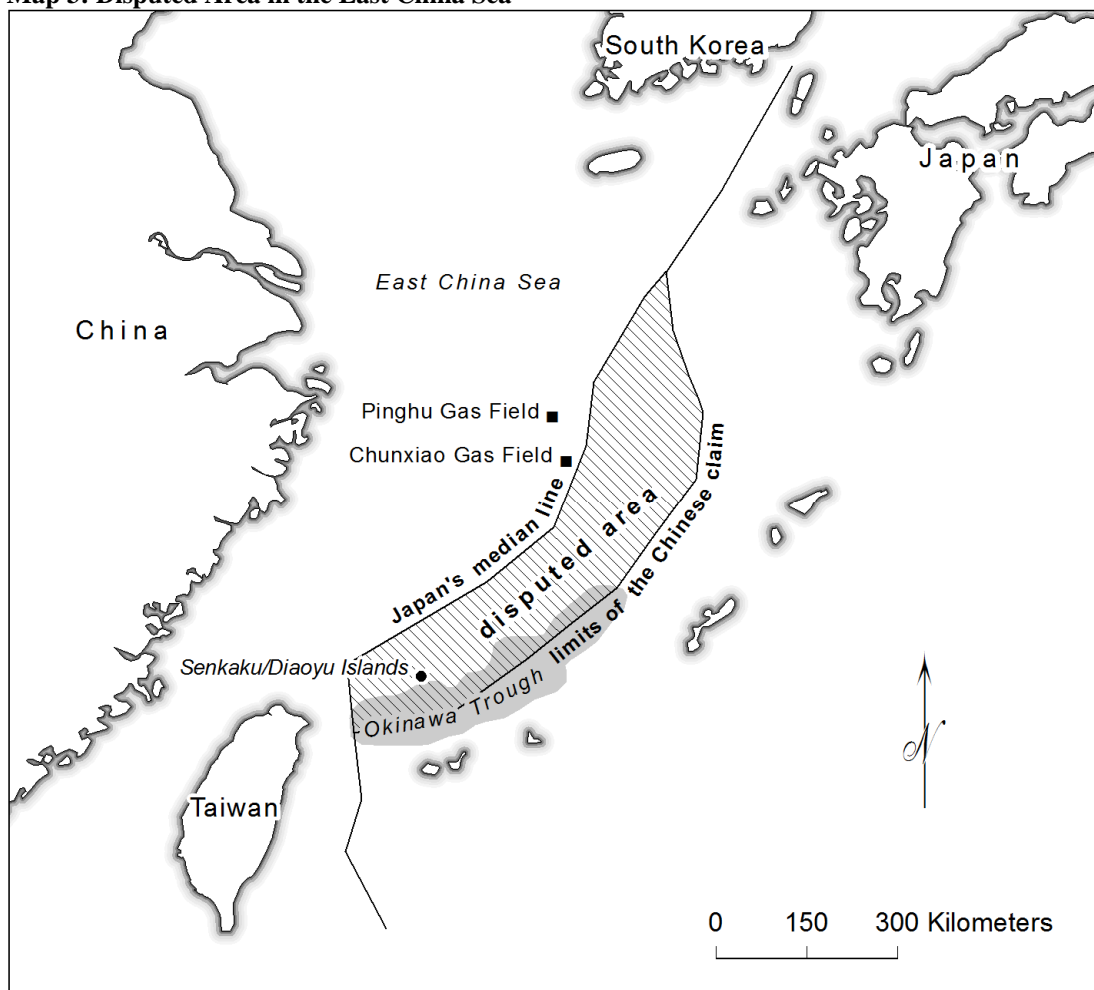
The Chinese opposition to the legal basis of Japan's position indicates Beijing's awareness of the precedent associated with conceding ground on questions of international law in maritime territorial disputes. Indeed, Chinese state media was highly vocal on the legal justification of China's position, frequently denouncing Japan's 'unilateral' median line.¹²² Accepting the Japanese argument, either by sharing seismic data, by accepting the Japanese entitlement to a share of Chunxiao resources, or by not reiterating the Chinese claim could have set a negative precedent for future Chinese drilling operations in the East China Sea. Cooperation could have been interpreted as the recognition of the Japanese claim to the entirety of the disputed area between the median line and the continental shelf (see Map 3). This in turn could have led to Japan making claims on other fields at Chunxiao and would have undermined Beijing's ambition for the wider development of the East China Sea.

¹¹⁹ "Govt Starts Survey of EEZ Riches," *Yomiuri Shimbun*, July 8 2004.

¹²⁰ Author Interview "F"; Author Interview "E"; Author Interview "I".

¹²¹ Statement of Liu Jinsong, First Secretary at the Chinese Embassy in Tokyo to the Foreign Correspondence Club of Japan. "Chinese Official Raps Japan's 'Provocative' Action over Gas Dispute," *Kyodo News*, June 7 2006.

¹²² See for example, Liao Yameng, "China Refuses to Accept the Idea of 'Middle Line' but Proposes 'Common Development' as a Solution to the Recent Row between China and Japan over the Gas Field on the East China Sea," *Wen Wei Po*, July 11 2004, in WNC, CPP-2004-07-12-000048.

Map 3: Disputed Area in the East China Sea

Source: Spatial Information System Laboratory, Flinders University¹²³

Precedent is important to maritime territorial disputes because a growing number of legal decisions are informed by state practice; maritime jurisdictional and territorial disputes have gained a ‘use it or lose quality’ in recent arbitration decisions.¹²⁴ As Mark Valencia notes, “granting hydrocarbon concessions in disputed ocean areas is a provocative way for claimant states to exercise jurisdiction.”¹²⁵ One scholar has found evidence that some in China view it as important that Chinese vessels cross the median in order to ensure that Japan cannot claim that China recognises the line in

¹²³ It is important to note that Japan has not made public the coordinates of the median line. The one drawn here and in Map 4 is based on existing open source maps and is an approximation.

¹²⁴ This is has mostly been the case in arbitration of disputed islands. See Merrills, pp. 797-802; Colson, "Sovereignty over Pulau Ligitan and Pulau Sipadan," pp. 398-406.

¹²⁵ Valencia, "Energy and Insecurity in Asia," p. 96.

any way.¹²⁶ That this is in direct violation of Article 241 of UNCLOS does not seem to matter. Although they will likely never submit the dispute to third party arbitration, both parties have ensured their practice conforms to their legal interpretation. Similarly, the Chinese claims that they had never drilled in the disputed area before does not imply that they have not been seen exploring the seabed for resources. In addition to those instances mentioned above, the Chinese chartered the *Nordic Explorer*, a Norwegian survey ship, to conduct a two month survey on the Japanese side of the median line in July 2001.¹²⁷ Unlike its military intelligence and MSR ships, this is a clear attempt to explore for undersea hydrocarbon resources in the disputed area, which is consistent with the exercise of EEZ jurisdiction. In light of these previous attempts to maintain a degree of legal consistency, it is unlikely that Beijing would cease the development of Chunxiao due to Japanese opposition. Its opposition to the median line was longstanding, and Beijing was not prepared to reverse this policy in April 2005

6.3.2 Bureaucratic actors: CNOOC and PLAN

In light of the potential costs of the cooperative policy option, bureaucratic actors with a stake in China's territorial objectives in the East China Sea, such as CNOOC and the PLAN, would have opposed the selection of this policy choice. Due to the opacity of the Chinese decision-making process definitive evidence to this effect is difficult to identify. However, in light of what is known about the policy influence of these two actors, and what is known about their stakes in the Chinese development of ECS resources, the case can be made.¹²⁸ In the case of CNOOC, following the withdrawal of its international partners in September 2004, Beijing sent clear signals that it would remain committed to the Xihu Trough projects. As indicated above, Shell and UNOCAL apparently exited the project because of concerns over the total amount of reserves and the final development plan. Given that Chinese NOCs function as both profit-maximising firms and instruments of national development policy, the fact that both Chinese companies continued with the project, despite the commercial concern of international partners, "demonstrates...the political pressure

¹²⁶ Senan James Fox, "Uncertain Waters: The Causes of the East China Sea Disputes and the Way Forward for Sino-Japanese Relations," (paper presented at the International Studies Association 49th Annual Convention, San Francisco, CA, March 26-29 2008), p. 22.

¹²⁷ Harrison, "Seabed Petroleum in Northeast Asia," p. 4.

¹²⁸ See for example the discussion of a 'petroleum group' within Chinese government and bureaucracy in Kenneth Lieberthal and Michel Oksenberg, *Policy Making in China: Leaders, Structures and Processes* (Princeton: Princeton University Press, 1988), ch. 5.

on China's state-owned companies to push ahead with projects that others would not consider viable."¹²⁹ Furthermore, it is likely that both Sinopec and CNOOC were given a capital injection by Beijing to facilitate their takeover of the outstanding 50% stake in the project.¹³⁰ Further evidence of Beijing's commitment to the Chunxiao development was the decision to keep the related pipeline project on schedule, despite UNOCAL and Shell's exit.

From CNOOC's standpoint, resource development in the East China Sea is integral to its performance. As Philip Andrews-Speed notes, due to CNPC's monopoly on onshore gas production and distribution, CNOOC's ability to capitalise on the promised growth of natural gas industry along the Eastern seaboard is limited to two sources; LNG imports through its terminal at Guangdong and its dominance in offshore natural gas production.¹³¹ Fridley notes that offshore resources have an advantage over LNG imports, as gas piped directly from its source is cost effective over a longer distance.¹³² Indeed, CNOOC argues that Beijing could have avoided building the costly West-East pipeline and opted instead for gas piped from offshore rigs, as Pinghu is currently.¹³³ By some estimates, Xihu Trough gas is cheaper than gas sourced from the West-East pipeline, a point CNOOC executives would have made to Chinese policy elites.¹³⁴ In short, the geographical convenience of East China Sea natural gas is critical not only to China's energy security calculations, but also to CNOOC's future competitiveness. In addition to sunk costs, the danger cooperation posed to the longer term development of the ECS would have endangered not only CNOOC's prospects of remaining competitive in the Shanghai gas market, but also its longer term prospects in the East China Sea. Indeed, many of CNOOC's current projects straddle the median line. Cooperation is a slippery slope; Japanese access to Chunxiao could lead to claims to other Chinese fields on the median line. This would

¹²⁹ "Corporate," *Petroleum Economist*.

¹³⁰ One scholar has observed that the Chinese government often bankrolls the overseas investments of NOCs through lines of credit from state banks and foreign aid. Peter C. Evans and Erica S. Downs, "Untangling China's Quest for Oil through State-Backed Financial Deals," *Brookings Institution Policy Brief # 135* (2006), pp. 3-4. The authors also note the difficulty in ascertaining the extent and details of this financing activity. Nevertheless, given the potential for East China Sea development for Chinese energy security, it can be inferred that the central government would have done its part to soften the exit of Shell and UNOCAL from the Chunxiao project.

¹³¹ Andrews-Speed, *Energy Policy and Regulation*, p. 133.

¹³² Fridley, p 31.

¹³³ *Ibid.*, pp. 43-44. See also "Rivals Race Petrochina to Shanghai," *Petroleum Intelligence Weekly*, August 27 2003.

¹³⁴ Andrews-Speed, *Energy Policy and Regulation*, p. 130.

have been resisted by CNOOC which was six months away from beginning production at the Tianwaitian field. In light of the importance of these projects, CNOOC could have lobbied Beijing against cooperation with Japan.

While it is not clear how politically influential Chinese NOCs are in Beijing, academic debate centres on the degree of influence, not its existence. The International Crisis Group argues “officials in the Energy Bureau of the National Development and Reform Commission, the country’s main economic decision-making body, are mostly powerless in the face of pressure from these state-owned firms [Chinese NOCs].”¹³⁵ More nuanced analyses note that Beijing recognises that the NOCs are integral to China’s energy security, which is in turn integral to economic growth and by extension CCP legitimacy; hence, Beijing will do its best to make their job easier.¹³⁶ Some authors note that there have been moments of tension between the two. For instance, NOCs have exported petroleum from Guangdong province at a time of increasing demand there, due to price controls.¹³⁷ However, these conflicts are less likely if a given project is in both the commercial interest of a NOC and consistent with Beijing’s energy security prerogatives, as is the development of Chunxiao.¹³⁸

Finally, CNOOC has close relationships with both central and local governments. CNOOC is 70% owned by the Chinese government, despite being the most ‘corporatised’ Chinese oil company.¹³⁹ More important, however, are the personal links it has with top Chinese leaders. For instance, Vice-Premier Zeng Qinghong is a former chief of the CNOOC External Affairs Bureau.¹⁴⁰ At the local level, the Pinghu project was transferred to CNOOC at the intervention of the Shanghai government following Texaco’s withdrawal. This indicates that Pinghu production was prioritised

¹³⁵ “China’s Thirst for Oil,” *Asia Report #153* (Brussels: International Crisis Group, 2008), p. 6.

¹³⁶ Sizhi Guo, “The Business Development of China’s National Oil Companies: The Government to Business Relationship in China,” in *The Changing Role of National Oil Companies in International Energy Markets* (Houston: Japan Petroleum Energy Center and the James A. Baker III Institute for Public Policy, 2007), p. 28.

¹³⁷ See Jian Jun Tu, “Smoke and Mirrors in China’s Oil Industry,” *China Brief* 8, no. 11 (2008), p. 12; Guo, p. 27.

¹³⁸ Shaofeng Chen, “Motivations Behind China’s Foreign Oil Quest: A Perspective from the Chinese Government and the Oil Companies,” *Journal of Chinese Political Science* 13, no. 1 (2008), pp. 91-95.

¹³⁹ Stephen W. Lewis, “Chinese NOCs and World Energy Markets: CNPC, SINOPEC and CNOOC,” in *The Changing Role of National Oil Companies in International Energy Markets* (Houston: Japan Petroleum Energy Center and the James A. Baker III Institute for Public Policy, 2007), pp. 48-49.

¹⁴⁰ Guo, p. 26.

as part of a government plan to increase natural consumption in Eastern China. Indeed, the field's development coincided with plans in Shanghai to link the project to other natural gas projects in the East China Sea as part of a plan to power the Pudong area.¹⁴¹ Due to decentralisation of authority under reform, regional governments have taken to offering "local energy security" as an incentive to attract foreign investors.¹⁴² The financial involvement of the Shanghai municipal government in the Pinghu project indicates its interest in assuring gas supply and market development in Shanghai, an interest shared by CNOOC.¹⁴³

In any case, the historical record indicates that at various points both central and regional governments have intervened to keep the East China Sea projects going. Combined with the importance of the projects to CNOOC's short-term and long-term viability, these links indicate that CNOOC executives would have made their opposition to the cooperative option known to Beijing.

Similarly, the PLAN benefits from the expansion of China's maritime power and the Navy remains an influential actor in China's defence policy. As discussed in chapter one, the PLAN has influenced China's maritime territorial disputes in the South China Sea. As noted in chapter three, the 1992 LTC made a claim to the Senkaku/Diaoyu islands as a product of PLAN lobbying. Shortly after the LTC was passed, a senior naval commander expressed the view that the PLAN has an important role to play in the exploitation of offshore resources.¹⁴⁴ Other analysts view the LTC as an indication of the PLAN's "irredentist resolve".¹⁴⁵ Moreover, there are unconfirmed reports that the PLA favoured issuing an ultimatum to Japan to withdraw from the Senkaku/Diaoyu islands at the height of the tensions over the islands in 1996.¹⁴⁶ Given its past influence over China's territorial posture and the

¹⁴¹ "China Plans Development of Pinghu Field to Help with Shanghai Demand," *Platt's Oilgram*, January 9 1996. The Shanghai government has also played an important role in increasing the use of natural gas for base load power generation. For example it banned new construction of new coal fired power plants in an effort to drive the shift to natural gas. See Kaoru Yamaguchi and Keii Cho, "Natural Gas in China," *Working Paper #221* (Japan: Institute of Energy Economics, 2003).

¹⁴² Kambara and Howe, p. 117.

¹⁴³ Richard Lester and Edward Steinfeld, "China' Energy Policy: Is Anybody Really Calling the Shots?," *Industrial Performance Center Working Paper Series #MIT-IPC-06-002s* (Cambridge MA: M.I.T., 2006), p. 14.

¹⁴⁴ Zhan, p. 182.

¹⁴⁵ Chang and Chen, p. 57.

¹⁴⁶ Dreyer, p. 333,

current perception that secure sea approaches are vital to China's future security, the PLAN's continued influence on territorial questions can be assumed.¹⁴⁷

In light of the PLAN's interests in the relational-tangible value of the East China Sea outlined above, and the related territorial objective of maintaining a presence in these waters, it is highly plausible that it would also have opposed cooperation with Japan in 2005. Some Chinese strategists observe that for "realist" thinkers like the PLA, the Chunxiao issue relates to the broader exercise of Chinese naval power in the East China Sea and provides a basis for an expanded PLAN mandate beyond the first island chain. PLAN dominance of the ECS is integral to China's long-term energy security.¹⁴⁸ In this context, senior PLAN officials would have found cooperation with Japan an unpalatable policy option. As Robert Sutter notes, "as Chinese-Japanese territorial conflicts grow in scope and intensity, they intrude ever more directly on these PLA priorities."¹⁴⁹ Consequently, the navy would support any policy that leads to the expansion of its mandate. While both these bureaucratic examples are slightly speculative, there is an overwhelming amount of circumstantial evidence indicating that these two bureaucratic actors had reason and the access to senior cadres in Beijing to make their opposition known.¹⁵⁰

6.3.3 Bilateral relations vs. territorial value¹⁵¹

Beijing's confrontation of Japan occurred against the backdrop of a steadily worsening bilateral relationship that culminated in the nadir period of Sino-Japanese relations in April 2005. The state of bilateral relations after 2000 is well known. Official leadership visits had been frozen since October 2001 as a result of Koizumi's

¹⁴⁷ See M. Taylor Fravel, "China's Search for Military Power," *The Washington Quarterly* 31, no. 3 (2008), pp. 125-141.

¹⁴⁸ Author Interview "D".

¹⁴⁹ Robert G. Sutter, "The PLA, Japan's Defense Posture, and the Outlook for China-Japan Relations," in *Shaping China's Security Environment: The Role of the People's Liberation Army*, ed. Andrew Scobell and Larry M. Wortzel (Carlisle, PA: US Army War College, Strategic Studies Institute, 2006), p. 184.

¹⁵⁰ While the consensus is that Chinese policymaking is becoming more institutionalised and the PLA's influence on foreign policy is decreasing, two areas where it remains influential are issues relating to the Taiwan Strait and Japan. See Tai Ming Cheung, "The Influence of the Gun: China's Central Military Commission and Its Relationship with the Military, Party and State Decision-Making Systems," in *The Making of Chinese Foreign and Security Policy in the Era of Reform*, ed. David M. Lampton (Stanford: Stanford University Press, 2001), pp. 61-90; Michael D. Swaine, "Chinese Decision Making Regarding Taiwan, 1979-2000," in *The Making of Chinese Foreign and Security Policy in the Era of Reform*, ed. David M. Lampton (Stanford: Stanford University Press, 2001), pp. 289-336.

¹⁵¹ Parts of this section appeared in Manicom, "The Interaction of Material and Ideational Factors in the East China Sea Dispute," pp. 375-391.

visits to the Yasukuni Shrine and the academic consensus of the time was that China and Japan were locked in a rivalry for influence in Asia.¹⁵² At the popular level, anti-Japanese sentiment in China was on the rise, evidenced by hostile reception of the Japanese soccer team during the Asia Cup final in August 2004.¹⁵³ In this climate, there was little incentive for Chinese leaders to deviate from their confrontational policy choice. Indeed, in light of the relational-intangible value of the East China Sea dispute at the time, they would have found cooperation with Japan domestically unpopular. The point is well demonstrated by an analysis of relations at the time of Nakagawa's ultimatum in April 2005, as this was the last possible chance for China to soften its stance before Japan proceeded with drilling.

Although tension over the Senkaku/Diaoyu Islands was elevated after Japan took formal possession of Uotsuri Island on February 9, the impetus for the anti-Japanese protests in China did not relate directly to the islands. Rather, they were sparked by the publication of a controversial history textbook and growing popular opposition in China to Japan's efforts to secure a UN Security Council seat.¹⁵⁴ The protests initially occurred at Japanese businesses in Chengdu and Shenzhen on April 4, spread to Beijing and Hangzhou, and climaxed outside the Japanese Consulate General in Shanghai on April 16. As it had done in the past, China sought to balance its nationalist credentials with the management of the bilateral political relationship. Foreign Ministry spokesman Qin Gang made clear that the Chinese people were hurt by Japan's actions (the publication of the textbook), but expressed hope that the Chinese people would express their discontent "rationally".¹⁵⁵

Nationalist demonstrators soon broadened the scope of their protests. The *Xinhua* news agency reported that during the largest and most violent demonstrations in Shanghai, demonstrators shouted slogans aimed at the history textbook issue *and* at Japan's plans for exploration in the East China Sea.¹⁵⁶ The inclusion of the ECS

¹⁵² Robert G. Sutter, "China and Japan: Trouble Ahead?," *The Washington Quarterly* 25, no. 4 (2002), pp. 37-49.

¹⁵³ Przystup, "Japan-China Relations: Not the Best of Times," pp. 120-121.

¹⁵⁴ Roy, "The Sources and Limits of Sino-Japanese Tensions," pp. 191-214; Paul Mooney, "Internet Fans Flames of Chinese Nationalism," 2005, www.yaleglobal.yale.edu. Accessed 11/06/2007.

¹⁵⁵ Qin Gang quoted in "Foreign Ministry Spokesman Qin Gang's Press Conference on 5 April 2005," Foreign Ministry of the People's Republic of China, www.fmprc.gov.cn/ce/ceno/eng/fyrth/t190537.htm. Accessed 25/06/2007.

¹⁵⁶ Ralph Jennings and Naoki Aoki, "Demonstrators Break Windows at Japan Consulate in Shanghai," *Kyodo News*, April 16 2005.

dispute into these demonstrations is telling, as it was not part of the original source of protest. As one member of the *Federation to Protect the Diaoyu Islands* put it, disputes over the sovereignty of the islands and exploration in the East China Sea exacerbate the Chinese peoples' discontent with Japanese policy towards China.¹⁵⁷ It was against this backdrop that Nakagawa issued his ultimatum that China cease its operations in the East China Sea or face Japanese drilling in the disputed area.

Chinese elites would have found cooperation difficult in such a climate. In addition to the demonstrators in the streets, Chinese interviewees intimated that it is inadvisable to suggest pro-Japanese policies under such conditions. In some cases, proponents of these views have come under heavy criticism. This keeps moderate voices quiet during times of crisis.¹⁵⁸ There may also be a reluctance on the part of the Chinese policymaking apparatus to hear moderate advice if the bilateral relationship is poor. One strategist said that during the Koizumi era, writings on Japan needed to be critical before they could proceed with the crux of their argument.¹⁵⁹ In light of the place of Japan and territory in the Chinese nationalist mindset, a compromise on the Chunxiao gas field in response to Nakagawa's ultimatum would have been highly inadvisable given the vulnerability of the CCP to pressure from this constituency. Simply put, the cooperative option carried significant political costs.

6.3.4 Political will for confrontation¹⁶⁰

Viewed through Brinkerhoff's indicators of political will, it is evident that Beijing had strong political will for the confrontational choice.

1. *Locus of initiative*- Despite the opacity of the Chinese policymaking process, there is no reason to believe the decision came from anywhere other than central policymakers in Beijing. In the absence of evidence to the contrary, this indicator is high.
2. *Degree of analytical rigour*- All the evidence indicates that Beijing perceived Japan's stance as opportunistic and its objections unfounded. Moreover, concerns over the precedent set by cooperation dominated both central and

¹⁵⁷ Ma Yan quoted in Ralph Jennings, "Chinese Protestors Planning More Anti-Japan Demonstrations," *Kyodo News*, April 13 2005.

¹⁵⁸ Author Interview "J", January 24 2008, Beijing.

¹⁵⁹ Author interview "D".

¹⁶⁰ The outcome of this period is explored in chapter seven, thus this section appears here under the willingness heading.

bureaucratic calculations indicate that Chinese leaders considered other policy options. This indicator is high.

3. *Mobilisation of support*- Support for confrontation was wide ranging, from the vocal minorities demonstrating in Chinese streets, through to bureaucratic actors such as CNOOC and the PLAN. This indicator is high.
4. *Application of credible sanctions*- Throughout 2004 there were several instances which were interpreted in Tokyo as signals of Chinese resolve. The *Sankei Shimbun* reported that a PLAN vessel, disguised as a research ship, had made an “abnormal approach” on a Japanese survey ship during the seismic survey in July 2004.¹⁶¹ A less ambiguous signal occurred in January 2005 when a flotilla of PLAN vessels was sighted near the Chunxiao installation.¹⁶² On January 22 two *Sovremennyy* class destroyers were seen sailing from Chunxiao towards the *Ramform Victory* as it was sailing close to the median line. This precipitated the dispatch of P-3C surveillance aircraft from Naha airbase which observed the two destroyers alternately sailing in a zigzag pattern behind the survey ship, before returning to Chinese waters.¹⁶³ There was little doubt about the message Beijing was sending. This indicator is high.
5. *Continuity of effort*- Beijing remained committed to confrontation through the remainder of 2005. As will be described in chapter seven, following Japan’s decision to conduct its own drilling, Beijing continued with the development of Chunxiao and escalated both its rhetoric and military posturing. This indicator is high.

6.4 Conclusion: The conditions of confrontation

This chapter has argued that China’s decision to confront Japan over the development of the Chunxiao gas field and other East China Sea hydrocarbon resources was the product of a policy environment and a domestic process that favoured confrontation. Several structural factors were germane to confrontation. First, China’s strength as a producer of offshore resources meant that it did not need Japanese capital or technological expertise to pursue its aims at Chunxiao. Had either of these been

¹⁶¹ "China Interferes with Survey of Natural Resource in East China Sea; Transmits Sound Waves and Makes Abnormal Approach," *Sankei Shimbun*, March 28 2005, in WNC, 2005-03-28-1477.1_031b0076ac301f2d. The article opined that the vessel may have operating independently of orders from Beijing.

¹⁶² Harrison, "Seabed Petroleum in Northeast Asia," p. 4.

¹⁶³ "Planning National Strategies-Resources and Energy/More Open China a Threat to Japan," *Yomiuri Shimbun*, April 13 2005.

required, Japan's bargaining position would have been greatly strengthened. As it was, CNOOC and Sinopec were able to weather the withdrawal of their foreign partners and continue with the project. Second, interaction with Tokyo over the development of ECS resources made Japan's opposition from May 2004 seem opportunistic. Over the previous ten years Japan had aided, rather than opposed the development of ECS hydrocarbons. The absence of sustained opposition undermined the credibility of Japan's protests. These opportunities added the confrontational option to Beijing's policy menu.

Chinese leaders chose the confrontational option over the alternative choices of acquiescing to the Japanese request or doing nothing. Cooperation would have entailed ceasing the Chunxiao development and turning over the seismic data gathered. Chinese leaders were willing to confront Japan over the Chunxiao dispute because they believed that Japan did not have genuine grounds to oppose the project. By Japan's own definition, the Chunxiao installation is not located in the Japanese-claimed section of East China Sea. The implications of either alternative option could have harmed China's territorial objectives in the East China Sea. These objectives were shared by CNOOC and the PLAN, which would have lobbied in favour of the confrontational option. Finally, given the bilateral political climate of the time, Chinese leaders could not have compromised with Japan in light of nationalist attachment to the dispute even if they had wanted to.

The Chinese confrontational choice was successful; it allowed Beijing to continue the exploitation of East China Sea resources and reinforced its version of the legitimate claim. The strategy was successful because China's opportunities were robust and well developed. It held the edge in terms of the legal interpretation of the dispute and it had the required capabilities to exploit the disputed resources independent of international assistance, which eroded an economic basis for a cooperative solution. In response, Prime Minister Koizumi decided to hold bids for contracts for Japanese oil companies to explore the east side of the median line in the East China Sea. The dynamics of this decision and the outcome of this period are analysed in chapter seven.

Chapter 7: Japan's Confrontational Choice in 2005, The Teikoku Decision

Tokyo announced that it would take the necessary steps to drill for hydrocarbons in the East China Sea on April 14 2005 in light of the survey findings that the Chunxiao field's geological features extended to the Japanese side of the median line. On one level, this was not a sudden decision; Japanese policymakers were reportedly considering doing this as early as January 2005 and were even in talks with Teikoku Oil and JAPEX at the time.¹ These talks centred on resuscitating the old concession blocks in the East China Sea from the 1970s following the acquisition of all the former stakeholders by JAPEX and Teikoku. Further evidence that the decision had been under consideration is that Tokyo increased funding for exploration in the ECS in the annual budget from 3.8 billion yen to 12.9 billion yen in January.² Nevertheless, the decision was a dramatic escalation of policy for Tokyo, which had tolerated Chinese resource exploitation activities in the East China Sea for more than fifteen years.

On April 4, at working level discussions to prepare for the upcoming visit of Japanese Foreign Minister Machimura Nobutaka to China, Japanese officials told their Chinese counterparts that unless China shared the data, Japan would grant drilling rights to an oil company and begin exploration activities on its side of the median line.³ Faced with repeated Chinese intransigence, Koizumi announced Japan would "carry forward the procedures as planned" and open its side of the median line to bids for drilling concessions.⁴ Beijing replied that such actions would be a "serious provocation" and that Japan would have to "take responsibility for the consequences."⁵

The formal decision to grant drilling rights to Teikoku Oil was announced three months later on July 14 2005 amid a period of serious bilateral tension. METI Minister Nakagawa Shoichi made the announcement following Teikoku's April 28

¹ Eric Watkins, "Japan, China Dispute Field," *Oil & Gas Journal* 103, no. 4 (2005), p. 30.

² "Japan Moves to Drill in the East China Sea," *The Japan Times*, January 17 2005.

³ Przystup, "Japan-China Relations: No End to History," p. 126.

⁴ Junichiro Koizumi quoted in P. S. Suryanarayana, "Japan Raises Stake in East China Sea, Grants Rights for Drilling," *The Hindu*, April 14 2005.

⁵ Quoted in Naoki Aoki, "China Accuses Japan of 'Provocation' Ahead of Machimura Visit," *Kyodo News*, April 14 2005.

application and noted that this development was not intended to provoke China.⁶ The Chinese described the decision as a severe provocation and a violation of China's sovereign rights. Consistent with its jurisdictional claims, China's Ministry of Foreign Affairs (MFA) denied Japan's right to drill in the disputed area.⁷ Subsequently, Teikoku Oil initiated the legal process to begin exploration operations in its concession blocks. These included: registering for a drilling licence, filing a business plan with the Agency for Natural Resources and Energy (ANRE) and conducting research into the required technologies for drilling in the area. This process was expected to take up to two years.⁸ Meanwhile, Tokyo adopted a more conciliatory stance at the third round of talks between September 30 and October 1 2005. Tokyo dropped its request for access to the Chinese seismic data as a precondition for negotiations and tabled a joint development proposal. In light of the considerable pressure on leaders in Tokyo to confront China, this change in policy needs to be explained, as it may identify the limits of Japan's confrontational policy.

Consistent with previous case studies, the first section of this chapter explores the value Japanese leaders placed on resource development in the East China Sea in 2005. In addition to the resource dimension, Tokyo viewed standing up to Beijing as a way of delaying China's maritime expansion. Thirdly, similar to Beijing, Japanese leaders were operating in a narrowed policy space due to widespread domestic concerns about China's rise, which added a relational-intangible dimension to territorial value. The second section explores Japan's opportunities to achieve these objectives in light of changing Japanese defence 'capabilities', defined in institutional terms, as well as continued poor interaction opportunities with China. The third section outlines how Japanese leaders chose the 'Teikoku decision' from available policy alternatives. The fourth section explores the outcome of the Teikoku decision in light of China's reaction. The chapter finds that similar to the case of the intrusions issue, Japan's preferred policy option, in this case confrontation, was hamstrung by a narrow policy menu. Nevertheless, confrontation was selected due to public pressure, as well as continued concerns about the costs of inaction for Japan's national security. However, whether the Teikoku decision was intended to result in actual drilling is

⁶ Maya Kaneko, "Japan Grants E. China Sea Drilling Rights to Teikoku Oil," *Kyodo News*, July 14 2005.

⁷ Ralph Jennings, "China Protests Japan's Decision to Drill E. China Sea Gas," *Kyodo News*, July 15 2005.

⁸ "Teikoku Oil Starts Gas-Drilling Preparations in the E. China Sea," *Nihon Keizai Shimbun*, September 6 2005.

unknown; there are serious environmental barriers to independent Japanese resource development in the East China Sea. Japan's policy shift in October 2005 could be viewed as recognition of the limits of its capacity to sustain the confrontational choice. The chapter concludes with an outline of the conditions of Japan's confrontational choice.

7.1 Value of East China Sea resource development to Japan

In 2005 Japanese leaders valued resource development in the East China Sea for several reasons. Following China's discoveries at Chunxiao, Japan began to consider the role of the ECS in its energy security plans, a value which could be classified as intrinsic-tangible, as this was shared by the PRC.⁹ China's activities also further reinforced Japan's concerns about its maritime ambitions, discussed in chapter five. By 2005 the perception of a Chinese 'creeping expansionist' strategy had become widely accepted across the Japanese policymaking apparatus, and moreover, China's resource exploitation was viewed as a critical aspect of this strategy. This strategic value could be classified as relational-tangible because although concerns of Chinese expansion are material, they are also unique to Japan. Finally, by mid-2005, like their Chinese counterparts, Japanese policymakers came to value resource development in the ECS for domestic political reasons. Whereas Tokyo had attempted to restrain nationalist sentiment over the disputed islands in 2004 and early 2005, by mid-late 2005 the Japanese stance on the Chinese activities in the ECS had become tied up with larger domestic debates about the appropriate response to a rising China, which in turn limited the political space for cooperative proposals. This is classified as relational-intangible.

7.1.1 Intrinsic-tangible value: Hydrocarbon resources

A brief analysis of Japan's energy security policy reveals the context in which Japan became more interested in offshore production in 2005. While Japan has a long track record of hydrocarbon import dependency, this did not yield a substantive interest in

⁹ For more on Japan's energy security see Raymond Vernon, *Two Hungry Giants: The United States and Japan in the Quest for Oil and Ores* (Cambridge: Harvard University Press, 1983); Davis B. Bobrow and Robert T. Kudrle, "How Middle Powers Can Manage Resource Weakness," *World Politics* 39, no. 4 (1987), pp. 536-565; Yujiro Eguchi, "Japanese Energy Policy," *International Affairs* 56, no. 2 (1980), pp. 263-279; Donald W. Klein, "Japan 1979: The Second Oil Crisis," *Asian Survey* 20, no. 1 (1980), pp. 42-52; Yusuke Onitsuka, "The Oil Crises and Japan's Internal-External Adjustment," *Working Paper #15* (Tokyo: Department of Social and International Relations, University of Tokyo, 1990); Masaru Yoshitomi, "Supply Management: The Key to Survival in the 1980s," *Asian Survey* 20, no. 7 (1980), pp. 683-693; Richard J. Samuels, *The Business of the Japanese State: Energy Markets in Comparative and Historical Perspective* (Ithaca: Cornell University Press, 1987), pp. 168-227.

the exploitation of offshore resources in the East China Sea until 2003. When the Senkaku/Diaoyu islands dispute broke out in 1970, Japan imported 3.3 million b/d which was 99.8% of its oil consumption, and 70% of its total energy use.¹⁰ Following the onset of the dispute, Japan took steps towards exploratory drilling and surveys in the ECS, but not in the area surrounding the islands due to Chinese political sensitivities. Nevertheless, following China's claim to the islands and seas surrounding them, Japanese companies were forbidden from conducting seismic surveys or exploratory drilling in contested areas, while government backed ships proceeded with extreme caution.¹¹ All told, few seismic studies were undertaken of the disputed area, and no wells were sunk near the Senkaku/Diaoyu islands.¹²

Selig Harrison has argued that Japanese leaders were content to continue to rely on imports rather than accept the risk of exploiting their own offshore areas.¹³ This view was a function of the risks and high costs inherent in offshore exploration and the existence of better prospects elsewhere, as well as the prevailing view that the focus should be on procuring oil rather than producing it. The impact of the first oil crisis on Japan cannot be overstated. As Nemetz *et al* argue the crisis had a lasting psychological effect on Japanese assessments of supply security and vulnerability.¹⁴ Consequently Japanese policymakers sought to guard versus further supply disruption, through the diversification of import source and energy type, structural industrial adjustment, the creation of a strategic petroleum reserve and the pursuit of 'direct' or 'equity' oil purchased from exporting governments.¹⁵ Petroleum remained a significant source of energy in Japan and composed 50-55% of the energy mix through the 1980s, primarily in the transportation sector (98%). In addition, the large scale capital outlays associated with diversifying energy sources to nuclear, gas and coal power generation facilities ensured that oil remained a part of the industrial

¹⁰ J.J. Tanner and W.E. Kennett, "Petroleum Developments in Far East in 1971," *AAPG Bulletin* 56, no. 9 (1972), p. 1828; Nobutoshi Akao, "Resources and Japan's Security," in *Japan's Economic Security*, ed. Nobutoshi Akao (New York: St. Martin's Press, 1983), p. 16.

¹¹ Harrison, *China, Oil and Asia*, p. 174.

¹² Woodard, p. 172.

¹³ Harrison, *China, Oil and Asia*, p. 174.

¹⁴ P.N. Nemetz, I. Vertinsky, and P. Vertinsky, "Japan's Energy Policy at the Crossroads," *Pacific Affairs* 57, no. 4 (1984-85), p. 557.

¹⁵ For details of some of these arrangements see Valerie Yorke, "Oil, the Middle East and Japan's Search for Security," in *Japan's Economic Security*, ed. Nobutoshi Akao (New York: St. Martin's Press, 1983), pp. 45-70; Masanari Koike, Gento Moji, and Waleed H. Albedaiwi, "Overseas Oil-Development Policy of Resource-Poor Countries: A Case Study from Japan," *Energy Policy* 36, no. 5 (2008), pp. 1764-75.

sector as well.¹⁶ By the turn of the century, Japan's energy policy aimed to achieve the '3 Es' of energy security, economic growth, and environmental protection.¹⁷ Japan's energy policy seeks to address these trends through the established approaches of conservation, diversification and equity oil.¹⁸ Oil is targeted to be reduced from 50% of the national energy mix to 40%, led by a 20% reduction in its use in the transportation sector.¹⁹ Despite these efforts, resource exploitation in the East China Sea was never seriously considered because of the territorial dispute with China. Nevertheless, the following setbacks in Japanese energy security policy reveal that ECS resource development could potentially alleviate some of Japan's energy concerns.

Like China, Japan is pursuing equity partnerships with oil producing states, which may indicate a willingness to pay a premium for energy security. Japan's most successful equity arrangement was the Arabian Oil Company (AOC) which operated the offshore section of the neutral zones between Kuwait and Saudi Arabia, which produced 300,000 b/d, roughly half of Japan's equity production.²⁰ The AOC's concession of the Kuwait Neutral Zone operation now receives only 50,000 b/d under a joint development agreement.²¹ Ultimately, equity oil has only ever provided half the oil expected by METI. Traditional targets for equity oil's share of total imports were 30%, but in fiscal 2000 it amounted to merely 13.2% of imports.²² According to the 2006 energy policy, the target is to have 40% of Japan's oil imports coming from Japanese overseas concessions by 2030, up from the current 15%.²³ This indicates the continued role equity oil in Japanese energy policy, despite continued inefficiencies

¹⁶ Nemetz, Vertinsky, and Vertinsky, p. 572. Diversification of energy type became an institutionalised element of Japanese energy policy, even surviving the crash of oil prices in the late 80s. See S. Hayden Lesbirel, "The Political Economy of Substitution Policy: Japan's Response to Lower Oil Prices," *Pacific Affairs* 61, no. 2 (1988), pp. 285-302.

¹⁷ This was enunciated in the Basic Energy Plan adopted in 2004. "Japan Energy Conservation Handbook 2003-2004," The Energy Conservation Center, Japan, www.eccj.or.jp/databook/2003-2004e/04_02.html. Accessed 13/11/2007.

¹⁸ Japan Ministry of Foreign Affairs, "Strategy and Approaches of Japan's Energy Diplomacy," <http://www.mofa.go.jp/policy/energy/diplomacy.html>. Accessed 21/01/2009.

¹⁹ It was 44.2% in 2007. Author's calculation based on *BP Statistical Review of World Energy*, p. 41.

²⁰ Manning, p. 151.

²¹ EIA, "Japan."

²² Drifte, "Japan's Energy Policy in Asia."

²³ Agency for Natural Resources and Energy (ANRE), *New National Energy Strategy* (Tokyo: METI, 2006), p. 14.

and losses.²⁴ For example, the highly touted Inpex stake in Iran's Azedegan oilfield was reduced to 10% from 75% due to Japanese foot-dragging and complications due to the Iranian nuclear issue.²⁵ In this context, significant offshore resources in the East China Sea would be welcomed by Japanese leaders.

East China Sea resource development directly supports Japan's strategy of fuel source diversification. According to the ANRE's Energy Security Study Group (ESSG), an increased reliance on natural gas will play a significant role in ensuring Japan's future energy security. A 2006 ESSG report calls for gas to increase to 18% of the primary energy mix from 15% in 2005.²⁶ Natural gas development is not without its challenges, however. Currently, Japan's LNG imports stem from politically stable environments such as Australia and Indonesia. However, in the longer term, the bulk of the world's natural gas reserves are located in the Middle East, Iran and Russia, all of which have been sites of Japanese energy policy failures.²⁷ Domestically, considerable capital outlays are required to increase the role of gas in power generation, such as more LNG terminals and pipeline infrastructure. These infrastructure developments will also help with high prices relative to other fuel types.²⁸

In order to ensure supply security, the ESSG report recommends Japanese corporations move into the international LNG and gas market with "investments in overseas bases, securing utility rights and increasing...involvement in the international supply chain."²⁹ This is, in essence, an 'equity gas' strategy similar to that pursued with regard to oil. Two experts have noted that greater government intervention in the Japanese energy industry is likely if the plan's targets are to be met. Specifically, the government aims to own much more of the resources being

²⁴ Tom Corcoran and Tomoko Hosoe, "Japan Govt to Assume More Aggressive Energy Role," *Reuters*, August 6 2006.

²⁵ Hector Forster, "Japan Seeks Oil Security in Iraq, Indonesia after Iran Setback," *Bloomberg News*, October 27 2006.

²⁶ Energy Security Study Group (ESSG), "Interim Report," Agency for Natural Resources and Energy, p. 23, http://www.enecho.meti.go.jp/english/archives_2006.htm. Accessed 31/03/2007. For a more complete assessment of Japan's new energy security strategy see Hisane Masaki, "Japan's New Energy Strategy," *Asia Times Online*, January 13 2006.

²⁷ See "Abe Blows Japan's Trumpet, Cautiously - Japan's Foreign Policy," *The Economist*, May 5 2007.

²⁸ Akira Miyamoto, "Natural Gas in Japan," in *Natural Gas in Asia: The Challenges of Growth in China, India, Japan and Korea*, ed. Ian Wybrew-Bond and Jonathan Stern (Oxford: Oxford University Press, 2002), pp. 106-187.

²⁹ ESSG, p. 23.

imported into Japan.³⁰ The merger of Inpex, Japan's largest oil company, with Teikoku Oil, the third largest, is designed to increase the leverage of Japanese companies against other players on the international energy market where bigger is better.³¹

In light of these trends, it is worthwhile examining the contemporary threats to Japan's energy security to appreciate the role of East China Sea gas in Japan's energy policy. According to the ESSG report, these include: political conditions in the Middle East, incidental threats such as terrorism or natural disasters, reduction of investments or market manipulation by supply nations, demand trends in importing nations such as China and India, and mismanagement of the domestic energy industry.³² The exploitation of East China Sea natural resources addresses these energy security threats in three ways. First, it is not subject to Middle Eastern price volatility due to political circumstances or terrorist attack. Second, due to its geographic proximity to Japan, ECS resource production avoids the SLOC chokepoints that Japan's oil and LNG passes through. Third, the exploitation of the region's natural gas supports Japan's energy diversification plans, thereby reducing its vulnerability to oil price shocks.

Japan's energy security strategy has suffered a number of setbacks in recent years. In addition to the cases of Azadegan and the AOC concession noted above, Japanese involvement in the Sakhalin II project in the Russian Far East has also been reduced sharply.³³ Some analysts view the Japanese decision to pursue the Azadegan project as driven by growing energy competition with China for Middle Eastern energy sources.³⁴ Indeed, early reports indicated a Chinese interest in filling the void left by Inpex at Azadegan.³⁵ This competition has also been evident over Siberian resources,

³⁰ Corcoran and Hosoe, "Japan Govt to Assume More Aggressive Energy Role."

³¹ Stephen Glain, "The Next Big Deal," *Newsweek*, December-February 2006/2007.

³² ESSG, pp. 2-4.

³³ "Don't Mess with Russia: Vladimir Putin's Russia," *The Economist*, December 16 2006.

³⁴ Raquel Shaoul, "An Evaluation of Japan's Current Energy Policy in the Context of the Azadegan Oil Field Agreement Signed in 2004," *Japanese Journal of Political Science* 6, no. 3 (2005), pp. 411-137. See also John Calabrese, "In the Shadow of Uncertainty: Japan's Energy Security and Foreign Policy," *Pacific and Asian Journal of Energy* 12, no. 1 (2002), pp. 81-101.

³⁵ Michael Penn, "The Battle of Azadegan: Japan, Oil and Independence " *Japan Focus* (2005), http://www.japanfocus.org/Michael_Penn-The_Battle_of_Azadegan_Japan_Oil_and_Independence/. Accessed 22/12/2008.

despite shared Sino-Japanese interest in oil and gas imports via pipeline.³⁶ Both of these projects are viewed by energy experts as evidence that Japanese leaders place a premium on supply security.³⁷ While Japan's *New National Energy Strategy* does not explicitly identify offshore development as a priority, the focus on diversification of energy type and on reducing carbon emissions implies a focus on procuring natural gas.³⁸ Therefore, the long-term prospects of East China Sea resources have the potential to alleviate some of the threats to Japanese energy security.

7.1.2 Relational-tangible value: China's maritime expansion

In addition to the intrinsic-tangible value Japanese leaders place on the resource potential of the East China Sea, Japanese strategic thinkers have become particularly concerned with the expansion of Chinese influence across the East China Sea itself. The origins of these concerns were elucidated in chapter five in the context of the intrusion of Chinese naval vessels into Japanese waters. By mid-2005 these concerns became more widespread across the Japanese policymaking apparatus: the 'creeping expansionism' thesis, once a minority view, had become a widely held perception. This perception is based on the failure of the notification agreement to curtail Chinese research vessels operating in Japanese waters; the continued presence of Chinese military vessels in Japanese waters as well as the existence of the Chunxiao project itself. Finally, China's stance towards Okinotorishima, an islet 1740km southeast of Tokyo, evidenced Beijing's ambitions to control the seas surrounding Japan.

As violations of the notification agreement became more regular, increased Chinese naval activity was mirrored by the PLA Air Force. The Japanese Air SDF (ASDF) has recorded an eight-fold increase in violations of Japan's Air Defence Intercept Zone (ADIZ) in fiscal 2005.³⁹ Furthermore, over half of these airborne intrusions occur over the East China Sea.⁴⁰ Japanese threat perceptions were further reinforced by two incidents of submarines being detected in its territorial waters. In March 2003

³⁶ Lyle Goldstein and Vitaly Kozyrev, "China, Japan and the Scramble for Siberia," *Survival* 48, no. 1 (2006), pp. 163-178.

³⁷ Anonymous, "Japanese Energy Policy Focuses on Supply Security," *Oil & Gas Journal* 103, no. 8 (2005), p. 33. For a pessimistic account of Japan's energy future and the implications for supply security see Keiichi Yokobori, "Japan," in *Energy & Security: Toward a New Foreign Policy Strategy*, ed. Jan H. Kalicki and David L. Goldwyn (Washington DC: Woodrow Wilson Center Press, 2005), pp. 305-328.

³⁸ ANRE, p. 12; Tomoko Hosoe, "Japan's Energy Policy and Energy Security," *Middle East Economic Survey* 48, no. 3 (2005), <http://www.mees.com/postedarticles/oped/v48n03-5OD01.htm>. Accessed 13/11/2007.

³⁹ Author's calculations based on data from Arase, "Japan, the Active State?," p. 579.

⁴⁰ Document provided to the author by interview subject A, not for citation.

a *Ming* class submarine was detected in the Osumi Strait, and on November 10 2004 a *Han* class submarine was detected sailing off the Sakishima islands.

The *Han* submarine was particularly provocative because of sensitivities about the transit of vessels carrying nuclear materials through Japanese waters.⁴¹ Further, because the submarine was submerged in Japan's territorial waters, not in the EEZ, its presence was a violation of Japanese national sovereignty. Although Beijing apologised for the submarine's presence and labelled it an accident, subsequent analysis indicates this was unlikely. The submarine was simply too far off course to be accidentally transiting Japanese territorial waters. Moreover, given that the Chinese must have known the submarine would be discovered, and given that it occurred on the eve of a rare meeting between Hu and Koizumi on the sides of the APEC summit, some analysts conclude it was clearly deliberate.⁴² One Japanese interviewee viewed the incident as evidence of the PLA's operational independence from the CCP, while one Chinese strategist interviewed stated adamantly that the PLA always follows the directives of Beijing.⁴³ If the latter is true, then the *Han* submarine incident may have been a message to Japanese policy-makers about their seismic surveys near the median line. In any case, the *Han* submarine incident triggered the first order for a maritime security operation since the detection of two North Korean spy vessels in March 1999. NIDS viewed the incident as evidence that "the PLA's mission has definitely changed from defending its coastline to one guarding areas beyond its coastal waters."⁴⁴ Furthermore, these concerns were no longer limited to the security bureaucracy and the media. Some reports indicate that the Koizumi government decided to publicise the *Han* submarine sighting for fear of domestic backlash if the intrusion were discovered in the future.⁴⁵

China's posture at bilateral talks also reinforced Japanese perceptions. As noted in chapter six, Chinese recalcitrance at the first round of East China Sea negotiations in October 2004 frustrated Nakagawa. At the second round of talks, in May 2005, the

⁴¹ Reconciling transit passage through Japan's international straits with Japan's three non-nuclear principles was major challenge for Tokyo in the 1970s. See Akaha, *Japan in Global Ocean Politics*, ch. 6.

⁴² Dutton, "International Law and the November 2004 'Han Incident'," p. 92

⁴³ Author Interview "B"; Author Interview "F".

⁴⁴ "China: 'Peaceful Rise in Light and Shadow'," p. 120.

⁴⁵ See "Intrusion into Territorial Sea: Chinese Submarine Identified; Public Reaction Stronger Than Expected -- Government Shifts to Tough Stance," *Sankei Shimbun*, November 13 2004, in WNC, JPP-2004-11-15-000007.

Chinese tabled their joint development proposal, which defined the ‘disputed area’ between the median line and the Okinawa Trough.⁴⁶ This was different from the Japanese interpretation, which viewed the ‘disputed area’ as surrounding Chunxiao.⁴⁷ China’s proposal outlined areas near the Senkaku/Diaoyu islands for joint development, which was viewed as an attempt to expand Chinese influence closer to the Senkaku/Diaoyu islands.⁴⁸ For some Japanese strategists this was evidence that the PLAN was attempting to realise Liu Huaqing’s aim to have control of the first island chain, and thereby gain control of the SLOCs near and beyond Japan.⁴⁹ Another interviewee intimated that this made compromise with China more difficult because of the suspicion that China will seek “more and more” from Japan in the East China Sea.⁵⁰

Finally, Japanese perceptions of China’s maritime ambitions are reinforced by Beijing’s stance towards the Okinotorishima islets. This is not a dispute over sovereignty, but over status. Japan claims that the rocks, which are under water at high tide, are islands and therefore generate a territorial sea and an EEZ.⁵¹ China rejects this; claiming they are rocks and are not entitled to more jurisdiction than a territorial sea. To bolster its claim Japan has constructed a lighthouse on the rocks and attempted to reinforce the rocks with concrete walls to prevent erosion.⁵² In May 2005 outspoken nationalist and Tokyo governor Ishihara Shintaro landed on the islets and gave them a Tokyo street address.⁵³ Japanese strategists suspect the basis of China’s opposition is rooted in its desire to have maximum freedom of action in the seas beyond Japan. The islands are located in the Pacific Ocean and lie along the sea lane between Japan and Guam. Consequently, according to Hiramatsu Shigeo, China denies the Japanese claim in order to maximise freedom of movement for its

⁴⁶ Japan Ministry of Foreign Affairs, "Diplomatic Blue Book 2006," pp. 42-43, www.mofa.go.jp/policy/other/bluebook/2006/index.html. Accessed 25/04/2007.

⁴⁷ Mark J. Valencia, "The East China Sea Dispute: Prognosis and Ways Forward," *PacNet*, no. 47A (2006), p. 2

⁴⁸ "China Bringing Okinawa 'within Range': What Underlies Oilfield Development in the East China Sea," *Sentaku*, January 2006, FBIS, JPP-2006-01-13-016001.

⁴⁹ Author Interview "H".

⁵⁰ Author Interview "A".

⁵¹ See UNCLOS, Part VIII, Article 121.

⁵² Yukie Yoshikawa, "Okinotorishima: Just the Tip of the Iceberg," *Harvard Asia Quarterly* 9, no. 4 (2006), p. 2.

⁵³ Przystup, "Japan-China Relations: No End to History," p. 132.

submarine patrols in the area and “to keep an eye on the US military base in Guam.”⁵⁴ This freedom would also be strategically vital in the event of a Taiwan scenario as American reinforcements would be approaching the combat area from Guam. Nearly half of Chinese intrusions into Japanese-claimed waters occur in the vicinity of Okinotorishima.⁵⁵

Consequently, by 2005 there was a perception in Tokyo that oceanographic research vessels, the submarine intrusions and the Chunxiao development were part of a larger strategy of Chinese maritime expansion. Japanese media reports drew a link between the *Han* incident and the East China Sea dispute, and other sources report other submarine sightings near Chunxiao during the same period.⁵⁶ The *Defense of Japan 2005* cites oceanographic research vessels, along with the *Han* incident, as evidence that “the Chinese navy aims to extend space for offshore defensive operations while integrated combat capabilities are enhanced in conducting offshore campaigns.”⁵⁷ The Japanese concern is well summarised by one interviewee who argued that Chinese control of the East China Sea simply could not be permitted because of the threat it would pose to Japanese interests.⁵⁸

7.1.3 Relational-intangible value: Domestic concerns about rising China

Finally, by 2005, the East China Sea dispute was prominent in a domestic political discourse that was increasingly concerned about the implications China’s rise for Japanese security. Furthermore, as argued in chapter three, by this stage conservative and nationalist actors had begun to view the ECS dispute in the same ideational light as the islands.⁵⁹ While Koizumi himself viewed nationalism as a political tool, as a result he was somewhat more beholden to this constituency than previous Japanese leaders. For example, Koizumi’s 2001 election pledge to visit the Yasukuni Shrine

⁵⁴ Shigeo Hiramatsu, "The Aim of the Chinese Submarine in Waters near Japan -- with Taiwan in Mind, Preparing to Block US Aircraft Carriers," *Seiron*, November 17 2004, in WNC, JPP-2004-1117-000009. See also Ota, "How Should Japan Respond to Chinese Maritime Expansion?"

⁵⁵ Przystup, "Japan-China Relations: Not Quite All About Sovereignty - but Close," p. 124.

⁵⁶ "Govt Hastens to Identify Mystery Sub / Presumed Chinese Vessel May Be Linked to Gas Field Development," *Yomiuri Shimbun*, November 11 2004; Harrison, "Seabed Petroleum in Northeast Asia," p. 4.

⁵⁷ Japanese Defense Agency, *Defense of Japan 2005* (Tokyo: Japanese Defense Agency, 2005), p. 14.

⁵⁸ Author Interview "B".

⁵⁹ Nationalism has become more politically salient in Japan as a result of the economic stagnation of the 1990s and due to generational changes. On the emergence of this dynamic see Takashi Inoguchi, "National Identity and Adapting to Integration: Nationalism and Globalization in Japan," in *Nationalism and Globalization: East and West*, ed. Leo Suryadinata (Singapore: Institute of Southeast Asian Studies, 2000), pp. 216-233; Hironori Saseda, "Youth and Nationalism in Japan," *SAIS Review* 26, no. 2 (2006), pp. 109-122.

annually on August 15 was less a product of his own nationalist sympathies and more an attempt to outflank his rival Hashimoto, a card carrying nationalist.⁶⁰ Furthermore, in asserting his nationalist credentials in this way, Koizumi was also able to outflank conservatives and assert himself on the making of China policy.⁶¹ By 2005 therefore, the political climate in Tokyo was one which was highly receptive to conservative and nationalist perspectives, both of which were heavily critical of Tokyo's response to Chunxiao.

Japanese inaction towards the Chunxiao dispute attracted criticism from conservative elements which advocated a more assertive posture towards China. These critics argued that China had stolen a march on Japan in the East China Sea, which was allowing it to hand Japan a *fait accompli*.⁶² These critics also lamented the slow response of Japanese military assets to Chinese advances on the *Ramform Victory* during its survey.⁶³ The discovery of natural gas at Chunxiao in the context of rising oil prices and a stagnant Japanese economy has given conservative policymakers further grounds for criticism.⁶⁴ As noted above, even previously even-handed media outlets and leaders expressed concerns over China's actions.⁶⁵

Furthermore, as noted above, Japanese foreign policy making was becoming more centralised and more responsive to public opinion, which in turn has taken a decidedly anti-Chinese turn.⁶⁶ Public opinion was influential on China policy for two reasons. First, Koizumi had wrested control of China policy away from the Asian Affairs Bureau in MOFA, and Japanese politicians generally were more influenced

⁶⁰ Mochizuki, "Japan's Long Transition," p. 105.

⁶¹ Christopher W. Hughes and Ellis S. Krauss, "Japan's New Security Agenda," *Survival* 49, no. 2 (2007), p. 163.

⁶² Masaya Murayama and Toshu Noguchi, "Japan-China Boundary Issue: Resources an Additional Factor Aggravating Dispute; China Aims at Making EEZ Fait Accompli," *Sankei Shimbun*, June 8 2004, in WNC, JPP-2004-06-08-000053.

⁶³ See for example "Planning National Strategies-Resources and Energy / China Warnings Went Unheeded," *Yomiuri Shimbun*.

⁶⁴ "Govt Foot Dragging on China Gas Rig Blamed on Ministry Sectionalism," *Yomiuri Shimbun*.

⁶⁵ This trend was explored in section 6.2.4.

⁶⁶ This trend in public opinion is expressed Mindy L. Kotler, Naotaka Sugawara, and Tetsuya Yamada, "Chinese and Japanese Public Opinion: Searching for Moral Security," *Asian Perspective* 31, no. 1 (2007), pp. 93-125 and Akio Takahara, "A Japanese Perspective on China's Rise and the East Asian Order," in *China's Ascent: Power, Security, and the Future of International Politics*, ed. Robert S. Ross and Zhu Feng (Ithaca NY: Cornell University Press, 2008), pp. 218-237.

by public opinion on security issues due to electoral reforms.⁶⁷ In late 2004, annual Cabinet Office surveys revealed that only 37.6% of Japanese people felt favourably disposed towards China, the lowest level since the surveys began.⁶⁸ A year later, this figure reached a new low of 32.4%.⁶⁹ Second, Chinese maritime expansion into the East China Sea had become a mainstream concern which exacerbated domestic suspicions of China. This convergence of anti-Chinese nationalist sympathies with mainstream concerns about the expansion of Chinese maritime power made the Chunxiao gas dispute a key domestic political issue for Japanese policy elites in 2005. Thus, the correct handling of the Chunxiao dispute from a popular perspective was essential for Japanese leaders.

Figure 6: Territorial Value of the East China Sea to Tokyo, 2004-05

<p>Intrinsic tangible:</p> <ul style="list-style-type: none"> - Resource value of the Xihu Trough. 	<p>Relational tangible:</p> <ul style="list-style-type: none"> - China's maritime ambitions and Japan's security
<p>Intrinsic intangible:</p> <ul style="list-style-type: none"> - null 	<p>Relational intangible:</p> <ul style="list-style-type: none"> - Anti-Chinese domestic political climate

The value of the Chunxiao dispute to Japanese policymakers in 2005 is captured by Figure 6. Energy considerations aside, the East China Sea is also part of the anti-Chinese discourse in Japan, in which standing up to China is critical for a modern and confident Japan, not least because of the perception that China is spreading its influence towards Japan. Ultimately, China's efforts to secure its interests in the East China Sea appeared to come at the expense of Japan. In forestalling these efforts by standing up to China over Chunxiao, Tokyo aimed to provide for Japanese national security, protect itself from domestic political fallout, and improve Japanese energy security.

7.2 Opportunity: Japan's menu for choice

Consistent with the assumption outlined in chapter two, Japanese leaders faced three choices in 2005; cooperate, do nothing, or escalate. The analysis of interaction opportunities during this period indicates a Japanese predisposition towards

⁶⁷ See Tomohito Shinoda, *Koizumi Diplomacy: Japan's Kantei Approach to Foreign and Defense Affairs* (Seattle: University of Washington Press, 2007); Robert Pekkanen and Ellis S. Kraus, "Japan's 'Coalition of the Willing' On Security Policies," *Orbis* 49, no. 3 (2005), pp. 429-444.

⁶⁸ "More Japanese View China Unfavorably," *Yomiuri Shimbun*, December 19 2004.

⁶⁹ "Fewer Japanese Feel Friendly toward China," *Yomiuri Shimbun*, December 25 2005.

confrontation. However, as noted in chapter five, confrontational Japanese foreign policy was hamstrung by Japan's limited policy choices. The analysis of defence reforms indicates that Japan was more capable of responding to maritime provocations than ever before, but that these opportunities continued to be hampered by constitutional limitations on the use of force. An alternative confrontational option was to build on the survey efforts with a Japanese-run exploratory drilling operation east of the median line. However, this policy choice suffered from a serious environmental constraint, which related to the geological formation of the seabed in the East China Sea. Nevertheless, the 'Teikoku decision' permitted Japan to exercise its EEZ jurisdiction on the east side of the median line, and as will be explored in the conclusion, largely met Japan's territorial objectives.

7.2.1 Interaction opportunities: Japanese frustration and restraint

It is worth reiterating the nature of the bilateral interactions over the East China Sea dispute in 2004 (detailed in chapter six) from the Japanese perspective to fully comprehend Tokyo's predisposition in April 2005. Repeated requests that China cease its activities and share its seismic data had been rejected by Chinese representatives. In light of the failure of its diplomatic remonstrations, Japan adopted a more assertive strategy by commissioning a survey of the median line area in July 2004. However, these surveys were harassed throughout 2004 by Chinese naval vessels which had made several threatening approaches to the *Ramform Victory*. Bilateral discussions in October 2004 had yielded frustratingly little, and the bilateral relationship was at its nadir. Japan's strategy was intended to assert its jurisdictional entitlements, without escalating tensions. By issuing protests, Japan avoided conferring legitimacy on Chinese developments in the disputed area. Similarly, Japan's decision to conduct surveys was designed to demonstrate Japanese EEZ jurisdiction as much as it was to gain data about the median line area. The Teikoku decision needs to be understood as an extension of this strategy. Drilling for hydrocarbon resources in the East China Sea is the ultimate expression of EEZ jurisdiction and had been considered and rejected by Tokyo for fear of provoking China in 2004.⁷⁰ Following the publication of the *Ramform Victory's* findings on February 19, Nakagawa stated that Japan would prepare to grant drilling rights on its side of the median line unless China ceased its activities at the Chunxiao site.⁷¹ This

⁷⁰ Nakazawa, "Govt Slow to Wake up to Potential of EEZ."

⁷¹ Negishi, "Japan Ready to Drill in Disputed Waters"; "Tokyo Rattling Drill Bits over Disputed Gas Fields," *Yomiuri Shimbun*, April 2 2005.

message was carried directly to the Chinese embassy by Sasae Kenichiro, Director-General for Asian and Oceanic Affairs in MOFA and chief Japanese negotiator in the East China Sea talks, on April 4. The Chinese condemned the decision as a violation of the norm of international relations and stated that Japan alone would be responsible for the costs.⁷² The Chinese denial, in the face of data to contrary, was the last straw for Tokyo.

China's negotiating posture also reinforced Japanese resolve. Beijing's interest in cooperation, in light of its proposals at the talks in October 2004, did not appear genuine. The second round of talks on the East China Sea proceeded as planned on May 31, but served only to confirm Japanese suspicions. Japanese negotiators were publicly heartened by the fact that China outlined the specifics of its joint development proposal; according to Cabinet Chief Hosoda Hiroyuki, it could be "a starting point of negotiations."⁷³ The two sides also agreed to set up working groups on delimitation. However, as noted above, because the Chinese proposal called for the joint development of the area between the median line and the Okinawa Trough, it further confirmed Japanese concerns about creeping expansionism.⁷⁴ It did not address Japanese participation in the Chunxiao project and Chinese negotiators refused to share the seismic data. Thus, interactions with China strengthened the argument for a more confrontational stance towards the Chunxiao issue.

7.2.2 Capabilities: Operational progress and institutional stasis

Following the failure of the notification agreement to meaningfully alter Chinese behaviour, Tokyo sought to alter the parameters under which the SDF could use force to defend Japan's maritime territory. The aforementioned Ming and Han submarine incidents indicate the shortcomings in Japan's operational response to a potential maritime threat. In the first incident the Japanese were notified of the vessel by American reconnaissance assets, and in the second the government was criticised for its poor response time.⁷⁵ These reforms occurred along two axes; development of

⁷² James Brooke, "For Japan and China, Strains from a Line in the Sea," *New York Times*, April 14 2005.

⁷³ Hosoda quoted in Naoki Aoki, "Japan, China Remain Apart on Gas but Proposal Tabled," *Kyodo News*, May 31 2005.

⁷⁴ MOFA, "Diplomatic Blue Book 2006," pp. 42-43.

⁷⁵ "Protecting Japan--Part III China Winning Undersea War," *Yomiuri Shimbun*, June 9 2004. See also Howarth, p. 89.

necessary operational capabilities and the relaxation of restrictions on the use of force by the SDF.

There is no doubt that maritime security concerns are a key driver of Japan's evolution towards a more active defence posture. As Richard Samuels notes, many of the doctrinal and force structure adjustments made under the National Defense Program Outline (NDPO) are aimed at China scenarios and many of these appear aimed to counter the Chinese maritime threat.⁷⁶ The *Defense of Japan 2004* included "measures against suspicious vessels" as one of fourteen priority issues.⁷⁷ This is a far cry from the attitude in the 1977 defence white paper which noted that although Japan had established a 12nm territorial sea and a 200nm EFZ, force structure was not capable of defending these zones.⁷⁸ No longer content to simply deny access to invaders, the 2004 NDPO authorised punishment of offenders.⁷⁹ Also, for the first time the NDPO explicitly mentioned defeating an invasion of Japan's offshore islands as well as patrolling Japan's offshore areas and surrounding seas.⁸⁰ In response to three decades of territorial disputes and two decades of Chinese intrusions into its waters, Japan had finally added the defence of its offshore islands into its naval doctrine. Citing China's expanded operations at sea, the paper highlights the need for interoperability between the services of the SDF and the JCG. With specific reference to its response to intrusions of Japan's seas, the NDPO calls for "combatant ships and other assets to respond to armed special-purpose ships operating in waters surrounding Japan, submerged foreign submarines operating in Japan's territorial waters, and other similar vessels."⁸¹

To accomplish these aims, the 2006 MSDF budget allocated funds for research into next-generation sonar and torpedos.⁸² The 2005-09 Mid-Term Defense Program (MTDP) places a premium on addressing the Chinese naval threat. Moving away from its Cold War posture, Japan's submarine divisions have been consolidated from

⁷⁶ Samuels, *Securing Japan*, pp. 168-169.

⁷⁷ JDA, *Defense of Japan 2004*, p. 118.

⁷⁸ Japanese Defense Agency, *Defense of Japan* (Tokyo: Japanese Defense Agency, 1977), p. 67.

⁷⁹ Samuels, *Securing Japan*, p. 167.

⁸⁰ Yoshihara and Holmes, "Japanese Maritime Thought," p. 38; David Fouse, "Japan's FY 2005 National Defense Program Outline: New Concepts, Old Compromises," *Asia-Pacific Security Studies* 4, no. 3 (2005), p. 3.

⁸¹ Japanese Defense Agency, "National Defense Program Guidelines for FY 2005 and After," pp. 8-9, http://www.mod.go.jp/e/defense_policy/japans_defense_policy/4/index.htm. Accessed 02/04/2007.

⁸² Samuels, *Securing Japan*, p. 169.

six to four as part a shift away from the defence of the northern straits in favour of Japan's southern approaches.⁸³ The NDPO also called for improved transport capabilities to ensure rapid deployment to an invaded island group.⁸⁴ Acquisitions earmarked for the patrol and surveillance of Japan's air and sea approaches include Sh-60K and MCH-101 helicopters, new destroyers, one KC-767 air-tanker transport, improved and modernised BADGE early warning systems as well as a replacement for the P-3C patrol planes. Total added ship tonnage to the MSDF will be roughly 60,000 tons.⁸⁵ However, despite the more assertive tone of the NDPO, this list has few offensive capabilities such as cruise missiles. The bulk of these systems permit the detection of foreign ships; few permit their destruction.

Regardless of these operational improvements, a more active Japanese response to China's maritime expansion is constrained by Japan's constitutional limitations.⁸⁶ Although legislation is being considered to permit surface MSDF patrols of the EEZ, the mere fact that these patrols require emergency legislation eliminates military initiative.⁸⁷ Diet deliberations in 2004 to strengthen the MSDF's ability to interdict suspicious ships travelling through Japanese waters were limited by constitutional constraints. Although international law permits the use of warning shots and other coercive measures against suspicious vessels that ignore orders to heave to, because of article 9 restrictions, the final bill severely restricted the MSDF's right to use these measures.⁸⁸ As a result, Japan's maritime security continues to rest with the JCG, although this does not render Japan defenceless.⁸⁹ The Coast Guard Law was amended to allow the use of force to prevent maritime intrusions, and in certain circumstances the authority to do so rests with the captain of a JCG vessel.⁹⁰ As Samuels notes, the advantage of having the JCG as the first point of contact with

⁸³ Graham, p. 217. 'Divisions' is the term used in Japanese defence publications for groups of submarines.

⁸⁴ JDA, "National Defense Program Guidelines," p. 8.

⁸⁵ Japanese Defense Agency, "Mid-Term Defense Program (FY 2005-2009)," p. 9, http://www.mod.go.jp/e/defense_policy/japans_defense_policy/4/index.htm. Accessed 02/04/2007.

⁸⁶ It is important to note that it is unlikely that the overt use of military force to compel China to change its stance on the Chunxiao issue was considered. In addition to constitutional barriers, such an offensive orientation remains outside the doctrinal reforms noted above.

⁸⁷ Mochizuki, "Japan's Shifting Strategy," p. 754.

⁸⁸ Hidemichi Katsumata, "Defense Bills Waste of Time until Constitution Debated," *Yomiuri Shimbun*, April 23 2004.

⁸⁹ Richard J. Samuels, "'New Fighting Power!': Japan's Growing Maritime Capabilities and East Asian Security," *International Security* 32, no. 3 (2007/08), pp. 84-112.

⁹⁰ Christopher W. Hughes, *Japan's Security Agenda: Military, Economic and Environmental Dimensions* (Boulder, Co.: Lynne Rienner Publishers, 2004), p. 171.

foreign vessels is that its relative weakness vis-à-vis neighbouring navies means its involvement in an exchange of fire would provide the political justification for MSDF intervention.⁹¹ Nevertheless, as China's track record shows, the JCG has little deterrent effect on Chinese vessels.

Despite these limitations, interviews with Japanese strategists revealed several alternative ways in which the SDF could be used to demonstrate Japanese assertiveness on the East China Sea dispute. One interviewee suggested giving the duty for patrols of the EEZ to the navy rather than the coast guard.⁹² This would send the message to Beijing that Tokyo was prepared to meet Chinese expansion across the ECS with military force. Another suggested that the MSDF patrol the area jointly with the US Navy.⁹³ Although Washington has been reluctant to become involved in the security dimension of the ECS dispute,⁹⁴ both these strategists viewed the existence of the US alliance combined with the PRC's relative military weakness (to a united MSDF-US 7th fleet) as an opportunity for Japan to assert itself. Thus, while Japan was better prepared in 2005 to enforce its maritime jurisdiction than at any other point in its history, limitations remained.

7.2.3 Environmental limits: Geological barriers

Despite these opportunities, Japanese policymakers were also confronted with an environmental constraint: the geological formation of the East China Sea basin. Natural gas cannot be liquefied at sea and must travel by undersea pipeline to the Japanese coast to be consumed. An undersea pipeline would be nearly impossible due to the long distance and the depth of the Okinawa Trough, which descends 2000 metres.⁹⁵ This makes ECS gas nearly useless to Japan in its current form. However, it is unclear how widely known this barrier is in Japanese policy circles. It is rarely mentioned in media reports, which generally focus on the wider scepticism of the

⁹¹ Samuels, "New Fighting Power!", p. 110.

⁹² Author Interview "C".

⁹³ Author Interview "G".

⁹⁴ As noted in chapter two, the US has long been ambivalent about the role of the Senkaku/Diaoyu islands and the East China Sea dispute in the US-Japan alliance. Recall the confusion following Walter Mondale's comments in 1996 that the US stance on the disputed islands was similar to its security guarantee to Taiwan (strategic ambiguity). The State Department did not comment on the issue, but Assistant Secretary of Defence Kurt Campbell stated unequivocally that the alliance did cover the islands while on a visit to Japan. See Dumbaugh et al., "China's Maritime Territorial Claims," pp. 24-28.

⁹⁵ This assessment is based on Vaclav Smil, *Energy at the Crossroads: Global Perspectives and Uncertainties* (Cambridge: The MIT Press, 2003), p. 47.

resource base.⁹⁶ If mentioned, it is only in passing, indicating the full implications of this may not be fully comprehended.⁹⁷ According to one interview subject, Japanese government officials and media are aware of this issue, but do not discuss it publicly.⁹⁸ English language publications by the ANRE do not mention anything resembling barriers to Japan development of the ECS resources.⁹⁹ One academic source mentions these barriers, noting that it is most practical for Japan to pipe the gas to China and send it by ship to Japan.¹⁰⁰ However, given the competitive nature of the two states' energy security policies, this arrangement would likely require a dramatically different bilateral political climate than that which existed in 2005. Indeed, if Tokyo were prepared to ship its Xihu Trough natural gas to China for re-export for Japan, then more affordable options, such as swaps for natural gas imported to China from elsewhere, would also be considered.¹⁰¹

This geological barrier compounded existing concerns about relative costs. The high cost of transporting East China Sea gas to Japan makes the prospect of it reaching Japan by pipeline highly unlikely. More generally, the construction of offshore pipelines in Japan is further hamstrung by the issue of compensation for fisheries groups who may be adversely affected.¹⁰² In short, Japan needs China to access Xihu Trough gas, regardless of what side of the median line it is located. Therefore although Japanese leaders may value the resources of the ECS, geographic realities severely inhibit their ability to exploit this resource independently and make them heavily reliant on Chinese cooperation. Statements by Teikoku executives arguing that these infrastructure barriers are surmountable should be interpreted as part of an effort to ensure the credibility of the Japanese threat to drill. For example, in

⁹⁶ An example of the first is Ralph Jennings, "Sea Area Disputed by China, Japan May Offer Little Oil or Gas," *Kyodo News*, March 25 2005.

⁹⁷ Kenji Hall, "The Japan China Oil Slick," *Business Week*, November 11 2005.

⁹⁸ Author Interview "B". One Japanese interviewee expressed the view that because the resources were not cost effective, the East China Sea dispute was more about "pride". Author Interview "C". Another was not aware of these barriers despite having the view that Japan "owned" the resources in the ECS. Author Interview "G".

⁹⁹ See Agency for Natural Resources and Energy, *Fiscal 2005 Annual Energy Report* (Tokyo: METI, 2006).

¹⁰⁰ Nobuhiro Hiwatari, "Japan in 2005," *Asian Survey* 46, no. 1 (2006), p. 30.

¹⁰¹ For instance, if Japan trusted China enough to assume non-interference in such an arrangement, then Japan could also trust China swap said gas for ship-borne LNG headed to Japan from elsewhere in the world. This is a common practice in energy industries and is done when it is more cost effective.

¹⁰² Miyamoto, "Natural Gas in Japan," p. 150, fn 61.

September 2005 the *Nihon Keizai Shimbun* reported that Teikoku Oil had plans for a pipeline from the East China Sea to Okinawa and all the way to northern Kyushu.¹⁰³

The analysis of Japan's policy menu in April 2005 indicates a strong predisposition for confrontation. Interactions with China over the Chunxiao dispute were increasingly hostile, and diplomatic options had yielded nothing. Moreover, Japanese leaders possessed what they regarded as proof of their entitlement to a share of resources produced at Chunxiao. In an effort to assert itself and prevent a Chinese *fait accompli*, Japan had begun to vocally oppose China's development of the median line area and was beginning to exercise its jurisdiction through survey activities. Developments in Japanese military capability and doctrine added more assertive enforcement options to the list of policy choices.¹⁰⁴ Nevertheless, due to constitutional constraints, unilateral offensive military action remained impossible. Due to the failure of diplomacy and the limited exercise of jurisdiction (through survey activities), the Teikoku decision should be viewed as an escalatory step. However, in light of the strength of Beijing's rhetoric in response, conducting drilling could have incurred serious costs. Indeed, due to geological barriers, there was a strong chance the decision would not result in Japanese entities producing gas in the East China Sea. The following section examines how Japanese policymakers chose and remained committed to the Teikoku decision until late September 2005.

7.3 Willingness: Making the best of limited opportunities

From a willingness standpoint, domestic support for the exercise of jurisdiction in the disputed area, accomplished by granting exploration rights to Japanese oil companies, was widespread. Furthermore, when balanced against competing prerogatives from the bilateral relationship, Japan's territorial objectives were more important. However, following a Chinese show of force near the Chunxiao field in September 2005, Tokyo reversed its confrontational policy. At the third round of talks in September-October 2005 Tokyo dropped its preconditions for joint development talks and tabled a joint development proposal. The analysis of the willingness that

¹⁰³ "Teikoku Oil Starts Gas-Drilling Preparations in the E. China Sea," *Nihon Keizai Shimbun*.

¹⁰⁴ The reader may ask why ODA pressure, used to convince China to address the intrusions issue in 2000, is not on the policy menu discussed here. Indeed, some have observed that Japan froze fiscal 2005 loans in response to stalemated East China Sea negotiations. Wenran Jiang, "New Dynamics of Sino-Japanese Relations," *Asian Perspective* 31, no. 1 (2007), p. 19. However, as noted in chapter five, the influence of ODA pressure as a diplomatic tool was on the wane and in 2005 MOFA announced its eventual termination in 2008. This effectively nullified its ability to influence China in any way. See Drifte, "The Ending of Japan's ODA Loan Programme to China," pp. 94-117.

underwrote the Teikoku decision is integral to understanding this shift. Did the Chinese show of force expose the limits of Japan's confrontational policy or, given the geological barriers and long lead times noted above; was the Teikoku decision a bluff designed to strengthen the Japanese bargaining position vis-à-vis China?

7.3.1 The Teikoku decision: Political, bureaucratic and popular support

The Teikoku decision had widespread support across the Japanese policymaking apparatus. In light of the *Ramform Victory* report's findings, the LDP's Committee on Maritime Interests recommended that the government open concession blocks in the East China Sea with the aim of conducting exploratory drilling.¹⁰⁵ The panel also advised *against* entering into negotiations with China unless both sides of the median line were subject to joint development talks.¹⁰⁶ Koizumi announced that Japan would hold bids for concession blocs from its oil companies on April 14 2005. The decision was announced a day before Japanese Foreign Minister Machimura was due to arrive in Beijing for a visit with his Chinese counterpart Li Zhaoxing. Although the visit had been scheduled well ahead of time, it was viewed with increased urgency due to the anti-Japanese protests in China. Beijing heavily criticised the Japanese decision not only for its substance, but also its timing. Foreign Ministry Spokesman Qin Gang stated that Japan had "turned a blind eye to the Chinese position" and that China "reserves the right to take further action" without specifying what this might entail.¹⁰⁷ Nakagawa responded by accusing China of encouraging the nationalist outbursts in China's cities to pressure Japan in the East China Sea and intimating that Japan had lost interest in joint development.¹⁰⁸

Support from secondary political actors was widespread. At the government level, in mid-April fourteen Diet members from the LDP, its coalition partner New Komeito, and the opposition Democratic Party of Japan (DPJ) flew over the disputed area to inspect Chinese drilling installations.¹⁰⁹ Opinion surveys of Japanese politicians and bureaucrats revealed frustration with China's "competitive" behaviour in the East

¹⁰⁵ James Brooke, "Drawing the Line on Energy," *New York Times*, March 29 2005.

¹⁰⁶ "LDP Panel Call for Drilling in East China Sea Fields," *Kyodo News*, March 25 2005.

¹⁰⁷ Qin Gang quoted in Edward Cody, "Japanese Oil Drilling Plan Draws Protest from China," *The Washington Post*, April 15 2005.

¹⁰⁸ "Nakagawa Raps China, Says Joint Gas Development Not Priority," *Kyodo News*, April 15 2005.

¹⁰⁹ "Lawmakers Inspect China's Gas Projects in the E. China Sea," *Kyodo News*, April 10 2005.

China Sea and support for an assertive policy.¹¹⁰ Koizumi's announcement was widely celebrated in Japanese newspapers. The *Yomiuri Shimbun* decried the past "ostrich" policies toward China and celebrated the demonstration of "firm resolve to protect [Japan's] maritime resources."¹¹¹ The *Asahi Shimbun* and the *Nihon Keizai Shimbun* were more circumspect; supporting the government's decision but counselling against inadvertent escalation in light of the tense political relationship.¹¹² This sentiment was reflected in public opinion polls conducted by *Yomiuri Shimbun* in October. 70% of Japanese surveyed believed that China should cease its survey activities in the ECS, and 65% believed that Japan should proceed with its own drilling operations if China did not stop.¹¹³

Japanese leaders maintained their resolve for this course of action through mid-2005. To demonstrate the credibility of the Japanese posture, two major government departments added the normally absent Chunxiao dispute to their annual reports. METI's annual Energy White Paper labelled the East China Sea as an important potential source of natural gas.¹¹⁴ Also, MOFA's annual *Diplomatic Blue Book* contained an extensive section on "issues concerning maritime areas" which outlined the Chunxiao dispute, Japan's response, as well as the ongoing intrusions issue.¹¹⁵ Tokyo also continued to protest every Chinese development at Chunxiao. For example, on August 10 2005 Japan filed a protest through the Chinese embassy following reports that pipes had been laid in preparation for production at the Chunxiao field.¹¹⁶ On August 31 Sasae summoned a minister from the Chinese embassy, Cheng Yonghua, to express Japan's regret that production was slated to commence at the Chunxiao field within a month.¹¹⁷ This followed an announcement to this effect in Hong Kong by CNOOC chairman Fu Chengyu. Finally, reports that a

¹¹⁰ Mireya Solis, "How Japan's Economic Class Views China and the Future of Asian Regionalism," *JIIA Policy Report* (2006), pp. 3-4.

¹¹¹ "Japanese Editorial Excerpts," *Kyodo News*, April 15 2005.

¹¹² See "Japan Should Tackle China Sea Gas Project Carefully," *Nihon Keizai Shimbun*, April 15 2005; "Japanese Editorial Excerpts," *Kyodo News* April 15 2005.

¹¹³ J. Sean Curtin, "Sea of Confrontation: Japan-China Territorial and Gas Dispute Intensifies," *Asia Times*, October 19 2005, www.nautilus.org/aesnet/2005/OCT2605/JF_ChinaSea.pdf. Accessed 15/03/2006. Some have argued this favourable public opinion was government driven. However, this assumes a significant degree of policy coherence on the part of the Japanese that is not supported by the research in this thesis. See Jiang, "New Dynamics of Sino-Japanese Relations," p. 32.

¹¹⁴ "Energy White Paper States for First Time Gas Fields Issue 'Important'," *Sankei Shimbun*, May 19 2005, in WNC, 2005-05-19-1477.1_00ac00162a638c16.

¹¹⁵ MOFA, "Diplomatic Blue Book 2005," p. 37.

¹¹⁶ "Japan Protests China's Imminent Production at Chunxiao Field," *Kyodo News*, August 10 2005.

¹¹⁷ "Japan Regrets China Move to Produce Gas in E. China Sea," *Kyodo News*, August 31 2005.

flare was sighted at the Tianwaitian field at Chunxiao, tantamount to commencement of production, resulted in Japanese protests on September 20.¹¹⁸ Evidence that the Teikoku decision was framed as a demonstration of jurisdiction by Japan is further demonstrated by the fact that Nakagawa gave three of the fields at Chunxiao Japanese names: Shirakaba, Kusunoki and Kikyo.¹¹⁹

After it won the contract to explore for oil on the east side of the median line on July 14, Teikoku Oil also did its part to demonstrate its willingness and capability to proceed. Despite concerns about the economic viability of Japanese exploitation of resources on Japan's side of the median line, Teikoku remained vocally committed to the project.¹²⁰ Along with bullish assessments of the potential natural gas reserves, Teikoku executives released plans to build a pipeline to Okinawa and northern parts of Kyushu to transport the gas that did not mention the geological barriers noted above.¹²¹ Furthermore, Teikoku president Masatoshi Sugioka expressed his willingness to "accept a bit of difficulty", a reference to possible Chinese interference with Teikoku's activities, provided Tokyo could assure the safety of the company's rig workers.¹²² Government promises to fund the bulk of Teikoku's costs, as well as Tokyo's role in funding the *Ramform Victory* surveys indicates that financing and expertise will not be barriers to Japan resource development of the East China Sea.¹²³

7.3.2 Bilateral relations versus territorial value

As noted in chapter two, leaders may be more cooperative towards territorial issues if the relationship with rival state is perceived as highly salient. This dynamic was not present in the Sino-Japanese relationship in 2005. Indeed, following the anti-Japanese riots in April, Japanese leaders had two overriding foreign policy objectives: prevent further damage to the China relationship, while maintaining their assertive posture towards the Chunxiao dispute. As noted in chapter six, anti-Japanese protests erupted in China shortly after Nakagawa's ultimatum on April 1. These riots were sparked by a Chinese nationalist reaction to a UN report highlighting the possibility of permanent Security Council membership for Japan and the approval of a new history textbook

¹¹⁸ "Japan Confirms China Pumps Gas or Oil in E. China Sea," *Kyodo News*, September 20 2005.

¹¹⁹ James J. Przystup, "Japan-China Relations: Summer Calm," *Comparative Connections* 7, no. 3 (2005), pp. 119-120.

¹²⁰ Jennings, "Sea Area Disputed by China, Japan May Offer Little Oil or Gas."

¹²¹ "Teikoku Oil Starts Gas-Drilling Preparations in the E. China Sea," *Nihon Keizai Shimbun*.

¹²² "Teikoku to Drill Despite Risk of China Action," *The Japan Times*, August 27 2005.

¹²³ Negishi, "Japan Ready to Drill in Disputed Waters."

written by the Japanese Society for History Textbook Reform, a body long criticised by Beijing.¹²⁴ As noted above, these protests were not initially related to the East China Sea dispute but soon widened to encompass the full range of Sino-Japanese grievances. Indicative of the bilateral climate, Education Minister Nakayama Nariaki stated that the Japanese teaching guidelines should be adjusted to reflect Japan's "ownership" of disputed territories with China and South Korea.¹²⁵ Tokyo expressed concern at the demonstrations and, as the protests escalated, issued more assertive diplomatic protests to China, not least because Beijing appeared to blame Japan more than the protestors themselves.¹²⁶ Beijing's rejection of Tokyo's requests for compensation was viewed particularly poorly. The position of Japanese policymakers towards ECS exploration became more hardline as bilateral tensions rose, not least because of rising domestic pressure on Tokyo to demonstrate initiative on the Chunxiao dispute.

In May, Koizumi and Hu attempted to get the relationship back on track by meeting on the sidelines of the Africa-Asia Conference in Indonesia, and rhetorically committing to manage nationalist sentiment to prevent a repeat of April's tensions.¹²⁷ This aim was given new urgency amidst reports of a serious decline in confidence by Japanese firms about the prospects of doing business in China as a result of the demonstrations.¹²⁸ However, these efforts suffered a setback when Chinese State Council Vice-Premier Wu Yi abruptly cancelled a scheduled meeting with Koizumi during her visit and returned to China on May 23. This was ostensibly a reaction to statements made by Koizumi to reporters relating to the Yasukuni issue.¹²⁹ As Przystup observes, there was a great deal of speculation about Koizumi's plans for his annual visit to the Yasukuni shrine in light of his decision to dissolve the Diet and hold elections on the postal reform issue in early September. Following consultations

¹²⁴ "China: Achievement and Challenges of 'Neighboring Diplomacy'," in *East Asian Strategic Review 2006* (Tokyo: The National Institute for Defense Studies, 2006), p. 105. See also Mooney, "Internet Fans Flames of Chinese Nationalism."

¹²⁵ "Minister Renews Call for Disputed Isles to Be Taught as Japan's," *Kyodo News*, April 1 2005.

¹²⁶ Japan Ministry of Foreign Affairs, "Statement by the Press Secretary/Director-General for Press and Public Relations, Ministry of Foreign Affairs, on the Statement by the Spokesman of the Ministry of Foreign Affairs of China Concerning the Anti-Japan Demonstrations in China," www.mofa.go.jp/announce/announce/2005/4/0413.html. Accessed 25/06/2007.

¹²⁷ Przystup, "Japan-China Relations: No End to History", p. 123.

¹²⁸ *Ibid.*, p. 129.

¹²⁹ *Ibid.*, p. 124.

with both pro- and anti-China forces, Koizumi did not visit the shrine on the August 15 anniversary, but pledged to uphold his promise to visit annually.¹³⁰

These management efforts did not extend to an adjustment in Japan's confrontational stance. Indeed, support for the Teikoku decision gathered momentum. Following the announcement that Teikoku Oil had won the concession, the *Yomiuri Shimbun* celebrated the decision as an indication of the government's "resoluteness in protecting the nation's sovereign rights and marine resources."¹³¹ Rumours that China had begun producing gas at the Tianwaitian field led the moderate *Nihon Keizai Shimbun* to advocate "firm actions" to make Tokyo's position clear.¹³² Some conservative segments called on Japan to do more to protect its maritime interests, such as enable the SDF to respond to a wider range of threats, as outlined in the 2005 defence white paper.¹³³ Simultaneously, liberal outlets continued to advocate caution.¹³⁴

This section has revealed that there was widespread support across the Japanese public and policymaking apparatus for the Teikoku decision. In light of continued Chinese intransigence the decision gained popularity as 2005 progressed. Because the decision coincided with the lowest period in Sino-Japanese relations, it is difficult to consider the counterfactual scenario of whether the decision would have been made under different circumstances. The bilateral relationship had been on the decline since 2001, and Beijing's rejection of Japan's ultimatum left Tokyo little alternative than to further escalate the dispute. In any case, Japanese leaders were clearly committed to the decision to confront China's developments at Chunxiao with exploration efforts of their own and found no reason to soften this policy following the riots. Indeed, popular mistrust of China was sufficiently widespread that continued inaction could have resulted in political costs to Japanese leaders ahead of elections scheduled for September. Despite the state of bilateral relations, Tokyo remained interested in negotiations. Koizumi reiterated the need for dialogue given the degree of difference

¹³⁰ Przystup, "Japan-China Relations: Summer Calm," p. 121.

¹³¹ "Govt Right to Uphold Marine Interests," *Yomiuri Shimbun*, July 15 2005.

¹³² "Japan Must Counter China Gas Production in Disputed Waters," *Nihon Keizai Shimbun*, September 21 2005.

¹³³ "SDF That Can Deal with New Threats Needed," *Yomiuri Shimbun*, August 3 2005.

¹³⁴ "Uneasy over EEZ: Japan and China Must Avoid Confrontation at Sea," *Asahi Shimbun*, September 24 2005.

in the two sides' positions when he announced the Teikoku decision in April.¹³⁵ Vice and Deputy foreign ministers met for the first bilateral policy dialogue at which they scheduled the second round of talks on the Chunxiao dispute in Beijing on May 30-31.¹³⁶ The Teikoku decision can thus be viewed as achieving a balance between the search for a negotiated settlement and the domestic prerogative of confronting China.

However, there appears to have been limits to Japan's confrontational policy. In early September 2005, reports emerged that Chinese naval vessels had been sighted near the Chunxiao field. Subsequently, amid suspicions that production had begun at Tianwaitian, Japanese leaders continued to press for negotiations. The expectation was that unless Beijing halted its projects as a sign of good faith Japan would proceed with Teikoku's exploration plans.¹³⁷ However, at the third round of talks, Japan made a conciliatory joint development proposal. How can this policy shift be explained?

7.4 Outcome: The limits of confrontation?

At the third round of talks on September 30 and October 1 2005 Japanese leaders unexpectedly tabled a joint development scheme. Although Japan had always maintained a rhetorical commitment to joint development, this represented a policy adjustment because Japan had consistently attached two preconditions for joint development talks: access to Chinese seismic data of the Chunxiao field and a cessation of Chinese activities there.¹³⁸ If Japan's confrontational policy was intended to convince Beijing to enter into meaningful negotiations, this adjustment does not necessarily imply a failure of the confrontational policy, but in light of China's military posturing and hardline rhetoric, it may indicate the limit of Japan's willingness to confront China.

Despite the geological and logistical barriers noted above, it appears that for all intents and purposes Tokyo intended to drill in the East China Sea if it could.¹³⁹

¹³⁵ Eric Watkins, "Japan, China Dispute Drilling in Area of E. China Sea," *Oil & Gas Journal* 103, no. 17 (2005), pp. 40-41.

¹³⁶ "Japan, China Start 1st Meeting of Policy Dialogue," *Jiji Press English News Service*, May 13 2005.

¹³⁷ See "5 Chinese Naval Ships Spotted near E. China Sea Gas Field," *Kyodo News*, September 9 2005; "Tokyo to Talk Gas Extraction with Beijing," *Nihon Keizai Shimbun*, September 26 2005.

¹³⁸ Nakagawa outlined these in no uncertain terms in April 2005. "Japan May Mull Joint Gas Development with China: Nakagawa," *Jiji Press English News Service*, April 8 2005.

¹³⁹ Samuels, for example, seems to view the construction of Japanese oil rigs in the East China Sea as inevitable. He argues the MSDF "cannot guard the oil rigs that *will be built*" in the East China Sea. Samuels, *Securing Japan*, p. 172. Emphasis added.

Certainly there were elements on the political right that favoured test drilling as soon as possible.¹⁴⁰ Hiramatsu Shigeo, for example, argued that “METI needs to implement test drilling... We need to recognize that the approach of taking China lightly, coming up with stopgap responses only when something happens, and constantly making the excuse that the legal preparations have not been made is no longer working.”¹⁴¹ However, if Japanese leaders are aware of the geological barriers to exploiting ECS resources, the confrontational policy could be regarded as an effort to secure a Japanese entitlement to the development of ECS resources in conjunction with China. In any case, the credibility of Japan’s threat to drill was undermined by its inability to respond to Chinese demonstrations of force. This inability extended from the absence of the legal and normative structures required to defend Japanese exploration or production installations in the East China Sea. This is evidenced by the fact that Japan has subsequently moved to alter these structures.

7.4.1 The turning point

Heading into the third round of talks on September 30, the expectation was that Tokyo would request Beijing to cease its activities or Japan would proceed with the Teikoku plan, as it had maintained since April 14 2005. However, at the meeting on October 1, Japanese officials proposed a joint development plan to China, the first time they had done so.¹⁴² The plan called for the joint development of four fields that straddled the median line, including the Chunxiao field. Tianwaitian and Duanqiao, two other fields at Chunxiao were included as was Longjing, a field farther to the north.¹⁴³ Although Japan had remained committed to negotiation since the announcement of the Teikoku decision, it had never intimated that it would drop its preconditions for joint development talks.

One possible explanation for Japan’s policy adjustment was a Chinese show of force near the Chunxiao field on September 9. This may have represented a display intended to reinforce Beijing’s warnings to Tokyo of the costs of drilling east of the median line. Chinese officials had warned of the ‘consequences’ of the Japanese

¹⁴⁰ “China May Start Full Production at Chunxiao Gas Field as Soon as October, Despite Government’s Call for Suspension,” *Sankei Shimbun*, August 31 2005, in WNC, 2005-08-31-1477.1_3bd8006e841f4878.

¹⁴¹ Shigeo Hiramatsu, “Temporary Remedy No Longer Applies to Gas Exploitation,” *Sankei Shimbun*, April 14 2005, in WNC, 2005-04-14-1477.1_b18f011684a0abfb.

¹⁴² Mayumi Negishi, “Japan Proposes Joint Use of Deposits in East China Sea Fields,” *The Japan Times*, October 2 2005.

¹⁴³ “Nakagawa Reveals 4 Gas Fields Eyed for Joint Efforts,” *Yomiuri Shimbun*, October 4 2005.

decision to explore in the East China Sea.¹⁴⁴ Following the talks, Japanese media reported that one of the vessels in the flotilla, a *Sovremennyy* destroyer, had trained its guns on a passing Japanese patrol plane, although it was reportedly not electronically targeted.¹⁴⁵ These revelations also coincided with the strongest Chinese rhetoric to date. Huang Xingyuan, chief spokesman for the Chinese embassy in Tokyo, said that any move by the Japanese to explore for oil or gas in the disputed area would be viewed by Beijing "as an invasion of Chinese territory and ... a highly provocative act."¹⁴⁶ China's display and its rhetoric were consistent with the state media's reaction to Japan's Teikoku decision. Following Teikoku Oil's successful application for drilling rights, the *People's Daily* said that conflict was now "inevitable."¹⁴⁷ State run current affairs publications argued that the Japanese decision was illegal and was evidence of Japan's "non-peaceful" intentions towards China.¹⁴⁸ The *Global Times* argued that Tokyo was looking for conflict because its own media outlets were warning that China would respond militarily if Japan proceeded.¹⁴⁹ Certainly, there was no effort by Beijing to curtail the progression of the development of the Chunxiao field in light of Japan's threat. As noted above, CNOOC president Fu announced that production would commence at Tianwaitian and Japanese media recorded significant amount of activity at the sight.

On its own, the show of force near the Chunxiao field may seem routine or even be viewed as a response to Japanese statements that Teikoku Oil's operations would be protected if threatened by Chinese vessels.¹⁵⁰ However, combined with the rhetoric of embassy spokesman Huang, it is evident that China was drawing a red line. Japan's change of tone at the talks that followed could be seen as a product of this; it made a concession by dropping its prerequisites for joint development and tabling a proposal of its own. While this could be seen as an attempt to move stalemated discussions

¹⁴⁴ Quoted in "PRC FM Spokesman Warns Japan of 'Consequences' over Drilling Rights Decision," *Agence France-Presse*, April 14 2005.

¹⁴⁵ "Chinese Warship Pointed Gun at Japanese Patrol Plane in Sept.," *Kyodo News*, October 2 2005; "Oil and Gas in Troubled Waters; Japan and China," *The Economist*, October 8 2005.

¹⁴⁶ Anthony Faiola, "Japan-China Oil Dispute Escalates," *Washington Post*, October 22 2005.

¹⁴⁷ Reported in "Japan's Move in the East China Sea Makes Conflict 'Inevitable': Report," *People's Daily*, July 16 2005.

¹⁴⁸ Duan Tingzhi, "Review of Japanese Government's Granting of Test Exploitation Authorization from the Angle of International Law," *Beijing Liaowang*, August 3 2005, in WNC, 2005-08-03-1477.1_e59b0210ffcadaec.

¹⁴⁹ "Japan's Provocation in East China Sea Very Dangerous," *Renmin Ribao*, July 21 2005, in WNC, 2005-07-21-1477.1_9ccc0365f08ed963.

¹⁵⁰ One Chinese interviewee suggested this. Author interview "F".

forward, it should be noted that, despite its confrontational policy, Japan was negotiating from a position of weakness. Beijing was already developing resources and was threatening war against Japan if it attempted similar behaviour. Japan's decision to table a joint development proposal should be regarded as the limit to its capacity to sustain the confrontational choice. Thus, the Teikoku decision was not a bluff designed to improve Japan's bargaining power, and it remains to be seen how the geological barriers to gas being sent to Japan by pipeline will impact future resource development.

This assessment is reinforced by subsequent efforts to build Japan's capacity to defend its energy companies operating in the East China Sea. Japanese leaders subsequently used the bipartisan support on the issue to improve Japan's ability to respond to future crises in the ECS. The DPJ announced its intention to submit legislation banning other countries from exploring for resources in the Japanese EEZ, which was subsequently matched by the LDP. Further, the LDP Special Committee on Maritime Interests released draft legislation to protect survey ships in the Japanese EEZ as well as set a 500 metre exclusion zone around exploration platforms and ships.¹⁵¹ These were aimed to create the legal structures necessary to defend efforts to exploit Japan's undersea resources. Indeed, prior to these legal developments, there was little Tokyo could do to further confront Beijing other than to respond to its rhetoric by verbally ensuring the safety of Japanese vessels operating in the East China Sea.

It is worth considering this policy adjustment in light of the value typologies outlined above. These typologies translate into three inter-related policy objectives for Tokyo. Japanese leaders were attempting to forestall Chinese maritime expansion, thereby ensuring potential future access to East China Sea resources while protecting themselves from domestic accusations of apathy. In the short term, Japan's confrontational policy achieved mixed results. With regard to the latter objective, media editorials were generally favourable of Japan's joint development offer; Tokyo was commended for taking the initiative of proposing tangible solutions to the problem.¹⁵² However, the policy was criticised by conservatives and even mainstream

¹⁵¹ James J. Przystup, "Japan-China Relations: Yasukuni Stops Everything," *Comparative Connections* 7, no. 4 (2006), p. 116.

¹⁵² "Joint Development Could Unlock Gas Fields," *Yomiuri Shimbun*, October 2 2005.

media became critical when it appeared actual drilling would take longer than anticipated.¹⁵³ Although Beijing did not slow the development of the Chunxiao field or adjust its maritime policy, Japan's confrontational policy can be viewed as a success in as much as it made clear its claim to the area east of the median line. Although not by design, Japan's joint development offer arguably complemented the confrontational policy as it was consistent with its legal interpretation of the dispute. Indeed, Japan's proposal was well received and the two sides agreed to hold a subsequent round of talks later in October 2005. However, these never took place. Koizumi's visit to the Yasukuni Shrine on October 17 led China to cancel the fourth round of talks, which were not resuscitated until March 2006.

7.4.2 Political will for confrontation

Brinkerhoff's indicators of political will indicate that Japanese leaders were quite willing to confront China over its development of resources at Chunxiao, but that this willingness had limits which were laid bare following the show of force in September.

1. *Locus of initiative*- The Teikoku decision was announced by Koizumi and driven by the relevant government ministers, particularly METI's Nakagawa. Moreover, Japan's China policy was now more centrally driven than ever before. This indicator is high.
2. *Degree of analytical rigour*- The paucity of policy choices precluded serious debate. Military scenarios were never really an option, and it was clear that there was consensus on the need to go beyond diplomacy. It is difficult to ascertain whether or not Japanese leaders fully grasped the logistical implications of the Okinawa Trough. Nevertheless, the decision was preceded by extensive surveys of the median line area which ensured the decision to drill would not be a fool's errand. This indicator is moderate.
3. *Mobilisation of support*- In light of the state of bilateral relations throughout 2005, the confrontational policy had support across government as well as conservative and moderate media, which increased as time passed.¹⁵⁴ For example, although the *Nihon Keizai Shimbun* advised caution following the Japanese decision to drill in April, by September it favoured a naval escort for

¹⁵³ "Japan Must Counter China Gas Production in Disputed Waters," *Nihon Keizai Shimbun*.

¹⁵⁴ See "Ruling, Opposition Members to Observe East China Sea on 9 April to Study Movements of China," *Sankei Shimbun*, April 4 2005, in WNC, 2005-04-04-1477.1_389b00320f562921.

Teikoku vessels operating in the disputed area.¹⁵⁵ Similarly, the liberal *Asahi Shimbun* argued that “China...should be condemned for going ahead and building sites, flouting bilateral efforts.”¹⁵⁶ This indicator is high

4. *Application of credible sanctions*- Despite the potential for escalation, Japanese leaders endeavoured to demonstrate the credibility of their new assertive policy through military means. Tokyo increased its military presence by increasing the number of P-3C flights over the median line area.¹⁵⁷ Furthermore, following reservations by Teikoku executives to conduct drilling near the median line due to security concerns, Nakagawa assured these executives that their vessels would be protected, saying Japan would “do its duty.”¹⁵⁸ However, in light of Japan’s policy shift following the Chinese show of force, as well as the constitutional limits on the use of force, these sanctions appeared to be less than credible. This indicator is low.
5. *Continuity of effort*- As noted above, Japan remained committed to this policy over Chinese threats, but not over the Chinese show of force in September. This indicates that Japanese leaders may never have really intended to drill in the disputed area. On the other hand, following the show of force, Japanese elites became preoccupied with creating the legal structures to carry out and protect exploration vessels in the disputed area. This indicator is moderate.

7.5 Conclusion: The conditions of confrontation

Similar to chapter six, the findings of this chapter indicate that a predisposition for confrontation emerged out of negative interactions over the disputed issue. Combined with the failure of diplomatic efforts, these interactions contributed to a perception in Tokyo that confrontation was the only way to achieve Japan’s territorial objectives. Interaction opportunities indicate that China’s disregard for the Japanese perspective created a sense in Tokyo that something had to be done in order to ensure Japanese access to East China Sea resources as well as to prevent unbridled Chinese maritime expansion. The Teikoku decision was an escalation of Japan’s earlier attempts to be more hardline towards China’s activities at Chunxiao. Despite reforms, offensive military options were beyond the Japanese institutional capability, and Japan’s

¹⁵⁵ See "Japan Should Tackle China Sea Gas Project Carefully," *Nihon Keizai Shimbun* and "Japan Must Counter China Gas Production in Disputed Waters," *Nihon Keizai Shimbun* respectively.

¹⁵⁶ "Uneasy over EEZ: Japan and China Must Avoid Confrontation at Sea," *Asahi Shimbun*.

¹⁵⁷ "Japan to Step up Monitoring of Disputed E. China Sea Gas Fields," *Nihon Keizai Shimbun*, September 26 2005.

¹⁵⁸ Nakagawa quoted in Przystup, "Japan-China Relations: Summer Calm," p. 119.

assertive diplomacy of the previous year was ineffective and increasingly unpopular. Thus the Teikoku decision was seen as the only way to achieve Japan's objectives with regard to China's resource development in the East China Sea. The decision to proceed with drilling was widely supported across the Japanese government and the public. It is important not to overstate the impact of the downturn in Sino-Japanese relations in 2005; Japan's policy had taken a confrontational turn before the April 14 decision to grant drilling rights. Nevertheless, it is hard to imagine leaders in Japan doing anything less in such a climate. Domestic criticisms of Japan's policy to that point were widespread and alternative options, cooperation or do nothing, would only have aggravated these attacks.

However, Japan's ability to sustain this policy was constrained by its limited policy opportunities. Despite its defence reforms, it still did not have the legal structures in place to defend its resource exploration efforts in the East China Sea. Moreover, the Japanese threat to explore for resources in the disputed area was undermined by two factors. First, the length of time it takes to begin a drilling operation and, second the geological barriers that ensured Japanese need for Chinese involvement to get the disputed resources to market. Nevertheless, the confrontational policy was not a complete failure. Domestic pressure on Japanese leaders to drill continued through 2006, which, combined with the bipartisan support for implementing the legal measures required to do so, ensured that Japan's claim to the east side of the median line was heard in Beijing.¹⁵⁹

The fourth part of the thesis summarises the findings and tests them against the circumstances which led to the cooperative settlement of June 2008. Based on the preceding four chapters, it is evident that domestic support for any policy aim in the East China Sea is necessary for the willingness of Chinese and Japanese policymakers to achieve a cooperative policy outcome. In addition, a robust set of policy options generally leads to more successful policy outcomes. While it appears that cooperation and confrontation mirror the tone of the bilateral relationship, the following chapter argues that this may not be the case. In fact it is the tone of dispute specific interactions, rather than bilateral relations, which sets the stage for cooperative or confrontational outcomes.

¹⁵⁹ For an example see Yumi Wijers-Hasegawa, "Time for Japan to Shut up and Drill: Energy Expert," *The Japan Times*, April 11 2006.

Part IV: Findings and Conclusion

By way of summary, part four begins by testing the findings relating to the conditions of cooperation and confrontation against the conditions that led to the cooperative agreement, the 'New Consensus on the East China Sea' announced by Chinese and Japanese representatives on June 18 2008. Chapter eight explains the shift from the confrontational policy choices of the 2004-05 periods to the cooperative choice in June 2008. Although the agreement is a relatively new development, explaining this transition is the litmus test for this thesis and its research aims. The conclusion summarises the findings and discusses what has been learned about the opportunity and willingness framework, draws implications for Chinese and Japanese foreign policy and identifies areas of future research.

Chapter 8: Opportunity and Willingness in the June 2008 'Consensus'

To test and summarise the findings of the thesis, this chapter proceeds in four sections. The first section summarises the findings thus far, outlining the conditions of confrontation and cooperation in the East China Sea dispute. The second section explores the origins and substance of the June 2008 'consensus' between China and Japan and the third section analyses this cooperative agreement through the lens of the opportunity and willingness framework. The most important test for the opportunity and willingness framework is its ability to explain the change from confrontational policy choices in 2004-05 to cooperative policy choices in 2007-08. Was this, as some argue, a product of improved bilateral relations, or are other factors involved?¹ What does this mean for the future trajectory of the dispute? While Reinhard Drifte argues that the future of the June 2008 agreement will depend on developments in the bilateral relationship, this thesis has argued that other factors beyond bilateral relations are equally influential on Chinese and Japanese behaviour towards their maritime territorial dispute.² The fourth section engages with this proposition by analysing what factors will influence future cooperative and confrontational processes in light of the opportunity and willingness framework.

8.1: Conditions of cooperation and confrontation

The primary aim of this thesis has been to identify the conditions germane to the formation of political will in Beijing and Tokyo to pursue the settlement of the East China Sea dispute. The case studies have revealed that cooperative outcomes were largely favoured by either domestic political constituencies, such as the fisheries lobby and the security bureaucracy, or by media and public opinion. However, in both cooperative cases, this opinion did not favour cooperation per se; it merely favoured action by the Japanese government to address the issue at hand. Ahead of the fisheries agreement, the bilateral relationship was on the upswing, but from a particularly low point in the relationship. Following the crisis surrounding the disputed islands in 1996, Chinese and Japanese leaders were keen to focus on areas of common agreement. Similarly, the intrusions issue occurred at a relatively positive

¹ Kung-wing Au, "The East China Sea Issue: Japan-China Talks for Oil and Gas," *East Asia* 25 (2008), pp. 223-241 argues as much.

² Reinhard Drifte, "From 'Sea of Confrontation' to 'Sea of Peace, Cooperation and Friendship'? Japan Facing China in the East China Sea," *Japan Aktuell*, no. 3 (2008), p. 47.

juncture in the relationship. However, this is not to argue that the tone of the bilateral relationship determines cooperative outcomes; other structural and domestic factors determined these choices. It is merely to note that territorial objectives were not at odds with the tone of the bilateral relationship.

That governments pursued cooperative outcomes when they did was largely a product of the policy opportunities it faced, which were more conducive to cooperation than confrontation. The rise of the EEZ regime after 1996 created a common framework through which the two sides could re-negotiate their fisheries agreement. China was already willing to do this as it stood to gain jurisdiction over three million square kilometres of ocean space through its UNCLOS entitlements. UNCLOS gave Japanese leaders the opportunity to re-negotiate a fisheries agreement that had become unfavourable: it added the pursuit of a re-negotiated agreement to the Japanese 'menu for choice'. Confrontation was not an option because the situation confronting the Japanese fisheries industry could not be addressed by modifications to enforcement methods. Chinese vessels were exploiting a loophole in the 1975 agreement that could be closed by the EEZ regime. The continuation of this status quo had become domestically untenable in light of political pressure from the fisheries lobbies, and the Chinese interest in achieving agreement assuaged MOFA's concerns that it would reignite the territorial dispute. Similarly, the willingness to address the intrusions issue with China emerged from rising domestic criticism from conservative politicians and mainstream media. As a ruling political party, the LDP had an interest in responding to public concerns and ensuring that MOFA addressed the issue with the Chinese. However, like the fisheries case, this merely created the willingness for action; Japan's policy opportunities determined that the choice would be cooperative. Tokyo lacked the domestic structures to forcefully address the Chinese intrusions, and diplomatic remonstrations had been ineffective. Hence the application of ODA pressure was the only remaining option for Japanese leaders.

It is intriguing at this point to note that while the fisheries agreement has been moderately successful, the notification agreement has not been, as was indicated by the growing Japanese concerns about Chinese naval activity detailed in chapter seven. The effectiveness of an agreement may be a function of the interaction opportunities between China and Japan on a particular issue. As noted in chapter four, the 1997 fisheries agreement was built on over fifty years of fisheries management relations

between China and Japan. These interaction opportunities over fisheries issues occurred at both the government level as well as between fisheries groups. Arguably, a degree of institutionalised interaction existed on fisheries issues. Based on this interaction, policy elites knew exactly what kinds of issues to avoid, such as the Senkaku/Diaoyu islands, in order to achieve a sustainable cooperative outcome.

By contrast, the intrusions issue was a new policy challenge as it was created by the extension of maritime jurisdiction under UNCLOS. As a result, Chinese and Japanese leaders were confronted with a host of new issues such as definitions of key legal concepts under the new ocean regime, as well as uncertainty over the implications of any agreement for future maritime delimitation. As a result, the notification agreement was highly informal, had no enforcement mechanisms, and covered a poorly defined geographic area. This hypothesis, that the success of a cooperative agreement is dependent on the depth of the interactions which precede it, is explored with regard to the June 2008 consensus.

Confrontational policy choices were made in a policy climate that favoured confrontation. Interactions over the Chunxiao issue had been particularly poor and did little to make Beijing or Tokyo amenable to the position of the other. China's policy menu favoured the confrontational option that was preferred by policy elites. This elite policy preference was a product of the nature of Japanese claims to Chunxiao, which Beijing genuinely found unconvincing and opportunistic particularly in light of Japan's complicity with previous aspects of China's offshore resource development. Similarly, Japan's confrontational strategy was an escalation due to Chinese intransigence. Interactions with China revealed that Beijing was uncompromising despite evidence that, in Tokyo's eyes, it was entitled to a share of Chunxiao resources.

This confrontational policy climate supported existing domestic preferences. In China domestic constituencies saw no reason to accede to the Japanese demands to cease Chinese activities at Chunxiao, and indeed viewed a cooperative alternative as setting a dangerous precedent for China's wider East China Sea claims. This sentiment was particularly strong in two arms of the government which stood to lose from cooperation with Japan over Chunxiao. The China National Offshore Oil Company (CNOOC), in competition with the China National Petroleum Corporation (CNPC)

for a share of the Shanghai natural gas market, was the operator of the field and required Xihu Trough resources to supply the east coast gas market. Additionally the PLA Navy (PLAN), which enjoys an expanded operational mandate in light of the tensions in the ECS, would have opposed any policy which could have implications for China's maritime claims. In addition to the political costs to the Chinese Communist Party (CCP) if it had cooperated, both CNOOC and the PLAN also stood to lose from accepting the Japanese position. Similarly, Japan's confrontational decision enjoyed widespread support across the political spectrum and in government. Interestingly, confrontational decisions appeared to reflect equal parts opportunity and willingness while cooperative decisions seemed to be determined more by the policy environment. For example, domestic public opinion heavily favoured confrontation, whereas with regard to cooperative outcomes, it largely favoured government action; the fact that this action was cooperative was a function of the opportunities confronted by policymakers. It is difficult to discern precisely the impact of the negative tone of the bilateral relationship during the time these confrontational decisions were made due to the exceptional circumstances of April 2005: the bilateral relationship had arguably never been worse. Because of the arguments of Au and Drifte noted above, the impact of the improvement of the bilateral relationship from 2006 on dispute management efforts is a central focus of the discussion that follows. Chapter nine will return to this question in light of this chapter's analysis.

Unlike successful cooperative agreements, the success of a confrontational posture was determined by an actor's policy menu; the more robust the menu, the more successful confrontation was. China's confrontational strategy was successful because of CNOOC's technological prowess in offshore exploration and production; there was no incentive for CNOOC to seek Japanese investment or a Japanese market as there had been in past instances of Sino-Japanese energy cooperation. Furthermore, it was able to reinforce its rhetoric with demonstrations of force consistent with its version of the legal argument. Conversely, Japanese opportunities were once again constrained, although less so than with regard to the intrusions issue. Tokyo had the capabilities required to mount a response to the public demand for a more confrontational stance, such as conducting surveys and granting drilling rights, but not to sustain it. Constitutional limits on Japanese forces meant that Chinese deterrent efforts were successful, and as 2005 progressed it became clear that Japanese laws did

not allow the protection of Japanese nationals operating in its EEZ. The following section tests these findings against the cooperative agreement reached in June 2008.

8.2: Origins of the June 2008 ‘consensus’³

This section explores the Chunxiao dispute from October 2005 and divides the remaining period into two phases. Following a promise to examine Japan’s first joint development proposal, made at the third round of talks in September-October 2005, Beijing cancelled a subsequent round of talks following Prime Minister Koizumi Junichiro’s visit to the Yasukuni Shrine on October 17 2005. Analysis of the negotiations indicates how Sino-Japanese policy shifted from confrontation to cooperation over the issue of resource development in the East China Sea. The first phase, ‘confidence building’, began in January 2006 (when the two sides agreed to restart negotiations) and lasted until spring 2007. The second phase—‘stumbling towards consensus’—began following the Wen Jiabao-Abe Shinzo meeting in Tokyo in April 2007 and ended with achievement of the ‘New Consensus’ on June 18 2008.

8.2.1 Phase 1: Confidence building.

The first phase of the Chunxiao dispute was characterised by an increased frequency and depth of bilateral consultations, which seemed at first to progress independently of the stagnant bilateral relationship. Recall that at the third round of talks on September 30-October 1 2005, Japan softened its stance. It downplayed its ultimatum and proposed a joint development scheme which included the Chunxiao, Tianwaitian and Duanqiao fields, as well as the Longjing field 100km to the north. A scheduled meeting to discuss the proposal was cancelled after Koizumi visited the Yasukuni Shrine two days prior. As part of China’s moratorium on official contact, the Japanese proposal was not discussed until the talks were resuscitated in March 2006.

Following an unofficial meeting between Sasae Kenichiro, the Japanese negotiator, and Cui Tiankai, his Chinese counterpart, in January 2006, a fourth round of talks was held in March. Although there was little progress, positive signs could be detected.⁴ Both parties handled a Chinese sailing ban in the disputed area relatively smoothly, after a period of posturing. In April the Chinese State Oceanic

³ This section draws on James Manicom, "Sino-Japanese Cooperation in the East China Sea: Limitations and Prospects," *Contemporary Southeast Asia* 30, no. 3 (2008), pp. 455-478.

⁴ It could be argued that the replacement of Nakagawa with the pro-China Nikai Toshihiro as METI minister is evidence of Japan’s willingness to move forward. See David Pilling, "Japan Strikes Easier Tone on Gas Disputes," *Financial Times*, November 5 2005.

Administration (SOA) website gave notice of a ban on ships operating near Chunxiao, and several Japanese fishermen were removed from the area. As this was a violation of the Sino-Japanese fishing agreement, Japan issued a protest. Both sides dug in until Beijing declared that the location given for the ban was a mistake; it was intended to cover the Pinghu gas field, located well inside Chinese waters and not contested by Japan.⁵

A fifth round of talks was held soon after in late May. Although both sides rejected the other's joint development proposal, there was progress. Both sides committed themselves to creating an incident at sea mechanism to prevent escalation stemming from an accidental use of force. On May 23, at the first high level meeting between Chinese and Japanese officials in over a year, Foreign Ministers Li Zhaoxing and Aso Taro agreed to accelerate talks on the East China Sea dispute.⁶ The sixth round of talks in early July witnessed the establishment of three technical working groups on Confidence Building Measures (CBMs) in legal matters, a hotline agreement and resource exploitation. Further positive signs were noted in the decline of Chinese military naval activities in the East China Sea which, according to one view, is evidence of greater efforts by Beijing to suppress anti-Japanese activities by bureaucratic constituencies within China.⁷ These developments occurred despite the fact that bilateral relations remained tense.

Following the election of Abe Shinzo as Prime Minister, and his vocal commitment to repair the relationship with China, the CBMs began to bear fruit.⁸ The legal experts met in January 2007 and discussed the legal interpretations of the East China Sea dispute. ANRE representatives met with their counterparts from the National Development and Reform Commission (NDRC) to discuss matters relating to resource exploitation in April 2007. Finally, the JCG and the SOA met in July 2007

⁵ For details of this incident see James J. Przystup, "Japan-China Relations: Spring Thaw," *Comparative Connections* 8, no. 2 (2006), pp. 120-121.

⁶ This meeting was part of what is regarded as the beginning of the warming of bilateral relations. See *Ibid.*, pp. 117-126.

⁷ "PRC Naval Vessels Activities in East China Sea 'Drop Sharply' in 2006," *Sankei Shimbun*, November 4 2006. This decrease was not sufficient to be mentioned in the discussion of the Chinese maritime threat in the subsequent defence white paper. See Japan Ministry of Defense, *Defense of Japan 2007* (Tokyo: Japan Ministry of Defense, 2007), p. 59.

⁸ On the improvement of relations under Abe see Jiang, "New Dynamics of Sino-Japanese Relations," pp. 15-41.

in an effort to establish a hotline between the two branches.⁹ Although these developments occurred over an eighteen month period and achieved little in the way of binding commitments, they are indicative of a departure from the confrontational rhetoric and military posturing that marked the first phase of the dispute. The seeds for these CBMs were planted prior to Abe's election, indicating a willingness somewhere in the Chinese policymaking apparatus to see past Beijing's refusal to deal with Koizumi in order to handle the Chunxiao issue pragmatically.

This progress was not without setbacks, however. Chinese naval research vessels continued to enter Japanese waters. In February 2007 the *Dongfangfong* #2 was sighted in Japanese waters, 30km northwest of Uotsuri Island. Although Beijing had informed Tokyo of the activities, the vessel was not where Chinese authorities claimed it would be.¹⁰ In addition, the number of intrusions into Japan ADIZ jumped eight times in 2005, causing a 60% jump in interceptions by the ASDF. In addition, Chinese aerial reconnaissance operations around the median line also increased.¹¹ Furthermore, ahead of Wen's visit to Japan in April 2007, at the seventh round of talks, the Chinese offered to share the seismic data on Chunxiao with Japan, an offer their Japanese counterparts described as "constructive."¹² However, the long sought after data was not provided at the April 2 meeting. Nevertheless, Wen and Abe's joint statement of April 11—to make the East China Sea a 'sea of peace, cooperation and friendship' reflected the desire on both sides to move on from the Koizumi era.¹³ This marked the beginning of the final phase of the Chunxiao dispute.

8.2.2 Phase 2: Stumbling toward consensus

Despite the rhetoric, continued progress was not immediately forthcoming. Rounds eight, nine and ten, held between May and October 2007, yielded little progress other than rhetorical commitments to reach a solution as fast as possible. It appears the major sticking point was how to finesse maritime delimitation and the median line in a joint development agreement. China maintained its stance that Chunxiao was in

⁹ Japan Ministry of Foreign Affairs, "Meeting between the Japan Coast Guard and the State Oceanic Administration of China," July 20 2007, http://www.mofa.go.jp/announce/announce/2007/7/1174543_830.html. Accessed 04/03/2008.

¹⁰ "Chinese Research Ship Sighted near Senkaku Isles," *Yomiuri Shimbun*, February 5 2007.

¹¹ "ASDF Scrambles up 60% in '05; Chinese Intrusions Jump 8 Fold," *Yomiuri Shimbun*, April 22 2006.

¹² Takeo Kumagai, "Japan, China to Start East China Sea Talks; Information to Be Exchanged on Shirakaba Field," *Platt's Oilgram*, March 30 2007.

¹³ Reiji Yoshida, "Fukuda, Hu Put Focus on Future," *The Japan Times*, May 8 2008.

Chinese waters and therefore not privy to joint development. Under its proposal, fields located near the Senkaku/Diaoyu islands should be jointly developed because they were in the disputed area. Chunxiao and Tianwaitian, located in Chinese waters and approaching the production stage, were off limits.¹⁴ Japan meanwhile was reluctant to consider joint development of fields located inside the disputed area due to concerns about Chinese maritime expansion. Moreover, the priority remained accessing fields that could potentially contain Japanese-claimed resources. Any agreement would establish some kind of precedent which, while not legally binding, could confer legitimacy on one party's interpretation. Neither party was interested in sacrificing its claim to the entire East China Sea as part of the agreement.

A small breakthrough occurred on October 31 2007 when Sasae told the LDP Special Committee on Ocean Affairs that Chinese negotiators had agreed in principle to joint development of fields in the median line area, depending on how Japan dealt with the median line issue.¹⁵ This small concession indicated that Beijing was flexible on the location of joint development, but remained wary of the longer-term implications for its East China Sea claims. Improving relations and media speculation about reciprocal state visits between Prime Minister Fukuda Yasuo and President Hu created further conjecture on the timing of a cooperative agreement on the Chunxiao dispute. For example, the *Nihon Keizai Shimbun* reported on February 4 2008 that the two sides were considering evenly distributing profits under a plan in which each side would hold a majority stake in fields on its own side of the median line.¹⁶ Speculation continued that an agreement would form part of a landmark Hu-Fukuda declaration on the state of the bilateral relationship. Although it did not, at the May summit in Tokyo both leaders were upbeat about the prospects for progress.¹⁷ According to Hu "prospects for settling the dispute are already in view and I'm happy about this."¹⁸

¹⁴ Tianwaitian entered full production in April 2007. See EIA, "East China Sea."

¹⁵ "Japan-China Gas Field Talks Upgraded to Minister Level," *Yomiuri Shimbun*, November 13 2007.

¹⁶ "Japan, China Planning to Split Profits from Gas Field Projects," *Nihon Keizai Shimbun*, February 4 2008.

¹⁷ "Fukuda, Hu Agree to Boost Ties/Joint Statement Future-Oriented; Gas Issue 'Close to Resolution'," *Yomiuri Shimbun*, May 8 2008.

¹⁸ Hu Jintao quoted in Michiyo Nakamoto and Mure Dickie, "Japan and China near Gas Fields Accord," *Financial Times*, June 16 2008.

8.2.3 Substance of the June 2008 ‘consensus’

Based on the background outline above, the June 2008 agreement needs to be considered in context.¹⁹ Contrary to some assessments, it is not a broad agreement on resource exploitation, nor is it an agreement delimiting boundaries in the East China Sea.²⁰ At best, it is an agreement on the most basic positions of China and Japan, although the fact that the proposed joint development area straddles the median line indicates a willingness in Beijing to be flexible. The Chinese statement refers to the common understanding reached between Wen and Abe in April 2007 as well as a ‘new’ common understanding reached in December 2007. This appears to be a reference to the first time China proposed a development zone that incorporated the median line in some way. However, contrary to some analyses, this act does not imply Chinese formal recognition of the median line.²¹ It does, however, imply a degree of flexibility by China.²² Prior to this development the negotiations had been stalemated on legal interpretations of this very issue for seven rounds of talks over eighteen months.

The first part of the agreement outlines a 2700 km² joint development zone (JDZ) south of the Longjing field that roughly bisects the median line (see Map 4). As outlined above, joint development of Longjing was part of Japan’s joint development proposal tabled in October 2005. The fact that the JDZ is south of Longjing most likely reflects Chinese concerns about the commercial viability of resources at the Longjing field.²³ The specifics remain vague. Joint exploration of the zone will be

¹⁹ The only available English language text of the agreement is from Chinese sources; an official Japanese translation is not available. This analysis relies on the text contained in "China, Japan Reach Principled Consensus on East China Sea Issue," *Xinhua News*, June 18 2008. The only difference between the two relates to the title of the second section that deals with the Chunxiao gas field, which has different titles for the same text. One author argues this is likely because the Chinese version reinforces the Chinese claim to the Chunxiao field, which is not disputed in the Japanese version. See Drifte, "From 'Sea of Confrontation' to 'Sea of Peace, Cooperation and Friendship'?", pp. 43-44. The Japanese language version is available at Japan Ministry of Foreign Affairs, "東シナ海における日中間の協力について," June 18 2008, http://www.mofa.go.jp/mofaj/area/china/higashi_shina/press.html. Accessed 13/10/2008.

²⁰ "Sea of Cooperation," *The Japan Times*, June 21 2008.

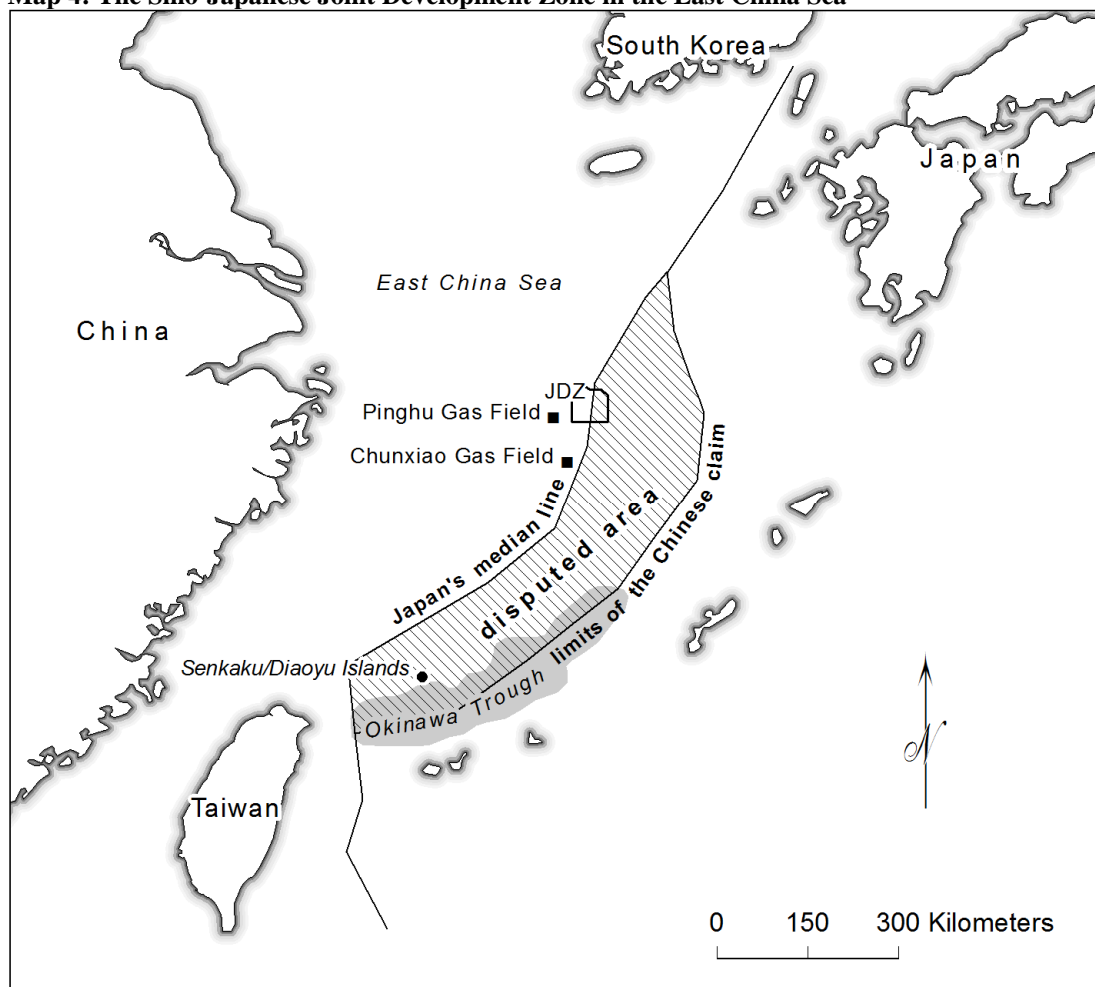
²¹ Sourabh Gupta, "An 'Early Summer': Sino-Japanese Cooperation in the East China Sea " *Nautilus Policy Forum Online* vol. 08-10A (2008), <http://www.nautilus.org/fora/security/08010Gupta.html>. Accessed 10/04/2008.

²² "Japan, China Strike Deal on Gas Project Areas in Disputed E. China Sea," *Kyodo News*, June 16 2008.

²³ "Govt Offers Beijing New Gas Deal," *Yomiuri Shimbun*, February 6 2008.

conducted and developed “under the principle of mutual benefit.”²⁴ The statement calls for a treaty to be signed to implement the agreement.

Map 4: The Sino-Japanese Joint Development Zone in the East China Sea



Source: Spatial Information System Laboratory, Flinders University

The median line continues to be a possible stumbling block. Since the JDZ straddles the line, if a field is discovered on one side and does not extend to the other, one party could make the argument that it alone should exploit the field, provided it repaid the other party for costs incurred. Although it was later denied, the *Nihon Keizai Shimbun* report noted above indicates that Chinese and Japanese negotiators had been considering the location of a given field relative to the disputed area as an indicator of which state should have a majority share.²⁵ This idea has some precedent in the negotiations; the *Sankei Shimbun* reported that it was part of a Japanese proposal

²⁴ "China, Japan Reach Principled Consensus on East China Sea Issue," *Xinhua News*.

²⁵ "Japan, China Planning to Split Profits from Gas Field Projects," *Nihon Keizai Shimbun*.

during round nine talks in June 2007.²⁶ However, if the median line were used in this way, the Chinese would be hard-pressed to argue they do not recognise it.²⁷ The agreement is also vague on the specifics of how resources are divided following a discovery, merely noting that the “specific matter will be decided by the two sides through consultation.”²⁸ Clearly, there remains potential for disagreement.

The second part of the ‘consensus’ permits Japanese entities to invest in the Chunxiao field in a manner consistent with Chinese law. Under the ‘Regulations Concerning the Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises’, foreign companies typically obtain up to a 50% stake in a concession block.²⁹ Japanese companies would play an identical role to that of Shell and UNOCAL prior to their exit from the Chunxiao project in September 2004.³⁰ The primary difference is that the exploration work is now complete at the Chunxiao field; the remaining task is to bring the field online and connect the field to pipelines to mainland China. It remains to be seen how much gas or revenue Japanese entities will be entitled to, but it is likely to be less than 50%, as the costly exploration burden has already been borne by CNOOC and its partners. Furthermore, Japanese oil companies may not be interested in investing in a field that two oil majors have pulled out of. Teikoku Oil likely remains interested in developing East China Sea resources, but whether it is willing to buy into the Chunxiao field is another matter. If no private company is forthcoming, the government owned Japan Oil, Gas and Metal National Corporation (JOGMEC) would likely provide Japanese financing.

This aspect of the agreement appears to be a political concession made by China. It is unlikely that CNOOC requires further investment to bring the Chunxiao field online. Rumours that it entered production have been rife since October 2005, and delays

²⁶ Eric Watkins, "China, Japan Postpone Dispute Resolution Talks," *Oil & Gas Journal* 105, no. 37 (2007), p. 26.

²⁷ It should be noted however that very few regional joint development schemes function in such a fashion. See Francis M. Auburn, Vivian Forbes, and John Scott, "Comparative Oil and Gas Joint Development Schemes," in *Eurasia: World Boundaries Volume 3*, ed. Carl Grundy-Warr (London: Routledge, 1994), pp. 196-212.

²⁸ "China, Japan Reach Principled Consensus on East China Sea Issue," *Xinhua News*.

²⁹ State Council of the People's Republic of China, "Regulations of the People's Republic of China Concerning the Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises," 2001, <http://www.asianlii.org/cn/legis/cen/laws/rotproccteoopricwfe1391>. Accessed 04/07/2008

³⁰ "Shell, UNOCAL Exit East China Sea Project," *Platt's Oilgram*.

have likely been for political reasons rather than financial.³¹ For example, as a sign of good faith, CNOOC ceased construction at Chunxiao following the first round of talks in October 2004.³² Nevertheless, as a profit seeking firm owned by a national government, CNOOC is not in the business of turning down investment partners forced upon it by Beijing. In all likelihood, the investment is welcome, but not needed. As noted in chapter six, CNOOC's primary commercial interest in the East China Sea is to bring as much gas as possible to markets in eastern China as part of its competition for the potentially lucrative Shanghai gas market with onshore giant CNPC, which pipes gas to Shanghai via the West-East pipeline.³³ Importantly for CNOOC, this gas may be more expensive than gas produced in the East China Sea; hence Japanese investment in Chunxiao, and the potential for participation in the JDZ, is consistent with its commercial and political aims.³⁴

The second part of the agreement is valuable to political elites in Japan who have been heavily criticised for their inability to prevent the 'theft' of Japanese resources. The agreement partly silences these critics because it addresses the concern that resources on the Japanese side of the line may be tapped. More importantly, it provides a notable precedent for further cooperation at other Chunxiao fields that were not included in the agreement, including Can Xue and Duanqiao. Although the Baoyunting and Wuyunting fields are not on the median line, Japanese entities could presumably invest as normal private companies. It is unlikely that CNOOC or Beijing will consider Japanese investment in the Tianwaitian field, as this field is already producing gas, and the commercial focus has shifted to recouping sunk costs.

In order to assess the future direction of the dispute it is important to note what the parties did *not* achieve in the agreement. Japan did not get access to any of the other fields at Chunxiao. Both Tianwaitian and Duanqiao may straddle the median line and were part of previous Japanese proposals, but remain out of reach.³⁵ Since much of the Japanese public outcry in response to the Chunxiao project was due to the

³¹ "Japan Protests China's Imminent Production at Chunxiao Field," *Kyodo News*.

³² James J. Przystup, "Japan-China Relations: A Volatile Mix: Natural Gas, a Submarine, a Shrine, and a Visa," *Comparative Connections* 6, no. 4 (2005), p. 121.

³³ "Rivals Race Petrochina to Shanghai," *Petroleum Intelligence Weekly*; Fridley, p. 44.

³⁴ The impact of the agreement on CNOOC's previous opposition to cooperation is analysed below.

³⁵ See Reiji Yoshida and Shinichi Terada, "Japan, China Strike Deal on Gas Fields," *The Japan Times*, June 19 2008; Kazuto Tsukamoto, "Japan, China Seal Deal on Gas Fields," *Asahi Shimbun*, June 19 2008.

perception that its undersea features extended to the Japanese side of the median line, Tokyo may push for access to these fields in the future should public opinion move in this direction.³⁶

For its part, China did not get access to fields near the Senkaku/Diaoyu islands. Although Japanese leaders made clear this was a non-negotiable point, Beijing may continue to push for these in the future in exchange for Japanese access to other fields at Chunxiao. While Chinese officials recognise that this is a non-negotiable point for Japan, this does not necessarily imply that future requests for joint development activities in this area will cease.³⁷ The agreement does nothing to forestall China's creeping expansionism, although it does mean that future unilateral Chinese efforts to develop resources east of the median line will be viewed as particularly provocative behaviour. In the words of one Japanese strategist: "The ultimate objective of China's military expansion is to expel the US naval force from sea areas in Asia. But China's immediate goal is clear: It is to take control of the East China Sea."³⁸ Some have argued that China's failure to secure a joint development area near the islands is a sign that the deal favours Japan.³⁹ However, this conclusion is premature. Nothing in the agreement precludes China from pursuing these resources at some point in the future, aside from the act being viewed as deviant by Japan, and possibly by other regional states.

The delimitation of the East China Sea remains unsettled, and will likely remain so for the near future. Some sources, including those within the Japanese government, have indicated that since the median line is used to determine which fields are 'disputed', this implies *de facto* recognition of the line by China.⁴⁰ In the words of the *Yomiuri Shimbun*, "as the agreement included joint investment in and the

³⁶ This is not to suggest that public opinion drives Japanese foreign policy. However, this thesis has shown that some domestic actors can mobilise wider support for their preferences. In particular, as Gregory Clark argues, conservative elements of the Japanese polity cause Japan's stance on territorial questions to harden, which in turn influences public opinion making it incapable of seeing two sides to a dispute. See Gregory Clark, "Never Give an Inch to China," *The Japan Times*, May 8 2006.

³⁷ "Japan-China Gas Deal a Breakthrough in Warming Ties, but Issues Remain," *Kyodo News*, June 19 2008.

³⁸ Jun Kitamura, "The US Military's Perception of Japan and National Strategies That Japan Should Have: Proposal for the Future of the Japan-US Alliance " *Seiron*, January 22 2006, in WNC, 2006-01-22-1477.1_07111ce7ee56cf73.

³⁹ Ching Cheong, "China-Japan Deal on East China Sea: Tokyo Seen as Having the Upper Hand," *Straits Times*, June 21 2008.

⁴⁰ Osamu Kawakami, "Mutual Gas Benefit Stressed/East China Sea Exploration Pact Highlights Japan-China Ties," *Yomiuri Shimbun*, June 20 2008.

development of a gas field that straddles the median line, it can be interpreted that China accepted Japan's proposals based on its median line claim, even if it was in a limited manner."⁴¹ This is unlikely, however, as China routinely denies the existence of the line. Beijing reiterated this stance through Foreign Minister Yang Jiechi in the days that followed the announcement.⁴² Further, China continues to exploit the ambiguity of the notification agreement to continue naval intrusions into Japan's water, much to Tokyo's displeasure.⁴³ These intrusions are consistent with Chinese non-recognition of the median line. Indeed, to stress the fact that China does not recognise the median line, intrusions into Japanese waters may increase in the coming year. As noted above, reinforcing China's claim would have been integral to ensuring CNOOC's support for the agreement.

A final issue is the joint development of other Chunxiao fields.⁴⁴ The announcement does not explicitly mention these fields—it merely notes that the two sides will continue consultations on joint development of the East China Sea. Nevertheless, Japanese media have speculated that all fields straddling the median line will be jointly developed at a ratio of 50:50.⁴⁵ As argued above, future Japanese involvement in these fields may require Japan to compromise and include China in projects on the Japanese side of the median line. The agreement also does not address the sovereignty of the Chunxiao field. Some commentators criticised China for reiterating its sovereignty claim over the Chunxiao field following the agreement.⁴⁶ However, this statement was made in response to the comment by a Japanese official that Japan has not recognised Chinese sovereignty over Chunxiao.⁴⁷ Given this statement, however, it is unlikely that Japan will gain access to other fields at Chunxiao in a capacity other than the way they will access the Chunxiao field—as a junior partner

⁴¹ "Gas Field Agreement Helps Japan-China Ties," *Yomiuri Shimbun*, June 19 2008.

⁴² Chinese Ministry of Foreign Affairs, "Foreign Ministry Spokesperson Jiang Yu's Regular Press Conference on June 17 2008," 2008, <http://www.fmprc.gov.cn/ce/cemy/eng/fyrth/t448663.htm>. Accessed 20/06/2008.

⁴³ See for example, "China: "Peaceful Rise in Light and Shadow",", p. 105; JDA, *Defense of Japan 2006*, pp. 48-49.

⁴⁴ The Korean reaction to the agreement is also noteworthy, but is beyond the scope of this thesis. See "Korea Alarmed by China-Japan Deal on East China Sea," *The Korea Herald*, June 23 2008.

⁴⁵ "Japan-China Gas Deal Leaves Key Issues Unresolved," *Nihon Keizai Shimbun*, June 19 2008.

⁴⁶ Howard W. French, "A Sense of Community Elusive for East Asia," *International Herald Tribune*, June 19 2008.

⁴⁷ Yang Jiechi, "Q&A: Chinese FM on East China Sea Issue," June 24 2008, <http://au.china-embassy.org/eng/xw/t450705.htm>. Accessed 02/07/2008.

financing a Chinese-run operation. In all likelihood, retaining control of its Xihu Trough operations would have been of paramount importance to CNOOC.

8.3: Explaining the June ‘consensus’: Lessons for political will

Viewed through the opportunity and willingness lens, it is difficult to separate the June 2008 consensus from the broader effort by Beijing and Tokyo to improve bilateral relations following the nadir period during 2005. Indeed, academics have yet to offer a full explanation of the reasons for the turnaround in the relationship.⁴⁸ However, the analysis above indicates that segments of the policymaking apparatus in China and Japan remained committed to ensuring the management of the East China Sea dispute despite the poor tone of the broader relationship. This is indicated by the informal meeting between Cui and Sasae in January 2006 and by the Director-General level meeting in March 2006, which preceded the official re-instatement of bilateral ties symbolised by the Li-Aso exchange in May. Following the reinstatement of official bilateral contact, both parties agreed on the need for CBMs in the East China Sea. This occurred five months prior to Abe’s election and his high profile decision to make the improvement of the bilateral relationship a priority for his prime ministership. While there were attempts to improve the bilateral relationship in the latter months of the Koizumi government, the analysis above indicates that those bureaucrats involved in the East China Sea dispute attempted to manage tensions months beforehand.⁴⁹

This willingness is consistent with the finding that interaction opportunities of a positive nature create conditions for cooperation. As described above, Japan’s JDZ proposal at the third round of talks was not given its due because of the cancellation of the fourth round due to Koizumi’s Yasukuni visit. Nevertheless, Cui and Sasae remained committed to ensuring some level of bilateral contact on the territorial dispute, possibly because they felt the talks were at a crucial stage. This initial cooperative tone was reinforced by subsequent interactions, in particular the relative success of the CBMs through 2006-07. These interaction opportunities between

⁴⁸ For speculative arguments see Jiang, "New Dynamics of Sino-Japanese Relations," pp. 15-41. One scholar has argued that the turnaround is due to an increased Chinese confidence towards Japan. See Jean-Marc F. Blanchard, "The Thawing of China-Japan Relations since 2005," (paper presented at the International Conference on Greater China in an Era of Globalization, The Chinese University of Hong Kong, July 14-15 2008).

⁴⁹ "China Set for Post-Koizumi Thaw in Ties," *Yomiuri Shimbun*, February 17 2006.

Chinese and Japanese officials over the East China Sea dispute, one of the three indicators of opportunity employed in this thesis, were integral in changing the policy environment from highly confrontational in October 2005, to a highly cooperative one by 2008.

The importance of the improving bilateral relationship cannot be dismissed, but this analysis indicates cooperative sentiment towards the East China Sea dispute pre-existed substantial improvement in the bilateral relationship. Thus, improved relations reinforced rather than triggered cooperation. The Chinese leadership was prepared to re-engage with Tokyo following the departure of Koizumi, provided Abe handled the Yasukuni shrine issue to Beijing's liking.⁵⁰ When he was elected leader of the LDP, Abe Shinzo's highest profile promise was the improvement of Japan's relations with China and South Korea by better handling of the Yasukuni issue. Indeed, in light of his past statements on the Yasukuni issue, many expected Abe's conservative nature to dictate his behaviour. However, Abe was able to convey his commitment to improving relations with China by not visiting the Yasukuni Shrine, while demonstrating his conservative credentials in other ways, such as elevating the JDA to a Ministry of Defence (MOD).⁵¹

In this new climate, bilateral negotiations towards a cooperative agreement became increasingly regular, but challenges and setbacks remained. That there was political will to cooperate independent of the improvement in bilateral relations is evident in the fact that policy elites were able to overcome setbacks as the talks wore on. These setbacks included the protracted stalemate in the negotiations, the mistaken shipping ban around Chunxiao in April 2006, as well as the Chinese failure to provide the much sought after seismic data in April 2007. Also, Japan issued a diplomatic protest following reports of flames coming out of the Pinghu gas field in November 2006, which is an expansion of its policy of protesting developments at Chunxiao.⁵² That negotiations continued, accelerated in frequency, and were accompanied by positive rhetoric from top officials indicates an escalating commitment to pursue cooperation

⁵⁰ Some scholars view Abe's decision not to visit the Yasukuni Shrine as the mark of the return of pragmatism to the Sino-Japanese relationship. He, "Ripe for Cooperation or Rivalry?," p. 189.

⁵¹ Jiang, "New Dynamics of Sino-Japanese Relations," pp. 28-29.

⁵² James J. Przystup, "Japan-China Relations: Ice Breaks at the Summit," *Comparative Connections* 8, no. 4 (2007), p. 129. As noted earlier, Japan has not historically disputed the legality of the Pinghu field. This protest was likely related to its attempt to extend its jurisdictional claim from the median line to the full 200nm.

over the Chunxiao dispute. A commitment to accelerating the talks was a stated objective of Aso and Li's joint statement in their meeting on May 23 2006.⁵³ Abe spelled out his commitment to cooperation in the ECS during his first meeting with Hu Jintao on October 9 2006 and the two reiterated this pledge at the APEC meeting in Hanoi in November.⁵⁴ The most significant commitment came from the Wen-Abe summit in April 2007. Following a year of more frequent interaction in the form of accelerated talks, as well as working level discussions, policy elites further linked cooperation to their credibility by pledging to make the East China Sea a sea of 'peace, cooperation and friendship'.

By late 2007, despite the stalemated talks, speculation was high that an agreement was not far off. Indeed, in a relationship where symbolic events have great currency, policy elites appeared to be adamant that an agreement should coincide with the next forward step in the relationship. There was also an added degree of urgency in elite level rhetoric. Fukuda's first face-to-face meeting with a Chinese leader was with Premier Wen on the sidelines of the ASEAN summit in November 2007, at which both leaders agreed to accelerate the negotiations.⁵⁵ Cabinet level meetings took place in Beijing in early December as part of the largest bilateral summit since normalisation of relations and, despite the absence of agreement, were hailed as a success.⁵⁶ This sentiment fed speculation that an agreement would be reached ahead of Fukuda's visit to Beijing, followed by speculation that an agreement would form part of Hu's reciprocal visit to Tokyo scheduled for spring 2008. Although neither case eventuated, the value of these summits is indisputable. Chinese media reported the achievement of a new consensus on the issue following Fukuda's visit to Beijing. This statement also issued a pledge to resolve the issue at "an early date."⁵⁷ Fukuda was subsequently more specific, saying: "We have come to a very good point. It may be possible to resolve the issue possibly by around spring."⁵⁸

⁵³ "Aso and Li Find Some Areas for Agreement," *The Japan Times*, May 25 2006.

⁵⁴ Przystup, "Japan-China Relations: Ice Breaks at the Summit," pp. 127-128.

⁵⁵ "Fukuda, Wen Agree to Speed Gas-Field Talks," *The Japan Times*, November 21 2007.

⁵⁶ Allan T. Cheng, "China's Hu Ends Summit without Resolution on Gas Fields," *Bloomberg*, December 3 2007.

⁵⁷ Qin Jize, "China, Japan Reach Consensus on Sea Issue," *China Daily*, December 29 2007.

⁵⁸ Fukuda Yasuo quoted in "Fukuda Hopes to Resolve Japan-China Gas Field Row in Spring," *Kyodo News*, January 7 2008.

The fact that elites on both sides repeatedly and publicly expressed their willingness to cooperate in the Chunxiao dispute could be disregarded as simply the rhetoric that normally accompanies state visits. However, the fact that these statements indicate the escalating promise of prompt cooperation tied the success of this endeavour to the credibility of policymakers. A consistent message in favour of cooperation by the highest ranking officials in both states served to marginalise conservative and nationalist elements that have opposed territorial settlements in the past, as well as to galvanise public opinion to favour cooperation. In short, the political will to compromise gained momentum on both sides as both bilateral relations improved, which in turn became self-perpetuating as policy elites publicly became more positive about the prospects.

Equally important to interaction opportunities and the improvement of bilateral relations (indicators of opportunity and willingness respectively) was that the talks served to clarify the costs of cooperation to both sides. The June agreement indicates that some of the conditions to confrontation identified in chapters six and seven had been removed. While CNOOC opposed cooperation in 2005 because of the potential for costs to its operations of giving into Japanese demands, the agreement addresses several of its concerns. CNOOC's existing Chunxiao projects are protected, and any Japanese role is clear; to be under existing Chinese laws for foreign partnerships. This sets an important precedent for future Japanese involvement at existing CNOOC operations near the median line. Moreover, the JDZ dictates how and where future joint resource development in the East China Sea will take place, and ensures a role for Chinese companies.⁵⁹ Finally, it does not prejudice China's claims to the entire continental shelf. The agreement also meets the Japanese aim of assuring access to East China Sea resource development, which broadly reassured those calling for Tokyo to stand up to China in the East China Sea. Although Nakagawa (and other conservatives) decried the deal on the grounds that it forced Japan to buy resources to which it was entitled, it was widely accepted as a positive step.⁶⁰

Each party's incentives for cooperation can be explained by opportunity and willingness. Beijing made two compromises towards the final agreement; first, to

⁵⁹ While CNOOC is the primary offshore oil company in China, the author is unaware whether CNOOC's role in the JDZ is guaranteed as other Chinese NOCs are now permitted to operate offshore.

⁶⁰ "Japan, China Settle Gas Development Dispute," *Jiji Press English News Service*, June 18 2008.

consider a JDZ that straddles the median line, and second, to grant Japanese entities access to Chunxiao. What contributed to this Chinese willingness to soften its stance on the median line, which was communicated to Sasae in October 2007? This may have been a calculation based on changes in Japan's capabilities designed to convey how serious Japan was about conducting drilling operations east of the median line. As noted at the end of chapter seven, Japanese leaders adopted a number of domestic legal reforms to protect Japanese vessels operating in its EEZ.⁶¹ This would have created a perception in Beijing that the opportunity to cooperate on hydrocarbon resource exploitation may have been temporary. Beijing made clear in October 2005 that Japanese drilling in the disputed area would invite Chinese retaliation. As noted in chapter two, naval conflict with Japan is clearly not in China's interest. As Bernard Cole argues, "the JMSDF's significantly more advanced naval capabilities would...almost certainly cause the destruction of PLAN units, with significant loss of life."⁶² Thus, Beijing may have calculated that a beneficial cooperative solution could provide the basis for future joint resource development in the disputed area. Accomplishing this in the present context was more favourable than the possibility of Japan calling Beijing's bluff and pursuing resource development east of the median line, with advanced naval vessels armed with the legal authority to protect Japanese nationals.

Japan's willingness to cooperate came from recognition of the limits of its confrontational policy outlined in chapter seven. While Japan was expanding its policy menu with regard to the enforcement of its EEZ jurisdiction, it could not overcome the geological barriers to unilateral resource development. As noted in chapter seven, the Okinawa Trough prevents Japanese oil companies from constructing a pipeline to the Japanese mainland. Thus, Chinese involvement is crucial for Japan to pursue East China Sea resources. There is some evidence that the commercial viability of transporting gas to Japan was a subject of discussion in Tokyo. In mid-2007 the *Sankei Shimbun* reported that Japanese policymakers were considering tabling a proposal whereby Japan would sell its share of resources back

⁶¹ Hideki Kawasaki and Junya Hashimoto, "Maritime Law a Start to Securing Interests," *Yomiuri Shimbun*, 22 April 2007.

⁶² Bernard D. Cole, "Right-Sizing the Navy: How Much Naval Force Will Beijing Deploy?," in *Right Sizing the People's Liberation Army Navy: Exploring the Contours of China's Military*, ed. Roy Kamphausen and Andrew Scobell (Carlisle, PA: Strategic Studies Institute, 2007), pp. 544-545.

to China if transportation difficulties rendered transport to Japan unprofitable.⁶³ The implications of these incentives for future cooperation or confrontation are addressed below.

The future trajectory of the dispute can be traced by the analysis of the territorial value each party places on the East China Sea. The June consensus achieves two of China and Japan's territorial objectives with regard to resource development. Chapter six argued that, consistent with Blanchard's expectations, China valued the East China Sea dispute as an anti-Japanese symbol in 2005. However, following the nadir of the relationship in April 2005, both sides endeavoured to improve relations, and Beijing in particular sought to suppress popular nationalist sentiment. Indeed, the analysis above suggests Chinese leaders were willing to proceed with cooperation over limited nationalist protest.⁶⁴ As outlined above, both sides endeavoured to 'sell' cooperation domestically, which fulfils the relational-intangible objective of domestic identity politics. Also, both parties fulfilled, at least in the short term, the intrinsic-tangible objective of ensuring access to disputed resources, the criticism from the Japanese right notwithstanding.

However, the relational-tangible value of the East China Sea remains undetermined. Japan partly fulfilled its relational-tangible objective of forestalling Chinese maritime expansion; the JDZ is located in the middle of the East China Sea, rather than near the Senkaku/Diaoyu islands as China had proposed. This identifies an important barometer of future trends. At what point will policymakers in Beijing and Tokyo become dissatisfied with the June agreement because it does not meet their long-term relational-intangible objective of controlling the East China Sea? This is particularly pressing if the PLAN is as active a bureaucratic actor as is assumed on territorial policy. The PLAN would have supported confrontation in 2004-05, and there is no evidence that it would have supported the June agreement. This question is addressed in section 8.4.

⁶³ Reported in Watkins, "China, Japan Postpone Dispute Resolution Talks," p. 26

⁶⁴ Blanchard, "China's Peaceful Rise," pp. 230-235; Dutton, "Carving up the East China Sea," p. 64. Chinese authorities broke up limited protests from nationalists in some cities, but these should not be confused with the larger protests triggered by the collision of a JCG vessel with a Taiwanese fishing boat off the Senkaku/Diaoyu islands. Chen, "Anti-Japanese Protesters Assail Beijing's Gas Pact"

8.3.1 Wither the political will for cooperation in the East China Sea dispute?

To return to Brinkerhoff's indicators, the political will to cooperate is clearly evident on both sides. Although the commitment to build confidence and maintain interaction on the issue was driven from the bureaucratic level, it soon became a mainstream policy issue around which leadership summits were centred. Furthermore, as the issue became more high profile, these talks were elevated up the bureaucratic chain, from director-general, to vice-minister and finally to executive levels. Brinkerhoff's second criterion, analytical rigour, is also high. Bureaucratic level negotiations were supplemented with working groups on technical/legal matters, resource development and military confidence building. These contributed to an improved understanding of both parties' claims and allowed a successful compromise on the median line issue that had dogged negotiations for twenty years. This in turn was integral to assuaging CNOOC's concerns about the costs of cooperation noted in chapter six. Third, political support was mobilised in both capitals and through the media, which increasingly spoke favourably of the potential for and benefits of cooperation. Fourth, the fact that neither side gave a public forum to detractors of the agreement following the announcement could be viewed as evidence that both sides were willing to impose credible sanctions on those who opposed the agreement. Finally, there is ample evidence of continuity of effort. Sasae and Cui met informally in January 2006 to ensure the talks were not completely derailed. Following the reinstatement of formal ties in May 2006, bilateral talks occurred more frequently, across a wider range of officials. Moreover, as argued above, elites remained committed to cooperation despite a number of setbacks, which under different circumstances may have undermined the negotiations.

As noted in the introduction, the gap this thesis fills is an understanding of the conditions under which Chinese and Japanese leaders would seek to pursue one of the many settlement options proposed by technical experts. Some of this literature suggests different models based on settlements of other maritime territorial disputes, such as the Timor Shelf dispute, the Gulf of Maine, or explores the options for third party arbitration.⁶⁵ Others add that joint development agreements, broadly defined, are a way to build confidence whilst progress is being made towards settlement.⁶⁶

⁶⁵ See Goto, p. 3; Donaldson and Williams, pp. 135-136.

⁶⁶ Ji, pp. 285-311; Valencia, "The East China Sea Dispute: Prognosis and Ways Forward," p. 2.

Few among these recognise the enormity of the political factors that reduce the appeal of these options to Beijing or Tokyo.⁶⁷ Although more recent legal scholarship appears to offer solutions that reflect each party's interest, there is still a reluctance to comprehend the enormity of the barrier posed by the sovereignty of the disputed Senkaku/Diaoyu islands.⁶⁸ By far the most sophisticated settlement proposals have been made by Mark Valencia. His proposals explicitly recognise the political barriers to settlement, such as the status of the Senkaku/Diaoyu islands, and the impact of these barriers on potential delimitation outcomes.⁶⁹ Consequently, this discussion centres on the political will to pursue his cooperative solution to the East China Sea dispute.

According to Valencia, prior to delimitation negotiations, three agreements in principle must be made. The first task is to agree that the Senkaku/Diaoyu islands are rocks not entitled to a continental shelf or an EEZ; a concession made by Japan.⁷⁰ This would enable the separation of the sovereignty issue from the delimitation issue. Second, Valencia argues that the two must unify the legal concepts they are using to delimit their maritime territory. This would represent a concession by China because by definition this means the final boundary would take into account, but not be determined, by the natural prolongation of China's continental shelf. Both states could be compensated in the final delimitation arrangement for their compromises. Finally, both parties would agree to enter into joint development arrangements that would reflect final delimitation principles. These arrangements would commence during delimitation negotiations and cover both living and non-living resources.⁷¹ Importantly, Valencia's proposals leave the sovereignty of the Senkaku/Diaoyu islands undetermined.⁷² The solution seems pragmatic if ambitious; how can it be achieved?

⁶⁷ One exception in Dutton, "Carving up the East China Sea," pp. 49-72.

⁶⁸ Thomas J. Schoenbaum, ed. *Peace in Northeast Asia: Resolving Japan's Territorial and Maritime Disputes with China, Korea and the Russian Federation* (Cheltenham, UK: Edward Elgar, 2008), pp. 100-102.

⁶⁹ For an early version of his proposals see Valencia, "Troubled Waters," pp. 28-31; Valencia, "Northeast Asia," pp. 35-61.

⁷⁰ Recall that Japan requires the islands to be legally viewed as such in order to "jump" the Okinawa trough and extend its EEZ claim into the southern East China Sea. See Harrison, "Seabed Petroleum in Northeast Asia," p. 8.

⁷¹ Valencia, "The East China Sea Dispute," pp. 158-161.

⁷² Johnston and Valencia, pp. 111-113. One option calls for a JDZ surrounding the islands with the eastern and western boundaries drawn to reflect both parties' potential sovereignty.

Valencia offers five delimitation options designed to reflect each state's entitlements to maritime jurisdiction and what each side has sacrificed to move discussions forward.⁷³ Nevertheless, negotiations 'in good faith' as well as compromises on delimitation principles and the status of the Senkaku/Diaoyu islands requires considerable and sustained political will, not least because of the established record of domestic opposition to such agreements. Sidestepping the issue of the disputed islands is no small feat. Recent reports indicate that Chinese scholars have considered giving zero effect to the Senkaku/Diaoyu islands in any delimitation solution, but far from being conciliatory, this undermines the Japanese position on both delimitation and sovereignty.⁷⁴ However, in any case Japan will be forced to recognise that its geographical characteristics entitle it to less than China under UNCLOS' conceptions of 'equitable settlement'. This refers to taking into account features such as length of coastline, offshore islands and economic factors, but which some Japanese scholars view as a cover for China to use its status as a developing country to demand a greater share of jurisdictional entitlement.⁷⁵

To return to the findings noted above, the political will to make the tough decisions on sovereignty and maritime delimitation will emerge following a sustained period of positive interaction over East China Sea issues. Positive and extended interaction opportunities on settlement issues will create and sustain a cooperative policy climate. This will be integral to ensuring the sustainability of the lengthy negotiating process. Due to the domestic political salience of territorial issues, this cooperative environment can be sustained if political elites sell the idea of settlement domestically. This could be accomplished by stressing publicly that both sides' claims to the islands stand, and stressing privately to the other claimant the desire for positive delimitation outcomes. Political will for cooperation is also more likely to emerge and be sustainable if existing structural and environmental factors remain constant. Radical changes in the oil market, such as peak oil perceptions, or sudden price shock, combined with the discovery of a commercial oil field, rather than gas, in the East China Sea could herald the return of zero-sum perceptions to the question of

⁷³ Valencia, "The East China Sea Dispute," pp. 159-163

⁷⁴ Ge Chong, "PLA Officials Propose Delimiting Boundary with Japan in East China Sea," *Wen Wei Po*, May 7 2006, in WNC, 2006-05-07-1477.1_1d6e008eae849c7d.

⁷⁵ On equity in delimitation dispute settlement see Dutton, "Carving up the East China Sea," p. 51. On the latter point see Sato Hiroshi and Yamamoto Soji, "The Evolving Law and Politics of the Sea," *Gaiko Forum* (2002), pp. 55-56.

resource development.⁷⁶ Further, developments in pipeline technology, which may make a pipeline to the Japanese mainland more feasible, could lead to pressure on Tokyo to abandon cooperation in favour of unilateral resource development.⁷⁷ This is particularly likely should Japan's operational and legal shortcomings on the protection of vessels operating in the EEZ evolve to the point where Japan is capable of defending its maritime claims.

In light of the prominence of comprehensive joint development schemes in Valencia's proposals, as well as the conclusion of the June 'consensus', from a policy standpoint, the opportunity to build the political will to settle the East China Sea dispute currently exists. Proceeding with the joint development of resources in the JDZ outlined in June 2008 is imperative. Since June, there has been little progress in joint development, possibly due to the collapse of the global oil price in mid-2008. To maintain the cooperative momentum and positive interactions Beijing and Tokyo, through the NDRC and JOGMEC respectively, should subsidise offshore exploration in the JDZ. Simultaneously, bilateral talks on resource exploitation should continue and consider the expansion of the JDZ. By reinforcing the political will to cooperate Beijing and Tokyo will be able to further reinforce the cooperative policy environment in existence, which in turn enables them to weather possible negative development in the future. The final section of the chapter considers future developments in the East China Sea dispute.

8.4: Prospects for future cooperation and confrontation

This thesis has identified the trajectories along which the future of the dispute may develop; continued progress on resource development bodes well for future settlement, unresolved strategic concerns do not. Chapters five and seven indicated that the primary reason for the failure of Japanese policies towards the East China Sea dispute have been related to Tokyo's lack of policy opportunities. This has resulted in a notification agreement that it cannot enforce, and an ongoing effort to prevent Chinese maritime expansion across the East China Sea. Japan's track record since 2005 indicates that it is moving to alter the legal structures which have restrained it in

⁷⁶ Dupont, p. 70.

⁷⁷ Some argue that demand for natural gas in Northeast Asia will significantly influence global demand for natural gas well into the future. See Peter Hartley and Kenneth B. Medlock III, "Political and Economic Influences on the Future World Market for Natural Gas," in *Natural Gas and Geopolitics: From 1970 to 2040*, ed. David G. Victor, Amy M. Jaffe, and Mark H. Hayes (Cambridge: Cambridge University Press, 2006), pp. 407-438.

the past. This is not to say that confrontation is a definite outcome of this process; merely that the opportunity for Japan to escalate the dispute, by strictly enforcing its EEZ jurisdiction, is emerging. This is because Japanese and Chinese leaders value the East China Sea for an irreconcilable reason—the relational-tangible issue of national security and strategic ambition. Thus, any discussion of the future of the East China Sea dispute must bear this in mind. This section explores these two trajectories in more detail.

8.4.1 Interaction opportunities, domestic actors and future resource cooperation

As noted above, the political will to cooperate is currently strong, reinforced by the positive interaction opportunities over the Chunxiao dispute and by the shared imperative of improving bilateral relations. The discussion below takes a longer view of the political context of Sino-Japanese interaction in the field of resource exploration and production. In light of the impact of sustained positive interactions on past cooperative agreements in the East China Sea, the case could be made that joint development could be an enduring feature of the ECS dispute for some years to come. An important caveat to this prediction, however, is leaders in both states prioritising this over the strategic value of the ECS.

As noted in chapter six, Japanese entities have a track record of paying too much for energy from China in the pursuit of political imperatives. While the strategic rationale for close energy links may have evaporated following the Cold War, there remained strong commercial and energy security incentives for Japanese entities to invest in the Chinese energy sector. In 1991 JNOC became the first foreign company to invest in exploration projects in the Tarim Basin.⁷⁸ One analyst has argued that Beijing gave JNOC advance notice of the bidding round in order to improve China's changes of securing Japanese involvement; such was the need for Japanese expertise in China's onshore oil industry.⁷⁹ Japanese involvement in the South China Sea also permitted significant advances in Chinese offshore drilling technology, including the floating production, storage and offloading unit built for the joint venture between a CNOOC subsidiary and Japan Hunan Oil Corporation.⁸⁰ Some view the direction of Japanese energy sector loans as driven by its strategic interests; it lent freely to China rather

⁷⁸ "JNOC to Fund First Tarim Foreign Joint Venture," *Oil & Gas Journal* 89, no. 18 (1991), p. 143.

⁷⁹ Paik, *Gas and Oil in Northeast Asia*, pp. 36-38.

⁸⁰ Anonymous, "Sino-Japanese Joint Venture Starts up at Lufeng Field in South China Sea," *Oil & Gas Journal* 91, no. 41 (1993), p. 24.

than to Russia.⁸¹ However, this does not imply that China's rise as a potential security threat to Japan will lead to the erosion of Japanese investment in the Chinese oil industry. As an energy importer, Japan retains a strong commercial incentive to ensure that hydrocarbon resources in China are brought online. Indeed there remain strong industry compatibilities in refining and petrochemicals that increase interdependence between the two states.⁸² To this end, Japanese companies remain heavily involved in China's development of the South China Sea and Bohai Gulf resources. Moreover, cooperation on energy efficiency underwrote much of the improvement in bilateral relations under Abe.⁸³

These interaction opportunities in the energy sector need to be considered in light of the perception that Chinese and Japanese energy security policies are competitive and that this necessarily precludes long-term energy cooperation in the East China Sea. According to Xuanli Liao, Sino-Japanese energy competition has emerged due to political mistrust and the worsening of their strategic relationship since the end of the Cold War. This has occurred despite the fact that both states have similar energy security vulnerabilities, such as Middle East dependence, SLOC security concerns and oil source diversification.⁸⁴ Despite the striking similarities in their approaches to energy security, zero-sum thinking continues to dog cooperation efforts.⁸⁵ This is largely because geopolitical considerations are driving regional energy security policies in the Asia-Pacific, which is helping to reinforce competitive energy security behaviour by China and Japan.⁸⁶ Consequently, Beijing and Tokyo are racing not only to secure resources in the Middle East and further abroad, but also to secure access and priority pipeline routing to Siberian resources.⁸⁷ An extension of this argument is that the competitive nature of regional energy security policy precludes cooperation in a territorial dispute in which resources are at stake. In this view, the

⁸¹ Paik, *Gas and Oil in Northeast Asia*, pp. 173-174.

⁸² See "Nippon Oil in Deal with Petrochina," *The Japan Times*, March 25 2008.

⁸³ Shoichi Itoh, "China's Surging Energy Demand: Trigger for Conflict or Cooperation with Japan?," *East Asia* 25, no. 1 (2008), p. 85; Jiang, "New Dynamics of Sino-Japanese Relations," pp. 15-41.

⁸⁴ Liao Xuanli, "The Petroleum Factor in Sino-Japanese Relations: Beyond Energy Cooperation," *International Relations of the Asia-Pacific* 7, no. 1 (2007), pp. 34-37.

⁸⁵ Liao Xuanli, "Perceptions and Strategies on Energy Security: The Case of China and Japan" (paper presented at the Spotlight on Asia's Energy and Security Challenges: A Multilateral Response?, Singapore, September 7-8 2007). Some have noticed subtle differences, but the broad trends are similar. Both seek to 'go out' and gain direct access to overseas oil resources. See Hosoe, 2005.

⁸⁶ William T. Tow, "Strategic Dimensions of Energy Competition in Asia," in *Energy Security in Asia*, ed. Michael Wesley (New York: Routledge, 2007), p. 161.

⁸⁷ Goldstein and Kozyrev, pp. 163-178.

urgency of Chinese and Japanese energy security needs underwrites resolve on both sides to pursue the resources at any costs and eschew cooperative approaches.⁸⁸

There is ample evidence that supports the zero-sum perception as it relates to the East China Sea dispute.⁸⁹ Both parties sought to ensure that exploration occurs in areas that are least damaging to their national interests. Japan was adamantly opposed to a JDZ in the area surrounding the disputed islands, while China was reluctant to consider projects elsewhere. Beijing was attempting to push its claims as far east as possible, while Japan was trying to push its claims westward; despite the negative impact this had on energy security by delaying offshore resource development. As noted above, both CNOOC and Teikoku Oil supported this government policy.

However, the perception of Sino-Japanese energy security as a zero-sum game does not fit a closer examination of the issue. As Karl Kruse points out, energy nationalists in China are undermined by actors that favour a market based approach.⁹⁰ Despite the role of both CNOOC and Teikoku in the development of the willingness for confrontation, these actors' priorities remain primarily commercial. Their support for confrontation was consistent with their commercial imperatives of producing resources in the East China Sea. Much of the interaction between the two sides on joint development has been between the oil companies JAPEX, Teikoku Oil and Uruma in Japan and CNOOC in China.⁹¹ Despite the fact that all except Uruma have a link to government, they are all motivated by a desire to bring hydrocarbon resources to market at affordable prices. Chinese NOCs will behave in ways that is inconsistent with Beijing's energy security priorities if it means ensuring profits.⁹² Consequently, from a NOC's perspective, it is more important to access disputed resources in a coalition with foreign enterprises if that means bringing the resources to market. Similarly, Teikoku Oil only began to overtly support Japanese policy after it was awarded the East China Sea concession. Prior to this development it joined the

⁸⁸ Pak K. Lee, "China's Quest for Oil Security: Oil (Wars) in the Pipeline?," *The Pacific Review* 18, no. 2 (2005), pp. 284-285; Henry J. Kenny, "China and the Competition for Oil and Gas in Asia," *Asia-Pacific Review* 11, no. 2 (2004), pp. 39-40; Lai, p. 532.

⁸⁹ Kruse notes that the realist logic is strongest with regard to the territorial dimension of energy security. See Karl E. Kruse, "Realism and Energy Security of Oil Supplies and Japan and China: Why Conventional (Realist) Wisdom Is Wrong" (paper presented at the International Studies Association 49th Annual Convention, San Francisco, CA, March 28 2008), pp. 22-25.

⁹⁰ *Ibid.*, p. 13.

⁹¹ Yarita, pp. 24-28.

⁹² For an example see Guo, p. 27; Tu, pp. 10-14.

rest of the Japanese oil industry in criticising the government foot dragging that had delayed East China Sea resource development.⁹³ Thus, the preference of oil companies in either state would be to proceed cooperatively, over further delays, so as to expedite resource development. Cooperation would also help defray the inherent risks of costly offshore oil exploration.

Thus, while the government level imperatives for energy cooperation, geopolitical alignment and a Chinese need for expertise have evaporated, there remains a commercial interest in developing resources in the disputed area. Importantly, this interest appears to be independent of international oil prices. Early joint development discussions began in 1985-86, when oil prices very low. Indeed, the value of East China Sea resources to oil companies appears to their geographic proximity to consumers; the value of cooperation is the defrayment of risk in a highly competitive industry. Furthermore, joint development is regarded by oil companies as a way to mitigate the escalation of territorial tensions if companies from both sides are involved.⁹⁴ While the oil price will still dictate the terms and rate of extraction, it appears that the interest of Chinese and Japanese oil companies in East China Sea resources will remain. If these companies are permitted to play a role in future working level discussions on East China Sea resource development, there is strong chance that positive interactions will continue.

However, the June consensus remains fragile, and could be undermined by negative developments in other areas of the bilateral relationship. The climate of the bilateral relationship is an important, but not determining factor. Domestic criticism of the June consensus from conservatives in Japan and nationalists in China did not prevent the consensus from being achieved. However, under different conditions, policy elites may have been less able or willing to resist this pressure. This conclusion, that the willingness to be confrontational is greater during times of political tension may be unremarkable. However, chapters five and seven indicated that Japan's willingness to be confrontational was limited by its lack of opportunities. Indeed, these forced it to pursue a cooperative solution to the intrusions issue. Therefore, an indicator of the conditions under which Tokyo may pursue confrontation, could be efforts to broaden

⁹³ Masaya Murayama, "Natural Resource in East China Sea; the Government Has No Grasp of Actual Condition; Tardy Response; Criticism from Oil Industry," *Sankei Shimbun*, June 18 2004, in WNC, JPP-2004-06-18-000019.

⁹⁴ Neil Chatterjee, "Asia May Develop Disputed Maritime Energy, Slowly," *Reuters*, April 30 2007.

Japan's policy opportunities to ensure a more successful confrontational strategy, should the willingness to do so emerge in the future. In light of the unresolved strategic dimension of the dispute, the following section explores the changes to Japan's policy menu.

8.4.2 An expanded Japanese policy menu: Creating the opportunity for confrontation?

Chapters five and seven revealed that the effectiveness of Japan's preferred policy outcome, whether it was cooperative or confrontational, was constrained by Japan's limited policy opportunities. Specifically, these relate to constitutional and operational constraints placed on Japan's navy and coast guard. This stems in part from the slow recognition in Japan that its fortunes are inextricably linked to the oceans which surround its many islands. Chapter four revealed that Japanese leaders were hesitant to embrace the new ocean regime, until this threatened the undoing of Japan's fisheries industry. Chapter five revealed that Japan was slow to react to China's growing naval activism because of systemic bureaucratic inertia, as well as a pro-Chinese culture in MOFA. Finally, chapters six and seven brought to light the costs that Japan must bear for two decades of inaction on offshore resource development. Under these conditions China was able to seize the initiative in the East China Sea dispute. Japan's efforts to catch up, by developing the capability to legally assert its jurisdictional authority over its claimed areas, arguably succeeded in convincing China to be conciliatory ahead of the June consensus.

One of the primary reasons for Japan's incoherent response to Chinese maritime expansion is bureaucratic. As two scholars pointed out in the first publication of the Ocean Policy Research Centre,

there is no governmental authority that manages the ocean and its environment on a national level, there is not legal system stipulating the basic philosophy and principles surrounding our nation's ocean governance, and individual government offices, departments and agencies draft and implement policies for each administrative division.⁹⁵

In short, ocean policymaking in Japan is highly de-centralised. By one estimate, administration over Japan's maritime affairs is divided between over ten government departments and agencies.⁹⁶ To redress this Tokyo undertook a reform of ocean

⁹⁵ Shin Kisugi and Hiroyuki Nakahara, "To Everyone Involved with the Ocean from the Newsletter Editorial Committee," *OPRF Newsletter*, July 20 2000.

⁹⁶ Yohei Sasakawa, "Why Is an Ocean Policy Think Tank Required Now?," *OPRF Newsletter*, July 20 2000.

policymaking which was spearheaded by two pieces of legislation. The first, the 'Basic Ocean Law' (BOL), creates a new ministry for Ocean Policy, a post occupied by the Minister for Land, Infrastructure, Transport and Tourism (MLIT) directly under the stewardship of the Prime Minister. This ministry is tasked with preparing domestic legislation to permit the full realisation of Japan's rights and responsibilities over its ocean domain in the areas of EEZ management, environmental protection and preservation, resource development and marine transport.⁹⁷ The second is the 'Law on Establishing Safety Areas for Maritime Structures'. The impetus for this law appears to be rooted in the Teikoku decision and the realisation that if Teikoku vessels proceeded with exploratory drilling, they would need to be protected, which was then impossible under Japanese law. UNCLOS permits states to pass domestic laws outlining safety zones surrounding gas and oil platforms in their EEZ, but Japan's EEZ legislation merely asserted its rights to seabed resources; domestic laws were never modified to enable these rights to be asserted.⁹⁸

Both bills were passed by the Diet, with broad bipartisan support, on April 21 2007. The law on safety zones in the EEZ outlines a 500 metre safety zone surrounding structures in the EEZ that passing vessels are forbidden from entering. It also provides the legal basis for the JCG to expel vessels that enter the safety zone. However, while the BOL created a Cabinet level 'headquarters' for marine policymaking it did not remove parallel functions from existing departments. Thus, METI is still in charge of resource development and MILT (via the JCG) remains in control of security in the EEZ.⁹⁹ Although these ministries and others will provide staff to the new marine policy headquarters, some argue that it remains unclear whether vested bureaucratic interests will be overcome as barriers to sound policy development and implementation.¹⁰⁰ Fuyushiba Tetsuzo became Japan's first Minister for Ocean Policy on July 20 2007, with a staff of forty officials from various government agencies and departments including defence, MOFA, MAFF, as well as METI and MLIT. The first order of business was to develop medium and long range plans for ocean policy, which are to be reviewed every five years.¹⁰¹ The second order of business is to pass a law banning foreign vessels from navigating Japan's territorial

⁹⁷ "Govt Panel Eyes Unification of Marine Policies," *Yomiuri Shimbun*, December 6 2006.

⁹⁸ Government of Japan, *Law on the Exclusive Economic Zone*.

⁹⁹ "Diet Passes Bills to Protect Japan EEZ," *Asahi Shimbun*, April 21 2007.

¹⁰⁰ "Basic Law of the Sea," *The Japan Times*, May 29 2007.

¹⁰¹ "Basic Sea Law Set to Unify Ocean Policies," *Yomiuri Shimbun*, July 21 2007.

sea, first tabled by the Democratic Party of Japan (DPJ) in October 2005. The new law would enable the JCG to search suspicious ships and order them to leave the territorial sea.¹⁰²

Analysis of the process by which Japanese policymakers drew up the BOL confirms many of the findings of this thesis. First, despite the fact that Japanese ocean interests extend to environmental, transport and conservation matters, it was China's maritime advance that created the catalyst for bipartisan action. This was integral as policymakers "realised that (in the context of the East China Sea issue) Japan's domestic law was not in sufficient conformity with UNCLOS and also that Japan lacked a comprehensive integrated ocean policy. Inevitably, this led to the establishment of the Basic Ocean Law."¹⁰³ Second, the media played an integral role in informing public perceptions on marine affairs, which in turn raised public awareness and support in the Diet for the BOL. Unsurprisingly, it was passed almost unanimously with little debate.¹⁰⁴ Finally, in light of the fact that the bill was triggered by Chinese activities, Japanese policymakers were pressured by New Komeito to ensure the bill was not overly provocative towards China. This is reinforced by reports that Abe Shinzo accelerated debate on the BOL to ensure it would be passed during Wen Jiabao's visit to Japan.¹⁰⁵

By creating the legal recourse for Japan to respond to Chinese naval activities, these laws have the potential to escalate the dispute in two ways. First, as argued in chapter five, Chinese military, research and survey vessels are not always under the direct control of Beijing. Thus, future intrusions into Japan's territorial waters, even if accidental, could be met with the detainment of the crew which could lead to an inadvertent crisis. In any event there is no evidence that China intends to reduce its naval presence around Japan. In October 2008, Japan's MOD reported that it had detected a flotilla of Chinese military vessels transiting the Tsugaru Strait.¹⁰⁶ Second, chapter seven indicated that Japanese drilling in the East China Sea has thus far been

¹⁰² "Japan to Establish Law Aimed at Cracking Down on Suspicious Ships," *Kyodo News*, February 26 2008.

¹⁰³ Masahiro Akiyama, "Use of Seas and Management of Ocean Space: Analysis of the Policy Making Process for Creating the Basic Ocean Law," *Ocean Policy Studies*, no. 5 (2007), p. 17.

¹⁰⁴ Only the Social Democratic Party opposed the bill. For an example of this media coverage see Takayuki Tanaka, "Planning National Strategies: Marine Interests at Stake/Gas Field Policy Needs Clarity," *Yomiuri Shimbun*, June 1 2006.

¹⁰⁵ Kawasaki and Hashimoto, "Maritime Law a Start to Securing Interests."

¹⁰⁶ "Chinese Combat Ships Pass Tsugaru Strait," *NHK*, October 21 2008.

delayed because of the threat against Japanese entities in the EEZ from China. In light of the new powers to protect Japanese installations, it is unlikely that pressure to drill in the ECS from conservative and mainstream media will abate. Indeed, the new laws were celebrated in some quarters as bringing Japan closer to drilling in the disputed area.¹⁰⁷ METI's \$213 million acquisition of the *Ramform Victory* indicates that offshore resource exploration remains a policy priority.¹⁰⁸ However, Chinese rhetoric indicates that any unilateral drilling by Japan would invoke a Chinese military response. This could place Japanese elites in an awkward position, where they have bluffed to both the Chinese and their conservative constituents. On a related note, even if Japan successfully set up drilling installations in its EEZ, Chinese vessels may deliberately violate the safety zones as part of Beijing's non-recognition of Japan's jurisdiction east of the median line.

In order to be effective, the new laws will need to be matched with corresponding modifications to Japanese defence doctrine. Currently, the JCG is only permitted to search and order the eviction of vessels in the territorial sea, and allowed to detain and fine the crew of vessels that violate the safety zones. Neither of these measures is likely to deter Chinese vessels from intruding. The Ministry of Defense is taking steps to increase the capability of Japanese forces to reply to an East China Sea contingency. Of particular note are the relocation of 20 F-15 fighter aircraft to Naha airbase on Okinawa and the construction of an electronic intelligence gathering station on Miyakojima Island to improve the ASDF's ability to track Chinese aircraft.¹⁰⁹ The SDF is confident of its ability to deter and interdict the invasion of its offshore islands and is developing the capability to re-take these islands with Special Forces while conducting air interdiction operations. It is clear that Japan's military doctrine is becoming more assertive vis-à-vis its maritime territory, and specifically towards China's actions in that territory. In short, Japanese leaders are trying to add more options to their 'menu for choice'. Under these new laws, Japan will be able to take action in the event of future Chinese intrusions or scare tactics in the ECS. This could result in an escalation of tensions and negatively impact the prospects for settlement. In spite of the current cooperative tone, this thesis indicates that changes

¹⁰⁷ "New Maritime Laws Well Overdue," *Yomiuri Shimbun*, April 21 2007.

¹⁰⁸ "PGS to Sell Seismic Ship to Japan Government," *Reuters*, March 26 2007.

¹⁰⁹ "With Eye on China, Defense Ministry to Bolster Southern Flank," *Nihon Keizai Shimbun*, October 9 2007; "Info Gathering Boost Eyed for East China Sea," *Yomiuri Shimbun*, October 24 2006.

in Japan's capability to exploit East China Sea resources and confront China may increase domestic pressure for it to do so.

8.5: Conclusion

Nevertheless, there is reason for guarded optimism about the future of the East China Sea dispute; it is trending towards the cooperative. The basis for joint development was established in June 2008 and it is imperative that policymakers build on this momentum. Equally important, the findings of this thesis indicate that the conditions for cooperation exist in the current climate, which is certainly more cooperative than the period between 2003 and 2005, and not as dire as is expected by the pessimists noted in chapter one. This thesis found that cooperation is likely following sustained positive interactions over territorial management issues. This interaction creates a cooperative policy environment in which policymakers can make progress on an issue, independent of the state of bilateral relations. This cooperative environment on resource development is sustainable despite the absence of the classic strategic basis of Sino-Japanese energy cooperation. Domestic actors in both China and Japan have an interest in exploiting ECS resources. Due to the role of joint development agreements in Valencia's proposed solutions, it is imperative that Beijing and Tokyo build on the current momentum to first, commence exploratory drilling operations in the JDZ, and second, consider its expansion. These will lay the groundwork for the settlement of the East China Sea dispute in the future.

Time is of the essence because developments over the longer-term could return the relationship to the confrontational climate of 2004-05. The June consensus does not assuage either party's strategic concerns regarding maritime expansion. If joint resource development does not proceed, Tokyo will be hard pressed to resist calls to assert itself in the disputed area to prevent further Chinese maritime expansion. Japan is developing the policy opportunities to do so. Both states will be in a much better place to weather these issues if they are actively involved in energy cooperation in the East China Sea. It may not be a sea of peace, cooperation and friendship for long.

Chapter 9: Findings, Implications and Areas of Future Research

This thesis has aimed to make a contribution to three areas of International Relations scholarship. First, it sought to fill the void between analyses of the East China Sea dispute that focus on dispute management or escalation, and those that have outlined solutions to the dispute. This gap was filled by the identification of conditions of cooperation juxtaposed against those that have led to confrontation. In this way it was possible to track future developments in the ECS dispute that may lead to the adoption of existing settlement proposals. Second, it made a theoretical contribution to the study of East Asia's territorial disputes by putting forward a framework that places territorial questions at the forefront of analysis and explores how these impact policymakers' perceptions of the issues at stake. Starr's opportunity and willingness framework has identified key geographical elements overlooked by conventional International Relations theory, while incorporating domestic, structural and ideational variables. These two permit an exploration of the relationship between the opportunity and willingness concepts in an attempt to refine the theory. The conclusion summarises each of these areas in turn, and concludes by addressing issues of generalisation from a single case study and the implications for future research.

9.1 Conditions of cooperation in the East China Sea

The central aim of this thesis was to fill the gap in the understanding of under what conditions Beijing and Tokyo would consider entering into 'good faith' negotiations to settle the East China Sea dispute. The political will to make the tough decisions on sovereignty and maritime delimitation and to adopt the kind of settlement options proposed by Valencia will most likely emerge following a period of sustained positive interactions over disputed territorial issues. These interactions allow policy elites to interpret how their territorial objectives can be achieved through cooperation. This, in turn, strengthens elites' ability to sell settlement to both the populace and secondary political actors by stressing publicly that both sides' claims to the islands stand, and stressing privately (to the rival claimant) the desire for positive delimitation outcomes. Support from these actors is a key ingredient of willingness. Existing structural and environmental factors favour cooperation; neither party can establish command of the East China Sea by military force, and the disputed resource is natural gas. Radical oil price increases combined with the discovery of a

commercial oil field in the East China Sea could see the return of zero-sum perceptions to resource development issues. Further, developments in pipeline technology, which may make an East China Sea-Japanese mainland pipeline feasible, could lead to pressure on Tokyo to abandon cooperation in favour of unilateral development. This eventuality becomes more likely as Japan's legal and operational shortcomings on the protection of vessels operating in the EEZ evolve.

These findings indicate that political will emerges under a more complex set of conditions than simply a positive turn in the bilateral relationship, the impact of which is ambiguous.¹ Success is more likely if interaction opportunities are given time to flourish. While the fisheries agreement was negotiated during a bilateral upswing, implementation talks survived subsequent peaks and valleys, particularly following the re-negotiation of the US-Japan alliance and Jiang Zemin's disastrous visit to Japan in 1998. This was due to the depth of interactions between China and Japan over fisheries issues, which dated back to the 1950s. Conversely, the notification agreement was negotiated during a relatively stable period, but poor interactions over the issue were partly responsible for the weak agreement. While the inverse condition, a poor bilateral relationship, existed when Chinese and Japanese leaders adopted confrontational stances, the relationship between cause and effect is not this simple. For instance, when Japan first expressed its opposition to the Chunxiao development in 2004, it is difficult to imagine the Chinese being conciliatory under any circumstances, given their perception that their claim to the field was absolute. Likewise, regardless of the collapse of bilateral relations following April 2005, it remains unclear that any of China's or Japan's territorial prerogatives changed. Indeed, the track record of negotiations detailed in chapter eight indicates that in the early stages of the Chunxiao dispute, Chinese leaders returned to the same negotiating stance they had adopted since the onset of the dispute. It was not until both sides clarified their bottom lines, enabled through sustained, positive interaction opportunities, that cooperation became possible. The tone of bilateral relations is relevant, but does not provide a complete explanation of territorial policy choices.

Positive and deep interaction opportunities allow claimants to articulate their version of the territorial dispute, which over time allows leaders to interpret how cooperation

¹ For an alternative view see Au, pp. 223-241; Drifte, "From 'Sea of Confrontation' to 'Sea of Peace, Cooperation and Friendship'?", pp. 27-51.

meets their territorial objectives. In short they help reinforce existing willingness for cooperation. For example, Chinese leaders accepted Japan's efforts to alter the fisheries status quo in the East China Sea because the attempt was couched in the language of the new Law of the Sea, which was consistent with Beijing's aim of gaining recognition of its maritime territorial entitlements. Conversely, Chinese leaders did not accept Japan's challenge to the Chunxiao gas dispute, and made the confrontational choice. Likewise, Japan did not accept China's rebuttal of its resource entitlements on the east side of the median line, hence the confrontational choice was made. As policymakers negotiated on the gas issue they were able to arrive at a mutual recognition of entitlement, which resulted in the June 2008 consensus. This is confirmed by the notification agreement, which was negotiated under less positive conditions. China only agreed to negotiate in 2000 after Japan's use of ODA pressure. The tone and limited nature of the negotiations resulted in an agreement was more expedient than effective.² Therefore, an improved tone in the relationship will not lead to cooperation alone, it requires continued positive interaction to expand understanding and legitimise each state's entitlement to the issue in the eyes of the other.

Furthermore, there is a relationship between the depth of interaction opportunities and the quality of a cooperative outcome. All three cooperative outcomes were the product of differing degrees of interaction. The deepest and most long standing was the fisheries dispute. Interaction had occurred over a fifty year period, and had often occurred independently of government. Consequently, it is hardly surprising that the fisheries agreement has been the most successful (so far) of the three.³ By comparison, the notification agreement was concluded following two rounds of talks, and has been a spectacular failure. Chinese vessels routinely enter waters 'of concern to Japan' with incorrect or no notification. The fisheries agreement was far more successful than the notification agreement because of the depth of interactions that preceded it. Thus, the new consensus on the East China Sea dispute should be fairly successful; it was preceded by concerted efforts by bureaucratic level actors to pursue a cooperative solution to the Chunxiao issue, independent of the official freeze on bilateral contact. The fisheries agreement is a formal treaty, while the notification

² Indeed, chapter five argued that Japan may have selected confrontation if it could have, but due to its lack of policy opportunities, it could only choose ODA pressure.

³ Successful compared to other agreements between China and Japan in the East China Sea. This is not an attempt to compare the agreement with other fisheries agreements in Northeast Asia.

agreement is a *note verbale*. It is essential that a binding treaty on the JDZ negotiated in June 2008 be completed soon.

Opportunity, viewed as capabilities that contribute to the policy menu, appeared to be the key ingredient for successful confrontational policies. China's capabilities in oil exploration and production, as well as its ability to send clear deterrent signals, facilitated its decision to resist Japan's requests to cease its production activities. Beijing was able to resist Japanese offers of joint development because it did not need Japanese financing to exploit East China Sea resources. This, in turn, reinforced the credibility of the Chinese stance. Environmental factors also worked in China's favour. There was little doubt in the Chinese mind that the Chunxiao field was outside Japan's claimed EEZ. Consequently, Chinese rhetoric could accurately portray the threat as an invasion of Chinese territory.⁴ China's confrontational policy was successful because of its robust policy menu. Conversely, Japan's confrontational policies were less successful because of its inability to respond to the Chinese activities at Chunxiao. The decision to allow Teikoku Oil to drill on the east side of the median line was undercut by Chinese threats, and the realisation in Tokyo that it was unprepared, in a legal and institutional sense, to enforce the security of its EEZ. These same weaknesses may also have contributed to Japan's inability to meaningfully address China's naval intrusions. Because Japan's laws are ambiguous about the legalities of various types of marine research, and because of the restrictions placed on Japanese coast guard vessels, there was little Japan could do to police Chinese violations of the agreement, other than issue diplomatic protests.

As noted above, it is difficult to identify the precise conditions of confrontation because confrontational policies were adopted when Sino-Japanese relations were at their nadir. Nevertheless, the impact of domestic actors with a stake in the dispute should be recognised. Even if the relationship in 2005 had been at a neutral point, in the absence of the interactions that contribute to the transparency that facilitate cooperation, the perception would have remained in the central leadership, in CNOOC, the PLAN as well as the wider Chinese populace that cooperation with Japan would have undermined China's aims in the East China Sea. Similarly, conservative Japanese policymakers, media and public opinion would still have

⁴ This is not to suggest that the Chinese EEZ is the same as Chinese territory. This refers to maritime waters over which China has jurisdiction, not sovereignty. The Chinese statement is accurate in as much as Japan has no basis to claim jurisdictional rights in that area.

regarded China's intransigence with frustration and demanded their government respond. Unfortunately, these propositions are impossible to test in this case. Nevertheless, the implications of these findings for Chinese and Japanese foreign policy warrant analysis.

9.1.1 Lessons for Chinese and Japanese foreign policy

In light of the importance of territory to states, it is worthwhile exploring the implications of the findings for Japanese and Chinese foreign policy. In the first instance, academic discussion of Japanese foreign policy has generally moved beyond the 'reactive state' paradigm.⁵ Nevertheless, Japan's approach to its ocean policy appears to fulfil both of Kent Calder's reactive state criteria. Calder's first criteria for a reactive state is that the state "fails to undertake major independent foreign economic policy [or in this case ocean policy] initiatives when it has the power and national incentives to do so."⁶ As a resource poor state with high energy import dependency, as well as a world class petroleum industry, Japan has every incentive to exploit the resources of the East China Sea; UNCLOS ratification gave Japanese leaders the legal grounds to do so. Moreover, the Japanese military and its US ally continue to have a significant technological capabilities edge over China. Nevertheless, Japan refrained from actively pursuing ECS resources for over thirty years. Moreover, Japan refrained from opposing China's maritime expansion into the shared ocean space between the two rivals. This consideration to China extended not only to tolerance of China's extensive territorial claims, but also to a slow reaction to the increased Chinese maritime presence in the waters surrounding Japan.⁷ For example, even as the restrictions on Japanese MSDF and JCG vessels were loosened following the 2001 North Korean spy vessel incident, these rules of engagement have not been employed against Chinese naval, research or intelligence vessels.

Calder's second criteria is that the reactive state "responds to outside pressure for change, albeit erratically, unsystematically, and often incompletely."⁸ After 2000 Japan's response to an ever rising Chinese maritime presence became more assertive in the tone and level of diplomatic protest, but this has not been complemented by a

⁵ David Potter and Sudo Sueto, "Japanese Foreign Policy: No Longer Reactive?," *Political Studies Review* 1, no. 3 (2003), pp. 317-332.

⁶ Kent E. Calder, "Japanese Foreign Economic Policy Formation: Explaining the Reactive State," *World Politics* 40, no. 4 (1988), p. 519.

⁷ Akiyama, "Use of Seas and Management of Ocean Space," p. 17.

⁸ Calder, "Japanese Foreign Economic Policy Formation," p. 519.

parallel increase in enforcement of its EEZ jurisdiction. The semi-successful use of ODA pressure in 2000 was not followed by assertive enforcement measures, even as Chinese naval activities increased. The 2004 Han submarine incident is a case in point; Japan accepted Beijing's version of events that the incident was a navigational error, but it was not until four years had passed that Japanese laws were adjusted to react to this kind of activity in future. This occurred only after policymakers were galvanised into action due to the failure of the confrontational policy towards Chunxiao. Despite these legal and operational changes, Japan's command and control protocols have recently come under criticism. This occurred following the embarrassing detection of a submarine in Japan's territorial sea between Shikoku and Kyushu, which subsequently evaded MSDF attempts to pursue and identify it.⁹ As Calder notes, "the important remaining constraints on Japanese diplomacy, as the burden of history recedes, are Japan's own domestic institutions."¹⁰ Japan's ocean policy appears to conform to this paradigm.

This thesis has strengthened understanding of China's behaviour towards maritime territorial disputes. As outlined in chapter one, the East China Sea dispute is not well conceptualised by existing literature because it is viewed simply as a dispute over offshore islands, rather than one over contested maritime space.¹¹ For example, in his recent work on China's behaviour towards its territorial disputes, M. Taylor Fravel's theory does not completely explain the ECS dispute. This is partly due to the fact that the dispute has not witnessed either type of behaviour he is analysing; a negotiated settlement or a military conflict. Nevertheless, if cooperation and confrontation are steps on the way to settlement or conflict, the ECS dispute does not meet Fravel's expectations. Viewed as a simple territorial dispute, Fravel would expect China to use force to settle the Senkaku/Diaoyu island dispute because its legal claim is relatively weak, it controls none of the disputed area and Japan has taken several steps to strengthen its claim over the islands, as well as defend the islands themselves; Chinese bargaining power is decreasing relative to Japan.¹² While China's reluctance

⁹ Hidemichi Katsumata, "Sea Border Prove Porous: Intrusion of Unidentified Sub Exposes Holes in Surveillance," *Yomiuri Shimbun*, September 17 2008. Later reports suspected the object of being a whale.

¹⁰ Kent E. Calder, "Japan as a Post-Reactive State?," *Orbis* 47, no. 4 (2003), p. 614.

¹¹ Most recently, while Fravel recognises the impact of offshore islands on EEZ claims, he does not consider the 1997 fisheries agreement or the 2001 notification agreement as qualifying as a compromise. See Fravel, *Strong Borders Secure Nation*, p. 268.

¹² M. Taylor Fravel, "Power Shifts and Escalation: Explaining China's Use of Force in Territorial Disputes," *International Security* 32, no. 3 (2007/08), pp. 47-52, 82.

to use force could be the result of the deterrent effect of the US-Japan alliance, as well as political and economic costs, it could be explained by viewing the dispute as one over maritime space.¹³ In the wider East China Sea China's bargaining power is strong. It controls half the disputed area, has successfully contested Japanese claims to the other half, is exploiting resources in the area, and the military balance is shifting into its favour over the longer term. Indeed, as noted in chapter eight Beijing may have calculated that Japan's efforts to add the unilateral pursuit of ECS resource to its policy menu could have resulted in Tokyo calling Beijing's bluff. However, this perceived reduction in bargaining power led China to pursue cooperation, not confrontation, with Japan. Viewed as an offshore island dispute, wherein Fravel expects China to use conflict to shore up an otherwise weak claim, there is some support from the East China Sea case. China's confrontational posture between 2003 and 2005 could be viewed as an attempt to reinforce what Beijing perceived as a Japanese threat to its territorial claims, but these claims were not weak, they were simply challenged by the rival claimant.

According to Fravel, China can be expected to compromise on its territorial disputes when confronted with threats to Chinese Communist Party (CCP) regime security.¹⁴ However, in 1996, when faced with nationalist outbursts which threatened to turn against the CCP, the party sympathised with the protesters for a period, thereby escalating the dispute with Japan, until such time as it became politically feasible to quell the outbursts of nationalist sentiment. When faced with a similar threat to regime security in April 2005, the CCP did not compromise on the dispute and instead escalated tensions when it issued a stern warning in response to Japan's decision to grant exploration rights to its oil companies. China's cooperative behaviour towards the East China Sea dispute is also inconsistent with the expectations of China's peaceful rise; that China is settling its territorial dispute as part of its 'Smile Offensive'. Although some would argue this is because of the unique place Japan holds in China's national identity, Chinese cooperation in the ECS dispute has been a function of its territorial objectives regarding the disputed area,

¹³ See Fravel, *Strong Borders Secure Nation*, p. 272.

¹⁴ Fravel, "Regime Insecurity and International Cooperation," p. 50. With regard to offshore island disputes in particular, Fravel notes that the lone example of Chinese compromise, with North Vietnam over White Dragon Island, was a product of the external threat posed by establishment SEATO and the deepening American involvement in the Vietnam War. This is not sufficiently conclusive to be tested against the East China Sea case. See Fravel, *Strong Borders Secure Nation*, p. 269.

rather than due to grander foreign policy preferences.¹⁵ Its decision to re-negotiate the fisheries agreement was related to the aim of delimiting the maritime boundary. It appears that Beijing preferred a cooperative choice in the Chunxiao gas dispute because it may have detected a reduction in its future leverage due to Japan's improving capabilities. This appears to be the opposite of Thomas Christensen's observation that China uses force when it detects a closing window of opportunity.¹⁶

9.2 Opportunity & willingness as an alternative framework

The primary advantage of the opportunity and willingness framework is its ability to provide a wider definition of structural variables than conventional International Relations theory. One of the most decisive elements of the dispute is the geographic realities of the East China Sea, in two respects: the absence of commercial oil (so far) and the Okinawa Trough. These are both important as they affect the incentive structures confronted by policymakers, and they are not accounted for in any of the major International Relations theoretical paradigms. The first keeps short term resource concerns depoliticised. Neither state is seeking to make natural gas its primary energy source for base load electricity generation. Due to the relatively small percentage of total energy produced that is composed of natural gas, the consequences of import disruption are not as severe as they are with oil. Furthermore, there remain several barriers to increased natural gas use in both states. Natural gas will likely only comprise 4% of China's energy mix by 2015, and pricing and infrastructure problems in both states are serious.¹⁷ Therefore, although part three of the thesis argued that both sides value resource exploitation in the East China Sea, properly handled, the gas issue can be depoliticised because it will contribute to, but not dramatically alter, either party's energy security.

The latter geographic reality illustrates Japan's limited leverage over China. Offshore development requires immense capital outlays to transport the gas to a market; it cannot be liquefied at sea and must travel by undersea pipeline. Thus, Japan faces an added logistical difficulty transporting Xihu Trough gas to its shores. An undersea

¹⁵ See Shambaugh, "China Engages Asia," pp. 64-99; Khoo, Smith, and Shambaugh, pp. 196-213.

¹⁶ Thomas J. Christensen, "Windows and War: Trend Analysis and Beijing's Use of Force," in *New Directions in the Study of China's Foreign Policy*, ed. Alastair Iain Johnston and Robert S. Ross (Stanford: Stanford University Press, 2006), pp. 50-85.

¹⁷ Chris Ellsworth and Rosey Wang, "China's Natural Gas Industry Awakening, Poised for Growth," *Oil & Gas Journal* 97, no. 27 (1999), p. 24; Miyamoto, pp. 106-187.

pipeline would be nearly impossible due to the long distance and the depth of the Okinawa Trough, which descends 2,000 metres.¹⁸ These findings are important because they add important caveats to the argument that the 2008 cooperative agreement was simply contingent on positive bilateral relations. It occurred under a particular set of defined structural conditions. With this in mind, the recent decline in global oil prices may restrict the progress of the agreement for a period, but this is not an indication of a reduction in the political will for cooperation. Secondly, a wider definition of ‘capability’, beyond military capabilities or industrial capacity, offered a more comprehensive explanation of state decision-making. China’s offshore resource development technologies gave it a strong bargaining position; it did not need Japanese investment and technology transfers as it had previously. Also, institutional and legal capabilities have severely limited Japan’s ability to respond to China’s maritime expansion.

These insights were achieved without overlooking the impact of other key variables such as calculations of power, national identity, as well as the impact of rules and institution building. The thesis started with the assumption, derived from Ming Wan, that conventional variables explained why the Sino-Japanese relationship existed within a defined spectrum. Power and identity will prevent the relationship from ever becoming genuinely cordial, but economic interdependence and shared interest will prevent disaster. Within this spectrum, the opportunity and willingness framework revealed that institutionalisation of the bilateral talks both created willingness to cooperate, and was related to the success of a given cooperative outcome. Based on this, the thesis has four insights to offer International Relations theorists.

First, according to Richard Samuels, while there are many reasons in the economic, social, cultural and even political spheres to be optimistic about the Sino-Japanese relationship, none of this “negates the larger security dilemma at work in Northeast Asia.”¹⁹ This thesis has identified the particular dimension of the East China Sea dispute which is likely to fester into the future. It is not the resource dimension or the ideational dimension, but the strategic utility of the East China Sea to Chinese and Japanese national security. The Japanese decision to improve its ability to exploit the disputed resources and loosen the restrictions on the use of force is designed to

¹⁸ Based on Smil, p. 47.

¹⁹ Samuels, *Securing Japan*, p. 167.

forestall Chinese maritime expansion. Second, the constructivist expectation that divergent national identity impedes cooperation held, but only to a point. Policy elites were able to overcome this divergence under certain conditions: sustained interactions over the disputed issue facilitated by an improving bilateral relationship. Third, constructivists may argue that Japan's reactive ocean policy could in part be explained by the fact that, despite the realities of its position as an island state, Japanese policymakers and people did not really consider Japan an "ocean state".²⁰ The absence of this identity has contributed to the long-term neglect of Japan's ocean policy. Finally, liberals would be heartened by the impact of CBMs and interaction opportunities in creating a cooperative policy climate. Indeed, the CBMs negotiated in 2007 were reinforced when a hotline was negotiated between the MSDF and the PLAN to prevent potentially explosive incidents at sea.²¹ Viewed this way the opportunity and willingness framework has much to offer those who employ mainstream International Relations paradigms without neglecting relevant variables.

It could be argued that the opportunity and willingness concepts employed in this thesis are too broad to develop a falsifiable theory: anything can be characterised as 'structure' or 'environment'. However, chapter two endeavoured to develop indicators that were sufficiently broad to capture the essence of state territorial policy while maintaining a degree of conceptual rigour. Viewed qualitatively, the opportunity concept was enhanced. Rather than merely denoting geographic proximity, or military capability, the expanded definition used in this thesis was able to capture the normative and legal structures that impact territorial policy decisions. This contributed to an understanding of when confrontational or cooperative decisions are made and why. China's opportunities to exploit East China Sea resources, defined in terms of its resource production capabilities, meant that it could be unyielding in the face of Japanese remonstrations. Conversely, because of the institutional weaknesses in Japan, the Chinese were able to deter Japan from drilling in the disputed area. Similarly, by separating territorial value from willingness, the thesis was able to explore the domestic policy process that contributes to the pursuit of states' territorial objectives.

²⁰ See Sasakawa, "Why Is an Ocean Policy Think Tank Required Now?"

²¹ NHK, "Japan's SDF to Set up Hotline with China," March 18 2008, www.nhk.or.jp/daily/english/18_03.html. Accessed 20/04/2008.

Because the opportunity and willingness concepts are jointly necessary for the observed outcome, the framework is falsifiable. The absence of either means the behaviour under examination will not be observed. For example, the fisheries agreement could not have occurred in the absence of the ratification of UNCLOS, or in the absence of pressure from the Japanese fisheries lobby for a renegotiation along UNCLOS principles. The inequitable fisheries balance had existed since the mid-1980s, but it was only after the ratification of UNCLOS that the agreement was negotiated. China did not begin to exploit East China Sea resources until it had both the opportunity and willingness to do so, while Japan's confrontational stance was undermined as its lack of policy opportunities were revealed. This thesis is a first attempt at employing the opportunity and willingness framework qualitatively and future refinements are no doubt in order.

9.3 The interaction between opportunity and willingness

The final area where this thesis has attempted to make a contribution is on the clarification of the relationship between the opportunity and willingness concepts. Although they recognise that either concept may trigger the other, Most and Starr expect that the opportunity to willingness dynamic is the more frequent: situations of ample opportunity will require lower levels of willingness.²² This dynamic appears to be present with regard to the fisheries dispute. Ratification of UNCLOS gave Chinese and Japanese leaders the tools to pursue their policy objectives on fisheries issues in the East China Sea. Similarly, China's ample opportunity to exploit East China Sea resources underwrote its confrontational policy choice in 2005. However, this thesis also identified the opposite dynamic. Ample levels of willingness to address the issues of Chinese intrusions and of resource exploitation led Japan to make policy choices that were hamstrung by its lack of opportunities. In the face of mounting public pressure Tokyo was willing to address the intrusions issue, but its opportunities to do so were limited to diplomatic remonstrations. The willingness to opportunity dynamic was also reflected in Japan's Teikoku decision. In the face of mounting pressure, Japanese leaders became willing to confront China, but once again their opportunities were limited. Indeed, following the failure of this policy to alter China's resource exploitation plans, Tokyo proposed a joint development

²² Most and Starr, *Inquiry, Logic and International Politics*, p. 44.

scheme and set about adjusting the domestic legal barriers that limited its policy opportunities.

By using the value matrices and an expanded conception of willingness, the thesis was able to add insight to an otherwise oversimplified causal process. Leaders pursue territorial objectives under certain conditions and these objectives are not constant. For example, Most and Starr argue that when resources are at stake, the willingness to exploit them leads policymakers to create the opportunities to do so, similar to the process outlined by Choucri and North.²³ Indeed, this is the expectation of much of the East China Sea literature surveyed in chapter one. However, this thesis found that the discovery of resources did not immediately trigger resource exploitation, likely because of a lack of opportunities on both sides. China lacked the capabilities to exploit East China Sea resources in the 1970s, and thus was content to deter Japan from exploiting them unilaterally. Japan was content to forgo resource development to maintain positive relations with an important neighbour. This status quo changed in 2003 when China developed the opportunity to develop East China Sea resources, but denied Japan from doing likewise. Japan's willingness to confront China emerged when Beijing denied the legitimacy of Japan's entitlement to ECS resources, as part of its wider denial of Japan's entitlement to exercise jurisdiction in its EEZ. In the Chinese case, very little opportunity was required for Beijing to proceed with the policy option of resource exploitation. Japanese leaders became willing to exploit ECS resources not because of a change in their energy needs, but because they feared a Chinese *fait accompli* in the disputed territory. By viewing resource development as one of many state objectives in the East China Sea dispute, and by viewing willingness as decision-making process, the thesis was able to explain how Chinese and Japanese leaders developed the willingness to exploit resources in the disputed area over thirty years after these resources were discovered. Further research is needed to clarify the circumstances under which opportunity leads to willingness and vice-versa.

Finally, the advantage of a qualitative analysis was that questions could be asked about the interaction between opportunity and willingness on the sustainability of a policy choice over time. In chapter four, the jump between opportunity and

²³ Ibid., pp. 42-43; Nazli Choucri and Robert C. North, *Nations in Conflict: National Growth and International Violence* (San Francisco: W. H. Freeman and Company, 1975).

willingness was very narrow. Due to the extent of the interaction on the fisheries issue, the passage of UNCLOS spurred the fisheries lobby in Japan to press the government to adopt the EEZ regime. In chapter five, the situation was reversed. Willingness existed to act, but Japan had only one option on the policy menu. The result was a weak cooperative agreement. This implies that a stronger bargaining position, defined as having more opportunities, can yield more successful cooperative and confrontational outcomes. It appears that sufficient willingness is enough to galvanise elite action, but the long term success of these policy choices ultimately depends on a state's ability, defined in terms of opportunity, to see them through. Viewed this way, opportunity and willingness become mutually reinforcing over time.

Final Thought

The first part of the thesis argued that the East China Sea should be viewed as a least-likely case for territorial cooperation because, according to most dominant theoretical frameworks, the Sino-Japanese territorial relationship should be characterised by conflict. In this sense, the central finding of the thesis, that under certain conditions China and Japan are capable of cooperation over resource rich territory in a relationship characterised by rivalry, indicates that a re-evaluation of cooperation in competitive territorial relationships may be in order.²⁴ Some of these conditions, a sustained period of positive interactions over the disputed issue, political support for cooperation from a secondary political actor, and a favourable policy environment, can be viewed as necessary conditions for cooperation. They were present in all three cooperative cases, and absent from the two confrontational cases.

Generalisation from a single case can be achieved under particular circumstances. These case studies “are those which rely on reasonable saturated (thick) sets of comparisons...for the problem addressed in the study. The explanations provided in such single-case studies then contribute to contextual generalisation.”²⁵ This thesis has undertaken a thick set of comparisons across both the behaviour under investigation, cooperation, and its opposite, confrontation. Nevertheless, generalisation from a single case can only occur across other like cases. As George and Bennett note, the ideal case study investigation occupies a clearly defined

²⁴ Flybjerg, pp. 227-228.

²⁵ Lars Mjoset, "A Case Study of a Case Study: Strategies of Generalization and Specification in the Study of Israel as a Single Case," *International Sociology* 21, no. 5 (2006), p. 763.

universe of phenomena: in this case a bilateral maritime territorial dispute encompassing both a dispute over offshore islands and the related maritime space.²⁶ Thus, generalisation is possible with other maritime territorial disputes in the Asia-Pacific region. In particular, the understanding of cooperative dynamics in the Tokdo/Takeshima islands dispute between Japan and South Korea, and the Paracel islands dispute between China and Vietnam may benefit from the application of the opportunity and willingness framework used herein. Both are bilateral disputes over uninhabited islands complicated by related claims to maritime jurisdiction. The Spratly islands dispute is not suitable for analysis in this way because it is a multi-party dispute. The Kurile islands/Northern Territories dispute may not be a suitable comparison because the intrinsic-tangible value stems as much from the land as from the maritime zones created. Also the presence of politically aware inhabitants will require a reformulation of the territorial value matrices. Finally, the further refinement of the qualitative use of the opportunity and willingness framework is a possible area of future research.

²⁶ George and Bennett, p. 69.

Appendix: Timeline of the Chunxiao Dispute

- 2001- CNOOC begins negotiations to develop the Chunxiao area with UNOCAL and Shell.
- June 2002- Strategic partnership signed between CNOOC, UNOCAL and Shell.
- August 2003- Xihu Trough production agreements finalised between CNOOC UNOCAL and Shell.
- May 2004- Japan issues diplomatic protest to Chinese developments at Chunxiao.
- June-July 2004- METI commissions the *Ramform Victory* to survey the median line area during which it is approached by Chinese naval vessels.
- June 21 2004- Foreign Ministers Kawaguchi and Li meet. Li makes a vague offer of joint development.
- July 4 2004- METI Minister Nakagawa meets NRDC counterpart Zhang Guobao in Manila on the sidelines of ASEAN +3 energy ministers meeting. He reportedly demonstrates to Zhang how resources could be siphoned across the median line using a cup and a straw.
- September 2004- UNOCAL and Shell withdraw from the Chunxiao project citing concerns about resource base and development plans.
- Oct. 9 2004- Foreign Ministers Machimura and Li meet in Hanoi at ASEAN, agree to talks on the East China Sea dispute.
- October 24 2004- Japan and China hold first round of East China Sea talks.
- January 2005- *Ramform Victory* is again pursued by Chinese naval vessels.
- February 9 2005- Japan takes formal possession of Senkaku/Diaoyu islands sparking small protests in China.
- February 19 2005- *Ramform Victory*'s report published; finds a strong possibility that Chunxiao's geological features straddle the median line.
- March 1 2005- Nakagawa issues an ultimatum to China: turn over seismic data and cease development of Chunxiao or accept Japanese exploratory drilling east of the median line.
- April 3-16 2005- Anti-Japanese demonstrations rage in Chinese cities.
- April 14 2005- Koizumi announces Tokyo will hold bids for East China Sea concessions.
- April 28 2005- Teikoku Oil applies for East China Sea concessions.
- May 30-31 2005- Second round of East China Sea talks.
- July 14 2005- Teikoku Oil wins East China Sea concession.
- Early September- PLAN flotilla near Chunxiao field threatens passing MSDF P-3C reconnaissance aircraft.
- September 30-October 1- Third round of the East China Sea talks, Japan tables joint development plan.
- October 17 2005- Koizumi visits Yasukuni Shrine; East China Sea meeting scheduled for October 19 is cancelled by China.
- January 9 2006- Cui and Sasae meet unofficially to resuscitate talks.
- March 6-7 2006- Fourth round of the East China Sea talks.
- April 19-20 2006- SOA website mistakenly details an exclusion zone surrounding the Chunxiao field.
- May 18 2006- Fifth round of the East China Sea talks.
- May 23 2006- Foreign Ministers Aso and Li meet on sidelines of Asian Cooperation Dialogue in Doha in an attempt to resuscitate relations.
- July 8-9 2006- Sixth round of the East China Sea talks, both sides agree to set up CBMs.

- September 26 2006- Abe Shinzo elected Prime Minister of Japan.
- October 10 2006- Abe visits China.
- January 12 2007- Legal experts meet in Beijing.
- March 29 2007- Seventh round of the East China Sea talks, China promises to share seismic data.
- April 6 2007- NDRC and ANRE representatives meet to discuss resource extraction, China does not provide seismic data.
- April 11 2007- Premier Wen visits Abe in Tokyo; they pledge to make the East China Sea a 'sea of peace, cooperation and friendship.'
- May 25 2007- Eighth round of the East China Sea talks.
- June 26 2007- Ninth round of the East China Sea talks.
- July 20 2007- SOA and JCG meet to discuss an incidents at sea agreement.
- September 25 2007- Fukuda Yasuo elected Prime Minister of Japan.
- October 11 2007- Tenth round of the East China Sea talks.
- October 31 2007- Sasae tells LDP Committee on Ocean Affairs that China will accept a JDZ depending how Japan handles the median line issue.
- November 14 2007- Eleventh round of the East China Sea talks.
- December 26-30 2007- Fukuda visits China; East China Sea talks are elevated to vice-ministerial level.
- May 7-9 2008- Hu Jintao visits Japan, the first visit by the Chinese head of state since 1998.
- June 16 2008- Media reports an agreement is close.
- June 18 2008- The 'New Consensus' in the East China Sea is announced.

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