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# A Geographical Perspective on the Territorial Conflict in the East China Sea: The Implications for International Political Relations between China and Japan

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A Geographical Perspective on the Territorial Conflict in the East China Sea:  
The Implications for International Political Relations between China and Japan

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## **Abstract**

China and Japan are engaged in a territorial dispute in the East China Sea. Sovereignty over a tiny islet, and more importantly, access to substantial hydrocarbon resources are the crux of the dispute. This territorial conflict has broad implications for both China and Japan, and involves a number of complex issues. The objective of this paper is to understand the historical, economic and political factors of this situation, as well as to uncover the elements of the solution, which are contained in the problem. A thorough investigation of the literature on the dispute reveals there is significant potential for the situation to greatly improve or drastically deteriorate. Measures taken by the governments of China and Japan often point toward cooperation, however these are frequently dislodged by an inability to compromise. There are concrete ways in which the two nations are cooperating in the East China Sea, however as of now, these have not extended to resolving the territorial dispute. The two nations must find solutions that address their mutual and distinct interests, which can only occur through compromise. Both nations must also take a more conciliatory approach to resolving the dispute for an equitable resolution to be reached.

## Overview

Over the past decade, political and historical hardships have plagued the relations of China and Japan, even as the two have become economically interdependent. A source of this tension rests in the claims made by both China and Japan to sovereignty over islands in the East China Sea, known as Diaoyu Tai in China and Senkaku Shoto in Japan (Figure 1). Neither nation has great concern for these uninhabited islands as physical territory per se, but rather for what lies beneath them. Hydrocarbon resources exist in great abundance under the seabed floor in the vicinity of these islands. China and Japan each want as large a share of the resources as they can acquire. However, each nation's interests --and perspective on territorial control of these resources-- conflicts with the other's. Consequently, China and Japan find themselves at odds, even as their economies grow more reliant upon each other.

Many complex issues play a part in this territorial conflict, one with broad implications for both China and Japan. The goal of this paper is to understand the historical, economic and political factors of this situation, as well as to uncover the elements of the solution which are contained in the problem. In so doing, this paper will examine these issues and investigate why China and Japan are in opposition to one another in the resolution of this territorial conflict. An evaluation of the historical background surrounding this dispute, and the legalities therein will help to elucidate the problem. Additionally, this paper will discuss the diplomacy and conduct of China and Japan regarding sovereignty over the Diaoyu / Senkaku Islands. Furthermore, an analysis of the boundary demarcation issue, and the legal basis that each nation employs to bolster its claim to the resources, offers a broader insight into this dispute. The ebb and flow of

the problems that correspondingly contribute to the tension surrounding this situation will also be explored, as will consideration of the motivation behind each nation's actions and whether these are perpetuating or resolving the territorial conflict. Finally, ways in which China and Japan are currently cooperating, and the possibilities for dispute resolution, will be examined.

### **Origins of the Dispute and Qualifying Legalities**

The confrontation over the Diaoyu / Senkaku islands is a microcosm of a larger issue that has placed China and Japan at loggerheads. The two core components of the dispute over these uninhabited islands-- which by themselves are insignificant in regard to their economic importance-- are sovereignty and the right to develop the resources that lie beneath the seabed floor around the islands. By establishing sovereignty over the islands, the successful claimant will be able to extend that nation's boundary into the East China Sea, thereby granting control over a larger share of the resources.

The historical background is important in clarifying the present-day conflict. The first known mention of the islands in the literary record is found in the *Shi Liujiu lu* ("Notes of an Embassy Report") written by Chen Kan in 1534 (Fedorova, 2005). The Ming Dynasty of China and the Ryukyu principedom maintained relations by exchanging ambassadors. Chen Kan led the twelfth mission from China to Ryukyu, and in his detailed report mentioned passing the islands. According to Maria Fedorova, professor of international relations at Ural State University, a total of 241 ships were dispatched from Ryukyu to the mainland, and 23 ambassadors went to Ryukyu over the span of five hundred years between 1372 and 1879.

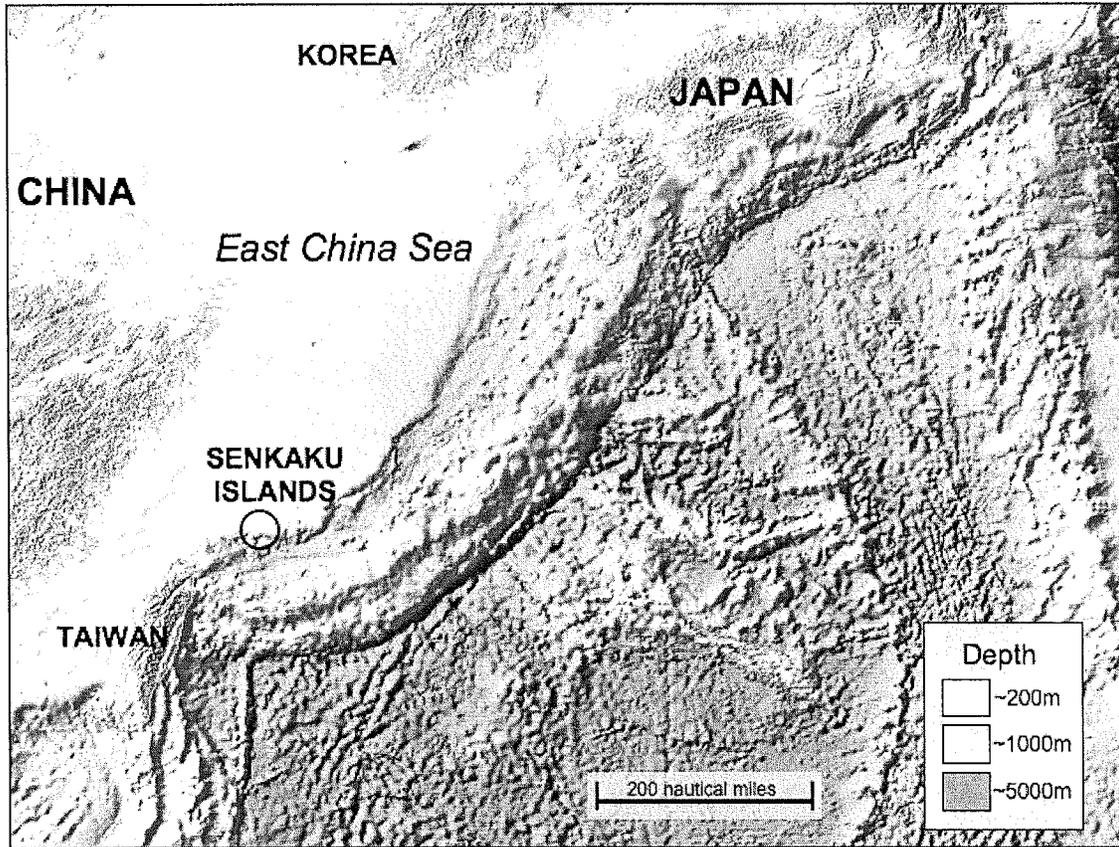


Figure 1. Bathymetric map of the Western Pacific and East China Sea. (*Note the continental shelf of China.*) Source: National Oceanic & Atmospheric Administration, 1998.

It is also known, from Chinese records, that the route from the mainland to Ryukyu passed these islands. Consequently, the islands served as navigational points for these ambassadorial trips, and the seafarers of the day were familiar with them. Despite the fact that the islands had an important function for navigation, “there are no records of any attempts to populate the islands by imperial China or Japan. Nor do the Ming and Qing sources provide sufficient grounds for territorial claims to be made on the islands” (Fedorova, 110). These records lack a degree of detail necessary to be of assistance in establishing the historical territorial status of the Islands.

In 1879, the Ryukyu Islands became a prefecture of Japan, known as Okinawa, and its vassal ties to China were effectively severed. A set of maps prepared by the Interior Ministry's Geographic Division, rendered in detail the prefecture of Okinawa as a political territory that includes the Senkaku Islands. Recording the islands on the map as part of Okinawa marks the beginning of Japan's attempt to integrate the islands into Japanese territory. Sixteen years later, in 1895, the Meiji government granted the governor of Okinawa's request to officially declare the islands part of Japanese territory. However, Japan's unilateral action may have had limited validity. Fedorova comments that "It may be affirmed with certainty that no other states were aware of the Japanese cabinet's January 1895 decision to annex the Senkaku archipelago until 1950;" the time at which the documents pertaining to the annexation were finally published (Fedorova, 112).

A decree issued by the Japanese emperor in 1896 gave administrative status to the Senkaku islands, and they were subsequently given cadastral numbers. Following the annexation of the islands, a Japanese entrepreneur, Koga Tatsushiro, leased the islands for a period of 30 years, and began developing them in 1897. Koga's main venture was a fish processing plant that required people to live and work on the islands. By 1901 the Senkaku Islands had a population of 136 people. In 1926, when the lease ended, Koga negotiated an agreement with the government for an annual extension; in 1932 he purchased the islands. The islands remained populated until 1940, when fuel shortages for Koga's fishing fleet forced him to abandon the enterprise.

Two other incidents are referenced by the Japanese as evidence supporting their claim to the islands. In 1919 a Chinese fishing boat was shipwrecked off one the

Senkaku Islands. The crew was rescued by Koga and then returned to China. A letter was sent from the Chinese consul at Nagasaki thanking Koga and the islanders for their aid to the Chinese fisherman. The letter made specific reference to the Senkaku Islands as part of the Yaeyama district of Okinawa prefecture. Many researchers point to this reference to the islands being a part of Okinawa as China's admission of Japan's title to the islands. According to the Japanese, the "several government-financed expeditions" that visited the islands in the early part of the 20<sup>th</sup> century offer additional evidence to their claim (Fedorova, 112). Of particular note was the expedition of Kuroiwa Tsune, who visited the islands in 1900, shortly after Kago began operations at the fish processing plant, and gave the islands the name of Senkaku-shoto (a translation from the English "pinnacle islands"). In further support of their claim, the Japanese also reference the ten government sponsored research expeditions that visited the Senkaku Islands from 1950 to 1971.

Shifting to the next phase of the island's history -- the post-WWII era -- the claims to the islands become ever more contentious. As referenced below, the legalities and minutia of the treaties and declarations that accompanied the end of the war greatly complicate the Diaoyu / Senkaku issue. Koji Taira writes that "The basic confusion hinges on whether geography or administration is the primary criterion determining jurisdiction over the islands" (Taira, 2004). It can not be said with certainty whether the Senkaku / Daiyou Islands were under the administrative jurisdiction of Japan's governor general of Taiwan during the war, or were considered to be geographically a part of Formosa and the Pescadores. The ambiguities regarding territorial control could be resolved if this distinction were determined. That the islands were handled so

nonchalantly in the treaties following the war is ironic, because it was their insignificance that has led to so much confusion in the present day.

The Potsdam Proclamation of 1945 stipulated that “the terms of the Cairo Declaration shall be carried out and Japanese sovereignty shall be limited to the islands of Honshu, Hokkaido, Shikoku and such minor islands as we determine” (National Diet Library, The Potsdam Declaration). The Cairo Declaration of 1943 states that “...Japan shall be stripped of all the islands in the Pacific which she has seized or occupied since the beginning of the First World War in 1914 and all the territories that Japan has stolen from the Chinese, such as Manchuria, Formosa and the Pescadores, shall be restored to the Republic of China” (National Diet Library, The Cairo Declaration). The Cairo Declaration is one of the important legal bases that Chinese scholars currently employ to assert China’s claim on the islands. Chinese documents frequently stress that the Senkaku Islands were among the “islands appertaining to or belonging to Formosa” that were ceded to Japan under the 1895 Treaty of Shimonoseki. If the Senkaku Islands were indeed part of the “islands appertaining to or belonging to Formosa” Japan would have no rightful claim, as the islands should have been returned to the Chinese in accordance with the Cairo Declaration. However, contrary to this assertion, Japan’s Ministry of Foreign Affairs claims that the islands were “neither part of Taiwan nor part of the Pescadores Islands which were ceded to Japan by the Qing Dynasty of China in accordance with Article II of the Treaty of Shimonoseki which came into effect in May of 1895.” This implies, according to the Japanese claim, that the Senkaku Islands were not part of the territories to be returned to China under the Cairo Declaration (Ministry of Foreign Affairs of Japan, The Basic View on the Sovereignty over the Senkaku Islands).

Another legal conflict emerges from the 1951 San Francisco Peace Treaty, in which, under Article 2, Japan renounced “all its rights, titles and claims” to Formosa and the Pescadores. Japan’s Ministry of Foreign Affairs’ statement on ‘The Basic View on the Sovereignty over the Senkaku Islands’ holds that “the Senkaku Islands are not included in the territory which Japan renounced under Article II of the San Francisco Peace Treaty.” Instead Japan points to Article III to bolster the legality of its claims, stating that “The Senkaku Islands have been placed under the administration of the United States of America as part of the Nansei Shoto Islands, in accordance with Article III of the said treaty, and are included in the area, the administrative rights over which were reverted to Japan in accordance with the Agreement Between Japan and the United States of America Concerning the Ryukyu Islands and the Daito Islands signed on 17 June 1971” (Ministry of Foreign Affairs of Japan).

There are a number of documents that Japanese researchers cite in attempting to prove that the islands were handled according to Article III. Specifically referenced is Declaration No. 27, issued by the U.S. Civilian Administration on the Ryukyu’s (USCAR). This declaration gives the geographic coordinates delineating the Ryukyu archipelago. The Senkaku Islands lie within these coordinates, and consequently, as expressed in the Ministry of Foreign Affairs statement on ‘The Basic View on the Sovereignty over the Senkaku Islands,’ Japan claims that the islands in question were administered by the United States and then returned to Japan in the agreement of June 1971.

China, for its part, does not offer such detailed accounts of its activities involving the Daiyou Islands. One reason for the paucity of documentation is that nation’s lack of

extensive activity on or around the islands during the past century. Furthermore, and more to the point, China does not feel that it has the onus of providing validity for its rightful claim. Rather, the Chinese point to the fact that the Daioyu Islands have always historically belonged to them. Historical legacy is the crux of China's claims on the islands, as emphasized in its Ministry of Foreign Affairs' official statement.:

“Daioyu Island and its affiliated islands have long been the inherent territory of China. Like Taiwan, the Daioyu Islands are [an] inalienable part of the territory of the People's Republic of China. China enjoys indisputable sovereignty over these islands and the natural resources in its affiliated sea areas. China's sovereignty over these islands is fully proven by history and is legally well-founded” (Ministry of Foreign Affairs of the People's Republic of China, Issue of the Diaoyu Islands).

The Chinese position is straightforward, as captured by Koji Taira's statement, “As far as the PRC is concerned, it is obvious that the Daioyu Islands are a part of Chinese territory” (Taira, 2004).

### **The Discovery of Resources and the Ensuing Diplomacy**

The contending claims to the islands are bolstered by each side's differing interpretations of laws and history. However, prior to 1968 the dispute cannot be as serious one because the resource-driven aspect of the territorial controversy over the Senkaku Islands was virtually nonexistent before that time. In 1968, the United Nations Economic Commission for Asia and the Far East published a report that suggested that one of the world's largest oil fields, up to 100 billion barrels of oil equivalent, might exist on the East China Sea's continental shelf in the vicinity of the Daioyu/Senkaku Islands. This report marks the beginning of what has become a very heated debate regarding the Daioyu/Senkaku Islands – a debate which has been ongoing for the past 39 years. It must

also be pointed out that prior to the discovery of resources in the East China Sea, there were no claims made on the Senkaku Islands by any nation other than Japan and China. And, while Japan claims sovereignty over the islands based on its administrative territory, national development, and exploratory expeditions of the last century, China bases its claim on historical legacy.

Following the United Nations Economic Commission for Asia and the Far East report, initial declarations of seabed exploration and development boundaries were separately issued by Japan, South Korea, and the Republic of China. In order to curb the obvious disagreements arising from self-delimited boundaries, in 1969 the three nations proposed establishing a private company to jointly develop the resources of the East China Sea. This proposal for joint development gained momentum, and initial prospects for moving forward made headway without boundary issues as a source of contention. However, developing the resources in the East China Sea was not to be easy. The People's Republic of China protested the efforts of the three nations, pointing out that "the establishment and activities of such a joint company violated the interests and rights of China" (Zhao, 2005). This protest had a deflating effect upon the proposal, as the general manager of China's National Offshore Oil Corporation's legal department points out in his statement, "With strong opposition from the Chinese side, the Taiwanese authorities retreated from the joint development, and the three sides' joint development attempt failed" (Zhao, 2005, 31).

In September of 1972, Japan and the People's Republic of China signed a joint statement announcing the establishment of diplomatic relations. The normalizing of relations between the two countries effectively caused Japan to break off its diplomatic

relations with Taiwan which, along with mounting pressure from the PRC, precipitated Taiwan's withdrawal of its territorial claims. During the establishment of relations between China and Japan, Prime Minister Tanaka broached the subject of the island dispute with premier Zhou Enlai. Adroitly, the Chinese premier declined to discuss the issue at that time. However, shortly thereafter the Chinese made their position known. In March of 1973, the Chinese foreign ministry publicly declared that all resources on the continental shelf of China were Chinese property.

An increasing degree of tension from the outset of the establishment of diplomatic relations was not in the best interests of either China or Japan. To prevent a deterioration in relations, Deng Xiaoping unveiled a new approach during a 1974 Japan-China friendship delegation meeting in Beijing, suggesting that discussion of the contentious issue be put off indefinitely. This tactic worked for a short period of time, but new incidents brought the dispute back to the forefront of Chinese and Japanese diplomatic discussions. In April 1978, 140 Chinese fishing boats were spotted by Japanese coast guard patrols as they crossed into Japanese territorial waters adjacent to the islands, displaying posters stating "This is PRC Territory." The encroachment shocked the government, and prompted a group of nationalistic Japanese to plant a Japanese flag on one of the Senkaku islands in retaliation.

This turn of events raised emotions on both sides, bringing attempts to resolve the dispute concerning sovereignty over the islands to a standstill. In the Fall of 1978, the two nations' foreign ministers signed a treaty of peace and friendship, including a visit to Japan by Deng Xiaoping. During that visit, Deng stressed that the islands should not become a stumbling block to improving relations between the PRC and Japan. "People

of our generation are wise enough to try and find a common language on this issue. People of the next generation will certainly be even wiser. They will undoubtedly find a solution acceptable to all.” And in a very clever political maneuver that served to placate the Japanese, but not relinquish the Chinese claim, Deng stated that “Japan could hold the islands for 20 to 30 years” (Fedorova, 2005). This proposal benefited both nations, because it was apparent that China was not going to push its claim to the islands, which meant that the Japanese would not demand Chinese renunciation of their claim. This action allowed the two nations to further normalize relations without the additional strain of the territorial dispute burdening an already sensitive relationship.



Figure 2. *Japan's Exclusive Economic Zone.* (Note the proximity of China's drilling sites to Japan's EEZ.) Source: Economist, 2004.

### **Boundary Demarcation and the International Law of the Sea**

The shelving of diplomatic debate about the islands in no way deterred the efforts of each nation to explore and develop the resources of the East China Sea. Both nations were aware that there were potentially large reserves beyond those in the vicinity of the disputed islands, and they actively sought to discover their extent and location. The debate thus momentarily shifted away from the islands, focusing on the broader context of their maritime setting. The maritime dispute focuses on where to draw the boundary line between Chinese and Japanese maritime control, and as such has evolved into the biggest problem to be resolved in this conflict over resources in the East China Sea. The issue of sovereignty over the Daioyu / Senkaku Islands continues to be a complicating factor, but there are also other significant differences of opinion between Chinese and Japanese over where and how the territorial boundary line should be drawn. These differences are mainly due to divergent interpretations of the Law of the Sea.

The United Nations Convention on the Law of the Sea, (United Nations, Convention on the Law of the Sea) to which both China and Japan are signatories, is the legal basis for their arguments over maritime boundary demarcation. There are two applicable principles for delimiting maritime boundaries, and each nation justifies its claim according to a different principle. China adheres to the ‘natural prolongation of the continental shelf’ principle to define its claim (Figure 3). According to the Law of the Sea Convention, Article 76 defines a coastal state’s continental shelf as comprising “the seabed and subsoil of the submarine areas that extend beyond its territorial sea throughout the natural prolongation of its land territory to the outer edge of the continental margin, or to a distance of 200 nautical miles from the baselines from which

the breadth of the territorial sea is measured” (United Nations, Convention on the Law of the Sea). However, Article 76 further states that “on submarine ridges, the outer limit of the continental shelf shall not exceed 350 nautical miles...” (Hsiung, 2005). This is the principle by which China justifies its natural prolongation claim, in stating that “the East China Sea continental shelf is the natural extension of the Chinese continental territory. The People’s Republic of China has inviolable sovereignty over the Chinese continental shelf” (Hsiung, 516). Japan, on the other hand, has serious objections to the Chinese contention because, as New York University international law professor James Hsiung states, “the Chinese continental-shelf claims extend all the way to the axis of the Okinawa Trough (about 350 nautical miles from the China coast), enclosing essentially all of the now known petroleum potential in the East China Sea” (Hsiung, 517).

The principle upon which Japan bases its claim in the East China Sea is the equally applicable concept enumerated in Article 57 of UNCLOS. This article defines the Exclusive Economic Zone of a state. The EEZ is an area in which a state has the combined rights to both the continental shelf and water column, and shall not exceed beyond 200 nautical miles from the straight baselines from which the breadth of the territorial sea is measured. “In the EEZ, a coastal state has sovereign rights for the purpose of exploring and exploiting, conserving and managing the natural resources, whether living or non-living, of the waters superjacent to the seabed and of the seabed and its subsoil, and with regard to other activities for the economic exploitation and exploration of the zone...” (United Nations, Convention on the Law of the Sea). The problem, in short, arises from the fact that “Japan and China are two states with opposite coasts, but the body of water between them is fewer than 400 nautical miles in total

(Figure 3). The width varies from 180 nautical miles at the narrowest points to 360 nautical miles at the widest” (Hsiung, 517). As a result, there is a serious problem of overlap between the two nation’s EEZs.

Article 74 of UNCLOS provide a theoretical solution to such problems. “The delimitation of the exclusive economic zone between States with opposite or adjacent coasts shall be effected by agreement on the basis of international law in order to achieve an equitable solution.” China and Japan have not come to a mutual agreement, a situation that has led Japan to unilaterally draw a median line. This median line has been rejected by the Chinese on the grounds that it is skewed in favor of Japan, thereby calling into question its validity. However, China’s prolongation of the continental shelf claim is hardly equitable, since that claim encroaches considerably upon Japanese territorial waters and covers most of the East China Sea.

### **Worrisome Actions and Harsh Words**

Despite there not being an agreed upon median line, since 2005 China has begun resource development in the East China Sea. All of China’s fields currently under operation , it should be emphasized, are on the west side of the Japanese drawn median line, indicating a degree of restraint. Nonetheless, one of the resource fields under development is only 3.1 nautical miles west of the median line (Figure 2). China’s drilling, so close to the median line, has prompted Tokyo to “demand that China hand over data and stop exploration in the East China Sea until this problem is resolved” (Brooke, 2005). China has rejected this demand, and responded with its earlier proposal for joint development. As it has done in the past, Japan rebuffed this proposal because

the area set forth by the Chinese for joint development is on the Japanese side of the proposed median line.

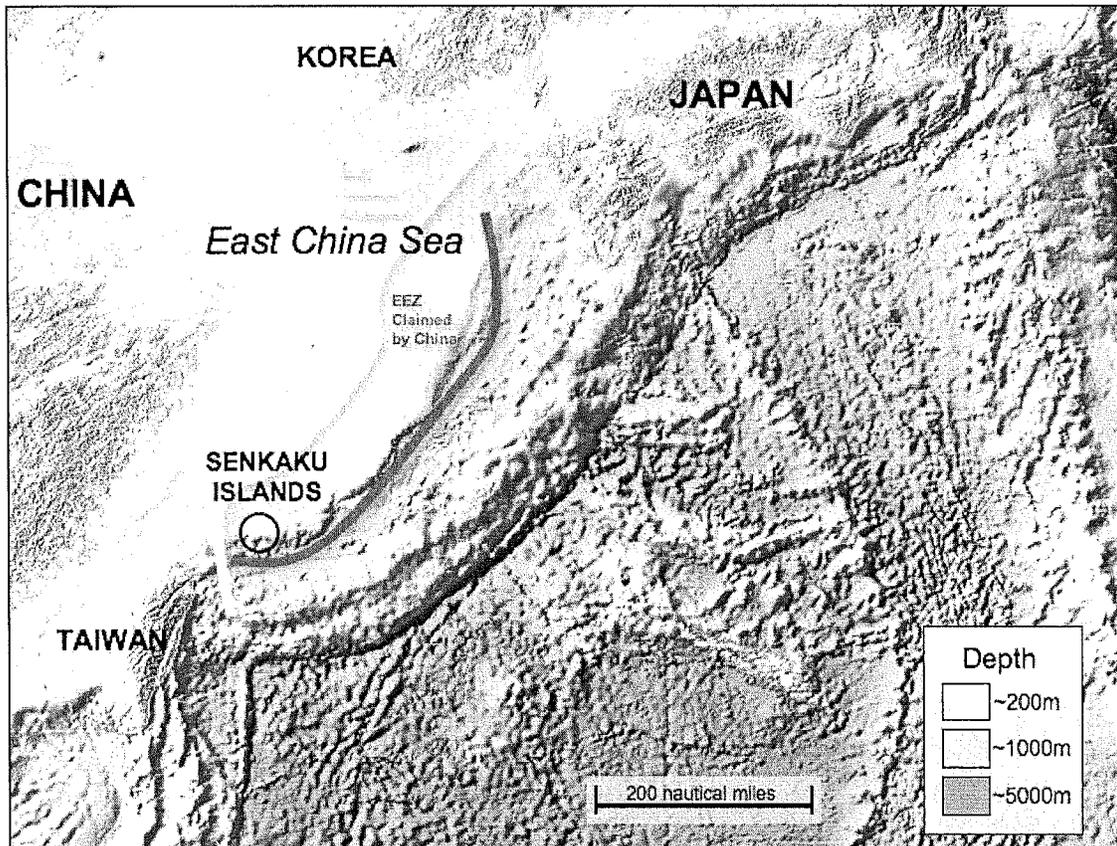


Figure 3. Extent of Exclusive Economic Zones boundary lines claimed by China and Japan. *(Note the vast amount of area overlapped by each claim.)* Source: National Oceanic & Atmospheric Administration, 1998.

With regard to the drilling that is taking place in the near vicinity of the median line, Japan fears that China, in effect, is stealing some of its resources while in the process of tapping their own. Japanese Trade Minister Nakagawa Shoichi made this notion clear when meeting with his Chinese counterpart in May 2005. The Japanese trade minister “dropped two straws in a glass of orange juice, and, forgoing customary

Japanese politeness, complained that China was about to suck out Japan's resources with a straw" (Brooke, 2005). According to Nakagawa, the problem of China depleting Japan's resources is confirmed by a recent seismic survey which shows that two of the deposits currently being developed by China extend into Japanese economic waters.

The fact that neither side is willing to share its seismic data leads China and Japan to speculate on what the other may be hiding. China has conducted extensive surveys of the East China Sea, and according to the Japanese, has done so even in Japan's waters. The refusal to halt drilling in the field so close to the median line has prompted Japan to reverse its ban on exploration in East China Sea. This ban, lifted in April of 2005, was followed by the July 2005 approval for the Japanese firm Teikoku Oil to explore areas for drilling. Japan has spent \$75 million conducting surveys using a Swedish seismic ship, and has slated \$100 million for building its own seismic survey ship. In addition, Japan has tripled its annual research budget for the East China Sea, to \$125 million (Brooke, 2005). However, the area Teikoku Oil has slated for drilling is in what China considers to be its EEZ. Thus, the green light granted Teikoku Oil in July of 2005 led the Chinese Foreign Minister to lodge a protest with the Japanese government for infringing upon China's sovereign rights (Hsiung, 518). Furthermore, to show Japan that China was not merely employing rhetoric, in July of 2005 naval and air force units were put on alert to guard against any encroachment by Japanese oil companies on Chinese 'sovereignty'. These actions, along with the statement by Andrew Nien-Dzu Yang, Director of the Chinese Council of Advanced Policy Studies', underscores the view that "They [China and Japan] are going to be colliding for the foreseeable future, and I don't see how you can avoid that," show the level of seriousness that this dispute has reached.

There have been several incidents in recent years, both before and during 2005, that demonstrate the worrisome direction that China and Japan appear to be heading. In November 2004, a Japanese Maritime Self-Defense Force surveillance plane detected a “foreign” submarine within Japan’s declared Exclusive Economic Zone. The next day, Japan announced that it had two destroyers and a surveillance plane of its own in the region, trailing the submarine. The submarine evaded capture, but the PRC acknowledged that the vessel had been one of its submarines and apologized for the incident (Donaldson, 2005). Following this event, in a muscular display in September of 2005, five Chinese warships were deployed near a gas field in the disputed area of the East China Sea. Shortly thereafter, a Japanese reconnaissance plane patrolling the area where the ships were located was reportedly locked onto by a Chinese warship’s radar (Ding, 2005). Even more unsettling is the report by a Japanese Air Self-Defense Force spokesman stating that from April to November 2005, Japanese fighters had been scrambled a record-breaking 30 times to intercept Chinese military aircraft approaching Japanese airspace (Associated Press, 2005). Furthermore, in three separate instances in September and October 2005, Chinese spy planes were alleged to be collecting data on Japanese military vessels (Goodspeed, 2005).

In addition to confrontational actions taken by each side, there has also been a significant rise in harsh rhetoric. In a *China Daily* article titled “Japan should take heed of China Policy”, Chinese Academy of Social Sciences researcher Feng Zhaokui stated “To stop China’s normal drilling activities, Japan has even claimed it would use force to safeguard its ‘maritime rights and interests’. If Japan continues to turn a blind eye to the general situation and attempts to spark even the smallest strife, the result will be like two

babies trying to scramble over a cup of milk on a table and in the process knocking off all the other objects on it. Two babies can be forgiven for upsetting a cup of milk. But Japan would be making an unforgivable mistake if it declines China's proposals to seek a peaceful solution to the controversy and takes reckless action on this matter" (Feng, 2005).

This war of words across the East China Sea, as well as the continued and apparently intensifying military brinksmanship, has led to one of the tensest periods of relations between China and Japan. In addition to the cat and mouse games by each country's military, and the blunt rhetoric employed in the East China Sea dispute, there are a number of other factors exacerbating the situation. One of the most sensitive issues affecting the relationship was the 2005 joint U.S. Japan proclamation that Taiwan is a common security concern (Faiola, 2005). Beijing did not take kindly to this, as is evidenced by China's foreign minister's response. "I would like to say calmly to Japan, the Taiwan issue is a domestic affair and a matter of life or death to us. It is dangerous to touch China's matters of life and death" (French, 2005). It should be noted that this exchange takes place in a larger context, Japan's reaffirmation of its security alliance with the United States in the late 90's, a commitment that has led China to conclude that Japan is colluding with the United States in order to contain China. Moreover, Prime Minister Koizumi's repeated visits between October of 2001 and August 2006 to the controversial Yasukuni shrine, which commemorates Japanese war dead, resulted in a severe drop in the number of high-level discussions taking place between China and Japan. All of these recent provocations take place against a backdrop of a growing and

longstanding rivalry, in combination with an already long history of sensitive relations, placing added strain on an already precarious relationship.

### **What is at Stake**

The incidents enumerated above add to and illustrate the international tensions between Japan and China. There are also underlying issues that deserve further explication. Beyond the energy resources in the East China Sea, this dispute highlights key elements of each nation's fundamental interests. One of these is the leadership role of the East Asian region in world affairs, and the individual role that each country will play in that regard. For the past one hundred years, Japan has been the dominant nation in Asia. China's monumental rise over the past twenty-five years now challenges Japan's preeminence. As China's ascendance threatens Japan's position, the two nations are clearly beginning to view each other as political rivals. Each nation is seeking to assert itself and establish its role as regional leader, leading to the multiple close encounters previously noted. Concurrent with this growing rivalry, China and Japan are both witnessing an upsurge in nationalist sentiment. Whether the rise of nationalism is a result of the growing tension and jockeying for the leadership role, or is being used by the leaders of each nation to bolster their claims against the other, is unclear. As nationalism escalates, Chinese and Japanese leaders must keep in mind the backlash that could occur from overly heightened anti-Japanese or Chinese sentiment. This is especially true for China, where nationalism is aptly described by noted China-watcher Nicholas Kristof as having the ability to both confer legitimacy, or take it away (Kristof, 2001).

Sovereignty is a second issue, one that holds much deeper ramifications than just determining who has the rightful claim to the uninhabited Diaoyu / Senkaku islands. Because of the long history of foreign interference in its affairs, China has long held the goal of never again being a “loose pile of sand”, highly susceptible to foreign interference. One of the primary ways that China seeks to recover from foreign meddling, not the least of which has been Western colonial activity, is through reunification with Taiwan. Reunification is one of the highest priorities for China, and this goal is mirrored in its stance on the Diaoyu Islands; for confirmation of this point one need only look as far as the fact that the PRC mentions Taiwan in its official statement regarding the Diaoyu Islands dispute. The foreign ministry of China states “Like Taiwan, Diaoyu Islands are an inalienable part of the territory of the People’s Republic of China” (Ministry of Foreign Affairs of the People’s Republic of China). Consequently, China has a vast stake in how it handles the Diaoyu Island dispute because any relinquishing of its claim could have the effect of emboldening Taiwan.

Japan has a similar stake in its claims on the Senkaku Islands. Japan is involved in an ongoing dispute with Russia over a group of islands referred to as the Northern Territories, located to the northeast of Hokkaido. This conflict, ongoing since WWII, has kept Japan and Russia from signing a peace treaty that formally ends hostilities between the two nations. As a result, Japan is very reluctant to cede ground on the Senkaku Island dispute for fear that it would weaken its claims over the Northern Territories. The far-reaching implications that exist in the dispute over the Diaoyu / Senkaku Islands help explain why so little progress has been made in reaching an agreement.

## Cooperation

Having illuminated some of the factors that maintain and even widen the divide between China and Japan, attention can now turn to the ways in which the two nations can and do cooperate. In the exploration of cooperation, the challenge is to change perspective, from a perception that Chinese and Japanese interests are uniformly at odds with one another, to one that documents a degree of synchronization. Indeed, analysis shows that possibilities exist and that great benefits could be derived from Sino-Japanese collaboration.

Working in concert in the East China Sea could serve the needs of both China and Japan for a number of reasons. Through joint research, for example, China and Japan could determine the exact extent of the resources that exist in the East China Sea, and the disclosure of such results could serve both nations by allowing each to account and plan their energy strategies accordingly. Cooperation could bring about immediate economic returns, first because it allows both nations to begin fully extracting resources from the East China Sea, and second because of lessened dependence on foreign oil. The latter point is represented in statements by Feng Zhaokui, who notes that “some oil exporters are selling crude oil to China, Japan and other Asian nations at a higher price than they sell to other regions. This is a result of excessive competition between the two neighbors” (Feng, 2005). A reduction in energy dependence on foreign oil, furthermore, has the potential to be especially beneficial for resource poor Japan, a nation dependent on imports for 99% of its oil (Calder, 2006). Full-scale resource extraction also represents a gain for China, by providing another domestic source of oil, addressing the nation’s ever-increasing present-day need for growing amounts of energy.

Nor are economic advantages the only benefits that China and Japan could gain from cooperative efforts. China and Japan both share a primary goal to obtain standing and respect in the international community; this goal is served through mutual cooperation. China seeks to show itself as a responsible participant in the international community, and cooperating with its biggest rival portrays such responsibility. Working together with Japan adds a significant amount of credibility to China's mantra and foreign policy ethos of "maintaining world peace and propelling common development" (Ministry of the Foreign Affairs of the People's Republic of China). For Japan, working together with China could aid in acquisition of international recognition and acceptance that it so desperately seeks. Japan's foreign policy approach, as a global civilian power that focuses on peaceful integration through serving international public interest and active multilateralism, could be put into action, moving beyond mere rhetoric. Government collaboration between China and Japan could also lead to creating a multilateral atmosphere for which both nations express a desire. While outward demonstrations of cooperation will not resolve the antagonism that each nation's populace harbors toward the other, it could greatly assist in demonstrating that the two countries can pursue agreements that lessen conflict and advance partnership in pursuit of a common goal.

Perhaps one of the most important outcomes that could come about from a government-sponsored joint venture is the creation of a physical space or zone for exploring the creation of a true regional framework for cooperation. Having two of the most powerful and influential nations of Asia collaborating on new ideas, such as an "East China Sea Economic Community", encourages other nations of Asia to seek to

become a part of a larger regional partnership (Taira, 2004). Economic integration is certainly one way in which China and Japan now promote their common interests and increased integration, leading each to become the other's most important trading partner. Such integration not only displays economic cooperation, it also presents opportunities for greater governmental cooperation. As trade increases between China and Japan, there is a related common security interest in the East China Sea. Few regional security frameworks exist based on resources and at the scale of the East China Sea, yet there is clearly a need for establishing the conditions that provide stability in the East China Sea region. According to David Rosenberg, shipping traffic in the East China Sea is only projected to increase as more goods are exported and more oil is imported (Rosenburg, April 2005). Joint development and the vested common interest in securing shipping lanes in the East China Sea could certainly prompt China and Japan to establish and maintain a framework for cooperative security efforts.

A tangible example illustrating how China and Japan are already cooperating in the East China Sea is through a bilateral fisheries agreement, signed in 1997. China and Japan should make a larger audience in each country, and the greater region, that such arrangements identify mutual common interest.. In this bilateral agreement, there is even an agreed upon provision for establishing a 'fishing pattern zone' around the Diaoyu / Senkaku Islands. The agreement furthermore includes three key issues reaffirming each nation's exclusive rights over fishing activities and fishery resources in their respective EEZs, establishing basic principals for reciprocal access, and creating a cooperative management structure for the shared fishery resources (Rosenburg, June 2005). Establishing such a bilateral agreement (that by all accounts is being adhered to)

demonstrates how China and Japan can make compromises that suit both their economic interests and illustrates the potential for enlarged cooperation.

In the East China Sea dispute, there are calls, fortunately, for rational behavior and pleas to not allow the situation to escalate further. There are equitable and mutually beneficial solutions to be found, but these solutions require compromise by both countries. The reality is that while each nation wants as much of a share of the resources as it can obtain, neither seems willing to cede ground. There have been renewed proposals for cooperation by Chinese and Japanese oil companies, but these efforts have failed due to a lack of government support. From this zero-sum position, it is obvious that only two options exist. Recent activities have shown where a lack of compromise could lead, and it is evident that this route is costly and disadvantageous. Conversely, working in concert in the East China Sea can serve the mutual interests of China and Japan far more effectively.

### **Recent Activity**

During the past few months a significant amount of activity directly pertaining to the East China Sea dispute has occurred. The seventh round of bilateral talks on the dispute was held in Tokyo at the end of March of 2007. This latest round was arguably the most productive and certainly the most active. The ministerial delegations meet on two separate occasions to discuss the issues. These ministerial consultations were followed a week later by a meeting in Beijing between technical experts from China and Japan, and officials of each nation's energy agencies (Kyodo News Service, 2007). Even more remarkable was the meeting that occurred the following week in Tokyo, in early

April. Executives from major Japanese and Chinese energy companies met to discuss ways to cooperatively develop energy resources (Kwan, 2007). Business deals were signed for possible joint development of oil and gas projects, including in the East China Sea. This unprecedented flurry of activity both preceded and coincided with Premier Wen's visit to Japan on April 11<sup>th</sup> through 13<sup>th</sup>, 2007.

Premier Wen's trip to Japan included public statements on the East China Sea issue, specifically his hope to make the East China Sea "a sea of peace, friendship and cooperation" (Xinhua Economic News Service, 2007). He went on to say "Getting things started is always difficult, but if we work together, we believe a significant step can be taken towards the peaceful solution of these disputes. I hope the two sides can actively pursue consultation on this issue and seek solutions accepted by both sides." Premier Wen also encouraged Japanese businessmen to take advantage of the recently created opportunity for Japanese companies to work together with their Chinese counterparts on energy issues (Kwan, 2007).

Shortly after Premier Wen's visit to Japan, the two countries issued a communiqué stating they had reached an agreement on a consultation process to properly handle the East China Sea dispute. This agreement, the first of its kind, called for the countries to accelerate the consultation process so both sides could report to the leadership this Fall (2007) on the progress made in determining specific plans to begin joint resource development. The two sides have already agreed to conduct joint development in a "relatively wide area that is acceptable to both sides" (Xinhua General News Service, 2007). Nonetheless, although there is agreement on joint development, there is continued disagreement over where this development should occur. In previous

negotiations China has rejected Japan's proposal to jointly develop four gas fields near the median line in the East China Sea, while Tokyo has turned down Beijing's proposal for joint development of two gas fields near the Senkaku Island (Figure 3) (Kumagai, 2007). The statement by Kenichi Sasae, head of the Foreign Ministry's Asian and Oceanic Affairs Bureau, that, "the Chinese side presented a view that can be taken as constructive," suggests both the progress and the divergence of positions that persist between the two countries (BBC Global News Wire, 2007).

While an increase in activity and interaction is progress in itself, many details must be ironed out before resolution can come about. There are other recent events that challenge progress, as well. In March of this year the Japanese Diet introduced laws to protect the interests of Japanese oil and gas companies working and exploring in the East China Sea. This "safe waters" bill allows authorized [Japanese] vessels to conduct research and begin extraction of resources, while keeping others [Chinese] away from the country's Exclusive Economic Zone (Kyodo News Service, 2007). Chinese politicians have already wondered aloud that these laws may lead to additional problems between the two countries. For Japan, China's repeatedly sharp refusal to halt its current resource development activity and share data continues to rankle more than a few officials. And perhaps more importantly, the larger issue of Japan's Diet approving a bill marking the first step toward possibly changing the country's pacifist constitution, which occurred in May, 2007, was met with strong criticism from China and other Asian nations. The successes of the past few months are encouraging signs, but significant differences must still be overcome.

### **Findings and Observations**

China and Japan stand at a critical juncture. The territorial dispute in the East China Sea highlights the discord that plagues their relations, while also offering great potential for strengthening ties between these two countries. In economic terms the two nations are more vital to each other than ever before and tangible agreements have been made and are being carried out. Moreover, the increased need for greater stability and security in the region is evident. As the crux of the East Asian region is the relationship between China and Japan, true opportunities to showcase their leadership and to carry the region forward are within reach. Not only will China and Japan benefit from collaboration, their cooperation could galvanize the nations of East Asia such that a regional framework for cooperation is created; one that balances competing but potentially complimentary regional development goals. In order to move in that direction, compromise and reconciliation between Japan and China will be necessary.

The recent thawing of relations between China and Japan has produced more progress toward resolving the East China Sea dispute than at any time in the past forty years. In support of this trend, the two nations must find solutions that addresses their mutual and distinct interests, something that can only come about through compromise. In terms of the Daioyu/ Senkaku Island dispute, Japan could take a more conciliatory tone in determining where joint development can occur. China, for its part, should be more willing to share the data it has accumulated on undersea resources in the East China Sea. Additionally, China could be more flexible in determining an equitable boundary demarcating the two nation's Exclusive Economic Zones in the East China Sea. Further

reconciliation could be achieved by creating a consortium of Chinese and Japanese companies working in concert to extract the resource-rich East China Sea. Only with such measures will the goal of resource development be achieved.

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