Geopolitics and Maritime Territorial Disputes in East Asia

Ralf Emmers
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Geopolitics is a crucial element in understanding international relations in East Asia, with major and medium powers competing for influence. This book examines geopolitics in East Asia, focusing in particular on its major, contentious maritime territorial disputes. It looks in detail at the overlapping claims between Japan, China and Taiwan over the Senkaku/Diao yu Islands in the East China Sea as well as the Paracel Islands claimed by China, Taiwan, and Vietnam and the Spratly Islands involving Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam in the South China Sea. The book offers a comparative study of the East and South China seas by arguing that their respective circumstances are influenced by similar geopolitical considerations; factors such as territory, natural resources and power competition all impact on disputes and broader regional relations. It is precisely the interplay of these geopolitical forces that can lead to the rapid escalation of a maritime territorial dispute or reversely to a diffusion of tensions. The book considers how such disputes might be managed and resolved peacefully, despite the geopolitical conditions that can make cooperation on these issues difficult to achieve. It also examines the prospect for conflict management and resolution by identifying catalysts which may contribute to improving the climate of relations.

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The maritime geography of East Asia is very complex. Significant features include the chain of seas lying between the mainland of Asia and the off-lying islands and archipelagos stretching from the Kamchatka peninsula in the north through the Japanese and Philippine archipelagos to the main islands of Indonesia in the south. Maritime boundary-making in this area is problematic but is complicated further by the sovereignty disputes over groups of islands lying within the East Asian seas. Full resolution of maritime boundaries in the region will often require agreement between three or more countries.

In the light of these considerations, the geopolitical dimensions of the sovereignty disputes over islands in the East Asian seas are extremely important. By examining these dimensions in the context of two of the region’s most prominent sovereignty disputes, those over the Senkaku/Diao yu Islands in the East China Sea and the Spratly and Paracel Islands in the South China Sea, this book fills a gap in the current literature dealing with the disputes and makes a major contribution to both regional security studies and our understanding of the geopolitics of East Asia.

Geography is a fundamental determinant of a state’s behavior. This is particularly true of the countries that are parties to the island disputes discussed in this work. All might be classified as maritime states by virtue of their extensive maritime interests. All attach considerable importance to their offshore areas of maritime jurisdiction as a potential source of economic wealth, especially where these areas might contain valuable oil and gas resources. With this mindset, it is not surprising that all seek to do whatever they can to extend their claims over offshore natural resources. The drive to do so becomes even stronger with increasing concern over the scarcity of oil and gas resources.

As the analysis in this book confirms, the geopolitical factors that characterize the sovereignty disputes over islands in the East and South China seas are broadly similar. The three key factors identified here are: territory, natural resources, and power distribution. Attachment to territory, regardless of whether it is land or sea, and its role in nation-building are major drivers of a country’s, all too often uncompromising, position on its sovereignty claims. Unfortunately, this can lead to confusion between the sovereignty a country exercises in its territorial sea and archipelagic waters and the sovereign rights it has over the resources of its exclusive economic zone (EEZ) and continental shelf. This occurs, for example, when
national leaders and politicians talk about the EEZ as “sovereign territory,” which, of course, it is not.

With increased concern over energy security and resource scarcities, control over natural resources becomes a major geopolitical factor to explain the behavior of states. Barely twenty years ago, countries were much less concerned about this factor but now it has been elevated to the high politics of national security. With power relations, lingering bilateral tensions and threat perceptions are significant considerations, particularly, for example, in the East China Sea between Japan and China, and in the South China Sea between China and Vietnam. The way in which China seized the Paracels in 1974 and Mischief Reef in 1994 remain major “sore points” in Vietnam and the Philippines, respectively, and are often cited as examples of China’s power aspirations in the South China Sea.

Despite the lingering nature of the island disputes, there are some positive aspects. As this work points out, the similarities of the two disputes and of their geopolitical features provide a basis for greater understanding of the dispute resolution process and of the possibilities for conflict management and resolution. There are good grounds for confidence that the disputes may eventually be resolved peacefully, even though this may not involve straight-line maritime boundaries in the conventional sense. However, before that happens, claimant countries will have to modify their position on the geopolitical factors that are robustly discussed in this volume.

Sam Bateman
Acknowledgments

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Ralf Emmers
Singapore
December 2008
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AFP</td>
<td>Armed Forces of the Philippines</td>
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<tr>
<td>AMM</td>
<td>ASEAN Ministerial Meeting</td>
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<tr>
<td>APT</td>
<td>ASEAN Plus Three</td>
</tr>
<tr>
<td>ARF</td>
<td>ASEAN Regional Forum</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>ASEM</td>
<td>Asia–Europe Meeting</td>
</tr>
<tr>
<td>BP</td>
<td>British Petroleum</td>
</tr>
<tr>
<td>CBMs</td>
<td>confidence-building measures</td>
</tr>
<tr>
<td>CCP</td>
<td>Chinese Communist Party</td>
</tr>
<tr>
<td>DPP</td>
<td>Democratic Progressive Party</td>
</tr>
<tr>
<td>EAEC</td>
<td>East Asian Economic Caucus</td>
</tr>
<tr>
<td>EAS</td>
<td>East Asia Summit</td>
</tr>
<tr>
<td>EEZs</td>
<td>exclusive economic zones</td>
</tr>
<tr>
<td>FPDA</td>
<td>Five Power Defense Arrangements</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ICJ</td>
<td>International Court of Justice</td>
</tr>
<tr>
<td>IEA</td>
<td>International Energy Agency</td>
</tr>
<tr>
<td>IR</td>
<td>International Relations</td>
</tr>
<tr>
<td>JCG</td>
<td>Japanese Coast Guard</td>
</tr>
<tr>
<td>JMSU</td>
<td>Joint Marine Seismic Undertaking</td>
</tr>
<tr>
<td>KMT</td>
<td>Kuomintang</td>
</tr>
<tr>
<td>KNOC</td>
<td>Korean National Oil Company</td>
</tr>
<tr>
<td>LDP</td>
<td>Liberal Democratic Party</td>
</tr>
<tr>
<td>LSTs</td>
<td>landing ships, tank</td>
</tr>
<tr>
<td>METI</td>
<td>Ministry of Economy, Trade, and Industry</td>
</tr>
<tr>
<td>MFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>MSDF</td>
<td>Maritime Self-Defense Force</td>
</tr>
<tr>
<td>NAM</td>
<td>Non-Alignment Movement</td>
</tr>
<tr>
<td>NPT</td>
<td>Nuclear Non-Proliferation Treaty</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of Petroleum Exporting Countries</td>
</tr>
<tr>
<td>PKI</td>
<td>Indonesian Communist Party (Partai Komunis Indonesia)</td>
</tr>
<tr>
<td>PLA</td>
<td>People’s Liberation Army</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<td>--------------</td>
<td>--------------------------------------------------</td>
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<tr>
<td>PLAN</td>
<td>People’s Liberation Army Navy</td>
</tr>
<tr>
<td>PNO</td>
<td>Philippine National Oil Company</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
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<tr>
<td>PRK</td>
<td>People’s Republic of Kampuchea</td>
</tr>
<tr>
<td>ROC</td>
<td>Republic of China</td>
</tr>
<tr>
<td>SAF</td>
<td>Singapore Armed Forces</td>
</tr>
<tr>
<td>SDF</td>
<td>Self-Defense Forces</td>
</tr>
<tr>
<td>SLOCs</td>
<td>sea lines of communication</td>
</tr>
<tr>
<td>SOM</td>
<td>Senior Officials Meeting</td>
</tr>
<tr>
<td>SSF</td>
<td>South Sea Fleet</td>
</tr>
<tr>
<td>TAC</td>
<td>Treaty of Amity and Cooperation</td>
</tr>
<tr>
<td>Tcf</td>
<td>trillion cubic feet</td>
</tr>
<tr>
<td>TNI</td>
<td>Indonesian Armed Forces (Tentara Nasional Indonesia)</td>
</tr>
<tr>
<td>UNGA</td>
<td>United Nations General Assembly</td>
</tr>
<tr>
<td>UNSC</td>
<td>United Nations Security Council</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>ZOPFAN</td>
<td>Zone of Peace, Freedom, and Neutrality</td>
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The central theme of this book is the importance of geopolitics when seeking to understand the dynamics of the maritime territorial disputes in the East and South China seas. The main purpose of the volume is to examine the geopolitics of maritime disputes based on a methodological approach which combines a rich conceptual and empirical understanding of the issues at hand. While definitions of the field vary, geopolitics emphasizes the importance of geography as necessary to the understanding of patterns of states’ behavior and the conduct of foreign policy. The conceptual framework of geopolitics is thus used as a tool to study and compare maritime territorial disputes in the East and South China seas.

The maritime territorial disputes examined in the book are the overlapping claims between Japan, the People’s Republic of China (PRC), and the Republic of China (ROC), otherwise known as Taiwan, over the Senkaku/Diao yu Islands in the East China Sea as well as the Paracel Islands claimed by China, Taiwan, and Vietnam, and the Spratly Islands involving China, Brunei, Malaysia, the Philippines, Taiwan, and Vietnam in the South China Sea. In light of the extent of their respective claims, the countries of interest are thus China, Brunei, Japan, Malaysia, the Philippines, Taiwan, and Vietnam, although close attention is also given to the United States as the sole global superpower and hegemon in the Asia Pacific. Comparing and contrasting the territorial disputes under study, the volume indicates that they are influenced by similar geopolitical considerations and their interaction.

Three geopolitical attributes are under close consideration: territory, natural resources, and the power distribution. Territory is associated with statehood, national boundaries, territorial claims, and nationalism. The legitimacy of an elected government or an authoritarian regime can be tied to its ability to safeguard the national sovereignty of the state, including small pieces of territory. Nationalism can be defined and studied in terms of an ideology and doctrine, ethnicity, statehood, and/or with reference to popular movements. When studying territory and boundaries, special attention is given to “pragmatic nationalism.” The latter involves protests and demonstrations tolerated, condoned, or organized by national governments. In this context, nationalist sentiments and movements can be used as a diversion, a legitimizing tool, and/or a replacement for a dying ideology.

Natural resources and energy needs have traditionally influenced the foreign policy objectives of states. One has often seen natural resources shift from the low
politics of domestic production and consumption to the high politics of national security. As an economic and strategic issue, they have been a contributing factor in alliance-building, expansionist policies, and the origins of conflict.

Power is a complex concept in international relations and definitions have traditionally been vague. It is often said to be the result of the sum of different components that include demographic weight and geographical position, as well as military, economic, political, and ideological attributes. The notion of power is therefore impossible to measure precisely. The concept is generally examined in a relational context rather than in absolute terms. A state’s capabilities are measured in relation to the attributes of one or more other countries. Moreover, power is not only the result of aggregate capabilities as it also depends on a state’s willingness and intention to implement its will. From a geopolitical perspective, states also tend to be defined either as continental or maritime powers, depending on their geographical location, interests, and projection capabilities. Though rarely defined in their writings, power is often implicitly analyzed by geopolitical theorists through a military and strategic dimension that adopts a coercive understanding of the concept.

The conceptual framework applied in the volume ties the concept of geopolitics both to power relations and energy needs and to notions of territory associated with identity, nationalism, and views of history. The importance of these three attributes and how they might influence and interplay in the respective maritime territorial disputes is at the core of the volume. The book contends that rather than adopting a single explanation, maritime territorial disputes can best be understood by linking these interconnected variables. Indeed, its fundamental argument is that it is precisely the operation and interplay of the territorial, energy, and power dimensions that can lead to the rapid and dangerous escalation of a specific territorial dispute. Conversely, the reduced virulence of the geopolitical attributes may lead to the de-escalation and diffusion of tensions. As part of this overall argument, the book investigates two primary questions. First, at what stage or given what conditions does the interplay most likely become an escalation problem and why? Second, if one specific variable was introduced as a means to de-escalate or defuse tensions, when would that factor most likely work? In answering these questions, it is argued that the three geopolitical attributes can act as escalating, neutralizing, or de-escalating factors in the respective disputes, depending on circumstances and trends. Based on these three categories, the book further explores how the different attributes interplay with one another.

It is salient to note that the three components of geopolitics are considered at different levels of analysis and in connection with one another. The variables are first examined at a domestic and regional level before being applied specifically to the conflict level. The former refers to the conditions that impact the strategic environment in Northeast and Southeast Asia, while the latter reflects on the circumstances directly related to the respective disputes. This research approach is translated into the structure of the book, which consists of three sections. The first reviews the concept of geopolitics and introduces the conceptual framework applied in the volume before discussing the strategic circumstances of the claimant...
states. The second examines in detail the geopolitics of the disputes under consideration. The final section considers the prospects for the management and resolution of the maritime territorial disputes in the East and South China seas.

Territory, natural resources, and power competition are all driving forces in the Senkaku/Diao yu dispute. The coexistence of the three components of geopolitics has the potential of leading to a dangerous escalation of the situation. The disputed territory is at an impasse as none of the parties is willing to make concessions on its sovereignty claims. The dispute over sovereignty has also caused repeated diplomatic rows between China, Japan, and Taiwan and it has evoked strong nationalist sentiments domestically in the claimant states. The respective governments have, however, largely sought to monitor patriotic nationalism in order to maintain stable diplomatic ties and economic relations. The Senkaku/Diao yu dispute has also been influenced by access to gas and oil deposits as well as fisheries. That said, the oil and gas reserves of the East China Sea have remained uncertain. Finally, Japan is in physical control of the disputed islands and has superior defense capabilities and equipment relative to the other disputants. Yet, this situation of power asymmetry is gradually shifting toward growing naval competition, as China continues to make advances in strengthening its own naval capabilities.

Circumstances pertaining to the Senkaku/Diao yu dispute have generally echoed domestic popular nationalist sentiments and energy pressures in China, Japan, and Taiwan as well as the ongoing importance of such considerations in bilateral and trilateral relations. However, the recent improvement of Sino-Japanese relations has softened the geopolitical conditions influencing the Senkaku/Diao yu issue and made possible joint exploration and development in the East China Sea. Bilateral ties have warmed significantly since late 2006, leading to the successful visit of Chinese President Hu Jintao to Japan in May 2008. This contributed to the signing of a bilateral agreement in June 2008 on the joint development of gas deposits in a specific area of the East China Sea.

In the South China Sea disputes, we see similar geopolitical considerations driving the conflict. The Paracel and Spratly Islands are at the center of competing territorial, economic, and strategic interests, making the disputes reminiscent of those seen in the East China Sea. The three components of geopolitics have in recent years acted in a divergent manner, however. The question of sovereignty remains an escalating attribute central to the disputes. The claimant states have not yet succeeded in shelving the sovereignty issue in an attempt to improve Sino-Southeast Asian diplomatic and economic relations. Instead, none of the claimants are willing to make concessions on sovereignty, leaving the disputes at an impasse. Moreover, the territorial claims still have nationalist importance in the states concerned, especially in China, the Philippines, and Vietnam. Still, the disputants have at least attempted in recent years to defuse tensions in the South China Sea, with China shifting its behavior vis-à-vis the Southeast Asian countries.

In contrast to the sovereignty question, some initial de-escalating trends have been observed with regards to natural resources. Potential oil and gas reserves in the South China Sea have remained uncertain. In March 2005 some claimant states
also signed a joint pre-exploration survey agreement for oil and gas in areas of overlapping sovereignty claims. The agreement expired, however, in June 2008 and may not be renewed. The energy attribute may thus be viewed as a potential de-escalating factor, although this might already have been undermined by rising nationalist sentiments.

In terms of the distribution of power, one observes a growing asymmetry of naval power to the advantage of China. Beijing is in control of the Paracel Islands but remains essentially an irredentist power in the Spratlys. The claimant states have still found an acceptable, although temporary, status quo on the power question. This derives from the fact that China does not have the necessary power projection to impose naval hegemony in the South China Sea, while the Southeast Asian claimants cannot rely on sufficient naval power or an external military alliance to impose their claims. The power question seems thus to be temporarily neutralized due to limited available military capabilities. Nevertheless, the other disputants still fear that China might one day use its growing naval power to dominate the South China Sea and resolve the sovereignty question militarily. Circumstances pertaining to the disputes have echoed wider changes in nationalist sentiments and threat perceptions at the domestic, bilateral, and multilateral levels.

The book further studies the interplay of the three geopolitical considerations in the maritime territorial disputes and explores the possibility for conflict management and resolution. It is claimed that the geopolitical conditions involved complicate the management and diplomatic resolution of the disputes. In other words, they are harder to address precisely because of their geopolitical significance in terms of territory, potential energy resources, and risk of power expansion. Keeping this point in consideration, the question of how the maritime territorial disputes in the East and South China seas might be managed and even resolved peacefully, in spite of their geopolitical reality, is addressed. The prospects for managing and resolving each case individually are analyzed by identifying catalysts that might contribute to mitigating the geopolitical disputes.

The volume is part of the field of Security Studies. Its methodological approach aims to combine a conceptual and factual understanding of the maritime territorial disputes in East Asia. The methodology is based on a historical narrative concentrating on a description and interpretation of events up to the end of 2008. The book contributes to the existing body of scholarship on maritime disputes in the East and South China seas in two primary ways. First, the large majority of works focusing on this subject area tend to be empirical, historical, and/or legalistic in their approach. They often fail, however, to take an explicit conceptual stance and to contribute to the wider International Relations debate. Second, most works published in this field concentrate on a specific maritime territorial dispute rather than adopt a wider and comparative perspective. A few books have, for instance, been published specifically on either the South China Sea or the East China Sea but very little has been done to compare and contrast these two maritime territorial disputes. This research project makes an original contribution by offering a lens to explain and compare the maritime territorial disputes through the conceptual framework of geopolitics. In contrast to mainly empirical sources, it provides a
persistent analysis of how the interplay of geopolitical attributes influences the circumstances of the respective disputes. The book also responds to the second point by adopting a comprehensive approach. It contends that the major maritime territorial disputes in East Asia are affected by similar factors and that they can therefore be studied comparatively.

Structure of the volume

Chapter 1 introduces the notion of geopolitics in International Relations and describes the conceptual framework applied in the volume. The framework relies on three interconnected parts: the interpretation of territory, natural resources, and the power distribution as central geopolitical considerations; these considerations’ individual operation within the maritime territorial disputes; and how they interplay with one another depending on circumstances. Consequently, the chapter first defines each of the three geopolitical variables and explains how they serve as important tools of analysis when attempting to understand the influence of geopolitics on international politics. It then proceeds to examine how the geopolitical factors can be analyzed by formulating a series of questions and making a set of suppositions. It is claimed that the attributes can act as escalating, neutralizing, or de-escalating factors in the respective maritime territorial disputes, depending on wider trends. Based on these categories, the conceptual framework then explains how the different attributes may interplay with one another. A typology is introduced to examine the interaction of the geopolitical considerations.

Chapter 2 discusses the territorial considerations, energy concerns, and power capabilities of the various claimant states before examining how these domestic factors are influencing relations with other claimant nations. The disputants are geographically divided across the Northeast and Southeast Asian sub-regions. One can observe the importance of nationalism and popular movements in China, Japan, and Taiwan. At the bilateral level, nationalism has been a key factor in the international politics of Northeast Asia. On natural resources, there is high concern over the supply and access to energy in China, Japan, and Taiwan. On the question of power relations, the threat perception has been evolving in China and Japan since the end of the Cold War. The PRC has been perceived as a potentially threatening rising power, while Japan has been viewed increasingly as adopting a more assertive foreign policy. Taiwan has historically been concerned about a possible attack or invasion by the PRC.

Similar as well as contrasting trends are noticeable when examining the geopolitics of Southeast Asia. At the bilateral and multilateral levels, nationalism seems less of an issue in Sino-Southeast Asian relations in comparison to Northeast Asian affairs. Yet, it is noted that nationalist sentiments have remained an important factor in Sino-Vietnamese and more recently in Sino-Filipino relations. Access to affordable energy has also become a rising concern for Malaysia, the Philippines, and Vietnam. Yet, in contrast to the Northeast Asian nations, the Southeast Asian claimants continue to be important oil producers. Finally, one has seen, since the late 1990s, a reduction in the threat perception in Brunei, Malaysia, the Philippines,
and, to a lesser extent, Vietnam as a result of the diffusion of the China threat image in Southeast Asia.

Chapter 3 studies the Senkaku/Diao yu dispute and the operation of the individual geopolitical attributes. Sovereignty and nationalism are found to be at the core of the maritime dispute. The latter is affected by historical animosity and grievances between Japan, China, and Taiwan. Access to natural resources has also been a driving factor in the territorial dispute. On that note, China and Japan have at least succeeded in reaching an agreement on joint gas development in a disputed area of the East China Sea. Finally, the dispute over boundaries is influenced by the Chinese naval buildup and aspirations in the East China Sea, as well as the naval presence of Japan and the United States in the region.

Chapter 4 concentrates on the Paracel and Spratly disputes in the South China Sea. These disputes are clearly driven by sovereignty and nationalist concerns. Despite an overall improvement in the climate of relations, the claimants have yet to shelve the sovereignty issue or to make any concessions on their territorial claims. In terms of natural resources, the maritime areas around the Paracels and Spratlys are rich in fish and they are expected to have oil and gas reserves. In March 2005, China, the Philippines, and Vietnam signed a Joint Marine Seismic Undertaking (JMSU), leading to an initial de-escalation of the situation on the ground. Regarding the power distribution, China has a military advantage relative to the other claimants. While the PRC has in recent years acted as a status quo power, there is still some concern in Southeast Asia that it might one day use its growing naval power to impose its claims in the South China Sea.

Based on a comparative analysis of the two case studies, Chapter 5 investigates the interplay of the three geopolitical considerations in the post-Cold War era and examines how this interaction might lead to a rapid and dangerous escalation of a maritime territorial dispute. It considers at what stage or given conditions the interplay of the geopolitical factors becomes an escalation problem and why. Conversely, the chapter also analyzes how the interaction of the geopolitical considerations may defuse tensions. It argues that the interplay process in the East and South China seas has been defined by two phases, echoing wider transformations in Sino-Japanese and Sino-Southeast Asian relations, respectively.

Chapter 6 examines the management and possible resolution of the maritime territorial disputes in East Asia, despite their geopolitical significance. A diplomatic resolution of the respective disputes has yet to be conceived in light of their geopolitical importance in terms of territory, potential energy resources, and risk of power expansion. Based on such circumstances, this chapter concentrates on the relationship between the geopolitical conditions and the possibilities for conflict management and resolution. It argues that the first step toward dispute management is to adopt a formula of shelving the sovereignty question until such time that the joint exploration and development of resources and a softening of national dispositions can mitigate or even overcome the geopolitical sources of the conflict. The discussion identifies specific catalysts and constraints for such a momentum to be eventually transformed into dispute resolution. In contrast, the impasse of the overlapping sovereignty claims and the use and abuse of international
law by the claimant states are discussed as significant constraints to creating such momentum.

Finally, the conclusion of the book starts by reviewing and tying together its primary conceptual and empirical findings. It then focuses on assessing comparatively the two case studies through the conceptual framework developed in the volume. The maritime territorial disputes in the East and South China seas are compared and contrasted in terms of the operation of the geopolitical attributes, the geopolitical interaction across different periods, and finally the chances for conflict management and resolution. Adopting a comprehensive approach, the conclusion asserts that the Senkaku/Diao yu, Paracel, and Spratly disputes are influenced by similar considerations and should therefore be examined comparatively.
1 The influence of geopolitics on maritime territorial disputes

Introduction

This book tests the hypothesis that the operation and interplay of territorial, energy, and power considerations influence the maritime territorial disputes in East Asia. It is suspected that the dynamics of such disputes are informed by these three factors. The study of maritime territorial disputes is thus not associated with one consideration alone. Instead of privileging one over another, all three geopolitical attributes and their specific features are given importance in the conceptual framework, although it is noted that their respective salience may vary across the disputes. It is contended that rather than adopting a single explanation, maritime territorial disputes can best be understood by linking these interconnected variables. Hence, the central argument developed in the book is that it is the operation and interplay of the territorial, energy, and power dimensions that can cause the rapid and dangerous escalation of a specific territorial dispute. Conversely, the reduced virulence of the geopolitical attributes may result in the de-escalation and diffusion of tensions.

The aim of this chapter is to introduce the conceptual framework applied in the wider volume. The framework relies on the field of geopolitics to study and compare maritime territorial disputes in the East and South China seas. Geopolitics has traditionally been used as a lens through which relations and conflicts between states can be explained. Connecting the fields of geography and political science, the discipline emphasizes the importance of space, territory, resources, culture, and other attributes as necessary to the understanding of states’ behavior. Exact definitions of the field vary, however. In the view of Latis Kristof, geopolitics may be seen as “the study of political phenomena 1) in their spatial relationship and 2) in their relationship, with dependence upon, and influence on, earth as well as on those cultural factors which constitute the subject matter of human geography.” Similarly, for Karl Haushofer, the discipline “demonstrates the dependence of all political developments on the permanent reality of the soil.”

While no consensus exists in the literature regarding a precise definition of the term, this chapter adopts an interpretation of geopolitics primarily associated with traditional realism. It should be noted, however, that importance is also given to some ideational factors and the possibility for long-term functional cooperation in spite of the fact that both of these aspects are generally disregarded by the realist school of thought. The realist tradition and its approach to geopolitics frame the
state as the principal actor in international politics. Modern realism starts with the Peace of Westphalia in 1648, which it sees as creating an international states system. Realists depict the latter as based on anarchy, where states, the only relevant actors in international relations, focus on their survival and security. The emphasis is put on the distribution of power. War plays a natural role within the system as the instrument of the balance. Realism posits that in the absence of an overarching international authority, states are likely to act according to their own self-interests when engaging with others. States seek to amass greater power through available economic and military means. The amount of power a state possesses, seen as inclusive of land and natural resources, influences its relations with other states.

The conceptual framework used in this volume to test the central argument outlined above consists of three interconnected parts: the interpretation of territory, natural resources, and the power distribution as central geopolitical attributes; these attributes’ individual operation within the maritime territorial disputes; and, finally, how they interplay with one another, depending on circumstances. This chapter is structured accordingly. It first reviews territory, natural resources, and the power distribution as key attributes of geopolitics. It is argued that each of these variables serves as an important tool of analysis when attempting to understand the influence of geopolitics on international relations. The chapter then analyzes these attributes’ operation by formulating a series of questions and making a set of suppositions. Finally, the third part of the chapter completes the conceptual framework by rejecting a dichotomy of interpretations. Instead, it links the interconnected variables and asserts that it is precisely the interplay of the territorial, energy, and power considerations that influences the maritime territorial disputes in East Asia. A typology is introduced to examine the interaction of the geopolitical attributes.

**Conceptual framework**

**Key attributes of geopolitics**

The conceptual framework ties the field of geopolitics to power relations and energy needs as well as to notions of territory associated with identity, nationalism, and views of history. The interpretation of territory, natural resources, and the distribution of power is based on a material *and* an ideational reading of their role in international security relations. In other words, rising military power, economic interests, nationalism, and the historical legacy of the Second World War are all regarded as essential features that cannot be excluded from the analysis. One should question why these specific geopolitical considerations are believed to be so central to an understanding of maritime territorial disputes. In response, it is asserted that each variable serves as an important tool of analysis when attempting to understand the influence of geopolitics on territorial disputes. Moreover, territory, natural resources, and the power distribution are all linked and not easily separable from one another. Territory is often considered valuable on the basis of the natural resources that are found there, while power may be viewed as derivative of the controlled territory. In that sense, natural resources and territory may be regarded
as capable of increasing or decreasing the power position of a state in the international system. The intention, however, is not to determine which factor is most critical. It is precisely because they are intertwined that it is impossible to measure their relative importance.

Let us now introduce and interpret the three geopolitical attributes separately before examining how they might operate and interplay with one another in the context of a maritime territorial dispute.

Territory

Territory is associated with statehood, national boundaries, territorial claims, and nationalism. David Newman explains that “territorial fixation remains one of the major legacies of the Westphalian state system.” Territory provides economic and strategic advantages to a state by increasing its political leverage in the international system. Gaining control of territory is therefore seen as equivalent to the expansion of state power. Paasi explains that “boundaries are expressions of power relations.” Congruent with a realist perspective, territory is thus viewed as a marker of a state’s position in the world. Territory may as a result raise issues of contention among nation-states. Opposing states or claimant groups within states can try to secure control of land. As John Vasquez writes, “Of all the issues over which wars could logically be fought, territorial issues seem to be the ones most often associated with wars. Few interstate wars are fought without any territorial issue being involved in one way or another.” War is more likely to arise from competing claims to territory than from other forms of dispute, such as differences over policy, for example.

Borders and physical demarcations remain of vital importance in conceptions of what it means to have a state. Klaus Dodds notes that “boundaries are central to the discourse of sovereignty as they provide, among other things, the means for a physical and cultural separation of one sovereign state from another.” Boundaries are thus inseparable from political arguments that seek to gain or protect sovereignty. The legitimacy of an elected government or of an authoritarian regime is linked to its ability to safeguard the national sovereignty of the state, including small pieces of territory. Murphy explains that states “may have widely different political systems . . . but their legitimacy as states is tied to the normative territorial ideas . . . that states should be discrete territories.” In short, the authority of a government is linked to its ability to protect and defend its own territory.

Beyond its physical nature, territory also takes on significance for the nationalist meaning ascribed to it. Territoriality, as Colin Flint defines it, is “the social construction of spaces by political processes that act as platforms for the expression of power.” Accordingly, for territorial disputes, nationalism becomes critically important as an explanatory factor. Nationalism can be defined and studied in terms of an ideology and doctrine, ethnicity, statehood and/or with reference to popular movements. It personalizes the nation and increases its resonance to the individual. Dijkink argues that nations “have usually adopted ‘theories’ or ‘geopolitical visions’ that explain why a certain territory is a ‘natural’ complement. For the complete
nation-state, loss of territory is inevitably something comparable to bodily mutilation.” Reconciling the members of a nation with the borders of the state is consequently dependent on the attainment and control of territory. Territory remains important therefore not for its material wealth alone, but also for the various social values that may be at stake.

By encompassing both cultural and political beliefs, claims of territorial ownership frequently accompany nationalist ideology as groups seek to claim or defend their “homeland.” Alternatively, established states may themselves invoke state-sponsored nationalist sentiments in order to arouse public support for territorial claims, or defend themselves from perceived threats to their governmental legitimacy. State elites may thus take advantage of nationalist sentiments to legitimize their authority. “Pragmatic nationalism” is said to involve protests and demonstrations tolerated, condoned, or organized by national governments. In this context, nationalist sentiments and movements can be used as a diversion, as a legitimizing tool, or even as a replacement for a dying ideology.

Natural resources

Natural resources and energy needs have traditionally influenced the foreign policy objectives of states. The question of natural resources has shifted from the low politics of domestic production and consumption to the high politics of national security. A secure energy supply is seen as crucial to meeting a population’s energy demands, guaranteeing a standard of living for certain countries, and aiding in the development of others. Natural resources, as an economic and strategic issue, have also been a contributing factor in alliance-building, expansionist policies, and the origins of conflict. When considering the finite nature of such resources, the implications for conflict are obvious. Competition over a “variety of resources and historically legitimated claims to national homelands has inspired war throughout history.” An abundance of resources can contribute to the economic vitality and political leverage of a state over others. Conversely, a scarcity of resources may leave states in a vulnerable position and dependent on securing their energy supplies from others. The increased demand, coupled with a decreased availability of resources, has the potential to aggravate existing tensions and instigate violent conflict. As a result, many realists “fear that future international environmental relations will be dominated by disruption and violence as states serve to preserve their environments or their resource access.”

In addition, natural resources are seen to increase states’ intervention in the affairs of others. The two Gulf wars are largely perceived to be related to the priority given to access to oil reserves. Petroleum resources in the Middle East and other specific regions of the world are regarded as representing a central motivating factor when it comes to economic and national security. In contrast, reticence from the international community to intervene in areas of conflict such as Bosnia in the 1990s is read as resulting from the lack of valuable resources. Nevertheless, natural resources in themselves cannot explain all conflicts. Territorial disputes and ethnic conflict also occur over land that would appear to be limited in its supply of natural
resources. In other words, the most valued territories are not always among the most contested. Newman argues that “where boundaries cross both the identity and the resource divide at one and the same time, the potential for boundary conflict is greatest.” This seems to be particularly true when examining the maritime territorial disputes in the East and South China seas. In short, while natural resources are important in understanding the origins of many conflicts, they must be examined concurrently with notions of nationalism and territoriality when studying why conflicts occur.

It is significant to note for the purposes of this book that the quest for and acquisition of energy resources is influenced by international law. In particular, the search for natural resources in offshore territories and disputed maritime areas has been deeply affected and influenced by the United Nations Convention on the Law of the Sea (UNCLOS). The latter was adopted on April 30, 1982 and came into force on November 16, 1994. It was ratified, among others, by the Philippines, Vietnam, Singapore, and eventually Brunei, China, Japan, Malaysia, and South Korea in 1996. The United States has yet to ratify the 1982 Convention. Since its replacement by the People’s Republic of China as the representative of China at the United Nations in 1971, Taiwan, or the Republic of China (ROC), has not been a member of the world body and has thus not been in a position to become a signatory to UNCLOS. Taipei has, however, stated its compliance to the Convention.

The Convention aims to establish a maritime regime by calling for closer cooperation on maritime issues, offering procedures for the resolution of territorial disputes, and introducing new concepts, rights, and responsibilities. Yet, the 1982 Convention is based on assumptions of agreement on sovereignty and does not provide for resolution of disputes, except through a diplomatic compromise. International or regional arbitration is therefore not compulsory under the terms of the Law of the Sea. It is important to note, however, that Part IX of UNCLOS places a strong obligation on all littoral states to cooperate on enclosed and semi-enclosed seas. The East and South China seas are semi-enclosed seas and all the claimant countries, with the exception of Taiwan, are parties to UNCLOS.

The Convention imposes conditions to regulate internal waters, archipelagic waters, territorial seas, contiguous zones, exclusive economic zones (EEZs), continental shelves, and high seas. Maritime zones are determined by base points on land. The Convention provides coastal states with the authority to extend their sovereign jurisdiction under a specific set of rules. It authorizes expansion of the territorial sea to twelve nautical miles and limits the contiguous zone to twenty-four nautical miles. The EEZ “shall not extend beyond the 200 nautical miles from the baselines from which the breadth of the territorial sea is measured.” The sovereign rights of a coastal state over the EEZ are limited to the exploration and exploitation of its living and non-living resources. It is estimated that the 200-mile EEZs established by all the coastal states contain over 90 percent of all commercially exploitable fish stocks and over 80 percent of the world’s known submarine oil reserves. Continental shelves may not be extended beyond a limit of 350 nautical miles from territorial baselines. The sovereign rights of a coastal
state over the continental shelf are reduced to the exploration and exploitation of its sedentary living resources (clams, pearls, corals, and others) as well as its non-living resources (natural gas, oil, and others). The Convention defines the rights and privileges of archipelagic states and recognizes that archipelagic waters fall within their sovereign jurisdiction. It also ensures the freedom of navigation, the right of innocent passage, and the passage through straits. As will be discussed in later chapters, many of the parties involved in maritime territorial disputes in the East and South China seas have misused the Convention to extend their sovereign jurisdiction unilaterally in order to guarantee their access to natural resources.

Distribution of power

Power is a complex concept that is rarely defined in realists’ writings. However, it is often implicitly analyzed by them through a strategic dimension that relies primarily on a coercive understanding of the concept. In order to offer a unified concept, this discussion briefly describes this third geopolitical variable by referring to both a classical realist interpretation of the power phenomenon and more recent interpretations of its current role in international security relations. Yet, it should be noted that this volume primarily adopts a realist view of the concept, understood through its military aspect. This discussion also concludes with a review of another concept central to realism: the balance of power.

Power is the most essential concept in the realist tradition. In the words of Hans Morgenthau, “International politics, like all politics, is a struggle for power. Whatever the ultimate aims of international politics, power is always the immediate aim.” Domestic and international politics therefore manifest universally a struggle for power. Each political decision tries to maintain power, thus being a policy of the status quo; to increase power at the expense of the status quo, which is a policy of imperialism; or to demonstrate power, also known as a policy of prestige. According to Morgenthau, a state wishing to preserve a margin of safety, should “aim not at a balance, that is, equality of power, but at superiority of power in their own behalf.” John Mearsheimer, the leading proponent of offensive realism, articulates that great powers “almost always have revisionist intentions, and they will use force to alter that balance of power if they think it can be done at a reasonable price.” As global hegemony is largely unsustainable, the “ideal situation for any great power is to be the only regional hegemon in the world” and prevent the rise of any peer competitors. The rise of China is, for example, described as a threat through this offensive realist paradigm. The notion of a constant struggle for power has been critiqued by some realists, however. The quintessential neo-realist, Kenneth Waltz, explains that “neo-realism sees power as a possibly useful means, with states running risks if they have either too little or too much of it.” States are not searching to maximize power but security. In addition, Waltz insists that structural constraints rather than a pure struggle for power characterize international politics.

Despite general consensus regarding the importance of the concept, how power is defined is typically vague. The word is frequently employed, but seldom given
an explicit meaning. Morgenthau simply defines political power as a person’s capacity to control some of another person’s actions through influencing that person’s mind. Other definitions that do exist delineate into “hard” and “soft” varieties. Advocates for the notion of “soft power,” including Joseph Nye, argue that states may additionally demonstrate their power through cultural, ideological, and linguistic methods. Hence, power is often described as the sum of different components that include demographic weight, geographical position as well as military, economic, political, ideological, and cultural attributes. Adding to the ambiguity is the fact that power is an intangible and multidimensional variable that cannot be measured in definite terms or through any scientific method. Finally, the concept is generally examined in a relational context rather than in absolute terms. A state’s capabilities are measured in relation to the attributes of one or more other countries.

Confusion often comes from whether power is discussed purely in terms of resources and capabilities or with reference to behavior and influence. If framed in terms of capability alone, power is seen to be conditioned by the available reserves of a state as well as by the strategic advantages that its location affords. States are often defined either as continental or maritime powers, depending on their geographical location, interests, and power projection capabilities. The mere military possessions or position of a state may create the perception of greater power. For instance, the symbolic buildup of a state’s military presence or its acquisition of nuclear technology may serve as a source of bargaining power when perceived to be a threat to others. Significantly, constructivists have gone beyond the traditional realist conceptualization of power defined primarily in terms of capabilities. Samuel Kim, for example, writes, “in a rapidly changing international environment the very notion of ‘great power’ is subject to continuing redefinition and reassessment.” In constructivism, understandings of power are thus no longer reduced to material capabilities alone. For instance, it is assumed that great power status brings the normative requirements and expectations of responsibility, legitimacy, and authority. Moreover, membership in the great power circle can only derive from a social recognition and acceptance conferred by the other members. Hence, power results from a self-perception as well as a social recognition by others.

Closely associated with power is the concept of balance of power. Historically linked with the notions of Realpolitik and raison d’état, the balance of power received a central position in the writings of Machiavelli, Hobbes, and other classical realists. In modern International Relations theory, the term has remained at the core of the realist paradigm. No consensus exists, however, regarding a precise definition of the term or on the actual functioning of the power balancing process in the international system. The term is often used loosely, which leads to vagueness and confusion. Martin Wight has argued, for example, that it could have nine different meanings. Among others, Inis Claude has largely contributed to a better comprehension of the concept by giving it four definitions: a situation, referring to the distribution of power; a policy, associated with policies taking the power situation into account and seeking to revise its pattern; a symbol, seen as a sign of realistic concern with the power issue; and as a system. In the last of these
definitions, the phrase refers to “a certain kind of arrangement for the operation of international relations in a world of many states.”

Yet, despite its imprecision, most realists agree on some central principles. In its most conventional form, also adopted in this volume, the balance of power theory assumes that as soon as a state’s position within the anarchic state system becomes a threat to the survival of others, a countervailing initiative, based on one or more actors, is created to restrain the rising state and ensure the preservation of the states system. In other words, states need to counterbalance any potential hegemon to ensure their survival and to prevent their being dictated to. Based on standard realist assumptions, the balance of power theory approaches security in unilateral, competitive, and zero-sum terms. Security is only possible in the system when states attempt to achieve a balanced distribution of power among themselves between periods of tension and conflict.

The distinguishing feature of the policy of balance is a disposition to mobilize and employ military force, often in coalition, in order to affect the distribution of power. States have traditionally followed two fundamental strategies, which may be identified as a balancing perspective. First, a state can follow a strategy of unilateral balancing, which includes actions to strengthen its own capabilities. Second, a state may consider unilateral balancing as insufficient to fulfill its sense of relative security. Consequently, it can follow a policy of balancing through external association which involves strengthening its own relative position through diplomatic or military alignments or even an alliance. The balance of power as a military policy has most often been expressed through an alliance, taking either a formal or a tacit form.

The balance of power remains a great tool of analysis in the study of geopolitics. Yet, the theory contains shortcomings that complicate its application. It has been the target of several criticisms that include its unsophisticated analysis of the concept of power, its narrow understanding of the term “security,” and its failure to include domestic issues. Security has primarily been limited to conventional inter-state military relations while economic, social, and technological matters have been mostly ignored. Moreover, it is important to question how war is analyzed within the balance of power theory. Many factors, including the costs of modern warfare and the importance of domestic lobbies and matters in the formulation of foreign policies, explain why most states are no longer ready or able to use war as a simple and immediate instrument of the balance.

Operation of individual geopolitical attributes

Beyond the selection and interpretation of key geopolitical attributes, it is crucial to analyze their operation within the maritime territorial disputes under study. In order to do so, one can formulate a series of questions and make a set of suppositions. Chapters 3 and 4 examine the individual operation of the geopolitical attributes in the East China Sea and the South China Sea, respectively, and seek to draw out these questions and suppositions empirically. Let us first turn to the questions related to the individual operation of the geopolitical considerations.
Regarding the territorial attribute, how central is the sovereignty question in the maritime dispute? Is the question at an impasse? Have the overlapping sovereignty claims led to recurrent diplomatic rows and/or clashes on the ground between the parties? Has military force been used in an attempt to resolve the matter? Conversely, have the parties been willing to shelve the sovereignty issue temporarily in an attempt to improve relations? Have the disputants been willing to make concessions with regard to their sovereignty claims? Have the parties been involved in direct negotiations regarding the eventual resolution of the overlapping claims? Does the disputed territory evoke strong nationalist sentiments in the respective claimant states? If yes, are such sentiments held in check or instead utilized by respective governments as part of a pragmatic nationalist strategy? Finally, has the disputed territory been characterized by a lessening of nationalist sentiments due to a changing set of bilateral and/or regional circumstances?

On energy, is the disputed area considered to be important for its oil and gas reserves? Have commercially viable oil and gas reserves been found in the disputed area or do the potential resources remain uncertain? Have joint exploration and development schemes been agreed upon by all, or some, of the disputants? Finally, how does the dispute relate to wider energy competition among the claimants? It is assumed that the confirmed absence of natural resources in a disputed area would cancel out energy as a geopolitical consideration.

With regards to the power distribution, are relations between the disputants defined by power parity or asymmetry? If the latter is true, is the dominant military power in physical control of the disputed islands? Is there growing power competition between the claimants? Finally, do the disputants have access to an external source of countervailing power? In other words, is the distribution of power supported by external actors?

A series of suppositions can be made based on the above mentioned questions. It is asserted that the three geopolitical attributes can operate individually as, and be divided into, escalating, neutralizing, or de-escalating factors in the respective disputes, depending on circumstances and trends. Escalating and de-escalating factors refer to conditions that respectively worsen or improve the climate of relations over the respective disputes while neutralizing factors suggest the maintenance of the status quo. It is important to note also that the following suppositions are made on the assumption that the specific disputes over sovereignty are not in the process of being resolved.

Under the escalating factors, one should include the use of military force, the recurrence of diplomatic rows and incidents on the ground as well as disputed territories that evoke strong nationalist sentiments, especially if they are further incorporated by governments into a wider pragmatic nationalist strategy. Other escalating factors could be proven oil and gas reserves for commercial usage, growing power competition, and a situation of power asymmetry advantaging the irredentist power. Neutralizing factors include a willingness by parties temporarily to shelve the sovereignty issue as well as disputed territories that do provoke nationalist feelings domestically but which are carefully kept in check by disputant governments. Others are uncertain oil and gas reserves, the presence of an external
source of countervailing power, power parity between the claimants, and power asymmetry benefiting the state in physical control of the disputed islands. De-escalating factors are expected to include concessions on sovereignty claims, the holding of negotiations, a lessening of nationalist rhetoric deriving, for example, from an improvement of relations between the claimant states as well as the reaching of an agreement on joint exploration and development schemes. As indicated above, the proven absence of commercially viable natural reserves would eliminate energy as a geopolitical consideration.

**Geopolitical interplay**

Let us now discuss the interplay of the geopolitical attributes. This interaction naturally depends on the presence of at least two geopolitical factors influencing a maritime territorial dispute. Moreover, it is assumed that the territorial, energy, and power considerations do not simply coexist in a specific dispute but rather impact on the operation of one another. Hence, beyond the likely coexistence of the geopolitical considerations, this book seeks to analyze the interactions and the type of relations that emerge between them. Of essence is to examine under what conditions and with what impact the geopolitical attributes may interact with one another. In a specific conflict, for example, to what extent are energy considerations influencing the geopolitics of competing sovereignty or how closely is the use of pragmatic nationalism intermingled with power calculations? The geopolitical attributes are thus regarded as closely associated with the operation of one another. This suggests also that each factor needs to be investigated in the context of the other variables. Chapter 5 specifically discusses the interplay of the territorial, energy, and power considerations in the East and South China seas.

It is important to question how one should study the triangular relationship that may exist between the geopolitical considerations. This is a challenge as territory, natural resources, and the power distribution are assumed to be intertwined and thus not easily separable from one another. The conceptual framework addresses this question by examining a series of bilateral interactions said to influence the maritime territorial disputes under study. As a result, in each case study, attention is given respectively to the interplay of territory and the distribution of power, of territory and of natural resources, and natural resources and the distribution of power. In terms of impact on the maritime territorial disputes, the interplay may result in escalating, neutralizing, or de-escalating consequences, depending on the operation of the respective variables. For instance, the type of interaction existing between the power and territorial attributes within the Senkaku/Diao yu dispute will first depend on whether these factors are operating individually as escalating, neutralizing, or de-escalating forces.

A three-dimensional typology is used when seeking to analyze the interplay of the territorial, energy, and power considerations. First, the geopolitical attributes could be in a convergent relationship, where territory, natural resources, and power are all operating along similar trends, mutually re-enforcing each other, and generally becoming inseparable from one another. Second, the attributes could be
in an instrumentalist relationship, where one attribute is perceived to be indispensable by the claimant states to obtain progress with regards to the two other geopolitical considerations. The acquisition of hegemonic naval capabilities, and thus the establishment of asymmetric power to the advantage of one claimant, could, for example, be viewed by that given state as necessary to promote its own territorial claims and/or energy interests. Third, the attributes may be in a divergent relationship, where the operating trends of the geopolitical considerations are in opposition. The energy calculations, through the possibility of joint resource exploration and development, might, for example, act as a neutralizing or de-escalating force in a specific dispute while ongoing tensions between the claimants related to the sovereignty question could at times be escalating the situation on the ground.

While the empirical assessments of the geopolitical interplay will not necessarily fall perfectly and exclusively into one specific category, this typology still provides a conceptual framework to examine the interactive relationships existing between territory, natural resources, and power as well as to investigate how and the extent to which they influence the maritime disputes under study.

This chapter concludes by making suppositions regarding each dimension of the typology and how they may impact on the disputes. These suppositions are played out in Chapter 5, which empirically analyzes the geopolitical interactions in the East and South China seas. A convergent relationship can act as a driving source of either escalation or de-escalation, depending on whether the attributes operate jointly as escalating or de-escalating factors. The geopolitics of sovereignty combined with and fueled by rising power and energy competition has the potential to create the type of “perfect storm” conditions most likely to lead to an escalation problem. This would clearly constitute the worst possible outcome of the interplay process. Conversely, the best outcome would derive from the three geopolitical attributes operating jointly as neutralizing and de-escalating forces. This would constitute a convergent relationship creating the right set of conditions to manage tensions peacefully and perhaps even resolve the dispute.

Significant in convergent relationships are said to be the forces of nationalism and power competition mutually re-enforcing each other and, depending on their trends, either exacerbating or de-escalating existing energy concerns. It is believed that the convergent sovereignty/power nexus may greatly influence whether the access to natural resources in a disputed maritime zone is translated into conflict or into further areas of political cooperation. In other words, it is assumed that in the context of a convergent relationship, natural resources in themselves cannot be used to explain conflict or cooperation independently from the other geopolitical considerations, as this arguably depends on notions of sovereignty, nationalism, and power.

An instrumentalist relationship has the potential of acting as a driving source of escalation. Special attention is given here to military power and sovereign rights as instruments to enhance other geopolitical considerations. The acquisition of additional military power could be targeted, for example, specifically to back up with force existing territorial claims and/or access to natural resources.
Overwhelming military power could eventually also be utilized by one of the parties to resolve the sovereignty question militarily rather than by peaceful diplomatic means. Conversely, it is claimed that the occupation of tiny reefs and islands, which may not even offer a legitimate basis for claiming maritime jurisdiction, should not be regarded as an effective instrument to enhance national power and control over sea lines of communication. Facing a rising asymmetry of power, the weaker parties might respond by relying on traditional balance of power strategies. They could either strengthen their own military capabilities and/or seek an external source of countervailing power through diplomatic or military alignments. Overall, the perception of military power as a valid and useful instrument to obtain progress vis-à-vis the sovereignty question and/or the access to natural resources should be expected to lead to a further militarization of a dispute, therefore increasing its volatility and the risk of open conflict.

Besides military power, control over disputed reefs leading to the extension of sovereign rights over maritime areas can also be perceived by claimants as instrumental in the quest for and acquisition of energy resources. Parties can view the construction of permanent foundations on disputed features as a way to manifest their jurisdiction and thus extend their sovereign rights. Moreover, as mentioned above, states involved in maritime territorial disputes have often misused UNCLOS to extend their sovereign jurisdiction unilaterally to guarantee their access to natural resources. Extending sovereign rights has thus routinely been seen as an effective instrument to promote individual energy interests. The adoption of such a strategy is doomed, however, further to complicate the peaceful management and possible resolution of a specific dispute.

Finally, a divergent relationship between the geopolitical considerations may be expected to act as a neutralizing force in a specific dispute. It is clearly impossible to quantify precisely the influence of the various attributes on the calculations of the claimant parties. Still, a divergent relationship could still lead to a situation where the reverse impact of the various factors cancel out each other, therefore promoting the status quo. Key here is expected to be the operation of the energy consideration and the possibility for the joint exploration and development of resources. It is assumed that such collaborative energy schemes might act as a de-escalating force capable, to some extent, of neutralizing ongoing tensions over overlapping sovereignty claims or perhaps even reducing power competition among the claimant states. By enabling the parties to benefit economically from joint oil and gas development schemes, the de-escalation of the energy consideration may thus be expected at least to soften the escalating impact of the geopolitics of sovereignty, for example. Over time, a divergent relationship might even evolve into a de-escalating framework. Indeed, the parties may in the longer term adopt a formula of shelving the sovereignty question until such time that the joint development of resources can mitigate the geopolitical sources of the conflict.

Nevertheless, the neutralizing impact of a divergent relationship based on energy is anticipated to be undermined by rising nationalism and power asymmetry. Nationalist sentiments, especially if they are utilized by governments as part of a
wider pragmatic nationalist strategy, can constitute a significant stumbling block toward the joint development of natural resources. Furthermore, a situation of power asymmetry combined with the absence of an overall agreement on the sovereignty rights of the claimant states could discourage the weaker parties from embarking on joint exploration and development schemes with the dominant power.
2 The geopolitical considerations of the East Asian claimant states

Introduction

The geopolitical considerations of individual East Asian states vary due to historical circumstances, geographical location, and shifting governmental priorities. In this chapter, the claimant states will be divided geographically into two sub-regions: Northeast and Southeast Asia. China, Japan, and Taiwan are viewed as belonging to Northeast Asia. The discussion of the Southeast Asian sub-region, for the purposes of this study on maritime territorial disputes, focuses on the Philippines, Vietnam, Malaysia, and Brunei. China is, of course, a key player in Southeast Asian affairs as well as in the South China Sea disputes as a claimant state. Since the end of the Cold War, conflicts over territory, particularly those of the competing claims in the East and South China seas, have taken on greater importance. This is reflective of the changing power distribution in the region, rising nationalism, increasing concern over energy security as well as military modernization and arms acquisition. North and Southeast Asian states have, for example, increasingly turned to the sea in the hope of either securing underwater reserves or ensuring the safe passage of ships and tankers carrying their energy supplies. Maritime disputes have therefore stood out as one of the key indicators of current dynamics in the region, encompassing issues of power, territory, and energy dependency. To gain a better understanding of these issues, a review of the geopolitical considerations facing individual countries is undertaken across the claimant states of the two sub-regions.

Substantial differences exist between Northeast and Southeast Asia. In terms of power relations, Northeast Asia is home to two of the most important players in Asia and beyond: China and Japan. Their traditional rivalry and the historical legacy of the Second World War continue to influence their interactions today. In contrast, Southeast Asia consists of a series of small to medium-sized powers. Moreover, nuclear energy is currently in use in all the Northeast Asian states, while only beginning to be seriously considered in Southeast Asia. Economic variations also exist between the sub-regions. The developing Southeast Asian economies are no match for the economic power houses of Japan, China, and South Korea. In terms of regional diplomacy, however, inter-state cooperation has been achieved in Southeast Asia through the Association of Southeast Asian Nations (ASEAN) in contrast to the absence of a similar process in Northeast Asia. Furthermore, subtle
differences exist regarding energy security. Northeast Asian countries, with the exception of China, have traditionally been deficient in natural resources. Japan is widely regarded as the most notorious for its scarcity and resultant dependency on others. In contrast, Brunei, Malaysia, Vietnam, and the Philippines export natural resources. Yet, with rising reliance on imported oil, the issue of energy security has become central to all regional countries. Economic growth and higher demand coupled with rising oil and gas prices have heightened existing anxiety among nations. Encapsulating such fears, China, formerly among the most self-sufficient of nations, was itself forced to become a net importer of oil in 1993. This holds significant implications for the international relations of East Asia.

The Northeast Asian claimant states and their geopolitical interests

China

The establishment of the People’s Republic of China (PRC) was proclaimed by Mao Zedong on October 1, 1949 at Tiananmen Square in Beijing. This followed two decades of almost constant turmoil that took the form of a prolonged civil war between the Nationalist Party, or Kuomintang (KMT), and the Chinese Communist Party (CCP) as well as the Japanese invasion of China, which resulted in the eight-year Sino-Japanese War (1937–45). Following Chiang Kai-shek’s split with the CCP after his massacre of thousands of Communists in Shanghai in March 1927, the Nationalists were soon faced with a series of armed insurrections led by the Communists in cities such as Nanchang and Guangzhou. These uprisings ultimately proved unsuccessful. The Communists were driven into the countryside, where the Nationalists proceeded to wage a total of five campaigns of “extermination” between 1930 and 1934, aimed at achieving a comprehensive victory. The success of the fifth campaign in encircling and strangling the Communists led the latter to abandon their base in Jiangxi Province in October 1934 and stage the famous “Long March,” a 4,000-mile journey to establish a new base in Shaanxi in northwest China.

China would soon be faced by the even greater threat of external invasion. The Japanese had established a presence in Manchuria by 1931. Growing domestic expansionist pressures led to an undeclared war with China following the “Marco Polo Bridge Incident” on July 7, 1937. Following the outbreak of hostilities, the Communists and Nationalists formed a “United Front” with the goal of defeating the Japanese, although the conflict between the CCP and the KMT was never resolved. Despite its initial success in taking many of the key coastal cities, including Shanghai, and eventually the Nationalist capital of Nanjing, the Japanese advance soon stalled. The Japanese army was never able to penetrate deep into the Chinese countryside. The Japanese surrender on August 14, 1945, following the dropping of atomic bombs on Hiroshima and Nagasaki, plunged China back into civil war. The Communists soon gained the upper hand, eventually driving the KMT out of China and into Taiwan, paving the way for the establishment of the People’s Republic of China.
Mao inherited a country that was exhausted from almost two decades of constant internal and external warfare. Fairbank and Goldan explain that “the first eight years of the People’s Republic were a creative period of reconstruction, growth and invention.” This was later extended, with disastrous consequences, into an attempt by Mao to fast-track China’s modernization process and transform the country from a primarily agrarian to an industrialized nation. The “Great Leap Forward” (1958–60) resulted in the “worst humanitarian disaster ever to befall China” in the form of a massive famine that claimed the lives of at least 20 million people. In 1966, China was plunged again into internal turmoil as a result of a sustained political campaign, known as the “Cultural Revolution” (1966–76), aimed at purifying Chinese society. The roots of the Cultural Revolution lay, however, in a power struggle between Mao and Liu Shaoqi, Chairman of the PRC (1959–68) and perceived as a challenger to Mao’s power. The result was that for a decade the Chinese political system was “first thrown into chaos and then paralyzed.” China emerged from the Cultural Revolution only after Mao’s death in September 1976.

Following the excesses of the Cultural Revolution, Deng Xiaoping, once he had consolidated his position as the new leader, realized that China had to embark on a program of rapid economic growth to make up for lost time. He concentrated on the introduction of capitalist elements in what he termed “socialism with Chinese characteristics,” epitomized by his famous declaration that to “get rich is glorious.” Under Deng, China embarked on a program of modernization and the opening of the country to the wider world that resulted in almost two decades of sustained double-digit economic growth. China’s Gross Domestic Product (GDP) more than quadrupled between 1978 and 1999.

China is unique among all the states discussed in this chapter. The sheer geographic mass and centrality of the country makes it a dominant player in the international politics of the East Asian region. In Robyn Lim’s view, China “represents the chief challenge to the balance of power in East Asia because it possesses the motive, will and opportunity to seek dominance there.” China is the only nation in Asia officially recognized as being in possession of nuclear weapons and the only permanent member of the United Nations Security Council (UNSC).

References to “the rise of China” have become pervasive in current political rhetoric. Lee Kuan Yew, the former Prime Minister of Singapore and current Minister Mentor in the Singapore Cabinet, has even declared that China is “the biggest player in the history of man.” Yet, the country has also been characterized as the “most self-aware rising power in history.” This can be seen, for instance, in its fixation with the concept of “Comprehensive National Power” that revolves around indexing China’s economic, military, and political power against its competitors. Still, the PRC is acutely aware of the increasing propagation of the “China threat” image associated with its rising power and influence. In response, Beijing has sought to reassure other nations that its growing power, far from being a threat, is fundamentally peaceful.

Northeast Asian security is greatly influenced by China and its relations with Japan. The two states have had a tumultuous and war-torn history, each remaining
suspicious about the intentions of the other. This is in part due to the legacy of the Second World War and Japan’s alliance with the United States. Despite increased economic ties, bilateral relations have been deeply affected by growing nationalist sentiments in China and Japan. The latter remains an easy target for the projection of Chinese dissatisfaction by politicians and citizens alike. Hatred for Japan is seen as a legitimate component of Chinese ideology and identity. Peter Gries writes that “many Chinese today see the 1895 loss to Japan and the ensuing Treaty of Shimonoseki as the darkest hour in the ‘Century of Humiliation.’” More importantly, China believes that Japan has not expressed adequate regret for the crimes it has committed over the course of its history. Bitter resentment over the Sino-Japanese War, the 1930s invasion of China and the Nanjing massacre continues to resonate in the Chinese cultural memory. The massacre began on December 13, 1937, following the Japanese occupation of the eastern Chinese city, and tens or possibly hundreds of thousands of civilians and non-combatants were killed. In China’s view, Japan’s failure to compromise on the question of territorial sovereignty over the Senkaku/Diao yu Islands is therefore viewed largely as a lack of remorse for its violent past.

Nevertheless, while Tokyo and Beijing are still at odds over disputed borders in the East China Sea, their wartime history, and China’s rapidly growing economic and military power, Sino-Japanese relations have improved since late 2006. This started with the “ice-breaking” visit of Japanese Prime Minister Shinzo Abe in early October 2006, shortly after he took office. President Hu Jintao declared at the time that Abe’s visit would “ser[v]e as a turning point in China–Japan relations” and “as a new starting point for the improvement and development of bilateral ties.” Abe’s visit was reciprocated with Chinese Premier Wen Jiabao’s successful “ice-thawing” visit to Japan in April 2007. The visit was seen by some analysts as a positive indicator that China is willing to moderate its stance and focus on the future. This was followed in November 2007 by the visit of the Chinese guided-missile destroyer Shenzhen to the port of Tokyo and the Japanese naval headquarters in Yokosuka. This constituted the first visit of a Chinese warship to Japan since the 1930s and thus symbolized improving ties between the two nations. The ceremony marking the seventieth anniversary of the Nanjing massacre was also devoid of inflammatory rhetoric over Japan’s wartime record. Instead, it included a series of symbolic peace gestures.

All this came about after a period of frosty relations during Prime Minister Junichiro Koizumi’s premiership. Described as a “lost half decade” in Sino-Japanese relations, this period was fueled by Koizumi’s banning of Chinese protests during his yearly visits, from 2001 to 2006, to the Yasukuni Shrine. The shrine honors Japan’s war dead, and among those enshrined there fourteen Class-A war criminals from the Second World War. Designed to preserve the support of the right-wing Liberal Democratic Party (LDP), the Prime Minister’s repeated visits to the shrine angered Beijing. The lowest point in the bilateral ties was reached in the first half of 2005 as a result of the publication of a controversial history textbook in Japan and growing popular opposition in China to Tokyo’s efforts at securing a permanent seat on the UNSC. These developments sparked popular protests in
China, including a demonstration outside the Japanese Consulate General in Shanghai in April 2005.

However, by the time Prime Minister Yasuo Fukuda took over from Shinzo Abe in September 2007 the situation had already improved markedly, and his visit to China three months later cemented this. Chinese President Hu Jintao made a five-day return visit in May 2008, the first by a Chinese President in almost a decade. The earlier visit, by Jiang Zemin, during which a written apology had been demanded from Japan for its invasion of China, had chilled bilateral ties. In contrast, Hu’s visit in 2008 marked the anniversary of the signing of the 1978 China–Japan Treaty of Peace and Friendship. Calling for a new era in bilateral relations, Hu and Fukuda agreed in a joint statement issued on May 7, 2008 to cooperate and enhance mutual trust, to hold annual summits and to look towards the future. In addition to leaving historical issues off the agenda, the two leaders announced that a solution was in sight on the joint exploration of natural resources in the East China Sea. An agreement on joint development was concluded a month later, ending a protracted four-year negotiation process, with Fukuda declaring that the deal “presages a sea of peace and cooperation.”

Besides high-level visits, there has also been an increase in cultural exchanges between the two countries, with 2007 declared as the “exchange year of culture and sports” and 2008 as the “exchange year of youth.” Symbolically, following the massive earthquake in the Chinese province of Sichuan in May 2008, a Japanese rescue team was the first international humanitarian assistance to be welcomed by Beijing. In June 2008, a Japanese destroyer, the Sazanami, docked at the southern Chinese port of Zhanjiang, becoming the first Japanese warship to sail to a Chinese port since the Second World War. It should be stressed, however, that mutual popular antipathy remains strong in both China and Japan.

Let us now turn to China’s relations with Southeast Asian states. The PRC was often described in Southeast Asia as a threat in the 1990s. The territorial dispute over the Spratly Islands was, and to a lesser extent continues to be, the most prominent problem afflicting China and the four Southeast Asian claimant states (Vietnam, the Philippines, Malaysia, and Brunei). The Chinese government’s passage of the Law on Territorial Waters and Contiguous Areas in 1992 caused tremendous concern in the sub-region at the time. The law reiterated China’s claims in the sea and stipulated the right to use force, including in the Spratlys, and their surrounding waters. Though only reiterating the traditional Chinese claims in the South China Sea, the law questioned the peaceful management of the territorial dispute. Part of the defense modernization undertaken by Southeast Asian states was a consequence of this issue. The concern was exacerbated in February 1995 when China encroached on Mischief Reef in the Spratlys, which was also claimed by the Philippines. Manila reacted by substantially expanding its defense budget in order to acquire warships and aircraft in the event that it needed to defend its claims in the Spratlys. China also had military skirmishes with the Filipino navy in the waters of the Kalayaan Island Group and Scarborough Shoal, further raising the apprehensions of Vietnam and Malaysia as well. Jakarta was also concerned by China’s overarching claim to much of the South China Sea, which
seemed to overlap with Indonesia’s exclusive economic zones (EEZs) and include part of the Natuna Islands. Indonesia had been a neutral party in the South China Sea issue. This changed at the 1993 Workshop on Managing Potential Conflicts in the South China Sea, where Chinese officials released a map of the Chinese claims that included the waters above the Natuna gas fields exploited by Indonesia. During his visit to the PRC in July 1995, Indonesia’s foreign minister, Ali Alatas, was provided with no clarification regarding the Chinese claims to the Natuna Islands.

The China threat perception has gradually changed among Southeast Asian policy elites, however. Efforts by China to improve its image among the Southeast Asian nations have resulted in the perception of a more engaged and status quo power. Indications of an apparent willingness to cooperate have been evident in increased economic integration and overt signs of commitment to the sub-region. The East Asian financial crisis of 1997–8 allowed China to “demonstrate its political and economic value as a partner, even a regional leader.” In comparison to the response of the United States and Japan, the assistance provided by Beijing was largely described as helpful. Overall, China has added diplomatic activism to its growing economic and military growth. Shambaugh notes that at both the bilateral and multilateral levels, “Beijing’s diplomacy has been remarkably adept and nuanced, earning praise around the region.” China’s “charm offensive” toward ASEAN contrasts with its previous suspicion of multilateralism.

It is still to be seen, none the less, whether China will continue to be an accommodating rising power vis-à-vis the Southeast Asian states. One incident is worth noting in this respect. In July 2004, Singapore’s Deputy Prime Minister Lee Hsien Loong visited Taiwan as a private citizen. Breaking with all earlier practice, the PRC formally protested and threatened massive economic sanctions. While he initially resisted, Lee relented when China canceled a major Singaporean trade show in Shanghai. He stated that “if a war breaks out across the straits, we will be forced to choose between the two sides . . . But if the conflict is provoked by Taiwan, then Singapore cannot support Taiwan.” Although his father and predecessor, Lee Kuan Yew, had visited Taiwan several times during his tenure as Singapore’s prime minister, such a reaction from China was unprecedented. The reason seemed to be that China now believes it no longer needs to put up with unwelcome actions taken by its Southeast Asian neighbours.

Despite the changing perception of a rising China, the fear that the country may pose an economic threat has increased in Southeast Asia. The Chinese economy is “projected to be among the world’s fastest growing.” Although economic integration has deepened between the PRC and ASEAN with the signing of a Free Trade Agreement (FTA), the Southeast Asian nations remain suspicious that jobs and investment will be lost to China. Concerns over economic supremacy have thus surpassed the previously dominant political and military threats posed by the country. In contrast to Southeast Asia, the situation has remained somewhat different for Japan as “China is dwarfed by Japanese economic power and investment by Japanese firms in mainland China is becoming more rapid.” Still, Japan is increasingly recognizing China’s emergence as a viable competitor. Ba
explains that “as China’s economic influence grows, so too do concerns about China’s economic and political dominance.”

Contributing to the potential tension is the fact that China’s economic growth is dependent on maintaining a secure energy supply. The political and economic future of the country is directly linked to its ability to meet consumer demand and the industrial requirements of an expanding modern economy. Coal remains the chief source of energy to the country, supplying 60–70 percent of energy needs. Yet, the observable environmental impact of the resource is a cause for concern. Due to its coal usage, China is second only to the US in production of greenhouse gases. Efforts to offset the reliance on domestic supplies of coal include rising reliance on oil reserves. China’s energy situation has, as a result, become a growing worry to the entire world. In 1990, China was able to export $2.8 billion worth of oil to Japan. By 1993, the Chinese were themselves oil importers. By 2008, the PRC had to import half of its needs. This situation is expected to worsen in the future, as energy needs are projected to double from their 2000 levels by 2020. China is currently the second-largest oil importer in the world and the International Energy Agency (IEA) estimates that it will overtake the United States as the largest energy consumer after 2010. As Klare notes:

Recognizing that China’s onshore fields will not be able to yield significantly increased supplies of petroleum, and reluctant to become heavily dependent on foreign sources of energy, Beijing has begun to emphasize the development of offshore sources. This, in turn, has led to growing Chinese interest in the energy potential of the East and South China Seas.

Consequently, Chinese territorial claims may be attributable to its belief in the existence of natural resource reserves in the East and South China seas as well as a play for greater power within the region. Military spending by the state increased by 30 percent between 1985 and 1997, in large part due to the focus on bolstering “offshore active defense” capabilities. As Lim writes, “Chinese arms purchases from Russia amount to some one billion dollars annually.” These acquisitions add to the country’s ability to exert leverage over Taiwan and reinforce its territorial claims in the region. In short, ongoing territorial conflicts, naval modernization, economic growth, and increasing demands for energy in China have not eradicated all sources of tension between the state and its neighbors, despite the effort undertaken by the country to change its image within East Asia.

Besides its immediate neighbors, relations with the United States have remained critical for China. Despite its geographic distance, the superpower remains central to the East Asian security architecture. Washington can either mitigate or heighten existing tensions due to its very presence and network of security cooperation in the region. The US is likely to remain the economic and military hegemon in Asia for years to come, although its exercise of power will be complicated by the rise of China. Related to this issue are the close relations linking the US to its regional
allies and whether such ties are perceived in Beijing as an attempt to constrain China’s rising power. In the view of Aaron Friedberg, “whether for good or ill, the most significant bilateral international relationship over the course of the next several decades is likely to be that between the United States and the PRC.”

Over the last fifteen years, Sino-US relations have been affected by a series of incidents. The two countries engaged in an economic standoff in June 1994. US President Bill Clinton endorsed Congress’s stance that the renewal of China’s most favored nation trading status be conditional on several factors, including China’s human rights record. Yet, partly due to mounting pressure from the American business community, Clinton eventually gave way. China’s military exercises in the Taiwan Straits in March 1996 led Washington to deploy two carrier squadrons to deter further Chinese undertakings and actions of intimidation. Sino-US relations improved following the official trip of the Chinese President Jiang Zemin to the United States in November 1997 and the return visit of Clinton to China in June 1998. However, bilateral relations again deteriorated as a result of the US bombing of the Chinese Embassy in Belgrade in early 1999, which was regarded in Beijing as part of a new US policy of containment.

The coming to power of President George W. Bush in January 2001 led to a resurgence of unilateralism in American foreign policy. In East Asia, the Bush administration repeatedly indicated its preference for flexibility and mobility over formal and institutionalized arrangements. More importantly, during his election campaign Bush had strongly criticized Clinton’s engagement policy with China, stating that he viewed the country as a “strategic competitor” rather than a “strategic partner.” Sino-US relations were also repeatedly tested during the first few months of the Bush administration, with high-profile visits by Taiwanese President Chen Shui-Bian and the Dalai Lama to the United States angering the Chinese. Then, in April 2001, a US EP-3 spy plane collided with Chinese fighters, resulting in one of the Chinese planes being lost in the South China Sea.

The terror attacks of September 11, 2001, and the resulting change in American foreign policy priorities to some extent have contributed to a more cooperative and constructive relationship. This has been due in part to Beijing’s strong support for US efforts to combat terrorism and China’s own anti-terrorism initiatives. As Washington began to focus on the dangers of terrorism and proliferation, the United States seemed “less inclined to view China as an actual or potential strategic competitor and more hopeful that, in a post-September 11 world, great powers would be united by common dangers.” Jia Qingguo feels that the change in American foreign policy priorities was “the single most important factor responsible for the improvement of the relations between China and the US after 9/11,” particularly as “the priority change provided more room for China to assume a more cooperative posture in managing relations with the US.” This warming of relations was visible when Bush personally hosted Jiang Zemin at his ranch in Crawford, Texas, in October 2002.

However, as Bush began his second term in early 2005, there were signs of growing tension between China and the United States. These resulted from the stalled six-party talks over the North Korean nuclear issue; alarm generated over
China’s military buildup; and continuing disputes over growing trade imbalance and currency values. Bush’s visit to China in November 2005 as part of his “Asian tour,” which also included visits to Japan and South Korea, among other countries, allowed constructive dialogue on a number of key issues, notably currency devaluation, intellectual property, and North Korea. Yet, Beijing took a firm stance on many other issues, especially Taiwan. Hu’s return visit to the United States was marred by a number of diplomatic and protocol gaffes, including Hu being heckled by a Falung Gong activist for over three minutes in the midst of his speech on the South Lawn of the White House. There was general agreement that the visit failed to break any new ground, with the *International Herald Tribune* defining the visit as “insignificant.” Ultimately, Friedberg reminds us that “the future character of the US–China relationship is also profoundly uncertain.” A number of deadlocked bilateral issues continue to be the underlying determinants of the relationship, among them the issues of human rights, trade imbalance, and currency valuation, as well as geostrategic considerations, such as Taiwan and North Korea. At the time of writing, it was also uncertain what strategy Barack Obama would adopt toward China and the effect that this would have on the bilateral relationship.

### Japan

The history of modern Japan began with the arrival of four US warships commanded by Commodore Matthew Perry in Edo Bay in July 1853. Perry’s arrival, and demands for the opening up of Japan to commerce, eventually led to the Treaty of Kanagawa the following year. The latter brought to a close two and a half centuries of isolation during which interaction with foreigners was banned by Japan’s ruling shoguns. The opening of ports and contact with the West eventually led to the end of the Tokugawa Shogunate and the beginning of the Meiji Restoration, which was driven by a “burning determination to join the company of the ‘Great Powers’ that had encircled it and restricted its sovereignty.” A rapid program of modernization was carried out based on the restoration of imperial rule and the seeking of knowledge throughout the Western world. The ascent to “great power” status began with the defeat of the Chinese in the Sino-Japanese War of 1895, providing Tokyo with control over Formosa (present-day Taiwan) under the Treaty of Shimonoseki. The great power status was confirmed in 1905 when Japan defeated Russia, marking the first victory of an Asian nation over a Western power. Japan then proceeded with its aggressive expansion: Korea became a Japanese protectorate through the Protectorate Treaty of November 1905, it was annexed in August 1910, and the colonizing Japanese remained in control until their defeat at the end of the Second World War.

In the 1930s, the onset of the Great Depression led Japan to move toward further militarism and economic self-sufficiency. There were nationalist calls for greater expansion in Asia to secure the scarce resources essential to the Japanese economy and to maintain its great power status. The Japanese takeover of Manchuria in the early parts of the decade was followed by war with China in 1937 and eventually by the simultaneous attack on Pearl Harbor and invasion of the Philippines and
Malaya in December 1941. At the height of its expansion, Japan “bestrode Asia like a giant, one foot planted in the mid-Pacific, the other deep into the interior of China.”\textsuperscript{41} Tokyo attempted to justify its expansionist policy as a war to free Asians from their colonial masters and to create a “Greater East Asia Co-Prosperity Sphere.” Yet, the Japanese soldiers “left a trail of unspeakable cruelty and rapacity”\textsuperscript{42} in their wake. The ultimate defeat in the war came as a profound shock to Japan. The aftermath can be described as a country rapidly rising from the ashes of defeat to become an economic superpower that would “forever renounce war as a right of the nation, and the threat or use of force as a means of settling disputes.”\textsuperscript{43}

Still generally considered as the dominant power in Northeast Asia, if not the entire region, Japan’s strength lies mainly in its fiscal might. Since the end of the Second World War, Japan’s influence in East Asia has been mainly economic. It possesses an economy that is the second largest in the world, of truly global reach, representing “60 percent of the GDP in East Asia.”\textsuperscript{44} As Connors writes, Japan has “become a regional hegemon in economic terms, able to shape the regional economic environment, and by the force of its economic power, and ideology, able to win other states to its project of constructing a regional production alliance.”\textsuperscript{45} Yet, in spite of its economic strength in East Asia, Japan has exerted little political influence. This has led some to remark on Japan’s “paradox of unrealized power.”\textsuperscript{46} Despite recent attempts at adopting a more assertive foreign policy, the country’s past incoherence in the area has been largely attributed to its bureaucracy, the reconstruction of its government following the Second World War, and the Fukada Doctrine of 1977.\textsuperscript{47} The latter constituted a commitment that Japan would never again become a military power. As a result, the country is still largely perceived to pursue its power through economic means.

Despite strong economic ties, tensions do exist, however, between Japan and its neighbors. These are fueled in part by Japan’s violent history of occupation and the memory of war crimes perpetrated by its military. Additionally, former Japanese Prime Minister Junichiro Koizumi’s visits to the Yasukuni Shrine as well as repeated controversies over Japanese history textbooks have continued to complicate the country’s relations with East Asia. The textbooks have traditionally been condemned by China and South Korea for glossing over Japan’s Pacific War atrocities, including the Nanjing massacre. In return, there is a strong sense in Japan that China will continue to press the history issue to gain further economic concessions irrespective of the apologies and economic aid provided by Japan.\textsuperscript{48} In addition, the legacy of Japanese atrocities in Southeast Asia during the Second World War has prevented Tokyo from adopting a more assertive foreign policy vis-à-vis the Southeast Asian nations. Ultimately, there is an “abiding enigmatic quality to Japan’s role in Asia as its history, economic significance, and immediate military potential point to leadership capacities that are dormant, like a volcano that could nevertheless erupt if the pressures upon it were to suddenly change.”\textsuperscript{49}

To guarantee its security, Japan has mainly been reliant on its alliance with the United States. Tokyo has been provided with nuclear and long-term protection
while it has in return allowed the US to maintain a presence in the region. This security arrangement was at the center of the US strategy in the Cold War era and allowed Japan to focus exclusively on economic and political stability. Ties with Washington remain today at the core of Japan’s foreign policy but pressures on the alliance have also increased, “as the differences in the characters and interests of the two states have become more evident.”

In response to the post-Cold War strategic environment, the United States and Japan redefined their alliance through the Joint Declaration of April 1996 and subsequent provision for new guidelines. The Declaration “unambiguously reinforced Chinese anxiety about these two powers’ joint efforts to counterweight Chinese power.” Yet, calls from Washington for Japan to take more responsibility for its own defense have left its security situation more tenuous. Japan became increasingly worried in the 1990s of “being abandoned by its preeminent ally, especially with regard to China.”

This could be seen in the concern shown by the Japanese at the unprecedented seven-day visit by US President Bill Clinton to China in June 1998. The visit was unprecedented both in terms of length and in the fact that it was the first time that an American president had visited China without stopping over at any other country in the region. However, the strength of the alliance was underlined when Prime Minister Koizumi passed legislation enabling Japan to send a small naval contingent in support of the US war in Afghanistan. This was an episode of major significance as it marked the first occasion since the Second World War that a Japanese force was sent to support combat operations overseas. Japan also sent a contingent to support the US during its invasion of Iraq in 2003. Yet, Lim contends that Tokyo “can no longer assume that the United States is obliged to look after all of Japan’s security problems,” while “China’s strategic pressure is beginning to cause Japan to become more anxious about its security.”

Japan’s defense budget, though less than 1 percent of the country’s GDP, is the second largest in the world. Article 9 of the Japanese constitution technically forbids the country from maintaining armed forces. Domestic debates have in recent years focused, however, on the possibility of revising the constitution and removing restrictions on the activities and capabilities of the Japanese Self-Defense Forces (SDF). Jennifer Lind has noted that scholars have consistently understated Japan’s military capability, while underlining that “Japanese is no military pygmy,” even classifying Japan as “one of the world’s foremost military powers.” In response to China’s ambitions in the East China Sea, Japan has called for improvements and upgrading of its maritime defense forces. It has concentrated on “high-tech equipment in order to compensate for their numerical disadvantage” to China’s naval arsenal. Japan has also strengthened its naval ties with other powers. In April 2007, it conducted, together with India and the United States, joint naval exercises off its coast, which could be regarded as an attempt to constrain China.

At the heart of Japan’s defense policy is its concern over energy. As stated earlier, the country is infamous for its lack of natural resources. Its dependence on others has often been noted as Japan’s major weakness. It was this dependence that led the state to justify its attack on Pearl Harbor and its expansion into the Sumatran oil fields during the Second World War. Japan has been a net importer of energy.
for nearly a century, with 99 percent of its oil being imported. Japan is viewed to be “innately more preoccupied with energy security than most nations, even in the most tranquil of times,” precisely because of its geographic position and its insufficient supply of natural resources. Efforts to supplement imports have aimed at increasing energy efficiency and adopting nuclear power. Yet, foreign sources of oil, coal, and natural gas are still used to meet the vast majority of the country’s energy requirements. Concerns about energy are consequently evident in Japan’s focus on maritime security. Ensuring the safe passage of ships carrying such cargo thus remains a key priority for the government. Disputes with South Korea and China, respectively, over the Takeshima/Dokdo Islands and the Senkaku/Diao yu Islands and EEZs in the East China Sea are likewise related to energy concerns, as these areas might be rich in oil and gas. However, it has also been argued that “tensions in the East China Sea should be seen as a clash of nationalisms.” Thus, both nationalism and energy concerns factor into Japan’s strategic calculations.

**Taiwan**

The primary focus of Taiwan, or the Republic of China (ROC), is its relationship with the People’s Republic of China (PRC). Liberated from Japanese occupation in 1945, the island thereafter found itself embroiled in the Chinese Civil War between the Nationalists and the Communists. Following the defeat of the KMT, the ROC’s jurisdiction became confined to Taiwan. Yet, its government continued to claim sovereignty over the mainland, citing the illegitimacy of the PRC. Western nations largely gave formal recognition to only the ROC as the valid representative of China until the 1970s. The ROC occupied a position on the UN Security Council before its replacement by the PRC in 1971, following the American rapprochement with the latter. This change was in line with growing international acceptance of the Communist government and shifting US priorities. The PRC has since then sought to isolate Taiwan by imposing the prerequisite that any country formally recognizing Beijing’s legitimacy in representing China must acknowledge the one-China policy. Withdrawal of US recognition occurred in 1979 and represented the strongest blow to Taiwan.

Taipei has over the past few decades continued to reject offers from the PRC to reunify at the loss of Taiwan’s sovereignty. Instead, it has embarked on promoting democratization while establishing informal economic and diplomatic ties with others to prevent complete isolation. Taiwan has also managed to become an economic success story and has been grouped alongside Singapore, Hong Kong, and South Korea as one of the four “Asian Tigers.” Its foreign policy has likewise evolved, seeking to engage China in improving cross-straits relations and furthering economic ties. Still, tensions have remained high between the ROC and the PRC. As mentioned earlier, China’s military exercises in the Taiwan Straits in March 1996 in a bid to influence the Taiwanese presidential election led Washington to deploy two carrier squadrons, the largest deployment of US forces in the Pacific since the Vietnam War. In June 1995, Beijing had already resented the American decision to offer Taiwanese President Lee Teng-hui a visa for a private visit to the
United States to his alma-mater, Cornell University, where he made a speech that was widely considered to be highly politicized. Lee further angered the Chinese by stating in an interview with Deutsche Welle radio in July 1999 that “Taiwan has redefined its relationship with mainland China as being state-to-state relations or at least special state-to-state relations,” causing Beijing to reply with military rhetoric and demand a retraction of the remarks.

One should note, however, China’s muted response to the victory of Chen Shui-bian, the pro-independence leader of the Democratic Progressive Party (DPP), in the Taiwanese presidential election of March 2000, in contrast to its 1996 actions. The restrained Chinese reaction occurred despite the formalization by the DPP of Lee’s “special state-to-state relations” approach in a document entitled “Resolution on Taiwan’s Future.” Chen himself set out to mollify the Chinese during his inauguration speech with a pledge, now commonly referred to as the “four nos and one without.” He promised that if China had no intention of using military force against Taiwan (the one without), his administration would refrain from declaring Taiwanese independence; changing the national title from “Republic of China” to “Republic of Taiwan;” including the doctrine of “special state-to-state relations” in its constitution; and organizing a referendum on reunification or independence (the four nos). However, it was soon perceived that Chen was moving away from a reconciliatory stance vis-à-vis the mainland, with symbolic gestures such as the use of “Taiwan” instead of “ROC” on passports. Moreover, Chen later attempted to be re-elected in 2004 on a pro-independence platform, pledging to hold a referendum on a new constitution in 2006 to be enacted on the ascension of the new president in May 2008. Moreover, he did not repeat his pledge to uphold the “four nos and one without” after narrowly winning the election in May 2004. Beijing in turn accused Chen of beginning a “slow creep towards independence.” In response to the perceived rise in pro-independence sentiment in Taiwan, the PRC passed into legislation an “anti-secession law” at the Sixteenth People’s Congress in 2005. This formalized the longstanding policy to use “non-peaceful means” in the event of the declaration of Taiwanese independence. Tense relations between Beijing and Taipei continued, particularly after a first attempt was made by the ROC to join the United Nations under the name “Taiwan” rather than the “Republic of China” in September 2007.

None the less, the landslide election victory of the KMT candidate, Ma Ying-jeou, over the DPP candidate, Frank Hsieh, in the March 2008 presidential election has led to an improvement of relations with the mainland. President Ma seems determined to set aside ideological differences and focus on economic and cultural cooperation with the PRC in what he describes as “win–win situations.” As a sign of the easing of ties between the PRC and the ROC, Chinese President and CCP Chairman Hu Jintao met with KMT Chairman Wu Poh-hsiung in Beijing in May 2008 and invited Taiwan to resume formal talks. Cross-straits dialogue had been broken off in the 1990s due to heightened tension, and this meeting between the heads of the ruling parties of China and Taiwan was the first since 1949. Formal cross-straits talks resumed in Beijing in June 2008 and focused on bolstering economic ties, establishing direct flights between the two sides and allowing...
tourists from the mainland to travel to Taiwan. The historic first flight to leave China for Taiwan since 1949 took off on July 4, 2008 amid much talk of a **rapprochement** in relations between the two countries. However, despite this thaw, Taiwan had still carried out a planned five-day computer-simulated war game, focusing on the Chinese military threat to Taiwan, in June, with President Ma participating as commander-in-chief.\(^6^4\) Nevertheless, Beijing’s top envoy Chen Yunlin’s five-day visit to Taipei in November 2008 suggested a further warming of bilateral ties.

Political uncertainty makes self-defense against a possible attack by the PRC the main priority for Taiwan. Initial ambitions following the Chinese Civil War focused on retaking control of the mainland. Yet, Taiwan changed its liberation rhetoric in the 1950s. Due to its comparatively smaller size and power, efforts have shifted to a more defensive position. Should Taiwan make an attempt to gain independence, military action on the part of the PRC is almost guaranteed. Taiwan’s protection relies not only on the country’s own military ability to deter aggression from the Chinese, but on the guarantees of other states. Crucial to Taiwanese defense is the role of the United States. Washington has continued to provide military arms, technology, and training to Taiwan. Most recently, the United States confirmed a six-billion-dollar arms sale in October 2008. In addition, the 1979 Taiwan Relations Act gives protection to the island, as was evidenced by the deployment of US aircraft carriers to the Taiwan Straits following Chinese missile tests in 1996. Yet, if Taiwan were to instigate military action for independence on its own, the certainty of American backing would be less assured.\(^6^5\) Moreover, American arms sales to Taiwan have the potential to destabilize Sino-US relations, which in turn could “undermine the peace and stability of the entire East Asian region.”\(^6^6\) Japan might also be willing to support Taiwan if the latter were attacked, in light of the amount of trade and Japanese investment on the island.

One area of tentative agreement between the PRC and the ROC is the issue of the Paracel and Spratly Islands. Both states acknowledge that the islands are in Chinese territory, putting them in contention with claimants in Southeast Asia. Additionally, Beijing and Taipei have each laid similar claims to the Senkaku/Diao yu Islands, an issue that remains unresolved with Japan. Taiwan’s territorial claims are driven in part by the prospect of natural resource reserves in the disputed areas. Energy is a major concern for Taipei because Taiwan is widely considered to be resource-poor. Mineral deposits found on the island are not commercially viable. Moreover, in contrast to China, coal production meets only a small proportion of the island’s demands. The oil that has been found onshore and offshore has also fallen far short of previous expectations. Taiwan has attempted to meet its industries’ energy needs by the introduction of nuclear power, as well as increasing importation of coal, oil, and natural gas from Southeast Asian and Middle Eastern countries.
The Southeast Asian claimant states and their geopolitical interests

Vietnam

The Socialist Republic of Vietnam was established on July 2, 1976. It now arguably stands as the most powerful military power among the Southeast Asian claimant states. In 1996, Calder wrote that “none of the other nations in Southeast Asia comes close to Vietnam in political–military capabilities or potential.” During the Cold War era, Vietnam was generally regarded as a threat by most other Southeast Asian nations. When the country was reunified in April 1975, the Communist leadership boasted the largest armed forces in the region and had demonstrated its military capabilities by uniting North and South Vietnam despite decades of intervention by external powers. The Communist victories in Phnom Penh and Saigon in April 1975, and in Laos by the end of the year, polarized Southeast Asia ideologically. Vietnam maintained close military ties with the Soviet Union, Laos, and Cambodia. These military relations were strengthened by strong Marxist ideological affinities.


Vietnam’s invasion and occupation of Cambodia drastically damaged ASEAN–Vietnamese relations. A pro-Vietnamese puppet government was established in Phnom Penh: the People’s Republic of Kampuchea (PRK). This terminated ASEAN’s hopes of establishing stable relations with Hanoi and violated its core principles: namely, respect for national sovereignty and non-interference in the affairs of other states. Moreover, it altered the strategic environment in mainland Southeast Asia by removing Cambodia as Thailand’s traditional buffer state against Vietnam. In response, ASEAN condemned the occupation and sponsored yearly resolutions at the United Nations General Assembly (UNGA) during the 1980s that demanded a cease-fire in Cambodia, the withdrawal of all foreign troops, and the right to self-determination for the Cambodian people.

Due to the effects of the Vietnam War and the country’s subsequent invasion of Cambodia, Vietnam was by the late 1980s isolated from the world, with much of its foreign aid cut off. This was especially true after 1987 when Vietnam was no longer able to rely on Soviet assistance to fund its military activities in Cambodia. The Soviet attempt to reach détente with China after the coming to power of Mikhail Gorbachev had led to the cessation of Soviet support for the occupation. Finding itself in the midst of an economic crisis, the government reassessed its economic policies and adopted the concept of Doi Moi (Economic Renovation) at the Sixth National Party Congress in December 1986. Its objective was to end the decline of the Vietnamese economy by instigating a transition from central planning to a market-oriented economy. Doi Moi was dependent on the resolution of the
Cambodian conflict and on an improvement of Vietnam’s relations with neighboring states.

Vietnam withdrew its troops from Cambodia in September 1989, and the conflict was eventually resolved at the International Conference on Cambodia in Paris in October 1991. In June of that year, the Seventh National Party Congress in Vietnam had endorsed a “new outlook” on foreign policy based on Vietnam’s desire to be “friends with all countries,” with priority given to its neighboring states. Hanoi adopted an omni-directional diplomacy aimed at promoting diplomatic and economic ties with others while not binding Vietnam into military alliances. In October 1991, Prime Minister Vo Van Kiet visited Indonesia, Malaysia, and Singapore and indicated Vietnam’s desire to sign the Treaty of Amity and Cooperation (TAC) as a step toward becoming a member of ASEAN. Foreign Minister Nguyen Manh Cam signed the TAC in July 1992 during the ASEAN Ministerial Meeting (AMM). Though Vietnam had been invited to join the TAC in 1976, its membership was unthinkable until the end of the Cold War as the region was polarized ideologically. Vietnam’s membership in ASEAN was made official at the AMM of July 1995. The country had previously been one of the founding participants at the inauguration of the ASEAN Regional Forum (ARF), held in Singapore in July 1993. In addition to its ASEAN membership, relations with the United States were normalized in 1995. Sino-Vietnamese relations had already been normalized, in November 1991, during an official visit of Vo Van Kiet to Beijing. Thus, Vietnam’s “once highly secretive military establishment has sought to expand international relations with its ASEAN counterparts as well as other countries.”

Since 1995, Vietnam has gained new regional and international recognition. ASEAN has given Hanoi an opportunity to integrate into mainstream international affairs and to diversify its external relations, especially with regional states. In short, Vietnam’s increased international recognition has helped Hanoi to reorientate its foreign policy “from its intense preoccupation with big powers, particularly China, to a more balanced position in which regional cooperation with other Southeast Asian states plays a significant role.” Vietnam’s economic liberalization has been equally successful. Although the state faced problems following the East Asian financial crisis in the late 1990s, it “escaped the regional economic downturn relatively unscathed.” In early 2007, after more than a decade of negotiations, Vietnam also became a member of the World Trade Organization (WTO), a move that is expected to strengthen its economic power in the region.

Vietnam has tried since the 1990s to modernize its armed forces. In 1995, for example, it was reported that it was one of the primary purchasers of Russian arms. Yet, its defense capabilities remain limited as the country possesses “fairly antiquated naval and air assets, and is unlikely to be able to upgrade them significantly due to lack of funds.” Despite a declining military presence, however, the Vietnam People’s Army is still considered a vital part of the country’s political structure. In essence, the army and the Communist Party “remain effectively two parts of the same organization.” The military has played a large civic role and has been influential in guiding the economic affairs and investments of the country.
Let us now focus on Vietnam’s security outlook toward some Southeast Asian nations. Vietnam and Indonesia have continued to perceive each other as tacit allies against China’s regional ambitions. Jakarta has traditionally regarded Vietnam as a buffer state against potential Chinese hegemonic aspirations in Southeast Asia. Due to geopolitical concerns and historical baggage, Vietnam has, however, continued to be in competition with Thailand over influence in Cambodia and Laos. Hanoi has been concerned with Bangkok’s search for economic and political leadership in mainland Southeast Asia. This competition with Thailand was exacerbated under the leadership of the latter’s prime minister, Thaksin Shinawatra. Vietnam’s relations with other Southeast Asian nations have also continued to be complicated by bilateral border disputes. For example, Vietnam and Malaysia are claiming overlapping continental shelf areas in different parts of the South China Sea. Yet, Vietnam’s ASEAN membership has at least provided “for a situation which is conducive to the peaceful management of existing inter-state disputes and potential future disputes.”

While membership in ASEAN has mitigated existing fears within Southeast Asia, the rise of China is treated more cautiously in Hanoi. The largest perceived geopolitical threat to Vietnam remains the PRC. For Hanoi, this perception is enhanced by its turbulent history with China, as well as its geographical proximity to the state. Hundreds of years of Chinese rule as well as the 1979 border conflict with China are part of Vietnam’s historical memory. In response to Hanoi’s policy in Cambodia, Deng Xiaoping authorized a punitive offensive across Vietnam’s northern border that lasted from mid-February until mid-March 1979. This operation by the People’s Liberation Army (PLA) failed to influence Vietnamese actions in Cambodia, yet the attack continues to remind Vietnam of a potential Chinese threat on its northern border in spite of the two countries’ increasing economic and diplomatic ties. Territorial disputes have also remained sources of potential conflict. Nevertheless, progress has notably been made through the signing of the Land Border Treaty in 1999 and the later resolution of the Tonkin Gulf issue. Competing territorial claims in the South China Sea have yet to be settled.

The dispute over the Paracels resulted in armed combat in 1974 when Chinese forces took possession of the island chain from the Vietnamese. The Spratly issue has also seen violence between Vietnam and the PRC. Military conflict between Vietnamese and Chinese naval forces over the islands in 1988 left over seventy Vietnamese dead. However, in 2002, a Declaration on the Conduct of Parties in the South China Sea was signed. China, Vietnam, and the Philippines also agreed, through the signing of the Joint Marine Seismic Undertaking (JMSU) agreement in March 2005, to participate in joint scientific studies and in a pre-exploration survey agreement in areas of overlapping sovereignty claims. But the underlying sovereignty claims remain contentious. Key for Hanoi has been the desire to improve its bargaining power vis-à-vis China. Vietnam has hoped to transform its territorial disputes with the PRC over the South China Sea into a multilateral dispute involving both Beijing and ASEAN. Ang argues that “Vietnam’s best and perhaps only solution in order to pre-empt a fait accompli in the Spratlys is to depend on ASEAN support and to ‘internationalize’ the issue as much as it possibly can.”
Together with the Philippines, Vietnam has been actively involved in pushing for a binding code of conduct on the South China Sea, but Hanoi has remained doubtful whether “ASEAN is able to engender genuine cooperation with China.”

In regard to natural resources, Vietnam is not as deficient as most Northeast Asian states. Oil production increased tenfold between the late 1980s and the mid-1990s. The country is an exporter of both coal and crude oil, additionally producing adequate supplies of natural gas for its own consumption. Vietnam is viewed to have one of the lowest energy consumption rates in Asia. Yet, economic development has increased demand for electricity, straining capacity. While plans to develop an operating nuclear power plant by 2020 have been undertaken, the issue of energy security remains an important concern for the country. Such concerns are arguably manifested in Vietnam’s claims in the South China Sea.

**The Philippines**

The Republic of the Philippines gained its independence from the United States on July 4, 1946. The country was viewed in the 1950s and 1960s as economically promising. Internal problems have, however, undermined domestic governance and economic growth. Political instability and economic struggles since the Marcos years (1966–86) have led the state to be characterized today as “semi-functional,” with corruption “entrenched” in society. Political uncertainty remains in the form of coup attempts, allegations of government corruption, and armed separatist movements in the region of Mindanao, which is the main focus of the Armed Forces of the Philippines (AFP). Consequently, recent state efforts have concentrated on industrializing the economy and deregulating many industries while attempting to create a more stable democratic political infrastructure and increasing government transparency. Such reforms have led to stronger economic growth in recent years. Yet, the country still has “a long way to go before it is seen by foreign investors as competitive with most other ASEAN countries.”

The Philippines has traditionally relied on the United States to guarantee its security. The Mutual Defence Treaty of August 30, 1951 ties the Philippines to the United States. Beyond this alliance, though, the Philippines has historically tried to forge closer ties with other Asian nations. As early as the 1960s, Manila wanted to complement its defense ties with Washington by establishing a regional security arrangement that would improve the climate of relations in Southeast Asia. The Philippines also wished to reaffirm its Southeast Asian identity and build better relations with its neighbors. The process of regionalism was initially delayed, however, by the deterioration of Malayan–Filipino relations over the Philippines’ claim to Sabah. Although the Manila government had supported the proposal by Malaya’s prime minister, Tunku Abdul Rahman, to establish Malaysia, the integration of Sabah in the new federation strained diplomatic relations between Manila and Kuala Lumpur. Diosdado Macapagal, who served as President of the Philippines from 1961 until 1965, pressed the Philippines’ territorial claim to Sabah and challenged, along with Indonesian President Sukarno, the legitimacy of Malaysia. The election of Ferdinand Marcos as President of the Philippines in
November 1965 eventually led to the normalization of bilateral relations in June 1966. This improved Filipino–Malaysian relations, but only up to a point, and Manila has never abandoned its claim to Sabah. The Philippines was one of the founding members of ASEAN in Bangkok in August 1967, and was later one of the advocates for the organization of a first ASEAN summit. This was eventually held in Bali in 1976. In the 1990s, the country pressed for the start of negotiations for a free-trade zone in Southeast Asia.85

A significant development in US–Filipino relations also came in the early 1990s, when American troops were forced to abandon the military bases they had occupied in the Philippines. The country’s Senate rejected a new base treaty with the US in September 1991, leading to a complete withdrawal from Subic Bay Naval Base and Clark Air Base by November 1992. At issue were the terms of extending leases. This was a sign of the Philippines’ wish for greater independence from US influence. It is worth noting, though, that by then Clark Air Base needed to be closed down as its operational use had been undermined by the volcanic eruption of Mount Pinatubo. Following the closure of the two bases, the Philippines’ foreign policy became even further “focused on its economic base in Southeast Asia.”86

None the less, by calling for the withdrawal of US forces, the Philippines removed its primary source of deterrence and security. Benefiting from such a power vacuum, Chinese military forces were able to capitalize by first establishing structures on the Filipino-claimed Mischief Reef in 1995 and expanding them in 1998.87 As Baker and Wiencek argued in 2002, “there is little that the Philippines can do militarily at present to thwart Chinese probing and island occupations.”88

At the time of the Mischief Reef Incident, calls by Manila for American support were largely unsuccessful as Washington maintained a position of neutrality on the South China Sea. Though following closely the developments in the disputed area, the United States has consistently limited its interest to the preservation of the freedom of navigation and the mobility of its Seventh Fleet. Washington has also repeatedly stated that the Filipino-claimed territories were not covered by the 1951 Mutual Defense Treaty. The Mischief Reef Incident therefore did not lead to a strong US diplomatic reaction, except for a statement on freedom of sea lines: Joseph Nye, US Assistant Secretary of Defense for International Security, declared on June 16, 1995 that the United States would ensure the free passage of ships in the case of a conflict in the Spratlys that would affect the freedom of navigation.89

Since the Mischief Reef Incident, the Philippines has sought to increase its deterrence credibility by once again deepening its military ties with Washington. In February 1998, the two countries signed a Visiting Forces Agreement, which was ratified by the Filipino Senate in May 1999. The further improvement of US–Filipino military relations has continued in the post-9/11 environment. Following the terrorist attacks, the Philippines offered its facilities to American naval vessels and aircraft and formed an Inter-Agency Task Force against International Terrorism.90 President Gloria Macapagal Arroyo was also quick to label Abu Sayyaf as an international terrorist movement and she accepted financial aid and military assistance. In January 2002, 600 American forces were deployed to Basilan Island
to provide operational assistance against Abu Sayyaf under the umbrella of the Balikatan military exercises.

In essence, China’s potential intentions in the Spratlys form arguably the largest geopolitical threat to the Philippines, as membership in ASEAN has helped ease tensions in regard to other disputes with its Southeast Asian neighbors. Moreover, as the core foundation of its negotiations with Beijing, Manila “has been actively relying and soliciting an ASEAN consensus and support on this matter.” Yet, beyond the China threat image, the PRC is also regarded as central to the future economic development of the Philippines. Recognizing the vitality of their bilateral economic ties, the country’s Foreign Policy Institute reported in 1997 that, “given China’s growing economic power and the concomitant growth of her economic and political influence in the region, the Philippines should continue to maintain good relations with her and adhere to the One-China policy.” Accordingly, despite the sovereignty dispute, the JMSU agreement signed in March 2005 by the state-owned oil companies of China, Vietnam, and the Philippines stated Manila’s desire to move ahead and conduct oil pre-exploration surveys in the Spratlys. One should note, however, that Filipino opposition parties have criticized the government for surrendering its claims in the South China Sea and violating the Filipino constitution. The JMSU officially expired on June 30, 2008, and at the time of writing it had yet to be renewed.

Such developments highlight the importance of energy security to the Philippines. A priority for the country is attaining domestic stability and continued economic growth. Guaranteeing access to natural resources remains a source of concern for the government. Like other developing countries in Southeast Asia, achieving economic growth is dependent on securing an adequate energy supply. The Philippines has attempted “to promote the development of domestic energy sources to displace oil imports.” Recent years have seen a rise in oil production, as offshore deposits have been exploited. Natural gas production has also increased lately, although “in 2004 natural gas supplied less than 8 percent of the Philippines’ total energy consumption.” The Philippines additionally imports coal from Indonesia, China, and Australia. Thus, the future economic strength and political stability of the country will partly be determined by its government’s ability to ensure its energy security.

Malaysia

The Federation of Malaysia, consisting of Malaya, Singapore, Sabah, and Sarawak, was established on September 16, 1963. Singapore was later expelled from the federation and became an independent city-state on August 9, 1965. Between 1963 and 1965, the new federation was threatened by Konfrontasi (Confrontation). Sukarno, the first president of Indonesia, opposed the establishment of Malaysia, which he viewed as a British neo-colonial design, so he started Konfrontasi to challenge its legitimacy. The campaign was based on coercive diplomacy and made use of small-scale armed activities. An abortive coup in Jakarta in October 1965, mounted allegedly by the Indonesian Communist Party (PKI), was followed by
Sukarno’s gradual political downfall and the massacre of suspected PKI members. Lieutenant General Suharto assumed executive powers on March 11, 1966, which initiated a new era in Indonesian politics known as the New Order. Suharto rapidly ended hostilities, and talks were held in Bangkok in the spring of 1966 between Malaysia’s deputy prime minister, Tun Abdul Razak, and Indonesia’s foreign minister, Adam Malik, to normalize bilateral ties. The full restoration of relations between Jakarta and Kuala Lumpur occurred after the creation of ASEAN in August 1967.

As a former colony, Malaysia was initially reliant on the United Kingdom for its security. This reliance on the West changed, however, in light of Britain’s 1967 announcement that it would withdraw all its military forces east of Suez. Originally expected for the mid-1970s, the military disengagement was moved forward to the end of 1971. This decision surprised Malaysia, which was heavily dependent on its military ties with London. In addition, Malaysia and Singapore were part of the Anglo-Malaysian Defense Agreement that also included Australia and New Zealand. The Agreement was replaced in 1971 by the consultative Five Power Defense Arrangements (FPDA), which provided no guarantees regarding the security of Malaysia. As a result, the federation began to believe that “Western security guarantees were suspect and that the state’s long-term survival depended singularly on its own actions and capacities.”

Malaysia began to give greater priority to its Southeast Asian neighbors. The formation of ASEAN in 1967 helped to relieve, rather than solve, tensions with the Philippines and Indonesia. To cooperate with Jakarta, a recent aggressor to its newly obtained sovereignty, was a calculated risk for Malaysia. ASEAN was viewed in Kuala Lumpur as an opportunity to institutionalize the end of Confrontation and improve ties with other neighboring states. However, while the overall improvement of relations should be stressed, a series of territorial disputes have continued to affect Malaysia’s links with its neighbors, and therefore the cohesion of ASEAN.

Malaysia’s support for a more neutral foreign policy was most clearly expressed through the Zone of Peace, Freedom, and Neutrality (ZOPFAN) Declaration of November 1971. At the Lusaka Non-Alignment Conference of September 1970 Malaysia had put forward a plan for neutralizing Southeast Asia with external powers acting as guarantors. The initiative had emanated from the new prime ministership of Tun Abdul Razak and had been inspired by regional changes in the political and security environment, including the gradual American withdrawal from South Vietnam. The plan met with opposition from the other ASEAN members, however. It was unacceptable, above all, to Indonesia, because it questioned that country’s natural position of regional leadership in Southeast Asia. Jakarta was pressing for its own principle of national and regional resilience, and supported an active and independent foreign policy. Singapore, Thailand, and the Philippines were also critical of the neutralization plan, but for different reasons. As they were dependent on their links with the United States to ensure their individual security, they all argued for the continued involvement of external powers. Adopted by the ASEAN members, ZOPFAN was a formulation that eventually accommodated these different security outlooks. It was a political
declaration that registered a call for regional autonomy while still avoiding the legal rights and obligations associated with the concept of neutralization. The ASEAN foreign ministers agreed that “the neutralization of South East Asia is a desirable objective and that we should explore ways and means of bringing about its realization.” In return, the Declaration did not restrict the right of member states to host foreign bases on their territory and/or rely on defense links with external powers to ensure their security.

Beyond its Southeast Asian policy, Malaysia has developed trade and diplomatic ties with developing and communist countries, thus enhancing its independence from the foreign policy models of the West. Malaysia has been an active member of the Non-Aligment Movement (NAM). It also established relations with a reunited Vietnam in 1976. Like other Southeast Asian nations, Malaysia had been historically wary of China due to Beijing’s support for communist insurgency groups in Southeast Asia. Yet, Kuala Lumpur still took the initiative in promoting greater ties with the PRC and in integrating the country deeper into the region. Malaysia was the first Southeast Asian country to establish formal relations with China in May 1974, during the visit of Prime Minister Tun Abdul Razak to Beijing. A Malaysian Embassy was also opened in the Chinese capital. The Malaysia–China Joint Communiqué “became the standard text for all the ASEAN countries when they normalized relations with China.” The perception of China as a threat to Southeast Asia eventually declined in the late 1990s, in part due to China’s “charm offensive” as well as the helpful response Beijing provided following the East Asian financial crisis of 1997–8.

Since gaining its independence, Malaysia has become one of Southeast Asia’s most influential economic and political players. While it faces domestic problems, including poverty, government corruption, and the potential for racial tension (as dramatically illustrated by the racial riots of May 1969), the Malaysian Federation has generally been perceived as economically stable and successful since its formation in 1963. In particular, the country’s stability has led to significant economic growth since the 1970s. By adopting the “Look East” policy, Malaysia “grew as one of the world’s more successful developing countries and weathered the Asian financial crisis of the late 1990s better than most of its neighbors.” The country has additionally ranked in the world’s top twenty exporters, an achievement first realized under the leadership of Prime Minister Mahathir Mohamad. However, its prosperous future has in recent years been questioned due to economic difficulties, corruption, a widening income gap, and ongoing political instability.

In terms of natural resources, Malaysia is in a better position than many of its neighbors. Once considered strategically valuable for its tin and rubber industries, it has additionally become an important exporter of oil and natural gas. It has some of the largest proven reserves of oil and gas among the Southeast Asian states. Indonesia remains, however, the largest oil-producing country in Southeast Asia, although it became a net importer of the commodity in 2006 and eventually quit as the sub-region’s only member of the Organization of Petroleum Exporting Countries (OPEC) in 2008 after forty-six years. Malaysia’s extraction of oil accounts for a large percentage of the entire Southeast Asian production, and it
remains the sub-region’s largest net exporter of oil. This has placed Malaysia in contention with a few of its neighbors, particularly as its wealth of natural resources relies partly on its offshore claims. Under the continental shelf provisions of the 1982 United Nations Convention on the Law of the Sea (UNCLOS), Malaysia lays claim to twelve islands in the Spratly chain. However, its construction and development on the Spratlys have raised criticism from the Philippines and other claimants. Malaysia’s seizure in March 1999 of Investigator Shoal, claimed by the Philippines, strained relations with Manila but was also criticized by Vietnam, Brunei, and China. Likewise, many of Malaysia’s natural gas fields, located off Sarawak, fall directly under Chinese claims.

The territorial disputes in the South China Sea led Malaysia to retain a cautious approach to China during most of the 1990s, especially in light of its military buildup in the Spratlys. Yet, their relationship has improved since the late 1990s. While Malaysia was traditionally critical of China’s actions in the Spratlys, its diplomatic stand on the South China Sea has gradually changed and come closer to the Chinese position. Malaysia has refused, for example, to address the question of sovereignty. It has favored bilateral negotiations with China and preferred to avoid a constraining regional code of conduct or external mediation. For instance, at an informal ASEAN summit held in Manila in November 1999, Malaysia dissented from a code of conduct promoted by the Philippines and supported by Vietnam. The proposed code of conduct was an attempt to manage the South China Sea question peacefully by preventing a deterioration of the situation. In particular, it aimed to avert the additional occupation by the claimant states of disputed and still uninhabited features. Though not a binding document, it tried to move beyond the simple assertion of standard principles and proposed joint development of the Spratly Islands. The PRC joined Malaysia in rejecting the Filipino proposal.

Sino-Malaysian ties have continued to improve over the last decade. In 1999, Malaysia and China upgraded their relationship, agreeing to improve their defense cooperation through “the exchange of information and intelligence, reciprocal personnel and ship visits and training.” In addition, the PRC supported Malaysia’s initiative for an East Asian Economic Group (EAEG) that would have excluded non-Asian states. First initiated by Malaysia in 1990, the EAEG lapsed after a strong US objection as Washington refused to be excluded from East Asian economic cooperation but also as a result of coolness within ASEAN. In response, Malaysian Prime Minister Mahathir Mohamad modified it to an East Asian Economic Caucus (EAEC) in October 1991. The project was revived through the creation of the ASEAN + Three (China, Japan, and South Korea) summit of heads of state and government that first met in Kuala Lumpur in December 1997. It was decided a year later in Hanoi that the summit would be held annually. Yet, Malaysia’s proposal for setting up an ASEAN + Three Secretariat in Kuala Lumpur was rejected during the 2002 AMM, as the other ASEAN members feared that it would undermine the significance of the ASEAN Secretariat in Jakarta. Finally, Beijing strongly supported the Malaysian initiative to establish the East Asia Summit (EAS). The inaugural session of the EAS took place on December 14, 2005 in Kuala Lumpur.
and gathered the ten ASEAN members, China, Japan, and South Korea, as well as Australia, New Zealand, and India.

In essence, Malaysia has kept its foreign policy priority of maintaining territorial integrity and sovereignty over what it perceives to be its territory. As a result, it has continued to “procure the advanced air and naval assets that will enable it to protect its territorial claims and offshore resources, including oil and gas reserves.” Moreover, despite its often anti-Western rhetoric, Malaysia has perceived the US presence in Southeast Asia as necessary to preserve regional stability. Following the American withdrawal from the Philippines in 1992, Malaysia was, for example, prepared to provide access to the US Navy. The Royal Malaysian Navy had conducted annual joint exercises with the US Navy since 1984.

**Brunei**

Brunei’s historical survival as a separate entity cannot be detached from its links with the United Kingdom. A treaty relationship was first established in 1847, and London extended its protection over the sultanate in 1888 when it took charge of its defense and external affairs. While never a colony, Brunei came under British residency in 1906. The production of oil in the sultanate first started in 1929. Bilateral ties with London were redefined in 1959 when a resident was replaced by a high commissioner. It was then agreed that London would be responsible only for Brunei’s defense, including internal security, and foreign affairs. Brunei’s ambiguous status, limited territory, and formidable wealth complicated its relations with its neighbors. Despite its small population (roughly 370,000) and territory, which is also divided in two by the Limbang River Valley, which became part of Sarawak in 1890, the sultanate’s economy has been exceptionally prosperous due to its large oil and natural gas reserves.

In May 1961, Malaya’s prime minister, Tunku Abdul Rahman, officially announced his proposal to establish a wider federation that would unite Malaya, Singapore, Sarawak, Sabah, and Brunei. Sir Omar Ali Saifuddin, the Sultan of Brunei, showed an initial enthusiasm for the project. Brunei’s small territory and wealth made it vulnerable to external aggression, and independence was not perceived as a viable option. Yet, by June 1963, negotiations were facing difficulties over disagreements regarding the distribution of oil revenues and the question of the Sultan’s order of royal precedence among the rulers of Malaysia that would determine the king of the federation on a five-year rotating period. The negotiations were eventually interrupted and Malaysia was established in September 1963 without the participation of Brunei, which preserved its political and defense links with the United Kingdom. Brunei eventually gained full sovereignty on January 1, 1984 and officially joined ASEAN six days later. In the same year it joined the United Nations, the Commonwealth, and the Organization of the Islamic Conference. By 1992, it had also become a member of the Non-Aligned Movement. Membership in these organizations has strengthened and secured, at least to some extent, its international recognition and independence.
In addition to ASEAN diplomacy, Brunei has relied on external ties and its own military capabilities to guarantee its security. A private defense cooperation agreement was reached with London in 1983 that ensured the presence of a rotating 1,000-man battalion of the Gurkha Rifles under British command in Brunei. The agreement was renewed in December 1994 in light of the withdrawal of the Gurkha Brigade from Hong Kong by June 1997. These troops remain under British command and are meant to deter potential external intervention. Brunei has also established since the mid-1960s close political and military ties with the Republic of Singapore. Though links have remained discreet, Singapore and Brunei share a common strategic perspective and comparable security interests. From the early 1970s, bilateral relations started to involve military contacts, including defense agreements, joint exercises, and the presence of troops of the Singapore Armed Forces (SAF) in Brunei. The SAF has maintained several hundred soldiers in the country in training in a jungle camp first made available by the Sultan in the late 1960s. Excellent diplomatic relations have also been maintained between Brunei and Singapore. Finally, in addition to external ties, the sultanate has developed a limited military capability independent of the Gurkha battalion. The Royal Brunei Malay Regiment was established in 1962 and it has slowly evolved into a small but well-equipped military force. Increases in military spending have provided the Regiment with helicopters, communication equipment, and other supplies. The military buildup has been connected to governmental oil revenues.

Brunei is a party in the South China Sea disputes as it has conflicting claims with the Philippines, Malaysia, China, and Taiwan. In 1988, the sultanate established an exclusive economic zone of 200 nautical miles that extends to the south of the Spratly Islands and comprises Louisa Reef. Yet, the sultanate does not claim the reef as such and Brunei ratified UNCLOS in 1996. It is the only party involved in the disputes to not control features. Still, the issue has complicated relations with China and the other ASEAN claimant states.

Conclusion

This chapter has discussed the territorial considerations, energy concerns, and power calculations of the various claimant states before examining how these factors might be influencing relations with other regional nations. The supply and access to energy have become rising concerns for China and Japan. Energy supply is critical to sustained economic growth, on which the legitimacy and survival of the Chinese Communist Party depend. Largely considered resource-poor, energy remains a significant issue for Taiwan. China is perceived regionally as a potentially threatening rising power, while Japan is viewed increasingly as adopting a more assertive foreign policy. That said, Sino-Japanese relations have improved since late 2006, leading to the successful visit of Chinese President Hu Jintao to Japan in May 2008. Political uncertainty in cross-straits relations makes self-defense against a possible attack or invasion by China still the main priority for Taiwan. It is assumed, however, that ties with the mainland will continue to improve under the Ma Ying-jeou administration. Access to energy has also become a rising concern.
for Malaysia, the Philippines, and Vietnam. As developing nations, the three Southeast Asian countries are in need of access to oil and gas at a reasonable price to sustain their economic growth. Yet, in contrast to Japan and Taiwan, they are also important oil producers. Brunei’s resource-rich economy continues to afford its small population high living standards. Finally, one observes a diffusion of the China threat perception in Malaysia, the Philippines, and, to a lesser extent, Vietnam. China is now more often discussed in terms of being an economic rather than a military threat. At the bilateral and multilateral levels, the three Southeast Asian countries have significantly improved their relations with Beijing in recent years. Hanoi and Manila remain, none the less, concerned about China’s actions in the South China Sea.
3 The Senkaku/Diao yu dispute

Introduction
The sovereignty dispute over the Senkaku/Diao yu Islands is one of the most contentious in East Asia. The People’s Republic of China (PRC) and the Republic of China (ROC) have each laid similar claims to the islands in an issue that remains unresolved with Japan. The conflict has periodically hampered Sino-Japanese relations since the resurgence of the issue in the early 1970s. The PRC and Japan were able to shelve the debate to normalize their relations in 1972. Yet, the hope of former Chinese leader Deng Xiaoping that a future generation would be able to resolve the matter has been left unrealized. Historical enmity combined with rising nationalist and material interests has led one analyst to proclaim that “if there is a flashpoint to ignite a third Sino-Japanese War, it will be the ownership of the Diao yu Islands in the East China Sea.”

The Senkaku/Diao yu conflict revolves around a series of small and unoccupied islands. The island cluster is approximately 120 nautical miles northeast of Taiwan, 200 nautical miles east of China and 200 nautical miles southwest of Okinawa. Five are considered islets while three are identified as barren rocks. In total, their land amounts to just seven square kilometers. The Senkaku/Diao yus are considered valuable, however, as they are strategically located near vital sea lines and are suspected to be atop a significant amount of natural resources. Moreover, the disputed islands are significant in view of their potential value in maritime boundary delimitations. The strategic, economic, and territorial importance of the islands is matched by their symbolic significance to China, Japan, and Taiwan. Furthermore, resolution of this dispute will have a bearing on other territorial claims made by the contenders, making concession unlikely.

This chapter asserts that territory, natural resources, and power competition are all driving forces in the Senkaku/Diao yu dispute although their operations have varied from escalating to neutralizing in terms of impact. The influence of the three components of geopolitics, fueled by their actual or potential escalating influence, has continued to make the Senkaku Diao yus a fragile and volatile maritime territorial dispute in East Asia. Circumstances pertaining to the dispute have echoed domestic nationalist sentiments, threat perceptions, and energy pressures in China, Japan, and Taiwan, as well as the increased importance of such considerations in bilateral and trilateral relations. Significantly, however, a
diffusion of tensions over the Senkaku/Diao yu dispute has been observed since 2006, coinciding with an improvement in Sino-Japanese relations. None of the parties is willing to yield on the crucial point of sovereignty, making the eventual fate of the islands uncertain. The dispute over sovereignty has caused repeated diplomatic rows as well as clashes on the ground between China and Japan. The disputed territory has also evoked strong nationalist sentiments in the claimant states. While Chinese and Japanese officials have at times relied on nationalist rhetoric to gain domestic support, governments have generally sought to monitor patriotic nationalism in order to maintain stable diplomatic and economic relations. In that sense, it is argued that the territorial dimension has fluctuated between operating as an escalating and a neutralizing factor, depending on the state of Sino-Japanese relations and domestic political circumstances. The Senkaku/Diao yu dispute has also been influenced by the possible access to gas and oil deposits as well as fisheries. The energy attribute is analyzed in this chapter as a factor traditionally fluctuating from escalating to neutralizing levels in terms of its impact on the Senkaku/Diao yu dispute. Some de-escalating trends have, however, been observed since late 2006, leading to the signing of a Sino-Japanese agreement on the joint development of gas deposits in the East China Sea in June 2008. Finally, in terms of the power distribution, Japan is in physical control of the disputed islands and has superior defense capabilities and equipment relative to the other disputants. Yet, the power asymmetry is gradually shifting toward growing naval competition, as China continues to make advances in strengthening its naval capability. The dispute is thus affected by the Chinese naval buildup and its wider strategic aspirations in the East China Sea. As a result, it has been fueled in the post-Cold War era by rising power competition.

**Territory**

Japan has been in physical control of the Senkaku/Diao yus since 1972. This followed the conclusion of the Okinawa Reversion Treaty in 1971. In that agreement, control of the islands and neighboring Okinawa was returned to Japan after having been administered by the United States since the end of the Second World War. Prior to this period, the Senkaku/Diao yu Islands were also widely considered to be Japanese territory, having been incorporated into the country at the end of the nineteenth century. However, controversy over the circumstances at the time of both Japan’s incorporation of and the reversion of the islands has left the dispute open to Chinese claims. When discussing the latter, “China” is understood to be inclusive of both the PRC and the ROC, as their claims are the same and are generally considered as one.

China’s case rests on the principles of historical discovery and usage, dating back to the Ming Dynasty. Beijing contends that the Senkaku/Diao yus were first found by Chinese fishermen traveling to the Ryukyu/Nansei Island chain. The PRC states that references to Senkaku/Diao yu were recorded as early as the sixteenth century. It is argued that Chinese fishermen demonstrated effective control over the islands by using them as navigational aids and shelter for more than five centuries. In the
In 1893, Qing Dynasty Empress Dowager Tsu Hsi issued an imperial edict to one of her subjects, Sheng Hsuan-huai, granting him some of the islands as private property to collect rare medicinal herbs. The discovery of the islands combined with this official act constitutes the thrust of China’s historical claim to sovereignty today. In short, China argues “that from 1372 to 1895, the country maintained a ‘continuous and peaceful display of territorial sovereignty’ over the Tiao yu Islands in the only conceivable forms, given the conditions of such desolate islands and the pre-industrial age.”

China argues that the islands were ceded to Japan, as part of Taiwan, under the Treaty of Shimonoseki following the end of the Sino-Japanese War in 1895. Yet, this Treaty was reversed in 1943. The Cairo Declaration demanded the return of territory claimed by Japan through “violence or greed.” The Potsdam Declaration of 1945, issued by the United States, the United Kingdom, and China, further limited Japan’s sovereignty to “the islands of Honshu, Hokkaido, Kyushu, Shikoku and such minor islands as we determine.” When the San Francisco Peace Treaty was signed in 1951, Japan renounced all claims over Taiwan. Yet, the Senkaku/Diao yu Islands remained in US control. At issue therefore is whether the Treaty of Shimonoseki should be interpreted as inclusive of the Senkaku/Diao yu Islands. As Taiwan is the nearest territory to the disputed territory, China concludes that the Treaty was referring to the Senkaku/Diao yus when including Taiwan’s “appertaining islands.”

In refutation, Japan asserts it had already legally acquired the islands in January 1895. It further claims that even if China had discovered the Senkaku/Diao yus, merely seeing an island cannot in itself demonstrate the intention of establishing sovereignty. Instead, according to Japan, the islands were surveyed in the final years of the nineteenth century and found to be unoccupied, with no signs of formal control. Considered to be terra nullius, the islands were incorporated into the Okinawa Prefecture through a cabinet decision unrelated to the Sino-Japanese War and the Shimonoseki Treaty. In 1896, the country leased the islands to Koga Tatsuhiro, and for thirty years he ran a fish and bird canning industry there. Other evidence of control presented by Japan includes “formal incorporation of the islands into Japanese local administrative units, actual surveys of land by government agencies, the institution of leasing land, and the approval by local government of academic investigations, rescue operations and weather stations.” From the 1950s, the islands were leased to the American Civil Administration for $11,000 per annum for its use in military exercises. Japan consequently argues that the Treaty of Shimonoseki is inapplicable to the dispute. Moreover, the Shimonoseki, Cairo, Potsdam, and San Francisco treaties all appear to be unclear on the subject, as they fail to mention the Senkaku/Diao yu Islands by name. According to Japan, the only treaty that does explicitly list the islands is the Okinawa Reversion Treaty.

Critical to any discussion of the dispute is the role of the United States. With the onset of the Korean War and the rise of communism in the region, China was seen as one of the biggest threats to American goals. Washington therefore focused on strengthening its relations with Japan as a potential counterweight to China and...
the Soviet Union. Okinawa gained in strategic importance to the US as one of its “important defense points.” Accordingly, when the San Francisco Treaty was drafted, the United States retained Okinawa and Senkaku/Diao yu for security reasons. Twenty years later, control of Okinawa was returned to Japan. This move allowed Washington to preserve its access to military bases on the islands, while appeasing anti-American sentiments in Japan. However, as the Senkaku/Diao yu Islands were included in the Okinawa Reversion Treaty, China quickly voiced its concerns. For nearly thirty years, the United States had implicitly associated the islands with Okinawa. This is evident in US government publications and the policy stances of the Eisenhower, Kennedy, and Johnson administrations. Yet, President Richard Nixon’s attempts in the 1970s to normalize relations with the PRC meant that Washington could not sustain this position. Additionally, the United States had an important defense partnership with Taiwan. Thus, in 1972, Washington contradicted itself and advocated neutrality. It stated that only “administrative rights” over the Senkaku/Diao yu Islands had been transferred to Japan in the Reversion Treaty. By doing so, the US avoided the controversial question of sovereignty.

The Senkaku/Diao yu territorial dispute also affects related maritime questions. Without knowing the eventual fate of the islands’ sovereignty, border demarcation between China and Japan in the East China Sea is left open to dispute. The United Nations Convention on the Law of the Sea (UNCLOS) is unclear on the matter. Under the Convention, islands are entitled to the normal maritime zones afforded coastal states: a 12-nautical-mile territorial sea, a 12-nautical-mile contiguous zone, a 200-nautical-mile exclusive economic zone (EEZ), and a continental shelf up to 350 nautical miles. However, Article 121, Paragraph 3 of UNCLOS stipulates: “Rocks which cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.” Yet, the definition of the term “rock” is open to interpretation, as are the exact requirements prescribed to “sustain human habitation or economic life.” Moreover, as described by Charney, the Articles of the Convention that address maritime boundary delimitation are “general and indeterminate.”

Complicating the issue further is the presence of the Okinawa Trough in the continental shelf of the East China Sea. Water depth for most of the semi-enclosed sea rarely reaches more than 200 meters, but it drops off steeply to 2,300 meters in the trough, which is located substantially east of the equidistant line between Japan and China and is thus closer to the former. Depending on the circumstances, such geological features are not always taken into consideration in delimiting maritime borders. Yet, the Okinawa Trough is a particularly significant feature, as there is little doubt that it marks the end of the natural prolongation of the Asian land mass. It is thus critical when it comes to the delimitation of maritime boundaries in the East China Sea and it should greatly impact China’s and Japan’s continental shelf claims. Overall, the interpretability of existing law has led Tokyo and Beijing to take substantially different approaches to the issues of the islands’ status, baselines, continental shelf demarcation, and territorial sea boundaries.
Japan argues that the Senkaku/Diao yu Islands can be considered as islands capable of generating both an EEZ and a continental shelf. Tokyo extends its claims to the East China Sea by using the islands as its base points and takes the Okinawa Trough as merely an incidental depression in the East China Sea’s continental shelf. As a result, it advocates that a median-line division be used to determine the maritime boundary between itself and China.\textsuperscript{22} Significantly, while the Senkaku/Diao yu Islands are beyond the territorial seas of China and Japan, they lie on the western side of the trough. Hence, without ownership of the islands, Japan’s boundary could be limited and the country may have “no legal claim to any share in that part of the continental shelf.”\textsuperscript{23} Conversely, if the islands are rightfully Japanese, the trough would “probably not pose an obstacle to linking the maritime zones generated from the Ryukus and the Senkakus.”\textsuperscript{24} Sovereignty over the islands is therefore imperative to Japan’s larger seabed claims.

In contrast, China asserts that the Senkaku/Diao yu Islands should be considered as rocks. By arguing that the continental shelf is a natural extension of its own continental territory, the PRC is able to assert substantial claims over the East China Sea.\textsuperscript{25} If recognized, such claims could support the argument that the Okinawa Trough should be used as the natural marker dividing the countries’ continental shelves. This would push the maritime border closer to Japan. It is on these bases that the Chinese government has stated that “The People’s Republic of China has inviolable sovereignty over the East China Sea continental shelf.”\textsuperscript{26} Even if the islands were ignored completely when deciding the maritime boundary between Chinese and Japanese territory, the two would still find themselves in conflict over the range of their EEZs. As the distance separating the coasts of the two is less than 400 miles at the widest point, the claims of each to their respective 200-nautical-mile EEZ inevitably overlap.

China’s formal protests contesting Japanese sovereignty over the Senkaku/Diao yu Islands were filed following a 1968 United Nations Geological survey that estimated that large reserves of oil and gas were present in the surrounding area. Not until 1970 did both the PRC and the ROC claim that the Senkaku/Diao yu Islands were part of Taiwanese territory. Until then, Japan did not pay much attention to the islands either, and China had arguably forgotten its own historical claims. Suganuma notes, “The Diao yu Islands seemed to be worthless to both countries prior to 1969.”\textsuperscript{27} Yet, after realizing their economic significance, Chinese protested against the Japanese occupation of the Diao yu Islands. The Chinese Ministry of Foreign Affairs (MFA) proclaimed that the islands “have been an inalienable part of Chinese territory.”\textsuperscript{28} Tensions later subsided as both sides worked to normalize their relations in 1972. It was agreed that the dispute would be shelved, and drilling in the disputed area ceased.

However, exacerbated by historical grievances and nationalism, the Senkaku/Diao yu dispute has continued to reassert itself since the 1970s. In 1978, while China and Japan were negotiating their Peace and Friendship Treaty, Japanese politicians opposed to the Treaty demanded that the Senkaku/Diao yu conflict be resolved as a prerequisite. In the spring of that year, the right-wing Japanese Youth Federation erected a lighthouse on the islands. This drew eighty armed Chinese
fishing boats to the disputed area. Animosity had reached boiling point by the summer. Yet, the advantages provided by the Peace and Friendship Treaty led to the deferral of the issue in favor of increased bilateral trade and cooperation. Deng Xiaoping, China’s vice-premier at the time, again reiterated the policy shared by both governments of shelving the issue, noting that “Our next generation will certainly be wiser. They will find a solution acceptable to all.” In general, despite the link made to territorial sovereignty, the dispute avoided severe escalation in the 1970s and 1980s through both economic and political cooperation.

An increase in the number of clashes began in the 1990s, however, as distrust between China and Japan rose. With the collapse of the Soviet Union, China and Japan had by then lost their common strategic outlook. Likewise, the rise of China challenged Japan’s position of regional leadership, particularly as the former’s rise was matched by the latter’s relative decline. Additionally, increasing energy usage by China exacerbated Japan’s insecurity by increasing competition over existing oil and gas reserves. As such, the deteriorating environment opened the way for nationalism and historical issues to play larger roles in bilateral relations. Diplomatic ties between China and Japan reached their lowest point in decades. Specifically, in the fall of 1990, the Japan Maritime Safety Agency moved to grant official status to the lighthouse erected on Senkaku/Diao yu in 1978. This sparked protest from overseas Chinese. Less than two years later, Beijing passed the Law on the Territorial Waters and Contiguous Areas. It circumscribed not only the Senkaku/Diao yus but most of the South China Sea in its territorial claims. Moreover, the PRC asserted its right to use military force against perceived violators. In response, the Japanese Ministry of Foreign Affairs (MFA) declared: “There is no doubt that Senkaku Shoto are uniquely Japanese territory . . . The present Chinese Act is very regrettable and [we] demand correction.” Fearing that the dispute might undermine China’s economic development, the Chinese MFA downplayed the law’s importance, largely retracting its resurgent assertiveness.

In 1996, Japan ratified UNCLOS and declared an EEZ around the islands, despite warnings from the Chinese government. The controversy resulted from the fact that the disputed Senkaku/Diao yu Islands were used by Tokyo as baselines for its claimed EEZ. When the Japanese Youth Federation constructed a second lighthouse on the islands that year, protests in Taiwan and Hong Kong soon followed. This led to confrontations between the Japanese Marine Self-Defense Force and protesters from Hong Kong and Taiwan. Grassroots anti-Japanese demonstrations were also held around the world, with a Vancouver protest attracting 20,000 participants. Hong Kong activist David Chan drowned while trying to reach the islands. The China People’s Daily editorialized that “No Chinese will surrender the country’s territory and sovereignty to anyone. If anybody dares to do so, he will be cursed for centuries.” In 1997, a Japanese legislator landed on one of the islands, causing the Chinese government to denounce the act as an “illegal landing” and a “fundamental violation of China’s territorial sovereignty.” A thwarted landing by Chinese activists in the same year prompted the Chinese government to warn that the “Diao yu matter will definitely affect the normal development of Sino-Japanese relations.”
The situation continued to worsen over the following years. Chinese scientific and navy ships were repeatedly spotted in the disputed areas from 1998, and a landing by Chinese activists on the Senkaku/Diao yus in March 2004 again escalated the dispute. The Japanese arrested the seven activists, who were deemed to be in violation of immigration regulations, and lodged an official protest with Beijing. In return, the PRC condemned the arrest of the activists. In May 2004, China and Japan were embroiled in a spying controversy involving the communications officer of the Japanese Consulate in Shanghai. The officer claimed in a suicide note to have been coerced by a Chinese man into providing classified diplomatic information, including on Japan’s policy on the Senkaku/Diao yu Islands. The level of tension was raised further due to the incursion of a Chinese Han-class nuclear-powered submarine into Japanese territorial waters off the island of Okinawa in November 2004, causing the Japanese to issue a rare maritime alert. The Chinese later admitted that the submarine was theirs and expressed regret over the incident, declaring that the accidental incursion was due to “technical reasons.”

Since then, the Japanese have continued to detect vessels from the People’s Liberation Army Navy (PLAN) as well as Chinese oceanic survey ships intruding in their claimed EEZ near the Senkaku/Diao yu Islands.

In February 2005, the Japanese placed a lighthouse built by activists in 1988 on the largest of the Senkaku/Diao yu Islands under state control. Tokyo claimed that the activists were no longer in a position to run it. Having abandoned their right of possession, Japan argued that the lighthouse had simply been transferred to the state. Vice-Minister for Foreign Affairs Shuzen Tanigawa declared that “Japan has been saying that [the islands] are traditional Japanese territory,” adding that, “even if we have some trouble, we are going to protect what we have to protect.”

In response, a Chinese Foreign Ministry spokesperson reiterated China’s historical claim to the islands and labeled any unilateral action as “illegal and invalid.”

Another low point was reached in the first half of 2005. Combined with the contentious history textbook and wartime reparation controversies, “[s]immering bilateral tension came to a boiling point in April 2005 when a series of violent anti-Japanese rallies broke out in the major cities of China.” Rising nationalism resulted in serious demonstrations in the PRC. Protesters demanded that Japan’s bid to become a permanent member of the United Nations Security Council (UNSC) be rejected and Japanese products boycotted. The situation was exacerbated in July 2005 when Tokyo authorized the Teitoku Sekiyu Company to drill in a contested area of the East China Sea for the purposes of extracting natural resources from the seabed. The Chinese formally protested, stating that “Japan’s actions constitute a severe provocation to the interests of China as well as the norms governing international relations.” Moreover, in August 2005, Taiwanese President Chen Shui-bian set foot on Pengjia Islet to reiterate ROC claims of sovereignty over the Senkaku/Diao yus. This came in the wake of clashes between Taiwanese fishermen and the Japanese Coast Guard the previous month, part of a long-running dispute over fishing rights.

In response to the Japanese exploratory drilling, five Chinese naval vessels, including a guided-missile destroyer, were spotted near the Shirakaba/Chunxiao...
gas field in September 2005. One of the warships even allegedly pointed its guns at a Japanese P3-C surveillance aircraft. China also increased, in 2005, the number of military surveillance flights into the disputed airspace. Bilateral tensions intensified when Japanese Prime Minister Junichiro Koizumi visited the Yasukuni War Shrine in October. In December, Minister for Foreign Affairs Aso Taro declared that the military buildup of China was a threat to Japanese interests. Tokyo then suspended its loans to China, prompting Beijing to cancel high-level meetings with Japan.45 Taiwan reasserted its own claims to the disputed area by “vowing to send patrol vessels to protect its sovereignty over oil and gas reserves.”46 All of this meant that 2005 was one of the worst years in Sino-Japanese diplomatic relations.47 However, since 2006, tension over the Senkaku/Diao yuys has decreased. Both sides have focused on resolving the ongoing dispute over oil and gas in the East China Sea, meeting, for example, for fourth and fifth rounds of talks in March and May 2006, respectively. Shinzo Abe’s assumption of the Japanese premiership in late September 2006 boosted bilateral ties, with his symbolic visit to China in October 2006 described by Chinese President Hu Jintao as a “turning point” for Sino-Japanese relations. For the first time, a Japanese premier had chosen China over the United States as the destination for his first overseas trip after assuming office. The reduction in tension was visible in the relatively muted response from China to a naval exercise, jointly conducted by the Japanese Maritime Self-Defense Force and the US Navy, simulating a hypothetical invasion of the Senkaku/Diao yu Islands in late December 2006.48 The response from both sides to the Japanese Coast Guard preventing an attempted landing by Hong Kong activists in late October 2006 to mark the tenth anniversary of the death of David Chan displayed a similar lack of tension.

Sino-Japanese relations warmed further after Prime Minister Yasuo Fukuda took over from Shinzo Abe in September 2007. Especially significant was Chinese President Hu Jintao’s return visit to Japan in May 2008, reciprocating Fukuda’s visit to the PRC of December 2007. This was the first Japanese tour by a Chinese president in almost a decade and was touted as heralding a “warm spring of friendship” between the two nations. Prior to the visit, a Chinese Foreign Ministry spokesperson had commented on the East China Sea issue stating that “the foreign ministries of both countries had recently had ‘beneficial and deep’ discussion on the issue and made some active progress, and China is ready to make joint efforts with Japan to find a mutually acceptable solution.”49 During Hu’s visit, a joint statement on “advancing mutually beneficial relations” was signed, providing the guiding principles for the long-term development of bilateral ties. This included a mechanism for a regular exchange of visits between the leaders of the two countries. In June 2008, Japan and the PRC finally reached an agreement to pursue joint development in the East China Sea.

Furthermore, the victory of the Kuomintang (KMT) candidate, Ma Ying-jeou, over Frank Hsieh, the Democratic Progressive Party (DPP) runner, in the March 2008 presidential elections in Taiwan was perceived regionally as likely to contribute to an overall improvement in cross-strait relations and perhaps even
to a diffusion of the Senkaku/Diao yu dispute. Some Japanese commentators still expressed concern, however, over President Ma’s support for Taiwanese sovereignty claims over the islands. Ma had led a student protest against Japan over the issue in 1971 and had reiterated his support for the ROC’s claims during a high-profile visit to Japan in 2007. He had even written his doctoral dissertation at Harvard University on the subject.

It is interesting to note that Japanese–Taiwanese tensions over the Senkaku/Diao yu Islands increased after a Taiwanese fishing vessel sank in the vicinity having collided with a Japanese patrol boat on June 10, 2008. The incident provoked an angry response in Taiwan and demands for an outright apology when the Taiwanese crew insisted that the Japanese vessel had rammed them on purpose. The Japanese subsequently admitted that they had been at fault and expressed regret at the incident. Still, some Japanese commentators accused Taiwanese legislators of jumping at the chance to “fan nationalism” over the issue. The Taiwanese envoy to Japan, Koh Se-kai, subsequently resigned after he was accused of mishandling the affair. Vessels carrying Taiwanese nationalists were also escorted by several Taiwanese patrol boats into Japanese waters on June 16, 2008. The Taiwanese response to the unintentional sinking was perceived as signaling a strategic shift in Taipei’s policy vis-à-vis Japan, with the new KMT government’s top priority being to forge closer ties with Beijing.

Having reviewed events in the East China Sea since the late 1960s, let us further discuss and interpret the role of sovereignty and nationalism in the Senkaku/Diao yu dispute. For the most part, conflict between China and Japan has remained at the rhetorical level. Despite government manipulation of patriotic nationalism, political leaders have sought to maintain stable diplomatic ties during critical moments of the dispute. Consequently, nationalist movements within each country are often perceived to present more of a problem than the governments themselves. The governments in China and Japan, while not conceding any ground on the issue of sovereignty, have sought to avoid a clash of arms over the Senkaku/Diao yu Islands. Politicians recognize that the Sino-Japanese relationship is too important to risk being damaged by the territorial dispute. In essence, economic integration and regional dependency for development have worked as constraints on the conflict.

During the 1970s and 1980s, nationalist sentiments over Senkaku/Diao yu were largely calmed by deferring the dispute and concentrating on the long-term goal of ensuring a stable diplomatic relationship. In the 1990s, China also worked quickly to mitigate the dispute, even censoring media coverage of overseas demonstrations so as not to inflame its own activists. The government also reportedly refused to let protesters demonstrate. In 2006, it restricted media coverage of Junichiro Koizumi’s visit to the Yasukuni War Shrine. Thus, throughout the course of its relations with Tokyo, the Chinese government has demonstrated its willingness to put its own nationalist credentials at risk by seeking to calm the situation. When forced to choose, “Chinese leaders pushed economic development at the expense of nationalist goals.”

Such actions have been considered largely unsatisfying to domestic nationalists in China and viewed as contradictory to the government’s declarations of
nationalism. On the one hand, the invocation of nationalism has offered Chinese officials an easy way to divert blame for the failure of their own policies and to bolster regime legitimacy. Historical claims and resentment toward Japan allow the government to motivate and unify its people. Yet, such nationalism is tightly monitored by the government and primarily aimed at a domestic audience. It thus serves as a political tool to increase support for the government and create a sense of domestic accord. When brought to the international level, China has toned down its rhetoric, however. Sino-Japanese relations might indeed be harmed by inflammatory statements. In addition, the government fears that any public debate on the issue may turn to critiques of it and calls for democracy. Consequently, although the Senkaku/Diao yu dispute has continued to provoke strong domestic nationalist sentiments, the Chinese government has sought to maneuver both their direction and their impact.

In contrast to China, Japan’s democratic nature may work to escalate the dispute. The same has arguably proved true for Taiwan. Politicians must cater to the demands of their constituencies. This allows nationalist interests to gain a larger voice. Valencia writes that “in Japan, numerically small but well-organized and funded rightists make ‘surrender,’ or even concession on sovereignty claims, politically difficult if not impossible.” This is particularly the case when politicians are facing tough re-election campaigns and cannot afford to look weak on matters of territorial sovereignty. For example, Koizumi’s visits to the Yasukuni Shrine were “apparently calculated to please conservatives in the Liberal Democratic Party.”

In sum, neither China nor Japan has backed down on its sovereignty claims. No concession has been made over the fundamental question of rightful ownership. While China has settled seventeen of its twenty-three territorial disputes since 1949, Beijing has offered no compromise on the Senkaku/Diao yu Islands. For its part, Japan is hesitant to admit that its claims are in question. As neither power is open to negotiation on the issue, the entire sovereignty dispute remains at an impasse. The dispute over sovereignty has caused repeated diplomatic rows as well as clashes on the ground between China and Japan, although a significant diffusion of tension has been noted since 2006. With regards to their sovereignty claims, the Chinese and Japanese governments have generally sought to control domestic nationalist movements and monitor their patriotic rhetoric in an attempt to maintain stable bilateral relations. However, officials have at times used and manipulated popular nationalist sentiments invoked by the Senkaku/Diao yu issue to gain domestic support. In short, the territorial dimension has fluctuated in its impact on the dispute between operating as an escalating and a neutralizing factor, depending on the state of Sino-Japanese relations and domestic political circumstances. In that sense, the territorial attribute continues to have the potential to act as a serious escalating and volatile factor in the dispute.

Natural resources

The Senkaku/Diao yu dispute is influenced by access to gas and oil deposits as well as fisheries. Oil and gas reserves are suspected to lie not only in the area
immediately around the islands but in the surrounding seabed. Access to such resources would help sustain the economies of both China and Japan. Likewise, dependency on fisheries is becoming more pressing amid increasing global consumption. While China and Japan signed a fisheries agreement for the East China Sea in June 2000, fishing disputes have remained common in the disputed areas. The sovereignty dispute is therefore in part a dispute over control of offshore resources. If either China or Japan were to establish sovereignty over the islands, they would be entitled access to approximately 11,700 square nautical miles of maritime space. Oil present in the region has been estimated to be between 10 and 100 billion barrels’ worth, with estimates towards the upper end of this scale. The countries differ considerably in their estimates of natural gas. For example, in the case of the Shirakaba/Chunxiao field, Japan estimates some 200 billion cubic meters while China estimates just 20 million.

A 1967 report by Hiroshi Niino and K.O. Energy first identified the potential of the area. It proclaimed the East China Sea to be “one of the most potentially favorable but little investigated” continental shelves worldwide. The much-publicized 1969 seismic study of the East China and Yellow seas stated that “the shallow sea floor between Japan and Taiwan might contain one of the most prolific oil and gas reservoirs in the world, possibly comparable with the Persian Gulf area.” As Suganama writes, the study further identified “the most favorable part of the region for development . . . as a 200,000-square-kilometer area just northeast of Taiwan or almost exactly the location of the Diaoyu Islands – where the Neogene sediment is more than 2,000 meters thick.” In 1970, Yutaka Ikebe, director of the Japan Petroleum Development Corporation, compared the potential of the East China Sea to Saudi Arabia. Geologist Michihei Hoshino predicted that the shelf would soon be “one of the five biggest oil producing regions in the world.” It was at this point that the conflict fully erupted. By September 1970, 25,000 applications for drilling rights had been filed with the Ryukyu local government. When China voiced its objections, however, the two sides shelved the dispute and “virtually all exploration activities throughout the Yellow Sea and the East China Sea came to a stop by the middle of April 1971.” Since then, even talk of drilling near the median line has consistently met with protest, although China began drilling for oil and gas on its side of the median line in the 1990s.

For resource-poor Japan and now import-dependent China, the suspected oil and gas deposits in the contested area are critical to guarantee their respective energy security. Energy is needed for China’s continued economic growth and modernization efforts. Though formerly self-sufficient in meeting its energy needs, the country has, since 1993, been reliant on oil imports. By 2030, it is estimated that China will import 80 percent of the oil it consumes. Liao writes that, “given its increasing energy demands and few strategic oil reserves, China perceives possible threats to oil security from almost every aspect.” The People’s Liberation Army (PLA) has gone as far as to argue that the resources located specifically in the Spratly and Senkaku/Diaoyu areas are critical for China’s future economic success. Accordingly, it is no accident that China and Taiwan’s claimed territory encompasses all of the oil potential in the East China Sea. Valencia writes that
“the northern limit of Taiwan’s maritime claim includes almost all the potential oil-bearing sediment of these basins.”

The very presence of Taiwan limits Japan’s own claims in the East China Sea as it restricts the country’s access to the southern part of the continental shelf. This area is believed to contain the greatest hydrocarbon potential. In particular, it is estimated that the richest oil deposits are located in the Okinawa Trough. Japan’s overall energy security situation is somewhat better than China’s, however. By giving its energy security top priority over the past century Japan has “less worry about the traditional concerns such as disruption of oil supply and rise in oil price.”

None the less, it imports nearly its entire supply of energy from foreign sources, making it primarily reliant on the Middle East. While its economic power may help secure access to resources, Japan needs a continued supply of oil to sustain its economic growth. The growing urgency to identify new sources of energy is reinforced by both the rise of China and the narrowed economic gap between China and Japan. Interestingly, before China’s economic surge, cooperation with Japan on energy matters largely helped strengthen the bilateral relationship. During the 1970s, Chinese crude oil was exported to Japan in exchange for advanced technologies. This oil helped Japan diversify its energy sources, while in return the Chinese economy benefited. Cooperation flourished during this period as the economic development gap between China and Japan was wide. Additionally, the two shared the same strategic and political interests in aligning against the Soviet Union.

However, when China became a net oil importer in the early 1990s, energy cooperation soon deteriorated and turned into competition. This exacerbated the Senkaku/Diao yu dispute. In an effort to explore the resources of the East China Sea, in the early 1990s the PRC signed agreements with international oil companies, including Royal Dutch/Shell, Chevron, and Texaco. The exploration schemes took place only within the Chinese EEZ, however, not in the contested maritime zone surrounding the Senkaku/Diao yu Islands.

The prospect of joint development in the East China Sea has met with resistance from both sides since it was first suggested. Between 2004 and early 2008, Tokyo and Beijing failed in a dozen rounds of bilateral talks to reach an agreement on the issue. In essence, Japan feared that collaboration would acknowledge that its sovereignty was in question. China, on the other hand, worried that such consent would give validity to Japan’s adherence to an equidistant-line approach. Back in 1970, Japan and Taiwan had agreed to joint oil development, but this plan was soon scuttled when China raised objections. After that, no progress was made and proposals of joint development were rejected by both sides. China proposed joint development in 2004 and 2006, Japan in 2005. Yet, Beijing confined its proposal to the Japanese side of the median line, and this was repeatedly rejected by Tokyo.

In August 2003, China agreed on a deal to develop gas fields with a number of oil firms. In 2005, as mentioned above, Japan authorized drilling adjacent to the Chinese Shirakaba/Chunxiao gas field, just a few kilometers from the equidistant line. China restricted its drilling in this area to its side of the median line. This in itself had drawn protest from Japan, amid fears that resources would be siphoned
from the Japanese side. The dispute heightened in 2006 when it was revealed that China was conducting gas extraction activities in the Shirakaba/Chunxiao field. Tensions were exacerbated when China later conducted an unauthorized survey in Japanese-claimed territory.\textsuperscript{81} Beijing and Tokyo had previously signed an agreement (in February 2001) indicating that both parties would give two months’ notification of marine research in each other’s EEZ. Yet, the agreement had failed to determine a precise line in the East China Sea beyond which notification would be necessary.

The two sides agreed to resume their talks on the subject of joint exploration and development in the summer of 2006, and Japan reversed its earlier suspension of Chinese loans. A technical and legal experts group would be set up to discuss the matter, as would a maritime hotline, to “deal with unpredictable situations in the area.”\textsuperscript{82} In December 2006, the first ministerial-level meeting to touch on the East China Sea oil and gas dispute was held between the foreign ministers of China and Japan in Cebu on the sidelines of the East Asia Summit (EAS).

Despite these positive consultative efforts, the dispute continued to affect Sino-Japanese relations. As mentioned above, protests in 2006 surrounding Koizumi’s latest visit to the Yasukuni Shrine resulted in landing attempts by Taiwanese and Hong Kong activists. Meanwhile, Japan protested that China’s proposed new gas field, Bajaoting, was within its EEZ and that China should cease production in the disputed Pinghu oil and gas field.\textsuperscript{83} In February 2007, Japan issued a warning to China over an unauthorized ship intruding into its claimed EEZ. The vessel was believed to be carrying out maritime surveying activities in the disputed area around the Senkaku/Diao yus.\textsuperscript{84}

None the less, Chinese Premier Wen Jiabao’s successful visit to Japan in April 2007 was perceived as a strong indication that China and Japan might be willing to move forward on the issue of joint development. The issue was discussed again during the visit by Prime Minister Yasuo Fukuda to China in December 2007 but no agreement was reached. Later, Japanese Vice-Foreign Minister Mitoji Yabunaka and his Chinese counterpart, Wang Yi, pledged to work at finding a resolution of the East China Sea dispute during a bilateral strategic dialogue held in Beijing in February 2008. Subsequently, further discussions were held in an attempt to resolve the dispute prior to Chinese President Hu Jintao’s state visit to Japan in early May 2008. Yet, Japanese Chief Cabinet Secretary Nobutaka Machimura acknowledged that while talks were “getting closer to a conclusion” there was “still a wide gap before we can reach an agreement.”\textsuperscript{85} During the visit itself, Fukuda declared that there had been “great development” in discussions over the issue, particularly the joint development of gas fields in the East China Sea, including the Shirakaba/Chunxiao field.\textsuperscript{86}

On June 18, 2008, it was officially announced that China and Japan had reached a “principled consensus” on joint development of gas deposits in the East China Sea, starting with an initial zone in the Shirakaba/Chunxiao field. Taiwan was not part of the agreement. China and Japan also announced that both parties would continue discussions to identify other suitable areas for joint development in the East China Sea, including the Asunaro/Longjing field. However, the exact details
concerning the companies involved in the exploration were not released, though it was understood that Japanese private-sector firms would be participating in the project. It was suggested that the deal was part of an effort to transform the East China Sea into an area of “peace, cooperation, and friendship” benefiting the interests of the two nations.\textsuperscript{87}

Joint exploration and development schemes are not intended to be boundary agreements. Instead, they are meant to set aside boundary negotiations temporarily so that the joint development of natural resources might proceed on an agreed basis within a specific period of time. The joint development agreement signed in June 2008 therefore purposely did not address the continuing dispute over boundary demarcations. Perhaps unsurprisingly, however, Beijing stressed that the deal “fully embodies China’s sovereign rights over the Chunxiao gas field” and that “China has never and will not recognize the so-called ‘median line’ as advocated by Japan. China upholds the principle of natural prolongation to solve the delimitation issue of East China Sea continental shelf.”\textsuperscript{88} Interestingly, despite having recently concluded the joint development deal, China was quick to criticize Japan for intruding on its sovereignty after Japanese lawmakers conducted an aerial survey of the Senkaku/Diao yu Islands on July 1, 2008.\textsuperscript{89}

In sum, the energy attribute has influenced the Senkaku/Diao yu dispute, although the potential oil and gas reserves of the East China Sea have remained uncertain. Like the territorial dimension, the operation of the energy factor has generally fluctuated from being an escalating to a neutralizing force, depending on wider political and economic circumstances. Some de-escalating trends have been noted, however, with the signing of the Sino-Japanese joint development agreement in June 2008.

\textbf{Distribution of power}

Activities in the disputed area have sometimes threatened to bring the dispute to the point of open conflict. Though the risk of war over the islands has remained low, an increase in naval operations on both sides has been observed. In recent years, China has sent its vessels into the contested area to conduct military exercises and track Japanese activity. As discussed above, in addition to repeated incursions of PLAN vessels into the Japanese EEZ, the most dangerous incident occurred in November 2004 when a Chinese Han-class submarine entered Japanese territorial waters off the island of Okinawa. In 2005 it was also revealed that China had established a “reserve vessel squadron” in the East China Sea, “capable of ‘fighting during wars’ and equipped to ‘eliminate obstacles at sea.’”\textsuperscript{90} The Japanese Coast Guard (JCG) has responded to Chinese activities by increasing its presence in the waters surrounding the contested islands. It is relevant to note that Tokyo has used the JCG rather than its Maritime Self-Defense Force (MSDF) to patrol the disputed areas in the East China Sea.\textsuperscript{91} That said, Japan has also identified the PRC as a military threat and has trained its Self-Defense Forces (SDF) for a variety of scenarios. One of these is a possible invasion of the Senkaku/ Diao yus.\textsuperscript{92}
By all estimates, Japan’s military strength is far superior to that of the PRC. For one, Japan has the advantage of being able to count on the reinforcement of the US military, the largest naval power in the region. As mentioned in Chapter 2, Washington and Tokyo redefined their alliance in the post-Cold War strategic environment through the Joint Declaration of April 1996. The United States–Japan Security Treaty would seemingly oblige the US to defend the Senkaku/Diao yus as Japanese territory in time of military engagement. However, Mochizuki highlights that, even “without the United States, Japan has enough capability to resist direct conventional military threats from China because of its superior air and naval capabilities.” Indeed, the strength of the SDF would be of paramount importance if a clash of arms were to occur over the Senkaku/Diao yu Islands.

Although officially “disarmed” under Article 9 of its constitution since the end of the Second World War, Japan’s military power remains impressive, with over a quarter of a million personnel in uniform. While representing less than 1 percent of the country’s GDP, its defense budget is close to $50 billion, making it the second largest in the world. Furthermore, since the end of the Cold War, Japan has shown increasing assertiveness in its defense policy amid calls for a reassessment of Article 9. Budget requests for Japan’s missile defense program were $1.2 billion in 2004, nine times more than the total spent in the previous four years. It was also announced in 2005 that Japan and the US would jointly develop a naval SM-3 missile interceptor. During a military test in December 2007, Japan was the first US ally to succeed in shooting down a mid-range ballistic missile from a navy ship at sea. The ballistic missile defense system has further strengthened the US–Japan military alliance. The technology is meant primarily to protect Japan from a North Korean missile attack, but it could also be used by Washington and Tokyo to defend Taiwan in the event of open conflict with China.

Japan’s SDF Fleet consists of 16 submarines, 53 principal surface combatants, and 9 patrol and coastal combatants. The JCG has an additional 313 patrol and coastal combatants. Although the SDF Fleet is at a numerical disadvantage to China’s PLAN, it is far more technologically advanced: Japan’s weapons have been described as “the most high-tech . . . in the world.” Swaine explains that the “Japanese navy operates several Aegis-equipped destroyers, while China’s naval surface tonnage is reportedly only about three-quarters as large as Japan’s and is far less sophisticated.” Significantly, the JCG falls just short of equaling China’s entire surface combat fleet. If a ship were to intrude into Japanese waters, the country’s Defence Agency has formulated a “response plan” to deal with the situation. In addition, maritime forces are backed by Japan’s impressive air defense, also greatly superior to their Chinese counterpart, with a high number of F-15s and F-2 fighters available for combat. Moreover, training of Japanese pilots is more intensive. Hours logged range between 50 and 100 percent more than those of the Chinese. P3-C surveillance aircraft currently operate over the Senkaku/Diao yu Islands, while Japan is working to establish “an advanced facility on Miyakojima to collect electronic intelligence on foreign aircraft flying over the East China Sea.”

Despite the PRC’s lag in military capability, however, the country has been a rising strategic concern for Japan since the end of the Cold War. China’s
modernization efforts began soon after the 1991 Gulf War, during which the United States had demonstrated its military capability. Beijing then realized the importance of military technology in determining the victor of a conflict and has increased its efforts to strengthen its military power in recent years. For example, double-digit increases in military spending resulted in a defense budget of $36 billion in 2006. The 2007 annual report issued by the Stockholm Peace Research Institute even placed China as the number-one arms spender in Asia, and fourth in the world after the United States, the United Kingdom, and France. Strengthening its navy has been seen by Beijing as a necessity for raising the status of China in the region and beyond. Building a blue-water navy and acquiring an aircraft carrier would indeed further help the PRC extend its defense perimeter into the Western Pacific. In a Financial Times interview in November 2008, Major General Qian Lihua admitted that the “navy of any great power... has the dream to have one or more aircraft carriers.” Significantly, while China has decreased the military strength of its land forces, it has increased the projection capabilities and power of its navy. In the past few years, it has purchased Sovremenny-class destroyers and Kilo-class submarines from Russia. For its underwater fleet, the PRC is working with Moscow to upgrade its diesel-powered submarines. The country’s ballistic missiles are now also capable of reaching Japan, should they be deployed. Importantly, China is the only Asian country with sea-, air-, and land-based nuclear weapons.

A 2006 report by the US Department of Defense noted that the PLAN has around 75 major surface combatants, 55 attack submarines, and 50 amphibious vessels. If Taiwan were to back the PRC in a conflict with Japan in the East China Sea, 4 submarines, 33 principal surface combatants, and 71 patrol and coastal combatants could be added to the Chinese arsenal. Moreover, a similar 2007 Pentagon report noted that China’s military buildup could also be used for conflicts over territories other than Taiwan and for possible conflicts over resources. Still, progress has not been made on all fronts and China’s fleet is still considered somewhat obsolete in comparison to Japan’s. While the military has made several acquisitions over the past decade, the PLAN has not been able to absorb new weapons systems quickly or update its doctrines for their effective use. Likewise, its pursuit of nuclear-powered submarines and aircraft carriers is “progressing slowly, both due to technical difficulties and to a lack of strategic imperative behind the projects.”

In sum, China’s rising economic and military power challenges Japan regionally as well as its status over the Senkaku/Diao yu Islands. Despite Japan’s superior defense capabilities and equipment, China’s naval buildup and its wider strategic aspirations in the East China Sea have contributed to fueling power competition in recent years. Moreover, China has a significant strategic advantage over Japan due to its geographical proximity to the disputed islands. Hence, it can be argued that in the post-Cold War era the power distribution issue has gradually shifted from being a neutralizing to an escalating factor in the Senkaku/Diao yu dispute. Paul writes, for example, that “Japan expects China to mount military pressure on it to settle the Senkaku Island dispute just as it does with Taiwan, if diplomacy...
That said, the recent improvement in Sino-Japanese relations may, if sustained, soften the power competition and influence the issue in the longer term. This softening process might well have started already, as illustrated symbolically by the successful visits of a Chinese guided-missile destroyer to the port of Tokyo in November 2007 and of a Japanese warship to China in June 2008.

**Conclusion**

This chapter has demonstrated that territory, natural resources, and power competition are all driving forces in the Senkaku/Diao yu dispute. Moreover, it has been asserted that the three geopolitical components have historically had an actual or potential escalating impact on the dispute. The sovereignty question, intertwined with domestic popular nationalism in China, Japan, and Taiwan, has arguably been the critical factor in exacerbating the dispute. None of the parties is willing to yield on the crucial point of sovereignty, making the islands’ eventual fate uncertain. This has caused repeated diplomatic rows as well as clashes on the ground between China, Japan, and Taiwan. It has also evoked strong nationalist sentiments in the claimant states. While Chinese and Japanese officials have at times relied on nationalistic rhetoric to gain domestic support, governments have generally sought to monitor nationalism in order to maintain stable diplomatic and economic relations. In that sense, the territorial dimension has traditionally fluctuated between being an escalating and a neutralizing factor, depending on the state of Sino-Japanese relations and domestic political circumstances. Unsurprisingly, therefore, the strengthening of bilateral ties, observed since late 2006, has led to a reduced virulence of the territorial attribute. Indeed, Beijing and Tokyo have sought, at least for now, to neutralize this geopolitical consideration and to resist, rather than exacerbate, domestic nationalist sentiments.

Furthermore, the improvement in relations has diluted the impact of the energy attribute to some extent. The Senkaku/Diao yu dispute has traditionally been influenced by access to gas and oil deposits as well as fisheries. Like the sovereignty question, the energy consideration has been analyzed in this chapter primarily as an escalating or as a neutralizing factor, depending on wider diplomatic and economic circumstances. But some de-escalating trends with regards to energy have been noted for the first time with the signing of a Sino-Japanese agreement on the joint development of gas deposits in June 2008. It is still uncertain, however, whether similar agreements will be reached on other disputed fields in the East China Sea.

In terms of power distribution, Japan is in physical control of the disputed islands and has superior defense capabilities and equipment relative to the other disputants. Still, the power asymmetry has gradually shifted in the post-Cold War era toward growing naval competition as a result of China’s advances in strengthening its naval capabilities. The Chinese naval buildup and its wider strategic aspirations in the East China Sea have thus enhanced the competition for power and influence in East Asia and therefore have negatively affected the maritime territorial dispute under study. It is yet to be seen whether the improved
climate of Sino-Japanese relations may reverse this rising naval competition in the longer term. It will also be important to determine how the evolving power distribution might influence the sovereignty question in the East China Sea in the years to come. The interplay of the territorial, energy, and power considerations in the context of the Senkaku/Diao yu dispute is discussed in Chapter 5.
4 The Paracel and Spratly disputes

Introduction
The Paracel and Spratly Islands are at the center of competing territorial, economic, and strategic interests, making the disputes reminiscent of those in the East China Sea. Yet, in contrast to the Senkaku/Diao yu conflict, the debate over the Spratlys and Paracels is complicated by the number of disputants. While the claimants to the Paracels are China, Taiwan, and Vietnam, six states assert ownership over the Spratly Islands and/or their surrounding waters: China, Taiwan, Vietnam, the Philippines, Malaysia, and Brunei. At present, all, with the exception of Brunei, have established a physical presence in the Spratlys. While the Spratly and Paracel Islands have little worth in themselves, the island chains take on symbolic and tangible value when put into the context of their surroundings. The islands may serve as the legal base points needed for states to gain exclusive jurisdictional rights over the waters, as well as the resources found therein. Tonnesson writes that “where early maritime mapmakers exaggerated the size and importance of the reefs in order to warn against them, modern mapmakers exaggerated their size and importance to claim them for their respective nations.”

The territorial claims have national importance in the states concerned, above all in China and Vietnam. The claimants have been inflexible on the sovereignty issue. Retracting territorial claims or making concessions on the question of sovereign jurisdiction would be costly domestically and perceived regionally as a sign of weakness. The area is also considered important for its fisheries and its potential oil and gas reserves. In addition to these natural resources, the free navigation of commercial vessels in the South China Sea is essential for regional and international trade. More than 50 percent of the world’s annual merchant fleet tonnage crosses through the Malacca, Sunda, and Lombok straits, with the majority continuing on into the South China Sea. Finally, the area has a clear strategic dimension. A Chinese naval presence at the heart of the sub-region would be threatening for Vietnam, the Philippines, Malaysia, Brunei, and Indonesia. Control over the sea lines of communication (SLOCs) would also endanger the interests of the United States, Japan, and other naval powers.

This chapter claims that territory, natural resources, and power competition are all driving forces in the South China Sea disputes, although these issues have varied from being escalating to de-escalating factors in terms of impact. While the three
components of geopolitics have continued to influence the Paracel and Spratly issues, they have in recent years primarily acted in a divergent manner. Circumstances pertaining to the South China Sea have echoed wider changes in nationalist sentiments and threat perceptions at the domestic, bilateral, and multilateral levels.

The question of sovereignty remains central. The climate of relations over the South China Sea has generally improved, due, primarily, to a shift in China’s behavior. Beijing’s policy toward the sea has been moderate in recent years in an attempt not to antagonize the members of the Association of Southeast Asian Nations (ASEAN). Still, none of the disputants is willing to make concessions on sovereignty in a bid to improve diplomatic and economic relations, leaving the disputes at an impasse. The disputants have used force and/or military means to consolidate their presence in the South China Sea and they have continued to build new structures on disputed reefs. Diplomatic rows and incidents have also persisted. Moreover, the territorial claims have national importance in the states involved, particularly in China, the Philippines, and Vietnam. The sovereignty dimension therefore remains an escalating force in the South China Sea disputes.

Potential oil and gas reserves in the South China Sea have remained uncertain. In addition, an initial de-escalating trend with regard to natural resources was noted with the signing of a joint pre-exploration survey agreement for oil and gas in areas of overlapping sovereignty claims. In contrast to the sovereignty question, the energy attribute could therefore be regarded primarily as a de-escalating factor, although this may already have been undermined by rising nationalist sentiments in some claimant states.

Finally, in terms of the distribution of power, one observes a growing asymmetry of naval power to the advantage of China. Beijing is in control of the Paracel Islands but remains essentially an irredentist power in the Spratlys. Yet, China does not at this stage have the necessary power projection to impose naval hegemony over the entire South China Sea and its key sea lines of communication, while Vietnam and the Philippines cannot rely on sufficient naval power or an external military alliance to impose their claims. This has created a temporary stability with regards to the distribution of power. Still, irrespective of the current situation, the Southeast Asian claimants are generally concerned about the changing distribution of power in the South China Sea. It is feared that overwhelming naval power could eventually be used by China to resolve the sovereignty question militarily.

**Territory**

Sovereign rights to the South China Sea were historically contested by China and Vietnam. China here is understood to be inclusive of both the People’s Republic of China (PRC) and the Republic of China (ROC), as their claims are the same and are generally considered as one. China arguably has the longest ties to the region, dating its involvement with the Spratlys to as far back as the second century.² Resting its claim on the principle of first discovery, the country has argued that Chinese fishermen used the islands as transit points during the Western Han Dynasty. China also contends that the Ming Dynasty sent several expeditions to
the Spratlys in the fifteenth century and that periodic references to the islands were made in Chinese records up to the seventeenth century. Historical maps and artifacts have also been used to supplement the Chinese territorial claims. Challenging China’s assertion of continuous involvement, Vietnam’s historical claims to the area also date back several hundred years. Contact with the Paracels is argued to have begun in the sixteenth century. In 1956, South Vietnam made the statement that the Paracels had been incorporated into Vietnam by the unification of the country in 1802 under the Nguyen Dynasty. Vietnam has claimed that its administration over the Spratlys dates to the reign of King Thanh Tong in the fifteenth century. Vietnamese maps documenting the islands’ existence first appeared in the seventeenth century.

Japan and several European nations began surveying the Paracels and the Spratlys in the 1840s. Several states claimed sovereignty over the islands and set up markers. In 1887, China signed a boundary agreement with France, leaving the islands on China’s side of the designated line. Chinese markers were placed on the Paracels in 1907. By the 1930s, however, China was largely losing its position to the colonial powers. France declared formal possession of the Spratlys and Paracels in 1933, maintaining the islands as part of its colonial administration over Vietnam. China claims to have sent a diplomatic note of objection to France’s action. Yet, Catley and Keliat write that Japan was the only country which explicitly protested against the French occupation. Since 1918, Japanese companies had excavated guano in the Spratlys for use in fertilizer. Then Japan seized many of the major islands in the Spratlys and Paracels in 1939 for strategic purposes. Itu Aba, the largest island in the Spratlys, was used by Tokyo as a submarine and naval base to support the invasion of the Philippines and other attacks in Southeast Asia. Following Japan’s defeat, however, Tokyo withdrew its troops from the Spratlys in 1945 and left the archipelago unoccupied.

Following the evacuation of territory, various governments sought to secure their positions through the reiteration of claims and the occupation of islands. In 1947, the Nationalist government of Chiang Kai-shek defined China’s traditional claims by an area limited by nine interrupted marks (a U-shaped line) that cover most of the South China Sea. Having announced their territorial claims to the islands, the Nationalist Chinese subsequently occupied Itu Aba on December 12, 1947, becoming the first to establish a physical presence in the Spratlys. A naval force was additionally sent to occupy Woody Island in the Paracels. In December 1947, the Communist Chinese also declared the incorporation of the Paracels and Spratlys into Guangdong Province. When the Nationalists lost the Chinese Civil War, they were forced to abandon many of the islands. Yet, the presence of the United States and the Soviet Union in the region prevented the PRC from firmly occupying the vacant island chain. Military strength was instead directed toward securing the Sino-Soviet Union land border, and procurement of naval defense equipment was not considered a high priority. Occupation of Itu Aba by the PRC lasted only through 1950.

Relying on the U-shaped line, Zhou En-lai formalized the claims for the PRC in 1951 as a response to the San Francisco Peace Treaty, in which Japan renounced
all its claims over the Spratly and Paracel Islands without stating their new ownership. The allied powers failed at the conference to identify a rightful owner to the islands. Taiwan capitalized on Beijing’s inability to expand its territory by returning to Itu Aba in 1956. However, PRC forces did retain the Eastern Paracels, with Franco–Vietnamese forces left in control of the Western Paracels. Britain and the United States had, in the meantime, concluded that the Spratlys were of little strategic value. Importantly, China’s territorial claims in the South China Sea have not changed since 1951: Beijing views the sea as exclusively Chinese and has continued to claim nearly its entire territory. Relying on its claim to historical administration of the area, the PRC has not felt the need to provide a legal explanation for or give specific delimitations to its territorial claims.

When Vietnam was divided, Hanoi recognized Chinese sovereignty over the Paracel and Spratly Islands: in 1958, North Vietnamese Premier Pham Van Dong sent a diplomatic note to this effect. That same year, the PRC formalized its claims to both island chains through its Declaration on the Territorial Waters, which was opposed by South Vietnam. Since unification in April 1975, however, Vietnam has claimed both groups, based on historical claims of discovery and occupation. Its claims rely on the Vietnamese administration of the islands in the nineteenth century and on the French involvement in the area as a colonial power. Vietnam also established, in May 1977, a 200-nautical-mile exclusive economic zone (EEZ).

The Philippines joined the debate through the actions of Thomas Cloma, who claimed in 1947 to have “discovered” an unknown and unoccupied archipelago between the Spratlys and Palawan. In 1956, Cloma claimed fifty-three of the topographical features for the Philippines and named them Kalayaan (Freedomland). He even attempted to register this claim with the United Nations. His actions drew protest from the governments of Taiwan, China, South Vietnam, France, and the Netherlands. In May 1956, the PRC’s Foreign Ministry issued a statement declaring that the Spratlys “have always been a part of Chinese territory.” In October 1956, South Vietnam reiterated its claim to the South China Sea territories. Significantly, the Filipino government did not support Cloma’s position in 1956, but by 1968 the Philippines had stationed troops in the Spratlys at Kota, Pasaga, and Parola. Three years later, Manila stated its official position and adopted Cloma’s claim of fifty-three features in the Spratlys. The country then declared the islands to be an “integral” part of Filipino territory. This claim was reiterated in Presidential Decree no. 1596 of 1978, issued by the Marcos government, which placed Kalayaan under the administration of Palawan Province. The Philippines has additionally backed up its claims by invoking the principle of continental shelf extension by arguing that the continental shelf of Kalayaan is juxtaposed to Palawan Province.

While the situation in the South China Sea had remained relatively stable throughout much of the 1960s, the disputes emerged as a security issue in the 1970s and 1980s. This was due to the entry of new claimants into the disputes, changing standards in international law, Chinese nationalism, and shifting power relations. In January 1974, China completed its control over the Paracel archipelago by acting militarily against South Vietnam before the expected fall of Saigon and the
reunification of the country. Military action resulted from geopolitical shifts in the preceding years: notably, the re-establishment of Sino-US relations in 1972 through the signing of the Shanghai Communiqué, and the withdrawal of American troops from Vietnam in 1973. Rapprochement between Washington and Beijing had the effect of encouraging China to take aggressive action to push its claims in the South China Sea. Furthermore, as relations between China and North Vietnam deteriorated, the fear that Hanoi would move closer to the Soviet Union spread. Chinese action in the Paracels was thus partly a strategic effort to “pre-empt the Russians from using the islands after the war.” American and Soviet reactions to the conflict were muted. The US role was confined to helping the South Vietnamese escape from the islands. Ang notes that despite Vietnamese attempts to retake the islands between 1979 and 1982, “the Chinese remain in effective control of the whole of the Paracels, and it is unlikely that Vietnam will be able to regain it.”

Significantly, rather than China, the Philippines, Vietnam, and Malaysia were the claimants that raced to occupy territory in the Spratlys. In retaliation to Chinese actions in the Paracels, South Vietnamese forces occupied six Spratly islets for the first time in January 1974. The reunification of Vietnam in 1975 led to the repudiation of Hanoi’s earlier position that had accepted China’s sovereignty over the islands. As part of an effort to prevent further Chinese occupation, Hanoi subsequently took military control of the islets that had been held by South Vietnam. In May 1975, Vietnam moved to occupy additional islands and reefs, bringing its total number of occupied features to twenty-one. Two years later, Vietnam unilaterally declared its EEZ, consequently overlapping with the EEZs of neighboring states. Vietnam’s reasoning for its South China Sea claims was further outlined in two government white papers, published in 1979 and 1982.

Malaysia entered the Spratly dispute in 1978, prompted by Vietnam’s new occupancy of islets in the archipelago as well as the Philippines’ declaration of sovereignty. Malaysia based its claim on the principle of continental shelf extension, making it the only claimant to the Spratlys to have no historical basis to its argument. In total, the country claimed sovereignty over twelve of the geographical features in the southern part of the Spratlys. In May 1983, it moved to occupy Swallow Reef, and three years later it occupied two more reefs. In 1999, it built structures on Erica Reef and Investigator Shoal, which were also claimed by the Philippines. As of 2005, Malaysia had control over six of the islets to which it lays claim.

Brunei entered the dispute in the 1980s when it established an exclusive fishing zone in the area. The sultanate does not claim any of the Spratly Islands, however; only Rifleman Bank and the seas around Louisa Reef. Like Malaysia, Brunei bases its maritime territorial claim on the prolongation of the continental shelf principle. A map published in 1988 depicted a continental shelf extended to 350 nautical miles. Additionally, its claim to Rifleman Bank is based on a 1954 British decree. Brunei has been the least active party in pursuing its claims. At present, it has no military presence in the region and has not erected any installations.

The adoption in 1982 of the United Nations Convention on the Law of the Sea (UNCLOS) was partly responsible for the scramble to establish a physical
presence in the Spratlys. Shephard writes that with the introduction of the EEZ concept, “Vietnam, the Philippines, Malaysia and Brunei all gained internationally recognized titles to portions of the Spratlys, challenging Beijing’s perception of the South China Sea as Chinese territorial water.”\(^{23}\) Claimants used the disputed features to generate EEZs and claim exclusive fishing rights and mining access to the seabed. This occurred despite the fact that the status of most of these disputed reefs may not offer a legitimate basis for claiming maritime jurisdiction. UNCLOS defines an island as “a naturally-formed area of land, surrounded by water, which is above water at high tide.”\(^{24}\) An island is also capable of naturally supporting life. In contrast, UNCLOS declares that “rocks which cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.”\(^{25}\) Features that cannot sustain human life and artificial islands are only entitled, respectively, to a twelve-nautical-mile territorial sea and a 500-meter safety zone. These terms of the 1982 Convention seem to apply to most topographical features in the South China Sea. However, as there are no specific guidelines to distinguish a rock from an island, the terms employed remain open to contention.

Nationalism is an explanatory factor in assessing Chinese actions in the South China Sea and its emergence as a security issue. Discontent stemming from the “Century of Humiliation” and exploitation by foreign nations has left China with great sensitivity about its territorial integrity.\(^{26}\) In the late 1970s, the Chinese government, and the People’s Liberation Army (PLA) in particular, began to rely on nationalism as a means of gathering support. This also applied to its changing policies toward the South China Sea. Tonnesson explains that a “nationalist rhetoric was developed to mobilize support for maritime irredentism.”\(^{27}\) China’s 2,000-year history with the South China Sea, and subsequent exclusion from the area, led to the belief that the islands constituted an integral part of China that needed to be reclaimed. This view was actively popularized by Liu Huaqing, Chief of the Navy at the time.\(^{28}\) The PLA consequently drew on these nationalist sentiments to advance its own interests and justify expanding military budgets and modernization. Studeman writes that the “recovery of so-called ‘lost territories,’ which hitherto had been a secondary priority of the PLAN, now surfaced as a major, budget-driving mission.”\(^{29}\) In March 1989, the PLAN formed a South China Sea frontline headquarters and Deputy Commander Zhang Xusen “announced the shift to offshore defense to protect China’s territorial sovereignty and ocean rights.”\(^{30}\)

The increased Chinese interest in the South China Sea coincided with shifting power relations. When Mikhail Gorbachev withdrew Soviet aid to Vietnam, Beijing became more assertive and established its presence in the Spratlys. In February 1988, China occupied its first island in the region, Fiery Cross. The following month, Chinese and Vietnamese naval units engaged in the deadliest armed conflict to date near Fiery Cross Reef. Three Vietnamese ships were lost and over seventy soldiers were killed or declared missing. As a result of the conflict the Chinese gained additional control over the unoccupied Subi Reef, Cauteron Reef, Nan Xun Jaio, Prince of Wales Bank, Lansdowne Reef, and Kennan Island.\(^{31}\) The US and the Soviet Union barely reacted to these events, with Moscow giving only verbal
support to Hanoi. Eager to achieve a *rapprochement* with the PRC, the Soviet Union failed to assist or support Vietnam. The lack of a reaction further undermined the reliability of the Soviet Union as a military ally, which had previously been questioned by the absence of a Soviet response to China’s punitive attack against Vietnam in early 1979 due to its policy in Cambodia. A resolution incorporating the Spratlys and Paracels into Hainan Province was passed in April 1988.

In February 1992, the Chinese National People’s Congress passed the Law on Territorial Waters and Their Contiguous Areas. This reaffirmed Chinese sovereignty over the Paracel and Spratly Islands and laid claim to more than 80 percent of the South China Sea. No explanation was given on how the country had determined these borders. The law also claimed a right to evict other nations’ vessels from its claimed waters. Foreign warships were also required to give notification of intent to pass through the area and receive permission to do so. Regional outcry over the issue led China to postpone the law’s implementation.

Beijing continued, however, to advance its position in other ways. Permanent fortresses were constructed by the Chinese on Subi, Fiery Cross, Mischief, Johnson South, and Chigua reefs. Fiery Cross Reef was converted into an artificial island, equipped with a supply base, helipad, and an observation station.

The most noticeable event of the mid-1990s occurred when China shifted its focus toward the Philippines. The latter had been left vulnerable to China after calling for the closure of the US Subic Bay base in 1992. In 1994, territorial markers were erected by China on Mischief Reef, an unoccupied feature 135 miles west of Palawan within the Filipino-claimed EEZ. Chinese constructions on the reef were discovered by the Philippines only in February 1995. President Fidel Ramos responded by ordering armed forces to assert the Philippines’ territorial claims to the reef and called for the destruction of the markers. By mid-June, many Chinese markers had been destroyed and sixty-two Chinese fishermen arrested. The PRC and the Philippines eventually agreed to hold talks, and on August 10, 1995 they signed a Joint Statement on RP–PRC Consultations on the South China Sea and on Other Areas of Cooperation. This rejected the use of force and called for the peaceful resolution of their bilateral disputes in accordance with the principles of the 1982 Convention on the Law of the Sea.

China’s grab of Mischief Reef was the first major new occupation in the South China Sea after the end of the Cold War. This enhanced regional concern over an expanding China and worries that the PRC would seek to dominate the South China Sea through military means. This perception was reinforced during the visit by Indonesia’s foreign minister, Ali Alatas, to the PRC in July 1995. Alatas was provided with no clarification regarding Chinese claims to the waters above the Natuna gas fields, an area internationally agreed to be in Indonesia’s EEZ. At a 1993 Track-Two Workshop on Managing Potential Conflicts in the South China Sea, Chinese officials had released a map of their claims to the South China Sea that included these waters. Additionally, when ratifying UNCLOS in May 1996, the PRC allegedly misused the archipelagic principle when drawing maritime baselines around the Paracel Islands. This was irrespective of the fact that the Philippines and Indonesia are the only two archipelagic states in the region.
The illegal use of the principle was a source of concern to the Philippines, Vietnam, and Indonesia, which protested due to its possible application to the Spratly Islands in the future. China specifically declared, however, that the straight baselines around the Paracels were territorial sea rather than archipelagic baselines.\(^{37}\)

China built new structures on Mischief Reef in 1998 and 1999, fueling the idea of a “China threat.” It was reported that the reef had been fitted with anti-aircraft guns as well as new communications equipment. In May 1999, two Chinese naval ships reportedly pointed their guns at a Filipino supply ship. With the United States distracted by the Monica Lewinsky scandal and East Asia struggling to come out of the financial crisis, China was assured that the international reaction to this second Mischief Reef Incident would be weak.\(^{38}\)

US–Filipino differences also resurfaced as a result of Mischief Reef. Though Manila had looked to the US for protection, Washington maintained its neutrality on the issue. In response, Filipino military chief General Angelo Reyes declared that the country could not rely on the US for its defense, despite the Mutual Defense Treaty.\(^{39}\)

Lauro Baja, Jr., the Philippines’ foreign affairs under-secretary, stated, “On Mischief Reef, we were left alone. The other countries said that while they sympathize and understand our situation, the issue is only a Philippine–China problem.”\(^{40}\)

Tension also rose around this time between the Southeast Asian claimants. In October 1999, Vietnamese troops fired on a Filipino plane during an overflight of Tennent Reef. Vietnam built structures on Cornwallis South Reef and Allison Reef, also contested by the Philippines. In addition, as its relations with the other ASEAN states worsened over the East Asian financial crisis, Malaysia moved to occupy additional reefs in the archipelago.\(^{41}\)

In March 1999, it built an outpost on Investigator Shoal, a feature also claimed by the Philippines, causing Manila to protest. Moreover, Malaysia built structures on Erica Reef in August 1999, claimed by both the Philippines and Vietnam. It is unclear why Malaysia took unilateral action to raise its profile in the Spratlys but it has been suggested that the move was a response to an upgrade in US–Filipino ties and/or unhappiness with Filipino support for former Deputy Prime Minister Anwar Ibrahim after he was dismissed by Prime Minister Mahathir Mohamad in September 1998 and later found guilty of corruption and sexual misconduct.\(^{42}\)

Nevertheless, since 1999, China has primarily acted as a status quo power in the South China Sea. Self-restraint has characterized its actions and Beijing has not seized additional disputed features in the Spratlys since the Mischief Reef Incident. Goh writes that China’s policies on the issue have been characterized by “multilateralism, mutual respect, and subscription to regional norms; conflict management; as well as an attitude of seeking mutual benefit, demonstrated through restraint and the bearing of cost burdens vis-à-vis less developed neighbors.”\(^{43}\)

By signing a land border treaty with Vietnam in 1999 and one on the demarcation of the Gulf of Tonkin a year later, China projected a more cooperative image.\(^{44}\)

Though the South China Sea was left aside in those negotiations, “the fact that China was receptive to an agreement with the major claimant over other pressing issues was indicative of an intention to reduce risks.”\(^{45}\)

In 2000, China and the Philippines signed a joint statement on a framework of cooperation. Significantly, forgoing its
previous insistence on bilateral arrangements, China agreed to discuss the Spratly issue with ASEAN at the multilateral level. The reasons for China’s changing position as well as the long consultative process that led to the eventual endorsement of the 2002 Declaration on the Conduct of the Parties in the South China Sea are discussed at length in Chapter 6.

The ASEAN foreign ministers and China’s vice-foreign minister, Wang Yi, signed a Declaration on the Conduct of Parties in the South China Sea on the sidelines of the eighth ASEAN summit in Phnom Penh in early November 2002. The political declaration was regarded as an interim accord. It stated: “The Parties concerned reaffirm that the adoption of a code of conduct in the South China Sea would further promote peace and stability in the region and agree to work, on the basis of consensus, towards the eventual attainment of this objective.”\textsuperscript{46} The agreement was intended to prevent further tensions over the disputed territories and to reduce the risks of military conflict in the South China Sea. The parties stipulated their adherence to the principles of the United Nations Charter, UNCLOS, the Treaty of Amity and Cooperation (TAC), and the Five Principles of Peaceful Coexistence, and reaffirmed their respect and commitment to “the freedom of navigation in and over flight above the South China Sea.”\textsuperscript{47} They agreed to resolve their territorial disputes by peaceful means, “without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law.”\textsuperscript{48} The parties also pledged to practice self-restraint in activities that could spark disputes, such as inhabiting still uninhabited features, and to enhance their efforts to “build trust and confidence between and among them.”\textsuperscript{49} They agreed to exchange views among defense officials, to provide humane treatment to any person in danger or distress, and to give advance notice of military exercises on a voluntary basis. Finally, the Declaration announced that the parties might cooperate in marine environmental protection and scientific research, safety of navigation, search and rescue operations, and combating transnational crime.

The Declaration was a step in the right direction. It was essentially part of ASEAN’s search “for explicit confirmation that China’s presence in the South China Sea will not jeopardize peaceful coexistence.”\textsuperscript{50} It showed a desire by the different parties involved to pursue their claims by peaceful means. It openly denounced the use of force in the South China Sea and mitigated the disputes by emphasizing shared principles and attempting to establish norms of behavior. In that sense, it contributed towards the easing of tensions between the claimant states. As the first multilateral agreement signed by Beijing on the South China Sea, the Declaration should thus be seen as an indication of its willingness to adhere to the principles promoted by the ASEAN countries. In 2003, the PRC also became the first non-ASEAN country to sign the TAC, thus encouraging China to avoid threatening behavior and pursue peaceful resolutions to its disputes. In 2005, the PRC proposed to embark on joint development with Brunei. A year later, the PLAN began patrols with Vietnam in the Gulf of Tonkin, a first for China. Further efforts to set up a China–ASEAN Free Trade Area, combined with diplomatic and military exchanges, have all helped reduce the perception of China as a threat.
Nevertheless, there are lingering questions and doubts regarding the effectiveness of the Declaration. First, all the claimants stood firm on the question of sovereign jurisdiction. Buszynski and Sazlan write that China and Vietnam, in particular, refused “to depart from their formal claim to the entire area.” Despite China’s accession to the Declaration, it continued to state that it wants to resolve the disputes only through bilateral negotiations. Second, approval of this watered-down document demanded concessions that demonstrated the difficulty of ever concluding a binding code of conduct. At China’s request, the ASEAN members agreed to include “on the basis of consensus” when referring to the eventual attainment of a code of conduct, and to drop the phrase “erection of structures” from the paragraph invoking the exercise of self-restraint. Vietnam had demanded that the Declaration should include a commitment not to build new structures on the islands. China’s refusal might have indicated its intentions to erect additional features to strengthen its military presence in the Spratlys. Third, the political declaration made no reference to its specific geographical scope, primarily because China opposed any mention of the Paracel Islands. Finally, the agreement is neither legally binding nor enforceable. As Tonnesson points out, the Declaration “is simply a political statement.” It cannot prevent the occurrence of incidents over territorial claims in the South China Sea. Specifically, it is unable to avert the arrest of fishermen by foreign navies and the expansion of military structures on already-occupied reefs. In 2006, Filipino President Gloria Macapagal Arroyo therefore described the Declaration as “very weak.”

Since the signing of the Declaration, the question of sovereignty has continued to operate as an escalating factor in the South China Sea disputes. Claimants have proceeded to construct structures in the disputed territory to assert their sovereignty. The Malaysian government has, for instance, used soil to raise the level of Swallow Reef in order to construct a hotel, airstrip, and facilities for scuba divers. The Philippines has likewise expressed interest in developing tourism and has built an airstrip on Thitu Island. In 2001, Vietnam approved a plan to move people to and build logistical structures on its controlled disputed islands. Three years later, Hanoi announced its intention to reopen an airport on Spratly Island. In 2006, it was reported that Taiwan was building a runway on the disputed island of Itu Aba in the Spratly chain, despite Vietnam’s protests.

Furthermore, incidents, often driven by nationalist sentiments and a further militarization of the disputes, have recurred since the signing of the Declaration. In 2002, Vietnam protested against firing exercises conducted by China in a disputed portion of the South China Sea. The PLAN also fired at Filipino planes flying over Pugad Island. Tensions between Malaysia and Brunei over overlapping claims have also been observed, with negotiations in 2003 and 2005 ending inconclusively. In 2004, Taiwan erected what it described as “a simple bird-watching stand” in the Spratlys, which Vietnam criticized as “an act of land-grabbing expansion.” Incidents of Vietnamese fishermen being either killed or wounded by Chinese gunboats have continued to be reported. In December 2006, China planted new markers on the Paracel Islands, angering Vietnam, which deemed the construction to be “invalid.” Worsening tensions
between the countries led to the withdrawal of Chinese aid to Vietnam in the same month.

The second half of 2007 and the early months of 2008 saw an acceleration of incidents on the ground. These developments highlighted the weakness of the Declaration when it comes to the prevention of skirmishes in the South China Sea. In July 2007, a group of Vietnamese fishing boats came under fire from Chinese patrol vessels in the Spratlys, causing the sinking of a boat and the death of one of its crew members. Naturally, this raised Sino-Vietnamese tension over the disputed territories. In November, the PRC conducted naval exercises in the Paracel archipelago. In December, Beijing established a higher level of administrative control over the Spratlys and Paracels. It upgraded the status of the administrative center in charge of the Paracels, Spratlys, and submerged reefs of Macclesfield Bank. Based on Woody Island, the center was relabeled as the city of Sansha, a move strongly criticized by Vietnam. That same month Hanoi did nothing to discourage popular demonstrations outside China’s embassy in Hanoi and its consulate in Ho Chi Minh City. While the city of Sansha is also supposed to include the Spratlys, the Philippines, Malaysia, and Brunei did not protest against China’s action, arguably in an effort to maintain good relations with Beijing. During a state visit to Beijing in early June 2008, the Vietnamese Communist Party leader, Nong Duc Manh, and the Chinese leader, Hu Jintao, both played down the bilateral clashes over the South China Sea and announced the stepping up of cooperation on maritime issues.

In December 2007, the Filipino parliament passed the Maritime Boundary Act, which incorporated parts of the disputed Spratly Islands into Filipino territory. In response, the Chinese Embassy in Manila lodged an official protest. Moreover, the Filipino military announced in early 2008 that the airstrip at Kalayaan Island, the largest island occupied by its troops, would be repaired and lengthened and that troops’ quarters located on the island would be upgraded. The militarization of the disputes has therefore continued. Furthermore, since the signing of the Joint Marine Seismic Undertaking (JMSU), a three-year pre-exploration agreement announced in March 2005 by China, the Philippines, and Vietnam, Filipino opposition parties have repeatedly criticized the government for undermining its claims in the South China Sea and violating the constitution. This type of domestic political maneuvering is a clear manifestation of nationalism at work but also an indication of the enduring domestic symbolic value of the territorial claims, in this case in the Philippines.

Similar nationalistic sentiments have also been played up in Taiwan. In the run-up to the March 2008 presidential election, Taiwanese President Chen Shui-bian visited the Spratlys in February and inaugurated a 1,150-meter-long runway on the fortified island of Itu Aba (Taiping Island). The presidential visit was reportedly accompanied by close to half of the Taiwanese Navy, including two submarines. The Taiwanese decision to extend the runway on Itu Aba may be interpreted as a strategic response to a Chinese underground nuclear submarine base being constructed near Sanya on Hainan Island. Chinese submarine activity in the South China Sea constitutes a significant strategic concern not only to Taiwan and the
Southeast Asian states but also to the United States and Japan. In addition to being a further example of the militarization of the disputes, the presidential visit illustrated the ongoing nationalistic and symbolic importance of Itu Aba to Taiwan. Vietnam’s Foreign Ministry spokesperson, Le Dung, described the visit as “an extremely serious act of escalation, violating Vietnam’s territorial sovereignty over the Spratlys.” The Philippines joined Vietnam in condemning Chen’s visit; China kept quiet.

In addition, there remains lingering uncertainty over Beijing’s territorial intentions, fueled by questions over who actually makes the decisions in China regarding the South China Sea. The issue is considered to be under the purview of three separate agencies: Hainan Province, the PLAN, and the Chinese Ministry of Foreign Affairs. As Buszynski and Sazlan explain, “ASEAN foreign ministries have noted that China speaks with different voices and that coordination of positions has been a problem for Beijing over this as well as other issues.” It is believed that the Foreign Ministry has traditionally advocated a much less assertive stance on the issue, in opposition to the view taken by the PLAN. In recent years, however, stronger statements on the South China Sea have emanated from the Foreign Ministry.

In sum, since the Mischief Reef Incident, China has somewhat shifted its behavior vis-à-vis the Southeast Asian countries. It has increasingly been acting as a status quo power, respecting standard international norms, rather than as a revisionist power seeking to undermine the international order. Beijing has repeated its desire to resolve the sovereignty issue in the South China Sea by peaceful means, without resorting to the use of force. This has been reflected in the fact that China has not seized disputed features in the Spratlys since the Mischief Reef Incident. Even though it expanded its structures on the reef in November 1998, Beijing’s policy toward the South China Sea has been moderate in recent years in an attempt not to antagonize the ASEAN countries. China’s readiness to accommodate the Southeast Asian countries by becoming less strident in asserting its claims to sovereignty over islands in the South China Sea can be explained by Beijing’s prioritization of economic and diplomatic development.

None the less, the territorial dimension has continued to operate as an escalating factor in the sea disputes. The PRC has repeatedly stressed its sovereignty over the South China Sea. Partly due to a need to preserve their domestic political legitimacy, Chinese leaders refuse to make any concession on this issue. Like China, the Southeast Asian claimants are unwilling to make concessions with regard to their territorial claims. Despite an improvement in the climate of relations, the disputants have yet to shelve the sovereignty issue in an attempt to improve diplomatic and economic ties further. The question of sovereignty therefore remains central. This has been translated into action on the ground. The claimants have used military means to consolidate their various presences in the South China Sea. They have carried on building new structures on disputed reefs, and incidents between them have persisted. There has also been a renewed Chinese assertiveness vis-à-vis the South China Sea question since the second half of 2007. Finally, the disputes have continued to provoke nationalistic sentiments domestically, recently especially...
in the Philippines and Vietnam. Hence, irrespective of the shift in China’s diplomatic behavior and the warming of relationships with Southeast Asian nations, the sovereignty question continues to be an escalating force and a formidable stumbling block toward any form of peaceful resolution of the disputes.

**Natural resources**

The South China Sea disputes have been influenced by economic interests. The oil and gas reserves of the South China Sea have remained uncertain, however, and initial estimates have recently been reduced. Zhang Dawei, an official at China’s Ministry of Land Resources, has optimistically claimed that the South China Sea might hold 23–40 billion tons of oil reserves, or 168–220 billion barrels. This would constitute a greater amount than China’s onshore resources. Additionally, China has estimated that the disputed areas might contain more than 2,000 trillion cubic feet (Tcf) of natural gas reserves. If this is accurate, natural gas would be the most abundant resource in the South China Sea. In short, expectation of resource availability has encouraged the Philippines, Malaysia, and Vietnam to control a number of islands and has been partly responsible for China’s increased activity in the area. The existence of commercially viable quantities of hydrocarbon resources has none the less been questioned. Despite the data circulated by the Chinese, a 1993/4 US geological survey, for example, puts the oil reserves at 28 billion barrels, and the US Energy Information Administration lists proven oil reserves at just 7 billion barrels. Rowan stated in 2005 that “this region retains proven oil reserves of seven billion barrels and a production capacity of 2.5 million barrels per day.” A 1995 study by the Russian Research Institute of Geology of Foreign Countries estimates that there are only 6 billion barrels. One of the more optimistic western estimates place total natural gas resources in the Spratlys at just 35 Tcf.

Beyond oil and gas, the South China Sea is economically important due to its fishing resources. One report in *Jane’s Intelligence Review* went as far as to suggest that the sea’s fisheries may prove to be “more commercially significant than oil.” Still, long-term productivity is declining due to overfishing, coral reef damage, and growing coastal pollution. Paradoxically, these trends have increased fishing activity in the area, as countries seek to exploit what they view as their sovereign resources and to defend their claims against others.

Oil companies began surveying the area as early as the 1960s and 1970s, with concessions being issued by a number of states in the 1970s. By 1992, nearly all claimants were involved in offshore oil exploration. A month before China issued its Law on Territorial Waters, Vietnam and Malaysia announced their interest in joint development. Beijing considered the move as a threat to its economic and energy security. Motivated by declining domestic oil production and what it perceived to be an encroachment into its territory, China began to make deeper penetrations into the Spratlys. In May 1992, it awarded a concession for oil exploration to the US-based Crestone Energy Corporation, which overlapped with Vietnam’s continental shelf claim. Hanoi viewed the concession as illegal but was
hesitant to criticize Crestone for fear of jeopardizing a recent American decision to remove its trade embargo on Vietnam.\textsuperscript{72} A month later, Vietnam responded by signing a deal with a Norwegian company covering the same territory as the Crestone zone. Sino-Vietnamese tension rose when Vietnam began drilling in the area. The drilling rig was withdrawn only on the eve of the visit by China’s defense minister to Vietnam.\textsuperscript{73} In 1994, the Philippines engaged Texas-based Vaalco Energy to search for oil and issued a six-month oil exploration permit to Alcorn Petroleum and Minerals. Interpreting the move as a unilateral attempt to exploit the resources of the Spratlys, China reacted by reiterating its sovereignty claims. In response, Manila tried to backpedal, even inviting China to become a partner in the project. But the diplomatic damage had been done and China advanced further east, “for better surveillance coverage of any Philippine-sponsored oil exploration.”\textsuperscript{74}

Between 1994 and 1997, Vietnam and China clashed again over their overlapping zones. In 1996, Vietnam awarded a concession to the US firm Conoco. In 1997, China took bolder steps, sending Kanto Oil Platform Number 3 along with two ships to carry out exploratory drilling in an area Hanoi claimed to be part of its continental shelf. The rig was soon withdrawn, however, after repeated Vietnamese protests.\textsuperscript{75} While Beijing and Hanoi acknowledged that they could not settle the sovereignty issue, they agreed not to let the dispute affect their relations. Vietnam did not want to antagonize China, and Beijing did not wish to escalate tensions with all of ASEAN over the issue.\textsuperscript{76}

Other oil and gas explorations followed.\textsuperscript{77} In 1998, PetroVietnam, Conoco, Korea National Oil Company (KNOC), and Geopetro negotiated a joint agreement to exploit the Cuu Long field. Oil was discovered in August 2000 and October 2001, with large-scale production beginning in the fall of 2003. Other agreements included the Hoan Vu joint venture to explore the Ca Ngu Vang field and the Truong Son joint venture signed between PetroVietnam and various partners. PetroVietnam also collaborated with Petronas Carigali, Indonesia’s Pertamina, and KNOC in the development of gas fields in the Vung Tau Province. The Philippines also continued with exploration. In August 1998, Shell was given a contract to drill in the Malampaya natural gas field. In 2000, the company announced the discovery of oil. In October 2003, the Philippines’ energy secretary, Vicente Perez, declared forty-six exploration areas open to public tender. In the spring of 2007, British Petroleum (BP) shelved plans to develop an oil and gas field off the southern Vietnamese coast due to ongoing friction between Beijing and Hanoi. By July 2008, however, the company announced that its Vietnamese partner, PetroVietnam, had resumed its surveying activities in the maritime area disputed by Beijing.\textsuperscript{78}

The possibility for joint development has been under discussion since the early 1990s. In 1990, Premier Li Peng stated that China was ready to shelve the issue of sovereignty in favor of joint development in the South China Sea. Unofficial Track-Two Workshops on Managing Potential Conflicts in the South China Sea have been held ever since. By avoiding the question of sovereign jurisdiction, the workshops have attempted to encourage a multilateral dialogue and enhance a peaceful management of the conflict.\textsuperscript{79} The 1991 Workshop culminated in a six-principle agreement, calling for joint resource development, the non-use of force, and self-
restraint. In his opening statement, Indonesia’s foreign minister, Ali Alatas, declared that “our attention and efforts have been and should continue to be directed towards finding ways to transform potential sources of conflict into constructive forms of cooperation for mutual benefit.” Moreover, Vietnam and China agreed in October 1993 that, while negotiating a settlement over the territorial question, “the two sides shall not conduct activities that may further complicate the disputes.” During Jiang Zemin’s visit to Vietnam in November 1994, a bilateral working group on the issue was established, with meetings beginning in 1995.

None the less, diplomatic commitment to joint development has not always translated into action. Following the 1991 Workshop, China subsequently indicated that Beijing would agree to joint cooperative activities only if the other claimants first acknowledged Chinese sovereignty over the South China Sea. Moreover, China’s unilateral agreement with Crestone was reached in 1992 in spite of its earlier assurances that it would engage in joint exploration. That same year, China had also passed its controversial Maritime Law. Additionally, despite the 1993 agreement with Hanoi, five Vietnamese ships chased a Chinese exploration vessel from the Da Lac Reef area in April 1994. Three months later, two Chinese vessels blocked a Vietnamese oil rig from operating in the Crestone zone.

Tensions have eased somewhat since the signing of the Declaration on the Conduct of Parties in the South China Sea in 2002. Significantly, this has coincided with an increase in economic relations and a proliferation of joint development agreements. In 2002, Malaysia’s Petronas, Indonesia’s Pertamina, and PetroVietnam agreed to establish the joint operating company Con Son to conduct exploration in two zones off the Vietnamese coast. A second agreement was reached in 2003 to explore and develop hydrocarbon resources off Sarawak. In 2003, the Philippine National Oil (PNO) Company negotiated a joint venture with Malaysia’s Petronas to explore the area off of Mindoro.

At the same time, China improved its relations with the Philippines, with President Hu Jintao making a state visit in the spring of 2005. In 2004, Beijing and Manila had agreed to start discussions on defense cooperation, to increase military exchange visits, and to exchange intelligence on transnational threats. Economic relations likewise improved, with President Arroyo making the issue a top priority. In 2005, two-way trade between the countries was $17.6 billion, a staggering 433 percent increase from 2000. The improvement of bilateral relations contributed to the calming of the Sino-Filipino dispute over the South China Sea. Notably, China’s support toward the Philippines increased after Manila withdrew its troops from Iraq and seemingly distanced itself from its US alliance. At the same time, China forged closer economic ties with Vietnam. During the visit of President Tran Duc Luong to Beijing in the summer of 2005, both parties stressed the importance of cooperation on oil and gas exploration. However, more recently, political and economic ties have become less stable between China and the Philippines partly because of rising nationalistic sentiment in the latter.

China, the Philippines, and Vietnam concluded a three-year agreement in March 2005, designating their state-owned oil companies to conduct a joint seismic study in the South China Sea. This deal had originally been signed by just China...
and the Philippines the previous year. The agreement took effect on July 1, 2005. Unlike the 2002 Declaration on the Conduct of Parties in the South China Sea, the JMSU was a commercial rather than a political agreement between the PNO Company, the China National Offshore Oil Company, and the Vietnam Oil and Gas Corporation. Despite having been signed by oil companies rather than national governments, no Taiwanese party was invited to take part in the undertaking. The agreement was heralded by the parties involved as a significant advance. For example, President Arroyo deemed the JMSU to be a “diplomatic breakthrough for peace and security in the region.” Its significance has been questioned, however, with some analysts wondering whether the JMSU should be regarded as a step in the right direction. For instance, Dosch argues that it reflected “a new strategic setting in which the Southeast Asian claimants compete for the most favorable bilateral or multilateral agreements with China.” Similarly, Barry Wain notes that the agreement broke ranks with the other ASEAN claimants involved in the disputes. Valencia additionally asserts that the joint survey came at a cost to the Philippines, as it covers an area of that country’s legal continental shelf that China and Vietnam have not claimed. Moreover, according to Valencia, the agreement gave legitimacy to Chinese and Vietnamese “legally spurious claims to that part of the South China Sea.”

The JMSU expired on June 30, 2008 and it is still unclear whether it will be extended by the parties involved. Its future may well be jeopardized by the aforementioned rising nationalism in the Philippines and similar sentiments in Vietnam. The Filipino opposition has criticized the JMSU as an illustration of how the government has undermined its claims in the South China Sea and violated the constitution. Moreover, the renewal of the agreement has been put into question due to allegations of corruption linking Chinese loans to the initial deal of 2005. In the Philippines, where opposition to renewal seems to be strongest, a cabinet-level inter-agency committee has been tasked with determining the future of the JMSU.

It is interesting to note, however, that China and Vietnam pledged to explore energy resources jointly in disputed maritime areas during a visit by Prime Minister Nguyen Tan Dung to Beijing in late October 2008. The joint declaration stated that both nations would “collaborate on oceanic research, environmental protection, meteorological and hydrological forecasts, oil exploration and information exchanges by the two armed forces.” The visit also included the signing of a cooperation agreement between the state-owned PetroVietnam and China National Offshore Oil Corporation. This occurred only a few months after ExxonMobil had reportedly been informed that it would be banned from operating in the PRC if it did not drop a joint exploration deal with Hanoi. Following the high-level visit, a Chinese warship docked in Vietnam for the first time in seven years in late November 2008.

In sum, the energy dimension has to some extent been defined by a situation of status quo, as the potential oil and gas resources of the South China Sea have remained uncertain. If oil and gas were to be discovered in the area, the issue would arguably become much more complex and possibly volatile. That said, whether
proof of substantial oil and gas reserves would change the situation for the better or the worse would primarily depend on the specific political and economic circumstances in the region at that time. These would strongly influence whether the availability of natural resources in the disputed maritime area became a source of conflict or cooperation. Significantly, an initial de-escalating trend has been observed. Some of the claimant states have indicated their willingness to put off the question of boundaries and to focus instead on joint survey schemes in the South China Sea to probe its oil and gas reserves. The agreement signed on the conducting of oil pre-exploration surveys in the Spratlys by the state-owned oil companies of China, Vietnam, and the Philippines in March 2005 shows that this de-escalating process has at least started. Yet, as discussed above, this trend has been undermined by the maneuvering of nationalistic sentiments in some claimant states. This is a powerful reminder that nationalism can constitute a stumbling block on the road to joint exploration and development of resources.

**Distribution of power**

Among the claimant states, China undoubtedly has the largest military force. While the country suffered from budgetary constraint and obsolete equipment in the 1980s, China has, since the 1990s, expanded the logistical reach of the PLAN and modernized its armed forces. Shifting its focus away from land and border defense, China has improved its maritime capabilities significantly. It has procured new weapons systems, restructured its armed forces, acquired Russian destroyers and submarines, and improved the amphibious capabilities of its South Sea Fleet (SSF). While the SSF was the weakest Chinese fleet in the 1970s, two decades later, it was equal, if not superior, to the others. Moreover, in June 2002, it was reported that Beijing was negotiating with Moscow the purchase of eight Project 636 Kilo-class diesel submarines armed with Klub long-range anti-ship missiles. China has also purchased two Russian built Sovremenny-class destroyers and signed an agreement for the delivery of two 956-EM series destroyers. In 2006, the US Department of Defense assessed that the PLAN possessed around 75 major surface combatants, 55 attack submarines, and 50 amphibious craft.

The number of Chinese troops specifically stationed in the Spratlys is uncertain. In the 1990s, the total was thought to be around 150. Importantly, China has extended its capabilities on the reefs and islands it controls. It has fortified its facilities on the islets, including Mischief Reef, with anti-aircraft and naval guns as well as landing pads for helicopters. Additionally, China has one J-17C radar installed on Fiery Cross Reef, providing the country with early-warning capability. In the Paracels, it has been reported that anti-ship cruise-missile installations have been emplaced on Woody Island, which is essentially used as a staging post to support military operations in the Spratlys. As mentioned above, the PLAN is also constructing an underground nuclear submarine base near Sanya on Hainan Island. The base, which could house up to twenty nuclear-powered submarines, aircraft carriers, and other power-projection ships, could significantly increase China’s strategic presence and capability in the South China Sea.
profound implications for the distribution of power in and control of the sea. Increased Chinese submarine activity there is a source of great concern not only to the other claimant states and Japan but also a challenge to the United States and its naval dominance in the region. Besides the PLAN activities, it has also been reported that China has built large offshore patrol vessels manned by paramilitaries specifically to patrol the South China Sea.

As Taiwan’s claims are often viewed to be the same as China’s, an additional 4 submarines, 33 principal surface combatants, and 71 patrol and coastal combatants may be added to the PRC’s maritime strength. In 1999, the Taiwanese government decided to withdraw its troops from Itu Aba and to turn security of the island over to its coast guard. This was designed to improve relations with Beijing. From its initial occupation in 1956 through to the 1990s, Taiwan had reportedly maintained between 110 and 500 troops on the island. Realizing, however, that it was not in a position to defend Itu Aba or to resupply the garrison in the event of a clash of arms, Taipei accorded the island secondary importance to its ongoing conflict with the PRC. Yet, as discussed above, Taiwanese President Chen Shui-bian still visited Itu Aba in February 2008 and inaugurated a new runway. This was criticized by the Philippines and Vietnam, but not by China. While Beijing and Taipei are largely in agreement on the South China Sea, the political relationship between the two remains fragile. The military buildup observed on either side has been primarily related to preparations for conflict with the other. In 1996, tensions in the Taiwan Strait reached the point of crisis. Should future relations worsen, the Spratlys and Paracels will likely act as a further source of friction between Beijing and Taipei.

Despite its growing military power, it is important not to exaggerate the current and immediate Chinese threat in the South China Sea. Having acquired new technology, China still requires time for it to be integrated into its existing force structure before it becomes fully operational. Moreover, the PRC is not yet capable of sustaining naval operations away from its mainland bases. Shambaugh writes that the PLA “does not seem to have made much progress in enhancing its power projection capabilities, nor do these seem to be a priority.” At this stage, China has no aircraft carrier battle group to project its power. It has been hinted, however, by a top Chinese military official, that the PRC may build an aircraft carrier in the future. It has few destroyers and its submarines usually remain within its territorial waters. Most features in the Spratly archipelago are too small to offer bases for further naval activities. China’s lack of air power in the Spratlys also limits its influence. Furthermore, command over the maritime communication routes that cross the South China Sea may only result from a significant naval dominance and superiority in the region rather than the occupation of tiny topographical features.

It is important, therefore, to dissociate the military control of reefs that can generate only limited maritime zones from the control of SLOCs and wider naval areas. The latter are more significant strategically. The PRC does not yet possess the technology, military capabilities, or power projection to impose such a naval hegemony in the South China Sea.

Military power should none the less be examined in relative terms and in light of regional standards. China possesses a significant military advantage when
compared to the Southeast Asian claimants, all of which fear its potential hegemonic ambitions in the region. China has, for example, the largest number of submarines and combat aircraft among the claimants. This makes the construction of an underground nuclear submarine base on Hainan Island particularly significant for the South China Sea disputes. The buildup of its SSF, even though it is slow and gradual, is also a concern for the other claimants, especially because its geographical area of operation would naturally be the South China Sea. This is specifically true in the context of Vietnam and the Philippines, which feel threatened by China’s actions in the Spratlys.

Arguably the most powerful Southeast Asian claimant state, Vietnam, does not have the military capacity to compete with China, and it cannot marshal sufficient naval power to impose its will in the South China Sea. From the mid-1980s to the early 1990s, Vietnam reduced its defense spending by nearly 25 percent, in response to the end of Soviet economic assistance. Vietnam’s attitude toward defense spending changed during the mid-1990s, however, as it started to modernize its navy and air force. *Jane’s World Armies* estimated that in 1995 a quarter of the national budget was spent on defense. Between 1994 and 1999, Vietnam purchased Russian equipment, including Su-27 Flanker fighters, Su-30K fighters, missile boats, and radar stations. In 1998, the country additionally acquired two Sang-o-class submarines from North Korea, making Vietnam at the time the only claimant other than China to have underwater strike capability. In 1998, the country’s defense budget was an estimated $3.43 billion. Vietnam’s navy consists of 13,000 troops, with 11 principal surface combatants and 39 patrol and coastal combatants. That said, Mitchell has noted that it continues to suffer from antiquated weapons systems and poorly funded programs. In 2000, the country was still thought to have 600 troops in at least 27 locations in the Spratly archipelago.

Other countries fare worse than Vietnam. The capabilities of the Filipino Navy and Air Force are weak. In reaction to the Mischief Reef Incident in 1995, the Philippines approved an additional $1.9 billion for the modernization of its defense forces. This included the purchase of multi-role jets, an air defense radar system, and missile-armed patrol boats. The acquisition plans were delayed, however, due to the East Asian financial crisis and domestic politics. The Armed Forces of the Philippines (AFP) have thus continued to lack sufficient air and naval capabilities. Still, the Philippines is making an effort to modernize its military and upgrade its equipment. In 2006, the national defense budget was reported to be $909 million, an increase from the $837 million spent in 2005. The Filipino Navy has 1 frigate, 59 patrol and coastal combatants, 7 landing ships, tank (LSTs), and 39 amphibious craft. The country’s coast guard has an additional forty-three patrol and coastal combatants. The Philippines has reportedly stationed marines on eight islands in the Spratlys. Its bases are fortified with heavy artillery and equipped with radar and weather stations. Moreover, as mentioned above, the military declared in early 2008 that the airstrip at Kalayaan Island would be lengthened and that troops’ quarters located there would be upgraded. Still, the number of Filipino troops present in the Spratlys remains far fewer than the Chinese have stationed there.
Malaysia has likewise increased its maritime capabilities. Between 1986 and 1992, the country increased its defense spending by 31 percent. In 1995, it purchased four fully equipped missile corvettes from Italy, later acquiring two F-2000 frigates outfitted with advanced gun and missile systems. Malaysia also increased the number of vessels in its South China Sea Command and contracted the production of up to twenty-seven Meko-100 patrol ships. In 2006, Mitchell reported that the Malaysian Navy was set to acquire two French Scorpene submarines. In 2006, the defense budget was estimated at $3 billion, with ten naval principal surface combatants as well as seventeen patrol and coastal combatants. Malaysia’s marine police additionally operates a further 150 patrol and coastal combatants.

The weakest power in the dispute is Brunei, which has not established any military presence in the Spratlys and makes no claims to the islands themselves. Still, the country has upgraded its equipment. In 1996, it acquired 16 Hawks (a low–medium-level air defense system), with orders for 3 CN-235 medium-range maritime patrol aircrafts, and 3 offshore patrol vessels. Yet, a considerable discrepancy remains between Brunei and the other major claimants. The country has only 7,000 active troops, 1,000 of whom are in the navy; patrol and coastal combatants number just six, with a mere four amphibious craft. The defense budget for 2006 was $343 million.

In addition to their relative military weakness, the Southeast Asian claimants, especially the Philippines and Vietnam, do not benefit from external military assistance to contain the PRC in the South China Sea. The only power capable of countering the Chinese military would be the United States, particularly through its Seventh Fleet. Yet, Washington has repeatedly stated that the territories claimed by the Philippines were not covered by the Mutual Defence Treaty of August 30, 1951, which ties the Philippines to the United States. For instance, the Mischief Reef Incident did not lead to a strong US diplomatic reaction: all that was issued was a statement on freedom of sea lines and safety of navigation. Vietnam has not reached a formal or tacit alliance with the United States despite a significant improvement in ties since the establishment of diplomatic relations on July 11, 1995. Regardless of whether a future de facto alliance is forged, Washington has so far been unwilling to become embroiled in the territorial dispute.

The absence of an external source of countervailing power in the South China Sea is not due to an American strategic retreat. Instead, it arises from US unwillingness to get involved in the question of sovereign jurisdiction. In contrast to Taiwan and the Korean peninsula, the US Congress does not consider the South China Sea disputes as a vital security concern. Though following closely the developments in the sea, the United States has consistently limited its interest to the preservation of the freedom of navigation and the mobility of its Seventh Fleet since the Mischief Reef Incident. Due to its own economic interests, the PRC is not expected to interrupt the shipping lines that cross the South China Sea, and it is unclear how far the US would go to support either Taiwan or the Philippines should conflict occur. To avoid such a diplomatic dilemma, the United States has a clear interest “in supporting efforts that seek to avoid or contain potential regional conflicts arising from the Spratly Island disputes.”
In sum, one observes a growing asymmetry of naval power in the South China Sea to the advantage of China. The country possesses a significant and rising military edge when compared to the Southeast Asian claimants. The latter do not have access to a source of countervailing power to constrain Chinese actions in the South China Sea. In addition, Beijing is in control of the Paracel Islands but remains essentially an irredentist power in the Spratlys. This means that the power distribution should be expected to operate as a neutralizing factor in the Paracels while arguably acting as an escalating factor in the Spratlys. None the less, armed conflict is unlikely in the immediate future despite the rising Chinese power asymmetry in the Spratlys because of the limited military capabilities of the various claimant states. While it would be relatively easy for the Chinese Navy to evict occupying troops in the Spratlys, it would be much harder for the PLAN to hold such positions in the event of a sustained counter-attack.\textsuperscript{122} This is because such locations are dependent on constant resupply over long distances. Important financial capability as well as air and naval supremacy would be required for such a military operation. Moreover, despite its relative military advantage, China is in no position at this stage to impose naval hegemony over the entire South China Sea. Control over such a vast maritime zone could result only from significant naval dominance rather than the occupation of reefs that are too small to operate as bases for further naval activities. Hence, no claimant country, not even the PRC, is currently able to exercise complete military control over the South China Sea.

Still, irrespective of the prevailing status quo, Taiwan and the Southeast Asian claimants are generally concerned about the changing distribution of power in the South China Sea. They are worried that the Chinese acquisition of additional naval power could be used at a later stage to back up with force its territorial claims. It is feared that overwhelming naval capabilities could eventually be used by the PRC to resolve the sovereignty question militarily. In response and in the absence of an external source of countervailing power in the South China Sea, the other claimants, especially the Philippines, Taiwan, and Vietnam, have sought to strengthen their own naval capabilities as well as the military structures on the reefs and islands they respectively occupy.

\textbf{Conclusion}

This chapter has demonstrated that territory, natural resources, and power competition are all driving forces in the South China Sea disputes. Significantly, however, it has been asserted that while the three components of geopolitics have continued to influence the Paracel and Spratly disputes, they have in recent years primarily acted in a divergent manner. None of the disputants is willing to make concessions on sovereignty, leaving the disputes at an impasse. Claimants have used force and/or military means to consolidate their physical presences in the South China Sea and they have continued to build new structures on disputed reefs. Diplomatic rows and low-level incidents have also persisted. Moreover, the territorial claims still have nationalist importance, especially in China, the Philippines, and Vietnam. It has been noted, however, that China’s policy toward
the South China Sea has been moderate in recent years in an attempt to avoid antagonizing the ASEAN countries. Yet, irrespective of the improvement in relations, it has been argued that the territorial factor has continued to operate as an escalating force and as a significant stumbling block to a peaceful resolution of the disputes.

In contrast to the sovereignty question, some initial de-escalating trends have been observed with regards to natural resources. Potential oil and gas reserves in the South China Sea have remained uncertain. Moreover, the signing of a joint pre-exploration survey agreement for oil and gas in areas of overlapping sovereignty claims has somewhat diluted the situation. The energy attribute could thus generally be viewed as a de-escalating factor, although this may already have been undermined by rising nationalistic sentiments in some claimant states.

Finally, in terms of the distribution of power, there is a growing asymmetry of naval force to the advantage of China. The power distribution should be expected to operate as a neutralizing factor in the Paracels, which Beijing controls, while arguably acting as an escalating attribute in the Spratlys, where the PRC remains an irredentist power. That said, China does not at this stage have the necessary power projection to impose naval hegemony over the entire South China Sea and its key sea lines of communication, while Vietnam and the Philippines cannot rely on sufficient naval power or an external military alliance to impose their claims. Hence the situation of status quo when it comes to the distribution of power. This can, however, be viewed as only temporary in light of China’s rising power. The other disputants remain concerned that Beijing might one day use its growing naval capabilities to back up with force its existing territorial claims in the South China Sea.
5 Geopolitical interplay in the East and South China seas

Introduction

Chapters 3 and 4 examined the geopolitical considerations involved in the territorial maritime disputes of the East and South China seas. The two chapters analyzed whether the actual impact of the geopolitical attributes could be divided into escalating, neutralizing, and de-escalating factors. While the previous chapters discussed the geopolitical considerations separately, this chapter seeks to go beyond their coexistence by investigating how they have interacted with one another in the post-Cold War era. It specifically focuses on the interplay of the geopolitical considerations and explores how this interaction might lead to a rapid and dangerous escalation of a maritime territorial dispute. In that sense, it considers at what stage or given what conditions the interplay of the geopolitical factors becomes an escalation problem and why. The chapter also analyzes how the interaction of geopolitical attributes can arguably defuse tensions. Having discussed the East and South China seas separately, it concludes by reviving comparatively the interplay of the geopolitical attributes in the two case studies.

Drawing from the conceptual framework introduced in Chapter 1, a three-dimensional typology is applied in this chapter to discuss the interplay of the territorial, energy, and power considerations. While the empirical assessments of the maritime territorial disputes in the East and South China seas do not necessarily fall exclusively into one specific category, this typology still offers a conceptual framework to examine the interactive relationships and how they impact on the disputes under study.

First, the geopolitical attributes can be in a convergent relationship. It means that they operate along similar trends, mutually re-enforcing each other. Such a relationship can act as a source of either escalation or de-escalation, depending on the operating trends of the three factors. The geopolitics of sovereignty combined with rising power and energy competition is anticipated to lead to a rapid and possibly dangerous escalation of a dispute. Conversely, the geopolitical attributes acting jointly as neutralizing and de-escalating forces can create the right environment to manage tensions peacefully and even solve a dispute. It is expected that convergence between sovereignty and power directly influences whether the energy factor becomes a source of conflict or cooperation. Second, the geopolitical attributes can be in an instrumentalist relationship. This refers to a situation where
one specific attribute is viewed as necessary to advance the other considerations. Overwhelming military power can, for example, be regarded as a means to enhance territorial claims and energy interests. Such a relationship is expected to militarize a dispute further and thus to be a source of escalation. The dominant power could use force to solve the sovereignty question while the weaker parties may respond to this threat by relying on traditional balance of power strategies. Finally, the geopolitical attributes can be in a divergent relationship, meaning that their operating trends are in opposition. The energy calculations can, for instance, act as a de-escalating force while the overlapping territorial claims continue to escalate the situation. Such a relationship is expected to neutralize a dispute, therefore promoting the status quo. Over time, a divergent relationship may even transform itself into a de-escalating framework if the parties agree, for example, to shelve their claims and focus instead on the joint exploration and development of resources.

The maritime dispute in the East China Sea has traditionally been influenced by territory, natural resources, and power relations. One observes, however, two rather distinct periods in the interplay process, echoing wider developments in Sino-Japanese relations. From the early 1990s until 2006, it is argued that the Senkaku/Diao yu dispute was characterized by a convergent relationship linking the territorial and power attributes. Both considerations were acting as escalating forces, fueling and mutually re-enforcing each other. The sovereignty question, exacerbated by domestic popular nationalism, was combined with growing naval competition. The convergence between the two attributes also transformed the energy issue into a source of conflict, making progress toward joint exploration and development impossible to achieve. The geopolitics of sovereignty and competing power exacerbating energy competition created a volatile environment in the East China Sea. Unsurprisingly, this period coincided with more than a decade of frosty Sino-Japanese relations, culminating with the prime ministership of Junichiro Koizumi (2001–6) and the anti-Japanese demonstrations in China in the spring of 2005.

While still fragile, it is asserted that a second phase has defined the Senkaku/Diao yu dispute since late 2006. Echoing a warming of Sino-Japanese ties, this period has been typified by diluting factors on the ground and a reduced virulence of the geopolitical circumstances influencing the dispute. In particular, China and Japan have attempted to neutralize the territorial dimension by keeping popular nationalist sentiments in check and to downplay power competition by calling for a new era in bilateral relations. The softening of the convergent and escalating relationship linking the territorial and power attributes has opened the way toward joint exploration and development of oil and gas reserves in one of the disputed maritime zones with the signing of a bilateral agreement in June 2008.

Two phases are also noticeable when examining the interplay of the geopolitical attributes in the South China Sea in the post-Cold War era. In the first half of the 1990s, the three geopolitical considerations were all convergent in escalating the maritime territorial disputes and in transforming them into a regional security flashpoint. Driven by the “China threat” image based on a Southeast Asian perception of the People’s Republic of China (PRC) as a revisionist actor, the
maritime territorial disputes were a significant security problem affecting Sino-Southeast Asian relations. A high expectation of energy resources also encouraged the disputants to take control of islets and reefs in the South China Sea. Significantly, the threat of a rising China transformed the possible access to oil and gas into a source of competition and conflict rather than cooperation. The territorial, energy, and power considerations were thus convergent in worsening the situation, reaching their peak as escalating forces during the Mischief Reef Incident in February 1995. Since the second half of the 1990s, however, it is argued that the geopolitical interaction has been characterized by both a divergent and a potentially instrumentalist relationship. The operating trends of the territorial and energy attributes have been in opposition in recent years. The energy dimension, defined by some progress toward joint resource exploration, has operated as a de-escalating force, while ongoing tensions related to the overlapping territorial claims have continued to escalate the situation. It is observed that the divergent relationship between territory and energy has to some extent been neutralizing the disputes, promoting a situation of status quo. Yet, the rise of nationalist sentiments, particularly in the Philippines and Vietnam, could complicate the joint exploration and development of natural resources. A reverse process in the energy dimension, driven by nationalism and a further escalation of the sovereignty question, would again increase the volatility of the South China Sea disputes.

This chapter considers what might explain the de-escalation of the energy attribute in recent years despite the exacerbating territorial dimension. It is argued that this important development has been the consequence of significant changes in the power consideration. Contrary to the first half of the 1990s when power was an escalating factor, this issue has now been neutralized as a result of an acceptable, although temporary, status quo. None the less, in addition to a divergent relationship between territory and energy, the chapter asserts that the geopolitical attributes may be linked in the South China Sea by a potentially instrumentalist relationship. Despite its current neutralization, power remains a central factor, as it continues to be perceived as a possible means to obtain progress in the longer term with regards to the two other considerations. The Southeast Asian claimants are still concerned that China may one day use its rising military power to advance its territorial claims and energy interests. In response, the weaker parties to the disputes have sought to strengthen their own capabilities by reinforcing their military presence on occupied islands and reefs. A further militarization of the maritime territorial disputes in the South China Sea therefore seems inevitable and is anticipated to increase their volatility.

The East China Sea dispute


The Chinese leader Deng Xiaoping and Japanese Prime Minister Taeko Fukuda signed a Peace and Friendship Treaty in Tokyo in October 1978. The diplomatic normalization of relations was concluded despite earlier attempts by right-wing
policymakers in Japan to derail the negotiations by demanding the prior resolution of the Senkaku/Diao yu dispute. During the 1970s and 1980s, both countries maintained good economic and political relations and shared a common enmity toward the Soviet Union. With the end of the Cold War and the collapse of the Soviet Union in 1991, however, Beijing and Tokyo lost their common strategic outlook, and distrust between the two nations started to rise. Liao explains that China and Japan “not only lost their common ground for strategic cooperation, but also faced growing suspicion toward each other due to possible coverage of the Security Treaty over Taiwan.” The new strategic environment opened the way for rising nationalism, the legacy of the Second World War, and Japan’s alliance with the United States to play larger parts in the bilateral relationship. Moreover, China’s rising influence was perceived in Japan as a challenge to its position as a regional leader. Chinese rapid economic growth was also in sharp contrast to Japan’s long economic downturn, which was undermining its influence in East Asia. The visit by Chinese President Jiang Zemin to Japan in 1998 chilled ties considerably, after a written apology for Japan’s invasion of China had been officially demanded by him. Tokyo refused to provide such a written apology, although something similar had previously been granted to South Korean President Kim Dao Jung. The Japanese public response to Jiang Zemin’s visit was also negative. Sino-Japanese ties worsened during Prime Minister Junichiro Koizumi’s administration. Bilateral relations were severely affected during his five years in office by Koizumi’s insistence on making annual visits to the Yasukuni Shrine. Condemned by Beijing, the visits were arguably meant to maintain the right-wing support of Koizumi’s own political party, the Liberal Democratic Party (LDP). The Prime Minister also maintained close ties with Taiwan and its pro-independence president, Chen Shui-bian, leading to additional speculation that Japan might support Taipei in the event of a cross-straits military conflict. Furthermore, this period saw the expansion of international activities undertaken by the Japan Self-Defense Forces (SDF), including support of US troops in Afghanistan in 2001 and Iraq in 2003. These overseas operations coincided with domestic debates about the further removal of restrictions on the role of the SDF and the revision of Article 9 of the Japanese constitution, which technically forbids the country from maintaining armed forces. The revision of the constitution has been at the core of ongoing debates in Japan and beyond about the nation moving closer to becoming a “normal” state again. China has been concerned, however, about Japan gradually extending its military role in East Asia.

Diplomatic relations reached their lowest point in 2005 due to the publication of a controversial history textbook in Japan and growing Chinese popular opposition to Tokyo’s efforts at securing a permanent seat in the United Nations Security Council (UNSC). The latter campaign has been part of a wider attempt by Japan to play a more active role in international security affairs, in line with its status as an economic great power. These developments sparked popular protests in China that initially targeted Japanese business interests in the cities of Chengdu and Shengzhen on April 4, 2005 before spreading to Beijing and Hangzhou. This eventually led to a demonstration outside the Japanese Consulate General in
Shanghai on April 16. Liao explains that the rising nationalism resulted in “the most serious demonstration in China since the two countries’ diplomatic normalization.” In response, Tokyo expressed its deep concern and issued diplomatic protests to Beijing for not doing enough to end the anti-Japanese protests. Having manipulated popular nationalistic sentiments, Beijing eventually imposed the necessary restrictions to prevent a further deterioration of Sino-Japanese relations and to avert the risk of the public demonstrations shifting their critique toward the Chinese Communist Party (CCP) leadership. Prime Minister Koizumi and Chinese President Hu Jintao finally discussed the demonstrations when they met on the sidelines of the Asia–Africa Conference held in Indonesia at the end of April 2005. Yet, bilateral ties started to improve only with the end of Koizumi’s premiership and his repeated visits to the Yasukuni Shrine.

The convergent relationship in the East China Sea

During the Cold War period, severe tension and escalation over the Senkaku/Diao yu dispute were avoided in favor of increased bilateral trade and cooperation, despite popular nationalistic sentiments in China and Japan. Both countries also prevented hostility in the disputed maritime area surrounding the islands by refraining from exploring for natural resources. It is worth mentioning that China was at the time still an oil exporting nation, including to Japan. The latter lacks natural resources and has historically been dependent on other states to guarantee its access to energy.

With the collapse of the Soviet Union and the disappearance of a common strategic outlook, the maritime territorial dispute in the East China Sea became a destabilizing factor in Sino-Japanese relations. Coinciding with a long period of frosty relations, it is argued that the Senkaku/Diao yu dispute was driven between 1991 and 2006 by a convergent relationship linking the territorial and power attributes. Intensified by popular nationalistic sentiments and mutual antipathy, the sovereignty question came more clearly to the fore and acted as an escalating force on the dispute. Likewise, China’s rising economic and military power challenged Japan’s naval presence in the East China Sea and its control over the disputed islands. The PRC’s naval buildup and new strategic aspirations in the post-Cold War era combined with the dispute over boundaries in the East China Sea heightened the emerging power competition with Japan. The nexus between the exercise of sovereign rights and power competition was, for instance, observed through the repeated incursions of vessels from the People’s Liberation Army Navy (PLAN) into the Japanese-claimed exclusive economic zone (EEZ) surrounding the Senkaku/Diao yu Islands. As discussed in Chapter 3, the most dangerous incident occurred in November 2004 when a Chinese Han-class submarine entered Japanese territorial waters off the island of Okinawa. In response to the repeated Chinese incursions in the disputed maritime areas, the Japanese Coast Guard also increased its presence in the waters surrounding the contested islands. Hence, naval power capabilities were perceived as a means to back up territorial claims. In short, the territorial and power considerations were convergent and mutually re-enforced each other.
None less, while diplomatic tension over the Senkaku/Diao yu dispute was raised during this period, it is important to stress that no direct clash of arms occurred in the East China Sea. This can be explained by a Chinese and Japanese attempt to keep the convergent and escalating relationship in check and not to allow the dispute to spiral out of control. Power politics and competition in the East China Sea were not permitted to jeopardize stable and mutually beneficial economic relations. The attempt to impose some form of restraint in behavior and prevent an uncontrollable escalation in the East China Sea was even more pronounced with regards to the management of patriotic nationalism. Despite strong domestic sentiments often manipulated by governments for political benefit, Beijing and Tokyo were both careful to keep nationalism in check and to maintain the conflict at a rhetorical level. As discussed in Chapter 3, Chinese and Japanese officials responded rhetorically to the domestic nationalistic groups and their efforts at landing on the contested islands but imposed some restrictions to prevent a further escalation of the situation.

Likewise, for obvious domestic political reasons, the respective governments were forced to pay close attention to these nationalistic groups and their actions and stick to a hard-line position on the sovereignty question. By maintaining the Senkaku/Diao yu dispute on the wider political agenda, nationalists in China and Japan therefore kept the pressure on the policymakers and translated the sovereignty question into an enduring escalating issue. Any concession on the territorial claims by the respective disputants was therefore made impossible due to the heavy political costs involved. To grasp the political weight of these conservative political platforms, it is worth repeating here that Prime Minister Koizumi visited the Yasukuni Shrine yearly between 2001 and 2006, as did his predecessor Ryutaro Hashimoto in 1996, to please and guarantee the support of right-wing LDP parliamentarians and nationalistic groups in Japan.

The convergent relationship escalating the territorial and power attributes also transformed the energy issue into a source of conflict rather than cooperation. Unsurprisingly, no progress was made toward joint exploration and development during this period. A climate of relations characterized by rising nationalism and power competition was not conducive to reaching an agreement on the common development of natural resources in the East China Sea. By 1993, China had also become an oil-importing nation while Japan continued to be fully dependent on other countries to guarantee its access to the commodity. During this period, China and Japan took unilateral actions in the East China Sea to facilitate the exploration and possible exploitation of what they considered to be their sovereign resources.

In February 1992, Beijing passed the Law of the People’s Republic of China on the Territorial Waters and Contiguous Areas, circumscribing the Senkaku/Diao yu Islands and large parts of the South China Sea. It also asserted its right to use military force to protect the islands and their surrounding waters. The passing of this law illustrated the convergence of the territorial, energy, and power considerations in China’s policy vis-à-vis the Senkaku/Diao yu dispute and the East China Sea. The different geopolitical considerations were closely linked in this instance. Territory was viewed as valuable to Beijing due to the expected
availability of natural resources to be found in the seabed while naval power expansion was regarded as deriving from the controlled territory. The inclusion of the Senkaku/Diao yu Islands was specifically pushed by the People’s Liberation Army (PLA) but later downplayed diplomatically by the Chinese Ministry of Foreign Affairs (MFA) out of concern over a further deterioration of relations with Japan.9

In 1996, China and Japan ratified the United Nations Convention on the Law of the Sea (UNCLOS). This further complicated the situation in the East China Sea and illustrated the existing links between the overlapping territorial claims and the energy calculations of the disputants.10 UNCLOS provided the claimants with an opportunity to extend their sovereign rights over additional maritime areas in a quest for energy resources. As part of their respective ratification of UNCLOS, China reiterated its sovereignty claims previously included in the 1992 Law on Territorial Waters and Contiguous Areas while Japan announced the delimitation of a continental shelf and of an EEZ around the Senkaku/Diao yu Islands. The Japanese move to use the disputed islands as baselines for its claimed EEZ was strongly condemned by Beijing. China and Japan also continued to compete for natural resources elsewhere, including over the building of a pipeline to guarantee access to Russia’s oil reserves in Siberia.11 Yet, despite rising competition over access to energy resources in the East China Sea and beyond, open confrontation was avoided. The cost of modern warfare between two highly interdependent economies as well as the influence of other constraining factors certainly contributed to this.

Expectedly, the deterioration of Sino-Japanese relations in the spring of 2005 affected the Senkaku/Diao yu issue.12 It exacerbated the convergent relationship linking the territorial, energy, and power attributes as well as its negative impact on the dispute. The anti-Japanese demonstrations that occurred in various Chinese cities were to a large extent related to nationalistic and power considerations. The publication of the controversial history textbook touched on the legacy of the Second World War but also on Beijing’s manipulation of domestic nationalistic sentiment, while the campaigning for permanent UNSC membership was part of Japan’s effort at expanding its power and influence in international politics. Overall, the demonstrations condemned Japan’s foreign policy behavior vis-à-vis China. Significantly, the Senkaku/Diao yu dispute and the overlapping maritime claims in the East China Sea were addressed in the slogans shouted by the Chinese protesters.13

The worsening of Sino-Japanese ties and the escalation of the situation in the East China Sea further transformed the energy question into a source of conflict. In April 2005, Japan announced that it would begin test drilling in the East China Sea unless China stopped its exploration activities in the Shirakaba/Chunxiao gas field.14 While China had restricted its drilling in this area to its side of the median line, Japan was still concerned that it might siphon resources from the Japanese side. Beijing refused to cease its activities and later firmly criticized Tokyo’s decision to open bids for exploration contracts. In July 2005, the Japanese Ministry of Economy, Trade, and Industry (METI), followed by Prime Minister Koizumi, authorized the Teitoku Sekiyu company to test drill on the Japanese side of the
median line for the purposes of extracting natural resources from the seabed. In response, five PLAN vessels, including a destroyer, sailed near the Shirakaba/Chunxiao area in September 2005 and one of them allegedly pointed its guns at a Japanese P3-C surveillance aircraft. A deployment of naval military might was thus employed to convey a strong message to Japan regarding China’s territorial claims and its sovereign rights over the natural resources in the disputed areas.

The neutralizing phase (late 2006–present)

Sino-Japanese ties warmed after Prime Minister Shinzo Abe took over from Koizumi in September 2006. A further improvement in relations was noticed after Prime Minister Yasuo Fukuda replaced Abe in September 2007. Fukuda himself resigned as Prime Minister in September 2008 due to the unpopularity of his government. He was replaced by Taro Aso. While Tokyo and Beijing are still at odds over the Senkaku/Diao yu territorial dispute and their wartime history, relations have improved in recent years. The driving factor in the new climate of relations has arguably been the rising economic interdependence linking and benefiting both nations. China replaced the United States as Japan’s first trading partner in 2007. Having become the third-largest economy in the world in 2008 behind the United States and Japan, the PRC has also grown more comfortable in its status as an internationally recognized great power. China’s growing material capabilities and its enhanced ideational influence have, to some extent, eased its foreign policy behavior vis-à-vis Japan. Significantly, Beijing has given less emphasis to the legacy of the Second World War in recent years, concentrating instead on the benefits of common economic interests and cooperation. Still, mutual popular antipathy remains strong in China and Japan, and these negative sentiments are not expected to diminish in the immediate future.

A series of official visits have improved the climate of bilateral relations. Shinzo Abe’s symbolic visit to China in October 2006 was described by Chinese President Hu Jintao as a “turning point” for Sino-Japanese relations. Chinese Premier Wen Jiabao’s successful visit to Japan in April 2007 was a further positive indicator that the two countries were willing to moderate their stances and focus on the future. This was followed in November 2007 by the visit of the Chinese guided-missile destroyer, Shenzhen, to the port of Tokyo and the Japanese naval headquarters in Yokosuka. This constituted the first visit of a Chinese warship to Japan since the 1930s and thus symbolized improving ties between Beijing and Tokyo. The ceremony marking the seventieth anniversary of the Nanjing massacre, which began on December 13, 1937 following the Japanese occupation of the eastern Chinese city, was also devoid of inflammatory rhetoric over Japan’s war record. Instead, it included a series of symbolic peace gestures. Most significant, however, were the visits by Prime Minister Yasuo Fukuda to China in December 2007 and of Chinese President Hu Jintao to Japan in May 2008. In Tokyo, Hu and Fukuda called for a new era in bilateral relations and agreed to cooperate and enhance mutual trust as well as to hold annual summits. All these events have been regarded as signs of a warming of relations since the end of the premier-
ship of Junichiro Koizumi in September 2006. It is also significant to note that Taiwanese President Ma Ying-jeou has sought, since taking over from Chen Shui-bian in May 2008, to improve cross-strait relations, which has contributed to an overall diffusion of tension in the region.

The softening of the convergent relationship

The warming of Sino-Japanese relations has led, since late 2006, to a reduced virulence of the geopolitical factors influencing the Senkaku/Diao yu dispute. It is asserted that Beijing and Tokyo have at least tried to neutralize the impact of the territorial and power attributes by downplaying the legacy of the Second World War and calling for a new era in relations based on trust and cooperation. Importantly, leaders in Beijing and Tokyo seem, at least for now, to have succeeded in resisting domestic nationalistic groups and in concentrating instead on pursuing common political and economic interests. Still, while the various state visits mentioned above are important in terms of improving the climate of bilateral relations, the difficulty of peacefully managing and perhaps even resolving the Senkaku/Diao yu dispute and the overlapping claims in the East China Sea need to be kept in mind. This will be discussed in detail in the next chapter.

It is too soon to claim that the territorial and power considerations are now operating jointly as de-escalating forces on the Senkaku/Diao yu dispute. This would constitute a positive convergent relationship, creating the right kind of environment to manage tensions peacefully and even resolve the dispute. Instead, none of the parties, including Taiwan, has been willing to make concessions on the sovereignty question or to present its overlapping claims to the International Court of Justice (ICJ). Moreover, while the references to power politics have been toned down in recent years, it would be naïve to expect the competition for power and influence in East Asia to have faded away as an important factor in Sino-Japanese relations.

Still, the Senkaku/Diao yu issue seems currently to be influenced by a softer and more diluted convergent relationship linking territory to the power distribution. As noted, this relationship operates, under the best of circumstances, as a neutralizing rather than as a de-escalating force. This could already be observed in late 2006. For example, the attempted landing by Hong Kong activists on the contested islands in October 2006 to mark the tenth anniversary of the death of David Chan met with restrained reactions from China and Japan. This was in sharp contrast to the strong nationalistic sentiments and official condemnation provoked by the drowning of Chan while trying to reach the islands in 1996. Beijing also gave a muted response to a joint naval exercise involving the Japanese Maritime Self-Defence Force and the US Navy, which simulated, in December 2006, a hypothetical invasion of the Senkaku/Diao yu Islands. Whether the current status quo in the East China Sea can be preserved in the longer term or even transformed into conflict management and resolution remains an unanswered question, however.

Although still only emerging at this stage, the softening of the convergent relationship has led to some progress regarding joint exploration and development
in the disputed maritime zones, culminating in the signing of a bilateral agreement in June 2008. Significantly, the muted public response in China to the deal was in sharp contrast to the anti-Japanese demonstrations of April 2005. The announcement of the agreement followed a recent improvement in bilateral ties best illustrated by the visit of President Hu Jintao to Japan in May 2008. The Chinese and Japanese leaders had pledged during that visit to transform the East China Sea into a “sea of friendship, peace, and prosperity.” Interestingly, these bilateral calls for the joint exploitation of natural resources came at a time when oil prices were at a record high, averaging $110 per barrel. By June 2008, prices had gone up even further, reaching $130 per barrel. In contrast, the rising tension over energy exploration in the East China Sea in 2005 coincided with much lower prices for the commodity. This suggests that high energy prices and needs are insufficient to explain either conflict or cooperation in maritime territorial disputes. Instead, it seems that whether the availability of natural resources in a disputed maritime zone becomes a source of conflict or cooperation depends more on its interaction with other geopolitical considerations, arguably the nexus between sovereignty and power.

**South China Sea disputes**

**The escalating phase (1991–5)**

During the Cambodian Conflict (1978–91), the problem of overlapping claims in the South China Sea was set aside in China’s relations with the members of the Association of Southeast Asian Nations (ASEAN). Thailand needed external support to oppose Vietnam’s occupation of Cambodia while the PRC was reliant on Thai collaboration to assist the Khmer Rouge militarily. Some regional states, primarily Singapore, were also concerned about the growing Soviet naval influence in Southeast Asia. The naval confrontation between China and Vietnam in the Spratlys in March 1988 revived the South China Sea issue in some ASEAN capitals. Still, the tacit alliance with China over the Cambodian conflict and the regional isolation of Vietnam meant that the territorial question was overlooked in Southeast Asia during most of the decade. The PRC did not act aggressively against any of the ASEAN claimants during that period.

The Paris Accords of October 1991 settled the Cambodian conflict. Coinciding with the end of the Cold War, the resolution of the conflict was indicative of the rapid transformations occurring at the international level and of a shifting distribution of power in East Asia. The disintegration of the Soviet Union in December 1991 dramatically limited Russia’s regional role and influence, as Moscow was now primarily concerned with domestic issues. The Soviet Union had already announced, in October 1990, its decision to withdraw its troops from Cam Ranh Bay in Vietnam. The reduction in regional influence was less significant in the case of the United States, the sole global superpower, which had demonstrated its modern military capability in Operation Desert Storm to liberate Kuwait from Iraqi occupation in January 1991. The collapse of the Soviet Union and budgetary
constraints still obliged Washington to reconsider its military deployment in East Asia. This led to a measured reduction of American forces in the region. In addition, the Filipino Senate denied a new base treaty with the US in September 1991, leading to a complete withdrawal from Subic Bay Naval Base and Clark Air Base by November 1992. In short, the long-term US commitment to Southeast Asian security seemed uncertain in the early 1990s.

China’s influence in Southeast Asia at the end of the Cold War became more significant due to the collapse of the Soviet Union and the uncertain nature of the American involvement in the region. Moreover, as a result of the legacy of its experience in the Second World War, Japan was reluctant to extend rapidly its security role in East Asia. Its military power, including its naval force, continued to be restricted to self-defense purposes. In these circumstances, China became the prime beneficiary of the changing strategic context. Having reached a rapprochement with Moscow in the late 1980s, China no longer faced a threat on its northern border and could now focus on other security interests, including its territorial claims in the South China Sea. Furthermore, since the 1980s, China had experienced a sustained economic development that had helped to accelerate the modernization of its military capabilities.

China’s regional influence and the emergence of an uncertain multipolar structure were viewed with apprehension in Southeast Asia at the end of the Cold War. Some ASEAN members feared that a US military disengagement in East Asia might encourage China or even Japan to fill “the power vacuum” left by retreating external powers. The resolution of the Cambodian conflict also put an end to the complementary security interests that had united China and the Association. Reversely, rather than a threat to Southeast Asian stability, Vietnam was now keen to reach a détente with Washington and the ASEAN members. Vietnam eventually joined the Association and normalised its relations with the United States in 1995.

The convergent relationship in the South China Sea

In the post-Cold War strategic context, the problem of the overlapping claims in the South China Sea became a major security issue that complicated relations between the PRC and the Southeast Asian claimant states. The maritime territorial disputes were driven by a convergent and escalating relationship linking the territorial, energy, and power considerations. In particular, the power question was central and re-enforced the territorial and energy concerns of the Southeast Asian nations. The South China Sea issue epitomized in the first half of the 1990s the fear of a rising China acting as a revisionist actor in search of maximizing its territorial objectives and energy interests. Such a climate of relations made it inevitable for the exploration and development of natural resources to be perceived by the disputants as a source of competition rather than collaboration.

ASEAN was unable to act on its own as an effective source of countervailing power in the South China Sea. Having traditionally focused on conflict avoidance since its inception in Bangkok in August 1967, the Association was devoid of two elements essential for any formal or tacit alliance: namely, joint military capabilities
and the existence of a common threat perception. Moreover, ASEAN showed no disposition in the early 1990s of wanting to evolve into a defense arrangement to contain a Chinese threat. Even if such an unlikely transformation had occurred, the ASEAN members would not have had the joint military capabilities to deter Chinese actions in the disputed areas.

It is worth noting, however, that the distribution of power over the South China Sea was somewhat affected by ASEAN’s enlargement to include Vietnam in July 1995. Kissinger wrote in 1994 that “though they will disavow it, the nations of Southeast Asia are including the heretofore feared Vietnam in their grouping (ASEAN) largely in order to balance China and Japan.” At issue was the need to constrain Chinese actions in the South China Sea. The rapid inclusion of Vietnam was perceived by the PRC as a means for the Southeast Asian states to restrain its maneuvers in the Spratlys and gang up on its territorial claims. Although ASEAN did not provide Vietnam with a source of countervailing power, Hanoi joined the arrangement with the regional distribution of power in mind. It expected more Chinese restraint toward the Vietnamese claims in the South China Sea due to its participation in the Association. Nevertheless, the impact of the Vietnamese membership on the distribution of power should not be exaggerated. Vietnam’s membership did not improve ASEAN’s ability to practice conventional balance of power politics to constrain Chinese actions in the Spratlys. As it is not a collective defense arrangement, ASEAN could not operate on its own as an effective source of countervailing power. Additionally, many within ASEAN were hesitant to confront China on the issue as important economic and trade ties were at stake.

Discussing the maritime territorial disputes, Leifer explained in 1995 that the Association “has no power to deploy because it is neither a defense community nor a party to a countervailing structure of alignments.”

Rather than their membership in ASEAN, the US deployment in the region was regarded by most Southeast Asian states as a means to constrain China’s hegemonic aspirations in the South China Sea and to prevent possible restrictions of the freedom of navigation. Washington reached an agreement with Singapore in November 1990, allowing its air force and navy to use the latter’s military facilities more extensively. The agreement that offered the US compensating facilities in the city-state mitigated the strategic consequences of its departure from Subic Bay Naval Base and Clark Air Base. Initially critical of the memorandum, after the American withdrawal from the Philippines, Malaysia and Indonesia were prepared to provide access to the US Navy, thereby enhancing their military ties with Washington. Yet, as discussed in Chapter 4, the United States was unwilling to get involved in the question of sovereign jurisdiction in the South China Sea and limited its national interests to the preservation of the freedom of navigation and the mobility of its Seventh Fleet. The American position on the South China Sea issue has not changed to this day.

Though all the Southeast Asian nations were confronted in the early 1990s with China’s rising power, it is important to note that the “China threat” thesis was not a source of equal concern in all the ASEAN capitals. Disparities and differential relationships with the PRC developed for various reasons. These included
contrasting historical experiences, ethnicity, and economic relations as well as domestic and international conditions. Hence, while some Southeast Asian states were openly worried about the rise of China, others were eager not to antagonize the PRC or to over-emphasize the South China Sea question in their bilateral talks with Beijing. Contradictory views on China, therefore, complicated the establishment of a common position on the South China Sea.

The convergence of the territorial, energy, and power considerations during this escalating period was best illustrated by the Mischief Reef Incident of February 1995. In terms of the power distribution, the PRC had specifically targeted the Philippines, the most vulnerable actor in the Spratly dispute since the 1992 US withdrawal. The latest Chinese occupation in the Spratlys fueled the “China threat” image and increased regional concerns that Beijing might want to dominate the South China Sea through military means. In terms of the territorial dimension, the PRC had for the first time taken territory claimed by an ASEAN country and as a result further consolidated its presence in the Spratly Islands. It is important to remember that China had remained absent from the Spratlys until the second half of the 1980s, when force was used against Vietnam while all the other claimants, with the exception of Brunei, had already been in control of disputed features in the archipelago. Finally, in terms of energy, the incident occurred only two years after the PRC had for the first time in its history become a net oil importer and when the estimates of resource availability in the South China Sea were still particularly high.

Significantly, the Mischief Reef Incident provoked different responses in Southeast Asia resulting from contrasting views on the “China threat” thesis. Naturally, the Philippines viewed the Chinese occupation of Mischief Reef as a danger to its national security mostly because it represented “a breach of the regional modus vivendi which regional states had been painstakingly trying to develop.”

Beyond the adoption of immediate retaliatory measures that included the destruction of Chinese territorial markers and the arrest of Chinese fishermen, Manila reacted by announcing a defense modernization program. Indonesia’s traditional threat perception was confirmed by the Mischief Reef Incident and the suspected extension of Chinese claims to include the Natuna region. During his visit to the PRC in July 1995, Indonesia’s foreign minister, Ali Alatas, was provided with no clarification regarding the Chinese claims to the waters above the Natuna gas fields. Feelings of mistrust and suspicion toward China remained strong in Indonesia, especially among its armed forces (the TNI). Indonesia feared external interference and was apprehensive that China’s rising military and economic power may increase its role in Southeast Asia. China’s behavior reinforced the fear among the military elite of a Chinese irredentist policy in the South China Sea. Indonesia’s involvement in the territorial disputes and the need to develop a deterrence strategy against the PRC played a part in Suharto’s decision to sign a security agreement with Australia in December 1995. Interestingly, Jakarta failed to inform its Southeast Asian partners prior to the joint announcement made by Australia and Indonesia at the ASEAN heads of state and government meeting in Bangkok later that month. The agreement tacitly acknowledged that both states shared a common strategic outlook and similar security concerns.
Meanwhile, Malaysia and Singapore adopted a more conciliatory attitude toward the PRC. Malaysia was eager to preserve and further develop its economic ties with China, even at the cost of collective solidarity toward another ASEAN member. In January 1995, Malaysia’s prime minister, Mahathir Mohamad, declared that “it is high time for us to stop seeing China through the lenses of threat and to fully view China as the enormous opportunity that it is.”33 While indicating the shift in Malaysia’s threat perception, the statement was also an implicit criticism of the Philippines. The two states had followed contrasting approaches with regard to the PRC and the South China Sea problem. While Manila had aimed to internationalize the territorial question, Kuala Lumpur was more inclined to negotiate bilaterally with China. Keen to demonstrate its Southeast Asian identity, Singapore had decided to be the last ASEAN member to open relations with the PRC. Despite the prior existence of excellent economic ties, Singapore and China therefore only formalized their relations in November 1990. As a non-claimant state, Singapore was eager to see the non-violation of the freedom of navigation in the South China Sea. During his visit to the PRC in May 1995, Singapore’s prime minister, Goh Chok Tong, mentioned the need to discuss the feeling of insecurity that the Chinese policy in the South China Sea had provoked among ASEAN members.34 Yet, rather than a genuine sign of concern, this declaration was meant to confirm the Southeast Asian identity of the city-state and express ASEAN solidarity.35 In an interview with the *Straits Times*, Senior Minister Lee Kuan Yew played down the Mischief Reef Incident and China’s aggression in the South China Sea.36

**The neutralizing phase (second half of 1990s–present)**

Tensions over the South China Sea have lessened since the second half of the 1990s. Following the Mischief Reef Incident, China changed its behavior vis-à-vis the Southeast Asian claimants and indicated its willingness to hold multilateral discussions on the South China Sea. This conciliatory attitude was not extended to the question of jurisdiction, however. China’s concessions did not alter its territorial objectives in the South China Sea, as Beijing persistently repeated its claims over nearly the entire area. The Declaration on the Conduct of Parties in the South China Sea was eventually signed by the PRC and the ASEAN members in November 2002 after a long process of negotiation. It was a political statement rather than a binding code of conduct or treaty but it could still be interpreted as an indication of Beijing’s willingness to adhere to the principles promoted by the ASEAN countries.

Since 2002, the South China Sea question has no longer been perceived as a significant and immediate security flashpoint capable of undermining order in the region, and it has, to some extent, been put aside in Sino-Southeast Asian diplomatic and economic relations. Despite recurrent skirmishes between the parties, the situation has reached a fragile stability. Nevertheless, the issue has remained an impediment to the formation of closer relations between states, and the potential for conflict still exists as an irritant to the parties involved.37 The easing of relations...
over the South China Sea disputes can be explained as resulting from the lessening of the “China threat” image in Southeast Asia. The perception of the PRC has gradually changed among Southeast Asian policy elites. This has resulted from it acting as a responsible power supporting the status quo rather than as a revisionist power. Self-restraint and accommodation have characterized China’s foreign policy vis-à-vis Southeast Asia since 1995. Its “charm offensive” toward ASEAN is in sharp contrast to its previous suspicion of multilateralism. In October 2003, the PRC was the first non-Southeast Asian state to adhere to the Treaty of Amity and Cooperation (TAC). This symbolic gesture has been part of China’s overall courtship of ASEAN in recent years, as well as a further demonstration of its willingness to respect the Association’s norms of inter-state behavior.

The divergent and instrumentalist relationships in the South China Sea

In contrast to the escalating period discussed above, it is argued that the South China Sea disputes have since the later part of the 1990s been defined by a neutralizing phase. This has primarily derived from a divergent relationship between territory and energy as well as from an acceptable status quo in the power distribution. While territory has continued to operate as an escalating force in the maritime territorial disputes, energy, through joint pre-exploration schemes and the prospect of common development, has acted as a de-escalating one. Their opposite impact, it is claimed, has up to a point contributed to neutralizing the disputes. Significantly, the de-escalation of the energy attribute is said to have been a direct result of the diluted power distribution. Yet, the neutralizing phase characterizing the South China Sea disputes today could easily be undermined by the possible rise of nationalism and by a potential instrumentalist relationship linking the geopolitical considerations. The use of military power is indeed still perceived as a possible means to advance territorial and energy calculations.

As discussed in Chapter 4, the territorial dimension has continued in the context of the South China Sea disputes to operate as an escalating factor. All the claimants have repeatedly stressed their territorial claims and have refused to make any concessions on the sovereignty issue. The disputants have thus remained inflexible on this pivotal question. Moreover, the territorial claims continue to be of nationalist importance in the PRC and in other claimant states. For example, nationalism, and its impact on the management of the disputes, has remained a key issue in Sino-Vietnamese and more recently in Sino-Filipino relations. Clearly, retracting territorial claims or a willingness to make concessions on the question of sovereign jurisdiction would be too costly domestically to the national governments involved and perceived regionally as a sign of weakness.

Pragmatic nationalism seems to be on the rise again in the context of the South China Sea. Various incidents, driven by nationalist sentiments and manipulated by national governments, have indicated the enduring domestic symbolic value of the territorial claims. Three recent examples are worth mentioning. First, since the signing of the Joint Marine Seismic Undertaking (JMSU) in March 2005, the
Filipino opposition parties have repeatedly criticized the government for undermining the country’s claims against China and for violating the constitution. This political maneuvering by the opposition has aimed to bolster anti-Chinese sentiment in the Philippines in an attempt to weaken President Arroyo. Significantly, the extension of the JMSU, which lapsed on June 30, 2008, has also been jeopardized by allegations of corruption in the Philippines in relation to the signing of the original 2005 agreement. Second, when Beijing upgraded the status of the administrative center in charge of the Paracels and Spratlys in December 2007, Hanoi tolerated popular demonstrations outside China’s Embassy in Hanoi and its consulate in Ho Chi Minh City. In fact, the anti-Chinese demonstrations in Vietnam were largely led and controlled by the central government, thus sending a clear political message to Beijing. Finally, the visit by former Taiwanese President Chen Shui-bian to the island of Itu Aba in February 2008 illustrated the ongoing nationalist and symbolic importance of the South China Sea to Taiwan. Significantly, the visit by the pro-independence leader of the Democratic Progressive Party (DPP) occurred only a few weeks before the Taiwanese presidential elections of March 2008. In short, nationalism, especially when driven and manipulated by national governments, remains an escalating force and an obvious stumbling block to the peaceful resolution of the South China Sea disputes.

None the less, it is important to note the relative moderation in China’s foreign policy behavior vis-à-vis the South China Sea disputes. Although China expanded its structures on Mischief Reef in late 1998, it has not seized additional disputed features in the Spratlys since 1995. Much less constructive, however, was Beijing’s decision in December 2007 to establish a higher level of administrative control over the Spratlys and Paracels, which exacerbated the situation and complicated relations with Hanoi. Irrespective of that development though, the PRC has generally attempted in recent years not to overplay the nationalism card in the context of the South China Sea disputes. Beijing has been careful not to allow the issue to become significant in Chinese domestic politics or to use the subject for domestic propaganda. This is in contrast to the response to the Senkaku/Diao yu Islands issue. Government officials in Beijing, but also in Taipei, have at times manipulated popular nationalist sentiment provoked by that specific territorial dispute to gain domestic support. Associated with the legacy of the Second World War, the Japanese occupation of the Senkaku/Diao yus has repeatedly been portrayed by popular nationalist groups in China and Taiwan to be an infringement of Chinese territory. The South China Sea disputes do not provoke similar nationalist sentiments in the PRC. This is not to say, however, that nationalism has stopped being a factor in China’s position on the South China Sea. Still, it is worth stressing that Beijing has at least downplayed its nationalist rhetoric in an attempt to reduce tension and improve relations with the Southeast Asian nations.

Significantly, it can be argued that the territory and energy dimensions of the South China Sea disputes have operated in a divergent fashion in recent years. While the sovereignty question and nationalist sentiment have continued in some instances to escalate the situation, the energy factor has up to a point defused it and contributed to the promotion of a status quo. The potential oil and gas resources
of the South China Sea has remained uncertain and the initial optimistic estimates have been reduced. Moreover, an initial de-escalating trend has been observed. Some of the claimant states have indicated their willingness to freeze the question of boundaries for now and to focus instead on a joint pre-exploration survey in the South China Sea to probe its oil and gas reserves. This was illustrated by the signing of the JMSU in March 2005. The oil pre-exploration survey agreement involving the state-owned oil companies of China, Vietnam, and the Philippines indicated that this de-escalating process was at least beginning.

It is important to question what may have provoked the de-escalation of the energy attribute in recent years. In sharp contrast to the early 1990s, the pre-exploration for oil and gas in disputed areas has been regarded by some claimant states as a possible source of collaboration rather than conflict. This interesting development brings us back to the power question. In contrast to the first half of the 1990s, the uneven power distribution has been diluted as an escalating force in the maritime territorial disputes. It is asserted here that it is precisely the neutralization of the power issue that has made the joint pre-exploration of resources possible in the South China Sea. The neutralization has derived from the lessening of the “China threat” thesis and a general shift in perception vis-à-vis the PRC among Southeast Asian policy elites. China has in recent years generally acted and been viewed regionally as a status quo rather than as a revisionist power, keen to coexist peacefully with its Southeast Asian neighbors. This was best symbolized by the signing of the Declaration on the Conduct of Parties in the South China Sea in November 2002 and the PRC adhering to the TAC in October 2003.

Furthermore, contributing to the neutralization of the power attribute has been a low level of militarization of the South China Sea disputes. This has been observed up to now due to the limited Chinese power projection in the Spratlys and the absence of an external source of countervailing power. China has not yet been able extensively to increase its ability to sustain naval operations away from its mainland bases. It does not yet possess the technology, military capabilities, and power projection to impose a naval hegemony in Southeast Asia. This can be contrasted to the situation in the East China Sea, where China’s naval buildup in the post-Cold War era has led to rising power competition with Japan. Contributing to the low militarization of the South China Sea disputes, the Philippines and Vietnam do not benefit from external military assistance to impose their sovereignty claims in the sea, nor for that matter to constrain China’s actions in the Spratlys. Consequently, no claimant state is able at this point to exercise complete military control over the disputed maritime area, leading, therefore, to a temporary military status quo.

Interestingly, although the dilution of the power issue has arguably contributed to the de-escalation of the energy factor, it seems to have had no direct consequences on the sovereignty question. While the PRC has downplayed its own nationalistic rhetoric in its attempt to lessen the “China threat” image in Southeast Asia, the overlapping territorial claims in the South China Sea have continued to act as an escalating force, as none of the parties involved has been willing to make concessions on its territorial objectives. Moreover, the territorial dimension has
continued to resonate with and evoke domestic nationalistic sentiment. Hence, it can be asserted that in contrast to natural resources, notions of sovereignty and nationalism can explain conflict in maritime territorial disputes independently from other geopolitical considerations.

In addition, the maneuvering of nationalist sentiments in some claimant states could negatively influence the de-escalation of the energy attribute. For example, renewal of the JMSU will partly depend on nationalistic sentiment in the Philippines and Vietnam. Nationalism can, therefore, greatly undermine the prospect of joint exploration and development of resources. Moreover, this unprecedented approach for the South China Sea is not risk-free, especially for the weaker disputants. Once the pre-exploration survey is completed, the claimant states will continue to face the problem of having to deal with the overlapping sovereignty claims. Indeed, even if the size of the oil and gas reserves is ever determined, the disputants would still have to decide how to share these commodities. Beyond the joint exploration of resources, reaching an agreement on their joint development will ultimately be more complex and difficult. The overwhelming asymmetry in power and the absence of an overall agreement on the sovereign rights of the coastal states could affect the negotiating position of the weaker parties as well as leave them in a fragile situation if economic conditions were to change in the disputed areas.

Besides the rise of nationalistic sentiment, the positive trends noted in the energy dimension could be affected negatively by the one attribute that has in recent years most directly contributed to its de-escalation: namely, the key question of power. If it were to be perceived as an indispensable instrument to advance territorial and energy considerations, the power factor would rapidly threaten the current and acceptable status quo in the South China Sea disputes. Recent developments are not reassuring. The distribution of power is in a state of flux, which contributes to the fragility and possible volatility of the situation in the South China Sea. The buildup of China’s Southern Fleet, although gradual, is a concern for the other claimants, especially because its geographical area of operation will naturally be the South China Sea. The PLAN is also constructing an underground nuclear submarine base near Sanya on Hainan Island. This base could significantly increase China’s strategic presence in the South China Sea, which would have profound implications for the distribution of power in the region. Increased Chinese submarine activity in the South China Sea is a source of great concern to the other claimants as well as to the United States and Japan. Overall, China further increasing its power projection capabilities in the South China Sea would certainly exacerbate the security dilemma in the area. Indeed, the other claimants are concerned that China’s rising naval power could be used at a later stage to back up with force its territorial claims. In response, the Philippines, Taiwan, and Vietnam have sought to strengthen their own naval capabilities as well as the military structures on the reefs and islands they respectively occupy. Thus, while still relatively low, the militarization of the South China Sea disputes is on the rise, which is expected in the longer term to increase the risk of open conflict.

Related to the wider distribution of power in East Asia, a worsening of Sino-US and/or Sino-Japanese relations would undoubtedly increase power competition in...
the maritime domain and affect the South China Sea disputes. The United States has in recent years been distracted by the war in Iraq. A more assertive US policy in East Asia would be considered as a source of concern in Beijing, which could lead toward more assertive Chinese diplomacy and naval activity in the South China Sea.

**Conclusion**

Relying on a three-dimensional typology, this chapter has discussed the interplay of the territorial, energy, and power considerations in the East and South China seas. It has examined under what conditions the interaction of geopolitical attributes may lead to either a dangerous escalation of a maritime territorial dispute or a diffusion of tension. While the situations in the East and South China seas have been considered separately, it is important to conclude this chapter by noting the similarities and differences that exist between the two case studies.

The disputes in the East and South China seas were influenced in the post-Cold War era by a convergent and escalating relationship linking the territorial and power attributes. Some key findings must be stressed. First, this escalating period ended in the mid-1990s in the case of the South China Sea but lasted until 2006 in the East China Sea. This can be explained by the fact that the escalating geopolitical trends coincided with the spread of the “China threat” thesis in the first half of the 1990s and the frosty Sino-Japanese relations that only started to improve after Japanese Prime Minister Shinzo Abe took over from Junichiro Koizumi in September 2006. Second, in the East and South China seas, the territory–power nexus was acting during this period as an escalating force, fueling and mutually re-enforcing each component of the relationship. It should be added, however, that the convergent relationships influencing the maritime territorial disputes were primarily driven by one of their constitutive factors. The Senkaku/Diao yu dispute was essentially exacerbated by the sovereignty question and domestic popular nationalism while the Spratly issue, in particular, was aggravated by the fear of China’s rising power. These driving forces were then combined and re-enforced by growing power competition and the pursuit of sovereignty claims in the East and South China seas, respectively. Third, the convergent relationship between territory and power transformed the energy issue into a source of conflict in both cases. The exploration and exploitation of natural resources were generally perceived by the various disputants as a source of competition rather than possible collaboration. Consequently, no progress was made toward joint development schemes. Finally, the convergence of the geopolitical considerations were, during this escalating period, illustrated by specific incidents or crises: namely, the negative repercussions of the history textbook controversy in the spring of 2005 and Japan’s UNSC bid on the East China Sea dispute as well as the Mischief Reef Incident of February 1995. It is important to remember, however, that no direct clash of arms occurred in the East and South China seas during this period, despite these escalating trends. The prevention of open conflict resulted arguably from attempts by the
various disputants to keep the escalation of tensions in check and not to allow the disputes to spiral out of control.

In contrast to the similarities observed in the first period, the second phase has seen wider differences in the geopolitical interaction in the East and South China seas, although similar neutralizing impacts have been detected. Coinciding with an improvement in Sino-Japanese relations, one has noted since late 2006 a reduced virulence of the geopolitical factors influencing the Senkaku/Diao yu dispute. Beijing and Tokyo have sought to neutralize the effect of the territorial and power attributes by downplaying nationalistic sentiment and enhancing bilateral ties. Taiwan has also improved its relations with the PRC. None the less, the convergent relationship linking sovereignty to power still works at best as a neutralizing force and not yet as a de-escalating one. Moreover, whether stability can be maintained over the Senkaku/Diao yu issue is still uncertain. While only tentative at this stage, the softening of the convergent relationship has at least led to the signing of a first joint development scheme in the East China Sea. In contrast, the geopolitical circumstances of the South China Sea have evolved in a different fashion. The disputes have been influenced by a divergent relationship between territory and energy as well as by an acceptable, although temporary, status quo in the power distribution. While the sovereignty question has continued to escalate the disputes, joint pre-exploration schemes have had an opposite impact. Up to a point, this has neutralized the situation. The de-escalation of the energy factor has arguably derived from the lessening of the “China threat” image, though it is still feared that the PRC might one day use force to advance its territorial and energy calculations.

In short, the geopolitical interplays in the East and South China seas have neutralized the maritime territorial disputes to some extent in recent years. The situation in both cases continues to be fragile and possibly volatile, however. The Senkaku/Diao yu dispute remains hostage to a possible rise in nationalism and power competition. Its peaceful management is therefore dependent on a long-term improvement in Sino-Japanese relations. The South China Sea disputes are also dynamic as the environment on the ground could change rapidly if geopolitical circumstances were to alter. A further escalation of the sovereignty question as well as concerns over the rising power asymmetry could negatively affect the energy factor and increase the volatility of the disputes. The management and possible resolution of the maritime territorial disputes, despite their geopolitical significance, is discussed in the next chapter.
6 Conflict management and resolution in the East and South China seas

Introduction
Chapter 5 analyzed the interaction of the geopolitical attributes in the East and South China seas in the post-Cold War era. Drawing from the conceptual framework, it claimed that the interplay process in the respective disputes has been characterized by two separate phases, echoing wider transformations in Sino-Japanese and Sino-Southeast Asian relations. Significantly, it was asserted that the geopolitical interplay in the East and South China seas has in recent years been typified, respectively, by a softer convergent and by a divergent relationship. As a result, in the Senkaku/Diao yu case, there has been a reduced virulence of the geopolitical considerations influencing the dispute. A similar diluting trend has been noticed in the South China Sea due to the opposite impacts of the sovereignty and energy attributes neutralizing to some extent the disputes. Based on the conceptual framework developed in this book, it is therefore anticipated that these more favorable geopolitical circumstances should contribute to conflict management and even perhaps conflict resolution. Still, Chapter 5 also stressed that these positive trends had remained fragile and that they could be weakened by the rise of nationalistic sentiment and by the power attribute.

This chapter considers the management and possible resolution of the maritime territorial disputes in the East and South China seas in light of recent geopolitical interactions. A diplomatic resolution of the disputes has yet to be conceived due to their geopolitical importance in terms of territory, potential energy resources, and risk of power expansion and competition. In other words, the disputes are harder to address precisely because of their geopolitical significance. The discussion therefore concentrates on the relationship between the geopolitical conditions of each dispute and the possibilities for conflict management and resolution. Managing a dispute is here associated with diplomatic efforts that seek to prevent an open clash of arms from occurring while conflict resolution tends towards a solving of the diplomatic, economic, and military hostilities.

This chapter seeks to determine under which conditions specific geopolitical attributes could be introduced as a means of de-escalating tensions in a maritime territorial dispute. It is claimed that the interplay between sovereignty and natural resources constitutes a possible strategy of defusing tension. In particular, the energy attribute, when successfully translated into a joint exploration and development
scheme, can become an avenue to de-escalate the situation if it operates simultaneously with a temporary shelving of sovereignty and a softening of national dispositions. The chapter asserts that the first step toward dispute management and resolution is thus to adopt a formula of freezing the sovereignty question until such time that the joint exploration and development of resources and reduced nationalism can mitigate or even overcome the original geopolitical sources of the security dilemma. The challenge is seen to dissociate, at least temporarily, the prospect of joint exploration and development from the issue of sovereignty and territorial claims. The discussion identifies specific catalysts and constraints for such a momentum eventually to be transformed into a full resolution of a maritime territorial dispute. Such catalysts include moving toward joint exploration and development schemes combined with the lessening of nationalistic rhetoric as part of a wider improvement of bilateral and multilateral relations. The impasse of the overlapping sovereignty claims and the use and abuse of international law by the claimant states are examined, however, as significant constraints to creating such momentum.

The chapter consists of two sections, reviewing the attempts to move toward conflict management and resolution in the East and South China seas. Both sections indicate that the consultative efforts started to progress only once the disputes stopped being driven by convergent and escalating geopolitical relationships. The progress made toward conflict management in the South China Sea will be highlighted, as typified by the 2002 Declaration on the Conduct of Parties in the South China Sea signed by China and members of the Association of Southeast Asian Nations (ASEAN). Irrespective of the Declaration’s shortcomings, the successful move toward conflict management in the South China Sea is said to have resulted from the improvement of relations over the disputes in recent years. As previously argued in Chapter 5, the easing of relations among the disputants has been made possible by a lessening of the “China threat” image in Southeast Asia. In addition, a warming of ties has been observed over the East China Sea issue since late 2006, leading to the subsequent signing of a Sino-Japanese joint development agreement in June 2008. The limitations of the deal are also reviewed in this section.

In terms of conflict resolution, the territorial circumstances pertaining to the East and South China seas have generally remained unchanged. None of the parties involved in either of the territorial disputes has agreed to make concessions or even discuss the problem of sovereign jurisdiction, nor have they been willing to present their overlapping claims to the International Court of Justice (ICJ) or the International Tribunal for the Law of the Sea. In line with the argument outlined above, the chapter rejects international arbitration as a likely resolution scenario and focuses instead on the implementation of joint exploration and development schemes combined with a shelving of the sovereignty question and a lessening of nationalism.

The Senkaku/Diao yu dispute

Circumstances pertaining to the Senkaku/Diao yu dispute have in the post-Cold War era echoed the ongoing fragility of the Sino-Japanese relationship. As discussed
in previous chapters, despite strong economic ties, bilateral relations between Beijing and Tokyo have continued to be shadowed by mistrust and popular mutual antipathy.\(^1\) Broader geopolitical considerations surrounding the bilateral ties have complicated the situation on the ground. Territory, natural resources, and power competition have traditionally operated as driving and potentially escalating forces in the dispute. It was previously argued that the three geopolitical components have had an actual or potential escalating impact on the Senkaku/Diao yu issue. Moreover, the converging interplay of the sovereignty and power attributes influencing the energy consideration was noted as being particularly dangerous. The dispute over sovereignty has caused repeated diplomatic rows as well as tensions and incidents on the ground between China and Japan. It has also evoked popular nationalist sentiments in the claimant states, as it continues to resonate with wider historical grievances and popular animosities. Access to natural resources has also been influencing the territorial dispute. Until June 2008, the disputants had only conducted exploration surveys and oil drilling activities unilaterally, rather than agreeing to joint exploration and development schemes, therefore further escalating the situation. Finally, the dispute over territorial boundaries has been influenced by the Chinese naval buildup and aspirations in the East China Sea as well as by the Japanese and US presence in the region. Japan is in physical control of the disputed islands and has superior defense capabilities and equipment relative to China. Yet, the power asymmetry is gradually shifting toward growing naval competition as China increases its naval strength. Still, it is important to stress that the warming of Sino-Japanese ties observed since late 2006 has at least softened the geopolitical circumstances affecting the Senkaku/Diao yu dispute and made possible the joint development of gas deposits in a specific area of the East China Sea. In particular, the 2008 energy deal arguably derived from a softening of the convergent geopolitical interplay. In contrast to the escalating period of the dispute (1991–2006), the Senkaku/Diao yu case has indeed recently been defined by a softer and more diluted convergent relationship, linking territory to the power distribution. Unsurprisingly, progress in bilateral talks related to energy resources has coincided with this neutralizing phase of the dispute.

Conflict management

The fragile state of Sino-Japanese ties has traditionally explained the rather slow progress toward conflict management in the East China Sea. The territorial dispute over the Senkaku/Diao yus has remained at a standoff. None of the parties has been willing to yield on the crucial point of sovereignty, making the eventual fate of the islands uncertain. This in turn has caused the exploration and development of resources in the East China Sea to have been frequently stalled or protested. Military buildups on both sides, even if not primarily motivated by the conflict at hand, have also contributed to the surrounding environment of mistrust. Such tensions have reinforced themselves as nationalistic sentiments are strong in China, Taiwan, and Japan. In contrast to the South China Sea case (discussed at length below), the conflict over the Senkaku/Diao yus has so far not led to tangible and
sustained attempts to negotiate a binding or informal code of conduct for the East China Sea.

None the less, Beijing and Tokyo have sought to de-escalate the situation by engaging since 2004 in a series of bilateral talks focusing on the prospect of joint exploration and development in the East China Sea. Due to the larger issue of Chinese sovereignty, Taiwan has been excluded from these talks as a protagonist in the dispute. Coinciding with an improvement in Sino-Japanese relations and a changing process of geopolitical interaction on the ground, a renewed and sustained dialogue on the East China Sea has been observed in recent years. In December 2006, the foreign ministers of China and Japan discussed the maritime territorial dispute and the related energy question in Cebu in the Philippines on the sidelines of the East Asia Summit (EAS). The successful visit to Japan by Chinese Premier Wen Jiabao in April 2007 was further regarded by many as an indication that both countries were willing to move forward on joint exploration and development. The maritime territorial dispute was raised again in December 2007 during the visit of Prime Minister Yasuo Fukuda to China. Japanese Vice-Foreign Minister Mitoji Yabunaka and his Chinese counterpart Wang Yi also discussed the dispute at a bilateral strategic dialogue organized in Beijing in February 2008. Subsequent top-level discussions were held prior to Chinese President Hu Jintao’s state visit to Japan in May 2008. During that visit, Prime Minister Fukuda declared that great progress had been made, particularly on the issue of joint development. Both parties eventually decided in June 2008 temporally to shelve ongoing disputes over sovereignty and maritime boundaries when agreeing to a joint development scheme in a specific area of the East China Sea.

Beyond joint development schemes, a number of conflict management measures have been proposed by analysts to ease tension among the disputing parties in the East China Sea. These have concentrated on engaging in confidence-building measures, specifically military exchanges. Better communication and closer relations between the US, Chinese, and Japanese militaries could, for example, prevent any misunderstandings that can take place at sea from escalating to the point of armed engagement. International regimes have also been cited as a possible means to bring China and Japan closer together. It has been suggested that tensions may be reduced by creating a code of conduct requiring all parties to refrain from actions that could increase tension on the ground, such as the building of new facilities on the disputed islets. Such a code could either focus specifically on the East China Sea or cover the various maritime territorial disputes found in Northeast Asia, including the Tokdo/Takeshima dispute between Japan and South Korea. The 2002 Declaration on the Conduct of Parties in the South China Sea could constitute a possible model. Yet, contrary to Southeast Asia, Northeast Asia lacks multilateral institutions which could help promote a process of inter-state cooperation and confidence-building in the context of the East China Sea dispute. Created in 1997, the ASEAN Plus Three (APT) brings together all ten ASEAN countries, China, Japan, and South Korea. It is a forum that focuses primarily on economic cooperation, but to a lesser extent also on political and security matters within a restricted geographical area.
of the Asia Pacific. Significantly, Beijing has supported the loose arrangement, as the APT offers a structure of dialogue that, in contrast to the ASEAN Regional Forum (ARF), excludes the United States and provides China with alternative economic and strategic partners. The APT could therefore constitute a possible multilateral avenue to promote confidence-building measures and even discuss the possibility of a code of conduct for the East China Sea. That said, the relevance of the APT has been undermined by the complex Sino-Japanese relationship, and its prospect of becoming a meaningful regional institution remains dependent on a long-term process of reconciliation between Beijing and Tokyo. An even looser arrangement, the EAS, was established in December 2005 and might in the longer term provide another vehicle for taking forward regional cooperation on maritime issues. The EAS gathers the ten ASEAN members, China, Japan, and South Korea, as well as Australia, New Zealand, and India. At this stage it suffers from the same limitation as the APT, however. Alternatively, the transformation of the Six Party Talks – which has brought together China, Russia, Japan, the two Koreas, and the US to address the North Korean nuclear crisis – into a wider and permanent security mechanism could offer an avenue to discuss the East China Sea issue. The institutionalization of the Six Party Talks has been pushed by Washington.

Conflict resolution

Having reviewed the conflict management efforts endorsed by the disputants, let us now assess the prospect of various resolution scenarios. Interestingly, this discussion will take us back to the prospect of joint exploration and development coinciding with the temporary shelving of sovereignty and a softening of nationalist dispositions. Such a strategy is contingent in the longer run on a continuing improvement of Sino-Japanese ties. In light of the enduring geopolitical conditions on the ground, the Senkaku/Diao yu dispute is in the current circumstances not prone to the resolution of the sovereignty question and the delineation of maritime boundaries.

Submitting the dispute for arbitration is one possible scenario when seeking to resolve the conflict. Such an option is not seen as a likely outcome, however. China and Japan are unlikely to agree to bring the case before the ICJ in The Hague or the International Tribunal for the Law of the Sea in Hamburg. Moreover, Taiwan is not a member of the United Nations and thus is in no position to submit its claims to the ICJ or the International Tribunal. International law presents no definitive answer in resolving the sovereignty question. Importantly, the United Nations Convention of the Law of the Sea (UNCLOS) does not specify how to resolve maritime territorial disputes. The outcome of the Senkaku/Diao yu dispute could also vary widely depending on interpretation and application.

China would appear to have the stronger historical case. Yet, had it consistently viewed the islands as its own “sacred territory,” as Beijing proclaimed in 1970, China would not have remained silent on the sovereignty question at times when it would have been expected to voice objection. As Hara writes of the 1950s, “There is no sign that the possession of the Senkaku Islands was disputed in the early post-war years.” Even more damaging to the Chinese claim is the fact that China,
represented at the time by the Republic of China (ROC), had been a party to both the Cairo and the Potsdam declarations. If the Chinese representation had any qualms about the treaties, they were not made public. Likewise, although the PRC denied the legality of the San Francisco Treaty, the ROC voiced no protest. Suganuma notes that the “representatives of the ROC not only failed to record the names of the Diao yu Islands in international treaties, but also failed to acknowledge that Diao yu Islands belonged to the ROC.”

Steven Wei Su writes that international law clearly “exhibits that if a state fails to behave as though it has title to land and does not assert sovereignty, it can effectively lose its title.” Japan may therefore have a valid claim to the Senkaku/Diao yus if it could prove that the islands were abandoned by the Chinese and rediscovered as *terra nullius*. Accounting for its silence, China argues, however, that the Japanese cabinet decision to incorporate the islands with the Okinawa Prefecture in January 1895 was never made public. As for its acquiescence during the 1960s, China has stated that the economic value of the islands was assumed to be close to nil at the time. Complicating the issue is the fact that international law was not developed when the islands were initially discovered. The concept of sovereignty did in fact “not appear until the last quarter of the sixteenth century.” Yet, China has had to prove its claim to the islands largely by modern standards.

Equally damaging for Tokyo, however, is the fact that Japanese claims to the Senkaku/Diao yus may be tainted by war and military expansionism. Tokyo’s actions were influenced by its impending victory over China at the time of the islands’ incorporation into Japanese territory. The means of Japan’s acquisition may therefore damage its own claims to sovereignty under international law today.

In short, international law seems to offer no solution to the resolution of the Senkaku/Diao yu dispute, making international arbitration an unlikely resolution scenario.

Rather than a legalistic approach, most analysts have in recent years envisioned some form of joint exploration and development agreement as the most feasible way forward. Given its potential benefits, this scenario has traditionally been regarded as one of the most plausible approaches to conflict resolution in the East China Sea. It is important to note, however, that beyond joint surveys and exploration schemes, reaching an agreement on the joint development of oil and gas resources once found in sufficient quantities for commercial use is particularly complex. It is critical for the protagonists involved in the sovereignty dispute to regard the trans-boundary issues of energy scarcity and supplies as an impetus to cooperate, and thus collaborate and coordinate their actions, rather than compete. Policy coordination would therefore largely be the result of geographic determinants and the very scarcity of energy supplies. In this light, rising economic interdependence between China and Japan has been anticipated as a process to open up avenues for greater collaboration in the exploration and development of natural resources.

Some analysts have argued, however, that joint development might be feasible in the East China Sea only after an agreement had been concluded on the
delimitation of the EEZ and continental shelf. For example, Yu noted in 2005 that joint development could come about only after border determination had been reached, which would include demarcation of the equidistant median line, EEZs, and the continental shelf.\(^\text{17}\) Yet, theoretically, if the EEZ and continental shelf boundaries were agreed, there would be no need for a joint development agreement. Indeed, the sovereign rights of the respective littoral states would then be established by the boundary agreement. As discussed above, however, it is unclear how the overlapping territorial claims in the East China Sea might be solved at this stage.

Consequently, the purpose of a joint exploration and development arrangement is precisely to set aside the sovereignty dispute for a specific period of time. The challenge is therefore to dissociate the prospect of energy exploration and exploitation from the overlapping territorial claims through the temporary shelving of the sovereignty dispute. This strategy brings us back to the notion of seeking to de-escalate the sovereignty/energy nexus as a possible means of defusing, and perhaps even solving, tensions in a maritime territorial dispute. One option, recommended by Mark Valencia in 2006, is for the islands to be limited as a first step toward resolution to a twelve-nautical-mile territorial sea, allowing the issue of sovereignty to be dealt with separately from jurisdictional issues.\(^\text{18}\) The claimants could possibly agree that the islands, regardless of their status, are entitled to at least a twelve-nautical-mile territorial sea under UNCLOS. The underlying logic is that if the Senkaku/Diao yu territory were to be enclaved and the sovereignty question set aside for the time being, then maritime boundary delimitation might proceed over the undisputed area.\(^\text{19}\) This would mitigate many existing tensions surrounding the conflict, while important environmental collaboration and preservation of the fisheries may also result.\(^\text{20}\)

Finally, some analysts have gone a step further and argued that a resolution strategy should involve the signing of a joint sovereignty agreement and the creation of a bilateral development authority to administer the islands. For example, Schoenbaum referred in 2005 to the signing of a joint sovereignty deal, which would recognize the legal validity of the Chinese and Japanese claims.\(^\text{21}\) He asserted that the “extent of each overlapping claim can be the basis upon which the parties would share development costs and benefits. The parties could create by agreement a Bilateral Development Authority to administer the islands and surrounding waters.”\(^\text{22}\) Yet, as this strategy relies on a long-term rather than temporary shelving of the sovereignty issue, the likelihood of such a resolution scenario seems rather doubtful at this stage in light of the ongoing fragility of the bilateral ties and the current conditions on the ground.

The overall argument that the dispute over sovereignty needs to be shelved in order for joint development to take place seems to have been borne out by the joint development agreement that was signed by China and Japan on June 18, 2008. That deal came about only after a protracted and highly complex negotiation process that had begun in 2004. Critical to the deal being reached was the decision by both parties temporarily to shelve ongoing disputes over sovereignty and maritime boundaries and view the trans-boundary issues of energy scarcity and supplies as
an impetus to cooperate. This was aided by a recent upsurge in bilateral relations between China and Japan, culminating in the visit of Hu to Japan in May 2008. By agreeing to pursue joint exploration and development, both sides wanted to create a “win–win” situation for mutual benefit.

The joint exploration agreement was hailed by Fukuda as creating the foundations for a “sea of peace and cooperation.” Involving private Japanese and two Chinese state-owned companies, profits are meant to be divided in proportion to the investments made. Taiwan is not a party to the agreement. Despite the overall sense of optimism, it must be noted that the specific details of the agreement, such as which Japanese commercial firms would be involved, were not specified. Furthermore, the deal on joint development was signed only with regards to one specific area in the Shirakaba/Chunxiao field. Similar agreements applicable to other disputed areas could not be reached. Both parties pledged, however, to explore the possibility of extending the joint development scheme to other disputed maritime zones, including the Asunaro/Longjing field. It is interesting to note that the Shirakaba/Chunxiao gas field is located on China’s side of the so-called “median line.” If Beijing and Tokyo had agreed on a disputed field that lay on the Japanese side of the median line, it would have brought China closer to the disputed Senkaku/Diao yu Islands and extended its naval presence closer to the Japanese mainland. This was probably unacceptable to Tokyo. Likewise, however, the approved deal did not impact negatively on the Chinese claims in the East China Sea.

Unsurprisingly, China and Japan stressed that they maintained their sovereignty claims over the disputed territory. As discussed above, a joint development scheme is not intended to constitute an agreement over maritime boundaries. The Chinese foreign minister, Yang Jiechi, therefore announced that the deal did not mean that the dispute over boundary demarcations, sovereignty, and EEZs had been resolved and he emphasized that the PRC would not recognize the “median line” formula proposed by Japan. Instead, he declared that Beijing continues “to uphold the principle of natural prolongation to solve the delimitation issue of the East China Sea continental shelf.”

One may wish to speculate on the significance of the joint development agreement in helping to reduce tensions and perhaps even resolve the maritime territorial dispute in the East China Sea. It should be regarded as a significant means to build up confidence and promote common economic interests but not as a leap forward toward the resolution of the dispute. Indeed, the continuation of successful cooperation in the joint exploration and development of natural resources in the East China Sea will undoubtedly be contingent upon a sustained and long-term improvement in Sino-Japanese relations.

The general consensus among analysts is that managing and perhaps even finding a solution to the dispute is predicated on increasing political trust between the conflicting parties. Beyond the immediate economic interests, historical grievances and nationalism are the primary reasons why the territorial dispute has yet to be resolved today. The dispute may be taken as representative of the emotional tension accompanying Sino-Japanese relations.
however, that so far at least “bilateral problem solving at the state level has prevented a clash of nationalisms.” If nationalism and the historical legacy were to become less of an issue in the future, much of the impetus for the conflict’s existence might disappear. If this could be achieved, the dispute over the Senkaku/Diao yu may be calmed, if not eventually resolved. Liao therefore stresses the need for China and Japan to create a more “positive political atmosphere” and “promote bilateral trust.”

One key factor in defusing nationalism is that of dealing with historical tensions. In particular, following the example of Germany in a post-Second World War European context, Japan has to confront its history more directly in its attempt to gain respect and build trust among its direct neighbors. To this end, Japan should refrain from actions that might be deemed as provocative, particularly those that might evoke memories of the Pacific War. Such actions include visits by top officials to the Yasukuni War Memorial. Moreover, Tokyo would need to consider providing direct financial compensation to surviving war crime victims, including “comfort women” and forced laborers. China could in turn acknowledge Japan’s efforts to apologize for its past actions. Ultimately, public posturing on both sides must stop and “efforts to improve relations will only succeed if both sides simultaneously reach out to the other.”

There are reasons to be cautiously optimistic about a longer-term and sustained improvement in Sino-Japanese relations. While Tokyo and Beijing are still at odds over the Senkaku/Diao yu territorial dispute and their wartime history, bilateral ties have, none the less, improved in recent years, partly driven by common economic benefits and deepening economic interdependence. As noted in previous chapters, the successful visits by Fukuda to China in December 2007 and Hu to Japan in May 2008 are indications that both parties are willing to moderate their positions and substantially improve the climate of relations. On that point, however, ties might be affected by the new leadership of Taro Aso. The former Japanese foreign minister has strong nationalistic and conservative views which could antagonize relations with Beijing. Moreover, it is important to stress that a process of bilateral reconciliation will eventually depend on a sustained reduction of popular mutual antipathy. Roy reminds us that a barrier to “a substantially improved bilateral relationship is grassroots ill-will. Undercurrents of mutual unfriendliness persist in both societies.” As noted above, the lessening of nationalistic dispositions is also central to achieving progress in the management and resolution of maritime territorial disputes. In this respect, however, the rather muted public reaction to the signing of the joint development agreement and to the visit of a Japanese warship to China in June 2008, in sharp contrast to events in April 2005, is encouraging. The unprecedented visit of the warship, in particular, was seen by some commentators as a “crucial test case of whether the purported thaw in Sino-Japanese relations can gain public acceptance, if not support, on the mainland.”
Paracel and Spratly disputes

As discussed in Chapter 5, the geopolitical interplay in the South China Sea was typified in the first half of the 1990s by a convergent relationship, leading to an escalating phase on the ground. As a result, the maritime territorial disputes were often portrayed during this period as constituting a regional security flashpoint. The overlapping claims were one of the crucial problems afflicting China and the four Southeast Asian claimant states. Part of the defense modernization undertaken by the Southeast Asian nations was related to this issue. The seriousness of the matter was demonstrated in February 1995, when China encroached on the Filipino-claimed Mischief Reef in the Spratlys. The Philippines’ defense secretary, Orlando S. Marcado, later described the Chinese occupation of the reef, and the fortification of its structures in late 1998, as a strong indication of China’s “creeping invasion” of the “disputed South China Sea chain.”

Tensions over the South China Sea have somewhat lessened in recent years, however. Since the second half of the 1990s, the question has no longer been perceived as a dangerous and immediate security flashpoint capable of undermining order in the region, and to some extent it has been put aside in Sino-Southeast Asian diplomatic relations. Despite recurrent diplomatic skirmishes and incidents on the ground between the parties, the situation has reached a certain level of stability. This easing of relations over the South China Sea disputes can be explained as deriving from a lessening of the “China threat” image in Southeast Asia. Significantly, a changing process of geopolitical interaction has made it possible to transform the exploration of oil and gas from a source of competition into an area of possible cooperation.

While the problems of sovereignty and border demarcation have not been addressed and continue to act as escalating factors, the overall trajectory of the South China Sea disputes has continued to be rather positive of late. Though potential for conflict remains, particularly as states’ energy needs grow and military modernization occurs, tensions among the claimants have calmed and no major clash of arms is expected in the short term. Yet, as discussed in Chapters 4 and 5, pragmatic nationalism and the militarization of the conflict may well be on the rise. Moreover, it is important to point out that the shift in perception has occurred despite the absence of significant changes in material terms and in the circumstances pertaining to the disputes. On the contrary, China has continued to modernize its navy and has constantly stated that its sovereignty over the South China Sea is indisputable. Likewise, the Southeast Asian claimants have been unwilling to make concessions with regard to their territorial claims. Moreover, doubts over China’s intentions still remain among the Southeast Asian claimants. Summarizing this Southeast Asian perspective, Goh writes that China is perceived as wanting “to resolve the issue with as much advantage to itself as possible, and has made firm but cautious moves to stake claims in the area. This opportunism has been combined with calculated openness to negotiations.” It has therefore been argued that China’s diplomatic openness has been complemented with what has been described as a “self-confident, assertive stance” toward the South China Sea.
Consequently, it is not suggested here that the territorial disputes in the South China Sea have been removed from the security agenda altogether but rather that the parties involved have generally managed to dilute what remains inherently a security issue. The distinction is important as it implies that the South China Sea disputes continue to be regarded as a security question by the claimant states, albeit of a less salient nature than in the early to mid-1990s. The situation in the South China Sea remains fragile, dynamic, and possibly volatile, as the environment on the ground could change rapidly again if wider geopolitical circumstances were to change for the worst. As we shall see next, this ongoing uncertainty has had a direct impact on conflict management and resolution in the South China Sea, in terms of both achievements and shortcomings.

Conflict management

Let us now examine whether the changing geopolitical interplay and the overall shift in perception have led to progress toward conflict management and resolution. Circumstances pertaining to the South China Sea disputes have generally echoed an improvement in bilateral and multilateral relations. It can be asserted that the warming of Sino-Southeast Asian ties and the more favorable geopolitical circumstances have made progress toward conflict management possible. This has been best typified by the Declaration on the Conduct of Parties in the South China Sea, signed by China and the ASEAN members in November 2002. As discussed in Chapter 4, the signing of the Declaration indicated a desire by the various parties to pursue their claims by peaceful means. It openly denounced the use of force in the South China Sea and contributed toward the easing of tensions between the claimant states. The Declaration was also perceived as a sign that the PRC was willing to respect the ASEAN principles and norms, and coexist peacefully with its Southeast Asian neighbors. This accommodative position was further illustrated when China became the first non-ASEAN nation to sign the Treaty of Amity and Cooperation (TAC) in 2003. Finally, the Declaration has been acknowledged as a “significant development” because it pledged the signatories to undertake cooperative activities, and it increases the possibility of agreements being reached on joint oil exploration and development schemes.\(^{43}\) The Philippines’ president, Gloria Arroyo, stated, for example, that the agreement signed in March 2005 by the state-owned oil companies of China, Vietnam, and the Philippines to conduct oil pre-exploration surveys in the Spratlys was a first implementation of the provisions of the 2002 Declaration.\(^ {44}\)

None the less, after years of negotiations, the Declaration was a step short of the original goal of reaching a detailed and binding code of conduct for the South China Sea.\(^ {45}\) Many analysts have remained skeptical that it can provide a sustained institutional framework for conflict management, particularly given its lack of mechanisms to prevent or resolve possible sources of conflict.\(^ {46}\) As a political statement rather than a treaty and based solely on consensus and the lowest common denominator, the agreement is neither legally binding nor enforceable. Moreover, the Declaration refrains from addressing the question of sovereignty, as all the claimants have stood firm on their territorial claims. It is worth noting that Taiwan,
as a claimant party, was not part of the negotiation or a signatory to the agreement. Approval of the Declaration also demanded significant concessions and a watering down of its content, including, for example, the absence of a reference to its specific geographical scope. Consequently, experts have emphasized the importance of additional confidence-building measures (CBMs). Joyner argues, for example, that functional cooperation should “be fostered among the claimants to preclude disagreements or misperceptions from escalating into military confrontation,” thereby creating a better environment for negotiations to take place. A number of suggestions have been mooted toward increased transparency, including commercial satellite observation, a cooperative monitoring regime where each party accepts the right of others to observe activities taking place on the islands, and even the possibility of sensor technology putting the region under rigorous, multilateral remote surveillance.

To understand better the benefits and shortcomings of the 2002 Declaration as an illustration of conflict management, attention needs to be given to the long process that led to its eventual endorsement by the parties involved. This consultative process started in the early 1990s. Interestingly, the first attempt to establish a multilateral dialogue on the South China Sea was held at a track-two level and was independent of the Association. “Track-two” refers to an informal process of diplomacy consisting of communication between government officials speaking in a private capacity, academics, and other non-state actors. Launched in 1990, the Workshops on Managing Potential Conflicts in the South China Sea were an Indonesian-led project financed by Canada, focusing on confidence-building over maritime issues. Indonesia was at the time still a neutral party in the disputes. By hosting the Workshops, Indonesia, as a non-claimant state, introduced a new dimension to its foreign policy and consolidated its position as a peaceful and leading regional player. The initiative could also be viewed as an Indonesian attempt to enhance its managerial role in Southeast Asia. In January 1990, an initial Workshop was organized in Bali that brought the six ASEAN states to a preliminary meeting. In July 1991, a second Workshop in Bandung brought together the members of the Association, plus China, “Chinese Taipei,” Vietnam, and Laos, and produced a joint statement on managing potential conflicts in the South China Sea. Through their partial success over the years at applying the notion of preventive diplomacy to the South China Sea disputes, the Workshops have played a significant role in easing tensions in the Spratlys in particular.

Significantly, the 1991 track-two joint statement served as a foundation leading to the adoption of the ASEAN Declaration on the South China Sea at the ASEAN Ministerial Meeting (AMM) in Manila in July 1992. The ASEAN Declaration constituted a first official attempt at managing conflict in the disputed maritime area. Endorsed partly in response to the 1992 Chinese Law on the Territorial Waters and Contiguous Areas, the Declaration was an attempt to promulgate an informal code of conduct based on self-restraint, the non-use of force, and the peaceful resolution of disputes. It relied on the norms and principles initially introduced in the TAC and stated that the foreign ministers “emphasize the necessity to resolve all sovereignty and jurisdictional issues pertaining to the South China Sea by
peaceful means, without resort to force” and “urge all parties concerned to exercise restraint with the view to creating a positive climate for the eventual resolution of all disputes.” Still, the Declaration was essentially a non-specific document that failed to move beyond the simple assertion of standard international principles in the context of the disputes. At the time of the Declaration, the Philippines, for one, was already pushing for a more precise document.

The Declaration did not deal with the problem of sovereign jurisdiction. It was not an expression of consensus on the territorial question but rather an attempt to ensure a peaceful management of the disputes. This informal code of conduct for the South China Sea should thus be associated with the notion of conflict avoidance and prevention rather than conflict resolution. The adoption of a broad diplomatic stand was still an achievement as it reflected the cohesion of the Association despite the overlapping claims of several of its members. The latter shared an interest in promoting Southeast Asian stability and avoiding any confrontation with China. It was believed that a potential source of threat could be reduced by the emergence of an embryonic cooperative regime in the South China Sea based on ASEAN’s norms and principles. Mak argues that the Declaration was “an attempt by the ASEAN members to handle China using non-military means as a specific response to a situation which could potentially disadvantage all the ASEAN countries.” Nevertheless, the relevance of the Declaration was reduced by the lack of external support. While strongly backed by Vietnam, which had adhered to the TAC at the 1992 AMM, China was not receptive to the Declaration and did not formally adhere to its principles. Instead, Beijing indicated its preference for bilateral rather than multilateral discussions on the South China Sea. Unsurprisingly, therefore, little progress was made during the escalating phase of the South China Sea disputes.

Interestingly, China later changed its diplomatic position on the South China Sea due to the backlash after the Mischief Reef Incident. This shift in the Chinese approach represented the very beginning of what was to become a neutralizing phase in the South China Sea disputes. On the eve of the first ASEAN–China Senior Officials Meeting (SOM) in Hangzhou in April 1995, the officials met for an informal meeting during which those from ASEAN expressed their concern about China’s aggressive action. This diplomatic initiative surprised the Chinese representatives, who were made to appreciate the political consequences of the Mischief Reef Incident. Prior to the second ASEAN Regional Forum meeting in Brunei on August 1, 1995, China’s foreign minister, Qian Qichen, made concessions to the members of the Association. He declared that the PRC was prepared to hold multilateral discussions on the South China Sea, rather than limit its diplomacy to bilateral talks, and to accept the 1982 United Nations Convention on the Law of the Sea as a basis for negotiation. In addition to the Mischief Reef Incident, China’s conciliatory attitude toward the Southeast Asian countries was partly the result of a deterioration of Chinese relations with Washington and Tokyo. Sino-US ties had worsened due to a private visit by Taiwanese President Lee Teng Hui to the United States in June 1995. Relations with Japan had been affected by China’s testing of an underground nuclear device in May 1995, despite the coming extension of the Nuclear Non-Proliferation Treaty (NPT).
At the informal ASEAN Summit of November 1999, the Philippines, supported by Vietnam, proposed a new version of a code of conduct. The initiative was more specific than the 1992 Manila Declaration. It tried to move beyond the simple assertion of standard principles by proposing joint development of the Spratly Islands. The proposal was rejected by both China and Malaysia. Both were concerned that such a code would be too legalistic in nature and they refused to address the question of sovereignty. Kuala Lumpur favored instead bilateral negotiations with China and preferred to avoid a constraining regional code of conduct or external mediation. It proposed a declaration for the Spratly Islands at the AMM in Brunei in July 2002. This non-binding document, crafted to regulate conduct in the disputed territory, was a watered-down compromise, even failing to mention the Spratlys by name. It was also unclear whether the agreement would be referred to as a code of conduct or as a declaration. The ASEAN foreign ministers had hoped to approve the document during their ministerial meeting in order to submit it to China’s foreign minister, Tang Jiaxuan, at the ASEAN–China session. The common position would therefore have served as a basis for negotiations with Beijing. Yet, most member states refused to support the Malaysian proposal, with Vietnam insisting, for instance, on the adoption of a binding document on the South China Sea. Unable to reach a consensus, the foreign ministers announced in a joint communiqué their decision to work closely with the PRC towards a Declaration on the Conduct of Parties in the South China Sea.57

As discussed in Chapter 4, the latter Declaration was eventually signed by the ASEAN foreign ministers and China’s vice-foreign minister, Wang Yi, on the sidelines of the ASEAN Summit in Phnom Penh in November 2002. Taiwan was not a signatory to the political agreement. The Declaration was essentially a compromise document and the result of a long diplomatic process that had started in the early 1990s. As an interim accord, it was meant to be a first general step and a platform for further cooperation, as the parties were expected to continue working on the adoption of a code of conduct. Yet, it may also be regarded as an abdication on the part of the Association regarding its original objective of attaining a detailed and binding code of conduct on the South China Sea. It is relevant to note, for example, that no significant progress has been made since 2002.

The failure to develop a code of conduct among the claimant states results from several factors. China has constantly repeated that its sovereignty over the South China Sea is indisputable. Partly due to a need to preserve their domestic political legitimacy, Chinese leaders refuse to make any concession on the issue. Beijing seems prepared to support only a non-binding multilateral code of conduct that would be limited to the Spratly Islands and focus on dialogue and the preservation of regional stability rather than the problem of sovereign jurisdiction. The Southeast Asian claimants are equally unwilling to make concessions with regard to their territorial claims and have failed to address the problem of sovereign jurisdiction. The absence of a consensus among the ASEAN states over the South China Sea also needs to be kept in mind. The members have differential relationships with the PRC and contrasting views on its potential threat. In addition, some members have conflicting claims in the Spratlys while others are not concerned about the
problem of sovereignty. These sources of disunity have complicated the attainment of a collective stance and weakened ASEAN in its talks with Beijing.

**Conflict resolution**

Having reviewed the long-term attempt to manage the South China Sea disputes, let us now focus on various resolution scenarios. Despite the progress made toward better conflict management, the South China Sea issue is not prone to resolution in light of the number of actors involved and the complexity of the overlapping territorial claims. International arbitration does not, as in the Senkaku/Diao yu case, constitute a likely scenario to solving the disputes. Their resolution is indeed difficult to conceive. All the claimants have repeated their sovereignty and they have been unwilling to make any concessions with regard to their territorial claims. Moreover, they have so far refused to discuss the problem of sovereign jurisdiction over the islands and their overlapping claims have not been presented to the International Court of Justice nor the International Tribunal for the Law of the Sea. This can be contrasted to other territorial disputes in Southeast Asia. For example, in November 2007, Singapore and Malaysia submitted their sovereignty claims over the island of Petra Branca/Pulau Batu Puteh to the ICJ for international arbitration. Ending a twenty-eight-year dispute over sovereignty, the court ruled in May 2008 in favor of Singapore but awarded two smaller outcrops, called the Middle Rocks, to Malaysia. At the very least, however, Part IX of UNCLOS places a strong obligation on all the littoral states to rely on functional cooperation in the case of enclosed and semi-enclosed seas, including the South China Sea. In short, in light of the complexity of the overlapping claims in the South China Sea, it is argued here that it is best, as in the Senkaku/Diao yu case, to focus on the de-escalation of the sovereignty/energy nexus based on functional cooperation, a joint exploration and development of resources, as well as on the temporary freezing of sovereignty and lessening of nationalism.

Similar to the East China Sea, no obvious legal resolution to the competing claims in the South China Sea exists. Stenseth notes that “none of the claimants seems to have a clear-cut case in juridical terms, and the significance of international law for solving the dispute seems limited.”\(^{58}\) Vietnam and China/Taiwan have the most extensive historical claims to the South China Sea. Yet, while history and first discovery may provide one basis for a claimant’s position, international law has since demonstrated that, in themselves, such principles are insufficient to determining sovereignty. Instead, the tentative title established by discovery must be supplemented by continuous usage and occupation of a territory.\(^{59}\) Title by occupation may even supersede historical claims.\(^{60}\) As Buszynski and Sazlan note, the Island of Palmas, Clipperton, and Eastern Greenland cases “not only affirmed the importance of continuous occupation in deciding sovereignty but gave an incentive for states to occupy islands irrespective of historical claims in the expectation that the title would follow.”\(^{61}\) The claims of Vietnam and China are therefore rather questionable and inconsistent. Additionally, China’s claims are difficult to prove as Confucian tradition asserted territory should be expressed in
zone of influence rather than through distinct boundaries. For Vietnam, it was only following the Vietnam War that North Vietnam made a claim to the territory, presenting “historical texts, archeological findings and legal interpretations to augment its claims.” Likewise, although Vietnam was an early claimant to the Paracel Islands, its claims were seemingly forgotten in the nineteenth century and only taken up again in the 1920s by political elites. While the country additionally claims to have inherited the island chains from France through the right of cessation, it has been argued that, as France never cemented its claim through occupation, it had no title to cede. As neither China nor Vietnam would therefore appear to have established a permanent settlement on the territories, the scramble by claimants to establish a physical presence and place markers on the islands during the 1980s was considered an effort to meet the occupancy requirement.

UNCLOS in itself cannot be applied to solve existing territorial disputes, particularly as the Law of the Sea starts with the presumption that sovereignty is not an issue. In cases of territorial disputes, UNCLOS stipulates only that “countries with overlapping claims must resolve their claims by good faith negotiation.” Yet, there are no recognized maritime boundaries in most parts of the South China Sea and many claimants have even failed to specify their precise claims. As oil is perceived to be at stake, no government would risk abandoning national interests in the area. Therefore, when stating their claims, they have “either made them deliberately vague or maximized them beyond all reason.” Rather than simplifying the matter, UNCLOS has had the effect of further complicating and intensifying the disputes. As discussed in Chapter 4, China allegedly misused UNCLOS when it ratified the Convention in May 1996 to strengthen its position in the Paracel dispute. Though the Philippines and Indonesia are the only archipelagic states in the region, the PRC arguably applied the archipelagic principle when drawing maritime baselines around the Paracel Islands. The illegal use of the principle was a source of concern to some ASEAN states, including the Philippines, Vietnam, and Indonesia. The PRC responded that the straight baselines around the Paracels were not archipelagic but territorial sea baselines. China is not the only protagonist to have abused the Law of the Sea Convention, however. Most of the parties have misused UNCLOS to extend their sovereign jurisdiction unilaterally and justify their claims in the South China Sea.

None the less, a strict interpretation of UNCLOS may prevent most of the features from generating an EEZ, hence limiting the possible areas of overlapping claims. Article 121, Paragraph 3, states, “Rocks which cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.” They are instead entitled to only a twelve-nautical-mile territorial sea. It should be noted, however, that as there are no specific guidelines to distinguish a rock from an island, the terms employed remain open to contention and exploitation by the claimants. Beyond the controversy surrounding what constitutes an island, the use of continental shelves to claim territory might be equally problematic. Although many of the claimants have invoked the extension of the continental shelf to justify their arguments, this is seen to be “an insufficient legal basis to claim islands.” Maritime zones defined under UNCLOS may confer the right to exploit
the resources therein, but they do not confer the islands themselves. Based on this argument, Malaysia’s claim to the area has, for example, been described by Joyner as “ill-founded.” Finally, no point in either the Spratlys or the Paracels is 200 nautical miles away from another. This means that the claimed EEZs of disputant states inevitably overlap with several others, raising the potential for conflict. To cite a few examples, Vietnam and the Philippines respectively occupy Amboyna Cay and Commodore Reef at present, though both are claimed by Malaysia. Furthermore, Vietnam occupies Barque Canada Reef, also claimed by Malaysia. Given the sheer complexity of the overlapping claims, any resolution to the matter would require multilateral negotiations and the involvement of all parties. Moreover, the debate seems intractable as any resolution based on UNCLOS would ignore what some countries see as their historical sovereign rights.

Given the complexity of the sovereignty claims, the tentative proposals to resolve the South China Sea disputes have mainly focused on joint exploration and development combined with the shelving of the sovereignty question. This approach is often seen as the only feasible option to enhance cooperation and stability in the region. Beckman stresses that it would be “necessary to first negotiate a framework document that ‘shelves’ or ‘freezes’ existing claims and sets out the principles upon which cooperation and joint development can proceed.” Zou indicates, however, that the claimants may face serious difficulties in clearly defining the disputed areas and the modalities of joint development, but he notes that initial cooperation on less controversial matters could lead to joint exploration first. The Timor Gap Treaty between Australia and Indonesia, as well as the Tonkin Gulf Treaty between China and Vietnam, and existing bilateral agreements on maritime boundary delineation have all been regarded as models on which to create a joint exploration and development scheme for the South China Sea. Another possible scenario could be the establishment of a regional multilateral resource agency working toward the establishment of a joint scheme. Finally, it has been suggested that the disputed zone could be declared a “maritime protected area,” thus prohibiting the exploitation of natural resources. This is unlikely to occur, however, given the resource needs of the disputing parties and the possibility of substantial energy reserves in the South China Sea. It is precisely this demand for energy that may provide the necessary impetus toward joint exploration.

Overall, tensions in the South China Sea have calmed and open conflict is not expected. An armed conflict seems unlikely in the short term although risks exist of miscalculations or accidents that could lead to limited confrontation. The diffusion of tension has encouraged the disputants to envisage temporarily putting off the question of boundaries and seeking instead to agree on joint exploration schemes in this potentially oil-rich area. To some extent, the 2002 Declaration contributed to such efforts by putting off the question of boundaries. Significantly, the Joint Marine Seismic Undertaking (JMSU) was signed by the state-owned oil companies of China, Vietnam, and the Philippines in March 2005 as a commercial agreement on the conducting of oil pre-exploration surveys in parts of the Spratly. This deal initially involved only China and the Philippines before Vietnam decided to join. It was generally welcomed as a first attempt at de-escalating the energy
The signing of such agreements guarantees that Manila and Hanoi will at least be included in the exploration process in areas where they have overlapping sovereignty claims with Beijing. It is worth noting that the agreement was signed by national oil companies rather than states, which simplified the process. Yet, despite its commercial orientation, no Taiwanese company was part of the undertaking.

As discussed in Chapter 4, the JMSU may, however, have weakened the ASEAN solidarity on the South China Sea question by encouraging the individual Southeast Asian claimants to negotiate directly and unilaterally, rather than as a group, with the PRC. Moreover, after it was signed in 2005, the undertaking was criticized by Filipino opposition parties as an indication that the government was willing to undermine its own claims over the disputed territories. The JMSU eventually lapsed on June 30, 2008 and its renewal seems to be jeopardized by rising nationalistic sentiments in the Philippines, and to a lesser extent in Vietnam. Moreover, its extension has been delayed by allegations of corruption linking Chinese loans to the signing of the initial deal.\footnote{82}

The situation is a clear reminder that nationalism can act as a significant stumbling block to any form of conflict resolution based on the shelving of sovereignty and the joint exploration and development of natural resources. It also demonstrates that joint energy schemes can lead to nationalistic outbursts. Recent events suggest that the steps undertaken towards joint pre-exploration in the South China Sea have not sufficiently coincided with a temporary freezing of the sovereignty question and a softening of national dispositions in some claimant states. That said, while the South China Sea question has continued to stir nationalistic sentiments in Vietnam and China, the successful visit by Vietnamese Prime Minister Nguyen Tan Dung to Beijing in October 2008 may be regarded as a reason to be cautiously optimistic. Indeed, the two nations pledged in their common declaration to jointly explore resources in disputed offshore areas.\footnote{83} The bilateral discussions were held on the sidelines of the seventh Asia–Europe Meeting (ASEM) in Beijing.

Even if a joint exploration and development scheme for the South China Sea were to be successfully negotiated, the overwhelming power asymmetry and the absence of an overall agreement on the sovereign rights of the coastal states could still leave the weaker parties in a fragile situation in the event of changing economic conditions or evolving strategic circumstances. The oil and gas reserves of the South China Sea have generally remained uncertain and initial estimates have been revised downwards. With the improvement of exploration techniques, however, oil reserves lying under the seabed in deep waters have become more viable. Large oil and gas reserves are indeed expected to be discovered in the deepwater areas of the South China Sea, including in zones that are as deep as 5,000 meters. As oil prices have fluctuated in recent years, the attraction of joint development might decline for the dominant claimant state if proof were to be found of substantial oil reserves for commercial use. Whether the situation would change for the better or worse in light of such a discovery would again very much depend on the political and regional circumstances and the status of Sino-Southeast Asian relations at that time, as well as on the demand for energy supplies. There are few reasons to be
optimistic on this last point, however. Despite its production of 3.4 million barrels a day, China’s import needs have already grown to 40 percent of its total oil consumption, and this figure is expected to increase further in order to sustain its economic growth and development. The key in such circumstances would be for the parties involved in the South China Sea disputes to regard the scarcity of energy supplies as an incentive for cooperation rather than competition.

**Conclusion**

This chapter has considered the management and possible resolution of the maritime territorial disputes in the East and South China seas in light of the more favorable geopolitical circumstances observed in recent years. A peaceful resolution of the respective disputes has yet to be conceived, however, due to their geopolitical significance in terms of territory, potential energy resources, and risk of power expansion and competition. Drawing from the conceptual framework put forward throughout this book, the chapter has argued that the first step toward dispute management and resolution in the East and South China seas is to adopt a formula of shelving the sovereignty question until such time that the joint exploration and development of resources and a softening of national dispositions can mitigate or even overcome the geopolitical sources of the conflict. Joint exploration and development therefore remains one of the most plausible approaches to achieving a better management and long-term resolution of the respective disputes. In short, it has been claimed that the de-escalation of the sovereignty/energy nexus constitutes the best condition under which specific geopolitical attributes can defuse tensions in a maritime territorial dispute.

The improved climate of relations over the East and South China seas has made possible some progress toward conflict management and the joint exploration of resources. De-escalating initiatives have been adopted in both disputes although their limitations need to be kept in mind. While a first step was taken towards the conducting of pre-exploration surveys in parts of the Spratlys between 2005 and 2008, talks between China and Japan have led to an agreement on the joint development of gas deposits in a disputed area of the East China Sea. The significant warming of ties between Beijing and Tokyo since late 2006 has made possible the prospect of joint exploration and development there. Yet, the achievement of common economic benefits will undoubtedly need to go hand in hand with a sustained and long-term improvement in Sino-Japanese relations and a diffusion of nationalism. It is too soon to say whether the new climate of relations can be sustained in the longer term. Likewise, it is yet to be seen whether the JMSU will eventually be renewed by China, Vietnam, and the Philippines despite the rise of nationalistic sentiments in some claimant states.

Beyond the immediate avoidance and prevention of conflict, the situation in the East and South China seas remains fragile, dynamic, and possibly volatile simply because the resolution of the territorial disputes is so difficult to conceive. The impasse of the overlapping sovereignty claims, exacerbated by the use and abuse of international law by the claimant states, remains a formidable stumbling block.
toward any form of long-term and peaceful resolution. Still, there are at least some indications that the parties involved might be willing to freeze the sovereignty question for now and focus instead on achieving joint economic benefits through common exploration and development schemes. This approach might well be the only feasible strategy of finding an acceptable form of resolution to the maritime territorial disputes in the East and South China seas. Interestingly, this method is also being considered elsewhere. Canada, Denmark, Norway, Russia, and the United States participated, for instance, in the first Arctic Ocean Summit in May 2008 in an effort at shelving the sovereignty question and discussing the possible joint exploration of natural resources.
Conclusion

This book has studied the importance of geopolitics when seeking to understand the maritime territorial disputes in the East and South China seas. It has examined the influence of territory, natural resources, and power distribution and how they might interplay with one another in the Senkaku/Diao yu, Paracel, and Spratly disputes. Rather than adopting a single explanation, the volume has claimed that it is the operation and interaction of these interconnected variables that best explains the dynamics of the maritime territorial disputes. Consequently, it has contended that it is precisely the interplay of the territorial, energy, and power dimensions that can lead to a dangerous escalation of a specific dispute, or to a de-escalation and diffusion of tensions on the ground.

The conceptual framework used in this volume has consisted of three interconnected parts: the interpretation of territory, natural resources, and the power distribution as central geopolitical considerations; their individual operation within the maritime territorial disputes; and how they interplay with one another, depending on circumstances. Three specific geopolitical variables have therefore served as central tools of analysis when seeking to understand the influence of geopolitics on maritime territorial disputes in East Asia. Focusing on their individual operation, it has been asserted that territory, natural resources, and power distribution could act as escalating, neutralizing, or de-escalating factors in the respective disputes under study, depending on circumstances and trends. Based on these categories, a three-dimensional typology has been used to examine how the different geopolitical attributes could interplay with one another. First, the geopolitical considerations could be in a convergent relationship, where territory, natural resources, and power were all operating along similar trends, mutually re-enforcing one another, and generally becoming inseparable. Second, they could be in an instrumentalist relationship, where one attribute was perceived to be indispensable by the claimant states to obtain progress with regards to the other two geopolitical considerations. Finally, they could be in a divergent relationship, where the operating trends of the geopolitical attributes were acting in an opposing fashion.

Furthermore, the book has made suppositions regarding each dimension of the typology and how they may impact on the respective maritime territorial disputes. It has been expected that a convergent relationship could act as a source of escalation or de-escalation, depending on the operating trends of the three factors. The
The three interconnected parts of the conceptual framework have very much coincided with the core objectives and structure of this volume. The first objective has been to provide a broad review of the conditions that influence the strategic environment of Northeast and Southeast Asia. This has been done by analyzing the territorial considerations, energy concerns, and power calculations of the various claimants before examining how these factors might be influencing their bilateral and multilateral relations with other regional states. The second has been to study in detail the geopolitics of the disputes under consideration. This has first involved analyzing the individual operation of the three geopolitical attributes within the maritime territorial disputes under study before examining how they may be interacting with one another. Hence, beyond the simple coexistence of the geopolitical considerations, interpreting under what conditions and with what impact they might interplay with one another has been at the core of this research project. The final objective has been to investigate the relationship between the geopolitical conditions of each dispute and the possibilities for conflict management and resolution. In particular, the book has sought to determine what would constitute a favorable environment under which specific geopolitical attributes could de-escalate tensions in a maritime territorial dispute.

**Geopolitics in East Asia**

The book has studied the three geopolitical attributes in the context of the claimant states and their respective strategic environments. It has observed the importance of nationalism and popular movements in the People’s Republic of China (PRC), Japan, and Taiwan. Deriving from the legacy of the Second World War as well as domestic politics and lobby groups, the upsurge of nationalistic sentiments in China and Taiwan was exacerbated by the repeated visits of Japanese Prime Minister Junichiro Koizumi to the Yasukuni War Shrine between 2001 and 2006. At the bilateral level, nationalism has remained a key factor in Sino-Japanese relations. It is worth noting, however, that by not visiting the Shrine, the two succeeding Japanese prime ministers, Shinzo Abe and Yasuo Fukuda, significantly improved
relations with Beijing. Nationalistic sentiments do not seem to be rising significantly in Brunei, Malaysia, the Philippines, and Vietnam. At the bilateral and multilateral levels, nationalism is also less of an issue in Sino-Southeast Asian relations in comparison to Northeast Asian affairs. Yet, it has been argued that the territorial claims in the South China Sea have continued to possess domestic symbolic value in the various states concerned and that nationalism has remained an important factor in Sino-Vietnamese and more recently in Sino-Filipino relations.

On natural resources, there has been high concern over the supply and access to energy in China and Japan. Largely considered resource-poor, energy has also remained a significant concern for Taiwan. China’s demand for energy has grown rapidly over the last twenty years. The PRC became for the first time a net oil importer in 1993 and has now become the second-largest consumer of oil in the world. Energy supply is critical to sustained economic growth, on which the legitimacy and survival of the Chinese Communist Party (CCP) depends. China, Japan, and Taiwan are reliant on key energy-producing countries in the Middle East. The safety of the sea lines of communication (SLOCs) that cross the East and South China seas is therefore pivotal for their economic prosperity. Among other factors, the security of SLOCs can be threatened by the direct actions of naval powers, open regional conflicts – for example, over Taiwan – and unilateral declarations of jurisdiction by regional states based on a misuse of the United Nations Convention on the Law of the Sea (UNCLOS). In light of these concerns over the supply and access to natural resources, it is not surprising that energy has been a key factor in Northeast Asian relations.

Access to affordable energy has also become a rising concern for Malaysia, the Philippines, and Vietnam. As developing nations, the three Southeast Asian claimant states are in need of access to oil and gas at a reasonable price to sustain their economic growth. Yet, in contrast to Japan and Taiwan, Malaysia, the Philippines, and Vietnam are important oil producers; and Brunei’s economy has been exceptionally prosperous due to its large oil and natural gas reserves.

On the question of power relations, the threat perception has been evolving in China and Japan since the end of the Cold War. The PRC has been perceived as a potentially threatening rising power, while Japan has been viewed increasingly as adopting a more assertive foreign policy. Domestically, this has led to the adoption of unilateral balancing strategies by Beijing and Tokyo. At the bilateral level, power considerations have remained an important factor in Sino-Japanese relations, as well as in bilateral ties with Washington. Still, Sino-Japanese ties have recently entered a new era of improved relations despite the disputed borders in the East China Sea, their wartime history, and China’s growing power that challenges Japan’s position as a regional leader. It is yet to be seen whether the warming of relations may reduce the level of power competition between Beijing and Tokyo in the longer term. Political uncertainty in cross-strait relations has traditionally made self-defense against a possible attack or invasion by the PRC the main priority for Taiwan. Ties with Beijing have improved, however, since the landslide victory of the Kuomintang (KMT) candidate, Ma Ying-jeou, in the presidential elections of March 2008.
In Southeast Asia, one has seen a reduction in the threat perception in Brunei, Malaysia, the Philippines, and, to a lesser extent, Vietnam as a result of the diffusion of the China threat image. While still regarded as a rising power, China is now more often discussed in terms of being an economic rather than a military risk. Importantly, the PRC is also increasingly perceived as a status quo rather than as a revisionist power in the Southeast Asian capitals. At the bilateral and multilateral levels, the four Southeast Asian countries have significantly improved their relations with Beijing in recent years. Domestically, Brunei, Malaysia, the Philippines, and Vietnam have, none the less, sought to upgrade and modernize their armed forces. Vietnam and the Philippines in particular still feel endangered by China’s actions in the Spratlys. Despite a significant improvement in bilateral relations, Vietnam perceives its relations with the PRC over the South China Sea as a reflection of its traditional antagonism and patterns of power with Beijing. The Philippines, on the other hand, has arguably become the weakest party in the dispute since the US withdrawal from Subic Naval Base and Clark Air Base in 1992 and the Mischief Reef Incident of February 1995.

The geopolitics of maritime territorial disputes in the East and South China seas

Beyond the broad strategic environment in East Asia, this volume has concentrated on the specific geopolitical dynamics of the maritime territorial disputes under study. Relying on a set of suppositions, it has first been demonstrated how the three geopolitical attributes could operate individually as escalating, neutralizing, or de-escalating factors, depending on broader diplomatic, economic, and military circumstances.

The quest for territoriality and domestic nationalistic politics has been found to be at the core of the Senkaku/Diao yu dispute. Yet, despite frequent government manipulation of nationalism at the domestic level, Beijing and Tokyo have often sought to mitigate and tone down the nationalistic rhetoric to avoid a dangerous escalation of the dispute. In that sense, it has been argued that the territorial dimension has fluctuated between operating as an escalating and a neutralizing factor, depending on the state of Sino-Japanese relations and domestic political circumstances. The Senkaku/Diao yu dispute has traditionally been affected by historical animosity and grievances between Japan, China, and Taiwan. The PRC and Taiwan have each laid similar claims to the islands, an issue that remains unresolved with Japan. The most serious resurgence of this dispute in the post-Cold War era began in July 1996 when members of the far-right Japan Youth Federation erected a lighthouse on one of the islands and demanded official recognition from the Japanese government. The lighthouse was the second to be erected by the rightist group, the first having been emplaced in 1978. Japanese Foreign Minister Yukihiro Ikeda assured the Chinese at the time that his government did not intend to recognize the lighthouse. In the post-Cold War era, one has observed ongoing activity from nationalistic groups in Greater China, including Hong Kong and Taiwan, criticizing the Japanese occupation to be an infringement of Chinese
territory. Similarly to Greater China, nationalist movements in Japan have claimed the islands to be part of the motherland. Yet, since the improvement of bilateral ties in late 2006, Beijing and Tokyo have unsurprisingly resisted domestic nationalist groups to the benefit of economic interests.

Access to natural resources has also been a driving factor in the maritime territorial dispute, fluctuating in its operation from an escalating to a neutralizing impact, depending on wider circumstances. Occupied by Japan, neither the PRC nor Taiwan started raising the Chinese claim until 1970, when the first reports of possible major oil deposits beneath the East China Sea were published. The seabed surrounding the Senkaku/Diao yu is expected to be rich in oil and gas, although initial estimates have recently been reduced. Control over the disputed islands would confer China or Japan continental shelves in areas with potential oil and mineral wealth. Both parties had previously conducted only unilateral exploration and oil drilling activities, further escalating the situation. However, after a protracted series of negotiations that began in 2004, Beijing and Tokyo reached an agreement in June 2008 on joint gas development in a disputed area of the East China Sea.

The sovereignty question over the Senkaku/Diao yu Islands is also influenced by power competition. The dispute over boundaries has, since the end of the Cold War, been escalated by the Chinese naval buildup and aspirations in the East China Sea, as well as by the naval presence of Japan and the United States in the region. Tokyo is in control of the Ryukyu Islands, including Okinawa, home to the largest US military base in Asia. Control over the Senkaku/Diao yu Islands would enable Beijing to extend its power projection and sea defense lines further into the Western Pacific. In terms of the distribution of power, however, there remains an asymmetry of power to the advantage of Japan. Tokyo controls the islands and has a naval advantage over China in the disputed waters. Yet, China has been building up its naval capabilities by purchasing Russian weaponry, including submarines, leading to growing naval competition in the East China Sea. Until 2006, in particular, an escalation of tension between Japan and China over the Senkaku/Diao yu Islands was noticeable. Aggressive statements by the Chinese Ministry of Foreign Affairs disputed Japanese control of the islands, and these coincided with naval movements by the People’s Liberation Army Navy (PLAN) in the area. The Japanese Coast Guard (JCG) also increased its presence in the contested islands and their surrounding waters. A diffusion of tension has, however, been one consequence of the recent improvement in Sino-Japanese relations. Whether this can be sustained in the longer term remains to be seen.

As in the East China Sea, the Paracel and Spratly disputes in the South China Sea have been driven by the quest for territoriality. The latter has continued to operate as an escalating force, negatively affecting the disputes. The Paracels have been controlled by China since 1974 but the sovereignty issue remains important in Taiwan and Vietnam, with the various disputants continuing to be inflexible. China, for example, refused any mention of the Paracel Islands in the Declaration on the Conduct of Parties in the South China Sea, signed jointly in November 2002 with the ten members of the Association of Southeast Asian Nations (ASEAN). Consequently, the Declaration did not include a specific reference to
its geographical scope. Sovereignty concerns have been even more critical in the context of the Spratlys. The claimant states have generally been inflexible on the sovereignty issue and have viewed the construction of permanent foundations on uninhabitable and occasionally submerged features in the disputed areas as a manifestation of their sovereign jurisdiction. Retracting territorial claims or being willing to make concessions on the question of sovereign jurisdiction would be costly domestically to any of the disputants and perceived regionally as a sign of weakness.

Consequently, despite an overall improvement in the climate of Sino-Southeast Asian relations, the claimants have yet to shelve the sovereignty issue over the South China Sea. Instead, they have used military means to consolidate their presence in the contested areas and carried on building new structures on disputed reefs. Incidents driven by nationalistic sentiments have also persisted between the disputants. The sovereignty question has therefore continued to be an escalating force and a formidable stumbling block toward any form of peaceful resolution of the Paracel and Spratly disputes. It is interesting to point out, however, that one area of tentative agreement seems to exist between China and Taiwan on the South China Sea issue, as both Beijing and Taipei acknowledge that the disputed territories are Chinese territory. Since 1956, Taipei has occupied the island of Itu Aba, the largest feature in the Spratly group. Beijing has informally supported this occupation, viewing the island as an inclusive part of the Chinese territory in the South China Sea.

The maritime territorial disputes in the South China Sea have also been influenced by the quest for natural resources, although some de-escalating trends have been observed in recent years. Maritime areas around the Paracels and Spratlys are rich in fishery resources and are expected to have oil and gas reserves. The reserves of the South China Sea are still rather uncertain, however, and initial estimates have been adjusted lower. Yet, as exploration techniques have improved, oil and gas reserves lying under the seabed in deep water have become more viable.

In March 2005, China, the Philippines, and Vietnam signed the Joint Marine Seismic Undertaking (JMSU), with the two weaker parties envisaging that they would benefit from the existing living and non-living resources in areas where they have overlapping sovereignty claims with China. Once signed, though, the JMSU became a source of criticism in the Philippines and was described by the opposition parties as an indication that the government might be willing to surrender its claims over the disputed territories to Beijing. The agreement lapsed in June 2008 and at the time of writing it had not been renewed. This serves as a reminder of the national value of the territorial claims to the disputants. Moreover, even if a joint exploration and development scheme were successfully negotiated, the overwhelming asymmetry in power and the absence of an overall agreement on the sovereign rights of the coastal states could significantly weaken the negotiating positions of the smaller parties. In particular, it could leave Vietnam and the Philippines in a fragile situation after a possible change in economic conditions, including, for example, the discovery of more oil and gas reserves for commercial usage than anticipated, or evolving strategic circumstances in the disputed territories.
Regarding the power distribution, China is in control of the Paracels and possesses a significant military advantage over Vietnam and Taiwan. In January 1974, China had completed its control over the Paracel archipelago by acting militarily against South Vietnam. This military action reinforced Beijing’s influence in the South China Sea. China’s control of the Paracels has not been contested militarily by the other parties since. In part due to its limited capacity to project power, the PRC remained absent from the Spratly Islands until the second half of the 1980s. Yet, a naval confrontation with Vietnam in March 1988 led to the Chinese seizure of territory in the Spratlys. Furthermore, in February 1995, the Philippines discovered the Chinese occupation of Mischief Reef.

The Spratly dispute has strategic relevance in terms of maritime control and sea lines of communication. Moreover, China’s relative power vis-à-vis the other claimants is rising. A Chinese naval presence at the heart of Southeast Asia would be threatening not only to Vietnam and the Philippines but to Malaysia, Brunei, and Indonesia. In addition, control of the maritime communication routes would be strategically critical, as it would endanger the security interests of the US, Japan, and other maritime powers that cross these waters. Yet, command over the maritime communication routes that cross the South China Sea may only result from a significant naval dominance and superiority in the region, rather than the occupation of tiny features that may not offer a legitimate basis for claiming maritime jurisdiction. Moreover, the PRC has in recent years acted as a status quo power. It has not seized disputed features in the Spratlys since the Mischief Reef Incident, although it expanded its structures on that reef in November 1998.

In short, the Spratly dispute has remained, since 1995, primarily a political rather than a military issue. This derives from China’s desire to accommodate the Southeast Asian countries and the limited naval capabilities available to the different claimants to dominate the South China Sea militarily. As a result, this has created a temporary situation of status quo with regards to the distribution of power. The other disputants are, none the less, concerned that China’s growing naval power might be used one day to back up with force its territorial claims in the South China Sea.

Beyond the individual operation of the geopolitical attributes, this book has considered the interplay of the three considerations in the East and South China seas in the post-Cold War era. A three-dimensional typology has been used when seeking to analyze the interaction of the territorial, energy, and power attributes. It has been claimed that the geopolitical factors could be tied by a convergent, instrumentalist, or divergent relationship. In addition, the volume has argued that some of these relationships are more prone to a lessening of tension than others. Finally, it has been illustrated how the interplay process in the respective disputes has been characterized by two separate phases, echoing wider transformations in Sino-Japanese and Sino-Southeast Asian relations.

The initial escalating periods have helped us address a central question asked in the introduction of the book: namely, at what stage or given what conditions does the interplay most likely become an escalation problem and why? As demonstrated through the case studies, a convergent and mutually re-enforcing relationship
between escalating geopolitical attributes constitutes the worst possible outcome of the interplay process. In particular, the geopolitics of sovereignty fueled by nationalism and combined with rising power and energy competition can lead to a “perfect storm” scenario and thus possibly to open conflict.

From the early 1990s until 2006, the East China Sea dispute was influenced by a convergent relationship linking the territorial and power attributes. These considerations both acted as escalating forces, thus fueling and mutually re-enforcing each other. Particularly worrisome was the domestic impact of popular nationalism combined with the growing naval competition between the disputants. The convergent sovereignty/power nexus also influenced the energy consideration by translating it into a source of conflict rather than an area of possible economic cooperation. The interplay of the three geopolitical attributes arguably made the Senkaku/Diao yu issue the most dangerous maritime territorial dispute in East Asia during this period. The geopolitics of sovereignty and competing power jointly exacerbating energy calculations had the potential to create the type of conditions most likely to lead to a serious and volatile situation and eventually even to open conflict. This period coincided with more than a decade of frosty Sino-Japanese relations.

Similar to the Senkaku/Diao yu dispute, the South China Sea issue was first also typified by an escalating phase in the post-Cold War era. In the first half of the 1990s, territory, energy, and power relations were all convergent in escalating the maritime territorial disputes. Driven by the “China threat” image, the quest for territoriality and a high expectation of the availability of energy resources, the South China Sea question was then regarded as a major security flashpoint. The fear of a rising China combined with the sovereignty question contributed to transforming the development of oil and gas into a source of competition and conflict.

Again drawing from the conceptual framework and the disputes under study, this volume has identified in recent years a second and more neutralizing phase when examining the geopolitical interaction in the East and South China seas. This phase started in late 2006 in the context of the Senkaku/Diao yu dispute. Echoing a warming in Sino-Japanese ties, the current period has been defined by diluting factors in the East China Sea and a reduced virulence of the geopolitical circumstances influencing the Senkaku/Diao yu dispute. Significantly, the softening of the convergent relationship between territory and power has opened the way toward the joint exploration and development of natural resources in one of the disputed areas. It is therefore not coincidental that a Sino-Japanese agreement on the joint development of gas deposits in a specific zone of the East China Sea was concluded shortly after Chinese President Hu Jintao’s visit to Tokyo in May 2008.

A transformation has also taken place in the South China Sea. Since the second half of the 1990s, the geopolitical interaction in the disputes has been driven by both a divergent and a foreseeable instrumentalist relationship. The territorial and energy considerations have been acting divergently, as their operating trends are said to have been in opposition. The energy dimension, defined by some initial progress toward a joint pre-exploration undertaking, has in recent years arguably acted as an emerging de-escalating force while ongoing tensions between the
disputants related to the sovereignty question have continued to escalate the situation on the ground. The divergent relationship between territory and energy has been expected to some extent to neutralize the disputes and thus to promote the status quo. Importantly, it has been claimed that the de-escalation of the energy attribute has been the consequence of the dilution of the power distribution in recent years. The power issue has indeed been neutralized somewhat as a result of the lessening of the “China threat” image since the late 1990s. It is still anticipated, however, that the upsurge of nationalistic rhetoric could complicate the peaceful management of natural resources. Proof of sufficient oil and gas reserves in the South China Sea linked with high energy prices could also transform circumstances in the disputed areas. Such developments, fueled by a further escalation of the sovereignty question, would undoubtedly transform the South China Sea disputes again into a volatile security issue.

Furthermore, in addition to a divergent relationship, the three geopolitical attributes may be linked in the South China Sea by a potentially dangerous instrumentalist relationship. Power is still perceived as a possible instrument to obtain progress with regards to the territorial and energy considerations. In particular, it is feared in some Southeast Asian capitals that overwhelming naval power might one day be used by the PRC as an instrument to resolve the sovereignty and energy questions militarily rather than by peaceful diplomatic means. By further increasing its power projection capabilities, therefore, China could undermine stability in the area. In response, the weaker parties to the disputes have already tried to strengthen their own capabilities by reinforcing their military presence on occupied islands and reefs. A further militarization of the disputes would be expected to increase their volatility.

**Toward conflict management and resolution**

This volume has considered the management and possible resolution of the maritime territorial disputes in East Asia in light of the more favorable geopolitical circumstances observed in recent years. It has therefore sought to address another key question posed in the introduction: namely, if one specific variable were introduced as a means to de-escalate or defuse tensions, when would that factor most likely work? In response, it has been argued both conceptually and empirically that the first step toward dispute management is to adopt a formula of shelving the sovereignty question until such time that the joint exploration and development of resources and a softening of national dispositions can mitigate or even overcome the geopolitical sources of the conflict. In other words, the interplay between sovereignty and natural resources offers a possible means of defusing tension in a maritime territorial dispute. In particular, the energy attribute, when successfully translated into joint exploration and development schemes, can become an appropriate avenue to de-escalate the situation if it operates simultaneously with a temporary shelving of sovereignty and a softening of nationalistic politics.

As discussed above, the geopolitical interplay in the East and South China seas has in recent years been driven, respectively, by a softer convergent and by
a divergent relationship. As a result, in the Senkaku/Diao yu case, this current phase has been defined by a reduced virulence of the geopolitical considerations influencing the dispute. A similar diluting trend has also been observed in the South China Sea due to the opposite impacts of the sovereignty and energy attributes to some extent neutralizing the disputes. Based on the conceptual framework developed in the book, it is anticipated that these more favorable circumstances may contribute to conflict management and even conflict resolution. It is important to remember, however, that these positive trends remain fragile and that they could all too easily be undermined by the rise of nationalistic sentiments and by the power attribute if the latter were to be perceived as a possible instrument to resolve the sovereignty question.

Unsurprisingly, the improvement of relations over the South China Sea has made progress toward conflict management possible, as typified by the Declaration on the Conduct of Parties in the South China Sea, signed by China and the ASEAN members in November 2002, and by an initiative focusing on the joint pre-exploration of resources. The announcement of the JMSU in March 2005 was a first attempt at de-escalating the energy question in the South China Sea and constituted therefore a step in the right direction. Driven by commercial interests, the pre-exploration agreement at least guaranteed the inclusion of the weaker parties into a cooperative process that might one day lead to the joint development of natural resources.

Nevertheless, the JMSU lapsed on June 30, 2008 and its future remains uncertain. This is primarily due to the maneuvering of nationalistic sentiment in the Philippines, as well as some legitimate concern over the overwhelming power asymmetry undermining the position of the Philippines and Vietnam in the absence of an overall agreement on the sovereign rights of the coastal states. The former suggests that the initial steps undertaken toward joint pre-exploration in the South China Sea have not sufficiently coincided with a freezing of the sovereignty question and a softening of nationalist dispositions in some claimant states. Yet, given the complexity of the overlapping territorial claims, it is hard to conceive of an alternative strategy to the one of moving ahead on the joint exploration and development of natural resources while temporarily shelving the sovereignty question. How to create the right kind of environment to guarantee the sustained de-escalation of the sovereignty/energy nexus remains unanswered, however.

Similarly, joint development remains the most plausible approach to achieving a better management, and perhaps even resolution, of the Senkaku/Diao yu dispute. It is important to stress that this scenario will eventually depend on a Sino-Japanese process of reconciliation sustained in the longer term. The visit by Fukuda to China in December 2007 and the return visit by Hu in May 2008 are indications that both countries are willing to moderate their position and focus on the future. Moreover, the Sino-Japanese joint development agreement concluded in June 2008 shows the willingness of the parties to put aside the sovereignty question for now in a specific disputed area and focus instead on achieving common economic benefits through a joint venture. However, the limited scope of the 2008 agreement, restricted to just one disputed gas field, illustrates the difficulty of moving toward...
long-term cooperation on joint development across the East China Sea without, at
the very least, a substantial and general freezing of the sovereignty question. The
existing joint development scheme should thus for now be regarded as a means to
develop confidence and promote common economic interests rather than as a leap
forward toward the resolution of the maritime territorial dispute in the East China
Sea.

In short, despite the improved climate of relations over the East and South China
seas leading to some emerging steps toward joint energy exploration, the situation
on the ground remains fragile, dynamic, and possibly volatile as the resolution of
the disputes is so difficult to conceive. All the claimant states have repeated their
sovereignty claims and they have been unwilling to make concessions with regard
to their territorial claims. The impasse that constitutes the overlapping sovereignty
claims intertwined with domestic nationalistic politics remains, therefore, a
significant stumbling block to long-term conflict management and resolution in the
East and South China seas.

Concluding remarks

The maritime territorial disputes examined in this book have been the overlapping
claims over the Senkaku/Diao yu Islands in the East China Sea and over the Paracel
and Spratly Islands in the South China Sea. It has been asserted that the disputes
under study have been influenced by similar geopolitical considerations and their
interaction. The selection of cases has been largely determined by their ongoing
importance in the international politics of East Asia. The overlapping claims in
the East and South China seas constitute arguably the major and potentially most
dangerous maritime territorial disputes in the region, as they continue to play a
destabilizing role. This is not to say, however, that the relevance and application
of the conceptual framework developed in this volume should be limited to the
Senkaku/Diao yus, Paracels, and Spratlys. The conceptual framework of geopolitics
may indeed be used as a tool to study other maritime territorial disputes in East
Asia and beyond.

The overlapping claims between South Korea and Japan over the Tokdo/
Takeshima Islands in the Sea of Japan (East Sea) come to mind. Despite decades
of relatively peaceful relations and growing economic interdependence between
the two countries, Tokyo and Seoul have failed to establish strong diplomatic ties.
The historical legacy needs to be stressed as the primary cause for continued poor
relations. Korea was colonized by Japan until its wartime defeat and the end of the
Second World War in 1945. Prior to its full annexation by Japan in August 1910,
Korea had already been transformed into a Japanese protectorate through the
Protectorate Treaty of November 1905. Such historical animosity and emotional
tension periodically take on physical manifestation in the form of the countries’
territorial dispute over the Tokdo/Takeshima Islands. The disputed islets have been
under South Korean control since the 1950s.

Interestingly, territory and, to a lesser extent, access to natural resources are
significant driving forces in the Tokdo/Takeshima issue, while power considerations
seem to be of lesser significance. The dispute has repeatedly escalated due to rising nationalistic sentiments and energy demands. Nationalism is so deeply entangled within the debate that both South Korea and Japan consider the islands to be an inherent part of their own territory, making the dispute seemingly intractable and concession next to impossible. The dispute is further complicated by the issue of natural resources. Besides abundant fishery, the seabed surrounding the islands may have oil and gas potential. In particular, the Tsushima Basin and the Yamato Rise and Trough are expected to hold oil, gas, and mineral wealth. Ownership of the disputed rocks would enable Japan or South Korea to obtain parts of these maritime territories. Power relations are less pivotal because the islands are not critical strategically but also due to the power asymmetry in favor of Japan and the fact that both countries are military allies of the United States. Indeed, a mitigating factor in the dispute seems to be a shared interest in maintaining the US presence in Northeast Asia. Similarities but also differences can therefore be noted with respect to the East and South China seas.

Perhaps most significant, however, for the purposes of this volume are the potential strategies available for achieving conflict management and resolution in the Sea of Japan. International arbitration is unlikely to resolve the Tokdo/Takeshima dispute. Japan is keen to present the overlapping claims to the International Court of Justice (ICJ) but South Korea has refused to refer the question to international arbitration. At this stage, there is also no formal bilateral framework that might resolve the dispute. Instead, similar to the East and South China seas, the joint exploration and development of resources combined with the shelving of sovereignty and a lessening of nationalistic politics may be the best way forward. Mark J. Valencia has, for example, suggested that a temporary solution to the Tokdo/Takeshima Islands would be to “enclave the islets in a 12 nm territorial sea circle and to agree on a boundary equidistant between Ullung and Oki Islands,” leaving the issue of sovereignty to be addressed later. Yet, as nationalism and the historical legacy remain so deeply intertwined, it seems unlikely that Seoul will be ready any time soon to concede Japan greater access to the area’s maritime resources. Similar to the East China Sea, the prospect of such a scenario very much depends on a sustained process of bilateral reconciliation based on the reduction of national dispositions and popular mutual antipathy. This point further suggests that maritime territorial disputes in East Asia are affected by similar factors and that they can therefore be studied comparatively and in a comprehensive fashion.
Appendix
Maps of the East and South China seas

The East China Sea

Source: Danbury at the Turkish Wikipedia Project.
Disputed area and joint development zone in the East China Sea

The South China Sea

Overlapping claims in the South China Sea

Source: <http://southchinasea.org/maps_images_territorial.htm>. (Reproduced with the kind permission of David Rosenberg.)
Territorial claims and occupation of the Spratly Islands

Source: <http://southchinasea.org/maps_images_territorial.htm>. (Reproduced with the kind permission of David Rosenberg.)
Notes

Introduction

2 East Asia is understood in this volume to refer to the regions of Northeast and Southeast Asia.

1 The influence of geopolitics on maritime territorial disputes

8 Dodds, Geopolitics in a Changing World, p. 115.
12 Dijkink, “Soldiers and nationalism,” p. 120.
24 It is incorrect, however, to assume that the concept of the balance of power should exclusively be associated with realism. For a discussion of a second tradition of thought, see Richard Little, “Deconstructing the balance of power: two traditions of thought,” *Review of International Studies*, April 1989, vol. 15 (2), 87–100.
The nine different meanings are:

1. An even distribution of power. 2. The principle that power ought to be evenly distributed. 3. The existing distribution of power. Hence, any possible distribution of power. 4. The principle of equal aggrandizement of the Great Powers at the expense of the weak. 5. The principle that our side ought to have a margin of strength in order to avert the danger of power becoming unevenly distributed. 6. (When governed by the verb “to hold”) a special role in maintaining an even distribution of power. 7. A special advantage in the existing distribution of power. 8. Predominance. 9. An inherent tendency of international politics to produce an even distribution of power.


41 Claude, Power and International Relations, p. 20.

42 A similar version of this three-dimensional typology was originally used in Beverley Loke Wei Yin, Between Interest and Responsibility: Assessing China’s Foreign Policy in Sudan and the Implications for China’s Bourgeoning Global Role, Thesis submitted to the Department of International Relations, Research School of Pacific and Asian Studies, Australian National University, June 12, 2008, pp. 13–17. In her work, Loke refers to antagonistic, mutually constitutive, and instrumentalist relationships.

2 The geopolitical considerations of the East Asian claimant states

6 Lim, The Geopolitics of East Asia, p. 2.
7 BBC News, “Nuclear weapons: who has what?,” February 11, 2005, available HTTP: <http://news.bbc.co.uk/1/hi/world/asia-pacific/4256599.stm> (accessed March 2007). It should be noted that India and Pakistan are not signatories to the Non-Proliferation Treaty and thus not recognized officially as nuclear powers, while North Korea conducted its first nuclear test in 2006.
Notes

19 Various BBC reports, 1999.
28 Klare, Resource Wars, p. 113.
31 Lim, The Geopolitics of East Asia, p. 152.
32 Klare, Resource Wars, p. 127.
34 Lim, The Geopolitics of East Asia, p. 152.
42 Dower, Embracing Defeat, p. 22.
44 Lim, The Geopolitics of East Asia, p. 143.
46 Connors, “Japan in the Asia-Pacific,” p. 35.
52 See Lim, *The Geopolitics of East Asia*, p. 141; Connors, “Japan in the Asia-Pacific,” p. 43.
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5 Geopolitical interplay in the East and South China seas

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