In the modern era of state sovereignty, territorial disputes are a leading source of conflict and violence in the international system. States have gone to war more frequently over territory than any other issue.\(^1\) Although territorial disputes are usually bilateral conflicts between two states, they play an important role in trilateral relations among the United States, China, and Japan. China and Japan contest the sovereignty of the Senkaku (Diaoyu) Islands in addition to maritime rights in the East China Sea.\(^2\) The United States is an important actor in the China-Japan disputes, especially the conflict over the Senkaku Islands, because the 1960 alliance treaty obliges it to aid Japan in defending the territory under its administration.\(^3\)

As issues that are prone to elicit violence, territorial disputes are also an obstacle to deepening cooperation among states in other arenas. As territorial disputes bear upon the most vital of national interests—sovereignty—they are held to reflect a state’s intentions and ambitions. In trilateral relations, escalation of the Senkaku dispute could pose a severe challenge to future cooperation among the three states by pitting China against Japan and the United States. Even in the absence of armed conflict over the land being disputed, tensions over the Senkaku Islands are likely to limit cooperation in other ways, highlighting mutual concerns about long-term intentions and ambitions.

The potential for the polarization of trilateral relations flows from the structure of the Senkaku dispute. In this conflict, China is what
international relations scholars would term the “challenger” or “dissatisfied” actor. This does not mean that China overall is a revisionist actor in the international system. What it does mean is that China seeks to change the status quo in this particular dispute. Although China claims sovereignty over the Senkakus, it does not exercise effective authority over the islands, which Japan has administered since 1972. Conversely, Japan is the “defender” in the dispute because it controls all of the territory in question.

Despite the potential for armed conflict, the dynamics of the Senkaku dispute present a puzzle for scholars of territorial disputes and policymakers in the region. Although China and Japan have formally contested the Senkaku Islands since 1970, neither side has used force. Indeed, given the strategic and economic value attached to the islands and periods of tension in the broader China-Japan relationship, the absence of armed conflict or even tense military confrontations is nothing short of remarkable. At the same time, the two sides have yet to engage in any serious effort to resolve the dispute. Instead, both sides have adopted what could be best described as a delaying strategy that defers settlement to the future.

Within the study of international relations, scholarship on territorial disputes provides little guidance about the sources of delay in these conflicts. Instead, scholars have focused their attention on decisions to either escalate and use force or compromise and settle these disputes, as these choices are the most consequential ones that leaders can make. To explore why leaders adopt a delaying strategy instead, this chapter examines the sources of stability in the Senkaku dispute. In particular, it seeks to identify those factors linked with the absence of escalation as well as the absence of compromise. I find that the US-Japan alliance has deterred China from using force in the conflict, while active dispute management by both China and Japan has limited the potential for escalation. At the same time, paradoxically, the perceived value of the islands and the limited benefits to be gained through compromise create strong incentives to avoid efforts to settle the dispute.

The chapter begins with a discussion of the role of the Senkaku Island dispute in the trilateral relationship. It then examines four factors that could explain the absence of the use of force by either China or Japan and discusses in detail the concept of active dispute management. The third section examines three factors that could explain the absence of negotiations and settlement efforts, before concluding with a discussion of the implications of the analysis and the future trajectory of the dispute.
TERRITORIAL DISPUTES IN THE TRILATERAL RELATIONSHIP

A territorial dispute is a conflict between two or more states over the ownership and control of a piece of land. In the study of international relations, these conflicts include disputes over land borders as well as islands and other maritime features, such as coral reefs that lie above the high-tide line. By contrast, a maritime sovereignty dispute is a conflict over exclusive rights to bodies of water, especially exclusive economic zones (EEZs) as defined by the UN Convention on the Law of the Sea (UNCLOS). Apart from internal waters, however, states do not enjoy full sovereign rights in maritime areas under their jurisdiction, as they must permit vessels from other countries freedom of passage and transit. Maritime sovereignty thus is weaker than territorial sovereignty. As a result, maritime conflicts are less volatile than territorial disputes and, specifically, less likely to block or prevent cooperation among the United States, China, and Japan.

China and Japan hold conflicting claims over the sovereignty of the Senkaku Islands. Japan asserts that the islands were determined to be unoccupied and *terra nullius* (“as empty land”) in 1885 and formally incorporated into Japan in 1895. China claims discovery of the islands under the Ming dynasty and asserts that they were ceded to Japan along with Taiwan in the 1895 Treaty of Shimonoseki and thus returned to China at the end of World War II. From 1945 to 1972, however, the United States administered the islands directly as part of the Ryukyu Islands (which included Okinawa) and used one of the islets as a bombing range. With the conclusion of the Okinawa Reversion Agreement, the islands have been administered by Japan since May 1972. China (People's Republic of China) issued its first formal claim to the islands in December 1970, after Taiwan (in the name of the Republic of China) and Japan both issued claims in bids to ensure access to nearby petroleum resources.

China and Japan are also involved in two maritime sovereignty disputes. The first concerns the extent of maritime rights in the area known as the East China Sea. Japan claims that the median line between the Chinese and Japanese coasts should demarcate maritime rights in these waters. China, by contrast, asserts that the continental shelf principle should be applied instead. The area under dispute is large and comprises 160,000 square kilometers of water. This dispute is distinct from the conflict over the Senkakus, which concerns just sovereignty over the islands and not maritime rights (although the islands can be used to claim maritime rights). The second maritime dispute is over Okinotorishima, a coral reef that lies...
more than 1,740 kilometers to the east of Tokyo. Although China does not claim sovereignty over the reef, it has objected to Japan’s position that it can be used to claim a large EEZ in the western Pacific.\(^7\) China asserts that Japan cannot claim an EEZ under UNCLOS in the surrounding waters because Okinotorishima is a rock and not an island.\(^8\)

Finally, China and Japan are involved in territorial disputes with other states in East Asia. Although these disputes fall outside the scope of the trilateral relationship, behavior in these conflicts can influence how China and Japan view each other’s intentions in their own disputes. In addition to its long-standing conflict over Taiwan, China today is still engaged in disputes with India and Bhutan over territory along its land border, as well as with various East Asian nations over the Paracel and Spratly Islands in the South China Sea. Although China has disputed a total of 23 areas with its neighbors since 1949, it has settled the majority of these conflicts through peaceful negotiations and compromise settlements.\(^9\) Likewise, Japan participates in territorial disputes with all its immediate neighbors. Since 1945, Japan and Russia have contested the sovereignty of the Northern Territories/Kurile Islands that the Soviet Union occupied at the end of World War II, and Japan also contests the sovereignty of the Dokdo (Takeshima) Islands, which are under South Korean administration.\(^10\)

Similarly, China and Japan contest maritime sovereignty with their neighbors. Although China resolved part of its maritime sovereignty dispute with Vietnam in 2000, it has yet to determine its maritime boundaries with North Korea and South Korea. The use of a “nine-dotted line” (jiu duan xian) to depict Chinese claims in the South China Sea also raises questions about the possibility of extensive Chinese maritime sovereignty claims in the area. Likewise, Japan has yet to reach maritime delimitation agreements with either Korea or Russia.

Although the United States does not contest the sovereignty of any territory with either Japan or China, it is nevertheless an important actor in some of these conflicts through its alliance with Japan. The US role in these conflicts places bilateral disputes within the framework of trilateral relations, as US policy can impact the development of the disputes and thus the prospect for trilateral cooperation. At the risk of oversimplification, US policy toward the Senkaku and other territorial disputes is based on two general principles: (1) neutrality in terms of the ultimate sovereignty of contested areas and (2) peaceful resolution without resort to coercion or armed force.

Since the end of World War II, the United States has been a direct participant in the dispute over the Senkaku Islands. Following the 1951
peace treaty with Japan, the United States administered these islands as part of the Ryukyus until early 1972. When administration of the islands was transferred to Japan in May 1972, the United States underscored that this action had no bearing on the question of disputed sovereignty. Then Secretary of State William Rogers stated, “This [reversion] treaty does not affect the legal status of those islands at all. Whatever the legal situation was prior to the treaty is going to be the legal situation after the treaty comes into effect.” Similarly, a State Department document issued at the time noted, “The United States has made no claim to the islands and considers that any conflicting claims to the islands are a matter for resolution by the parties concerned.”

Since then, the United States has generally preferred to avoid public comment on the dispute. In 1996, however, as confrontations occurred involving civilian activists from Japan, Hong Kong, and Taiwan who had landed on the disputed islets, the United States repeated its stance, a State Department spokesman confirming that the US position “is that we do not support any individual country’s claim to these islands.” The State Department repeated this position again in March 2004 when Mainland Chinese activists landed on the islands. In the words of spokesman Adam Ereli, “the United States does not take a position on the question of the ultimate sovereignty of the Senkaku Diaoyu Islands.”

Nonetheless, while the United States maintains neutrality regarding the question of sovereignty, it has also clarified that the disputed islands fall within the scope of the 1960 Mutual Security Treaty. According to Article V of the treaty, the United States and Japan agree that “an armed attack against either Party in the territories under the administration of Japan would be dangerous . . . and [each party] declares that it would act to meet the common danger in accordance with its constitutional provisions and processes.” When the United States transferred administration of the islands to Japan, it noted that the treaty would now extend to the islands as areas under Japanese administration. Again, the United States has preferred not to stress this commitment in public, but in 1996, partly under pressure from lawmakers in Japan, the United States repeated its position regarding the status of the islands within the alliance. According to Kurt Campbell, then deputy assistant secretary of defense for East Asia, “The 1972 US-Japan agreement on the return of Okinawa to Japan clarifies that the Senkaku Islands fall under Japanese administration.” In 2004, State Department spokesman Ereli repeated this position, noting clearly that “Article V of the Mutual Security Treaty applies to the Senkaku Islands.” The United States used similar language in a March 2009 statement as tensions increased in
the dispute following the discovery of two Chinese maritime survey ships within the Senkakus’ territorial waters in December 2008.  

**The Avoidance of Armed Conflict**

The dynamics of the Senkaku Islands dispute since the 1970s present a puzzle. At first glance, one might expect that this dispute should be fraught with tension and even violence. Territorial disputes often serve as proxies for broader conflicts of interests, especially between states that might be characterized as enduring or strategic rivals, such as China and Japan. Although the China-Japan economic relationship has continued to deepen since the end of the Cold War, political relations have oscillated between periods of heightened friction and relative calm. At the same time, both sides see the islands as important real estate, endowed with strategic significance and economic value, characteristics that increase a state’s willingness to use force in a territorial dispute. China has also used force in other disputes over offshore islands, most notably over the Paracels in 1974 and the Spratlys in 1988 and 1994. Finally, given the history of Japan’s occupation of parts of China, one might expect territorial issues to be especially prominent as a source of friction between the two countries and one that leaders might manipulate to mobilize society, perhaps for diversionary ends. Since 1949, however, China has never used force against Japan over the Senkaku Islands, although it did display its potential to use force once, in 1978, during the peace treaty negotiations. The fact that armed conflict over the islands has been avoided is a major accomplishment and one that deserves detailed examination because, in many ways, it is unexpected. The analysis below focuses mostly on China for several reasons. First—unlike Japan—China, as noted above, has used force in its other territorial disputes since the end of World War II and in half of its offshore island disputes. Second, as the “challenger” in the Senkakus dispute, force remains a viable option for China to regain sovereignty of the islands to improve its otherwise weak position or to compel concessions from Japan.

By contrast, because Japan already occupies and controls the islands, force is not necessary to improve its claim and would only be used to deter or prevent a Chinese attack. Nevertheless, even as the “defender,” the use of force for Japan remains a viable option under certain conditions. In particular, because Japan already controls the islands, it may be more willing to use force to arrest or reverse decline in its position in the dispute in the face of increasing Chinese provocations, such as the dispatch of mainland
survey ships within the territorial waters of the islands in December 2008. Indeed, reflecting concerns about China’s growing military power and naval activities in the East China Sea, Japan’s military drafted a contingency plan in November 2004 “to defend the southern remote islands off Kyushu and Okinawa from possible invasion.”

Explaining state inaction or the absence of a particular outcome such as the use of force presents a challenge for social scientists. One of the core problems is that patterns of inaction or nonevents are likely to be overdetermined; that is, they are consistent with multiple if not overlapping variables and explanations. As a particular behavior is not observed, it is more challenging to identify those factors that vary with inaction as opposed to using force or offering to compromise. Nevertheless, four reasons help explain the absence of violent conflict in the Senkaku dispute since 1972: deterrence, de facto control, regional rivalry, and active dispute management.

**Deterrence**

The first and most important reason is deterrence. Put simply, China has lacked the military means to execute a limited-aims operation to seize and defend the islands from any counterattack. Although China did clash with South Vietnam in 1974 and Vietnam in 1988 in other offshore island conflicts, those countries possessed very limited naval power and China was able to achieve victory after short clashes. By contrast, Japan possesses the strongest and most professional navy of any East Asian country. More importantly, however, the US alliance with Japan has arguably deterred China from taking any armed action over the islands. Given Article V, use of force over the Senkakus would run the very real risk of conflict with the United States—conflict that China would prefer to avoid. As discussed below in the section on dispute management, public US statements regarding its commitment under the treaty that were issued during moments of tension in the dispute represent subtle deterrent actions.

**De Facto Control**

The continuous occupation of the disputed islands by Japan during the period when their sovereignty has been contested is a second reason for the absence of escalation. Continuous occupation by one state in a territorial dispute significantly increases the cost for the other side (in this case China) of using force, as the international community would view any use
Explaining Stability in the Senkaku (Diaoyu) Islands Dispute

of force as a clear sign of revisionist behavior. Occupation by one side, in other words, reinforces the status quo bias of the international system. By contrast, although China did use force in the Paracels and the Spratlys, it seized islands and coral reefs that were claimed but not occupied by other states and vacant real estate (with the exception of Pattle Island in the Paracels). In disputes on its land border, China has not seized large amounts of disputed territory through the use of force, especially when contested territory has been occupied by other states. In its 1962 war with India over disputed areas along its southwestern frontier, for example, China won a military victory but then withdrew to the line of actual control that had existed prior to the outbreak of hostilities.29

Regional Rivalry

A third reason for the absence of escalation stems from the continuing competition between China and Japan for diplomatic influence within East Asia. For different reasons, both countries likely want to maintain reputations as constructive and benign powers in the region. Escalation or use of force over the Senkakus would tarnish that reputation. In particular, China’s current diplomatic strategy revolves around the notions of “peaceful development” and “reassurance.”30 Belligerence over territory would send a signal to most states in the region that a more powerful China might also be more aggressive, thus increasing suspicion and uncertainty about China’s long-term intentions.

Active Dispute Management

A fourth and underexamined reason is how both sides have sought to manage the dispute to avoid unwanted spirals of hostility and tension that might culminate in the use of force. Several aspects of dispute management must be stressed, as they have received little attention in analyses of the Senkaku dispute or, for that matter, in the international relations scholarship on territorial disputes. Even if China has been deterred by US power, Japanese control of the disputed islands, or potential reputational costs, the management of tensions in this dispute is also important. All three countries have played a role in the successful management of the dispute, where success is defined as the absence of conflict.

Limited Access Perhaps the leading source of friction in the dispute over the past two decades has been efforts by citizen activists to land on
the islands to demonstrate their countries’ sovereignty claims. These actions then compel governments to get involved in the dispute, increasing the potential for armed conflict. In the 1990s, several crises over the islands occurred when activist groups from Hong Kong, Taiwan, and Japan journeyed to the disputed rocks. Japanese activists, most notably from the Japan Youth League, frequently visited the islands in the 1990s to maintain a lighthouse on Uotsuri (Diaoyu) Island that was first built in 1978. In response, individuals from Hong Kong, Taiwan, and Mainland China sought to land on the Senkakus to support China’s claims. In 1996, a Hong Kong citizen, David Chan, drowned as he attempted to land and plant a flag on one of the islands. A number of other unsuccessful attempts have also been made by groups supporting China’s claim, but in 2004, activists from Mainland China successfully landed on the islands.

As a private citizen owns three of the five main islands, the Japanese government was unable (or perhaps just unwilling) to prevent its own citizens from making symbolic visits and increasing the potential for conflict in the dispute. Since 2002, however, the Japanese government has taken a number of steps to enhance its control over the islands and limit access by Japanese citizens, thereby reducing incentives for Chinese patriotic groups to land on the islands in response. First, in April 2002, the Japanese government entered into a lease for the three islands remaining outside of government control. This placed all of the disputed features under the direct control of the Japanese government, and because the government became a leaseholder, it could both prevent the sale of the islands to activists who might seek to make use of them for political goals and block activists from all sides from landing on the islands. Second, just one month after the first successful landing on the islands by Mainland Chinese activists in March 2004, the Japanese government decided to station two Coast Guard vessels near the islands in order to prevent individuals from landing on them in the future. Third, in February 2005, Japan further consolidated control over the islands when it announced that it had assumed control of the lighthouse on Uotsuri that had been built and maintained by the Japan Youth League.

These actions elicited sharp protests in Beijing and Taipei as they were viewed as unilateral assertions of sovereignty over contested territory and consolidation of Japanese control. Nevertheless, they lowered tensions by removing perhaps the greatest irritant in the dispute, the actions of activist citizens. In the past, the rationale for these visits by Japanese activists was the need to maintain the lighthouses and replace their solar-powered batteries. Indeed, according to public news sources, no Japanese activists
have successfully landed on the islands since 2003. Although this has not prevented subsequent attempts by Chinese and Taiwanese patriotic groups to land on the islands, the Japanese government has been able to intercept these ships rapidly through the deployment of Coast Guard vessels in surrounding waters.

Similarly, the Chinese government has sought to restrict the activities of its own citizens around the islands. For most of the 1990s, only activists from Hong Kong and Taiwan, not Mainland China, sought to land on the islands in protest. In 2003, however, a mainland-based group, the China Federation for Defending the Diaoyu Islands, began preparations for a voyage to the islands. After several reconnaissance trips, the federation landed seven members on Uotsuri in March 2004. These individuals were detained by the Japanese Coast Guard and deported to China 48 hours later. Although it is not clear what the Chinese government's policy toward such groups was before this landing, since then it has sought to prevent any further landings or maritime excursions to the islands by its citizens from Chinese ports. In July 2004, local officials in Fujian prevented members of the federation from using Chinese fishing vessels for noncommercial purposes such as traveling to the islands. And, following anti-Japan protests in April 2005, the government raided the federation's offices in Beijing in July 2005. In October 2007, four members of the federation who had entered Japanese territorial waters in an attempt to land on the islands were placed under house arrest when they returned to China.

Avoidance of Social Mobilization A second aspect of dispute management that deserves mention is that China has avoided mobilizing the public around the dispute. Indeed, despite its potential to rally people around the flag and its role in past patriotic education campaigns, the Senkaku dispute rarely appears in official newspapers. As figure 1 demonstrates, the total number of articles that refer to "Diaoyu Dao" (Senkaku Islands) in the title that have appeared in the People's Liberation Army Daily (Jiefangjun bao) and the People's Daily (Renmin ribao) since 1987 is low. In some years, no articles appeared at all. Moreover, as shown in figure 2, the frequency of articles on the Senkakus is roughly one-tenth of those published on the Spratlys and an even smaller fraction of those concerning Taiwan. No clear trend exists in the frequency or timing of articles on the Senkakus either. Analysis of individual news reports suggests that the publication of articles is caused by events linked to the dispute, especially activists' attempts to land on the islands as well as Japan's own administrative actions.
Interestingly, almost no difference exists in the coverage of the dispute between military and civilian Chinese sources, providing strong evidence against the argument that there are divisions between China’s military and civilian leaders over Japan policy. *Liberation Army Daily* coverage of the Senkakus consists almost entirely of articles originally published by Xinhua, the Chinese government’s central news agency, or by the *People’s Daily*, the newspaper of the Central Committee of the Chinese Communist Party. With just three exceptions, the *Liberation Army Daily* has published no original articles on the dispute, focusing instead on reporting government statements and press conferences. Most of the reporting on the Senkakus is also buried on the inside of the paper, not on the front page. Thus, there appears to be close coordination between the government and People’s Liberation Army over the Senkaku dispute, at least in the area of propaganda. Overall, the goal is to minimize attention to the conflict while demonstrating China’s “resolute” stance on the question of sovereignty when an event occurs that appears to question or challenge China’s claim.

Likewise, since the end of the Cold War, the Chinese government has restricted the number, scope, and duration of protests against Japan over this issue. As Erica Downs and Philip Saunders have demonstrated, the Chinese government understands the double-edged nature of nationalism. Although it has allowed protests to occur during periods of great tension in the dispute, especially in 1990 and 1996, the duration and scope of these
Civil actions were severely limited. Even in April 2005, when anti-Japan demonstrations occurred throughout major cities in China, the Senkaku dispute played only a minor role despite its potential utility in mobilizing support for the demonstrators’ goals. Indeed, an incomplete examination of photographs of the demonstrations reveals no signs, posters, or banners referring to the Senkaku Islands and only a few banners mentioning the dispute over maritime rights in the East China Sea.

**Japan’s Use of the Islands** Although it has administered the islands since 1972, Japan has limited their development and use. In particular, Japan has not erected any military installations on the island that might be viewed as threatening in Beijing. Such installations would not only constitute a clear exercise of Japan’s sovereignty over the islands but would most likely be deployed to counter China’s growing military power, especially its naval power. Such installations would further increase the value of sovereignty over the islands, which in turn could increase the incentives for China, as the weaker challenger in the dispute, to use force.

Japan’s limited use of the islands is important because Chinese sources distinguish between Japan’s administration and occupation of the islands. In particular, Chinese writings differentiate between Japan’s current administration of the islands—sometimes described as “actual control” (shiji kongzhi)—and any potential or future Japanese “occupation” of the islands.
By implication, occupation—described as “qinzhan” or “zhanling”—appears to refer to any permanent military use of the islands, especially for military assets that could be used in a conflict over Taiwan. Thus, although only by implication, these writers have highlighted what might be viewed as a “red line” for China in its dispute with Japan.

**US Policy** A fourth aspect of management of the dispute has been US policy. It is perhaps not a coincidence that the United States has sought to send muted deterrent signals during moments of potential crisis in the dispute. As discussed above, during the events of 1996 that led to efforts by Hong Kong and Taiwanese activists to land on the islands, the Pentagon and Department of State repeated the position that the islands fell under the scope of Article V in the 1960 treaty and stressed the importance of peaceful resolution of the dispute. Similarly, after the first successful landing on the islands by Chinese activists in March 2004, Washington again clarified its commitment. The day after the Chinese activists reached the islands, spokesman Adam Ereli repeated both pillars of US policy: that it remained neutral with respect to the island’s ultimate sovereignty but that the islands also fell within the scope of the 1960 treaty and US security commitments to Japan. In both cases, the statements were likely designed to signal the US commitment to a peaceful resolution and to underscore the importance of limiting tensions over the islands.

At the same time, dispute management is a fragile process that requires constant attention. In December 2008, for example, two Chinese government maritime survey vessels entered the territorial waters of the Senkaku Islands. Although China justified its actions in terms of its sovereignty over the islands, Japan viewed the action as provocative, as it marked the first time that Chinese government ships and not civilian vessels had traveled so close to the disputed islands. In response, Japan announced plans in February 2009 to deploy a larger and more capable Coast Guard vessel to the area, a helicopter patrol ship. China responded with alarm to this action, which it viewed as strengthening Japan’s control over the island. In March 2009, the US government repeated its treaty commitment to defend territory under Japanese administration. According to a US government spokesperson, “the Treaty of Mutual Cooperation and Security signed by Tokyo and Washington in 1960, which states that it applies to the territories under the administration of Japan, does apply to the island.” The reason for China’s decision to send survey ships to the Senkakus remains unclear and requires further research. The situation should be monitored closely,
however, since it could mark a shift in Chinese policy toward the dispute and, perhaps, the end of the dispute management described above.

**The Absence of Compromise and Settlement Efforts**

In addition to the absence of escalation, the dynamics of the Senkaku situation present another puzzle, namely the absence of any efforts to compromise and negotiate a settlement of the dispute. Although China has compromised in the majority of its territorial disputes since 1949, it has never entered into talks with Japan regarding the status of the Senkakus. Instead, both China and Japan have preferred what I have described elsewhere as a strategy of delaying and deferring settlement of the dispute.

In 1978, Deng Xiaoping described the delaying strategy when he stated, “It does not matter if this question is shelved for some time, say, 10 years. Our generation is not wise enough to find common language on this question. Our next generation will certainly be wiser. They will certainly find a solution acceptable to all.”

Similar to the absence of escalation, the absence of cooperation in territorial disputes is also likely to be overdetermined. Why China and Japan have chosen, in essence, to do nothing and defer settlement to some future point in time is difficult to explain with any precision. Nevertheless, three factors have likely played a role in the delay of the dispute.

*Shadow of the Future*

The first reason why a state might adopt a delaying strategy in a territorial dispute is because the territory at stake is highly valued for economic, strategic, or symbolic reasons. When states bargain over an issue that is seen as highly valued, they have strong incentives to wait and hold out for the best possible deal. When national sovereignty is at stake, these incentives to bargain hard further increase as territorial settlements, once reached, can be hard to reverse through negotiations.

China and Japan both highly value the Senkaku Islands. The islands serve as assets for claiming maritime rights under UNCLOS and thus allow whoever controls the islands to claim a greater proportion of the East China Sea. In addition, ever since the late 1960s, people have come to believe that the East China Sea itself holds large deposits of petroleum, including the natural gas fields in the Xihu Trough that China has been developing since
the mid-1990s, which became a point of friction in China-Japan relations after 2003. From a military point of view, the islands could also serve as a listening post or even as a base for anti-ship missiles that could be used to project power over adjacent sea lanes.

For each side, however, the incentives for pursuing delay and avoiding cooperation differ. For Japan, delay only further consolidates a favorable status quo and strengthens its claim under international law by lengthening the period of continuous administration of the islands. By contrast, as China’s bargaining power in the dispute remains limited, delay allows it to strengthen its position, which is weak for two reasons. First, it does not occupy any of the territory that it claims. As occupation is “nine-tenths of the law,” this is an important source of weakness. Second, it lacks the ability to project military power over the islands to seize and defend them against any Japanese counterattack. Under those circumstances, delay allows China to make the best of a situation in which it has few options while buying time to improve its position. Moreover, the cost of delaying is not high, as China can easily maintain its sovereignty claim through diplomatic statements. China has little incentive to consider any compromise settlement when it might be able to get a better deal in the future.

Costs of Compromise

A second reason for delay is that national leaders view compromise—either by dropping a territorial claim or transferring some or all of the disputed land—as a costly alternative. As Japan already administers the islands, these costs are likely to be higher in Tokyo than in Beijing because it would give up far more than China. In particular, Japanese and Chinese leaders face two costs of compromising, both of which would be seen as high in this dispute.

The first type of cost refers to potential punishment from domestic audiences. Given the underlying political tension in China-Japan relations, along with the politics associated with the history of World War II, a compromise by either side is likely to arouse opposition within each country. Put simply, the leader who offers a compromise will likely be cast as “selling out” his country’s territory. He may lose political support within his country at the cost of implementing other policy initiatives or even staying in office. In China, for example, scholars who promoted “new thinking” regarding China’s Japan policy were labeled as traitors by other scholars and netizens. In both countries, compromise might also provide an issue around which a coalition of elites could defeat a rival.
A second type of cost concerns the perceptions of the two countries’ resolve. Japan and China are the two largest economies in East Asia and possess the two most powerful armed forces in the region. As witnessed in policy toward Southeast Asia over the past decade, the two states are competing for prestige and status in the region. Leaders on both sides may conclude that compromising in this dispute could signal that their country is less resolved to defend their other interests, territorial or otherwise.

Benefits of Compromise

A third reason for delay is that the benefits to be gained through compromise in this particular dispute are limited. In general, a state is much more willing to consider compromise in a territorial dispute when faced with threats elsewhere that increase the importance of improving ties with the opposing side in the dispute through territorial concessions. In short, compromise must yield some tangible benefit that exceeds the expected value of sovereignty over the land at stake and the likely costs, especially domestic ones, of compromise. If the net benefits of compromise are limited, then states should persist with a delaying strategy in a dispute.55

The latent rivalry between China and Japan, however, limits the degree of cooperation that each side can expect to gain by offering concessions to each other. As the two largest economies in the region, and given Japan’s alliance with the United States, it is hard to see how compromising in the dispute would improve each state’s own position relative to the other. It is possible that China might be more willing to offer concessions to Japan if security competition in the region with the United States intensified, but as a US ally, Japan would be unable to give China the support it might desire. The one exception might be a sustained economic or energy crisis, which would increase the importance of developing any petroleum resources that might exist in surrounding waters and require a settlement of the dispute. As natural resources are easily divisible, disputes that focus on such issues are perhaps more amenable to settlement.56

Conclusion

Despite its inherent volatility, stability has prevailed in the dispute between China and Japan over the Senkaku Islands. Looking forward, the potential for armed conflict remains low. Although China seeks to change the status quo, the costs of using force are high and, given the US security
commitment to Japan, success on the battlefield is unlikely. Although the deterrent effect of US security guarantees to Japan under Article V of the treaty is key to the avoidance of armed conflict, the role played by active dispute management should not be overlooked. Indeed, both sides have managed the dispute effectively and prevented it from becoming a central issue in China-Japan relations. This successful management is noteworthy because the stability that has prevailed in the dispute is unexpected for many reasons, including the tensions in China-Japan political relations and China’s past use of force in its other territorial disputes. The stability in the Senkaku dispute also illuminates some of the sources of delay in territorial disputes more broadly.

Nevertheless, the stability that has prevailed is fragile and cannot be taken for granted. The presence of the dispute allows the opportunity for armed conflict to persist, especially if management of the dispute atrophies. As territorial disputes can serve as proxies for rivalries between states, competition over the islands could increase in the future if China-Japan relations deteriorate or if the US military presence in East Asia is reduced. Thus, dispute management requires constant attention. In December 2008, for example, the presence of two Chinese government maritime survey ships within the territorial waters of the Senkakus threatened to increase tensions in the dispute, as Japan strengthened its patrolling capacity and called upon the United States to reaffirm its alliance commitments.

What can be done? First, both sides should continue to focus on functional issues, such as cooperation over energy and fishery resources. In essence, such cooperation decreases the economic importance of the islands. Second, even if the question of sovereignty cannot be resolved, the importance of resolving the question of maritime rights itself can be reduced. In this regard, the June 2008 consensus agreement between China and Japan over the development of petroleum resources in the disputed East China Sea is noteworthy. Although the agreement explicitly did not address the question of sovereignty, it established a framework for joint exploration and production activities by oil companies from each side. In this way, the agreement reduced the imperative for settling the question of sovereignty by providing an alternate means to develop resources in the area and offers a creative approach that could be applied to the Senkaku dispute. Third, both sides should limit their presence in waters near the islands. China should refrain from conducting overflights of the islands that would enter into Japan’s Air Defense Identification Zone and result in Japan’s scrambling of fighter planes to intercept them. China should also
bar its vessels, naval or civilian, from entering the territorial waters around the island, an action that will only provoke Japan and escalate the dispute. And although Japan administers the islands, it should not seek to develop them, especially for military use.

Regarding the prospects for trilateral cooperation, several points should be noted. So long as delay and the avoidance of escalation remain the preferred strategy for both sides, the presence of the dispute itself will not block or prevent cooperation in other areas. At the same time, active management of the dispute must continue so that it does not become an issue that polarizes the trilateral relationship into two camps. More generally, the presence of the dispute reveals the limits to trilateral cooperation. Given the fundamental conflict of interest over the question of sovereignty, the dispute itself cannot be settled within a trilateral framework. As a zero-sum conflict, where one side gains or maintains territory only at the expense of the other side, it is unlikely that common interests will emerge over territory in the trilateral relationship. Instead, trilateral security cooperation is most likely to materialize over security issues such as North Korea, where all three sides may share more common interests.

Notes


2. The name for these islands in Japanese is “Senkaku” while the name in Chinese is “Diaoyu.”

3. Although China’s conflict with Taiwan is also a bilateral one, the United States is a key player in this dispute because of its historical ties with the island and the “one China” policy in place since 1979. As America’s core ally in East Asia, Japan is also a potential participant if conflict erupts between China and the United States over the Taiwan issue.

4. In the East China Sea maritime dispute, Japan could be viewed as the challenger, as its claims concern natural gas fields that China has been developing since the mid-1990s.


8. For reviews of claims in the dispute, see Greg Austin, *China’s Ocean Frontier: International Law, Military Force, and National Development* (Canberra: Allen & Unwin, 1998); Unryu


11. Interestingly, China’s position would have a salutary effect if extended to the Spratly Islands by limiting the importance of these islands, coral reefs, and shoals for asserting maritime rights in the South China Sea.


15. Ibid.


25. He, “History, Chinese Nationalism.”


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36. For information on the group, see http://www.cfdd.org.cn/.
41. Based on a search for articles with “Diaoyu Dao” in the title of the article.
42. Based on a search for all articles that included the following words in the title: Nansha (Spratlys), Diaoyu Dao (Senkaku Islands), and Taiwan. The query to identify articles related to the Taiwan dispute included “Tai” in the title and “Taidu” (Taiwan independence) in the full text of the article.
49. Ibid.
52. This, however, is questionable. In a 2000 survey, the East China Sea did not rank among the top 100 petroleum assessment areas around the world. See US Geological Survey, *World Petroleum Assessment 2000*, http://pubs.usgs.gov/dds/dds-060/.
55. Fravel, *Strong Borders, Secure Nation*.
56. On this point, see Huth, *Standing Your Ground*.