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THE SENKAKU/DIAOYU ISLAND CONTROVERSY

A Crisis Postponed

Paul J. Smith

On 11 September 2012, the Japanese government signed a contract worth 2.05 billion yen (\$26.1 million) with Kunioki Kurihara, a private businessman, to purchase three of the five main islands that constitute the Senkaku/Diaoyu Island group, an action that effectively nationalized the islands.¹ Ironically, the government purchase was designed to head off more ambitious moves by Tokyo's governor (東京都知事), Shintaro Ishihara, to purchase the islands with cash collected in a national fund-raising campaign. Ishihara, known for his nationalistic views, had told an American audience in April 2012 that the

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“Senkaku Islets will be purchased by the Tokyo Metropolitan Government . . . [and] we will do whatever it takes to protect our own land.”² Not surprisingly, the Chinese government viewed Japan's island-purchasing activities, whatever their motivations or sources, as severe provocations that required a firm and immediate response.

In subsequent weeks, anti-Japan protests erupted throughout China, causing a major strain in the two countries' relationship. During one two-week period in September, thousands of Chinese were engaged in marches and demonstrations in over eighty-five cities. Of greatest concern to both the Japanese and Chinese governments during the outburst was violence committed against Japanese persons and property. Japan's prime minister,

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Yoshihiko Noda, told news reporters that the controversy and associated protests were “impacting the safety of our citizens and causing damage to the property of Japanese businesses.”³

The demonstrations and associated violence also had major economic consequences. Japanese companies operating in China reported significant losses due to the unrest. Japan Airlines and All Nippon Airways, the country’s two largest carriers, reported that over fifty-five thousand seat reservations had been canceled during the three months through November.⁴ Similarly, Japanese automobile manufacturers saw their sales in China plummet by roughly 40 percent.⁵ By early October 2012 the economic impact of the protests had become so widespread that the chief of the International Monetary Fund, Christine Lagarde, was warning that they had the potential to negatively influence the global economy. She described China and Japan as “key economic drivers” that needed to be “fully engaged,” in light of the precarious state of the international economy.⁶

The 2012 crisis came just two years after a similar one that flared up following the collision of a Chinese fishing boat with two Japan coast guard vessels. In that episode, relations between the two countries hit a new low following Japan’s decision to arrest and detain the Chinese boat’s captain. When China demanded compensation over the episode and an apology from Japan, Prime Minister Naoto Kan reacted defiantly. “Senkaku is an integral part of Japanese territory,” he told reporters. “I have no intention of accepting [the demand] at all.”⁷ China canceled a number of visits that had been planned by Japanese groups (including a major planned visit by Japanese students to the World Expo, being held in Shanghai that year). Overall, at least twenty cultural, political, or other exchange programs were affected by the dispute.⁸ China made its anger known also by banning rare-earth mineral exports to Japan, materials that were key to several Japanese industries (including hybrid-automobile manufacturers), although Chinese leaders later claimed that these measures were taken to “protect the environment.”⁹

In fact, the Senkaku/Diaoyu Island issue has been a persistent and caustic irritant in relations between Japan and the People’s Republic of China, particularly since the early 1970s, when “administrative rights” over the islands were transferred from the United States to Japan (as part of the larger “reversion” treaty of 1971 for the return of Okinawa and the Ryukyu Islands). More recently, the islands have been assuming greater significance as Japan and the People’s Republic of China undergo a gradual yet inexorable power shift, in which China’s political and military ascendancy is juxtaposed with Japan’s relative and protracted economic and demographic decline.

Moreover, the islands’ geographic location in the East China Sea, which is increasingly a contested space between Tokyo and Beijing, places the controversy in a larger and more dangerous strategic context. Added to this is the role of

the United States, the third major actor in an increasingly complex geopolitical puzzle. Washington's standing as the defender of Japan's administrative rights over the islands—notwithstanding U.S. declarations of neutrality on the question of sovereignty—places the dispute at the heart of Sino-American competition, which in turn has been exacerbated by recent military strengthening, rebalancing, and posturing on both sides. Overall, a confluence of economic, military, and geopolitical factors suggests that the Senkaku/Diaoyu issue will increasingly define and shape the geopolitical environment in East Asia—to include the possibility of major-power war—for the foreseeable future.

POST-WORLD WAR II AND THE SENKAKU/DIAOYU ISLANDS

The Senkaku/Diaoyu Islands comprise approximately eight small islets, with a total land area of approximately seven square kilometers, located approximately 170 kilometers from both Taiwan and Japan's Ishigaki Island in the East China Sea. Although administered by Japan, the Senkakus/Diaoyus are at the center of a sovereignty dispute involving Japan, China, and Taiwan, with all three claimants relying on an array of historical and legal arguments to bolster and legitimize their respective positions.¹⁰ In 1895 Japan annexed the islands, having determined ten years earlier that they were *terra nullius* ("empty land," belonging to no person or state).¹¹ Japan now asserts that its annexation of the islands was not opposed by the Chinese government (then controlled by the Qing dynasty), while China argues that Japan's annexation was invalid given that the islands were already Chinese sovereign territory and thus could not be "discovered" or annexed.¹²

After World War II, the United States assumed administrative responsibilities in the Senkaku/Diaoyu Islands as part of its larger governing responsibilities over the Ryukyu Island chain. On 8 September 1951 the United States, Japan, and other countries signed the Treaty of Peace with Japan (San Francisco Peace Treaty), of which the third article made the United States the "sole administering authority" over the Nansei Shoto south of twenty-nine degrees north latitude, which included the Ryukyu and Daito Islands. Under article 3 the United States was granted "the right to exercise all and any powers of administration, legislation and jurisdiction over the territory and inhabitants of these islands, including their territorial waters."¹³

As the United States administered the Ryukyu Islands (including the Senkakus/Diaoyus), it was careful to characterize its control and governance as temporary in nature; Japan was granted "residual sovereignty" over the Ryukyu Islands, including Okinawa. A State Department memorandum on the Ryukyus produced in 1965 characterized the arrangement as follows: "We recognize that Japan maintains residual sovereignty over the [Ryukyu] islands, and have agreed

to return them to full Japanese control as soon as Free World security interests permit.”¹⁴ The “residual sovereignty” formula was affirmed on several occasions, such as in June 1957, during a meeting between President Dwight Eisenhower and Prime Minister Nobusuke Kishi, and later in June 1961, during a meeting between President John F. Kennedy and Prime Minister Hayato Ikeda. Indeed, Kennedy, as part of an executive order regarding administration of the islands, declared the Ryukyus “to be a part of the Japanese homeland.”¹⁵

The policy rationale for residual sovereignty rested on at least three major considerations. First, the United States sought to cultivate Japan as a key Cold War ally in the Asia-Pacific, particularly as Japan’s southern islands were viewed as part of an essential “U.S. defense perimeter” containing “important defense points.”¹⁶ A White House memorandum in 1967 paraphrased a statement of Secretary of State Dean Rusk to the effect that “it was in our vital interest to keep Japan a willing partner in the free world and to get [it] to carry the larger share of the common load.”¹⁷

Second, the residual-sovereignty formula—particularly the underlying assumption that it was a precursor to ultimate reversion—offered the Japanese government an incentive to allow the United States maximum flexibility regarding the use of American bases on Okinawa. A 1966 State Department memorandum noted, “While our legal rights in the Ryukyus are clear, effective use of our bases would be impossible without Japanese and Ryukyuan cooperation.”¹⁸ For American defense planners during the Cold War, Okinawa and its “extensive and highly developed complex of military bases” were critical to U.S. efforts to provide security to Japan and all other allies in the Pacific.¹⁹

Third, residual sovereignty was in part meant to assuage anti-American sentiment in both Okinawa and mainland Japan during a period (especially the 1960s) of rising self-confidence and nationalism. A State Department study observed that as public demands for a more assertive Japanese foreign policy grew, “continued U.S. occupation of Japanese territory and unilateral control of 900,000 Japanese nationals [could] only be seen by the Japanese people as incongruous and demeaning.”²⁰

The Senkaku/Diaoyu Islands, as a component of the Ryukyu Island group, were included in this Japanese residual-sovereignty formula, particularly as there was little or no indication that, prior to the late 1960s, the United States sought to disaggregate the Senkaku/Diaoyu Islands and their legal status from that of the overall Ryukyu group. In fact, a U.S. military “islands monolith” policy ensured that the Senkakus had the same status as that of all the other Ryukyu Islands.²¹ In other words, as one scholar has explained, “the preferences of the U.S. military, then, resulted in the linkage of the Diaoyu [Senkaku] Islands with the Ryukyu Islands and prevented their disassociation from the Ryukyus.”²²

Further evidence of this policy can be found in a 1965 telegram sent by the U.S. embassy in Tokyo to State Department headquarters in Washington, D.C. The telegram relayed Japanese government requests that the United States increase patrols around the Senkakus to prevent “uncontested squatting by Taiwanese” that could lead the Taiwanese (Republic of China) government to argue that “some sort of prescriptive rights [had] been acquired.”²³ The telegram’s drafters further argued that Washington should not conceal from Taipei Japan’s interest in “preserving from adverse claims” territory (implying the Senkaku Islands) over which the United States recognized Japan’s residual sovereignty.²⁴ Thus, prevailing evidence suggests that, until about three years prior to Okinawa’s reversion in 1972, the U.S. government’s recognition of Japan’s residual sovereignty applied to every component of the Ryukyu Islands, including the Senkaku/Diaoyu Islands.

OKINAWA REVERSION AND RISING CHINESE INTEREST

Two major developments in the late 1960s stimulated interest in the Senkaku/Diaoyu Island issue on the part of both the Republic of China (ROC) and the People’s Republic of China (PRC). The first was a 1968 energy survey of the East China Sea conducted by the Committee for the Coordination of Joint Prospecting for Mineral Resources in Asian Offshore Areas, under the authority of the United Nations Economic Commission for Asia and the Far East. The committee reported that the East China Sea might contain “substantial energy deposits,” a finding that subsequently invigorated latent ROC and PRC claims to the Senkaku/Diaoyu Islands.²⁵

The second development was the negotiation under way between the United States and Japan over the formal reversion of the Ryukyu Islands, including Okinawa. In the middle and late 1960s a growing sense of urgency pervaded the U.S.-Japan relationship; officials from both countries were convinced that the return of the Ryukyu Islands to Japan should be completed as soon as feasible. One U.S. State Department official in late 1968 characterized the momentum for Okinawa’s reversion as having “reached the point of no return.”²⁶ Moreover, President Richard Nixon viewed reversion as critical to maintenance of the U.S.-Japan security alliance, which he considered the “linchpin for peace in the Pacific.”²⁷

In November 1969, Nixon and Prime Minister Eisaku Sato met in Washington, D.C., to establish the terms of reversion. On 21 November 1969 the two issued a joint statement reporting that they had “agreed that the two governments [U.S. and Japanese] would immediately enter into consultations regarding specific arrangements for accomplishing the early reversion of Okinawa without detriment to the security of the Far East including Japan.”²⁸ The two sides declared that reversion would occur in 1972.

However, the announcement of Okinawa's imminent reversion had a collateral effect of stimulating Chinese and, particularly, Taiwanese interest in the Senkaku/Diaoyu Islands. On 16 September 1970 the ROC ambassador to the United States, Chow Shu-kai, presented a four-page aide-mémoire to his American counterpart outlining his government's objections to Japanese sovereignty over the Senkakus. Three months later the PRC, in a statement from the Xinhua news agency, made a similar claim, asserting that the islands belonged to Taiwan—which, in turn, naturally belonged to the People's Republic of China.²⁹

In 1971 the Taiwan government faced significant pressure from Chinese communities overseas, particularly in the United States, whose support Taipei counted on in its cultivation and maintenance of relations with Washington. In January 1971, over a thousand Chinese students from several American East Coast cities staged a protest in front of the United Nations building, as well as the Japanese consulate general. In March more than five hundred Chinese scholars and scientists living in the United States sent a telegram to President Chiang Kai-shek in Taipei, urging him to take a firm position against "new Japanese aggression."³⁰

On 10 April another wave of Chinese and Chinese American protests was launched in major American cities, including Washington, San Francisco, Los Angeles, Chicago, and Houston. The *New York Times* described the protests, partly comprising scholars and scientists, as "by far the largest ever staged by the Chinese community in this country."³¹ The protests were directed not only at Japan but also at the United States and the ROC government. One protest organizer was quoted as saying, "It's [i.e., Taipei is] the only government that can do something. Peking [i.e., Beijing] is not in a position to do anything."³²

That Taiwan was sensitive to this pressure is revealed in the summary of a meeting held on 12 April 1971 between Chow Shu-kai and Henry Kissinger (then Nixon's national security adviser) in which the protests were directly addressed. Ambassador Chow reportedly cited them as evidence of the "strong sentiments which various Chinese groups had with regard to a number of issues, particularly the question of the status of [the] Senkaku Islets."³³ He urged that the final disposition of the Senkaku/Diaoyu Islands in connection with the reversion of the Ryukyus be kept open, as "this issue was a measure of the ROC's ability to protect itself."³⁴ Chow's pleadings had at least one important effect—they prompted Kissinger to order an assistant on the National Security Staff, John H. Holdridge, to draft a memorandum outlining and summarizing Taiwan's main arguments as to why the Senkaku/Diaoyu Islands belonged to the Republic of China and should not be returned to Japan.

On 13 April Holdridge presented his draft to Kissinger. It summarized the key points of the note verbale that had been sent to the U.S. government via the

Taiwan embassy in Washington a month earlier. The memorandum described the various historical and geographical arguments supporting the ROC's claim to the Senkaku/Diaoyu Islands. Moreover, it explained why the ROC had never raised objections about American administrative control over the islands: "For regional security considerations the GRC [government of the Republic of China] has hitherto not challenged the U.S. military occupation of the Senkakus under Article 3 of the San Francisco Peace Treaty."³⁵ Holdridge's draft acknowledged that "the Japanese Government has a comparable list of apparently offsetting arguments and maintains simply that the Senkakus remain Japanese."³⁶ It also described the official position of the State Department, which had by this time crafted its neutrality doctrine: "State's position is that in occupying the Ryukyus and the Senkakus in 1945, and in proposing to return them to Japan in 1972, the U.S. passes no judgment as to conflicting claims over any portion of them, which should be settled directly by the parties concerned."³⁷

June 1971 was to be decisive for U.S. policy vis-à-vis the Senkakus/Diaoyus and their postreversion status. That month Ambassador at Large David Kennedy played a major role in trying to solve a textile dispute that had arisen between Taiwan and the United States.³⁸ In early 1971 the two sides had reached an impasse. Kennedy believed that one way to forge an agreement that would satisfy both Taiwan and American manufacturers, who were concerned about rising textile imports, would be to offer Taiwan a concession on the Senkaku/Diaoyu Islands by having them remain under U.S. administrative control. "This is a major issue in Taiwan with both domestic and international implications," Kennedy wrote. "If the U.S. were to maintain administrative control [over the Senkaku/Diaoyu Islands], it would give the GRC a tremendous public boost since they have expressed themselves so forcefully on the issues."³⁹ Kennedy further argued that it would signal American "interest in and support for the GRC."⁴⁰

Ambassador Kennedy insisted that he was not advocating the handover of the Senkaku/Diaoyu Islands to Taiwan instead of Japan; he was only proposing that the United States maintain its administrative rights over the islands until the dispute was finally resolved: "Since possession of the Islands is still in dispute, there is every reason for the United States to maintain administrative control until such time as the dispute is settled."⁴¹ Moreover, he reported, Taiwan's leaders believed that "once Japan had administrative control there is absolutely no possibility of their ever relinquishing that control."⁴² In general, Kennedy made the case that since Taiwan had "taken a heavy beating from the U.S. in recent months" (an oil moratorium, two-China developments in the United Nations, and other matters of diplomacy), the United States could achieve a breakthrough on the textile dispute by "preserving the status quo" vis-à-vis the Senkaku/Diaoyu Islands.⁴³

THE PRESSURE GROWS: NIXON AND THE U.S. NEUTRALITY DOCTRINE

Not only did Nixon administration officials face extraordinary lobbying from Taiwan over the disposition of the Senkaku/Diaoyu Islands, but they also had to take into account how the reversion of the islands to Japan might affect a nascent warming of relations with the People's Republic of China. The early 1970s was a decade of growing rapprochement between the United States and the PRC.

For Nixon, developing a "more normal relationship" with that nation had become necessary, because "the world situation [had] so drastically changed."⁴⁴ The U.S. opening toward Beijing was motivated "not because we love them," he explained to Walter P. McConaughy, the ambassador to Taiwan, "but because they're there."⁴⁵ Nixon foresaw that on a broad range of geopolitical issues—including Vietnam, India, competition with the Soviet Union, and so on—the United States would need Beijing's cooperation. In other words, notwithstanding the close and formal American relationship with Taiwan, failure to open a relationship with the People's Republic of China "would prejudice our interests in other areas that are overwhelming."⁴⁶

In July 1971 Henry Kissinger secretly traveled to China and engaged in a dialogue with Premier Chou En-lai (Zhou Enlai) on a number of issues, including details regarding President Nixon's visit planned for the following year. One of the more substantive issues that Kissinger raised with Chou was the desire to gain China's assistance in creating the conditions that would allow the United States to end the war in Vietnam: "We want a settlement [to end the war in Vietnam] that is consistent with our honor and our self-respect," Kissinger told Chou. "And if we cannot get this," Kissinger added, "then the war will continue."⁴⁷ Interestingly, the Senkaku/Diaoyu issue was not addressed in this dialogue, but on previous occasions China had made it known that its position was largely consistent with that of Taiwan.

Finally, as if the diplomatic minefield was not already complex enough, Nixon administration officials had to consider the impact on U.S.-Japan relations of any change of American policy toward the islands. In 1969, as noted earlier, Nixon and Sato had reached an understanding on the islands. Nixon would later reply to Ambassador Kennedy—who had articulated Taiwan's requests for nonreversion of the islands to Japan—that he could not accede, because "the deal [had] gone too far and too many commitments [had been] made to back off now."⁴⁸ Furthermore, Nixon officials argued that World War II-era maps clearly depicted the Senkakus as being administered by Japan and that accordingly the islands had to be returned along with the other Ryukyus.⁴⁹

In light of these factors, and despite intense pressure from Taiwan, President Nixon decided on 7 June 1971 that the United States would not change its

position on the Senkakus.⁵⁰ However, the reversion to Japan would be handled in such a way as not to commit the United States irrevocably on the sovereignty question. American officials planned to announce that the return of “administrative rights” to Japan would “in no way prejudice the underlying claims of the Republic of China.”⁵¹ On 17 June 1971 the United States and Japan signed the agreement returning the Ryukyu Islands to Japan; the agreement was subsequently submitted to the Senate for its advice and consent to ratification. A policy of declaring neutrality with respect to the sovereignty question while transferring administrative rights to Japan seemed to offer the United States a “middle way” that would preserve its interests and relations with all three parties—Taiwan, Japan, and the People’s Republic of China.

On 20 October 1971, State Department staff attorney Robert I. Starr wrote a letter to the attorney for a U.S.-based Chinese American claimant in which he articulated the legal foundation of this neutrality doctrine.⁵² “The Governments of the Republic of China and Japan are in disagreement as to sovereignty over the Senkaku Islands,” he wrote, and the People’s Republic of China was a third claimant. Given these conflicting claims, “the United States believes that a return of administrative rights over those islands to Japan, from which the rights were received, can in no way prejudice any underlying claims.”⁵³ More important was Starr’s characterization of the legal force of the former U.S. administrative control over the Senkakus as effectively nugatory: “The United States cannot add to the legal rights Japan possessed before it transferred administration of the islands to us, nor can the United States, by giving back what it received, diminish the rights of other claimants.”⁵⁴

This reasoning would underpin American policy statements regarding the islands in 1971. For example, during the Okinawa Reversion Treaty hearing on 27 October 1971, Senator (and Chairman) J. W. Fulbright asked Secretary of State William Rogers whether Okinawa’s reversion would settle the question of who had sovereignty over the Senkaku Islands. Rogers replied, “We have made it clear that this 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.”⁵⁵ Thus, the neutrality doctrine was established and would shape U.S. diplomacy over the matter for the next forty years. Subsequent administrations—both Democratic and Republican—would refer to and rely on its legal analysis to justify nominal disinterest and neutrality regarding the ongoing territorial controversy.

THE NEUTRALITY DOCTRINE AND ITS DISCONTENTS

While the U.S. neutrality doctrine and its underlying legal reasoning appeared to represent a diplomatic breakthrough, it did not ultimately solve the controversy

or placate the claimants. Japan, for its part, was quite unhappy with the American neutrality posture. In 1972, Japan's foreign minister, Takeo Fukuda, expressed strong dissatisfaction with what he described as the "uncertain attitude taken by the U.S. Government toward the question of ownership of the disputed Senkaku Island group."⁵⁶ Ambassador Nobuhiko Ushiba approached the State Department on two occasions in March 1972 relaying Tokyo's "unhappiness with the public position of neutrality being taken by the U.S. Government."⁵⁷ Ushiba pointed out that the retention of gunnery ranges by the United States in the Senkaku/Diaoyu Islands was inconsistent with such a policy.

In addition, Japan specifically requested the United States not to call attention to any controversy during encounters with the news media: "The GOJ [government of Japan] requested, and we [the U.S. government] agreed, that in responding to press queries on this subject we would not refer to the existence of conflicting 'claims' to 'sovereignty' over the islands, since the official GOJ position is that there are no 'claims' to these islands other than the Japanese claim."⁵⁸ The American side responded by "revising somewhat" its press guidance, although it insisted to Tokyo that such actions did not imply any change in policy. Similarly, in April 1972, the State Department advised Henry Kissinger to avoid the "volatile nationalistic" Senkaku/Diaoyu issue, by focusing "as little public attention on it as possible."⁵⁹

A second problem with the neutrality doctrine was its putative assumption that the parties would be able to resolve their differences on their own. In his October 1971 letter, Robert Starr stated (directly below the neutrality doctrine analysis mentioned above) that "the United States has made no claim to the Senkaku Islands and considers that any conflicting claims to the islands are a matter for resolution by the parties concerned."⁶⁰ To date, no such resolution has occurred. Moreover, since the early 1970s, when the PRC began to gain international stature (most significantly, by gaining the China seat in the United Nations in October 1971), it began gradually to assume the dominant role as advocate for the Chinese side. There have been two significant occasions in the diplomatic relationship between the PRC and Japan where resolution of the dispute could have theoretically occurred but did not.

First, in 1972, Beijing and Tokyo entered into the negotiations that would eventually lead to the opening of official diplomatic relations. The year had begun with China reasserting its claim over the Senkaku/Diaoyu Islands. Beijing argued that the islands were Chinese territory during the Ming dynasty and had been included with Taiwan when the latter was ceded to Japan in 1895. As negotiations between the two countries proceeded, both sides realized they could not reach a mutually agreeable settlement. Premier Chou En-lai reportedly downplayed the issue by stating that the islands were difficult to find on a map given

their small size.⁶¹ Eventually the Chinese government agreed to set the dispute aside so that it could be addressed at a later date.

In 1978, the Senkaku/Diaoyu Island controversy emerged a second time in the context of negotiations over a peace treaty between Japan and the People's Republic of China. In April of that year Japan was surprised by the sudden arrival of an armada of Chinese ships and smaller vessels. According to an American account, "upwards of 140 PRC fishing vessels (some armed) entered the 12-mile territorial waters claimed by the Japanese around the islands and displayed signs asserting the PRC claim."⁶² Japan demanded an explanation from the Chinese side, which described the affair as an "accident."⁶³ Four days later, most of the ships and vessels had withdrawn, although the effects of the incident (a delay in peace treaty negotiations and a new chill in Sino-Japan relations) would last for months.⁶⁴

In July 1978, Japan and China were able to put the Senkaku/Diaoyu issue aside and proceed with round two of negotiations.⁶⁵ As in 1972, China demonstrated that, while the island controversy was important, it was subsidiary to Beijing's larger political goals vis-à-vis Japan.⁶⁶ In October 1978, two months following the signing of the Treaty of Peace and Friendship between China and Japan, Deng Xiaoping reportedly declared that it would not matter "if this question [regarding sovereignty of the Senkaku/Diaoyu Islands] is shelved for some time, say, ten years. . . . Our generation is not wise enough to find common language on this question. Our next generation will certainly be wiser."⁶⁷ However, Japan has recently claimed that there was no formal agreement to "shelve" or put the issue aside in 1978 and that in fact no controversy exists.⁶⁸

FORTY YEARS LATER: PERSISTENT CONTROVERSY AND TRANSFORMED GEOPOLITICS

Despite the passage of forty years since the Ryukyu Islands were returned to Japan, there are few indications that the Senkaku/Diaoyu controversy is any closer to resolution. In fact, the issue has remained a persistent irritant in the political relationship between Japan and the People's Republic of China, notwithstanding the fact that the two countries enjoy a parallel economic relationship that features extensive and growing interdependence and cross-investment. Taiwan also continues to play a role in the dispute, although Taipei's significance in the controversy is much diminished compared to forty years earlier.

Moreover, a heightening of sensitivities over the dispute—propelled by nationalism on both sides—means that the chances for unintentional conflict, perhaps ignited by tactical miscalculation or an accident involving patrol ships or surveillance aircraft, continue to grow. In general, because of changes in the geopolitical environment, including the relative power position of Japan vis-à-vis China, opportunities for peaceful resolution seem to be rapidly fading. The implications

for the future of peace and stability in East Asia are potentially grave, particularly in light of three overarching factors.

First, the power relationship between Japan and the People's Republic of China, which drives the dynamics of this dispute, is shifting. In the 1970s and, especially, the 1980s Japan's economic power was unrivaled in East Asia, while China was comparatively undeveloped and militarily weak. Today the situation has changed; the countries find themselves in an uneasy balance of relative military and economic parity. However, current trends appear to favor China. Japan, while the world's third-largest economy, is undergoing a gradual relative decline—economically, demographically, and ultimately militarily. Thus, underlying the bilateral tension over the Senkakus/Diaoyus is a palpable sense of power transition. In February 2011 Japanese officials acknowledged a widely reported fact that China's economy had surpassed Japan's to become the world's second largest. "We are not competing for rankings," stated Japan's economy minister Kaoru Yosano; instead, he argued, "we welcome China's economic advancement as a neighboring country."⁶⁹

If Japanese officials do not worry excessively about China's economic ascendance, the same cannot be said regarding its military activities. "On the military front, China has been modernizing its military forces, backed by the high and constant increase in its defense budget," stated Japan's 2012 defense white paper.⁷⁰ A key concern in Tokyo is a perceived lack of transparency: "China has not yet achieved the levels of transparency expected of a responsible major power in the international society."⁷¹ Japanese officials assert that in a number of areas—military procurement, records of key military operations, details regarding the military budget, and so on—China's openness is inadequate.⁷² The net effect of this gradual power shift is that China increasingly perceives itself as in a position to demand a change in the rules and of the status quo concerning the Senkaku/Diaoyu Islands. This may explain why China now appears to be increasing the pressure on Japan—to include military posturing—with each episode in which the dispute flares up.⁷³

The second factor that negatively influences prospects for peaceful resolution of the controversy is the geographic location of the Senkaku/Diaoyu Islands within the East China Sea. As China's naval power grows, the East China Sea is emerging as a "contested space" between China and Japan. Many American military observers believe that China's military modernization efforts are increasingly oriented toward missions other than Taiwan—for example, defense of territorial claims in the East and South China Seas.⁷⁴ In addition to the Senkakus/Diaoyus, China and Japan have other ongoing East China Sea disputes, some related to maritime boundaries and hydrocarbon resources. A 2008 agreement that would

have facilitated joint exploration of hydrocarbon resources in the East China Sea was essentially scuttled by the September 2010 dispute centering on the islands.

From a military perspective, Japanese defense officials appear to view China's advances into the East China Sea with growing alarm. Japan's 2012 defense white paper argued that China's navy is seeking to protect and consolidate maritime interests in the East China Sea: "It is believed that its naval vessels operated near the drilling facilities of the Kashi oil and gas fields in September 2005, partly because China tried to demonstrate [its] naval capabilities of acquiring, maintaining, and protecting its maritime rights and interests."⁷⁵ The same document reported that the Chinese air force has deployed various types of aircraft (including H-6 medium-range bombers and Y-8 early warning aircraft) around the East China Sea close to Japan's airspace.

Chinese naval transits through the East China Sea—particularly those via the Miyako Strait next to the main island of Okinawa—are closely monitored by Japanese military observers, reflecting apparent unease over this growing trend. Japan's 2012 defense white paper described a June 2011 incident in which eleven Chinese naval vessels, including a Jiangkai II-class frigate and *Sovremenny*-class destroyers, "passed between Okinawa Island and Miyako Island and advanced to the Pacific Ocean."⁷⁶ The report cited as well five other instances, dating back to November 2008, in which such transits occurred.

These transits seem not only to represent attempts to break through the "first island chain" (extending from northern Japan southward through the Ryukyu Islands into the South China Sea) to conduct exercises in the Pacific Ocean but also to signal dissatisfaction to Japan. For example, China's decision in early October 2012 to deploy seven warships through the Miyako Strait without alerting the Japanese government (per the terms of an agreement) was viewed by some in Japan as conveying displeasure over the Senkakus/Diaoyu.⁷⁷

Japan's response has been to reemphasize the protection of its southwestern islands. "Japan has 6,800 islands, and territory that stretches over 3,300 kilometers," Japanese defense minister Satoshi Morimoto told a U.S. newspaper in 2012: "It's necessary to have troops at its southwestern end to beef up our warning and surveillance capability."⁷⁸ More significantly, heightened concern about the East China Sea and the security of the southwestern islands has stimulated changes in Japan's military doctrine, such as a shift from static to "dynamic defense."⁷⁹ This will require, among other things, significant integration between the Japan Maritime Self-Defense Force and the Japan Air Self-Defense Force "in order to defend its southwest islands."⁸⁰

The third underlying factor is arguably the most important—the U.S. role in the islands controversy. Throughout the 1970s and 1980s the United States

signaled to Japan, if in careful or conditional language, the applicability of article 5 of the U.S.-Japan defense treaty in a Senkaku Islands military contingency. A briefing paper prepared for Henry Kissinger in 1972, for example, stated that the Mutual Security Treaty “could be interpreted” to apply to the Senkakus.⁸¹ At various times Japanese officials sought to clarify whether the United States considered the islands within the scope of the alliance. For instance, in a March 1974 meeting between American and Japanese officials, Defense Agency chief Sadanori Yamanaka inquired whether the United States, notwithstanding its “neutral” position, would be willing to defend the islands on behalf of Japan under the security treaty. A U.S. defense official stationed at the embassy in Tokyo responded with his “personal view” that the islands, which were administered by Japan, would indeed fall under the treaty.⁸²

More recent American assurances to Japan have been more direct and robust. During an October 2010 news conference at the U.S. embassy in Tokyo, Assistant Secretary Kurt Campbell was asked about the applicability of article 5 to the Senkakus. Campbell emphasized that he and fellow American officials had “stated very clearly about the applicability of Article V in this circumstance,” a military contingency involving the Senkaku Islands. He characterized previous U.S. pronouncements as the “strongest statements” on this matter and as indicative of a “very strong and consistent [U.S.] policy.”⁸³ Just a few weeks later, on 27 October, Secretary of State Hillary Rodham Clinton seemed to dispel any strategic ambiguity when she affirmed, “The Senkakus [Diaoyus] fall within the scope of Article 5 of the 1960 U.S.-Japan Treaty of Mutual Cooperation and Security.”⁸⁴ Thus the Senkaku/Diaoyu controversy can be viewed not merely as a bilateral dispute involving Japan and China but as a focal point of Sino-American competition and potential conflict.

This means that the United States potentially bears substantial risk in the event of a rapid escalation of tensions between Japan and China. In theory, American assurances to Japan help to maintain stability by promoting a balance of power that helps keep the controversy from becoming inflamed. However, U.S. assurances could paradoxically exacerbate tensions, by emboldening Japan to initiate provocative actions designed to consolidate its sovereign claims over the islands.

Further, as both Japan and China build up their law-enforcement (and potentially military) presence over and around the islands—as they have increasingly done over the past few years—the likelihood of accidents or inadvertent clashes will grow. In July 2012 Tokyo and Beijing announced the creation of a hotline to cope with such a scenario. However, it is uncertain whether a hotline could keep a conflict contained, particularly one involving issues so drenched in emotion and nationalism on both sides. If an event did indeed escalate, the United States

would come under pressure to come to Japan's defense. Thus, a U.S.-China conflict could ensue, with its own potential for escalation within both conventional and nonconventional realms.

Forty years after the reversion of the Ryukyus to Japan, the controversy over the Senkaku/Diaoyu Islands persists. Careful management and deft diplomacy have merely postponed the dispute, allowing it to fester and emerge as perhaps the region's most volatile flash point. For the United States the dispute presents a dilemma: How can Washington maintain its neutrality over the sovereignty question while at the same time ensuring that relations between Tokyo and Beijing do not become inflamed—as they did in 2012—or worse, lead to war?

It may be that historical circumstances require a more activist approach by all concerned countries, including the United States, to achieve a lasting solution to this vexing controversy. Such a solution might involve simply reinvigorating the status quo ante—the tacit understanding between Beijing and Tokyo that Japan, notwithstanding its administrative rights, would not actively consummate its sovereignty claims by, among other things, building permanent structures on the islands. Alternatively, both countries could strive for a more ambitious grand bargain, one in which the final disposition of the Senkaku/Diaoyu Island controversy was negotiated within the larger interests of both countries. However, for this option to be viable, a much higher level of trust and goodwill than now exists would need to be established between the two countries. Also, since Japan currently enjoys the advantage of administrative rights over the islands, China would need to offer a package compelling enough to balance Japanese concessions. Such a package might include formal acknowledgment of Japan's other claims in the East China Sea (including those related to boundaries and hydrocarbon resources) and support for a Japanese permanent seat in the United Nations Security Council, among other possibilities.

Regardless of which path is chosen, an informal tacit understanding or a more ambitious grand bargain, each side must remain focused on one key strategic goal—preventing the controversy from escalating, particularly to the level of military conflict. China and Japan, like two partners in an estranged but lucrative marriage, are inextricably tied to one another. As the world's second- and third-largest economies, respectively, China and Japan are keys to each other's long-term success and continued prosperity. As one Chinese official recently stated, the China-Japan relationship bears “directly on peace, stability and prosperity of the region and the world as a whole.”⁸⁵ The Senkaku/Diaoyu controversy, important and emotionally potent as it is, must not obscure or derail this larger strategic reality.

NOTES

- The author thanks Lyle Goldstein, Carleton Cramer, Luke Kelvington, and three anonymous reviewers for their helpful comments and suggestions.
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 39. Relayed in President's Assistant for International Economic Affairs [Peterson] to President Nixon, memorandum, subject "Textile Negotiations in Taiwan," 7 June 1971, *FRUS*, doc. 133.
 40. *Ibid.*
 41. *Ibid.*
 42. *Ibid.*
 43. *Ibid.*
 44. President Nixon, conversation with the ambassador to the Republic of China (McConaughy), 30 June 1971, *FRUS*, doc. 136, p. 348.
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 48. President's Assistant for International Economic Affairs (Peterson) to Ambassador Kennedy in Taipei, back-channel message, Washington, D.C., 8 June 1971, *FRUS*, doc. 134, pp. 343–44.
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 51. *Ibid.*, note 6.
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