

Fuelling the Dragon

-Energy Resource Competition in East Asia
as component of Regional Instability

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BsocSci (Hons)

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Submitted in partial fulfillment for the degree of Master of
Arts in the School of Politics. Faculty of Humanities,
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University of KwaZulu-Natal,
Pietermaritzburg
2006

Hypothesis

Growing Chinese demand for energy resources, namely oil and gas, will exacerbate tense relations with Japan, creating the potential for open conflict in the foreseeable future

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Introduction

As we enter the Twenty First Century, the disparate threads of globalisation are redefining how states interact with each other and magnifying the significance of their actions. In a world defined by global markets and global threats, the ripples caused by state interaction reach out across the globe throwing up new challenges and forcing us to reconsider the wide-spread consequences of state relations. In this light, secure and reliable sources of energy have become central to the economic and security formulations of states. Thus, it is with this understanding that I wish to explore the nature of the relationship between China and Japan and the extent to which China's increasing demand for energy is creating intense competition with Japan over international sources of supply.

The East Asian region has become one of the most significant manufacturing centres in the world and the concentration of such industrial capacity results in increasing demand for energy resources to power its factories and fuel its vehicles. Compounded by exponential Chinese economic growth and rapidly expanding vehicle markets as well as rail networks, China will need to import more oil and gas from many of the same sources as Japan - resulting in competition, which has security implications for the states within the East Asian region. Such implications range from global issues surrounding higher oil prices - driven up substantially by increased Chinese demand - and the repercussions for the economies of East

Asia which are almost entirely reliant on imported oil, to issues of strategic reserves and secure transportation routes. Indeed, as Dorian has illustrated,

Rapid energy growth in China is leading to dramatic impacts throughout the world in terms of commodity markets and prices, and within China, growing thirst for energy is creating a new sense of urgency and energy insecurity. Indeed, the means by which Beijing chooses to deal with its energy security will not only affect the Chinese economy, but the global economy as well. China's energy needs have global implications today, as was witnessed last year through competition with Japan for imported oil from Russia. Ultimately the US, China, and Japan will be vying for the same Middle Eastern crude oil. Over the next two decades, China will play a larger and larger role in the Middle East since the country is so dependent on foreign oil imports, as well as Central Asia, West Africa, and other parts of the world which could help meet China's growing energy requirements¹

The sheer complexity of the relationship between China and Japan, built on layers of hundreds of years of history, including the tumultuous twentieth century that saw both states follow remarkably different paths of ideological development, leaves the nature of their relationship into the future extremely difficult to determine. However, by tracing and following three important strands of history, nationalism and leadership, focussed against the significant nexus of security concern and resource competition, it appears that growing Chinese demand for energy resources, namely oil and gas, will exacerbate tense relations with Japan, creating the potential for open conflict in the foreseeable future. Thus, 'open conflict' can be understood in terms of the foreign policy imperatives of both states and the legal, political and military outcomes that may result from these foreign policy decisions.

¹ J. Dorian, "Growing Chinese energy demand: dramatic global implications", Conference Paper, *Centre for Strategic and International Studies (CSIS)*, Washington D.C. 23 March 2005

To arrive at this conclusion necessitates that the role of history and the growth of mutually antagonistic nationalisms be understood and contextualised against the backdrop of a steadily globalising world where economic prosperity depends in large part on access to secure energy resources. The ambiguity of this relationship that is characterised by both increasing levels of economic interaction and heightened levels of tensions is difficult to reconcile and, as such, I intend to examine the specific role that competition for oil and gas resources plays in fermenting tension between the two states and determining its influence on policy formulation and the likelihood of it leading to open conflict.

In attempting to reconcile the diverse facets of Sino-Japanese relations in such a way that a single concrete conclusion is reached would be contested by Singer who argues that “no political event ever occurs for one reason alone,”² and arguing that growing Chinese demand for energy resources creates the potential for open conflict with Japan in the foreseeable future, would be seen by many as just such an example. However, this thesis seeks to show that through a combination of *security dilemma* and mutual mistrust based on historical precedent and the formation of enemy images a backdrop has been created against which other factors that might influence decision makers are focused. In this way, the various dynamics that drive policy choices are formulated around the combined threads of history, nationalism and leadership and the manner in which these factors build upon themselves over time to arrive at a certain conclusion. Thus, the reassertion of Japanese nationalism, the emergence of a resurgent Chinese nationalism forged in the fires of virulent anti-Japanese rhetoric, and a mutually held cultural adherence to a historically-based perspective and

² David Singer, “Armed conflict in the former colonial regions: from classification to explanation” in Vande, Goor, Rupesinge and Sciarone, (Eds), *Between Development and Destruction* London: Macmillan, 1996, p 35

understanding of each other's actions, combine in such a way as to propel the strategically important issue of energy to the forefront of Sino-Japanese tensions.

This foundation of distrust that marks the Sino-Japanese relationship results in large part on perceptions of threat that can be formulated in terms of classic *security dilemma* – a key concept of the realist paradigm, which maintains that actions to increase one's security may only decrease the security of others and lead them to respond in ways that decrease one's own security.³ With this understanding, Chinese economic growth that has resulted in exponential increases in demand for oil and gas, along with Japanese moves to assert influence on the world stage commensurate with its economic might, are all perceived as threatening by both states respectively. Thus, I will attempt to illustrate that besides what Levy⁴ describes as the realist paradigm of states which posits that sovereign states act rationally to advance their security, wealth and power in an anarchic system, the present-day disputes and areas of realist tension are founded on a significant basis of historical mistrust.

Once the historical foundation of the relationship has been constructed, and I have explored the nature of how nationalism and leadership combine to cement certain historical perceptions, I will examine two critical geopolitical zones of direct Sino-Japanese competition: the East China Sea and the South China Sea in the second and third chapters respectively. Sino-Japanese relations at the moment are characterised by several areas of strain, the most significant of which in terms of the nexus of security concern and resource

³ Jack Levy, "Theories of Interstate and Intrastate war – A levels of analysis approach" in Crocker, Hampson and Aall, *Turbulent Peace: The challenges of Managing International Peace*, Washington D.C.: United States institute of Peace Press, 2001, p.7

⁴ Ibid

competition is the Chunxiao natural gas field that lies in a disputed area near the Senkaku/Diaoyu islands claimed by both states in an area of overlapping Exclusive Economic Zone in the East China Sea. Chinese claims to these islands and others in the South China Sea such as the Spratlys provide a backdrop of increasingly chauvinistic foreign policy in the region emboldened by economic growth and resultant military capability. Yet in terms of Sino-Japanese relations, the Koizumi administration, which left office in October 2006, was at the forefront of a progressively more nationalistic impetus in Japan to throw off its war guilt and take a more forceful role on the world stage commensurate with its economic might. It is under these conditions and considering the marked worsening of relations between the two states in 2005 that the competition for increased and diverse energy resources is taking place.

The Senkaku/Diaoyu islands are found on the end reaches of the chain of tiny islands that make up the Ryukyu Islands. However, because these islands are close enough to China, both countries' EEZ not only overlap but also their sovereignty claims over them mean that natural gas deposits which are believed to be present in the surrounding waters are hotly contested. As the Economist describes, "China has been sending research and test-drilling ships into what Japan claims as its Exclusive Economic Zone, north-east of the islands, in the hope of getting a share of oil and gas deposits there, or say some Japanese politicians, to map the sea bed for Chinese submarines."⁵ Japan then responded by issuing drilling rights to Japanese companies – a move that was described in Beijing as a "serious provocation,"⁶ and

⁵ "So hard to be friends", The Economist, (March 23 2005), http://www.economist.com/prINTERfriendly.cfm?story_ID=3786409

⁶ "Asian giants keep up war of words", BBC News, (15 April 2005), <http://news.bbc.co.uk/2/hi/asia-pacific/4443307.stm>

one that undoubtedly increases regional tensions. Beijing and Tokyo unsuccessfully concluded working-level talks on joint exploration of these natural gas fields in March 2006⁷.

Thus when considering Sino-Japanese resource competition, it must be borne in mind that all interactions between the states are coloured by their history and their mutually-held perceptions of each other's intentions. Consequently, in view of the role of energy competition and security in East Asia, May has noted: "this growing need for energy, in a world with finite low-cost resources and finite capacity to deal with the end products from energy use, may aggravate existing tensions."⁸ Therefore, it appears that the role of history and perceptions thereof, coupled with rising nationalist sentiments in both countries, will continue to underpin and colour Sino-Japanese relations for some time. Added to this is the perception by both countries that diplomacy in the region, like scarce energy resources, are a zero-sum game, an understanding that seems intimately linked with the combined role of historical perspective and security fears in influencing the formulation of policy for both countries and the mutual understanding of their respective motives.

The Economist points out that there is plenty of evidence to suggest that Asia's two great powers are edging closer towards one another – in 2004, for instance, China overtook the US to become Japan's biggest trading partner while Japan was China's leading trade partner for the period 2000 to 2004. Added to this, both countries are intimately involved in the efforts to launch an East Asian Community, they share interests in maintaining exchange rate

⁷ "China pouring trouble on gas rich waters", Yomiuri Shimbun, (8 March 2006), <http://yomiuri.co.jp/dy/editorial/20060308TDY04004.htm>

⁸ Michael May, "Energy and Security in Asia", Asia Pacific Research Centre, Stanford University (1998), <http://iis-db.stanford.edu/pubs/10043/mayfront.pm.pdf>

stability between the Yen and the Yuan, they are the biggest buyers of US Treasury bonds, and there are increasing levels of cooperation between their central banks and finance ministries.⁹ This economic interdependence takes the form of massive Japanese investments in China and the associated influx of technology and advanced machinery to feed the insatiable 20 year economic growth that China has experienced since the mid 1980s. For its part, the high trade volumes and the seemingly endless opportunities that the vast Chinese market appear to offer, has helped the recession-trapped Japanese economy to survive the difficult decade of the 1990s following the so-called burst of the Japanese 'bubble' economy that had developed throughout the 1980s. However, despite these recent cooperative and positive developments, "there has recently been a lot more evidence for the opposite view."¹⁰ Namely, that a variety of tensions are beginning to characterise Sino-Japanese relations.

Beyond the central issue of energy resources that are linked to the territorial disputes, there are questions of fishing rights associated with those claims and greater economic and trade tensions. Japan has expressed frustration at the reluctance of China to float - and consequently revalue - its currency, and the anti-Japanese riots that flared across China in 2005 highlighted the Chinese perception that the influx of Japanese firms into China constitutes a form of economic imperialism.

A further area of tension revolves around feelings in many parts of Asia - especially China - that Japan has not atoned adequately for its imperialist actions during World War II. In many ways, such attitudes underscore the importance of historical perspective in understanding

⁹ "So hard to be friends", The Economist, (March 23 2005), http://www.economist.com/prINTERfriendly.cfm?story_ID=3786409

¹⁰ Ibid

present situations and tensions. For instance, special ire is reserved for visits by sitting Japanese Prime Ministers to the Yasukuni shrine in Tokyo.¹¹ Prime Minister Koizumi's five visits to the shrine have led to howls of protest from South Korea and, particularly, the Chinese who feel that because those venerated at the shrine include convicted war criminals, Japan has not shown sufficient remorse for its actions across Asia during the Second World War. Whilst many believe that Chinese objections to prime ministerial visits to the shrine are purely instrumental in the sense that varying forms of aid and moral advantage can be achieved through playing the 'history card', the fact remains that Yasukuni is a factor in Sino-Japanese relations. Added to this, is the issue of Japanese school textbooks, which are believed in China to lack adequate details of the horrors of Japanese activities in China during the 1930s and early 1940s.¹²

A further contentious issue-area that marks the relationship today is that of Japan's attempts to enhance its political status to match its considerable economic weight, by for instance, looking to obtain a permanent seat on the United Nations Security Council, or moving to reinstate itself as a less-hamstrung member of the international community. Such interests have led to cries of alarm from Beijing that Japan is starting down the road of aggressive imperialism again. This issue (along with anger over the newly published Japanese textbooks) led to virulent anti-Japanese demonstrations and product boycotts in China throughout April 2005.¹³

¹¹ BBC News, "Japan's controversial shrine", <http://news.bbc.co.uk/go/pf/fr/-/2/hi/asia-pacific/1330223.stm>

¹² Qin Jize, "Experts slam Japan's incendiary school book", China Daily (7 April 2005) http://www.chinadaily.com.cn/english/doc/2005-04-07/content_431948.html

¹³ Editorial: "Anti-Japan protests" the Asahi Shimbun (April 8 2005) <http://www.asahi.com/english/Herald-asahi/TKY200504080143.html>

The drive to procure varied and secure supplies of oil and gas is not only a central element in stoking Sino-Japanese tensions but also is becoming a predominant feature of foreign policy formulation in both Japan and China. With regard to these tensions, Kenny describes the tomfoolery associated with rival proposals made to construct a trans-Siberia oil pipeline – the first deal signed between the Chinese government and the Russian oil giant Yukos fell apart when the company fell foul of Russian President Vladimir Putin’s demand for back taxes, only for the Japanese to propose a sweeter deal including funding and a more diversified end market including South Korea and additional funding for other projects in the Russian Far East.¹⁴ For its part, the Russian government appears to be stalling just enough to keep China and Japan increasing the stakes for a piece of what would be a vitally important source of energy supply.

China’s drive to find new suppliers of energy is taking Sino-Japanese tensions global, from Russia to South America and Africa. Ernest Wilson, in a testimony before the sub-committee on Africa at the US House of Representatives in 2005 noted that China imported 25% of its oil from Africa in 2004 at a value of approximately US\$10 Billion¹⁵. This has coincided with large aid packages and strategic political support for countries such as Sudan where, as Kenny describes, China has “bought a major share in the Greater Nile Petroleum Operating Company”, and is constructing a refinery and 750km pipeline.¹⁶ Therefore,

¹⁴ Henry Kenny, “China and the competition for oil and gas in Asia”, *Asia Pacific Review*, volume 11, number 2, 2004, p.41

¹⁵ Dr Ernest Wilson, “China’s influence in Africa – implications for US policy”, *testimony before the sub-committee on Africa, human rights and international operations, US House of Representatives*, July 2004,

¹⁶ Henry Kenny, “China and the competition for oil and gas in Asia”

Wilson notes, “the Chinese are adept at combining ‘foreign aid’ packages with commercial and oil deals.”¹⁷

Thus, when considering Japan’s demand for oil, the relative recession that has plagued the country’s economy has meant only modest increases in oil demand, allowing China to overtake it as the world’s second largest importer of oil in 2003; yet Japan is still overwhelmingly dependent on imported energy. In this regard, The Wall Street Journal points out: “Tokyo did carve out a modest oil diplomacy in the 1970s and 1980s...by and large, it followed American diplomacy – and enjoyed the assurance of US military muscle to keep supplies lines open.”¹⁸ However, as Tuman and Ayoub point out with regard to Japan’s Official Development Assistance in Africa between 1984 and 1998, “despite Japan’s extreme dependency on imported oil, aid policymakers did not seek to safeguard Japan’s access by rewarding African oil exporters with more Japanese ODA.”¹⁹ Thus, questions regarding the permanency of US umbrella military and political support, rising nationalism within Japan, and stalling economic resurgence all bring the issue of energy resource security to the forefront of Japan’s foreign policy formulations.

It should also be noted, that the East Asian region still has a form of cold war hangover, given a divided Korea, and Japanese claims to the Kurile Islands that were occupied by Russia after World War II, adding to the general levels of interstate tensions that permeate the region. Consequently, there are a number of regional security issues that are emerging in

¹⁷ Dr Ernest Wilson, “China’s influence in Africa – implications for US policy”

¹⁸ Wall street journal, “East is East”, June 27 2005

¹⁹ Tuman & Ayoub, “The determinants of Japanese official development assistance in Africa: A pooled time series analysis, *International Interactions*, volume 30, 2004

light of the oil and gas competition between the two states, from Chinese territorial claims in the South China Sea and the strategic importance of the straits of Malacca to issues of oil reserves and the possible consequences across East Asia of another 1970s-style oil shock.

Japan's overall view of the threatening nature of China's expansionist actions in the South China Sea can be understood in terms of the geographic dependence the island nation has on free trade routes. As Johnson points out, "through this waterway passes virtually all of the oil from the Middle East for Japan, South Korea and Taiwan."²⁰ Thus the importance of maintaining unrestricted trade routes can be understood as intimately linked with Japan's national security when considering that the country is devoid of almost any natural resources and, as a result, the massive industrial economy is almost entirely reliant on imported raw materials and oil. In a broad description of the region's security environment, Christensen notes,

The region is characterised by major shifts in the balance of power, skewed distributions of economic and political power within and between countries, political and cultural heterogeneity, growing but still relatively low levels of intraregional economic interdependence, anaemic security institutionalization, and widespread territorial disputes that combine natural resource issues with postcolonial nationalism.²¹

Thus by following the threads of history, nationalism, and leadership, the complex web that makes up the energy competition component of Sino-Japanese relations today can be unravelled and the factors that underpin and ultimately motivate policy choices laid bare.

²⁰ Chalmers Johnson, "Nationalism and the Market: China as a superpower", Japan Policy Research Institute, *JPRI Working Paper no. 22: July 1996*, <http://www.jpri.org/publications/workingpapers/wp22.html>

²¹ Thomas Christensen, "China, the US-Japan Alliance, and the security dilemma in East Asia", *International Security*, volume 23, number 4, 1999

However, there are by no means a universally agreed upon set of outcomes when considering either Sino-Japanese relations generally or the specific question of their competition for future supplies of oil and gas. Indeed, as Jiang²² observes, there is no historical precedent for two major power centres in East Asia; thus, how they will align into the future is largely dependent on events that are happening now. Therefore, the growing Chinese influence in the region is throwing up new power formulas, which are altering the regional status quo. As a result, the delicate and intricate nature of Sino-Japanese relations into the future becomes central to our understandings of global power alignments into the twenty first century.

²² Wenrang Jiang, "The Japanese Assessment of the "China Threat"", in Yee and Story (Eds), *The China Threat: Perceptions Myths and Reality*, London: RoutledgeCurzon, 2002, p. 161

Chapter One

The role of history and the development of nationalistic impetus

In attempting to contextualise the complex nature of the historical relationship between Japan and China, political analyst Yoichi Funabashi remarked that history “has become the leading player on the East Asian political scene”.²³ Thus, a thorough understanding of the historical background to the mutual animosities that characterise the alignment between the two states today requires an examination of not only historical interactions but also the manner in which history impacts on the development and direction of nationalism in the respective countries.

Central to the development of this form of nationalism is the importance of historical perspectives as a means of understanding the present and as a justification for future actions. In writing about China, Jenner describes this phenomenon as the “tyranny of history.” He points out that history has an important cultural resonance in Asia as “perceptions and thought patterns from the past bind living minds.”²⁴ In this way, he describes the manner in which Chinese leadership, from the earliest Ming emperors to Mao, all relied on the words

²³ Yoichi Funabashi, *East Asia's history is creating mistrust*, (8 March 2005), <http://www.asahi.com/column/funabashi/eng/TKY200501040130.html>

²⁴ W.J.F. Jenner, *The tyranny of History*, London: Penguin, 1994, p. 1

and wisdom of the past to guide their actions into the future. Therefore it is notable that in the period when Chinese nationalism was beginning to take root following the collapse of the last Manchu (Qing) dynasty, it coincided with the national humiliation that accompanied the Japanese imperialist adventures in China. Thus, sixty years after the end of the Sino-Japanese war, those forces that united a nation in opposition to an imperialist invader have become embedded in the very fabric that composes the national sense of identity.

This sense of national identity that was formed around an understanding of opposition to the Japanese occurred in the decades after the collapse of the weak and corrupt Manchu dynasty. The weak state that Sun Yat-Sen finally united under a nationalist banner in 1928 was only three years old when the Japanese invaded Manchuria in 1931. Thus the development of Chinese nationalism can be seen at the time as the only response to the vastly superior Japanese military machine that was eventually to control large swathes of the China. In addressing the National Conference of the Communist Party in 1937, Mao said: “The aim of our correct political policy and of our solid unity is to win the masses in their millions for the anti-Japanese national united front”.²⁵ However, this focus on national unity in the face of the Japanese threat would be continued as theme of Party propaganda and national educational policy under the communist party in China.

The history of China during the Twentieth Century and more specifically under communist rule has followed what can only be described as waves of specialist technocratic policy followed by waves of ideological fanaticism. This is particularly clear when you compare

²⁵ Mao Tse-Tung, “Win the masses in their millions for the national United anti-Japanese front”(May 7 1937), Marxists.org, accessed 25 Jun. 05, http://www.marxists.org/reference/archive/mao/selected-works/volume-1/mswv1_15.htm

the Cultural Revolution and the Great Leap Forward with the sweeping economic reforms of Deng Xiaoping. Thus in 2005, following the exponential economic growth that marked the 1980s and 1990s, the remnants of this form of nationalism – that is, the ideological fanaticism – now defined in terms of uniting against a common enemy, can be found in the policy decisions of Chinese leadership and the vociferous anti-Japanese riots that spread across major cities throughout April 2005. Bearing in mind that spontaneous political gathering or protest is not allowed under Chinese law and given the nature of state repression of political dissent (which is well documented), it means that this type of protest had the implicit approval or even instigation of the state. Thus, the instrumental nature of this historical perspective and form of nationalism is still visible when considering the areas of tension that mark Sino-Japanese relations in 2006.

Chairman Mao says in his famous ‘little red book’ of quotations, “things develop ceaselessly. It is only forty-five years since the revolution of 1911, but the face of China has completely changed. In another forty-five years, that is, in the year 2001, or the beginning of the 21st century, China will have undergone an even greater change.”²⁶ The magnitudes of the changes that have taken place in China are truly remarkable and, as the nation enters the twenty first century its communist ideology appears to be found in name alone. Where once the uniformed ideologues of the Cultural Revolution thronged Tiananmen Square in adoration of Mao, today the only people found clutching the ‘little red books’ of Mao’s quotations are touts trying to sell them to the masses of foreign tourists that swarm in Tiananmen Square. Mao’s picture has looked down implacably from its position on the gate

²⁶ Mao Tse-Tung, “In commemoration of Dr. Sun Yat-Sen (1956), *Quotations from chairman Mao Tse-Tung*, Peking: Foreign Language Press, p. 339

of heavenly peace that overlooks Tiananmen Square presiding over immeasurable change. In 2006, such change has seen what was once the certainty of Chinese unity behind the banner of communism crumble, and the new brand of leaders in the Great Hall of The People in Beijing are, in the words of Newsweek magazine, “using nationalism as the glue that keeps China together.” However, they continue by noting “modern Chinese nationalism is defined in large part by its hostility towards Japan.”²⁷ The manner of this historical feeling and expression of nationalism finds its voice in the national anthem, which as Wilson notes “is based on an anti-Japanese wartime song.”²⁸

Consequently, despite the ideological transformation and ambiguity that characterises modern China, Mao is still idolized because of the enduring perception that he united China and fought the Japanese. While Chang and Halliday²⁹ maintain that Mao in fact colluded with the Japanese so as to improve his position with regard to Chiang Kai-shek and to strengthen the position of the Chinese communists in a possible post-war alignment, the version of history officially sanctioned and propagated by the Communist Party places Mao as a central player in the defeat of the Japanese.

Thus, by understanding their history in terms of a weak disunited state open to the vultures of imperialism versus a strong united state, concepts of Chinese national pride and state sponsored nationalism can find a strong outlet of expression in a general distrust and dislike of Japan. It seems that the nature of Japanese imperialism in China, imbued with what Eto

²⁷ Liu, Caryl, Miller, Punose, and Barry, “A New Kind of Challenge”, *Newsweek*, no. 19, May 9 2005, p. 21

²⁸ Dick Wilson, *When Tigers Fight, the story of the Sino-Japanese war 1937-1945*, New York: Viking Press, 1982, p. 2

²⁹ Jung Chang & Jon Halliday, *Mao - The Unknown Story*, London: Vintage, 2006

described as a “manifest destiny”³⁰ in Asia, has deeply scarred the national psyches of both countries and, as such, continued to be apparent in 2006 through various mechanisms of interstate interaction.

In his book ‘Inventing China Through History’, Edward Wang notes this very process by pointing out that “during World War II, known as the Anti-Japanese War in China, Chinese nationalism reached its high tide... (and) many efforts were made to renew the linkage with the past in order to demonstrate the insurmountable vitality of the Chinese nation.”³¹ Yet, while some authors such as Eastman described the war time relationship as “ambiguous”³², this study subscribes to the view held by many others which suggests that the nature of Japanese imperialism and the historical feelings of injustice across Asia, and especially in China, have genuine consequences for state interaction today. As Howe³³ describes, Chinese objectivity is rare when viewing Japanese actions. In this way, the convoluted and intertwined strands of history, nationalism and the role of leadership can be seen as the foundation of modern Sino-Japanese relations. Not surprisingly, the apparent reticence of Japan to engage in greater levels of interaction in the region today despite its economic

³⁰ Shinkichi Eto, “Evolving Sino Japanese Relations”, in Katz and Friedman-Lichtschein (Eds), *Japan's New World Role*, Boulder: Westview Press, p. 49

³¹ Edward Wang, *Inventing China Through History*, New York: State University of New York Press, 2001, p. 8

³² Lloyd Eastman, “Facets of an ambiguous relationship: smuggling, puppets and atrocities during the war 1937-1945” in Akira Iriye (ed), *The Chinese and the Japanese, essays in political and cultural interaction*, p. 275

³³ Christopher Howe, “Introduction: The changing Political Economy of Sino-Japanese Relations: A Long Term View” in Christopher Howe (Ed), *China and Japan – History Trends and Prospects*, New York: Oxford University Press, 1996, p.1

dominance can be understood in terms of what Inoguchi describes as Japan's "tortuous history"³⁴ in East Asia.

In terms of understanding the history of Japanese imperialism in China and why it continues to elicit such a powerfully emotional and, resultantly, political response - especially when considering that many Western nations also have imperial histories in China - many scholars believe that it stems from the first Sino-Japanese war of 1894/5. Madeline Chi describes Sino-Japanese relations in modern times as being notably "turbulent" and points to the war of 1894/5 as the beginning of the hostile nature of the relationship.³⁵ Samuel Chu continues by noting that before this time "Japan was never very important in the eyes of the Chinese"³⁶ and its modernisation – including military modernisation of the Meiji restoration, had gone largely unnoticed in China, and would only become apparent in the West with the Japanese defeat of Tsarist Russian forces in Manchuria in 1905. The consequences of this war on the relationship between the two East Asian powers is described by Wang who notes that China's defeat by Japan – as opposed to defeats to Western powers, "exerted a more traumatic impact on the minds of the people because Japan's victory alarmed them about their slow pace in adjusting themselves to the changing world." Significantly, Wang goes on to note that "in coping with the crisis, Chinese historians pursued the writing of national history in order to promote national pride."³⁷

³⁴ Takashi Inoguchi "Japan Goes Regional" in Takashi Inoguchi (Ed), *Japan's Asian Policy – Revival and Response*, New York: Palgrave Macmillan, 2002, p. 1

³⁵ Madeline Chi, "Ts'ao Ju-Lin (1876-1966): His Japanese Connections" in Akira Iriye (ed), *The Chinese and the Japanese, essays in political and cultural interaction*, Princeton: Princeton University Press, 1980, p. 140

³⁶ Samuel Chu, "China's attitude toward Japan at the time of the Sino-Japanese war" in Akira Iriye (ed), *The Chinese and the Japanese, essays in political and cultural interaction*, p.77

³⁷ Edward Wang, *Inventing China Through History*, p.15

The development of this understanding of history as intimately related to the development of nationalism and how it relates to modern perceptions of Japanese actions can be understood in terms of George Orwell's seminal essay on England when he noted that "up to a point, the sense of national unity is a substitute for a 'world view'." ³⁸ Consequently, the importance of history and its impact on modern Chinese nationalism can be seen to form an integral part of the norms of behaviour that formulate institutions in society. As Douglas North points out, the nature of institutions in society can have far-reaching consequences for the efficiency of economic exchange and future growth patterns.³⁹ Thus, the extent to which historical considerations constitute an element of Chinese institutions makes the understanding of the complexities of the historical relationship between the two states vital to a greater understanding of their relationship.

Beyond the war of 1894/5 in which China lost face and territory in the form of the Korean peninsula and the island of Taiwan, it was the vicious war of 1937-1945 that casts the greatest shadow over present Sino-Japanese relations. The Japanese had already invaded and set up a puppet regime in Manchuria in 1931 before the so called Marco Polo Bridge incident sparked a full-scale war and the eventual Japanese control of most of Eastern China. With the colonised Manchuria renamed Manchukuo and headed by the dethroned last emperor of China Pu Yi, the Japanese-controlled puppet state was, as Behr notes, "Japan's Ruhr, fuelling its war economy"⁴⁰ and providing a resource base for further expansion into China.

³⁸ George Orwell, *Inside the Whale and other essays*, Harmondsworth Middlesex: Penguin, 1957, p. 75

³⁹ Douglas North, "Institutions and Economic Growth: A historical Introduction", in Frieden and Lake, *International Political Economy: Perspectives on Global Power and Wealth*, New York: Routledge, 2000

⁴⁰ Edward Behr, *The Last Emperor*, London: Futura Publications, 1987, p.202

When considering the 1937-1945 period, the one event that defined the war in the eyes of many Chinese and that continues to colour relations to this day is the invasion and occupation of Nanking (Nanjing) in December 1937. Referred to as the ‘rape of Nanking’ the extent of atrocities committed by Japanese troops were as horrific as they were widespread with approximately 200 000 civilian deaths and countless thousands of women raped.⁴¹ Although the figure of 200 000 casualties was placed on official record at the Tokyo war crimes trial at the end of World War II, the real figure is believed by many to be considerably higher. The full extent of the atrocities, undoubtedly, will never be known but the immensity of the brutality and cruelty that was unleashed on the city continues to haunt relations between China and Japan. As Wang points out, “China’s complaints over Japan’s attitude to war history are more than just a symbolic gesture. They reflect the genuine frustration and resentment among Chinese people.” He then goes on to quote former Chinese President Jiang Zemin as saying that “in modern history, among the major imperial powers, China suffered most from Japan.”⁴²

The fallout from this incident continues to be felt through its influence on the development of nationalistic tendencies in both countries. The manner in which this sorry chapter has been dealt with in school textbooks is especially contentious in both countries with overly self-abusing views in Japan sparking a backlash from overtly right wing nationalist politicians such as Shintaro Ishihara. While conversely, the Chinese feel that Japanese textbooks brush over the atrocities and do not pay sufficient attention to the full extent of the horrors.

Ostensibly, it was the textbook issue that sparked the April 2005 protests. The apparent

⁴¹ Ibid, p.241

⁴² Janwei Wang, “Confidence Building Measures and China-Japan relations”, (accessed May 17 2005), p.73, <http://www.stimson.org/Japan/pdf/wang.pdf>

inability of Japan to atone adequately for the events in Nanking can be seen as integral to the renewal of right wing nationalistic politics in that country. Ishihara, whose vocal criticism of US policy in Japan and calls for a reassertion of Japanese sovereignty, claimed with regard to Nanking: “the Chinese have exaggerated the numbers. In the hysteria of war, the army did massacre people. That happens in war. The United States killed three hundred and fifty thousand people in Hiroshima in a single day.”⁴³

However, despite the increased levels of nationalistic fervour that this incident has spawned in China and Japan, the question of meaningful apology from Japan seems glaringly absent. Wilson points out that instead of apology, Japanese leaders talk of ‘regret’, ‘remorse’ and ‘contrition’. Though he continues by noting that “the Japanese feel guilt but do not know how to express it without destroying themselves, their emperor (in whose name all these acts were committed) and their imperial system.”⁴⁴ Following the outbursts of protest in China during the first months of 2005, Prime Minister Koizumi again expressed “deep remorse” for Japan’s colonial aggression by saying that “Japan squarely faces these facts of history in a spirit of humility.”⁴⁵

During Emperor Akihito’s historic 1992 visit to China, the first ever by a Japanese Emperor, he said: “there was a period in the past when my country inflicted untold hardships on the people of China. This remains the source of my profound personal sorrow.”⁴⁶ While viewed

⁴³ Shintaro Ishihara, “On Ishihara’s controversial position against China”(25 February 2005) <http://www.ezipangu.org/english/contents/news/naname/ishihara/ishihara2.html>

⁴⁴ Dick Wilson, *China The Big Tiger -a nation awakes*, London: Little Brown & Company, 1996, p. 419

⁴⁵ “Japanese PM apologises over war”, BBCNews.com, (22 April 2005) <http://news.bbc.co.uk/2/hi/asia-pacific/4471495.stm>

⁴⁶ Kamiya Mataka, “Japanese foreign policy towards northern Asia” in Takashi and Jain (Eds), *Japanese Foreign Policy Today*, New York: Palgrave, 2000, p.235

by some as a significant breakthrough in terms of moving beyond historically based antagonism, the issue of apology appeared not to have been settled because according to Wilson, when translated into Chinese this apology sounded “banal and attenuated.”⁴⁷ Thus the issue of adequate apology still clouded the relationship and the latter years of the 1990s saw the exacerbation of difficulties in managing the relationship coupled with growing fears in Japan regarding Chinese intentions.

When considering the question of apology and the extent to which this issue still hangs over Sino-Japanese relations, it should be examined and contextualised in terms of the Chinese penal system under the communist party and the role of self-criticism and the acceptance of one’s ‘wrong actions’. In fact, after Mao warned of the dangers inherent in being aware of one’s mistakes but making no attempt to correct them,⁴⁸ vigorous self-criticism became a hallmark of Party discipline. Those who found themselves in prison or who ran foul of the fanatical teenage Red Guards during the Cultural Revolution from 1965 to 1976 were expected to write lengthy self-criticisms, often daily, detailing the extent of their crimes. Behr notes in his biography of the last Chinese Emperor Pu Yi, who spent nine years undergoing re-education in prison under the communists that skilful self-criticism was key to achieving redemption in Chinese communist society.⁴⁹

Therefore, when considering that many of the so-called fourth generation of Chinese leadership that includes President Hu Jintao – who are the only generation of leadership to

⁴⁷ Dick Wilson, *China The Big Tiger-a nation awakes*, p. 420

⁴⁸ Mao Tse-Tung, “Combat Liberalism”(1937), *Quotations from chairman Mao Tse-Tung*, Peking: Foreign Language Press, p. 465

⁴⁹ Edward Behr, *The Last Emperor*, p. 300

have not studied overseas, being too young to have studied in the Soviet Union and too old to have travelled to the West – joined the party at the height of the cultural revolution, it is reasonable to assume that these norms regarding the role of self-criticism are entrenched in the modern leadership. Thus, the oblique and carefully worded expressions of remorse that Japanese leaders offer fall far short of Chinese expectations of what constitutes an adequate form of both admission of wrong-doing and apology.

Besides issues of apology and historical references to Nanking, Japanese war time activities during this period continue to inflame public attention and elicit political repercussions through a variety of actions. These include Chinese governmental attempts in 2005 to get the location of the notorious germ warfare Unit 731 declared a UNESCO World Heritage site⁵⁰, and the rejection of compensation for the victims of germ warfare experiments by a Japanese court of appeal.⁵¹ All of these factors combine to continue to keep the issues alive and perpetuate the intensification of mutual animosity. The importance of historical perspective and the nature of both Chinese and Japanese nationalisms combine with mutual perceptions of threat to create their respective ideas of enemy images in East Asia.

With regard to the formation of enemy image, and the extent to which it impacts upon the geo-political tensions that characterise modern relations between Japan and China, it can be understood in terms of Stein's analysis of enemy image. She points out that "once formed, enemy images tend to become deeply rooted and resistant to change...the images themselves

⁵⁰ Li Frangchao, "Germ warfare site bids for world heritage status", China Daily (19 April 2005) <http://www.chinadaily.com.cn/english/doc/2005-04/19/content435571.html>

⁵¹ "Asia row turns to wartime past", BBCNews.com, (19 April 2005), <http://news.bbc.co.uk/2/hi/asia-pacific/4459243.stm>

then contribute autonomously to the perpetuation and to the intensification of the conflict.”⁵²

In this way, the web of complexities that characterise Sino-Japanese relations have built up over time and moulded themselves through the workings of history, nationalism and leadership to create and cement respective enemy images. Stein goes on to note that once formed these images are difficult to dislodge and that “stability in enemy image is the default and change is the exception.”⁵³

Thus in the context of East Asia, one can see this ‘default distrust’ permeating relations despite the fact that today economic interactions are bringing the two states closer together. The development and exacerbation of enemy image through the complex processes of nationalism and security dilemma become especially pertinent when considering the nature of China-Japan relations into the future. As such, the question of enemy image and its relationship to modern geo-political tensions between the two states becomes significant when considering, as Stein points out that “embedded enemy images and collective beliefs are a serious obstacle to conflict management, routinization, reduction or resolution.”⁵⁴

Indeed, “what we see as a threat is a function in large part of the way we see the world and who we think we are.”⁵⁵ Thus the development and direction of Chinese nationalism in the last sixty years, built upon the historical understanding of Japanese hostility, has an embedded enemy image of the Japanese as an integral element within its greater

⁵² Janice Gross Stein, “Image, Identity, and the Resolution of Violent Conflict”, in Crocker, Hampson and Aall, *Turbulent Peace: The challenges of Managing International Peace*, Washington D.C.: United States institute of Peace Press, 2001, p.189

⁵³ Ibid, p.196

⁵⁴ Ibid

⁵⁵ Ibid, p. 203

understanding of national identity. However, this perception of threat is not uniquely Chinese and can be seen as inherent within the modern Japanese understanding of national identity too, especially in the post cold war era where the certainty of long term US umbrella protection can not be taken for granted. Matake points out that as the difficulties managing the relationship have intensified, so have Japanese fears about both the capabilities and motives of China.⁵⁶ In this way, the concept of enemy image operates at the theoretical level of national consciousness, but with lasting and quite concrete results in terms of national policy. Consequently, one can see the role of enemy image as a supplementary aspect of the complex set of factors that make up the strands of history and nationalism within modern Sino-Japanese relations.

Thus when considering in overview the full extent of history and its influence on nationalistic direction and its ultimate impact on the future of China-Japan relations, Wilson notes that “guilt is still part of the psychology of the relationship.” He goes on to outline: “guilt dictates the lack of symmetry in Sino-Japanese exchanges, allowing the Chinese to take the high moral tone... helping them to twist more economic aid out of Japan.”⁵⁷ But this instrumental use of historical injustice is having unforeseen consequences because, as Wilson again describes, “all this is bait to the Japanese right wing and re-emerging nationalism, helping to make it stronger than it otherwise would be.”⁵⁸

⁵⁶ Kamiya Matake, “Japanese foreign policy towards northern Asia” in Takashi and Jain (Eds), *Japanese Foreign Policy Today*, p. 235

⁵⁷ Dick Wilson, *China The Big Tiger-a nation awakes*, p.419

⁵⁸ *Ibid*, p.420

Former Japanese foreign minister Nobutaka Machimura recently noted that the present difficulty with regard to historical perception between the two countries “is not a problem that will be resolved easily.” However he also dismissed the idea that China is habitually using the ‘history card’ as a diplomatic tool.⁵⁹ Either way, the fact remains that the role of history and perceptions thereof, coupled with rising nationalist sentiments in both countries, will continue to underpin and colour Sino-Japanese relations for some time. Added to this is the perception by both countries that diplomacy in the region is a zero-sum game, an understanding that seems intimately linked with the role of historical perspective in the formulation of both policy and mutual understanding of their respective motives.

When considering Japan’s post war history, it is notable not only for its meteoric economic growth in the last half of the twentieth century but also for its remarkably conservative and risk-averse diplomatic policies. This reluctance to exert greater diplomatic influence is in large part because of the nature and perception of Japan’s history in the region. As Pyle notes, Japan is “compelled by the burdens of history to move cautiously in shaping a post-cold war political strategy for Asia”.⁶⁰ Thus we can go so far as to say that regionally held perceptions of history impinge on Japan’s soft power capabilities and have manifested themselves quite tangibly in Japanese policy decisions. For instance, any attempt by Japan to criticise Beijing’s human rights record is met with a response that details Japanese abuses during the 1937-1945 war, and the state controlled media in China allows for a uniformity of response and can also be seen to perpetuate public perceptions that are desired by the government.

⁵⁹ Tom Plate, “Japan apologetic: prisoner of the past?”, Japan Times, (March 29 2005) <http://www.japantimes.com/cgi-bin/geted.pl5?eo20050329tp.htm>

⁶⁰ Kenneth Pyle, “Restructuring foreign and defence policy: Japan” in McGrew and Brook, *Asia Pacific in the New World Order*, London: Routledge, 2003, p. 130

However, many analysts are seeing changes within Japan, with a greater assertion of nationalism, and moves such as Japan's concerted lobbying for a permanent seat at the United Nations Security Council are all designed to improve Japan's position on the world stage. This desire to become a genuine world power comparable with its economic might seems to be embodied in Japanese Prime Minister Junichiro Koizumi whose repeated visits to the controversial Yasukuni shrine despite vociferous protests across Asia, and pushing through special legislation so as to send Japanese troops to Iraq (in spite of constitutional restraint) point to this desire to create a more assertive Japan. Added to this, Kazuaki argues that China's trump card of history is a wasting asset because "as the generation of Japanese with memories of Japan's militaristic past gives way to a younger generation with a weaker sense of historical guilt, China may not be able to continue the stratagem."⁶¹

Thus, the threads of history, nationalism and the role of leadership have built upon each other to lay the foundation of modern Sino-Japanese relations and constitute the key aspects that characterise the tensions between the two states today. In this way, the nature of the relationship between the two great powers of East Asia will greatly determine their ability to grow and their mutual desires to exercise power in the region. At the end of the cold war, both Japan and China found themselves in very different positions economically and in terms of their political and international standing. On opposite ends of the cold war divide, the two nations find themselves in 2006 with markedly different politico-economic structures. As such, the manner in which their mutual historical mistrusts, antagonistic nationalisms, or different paths of political and economic development will impact their relationship into the

⁶¹ Kotake Kazuaki, quoted in: Dick Wilson, *China The Big Tiger-a nation awakes*, p.420

future is difficult to determine. But without an understanding of the importance of history and its effects on the development of nationalism in both countries, an understanding and examination of the areas of conflict that mark China-Japan interactions today would not be possible.

Yasukuni shrine and Japanese war guilt

Although this study has addressed the question of historical perspective and the consequences of the history between these two states, the issue of the Yasukuni shrine continues to have significant political influence and impact that are intimately linked to both the historical and modern understandings of its consequences. The Shinto shrine in Tokyo is dedicated to the souls of about 2.5 million Japanese who have died in the name of their country; however, at the centre of the shrine's controversy is the fact that those venerated include 14 convicted class A war criminals.⁶² The class A categorisation relates to those military leaders and civilian politicians sentenced at the Tokyo War Crimes Tribunal following the end of WWII for war crimes such as waging aggressive war in contravention of international law, the mistreatment of prisoners-of-war and for the various atrocities committed during the Japanese capture of Nanking. Included among those enshrined at Yasukuni is General Hideki Tojo, who was minister of war between 1940 and 1944 and is considered by many people in Asia as the arch-criminal of the Pacific War. Thus, visits to the shrine by sitting Japanese Prime Ministers invariably lead to considerable condemnation

⁶² BBC News, *Japan's controversial shrine* <http://news.bbc.co.uk/go/pf/fr/-/2/hi/asia-pacific/1330223.stm>

across Asia and raise questions domestically with regard to the separation of state and religion. Consequently, following a Tokyo court ruling that visiting Yasukuni as Prime Minister contravenes Japanese law with regard to the separation of state and religion, Koizumi visits in his private capacity - yet this does little to quell the condemnation from South Korea and China.

As Reischauer and Jansen point out, the leaders of the Meiji restoration attempted to create a Shinto-centred system of government, but when they realised its inconsistencies with the western political model they were following, they created a system of state support for Shinto shrines and built the Yasukuni shrine to honour the military men who had died in defence of the country. 'State Shinto' was then "officially defined by the government as being not a religion but a manifestation of patriotism."⁶³ The peak of 'state Shintoism' was reached in the militaristic and nationalistic frenzy that characterised the pre-war years, and resultantly was severely restrained during the occupation years when the American forces demanded a clear separation between state and religion and saw many of its practices as encouraging xenophobia and militarism. Thus, with the enshrinement of executed war criminals there in 1978 and the subsequent visits by several sitting Prime Ministers, the shrine has become remarkably controversial both domestically and in the region. Domestic opposition comes largely from Christians and other religious groups as well as the political left keen to distance Japan from its past, while China and South Korea often lead the vocal protests that Japan is not renouncing its militaristic past. However, apart from the international outcry, Reischauer

⁶³ Edwin Reischauer and Marius Jansen, *The Japanese Today change and continuity*, Cambridge Massachusetts: Harvard University Press, 1996, p.209

and Jansen also note that, “on the whole the Yasukuni shrine is regarded as analogous to the tomb of the unknown soldier.”⁶⁴

In many ways the post-war years in Japan has seen not just a concerted movement away from nationalism but also its actual repudiation by national policy. As part of this outlook, both the national flag and anthem were shunned and the peace constitution was crafted to ensure a lack of offensive military capabilities. With this came reluctance by many Japanese to visit or acknowledge sites ostensibly linked with their much-maligned imperial history, and this was visible in the limited diplomatic role that the country assumed on the international stage. Thus, the Yasukuni shrine has come to be seen as a key indicator of national mood and, resultantly, as an indicator of diplomatic intentions. The importance of Yasukuni throughout the 1990s and, especially, under the Koizumi leadership can be traced as an important factor in the re-emergence of Japanese nationalism. Although this emergent nationalism takes a significantly different form to that of pre-war Japan, it is intimately linked with official attempts to acknowledge and appreciate certain cultural aspects while coming to terms with the past.

The role of the Yasukuni shrine, and by implication the role of history, as a determinant of Japanese diplomatic behaviour and intent can be understood in terms of war guilt being the shaping feature of Japan’s diplomatic moves in the region. However, as Green notes, “in Japan there is increasing apology fatigue. A new generation of Japanese leaders no longer instinctively understand why China has the right to obstruct Japan’s aspirations for influence. While they recognise still the necessity of dealing with the past, they are resentful of what

⁶⁴ Ibid, p.210

they see as cynical Chinese manipulation of the history card in bilateral negotiations over issues unrelated to history.”⁶⁵ In this way, Prime Minister Koizumi’s visits to the Yasukuni shrine every year since he took office in 2001 can be seen as an indication of a desire to re-establish Japan’s position as a leading diplomatic nation comparable with its economic influence.

However in the context of Sino-Japanese relations, Yasukuni and historical perceptions in general continue to cloud interactions between the two states. Indeed, as Wang points out, “the understanding of history, therefore, remains a main psychological obstacle in China-Japan confidence building, not just in political domain, but also in security and military.”⁶⁶

Thus, to what extent Prime Ministerial visits to the shrine actually influence diplomatic relations beyond considerable rhetoric is highly contested. Writing in the Japan Times, Nabeshima has argued that by continually visiting the shrine “Prime Minister Koizumi could seriously harm Japan’s national interests.” Nabeshima insists that “his persistence in visiting the Tokyo memorial to the nation’s war dead has intensified the firestorm of anti-Japan criticism in China and South Korea, undermining the Japanese position in Asian diplomacy.”⁶⁷ Nojima writes in the Asahi Shimbun that the Yasukuni issue is affecting the

⁶⁵ Michael Green, *Japan’s Reluctant Realism - foreign policy challenges in an era of uncertain power*, New York: Palgrave, 2001, p.94

⁶⁶ Janwei Wang, “Confidence Building Measures and China-Japan relations”, (accessed May 17 2005), p.73, <http://www.stimson.org/Japan/pdf/wang.pdf>

⁶⁷ Keizo Nabeshima, “Harmful to Japan’s interest”, The Japan Times (12 June 2005), <http://www.japantimes.com/cgi-bin/getted.pl5?eo20050612kn.htm>

succession race within the LDP because of the perception that those who visit the shrine will not be able to foster relations with Beijing.⁶⁸ While conversely, Wang argues that:

China's seemingly endless grievances on the issue of history always sound louder than they really are. While both sides could be quite emotional and vocal, in practical policy Chinese and Japanese rarely let the animosity over history to carry the day. Behind China's obsession with Japan's historical guilt, it is not difficult to find more utilitarian motivation such as squeezing more economic concessions from Japan.⁶⁹

Consequently, despite the fact that former Prime Minister Nakasone who visited the shrine in 1985 and then refrained from doing so again following Chinese complaints has joined eight other former Prime Ministers in advising Koizumi to stop visiting Yasukuni, Koizumi has given no intention that he intends to stop visiting in his private capacity - but not as a representative of government. Clearly this is an indication of Koizumi's resolve to reinstate Japan as an un-constrained member of the international community and to move away from the Japanese diplomatic staple of war guilt.

Koizumi's actions in terms of visiting the shrine and pushing for both domestic constitutional reform and a Japanese seat on the Security Council, combined with Chinese reluctance to budge over the Yasukuni issue can be seen as important factors in the formulation of modern Sino-Japanese relations. Chinese Vice Premier Wu Yi abruptly cancelled a meeting with Koizumi in May 2005 and flew home the same day apparently in response to remarks made by LDP Secretary General Takebe that Chinese opposition to Yasukuni visits amounted to

⁶⁸ Tsuyoshi Nojima, "Yasukuni casts shadow – even over those jockeying to succeed Koizumi", The Asahi Shimbun, (28 May 2005), <http://www.asahi.com/english/Herald-asahi/TKY200505280147.html>

⁶⁹ Janwei Wang, "Confidence Building Measures and China-Japan relations", (accessed May 17 2005), p.73, <http://www.stimson.org/Japan/pdf/wang.pdf>

interference in domestic affairs.⁷⁰ Again, in May 2006, at the first meeting between the respective foreign ministers in over a year, the Yasukuni issue continued to overshadow a number of other pressing areas of dispute including rival claims to oil and gas reserves in the East China Sea. Chinese Foreign Minister Li Zhaoxing told Japanese Foreign Minister Taro Aso that Koizumi's visits to the shrine "has also become a political drawback. I want Japanese leaders to pay due consideration to the people in countries that suffered from wartime damage."⁷¹

The high-level dialogue that this issue continues to generate indicates that the Yasukuni shrine and history in general are still key determinants of diplomatic interaction in East Asia and shape a foundation of perception and interpretation of each other's actions. In this way, the Koizumi government has spearheaded Japan's desire to re-establish a regional position that is commensurate with its economic size. Nevertheless, the re-emergence of Japanese nationalism must be understood in the context of a number of critical factors: the rapid growth and emergence of a more assertive China; the reality of a growing sense of Japanese vulnerability without the cold war certainty of US umbrella protection; and the present climate of hostility over energy-resource competition. Given this context, an exacerbation of the already tense relations can create the potential for either an open conflict or a highly divisive and destabilising regional competition in East Asia.

⁷⁰ The Asahi Shimbun, "Japan China lock horns over Yasukuni, Wu visit", (25 May 2005), <http://www.asahi.com/english/Herald-asahi/TKY200505250186.html>

⁷¹ Asahi Shimbun, "Aso, Li disagree on Yasukuni in first talks in a year", (24 May 2006), <http://www.asahi.com/english/Herald-asahi/TKY200605240310.html>

Chapter Two

Territorial disputes and the question of oil and gas in the East

China Sea

Napoleon Bonaparte is credited with saying, “when China wakes, it will shake the world”⁷², a sentiment that is as true in 2006 as it ever was, and a sentiment that underlies Japanese fears with regards to its giant neighbour. The nature of historical perspective that continues to permeate Sino-Japanese relations in 2006 provides a backdrop of mistrust and continues to be a factor in East Asian interstate tensions. Present China-Japan relations are characterised by the ambiguity of increasing economic interaction and interdependence coupled with increasing academic and cultural exchanges through tourism and the fact that more Chinese students study abroad in Japan than anywhere else.⁷³ Yet, their historically-based mistrust and political animus have found numerous outlets resulting in a wide range of disputes.

⁷² Kristof & Wu Dunn, *China Wakes .The struggle for the soul of a rising power*, London: Nicholas Brealey Publishing, 1994, p. 387

⁷³ Chalmers Johnson “No Longer the Lone Superpower”: coming to terms with China’, Japan Policy Research Institute, working paper no. 105 (March 2005), http://www.jpri.org/publications/working_papers/wp105.html p. 7

Thus, when examining the nature of energy-driven animus in East Asia, there are two critical geopolitical zones of direct Sino-Japanese competition – namely, the East China Sea and the South China Sea. This chapter seeks to detail the nature of territorial dispute that is occurring in the East China Sea against the backdrop of China's growing demand for energy resources. The dynamics of East Asia's politico-economic relations are undoubtedly being affected by the rapid growth of China. As Hilton points out, "China's rise is shifting the geopolitical tectonic plates, offering a direct challenge to Japan's economic dominance of East Asia and to the strategic dominance the US has enjoyed, with its major ally Japan since 1945."⁷⁴ The economic growth in China, its increases in military expenditure and exponential growth in demand for energy sources can be seen in realist terms as the basis around which Japanese security dilemma is occurring. When combined with the various diplomatic and territorial disputes between the two states, the gravitation towards a worsening of already poor historical relations over the issue of oil can be envisaged.

Beyond the areas of convergence and economic interdependence that can be found in the East Asian region, there lie several simmering disputes and areas of threat – perceived or otherwise - that continue to characterise contemporary China-Japan relations. For instance, territorial disputes over the Senkaku/Diaoyu islands and the resultant economic and strategic gains from control of the large ocean areas that fall under their Exclusive Economic Zone (EEZ) as well as fears of Chinese irredentism and expansionism in the South China Sea are key factors underlying Japanese fears of Chinese capabilities and motives in the region. These perceptions have been compounded not only by increases in Chinese military

⁷⁴ Isabel Hilton, "When the safety valve blows", *The Guardian*, (April 15 2005), <http://www.guardian.co.uk/china/story/0,7369,1460366,00.html>

expenditure and the unresolved issue of Taiwan, but also the continued Chinese demands for adequate Japanese apology and denouncement of its imperialist past, including the demand that sitting Japanese Prime Ministers refrain from visiting the Yasukuni shrine.

Also, economic interactions have resulted in areas of dispute between the two states with Japan joining many World Trade Organisation (WTO) countries in requesting China to float its currency, believing it to be maintained artificially low thereby unfairly benefiting Chinese exporters. Tension has also arisen because of the Japanese decision to cut its Official Development Assistance (ODA) to China, funds that the Chinese have always claimed were in fact war reparations payments. Added to these, are attempts by Japan to gain a permanent seat on the United Nations Security Council, a move vehemently opposed by the Chinese who fear a militarised and emboldened Japan. As such, China welcomes the continued presence of American forces in Japan. Ironically, both sides often perceive the presence of US forces as a stabilising factor and a key constraint on aggression by the other.

However, when viewing present Sino-Japanese relations in a general sense, the overriding factors which can be determined to be driving a wedge between the two countries are issues of security and access to energy resources. As Bajpae has noted, “China’s quest for energy resources on the world stage is creating a destabilising effect on international and regional security.”⁷⁵ He continues by pointing out that despite the unprecedented levels of trade between the two countries in the three years since 2002, “economic progress could be

⁷⁵ Chietigji Bajpae, “Setting the stage for a new cold war: china’s quest for energy security”, The Power and Interest News Report, (25 Feb 2005), http://www.pinr.com/report.php?ac=view_report&report_id=272

The 1973 oil shock and the Japanese response

Oil supply and oil security continue to be of concern for all the states in East Asia, where oil remains the dominant fuel across the region - comprising 40 percent of total primary energy consumption.⁷⁷ Further, by 2010 the International Association of energy Economists predicts that East Asia (without China) will import 100 percent of their oil supplies⁷⁸ thus making the economic and security repercussions of an oil shock considerable. In attempting to offset these risks, Japan maintains emergency oil stocks of 315 million barrels - the world's third highest stock behind the United States and Europe, which maintain reserves of 563 and 325 million barrels respectively.⁷⁹ These reserves are intended to mitigate losses in Gross Domestic Product or to maintain the country's armed forces in the case of war and constitute approximately 160 days' supply of oil.⁸⁰ Yet in the case of Japan, the economic costs of the 1973 oil shock continue to influence policy formation in the context of modern energy competition in East Asia and the perceived threat of Chinese expansion in this regard.

An examination of Japan's response to the 1973 oil crisis provides a telling indication of how oil concerns impacted on Japanese foreign policy and provides a useful base for understanding the respective Sino-Japanese responses to present energy concerns. As Yorke describes, following the decision by the Arab member of OPEC to cut production by 25 percent and classify Japan as an 'unfriendly state' in 1973, the country engaged in a damage

⁷⁷ Paik, Leiby, Jones, Yokobori & Bowman, "Strategic Oil stocks in the APEC region", *IAEE 22nd Annual International Conference*, International Association for Energy Economists, June 1999

⁷⁸ Ibid

⁷⁹ Ibid

⁸⁰ Seishiro Eto, "Asian Energy Security and Japan's foreign policy", opening address by vice-minister for foreign affairs, seminar on energy security in Asia, available at: <http://www.mofa.go.jp/policy/energy/address0103.html>

limitation program through the formulation of bilateral relations with oil at their core. Yorke notes, “Tokyo was thrown into a state of panic. In order to restore interrupted supplies, Japan proceeded to abandon the principle on which its postwar external relations had been based – the separation of economic and political matters.”⁸¹

Thus, energy concerns had been pushed to the forefront of Japanese foreign policy formulation and led to the first break with American foreign policy when Japan called for Israel’s withdrawal from all the territories occupied in 1967 and reiterated Japan’s support concerning the Palestinians’ right to self-determination, and hinted at a reconsideration of its policy towards Israel. Yorke referred to this process as Japan’s departure into ‘resource diplomacy’.⁸² The events of 1973 highlighted not only Japan’s severe dependence on imported oil - made worse by the fact that at that time Japan had no emergency oil stockpiles, but also stressed the need to diversify its sources of supply. The 1973 oil crisis, and to a slightly lesser extent, the oil disruptions following the Iranian revolution in 1979, highlighted the extent to which energy concerns had become the central issue in terms of Japan’s foreign policy in the Middle East – resulting in bilateral diplomacy with the oil producing states, centred around investment aid and trade.⁸³

In describing the Japanese response to the oil crisis, Smart notes, “Japan and some members of the European Community ... escaped the full potential force of the ‘oil weapon’, by making placatory statements and gestures and, to a lesser extent, by scrambling with more

⁸¹ Valerie Yorke, “Oil, the Middle East and Japan’s search for security”, *International Affairs*, volume 57, number 3, 1981, p.434

⁸² Ibid

⁸³ Ibid

alacrity than dignity for available supplies.”⁸⁴ However, the economic consequences of oil shortages can be severe, and the economic decline that Japan experienced following the oil shock and resulting world recession are telling when considering the nature of that double-digit growth that China is experiencing in 2006, and the impact of energy resources in maintaining high growth rates.

Throughout the 1960s, Japan experienced double-digit growth yet between 1974 and 1978 the Japanese economy grew at only 3.7 percent,⁸⁵ thereby demonstrating the continued economic damage caused by the oil disruptions and increased price of oil. As Eguchi points out, there has always been a very close link in the Japanese economy between energy consumption and the growth rate, as well as a link between growth and the price of oil.⁸⁶ Basically, higher energy prices compel the government to pursue restrained monetary and fiscal policies so as to avoid the inflationary pressures associated with higher oil prices. Thus, the economic costs of the 1973 oil shock were clearly visible to Japanese policy-makers and the need to maintain energy security continues to be an integral part of foreign policy formulation.

The 1973 oil crisis had considerable repercussions in Japan, both in terms of the economic costs of reduced growth and in terms of the diplomatic response to the threat to energy supplies. Thus, when considering the nature of energy resource competition in East Asia in 2006, the issue of access to diverse and secure sources of oil and gas are central to the

⁸⁴ Ian Smart, “Oil, the superpowers and the Middle East”, *International Affairs*, volume 53, number 1, 1977, p. 26

⁸⁵ Yujiro Eguchi, “Japanese energy policy”, *International Affairs*, Volume 56, number 2, 1980, p. 265

⁸⁶ *Ibid*

diplomatic efforts of both China and Japan to diversify and secure their energy supplies. As Japanese vice-Minister for Foreign Affairs Seishiro Eto has noted, “given our current dependence on oil and coal for energy, and our reliance on the Middle East for oil, it is important that we continue to diversify our sources of energy and energy supplies.”⁸⁷ While the increasing demand for energy resources in China is pushing oil to the forefront of Chinese diplomatic ties with Russia, the Middle East and Africa these efforts, however, are focused against an environment of escalating world oil prices, driven primarily by Chinese demand, and deteriorating Sino-Japanese relations linked to questions of energy security and built on the considerable foundation of historical mistrust.

Increasing Chinese demand for oil and gas

Central to the issue of Sino-Japanese competition for oil and gas reserves is the exponential growth in Chinese demand and the global repercussions of these increases, as well as the impact on the historically fragile relationship with Japan. The significance of reliable access to oil is highlighted by Shelley who notes that “the source and availability of energy determine industrial development, means of transportation and subsistence.” He goes on to point out that the global dependence on oil and gas “has fundamentally changed social relations within and between regions of the world.”⁸⁸ While this study will focus on the effects of Chinese demand for oil and gas specifically within the context of East Asia and

ergy Security and Japan’s foreign policy”, opening address by vice-minister for
n energy security in Asia, available at:
policy/energy/address0103.html
itics, poverty & the planet, Claremont: David Phillip, 2005, p. 1

greater Sino-Japanese relations, it is important to note the global perspective in which Chinese energy growth is occurring. In terms of energy consumption, Bustelo notes that China's "energy consumption has increased very sharply in recent years: between 2000 and 2004, consumption rose from 766 million tons of oil equivalent (Mtoe) to 1,386 Mtoe (rising from 8.4% to 13.6% of world consumption), annual growth in energy consumption averaged 16% from 2000 to 2004 –a period during which China was responsible for 54.2% of the increase in world energy consumption."⁸⁹

In examining the impact of increasing Chinese demand on perception and policy formulation in the United States, Shelley describes China as "once inconsequential to oil politics, it is on the cusp of demonisation in the US as its role in world oil markets grows."⁹⁰ In justifying this statement, Shelley quotes the testimony of former assistant secretary of defence Frank Gaffney to the House of Representatives on the implications of Chinese demand for oil:

If the Chinese economy achieves per capita energy consumption levels comparable to those of Japan...China alone would require some 70 percent of the world's current oil production. Should, on the other hand, the Chinese reach contemporary American consumption levels...the People's Republic alone would require more than the entire global production of oil. This is obviously a formula for conflict with China, and, indeed, it is not surprising that the Chinese say, primarily for internal consumption, to be sure, that a conflict with the United States is inevitable, and I think they are preparing for that.⁹¹

Beyond US perceptions that the significant increases in Chinese demand for oil are ultimately threatening, a major portion of the increases in world oil prices between 2002 and

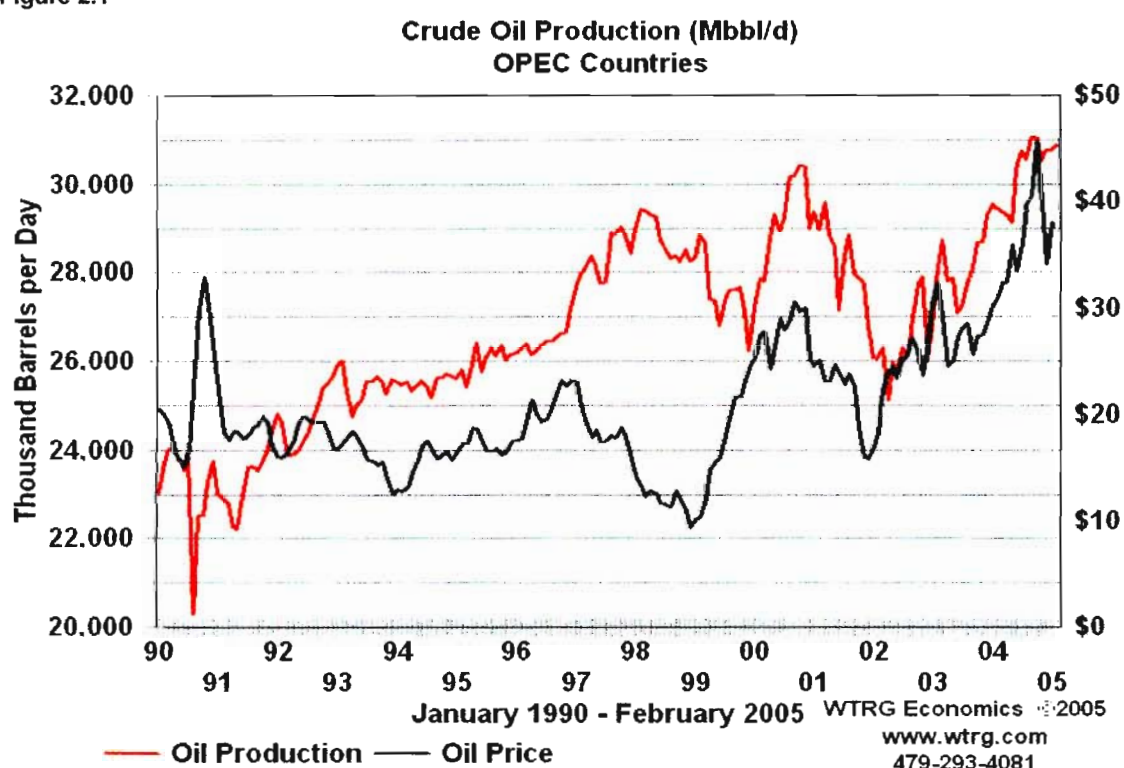
⁸⁹ Pablo Bustelo, "China and the geopolitics of oil in the Asia Pacific region", working paper 38, *Real Instituto Elcano de estudios internacionales y estrategicos*, September 2005

⁹⁰ Ibid, p. 84

⁹¹ Frank Gaffney, quoted in Toby Shelley, *Oil politics, poverty & the planet*, p. 115

2006 can be attributed to rising demand for oil in China. At the time of writing (November 2006), the market price for Brent crude oil was in the region of US\$ 57 a barrel (having come down from more than \$70pb in mid 2006), driven up by a number of supply-side concerns in Nigeria and tension over Iran's nuclear ambitions – however, the overriding factor pushing world oil prices ever higher continues to be driven by Chinese demand.

Figure 2.1



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As the figure 2.1 indicates, the period from 2002 to 2005 saw a marked increase in oil prices - a trend which continued into 2006, with the oil price breaking beyond US\$ 70 a barrel.

⁹² WTRG Economics, "Crude oil production 1990-2005", (accessed 27 March 2006), <http://www.wtrg.com/prices.html>

However, a significant aspect of the increasing trend in the oil price after 2002 is that it coincided with increases in oil production. This apparent anomaly is explained by the overall and substantial increases in Chinese demand for oil to fuel the exponential growth of its economy.

Thus in effect, Chinese demand is such that it is altering the efficacy of supply-side measures that the Organisation of Petroleum Exporting Countries (OPEC) has relied upon to manipulate world oil prices since the 1970s. Kaufmann notes that despite the increases in crude oil production of 1.2 million barrels a day (MBD) during the first half of 2005 by OPEC countries, and an increase of 0.9 MBD by non-OPEC countries, “oil prices during the first half of 2005 were nearly \$20 per barrel higher than the same period last year”.

Kaufmann continues by pointing out that “this dramatic price increase, despite increases in OPEC production, has led many including OPEC, to conclude that OPEC has lost control of oil prices, especially on the downside.”⁹³ This is all the more remarkable when considering that until the mid 1990s, China was a net oil exporter⁹⁴ and has only grown into the world’s second largest importer of crude oil (after the United States) in the decade since it became a net importer.

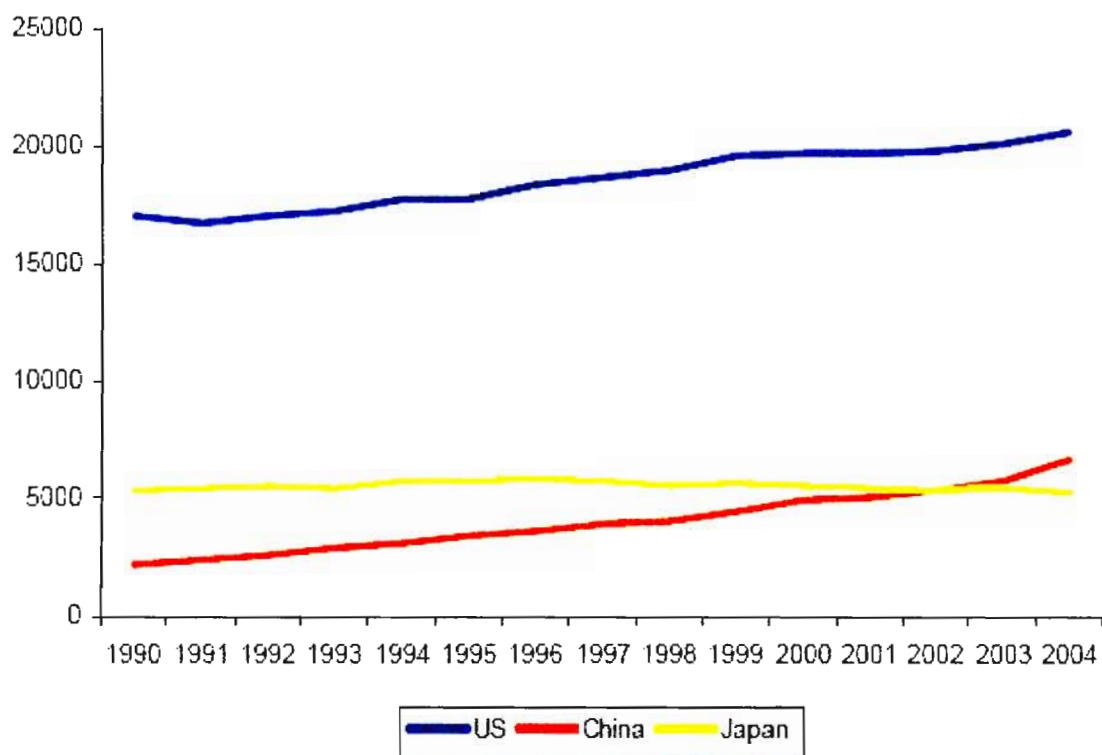
Since 2000, Chinese oil demand has grown from about four million barrels a day to six and a half million in 2005. Consequently, Chinese oil imports have swelled from a million barrels a day to about three and a half in 2005. Perhaps, the most telling statistic of all is that the net

⁹³ Robert Kaufmann, “The forecast for world oil markets”, Centre for Energy and Environmental Studies’, (accessed 14 Feb 2006), http://www.oilanalysis.org/prices/link_oil_report_9_02.pdf

⁹⁴ “The great oil hunt”, Business Week, (15 Nov 2004), issue 3908

increase in Chinese oil imports for the first five months of 2004 grew by 46 percent.⁹⁵ In meeting the needs of its fast-growing economy, Chinese oil consumption grows by seven and a half percent per year – seven times faster than the United States, with an estimated 90 percent more vehicles on the road in China in 2010 than there were in 1990.⁹⁶

Figure 2.2
Oil consumption in China, Japan and the US 1990 – 2004 (million bbl/d)



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⁹⁵ Robert Kaufmann, "The forecast for world oil markets", Centre for Energy and Environmental Studies, (accessed 14 Feb 2006), http://www.oilanalysis.org/prices/link_oil_report_9_02.pdf

⁹⁶ Gal Luft, "Fuelling the Dragon: China's race into the oil market", Institute for the Analysis of Global Security <http://www.iags.org/china.htm>

⁹⁷ Pablo Bustelo, "China and the geopolitics of oil in the Asia Pacific region", working paper 38, *Real Instituto Elcano de estudios internacionales y estrategicos*, September 2005

According to Berger, the forecasts for oil consumption in China in the period 2000 to 2020 will grow between 100 and 160 percent. However as Berger also points out, “due to the limited resources available, its (domestic) production will not increase substantially...this will increase China’s dependence on imported oil to 55 percent (or according to the maximum scenario, to 76.9 percent). This corresponds approximately to the current level of the United States’ foreign dependency (58 percent).”⁹⁸ Therefore, as Bo Lin, an energy specialist at the Asia development bank has claimed, “More than a billion Chinese are joining the oil market. How can prices go down?”⁹⁹

Thus, the prevailing trend of increasing world oil prices can be viewed generally as a direct result of increasing Chinese demand over and above more transitory factors that might cause a ‘spike’ in world oil prices. This increasing trend saw China overtake Japan as the second largest importer of oil in 2003. As Kenny describes, “The supply for this growing demand cannot be found domestically. Proven Chinese oil reserves are in decline, and constitute only 2.1 percent of global reserves. Gas reserves are in even shorter supply, constituting only 1 percent of global reserves.”¹⁰⁰ As a result, Chinese policy makers are forced to look to international sources for the vital oil and gas supplies central to that country’s economic growth. A significant aspect of this search is the exploration of the Chunxiao gas field in the disputed area near the Senkaku/Diaoyu islands. As Kenny points out, the dispute not only raises questions with regard to Chinese maritime claims but also it “highlights the ongoing

⁹⁸ Yakov Berger, “China’s energy strategy”, *Far Eastern Affairs*, volume 32, number 3, July-Sept

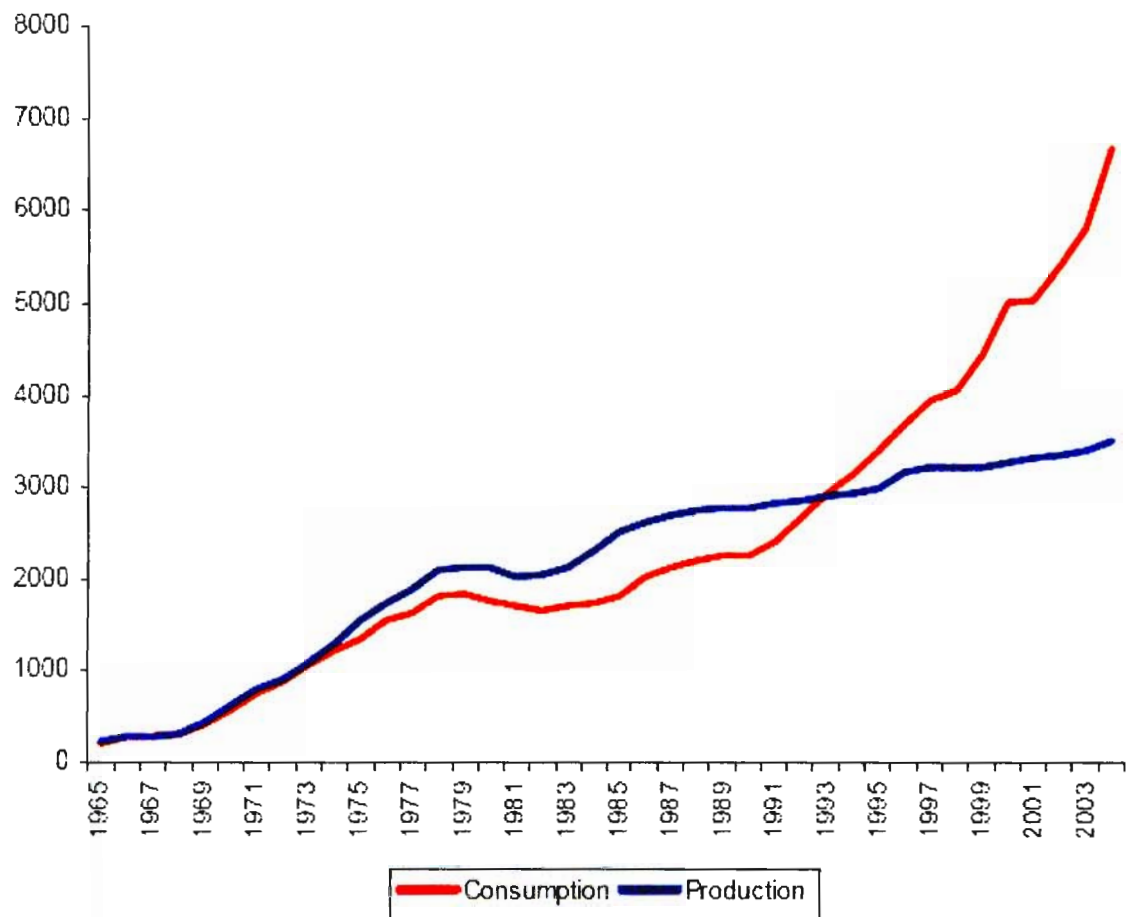
⁹⁹ Bo Lin, quoted in Matthew Forney, “China’s quest for oil”, *TIME*, (25 Oct 2004), <http://www.time.com/time/asia/magazine/article/0,13673,501041025-725174,00.html>

¹⁰⁰ Henry Kenny, “China and the competition for oil and gas in Asia”, *Asia Pacific Review*, volume 11, number 2, 2004, p. 38

Chinese search for oil and gas wherever it can be found – this despite the fact that East China Sea exploration has thus far failed to produce a large new energy supply.”¹⁰¹

Figure 2.3

Oil consumption and production in China 1965-2004 (thousand bbl/d)



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The global and regional significance of the emergence of China as a major player on the international oil market is linked with China’s relatively recent emergence as a large-scale oil

¹⁰¹ Ibid, p. 40

¹⁰² Pablo Bustelo, “China and the geopolitics of oil in the Asia Pacific region”, working paper 38, *Real Instituto Elcano de estudios internacionales y estrategicos*, September 2005

purchaser. The discovery of oil at Daqing in 1959 meant that the country was able to produce more crude than it required for decades, a fact which the government celebrated as a political victory. As Forney describes, during the Cultural Revolution the country's best known worker was Wang Jinxi who was said to have plunged into a vat of Daqing oil during freezing winter and stirred it with his body so it would continue flowing – leading legions of Red Guards to chant “study Daqing!”¹⁰³

Further discoveries of oil and gas in the South China Sea and Bohai Gulf, where drilling began in 1979¹⁰⁴ made the country appear impervious to oil shocks and remained an oil exporter well into the 1990s. However, as the output from China's top four oil fields is in decline - including the oil reserves in the Tarim basin which are considered uneconomical to drill even with oil prices above \$50 a barrel¹⁰⁵ - and the rapid economic growth sparked by Deng's economic liberalisation requiring increasing amounts of fuel to feed the economy, China is forced to hunt for greater overseas supplies for oil and gas. And at the forefront of China's greater efforts to secure energy resources from abroad is the state-owned China National Offshore Oil Corporation (CNOOC), which is responsible not only for securing oil supplies from not only the Middle East, Africa and Latin America, but also is central in the Chinese attempts to drill in the contested waters of the East and South China Seas.

Figure 2.4 illustrates China's domestic oil fields as well as the offshore fields in the East and South China Sea. It is these areas of offshore oil and gas exploration which have significant

¹⁰³ Matthew Forney, “China's quest for oil”, TIME, (25 Oct 2004), <http://www.time.com/time/asia/magazine/article/0,13673,501041025-725174,00.html>

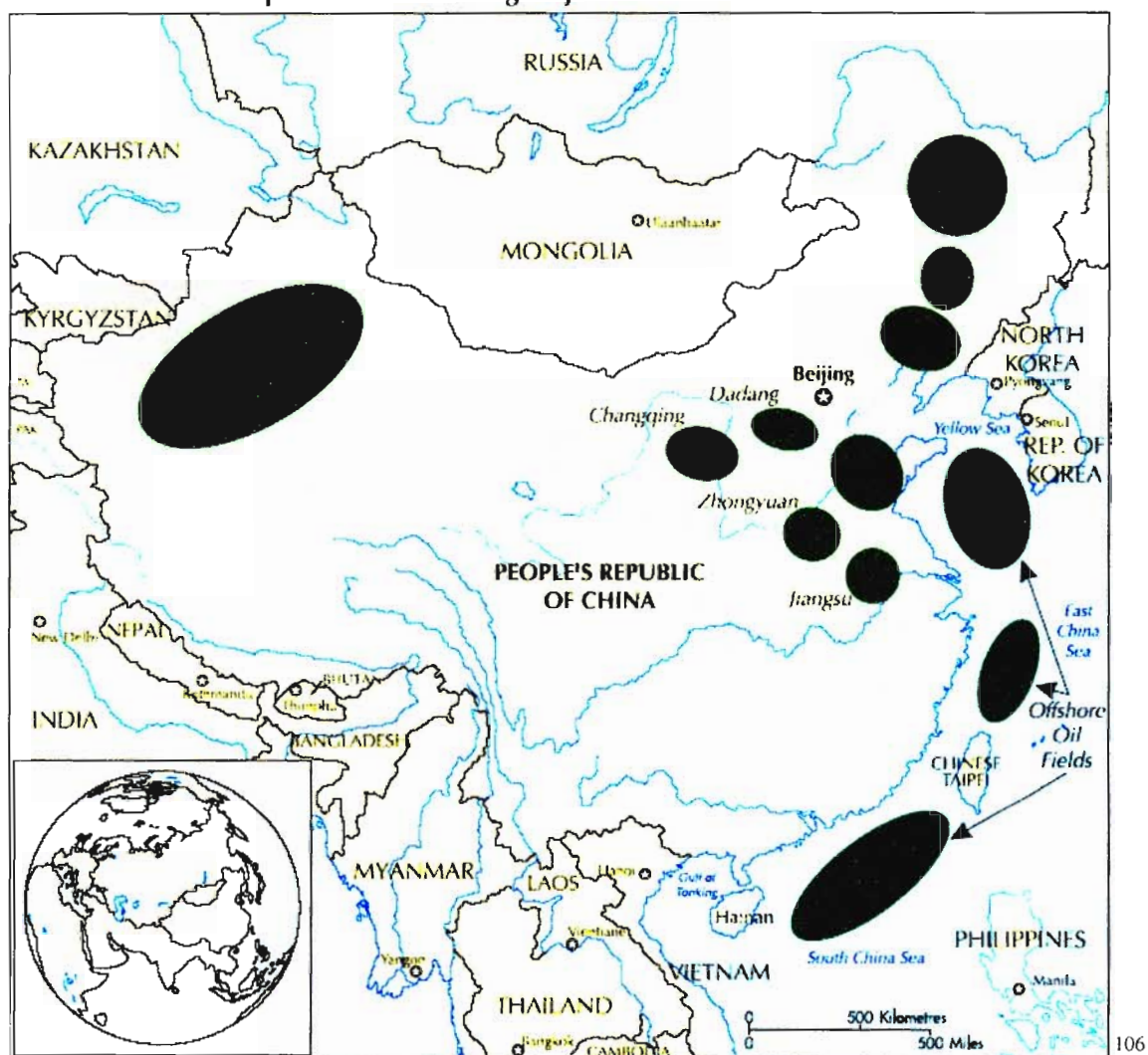
¹⁰⁴ Ibid

¹⁰⁵ Ibid

consequences for Sino-Japanese relations and general security implications for the region, as both countries scramble to secure access to these recently discovered oil and gas reserves.

Figure 2.4

Map of China Indicating Major Provinces and Oil Fields



¹⁰⁶ International Energy Agency, *China's worldwide quest for energy security*

The Financial Times compares the accelerated quest for energy security in Asia over the past two years to the panic displayed by some governments in the 1970s following the oil crisis.¹⁰⁷ In this light, the seriousness with which governments across the region – beyond China and Japan - are taking the issue of energy security makes the significance of these regional confrontations over access to the oil fields considerable.

Senkaku/Diaoyu Territorial dispute

Beyond the history of animosity and its effects on the development of nationalism that continue to colour China-Japan relations, there are a number of more realist issues that impact on the security dilemma of both states including issues of military expenditure and expansion, as well as territorial claims, focused against the backdrop of the increasingly competitive question of access to energy sources. While China has often vocalised its fears of Japanese remilitarisation and the fear that economic wealth could be turned into military might, this study will focus more on Japanese fears regarding perceptions of Chinese expansionism and the dangerous nexus of irredentism and China's access to vital regional sources of oil and gas that seem to be integral elements of the Japanese perceptions of China as a threat. As Hutchings points out, Chinese territorial claims to large areas of the South China Sea, notably the Spratly islands, have “done more than any other single issue to raise

¹⁰⁷ Financial Times, “scramble for oil: Asia's quest for energy security is understandable, yet hard”, (10 Jan 2005)

fears about Chinese expansionism in East and South East Asia.”¹⁰⁸ But the territorial claim that is most immediately concerning to Japan is the Senkaku/Diaoyu island dispute. Named Senkaku in Japanese and Diaoyu in Mandarin respectively, the islands are found on the end reaches of the chain of tiny islands that make up the Ryukyu Islands. Both countries claim the islands and as Dzurek notes, the dispute “involves 500-year-old claims and future offshore oil development. Sovereignty over the islets could affect 40,000 sq km of surrounding continental shelf.”¹⁰⁹ Indeed, ultra nationalist groups from both countries regularly use the unpopulated islets as powerful symbols in their rhetoric – even when addressing other issues.

Figure 2.5



However, when formulating an understanding of the competing rights of access to the gas fields that surround the disputed islands, both the Japanese and Chinese governments couch their arguments in terms of the position of the islands with respect to their Exclusive Economic Zones (EEZ). The United Nations Law of the Sea affords the coastal state

¹⁰⁸G. Hutchings, *Modern China, A guide to a century of change*, Cambridge Massachusetts: Harvard University Press, 2001, p. 391

¹⁰⁹ D. Dzurek, “The Senkaku/Diaoyu Islands Dispute”, (accessed 1 October 2004), <http://www.google.com/search?hl=en&q=senkaku+conflict.htm>

¹¹⁰ “Asian giants keep up war of words”, BBC News, (15 April 2005), <http://news.bbc.co.uk/2/hi/asia-pacific/4443307.stm>

“sovereign rights for the purpose of exploring and exploiting, conserving and managing natural resources.”¹¹¹ However, when two countries claim the land that forms the basis for this right or the distance between the two countries is such that their claimed EEZ areas overlap, then the issue becomes considerably more complicated. Both scenarios reflect the current situation between China and Japan.

As Fedorova explains, the origins of the Sino-Japanese dispute over the islands can be traced to a 1968 UN Economic Commission for Asia and the Far East report “that suggested the existence of one of the world’s largest oil fields on the East China Sea’s continental shelf close to the Senkaku islands.”¹¹² These uninhabited islets, while actually unmentioned in the San Francisco Peace Treaty fell within the area demarcated by the US military as including the Ryukyu archipelago which was administered by US forces until 1952, and officially returned to Japan along with Okinawa in 1972. However as Fedorova points out, “neither Taiwan, nor China, or any other states raised official protest against whatever the US Ryukyu administration or Japan was doing on the Senkaku islands up until 1970.”¹¹³

The period from 1970 onwards saw increasing claims on the islands by both Taiwan and China motivated by both fishing rights and the apparent existence of oil which, however, was not extractable at that time due to its depth within the seabed and a lack of effective drilling technology suitable to the conditions. However, it was only in the mid-1990s that the islands became a factor in the worsening of Sino-Japanese relations. Fedorova explains that Chinese

¹¹¹ United Nations Law of the Sea, Part V, article 56,
http://www.un.org/depts/los/convention_agreements/texts/unclos/closindex.htm

¹¹² Maria Fedorova, “The roots of Sino-Japanese differences over the Senkaku (diaoyudao) islands”, *Far Eastern Affairs*, volume 33, issue 1, 2005, p. 113

¹¹³ Ibid, p.114

military exercises in March 1996 intended to intimidate Taiwan caused serious apprehension in Japan, where it was felt that should China seize Taiwan by force they would attempt to grab the Senkaku islands as well – leading to the eruption of hostilities between the two states. Fedorova continues by noting that the “territorial dispute was further aggravated by the fact that while subscribing to the UN convention on the Law of the Sea in 1996, both China and Japan included the Senkaku islands in their marine economic zones.”¹¹⁴ It should be noted that Taiwan also claims the islands however, due to the disputed nature of its own legal existence as a sovereign state the predominant voices on the issue tend to be from the People’s Republic of China and Japan.

Thus, the present Sino-Japanese dispute over the Senkaku/Diaoyu islands is clearly centred on exploration of the Chunxiao oil field known to the Japanese as Shirakaba. Chinese gas exploration projects have caused the Japanese government to lodge an official protest against what it characterised as a violation of the boundaries of the Japanese economic zone¹¹⁵. As the Swedish Defence Research Agency points out in a report on the impact of expanding Chinese energy exploration on foreign and security policy, “Japan argues that it has a right to claim its share of resources of oil/gas which are found straddling the intermediate line between the economic zones of the two countries.”¹¹⁶

¹¹⁴ Ibid, p.123

¹¹⁵ The Japan Times, “China chided after starting to drill for gas”, (11 Aug 2005), <http://www.japantimes.com/cgi-bin.pl5?nn20050811a3.htm>

¹¹⁶ Ingolf Kiesow, “China’s quest for energy; impact upon foreign and security policy”, Swedish Defence Research Agency, (November 2004) available online: <http://www.foi.se/upload/english/reports/chinas-quest-foir1371.pdf>

In reference to this claim, the Yomiuri Shimbun maintained in April 2005 that Japanese Trade and Industry Minister Shoichi Nakagawa had said the government was “exercising our sovereign right” when he said it would start procedures to grant drilling rights to private firms unless China agrees to stop its development of the Chunxiao and Duanqiao gas fields along the Japan-China median line. The newspaper continues by noting that “the government has concluded that the two gas fields are linked to Japanese gas fields under the seabed, and that the Chinese are therefore sucking up a natural resource that belongs to this country.”¹¹⁷

Figure 2.6



In a similar vein, the Asahi Shimbun explained that because the border between the two countries' EEZ had never been finalised, Japan had repeatedly urged Beijing to call a halt to its exploratory activities, which had begun in the autumn of 2003. When no response had

¹¹⁷ Yomiuri Shimbun, Tokyo rattling drill bits/But will new tough line on gas fields make China blink?“, (3 April 2005), <http://www.yomiuri.co.jp/index-e.htm>

¹¹⁸ “So hard to be friends”, The Economist, (March 23 2005), http://www.economist.com/printerfriendly.cfm?story_ID=3786409

been forthcoming, the newspaper reports that in March 2005 a (ruling) Liberal Democratic Party committee presented the government with a proposal to grant test drilling rights to private companies.¹¹⁹

In attempting to solve the thorny issue of the contested oil fields, both countries have proffered different solutions. Japan has proposed a median line between both coasts, while China has continued to draw the line at the continental shelf, which as the Asahi Shimbun points out “is closer to Japan than the median line.”¹²⁰ Thus, the decision by Japan to initiate procedures to grant Japanese firms the right to conduct test drilling was in accordance with the Japanese held view that their territory extended until the median line – that is the ‘line’ that divides the area of overlapping EEZs. Yet as the China Daily asserts, “China holds that the line is determined by the Continental shelf on China’s side, over which China claims exclusive rights.”¹²¹ Thus, this move by Japan drew a quick response from the Chinese Foreign Ministry, where the China Daily quotes Ministry spokesman Qin Gang saying the move was a provocation against China’s rights and norms in international relations. He continued by saying that these actions were a “serious provocation”¹²² and that China would “retain the right to react further.”¹²³

¹¹⁹ Asahi Shimbun, “EEZ linked to China gas project”, (2 April 2005), <http://www.asahi.com/english/Herald-asahi/TKY200504020119.html>

¹²⁰ Asahi Shimbun, “Editorial: gas fields drilling rights”, (15 April 2005), <http://www.asahi.com/english/Herald-asahi/TKY200504150142.html>

¹²¹ Hu Xiao, “Koizumi calls for dialogue on oil dispute”, China Daily, 15 April 2005), http://www.chinadaily.com.cn/english/doc/2005-04/15/content_433303.htm

¹²² “Asian giants keep up war of words”, BBC News, (15 April 2005), <http://news.bbc.co.uk/2/hi/asia-pacific/4443307.stm>

¹²³ Hu Xiao, “Koizumi calls for dialogue on oil dispute”, China Daily, 15 April 2005), http://www.chinadaily.com.cn/english/doc/2005-04/15/content_433303.htm

Chinese condemnation of the decision by Japan to pursue its own exploration of the oil fields in the East China Sea continued when vice Foreign Minister Wang Yi summoned the Japanese ambassador to inform him that China would not tolerate the move. He claimed that China “firmly opposes the dangerous provocative act.”¹²⁴ The severity of this dispute was demonstrated when the Japanese Self Defense Agency included reference to it in its annual report on national defence. The areas of concern mentioned in the report centred on Chinese research activities in the waters near Japan in the context of Beijing’s new focus on modernising its military.¹²⁵

However, the contentious issue of drilling rights continued to simmer, as Japan and China conducted working level talks in Beijing in March 2006 to discuss exploration rights in the East China Sea. This meeting, the second in five months, ended without resolution as both sides rejected out of hand the other’s proposals. The conservative Yomiuri Shimbun claimed that it was “questionable, however, whether they will be able to make progress in resolving the controversy through continued talks.”¹²⁶ This is because China continues to reject Japanese demands to stop drilling in areas that fall on the Japanese side of the median line – namely because China believes that the continental shelf falls within the coastal waters of a continental power and, as such, ignores any Japanese proposals with regard to the median line. The more moderate Asahi Shimbun’s editorial response to the deadlock was to

¹²⁴ Ingolf Kiesow, “China’s quest for energy; impact upon foreign and security policy”, Swedish Defence Research Agency, (November 2004) available online: <http://www.foi.se/upload/english/reports/chinas-quest-foir1371.pdf>

¹²⁵ *Ibid*

¹²⁶ “China pouring trouble on gas rich waters”, Yomiuri Shimbun, (8 March 2006), <http://yomiuri.co.jp/dy/editorial/20060308TDY04004.htm>

conclude that “if the two nations cannot agree on how to draw the line, they might as well put that business aside and go ahead with joint exploration.”¹²⁷

However, the issue of joint exploration of the oil and gas fields appears just as contentious because both sides reject joint exploration of areas that they consider well within their own sovereign territory – and thus the conflict continues. For example, a Chinese proposal to jointly drill in the waters immediately surrounding the Senkaku/Diaoyu islands was rejected by Japan because the islands are under its control and considered non-negotiable. Japanese Chief Cabinet Secretary Shinzo Abe noted that “the proposal was not something that we can accept.”¹²⁸

Despite the high level of governmental dialogue surrounding the issue of drilling rights as they relate to territorial dispute, the issue continues to have significance for the security formulations within the region. The Yomiuri Shimbun reports that the ruling Liberal Democratic Party intends to submit a bill to the Diet designed to ensure the safety of Japanese dispatched to prospect for natural gas in the disputed waters of the East China Sea, while the Democratic Party presented a bill aimed at defending Japan’s maritime interests. The newspaper concludes that “demonstrating Japan’s determination to protect its sovereignty and interests would cause China to reconsider behaving in a manner that violates international rules.”¹²⁹

¹²⁷ Asahi Shimbun, “Editorial: gas field dispute”, (10 March 2006), <http://www.asahi.com/english/Herald-asahi/TKY200603110131.html>

¹²⁸ Ibid

¹²⁹ “China pouring trouble on gas rich waters”, Yomiuri Shimbun, (8 March 2006), <http://yomiuri.co.jp/dy/editorial/20060308TDY04004.htm>

Another gas field became an area of tension between the two states in April 2006 when China reportedly banned all shipping in areas surrounding its Pinghu gas fields until September.¹³⁰ China is extracting the natural gas from an area beyond the extent of Japan's claimed EEZ; however, the gas field is believed to extend well into the area claimed by Japan. The largely unknown size and dimension of the gas field further complicates the diplomacy, as it unclear to what extent the field extends across the Japanese proposed median line, and what effect Chinese drilling might have on any future Japanese attempts to extract gas from the same field. The ban is thought to allow for Chinese workers to expand piping in the area, despite Japanese requests that no drilling takes place until an agreement is reached between the two countries over access to the field.

Figure 2.7



In the eyes of the Japanese, this event, while included with territorial disputes such as the Senkaku islands and continuing disagreement with China over the Chunxiao fields, raised the spectre of increasing Chinese power projection in the East China Sea. For a trading state such as Japan, any threat to shipping lanes in whatever form it takes is a major threat which

¹³⁰ Chris Hogg, "New Japan-China spat over gas", BBC News (17 April 2006), <http://news.bbc.co.uk/2/hi/asia-pacific/4915178.stm>

¹³¹ Ibid

is considered central to its national security. Thus, in describing the nature of Sino-Japanese relations following both the unsuccessful attempts to resolve the gas and oil field disputes and the controversies of the Yasukuni shrine, the BBC noted that relations between Japan and China had plummeted in 2006 to their lowest point in decades.¹³²

Thus, in 2006 Sino-Japanese relations appear to be delicately balanced over the issue of energy supplies, formulated in terms of historically based mistrust of each others intentions and driven by mutual anxieties. On the one hand is China's increasing need to access oil and gas to fuel its growing economy; and on the other hand are Japan's twin fears of an expansionist Chinese threat to both the vital shipping arteries upon which that country relies and to its own need for secure energy resources in an environment of spiralling oil prices.

However, as Hilton notes, the jostling for predominance by China and Japan is inherently paradoxical because the levels of mutual economic dependence that characterise their relationship are far more extensive than at any time in history. If one were to add the US into the mix, the relationship becomes even more complicated: China relies on the American market to feed its export-led economy; the "US is dependent on Beijing continuing to buy and hold Washington's mounting foreign debt",¹³³ and the US has maintained a strong allied relationship both economically and militarily with Japan since the end of the Second World War. Therefore, Hilton concludes, that a "Major conflict would be serious for all three." Yet

¹³² Daniel Griffiths, "China, Japan in high level talks", BBC News, (23 May 2006), <http://news.bbc.co.uk/1/hi/world/asia-pacific/5008470.stm>

¹³³ Isabel Hilton, "When the safety valve blows", The Guardian, (April 15 2005), <http://www.guardian.co.uk/china/story/0,7369,1460366,00.html>

the nagging tensions over energy competition in the region continue to provide compelling scenarios in which escalating conflict between the two powers can be envisaged.

Energy Competition – military dimensions

Energy competition between the two states has assumed militaristic dimensions in the past two years. Bajpae describes several incursions by Chinese ships and submarines into Japanese territorial waters, including an incident in November 2004 when a Chinese submarine was pursued by Japanese ships for two days across the East China Sea. Bajpae notes that

While China offered a swift apology for the incursion, this was soon followed by the intrusion of a Chinese research vessel into Japanese waters near the island of Okinotori. The vessel is believed to have been surveying the seabed for oil and gas drilling purposes. This was the 34th maritime research exercise by Chinese vessels within Japan's EEZ in 2004, up from eight in 2003.¹³⁴

The increasing tension between the two states in the East China Sea must also be viewed in terms of the re-emergence of an assertive Japan, embodied by the Koizumi style of leadership. As the Economist states, "Koizumi has sought throughout his tenure to test Japan's pacifist limits."¹³⁵ Thus, in the context of the Sino-Japanese territorial and energy competition that is occurring in the East China Sea, the Economist describes a significant

¹³⁴ Chietigji Bajpae, "Setting the stage for a new cold war: china's quest for energy security", The Power and Interest News Report, (25 Feb 2005), http://www.pinr.com/report.php?ac=view_report&report_id=272

¹³⁵ The Economist, "From pacifism to populism – Japan's foreign policy", (10 July 2004), volume 327, issue 8383

incident that occurred in December 2001 when the Japanese Coast Guard pursued, engaged in a gun battle, and eventually sank a North Korean spy ship that had entered its EEZ but, however, not into Japan's more narrowly defined territorial waters. The Economist continues by pointing out, "the incident highlighted Japan's changing attitude towards its armed forces."¹³⁶ Indeed, a more assertive Japanese foreign policy and readiness to use its armed forces makes the nature of Sino-Japanese rivalry over territory and energy resources in the East China Sea increasingly more significant to greater regional security. Thus, when considering the failure of China and Japan to reach agreement over exploration rights to energy reserves and the longstanding issue of the Yasukuni shrine, the relationship, arguably, could be considered to be at its lowest point since the two states normalised relations in 1972. Further, Deans points out that "there has been a remarkable growth of pro-Taiwan sentiment in Japan. There is not one pro-China figure in the Koizumi cabinet."¹³⁷ Consequently, the perception of a China threat is more likely to be encouraged in a political environment where key players such as Defence Agency chief General Yoshinori Ono are believed to be ardent militarists.

According to some analysts such as Chalmers Johnson, Japanese remilitarisation has been occurring despite the constitutional restraint of Article Nine, which prohibits the Japanese state from offensive military capacity. Johnson notes that because of widespread fears of Japanese rearmament in the region, notably in China, "the Japanese government has launched a stealth program of incremental rearmament. Since 1992, it has enacted 21 major pieces of

¹³⁶ Ibid

¹³⁷ Phil Deans, quoted in Chalmers Johnson "No Longer the 'Lone Superpower': coming to terms with China", Japan Policy Research Institute, working paper no. 105 (March 2005), http://www.jpri.org/publications/working_papers/wp105.html p.3

security-related legislation, nine in 2004 alone.”¹³⁸ He continues by pointing out that this impetus towards ‘normalisation’ of the military includes an expanding military budget, legitimising and legalising the sending of troops abroad, joining the American missile defence program, and a growing acceptance of military solutions to international problems. Prime Minister Koizumi’s decision to send a contingent of Japanese troops to Iraq in 2003 was seen by many as an indication of how the Koizumi administration wished to make Japan a key player on the international stage and one that would ultimately sound the death knell for the constitutionally-bound pacifist Japan.

Beyond the issue of energy competition and security, Japanese concerns over an emerging China as an expansionist hegemonic superpower takes two forms: the first is based on concerns that, ultimately, China’s economic growth would erode Japanese export markets; and the second (as Jiang notes) relates to China filling the power vacuum in Southeast Asia that was left following both the downsizing of US forces and the almost complete withdrawal of Russian forces in the early 1990s.¹³⁹ Integral to this form of threat assessment, are the issues of Taiwan and the growth of Chinese military expenditure. Chinese bullying of what it considers a renegade province has long been an area of tension in the region and recent Japanese statements in conjunction with its US ally that Taiwan is a ‘mutual security concern’ is telling. This statement in April 2005 as the *Economist* notes, “took Japan a step further past its constitutional restrictions on military action,”¹⁴⁰ and was perhaps the first

¹³⁸ Chalmers Johnson “No Longer the ‘Lone Superpower’: coming to terms with China”, Japan Policy Research Institute, working paper no. 105 (March 2005), http://www.jpri.org/publications/working_papers/wp105.html p.3

¹³⁹ Wenrang Jiang, “The Japanese Assessment of the ‘China Threat’”, in Yee and Story (Eds), *The China Threat: Perceptions Myths and Reality*, p. 155

¹⁴⁰ “So hard to be friends”, *The Economist*, (March 23 2005), http://www.economist.com/printerfriendly.cfm?story_ID=3786409

flickering of a resurgent Japanese assertiveness in foreign policy and indicates a movement away from the constrictions of Article Nine. It also highlighted the overall perception of China that had been defined by Japan's National Defence Programme Outline as a source of 'concern' for Japan.¹⁴¹

Japanese moves to align itself clearly with the US in defence of Taiwan against any hostile moves by mainland China follows the announcement of an 'anti-secession' bill by the People's Republic of China in March 2005 that outlines the legal steps required before China would take action against Taiwan. PRC legislator Wang Zhaoguo was quoted as saying: "so long as there is a glimmer of hope for peaceful reunification, we will exert our utmost to make it happen rather than give it up." However, he added that, "no sovereign state can tolerate secession, and every sovereign state has the right to use necessary means to defend its sovereignty and territorial integrity."¹⁴² Significantly, China's efforts to increase its defence capabilities include Taiwan within its defence perimeter. Thus, the mutual perceptions of mistrust between China and Japan have been further strained through opposing positions on the issue of Taiwan, and are set against the backdrop of increasing Chinese military expenditure. Indeed, a May 2006 Pentagon report on Chinese military expansion in East Asia noted that "the pace and scope of China's military build-up already place regional military balances at risk."¹⁴³

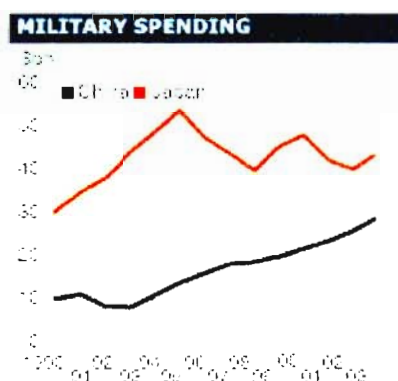
¹⁴¹ Ibid

¹⁴² BBC News, "China unveils controversial law", (8 March 2005), <http://news.bbc.co.uk/2/hi/asia-pacific/4327997.stm>

¹⁴³ BBC News, "US warns against Chinese build-up", (23 May 2006), <http://news.bbc.co.uk/1/hi/asia-pacific/5010632.stm>

When attempting to understand modern Sino-Japanese relations in terms of mutual perceptions of threat, and founded on an understanding of security dilemma, the modernization of China's military is a key element. Recent announcements that China has increased its defence budget by more than 12 percent to close to 30 billion dollars,¹⁴⁴ a figure that The *Economist* notes is believed in Japan to understate true spending by 30-50 percent¹⁴⁵ appears to be matched by moves in Japan to construct a Theatre Missile Defence Program in conjunction with the US and to continue lobbying the European Union not to lift its arms embargo on China that was put in place in 1989 following the crackdown on demonstrators in Tiananmen Square.

Figure 2.8



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However, despite rapid increases in Chinese defence expenditure, it should be noted that Japan is one of the world's biggest spenders on defence. The Stockholm International Peace Institute (SIPRI), which tracks international military spending and arms procurement, notes

¹⁴⁴ BBC News, "China to boost military spending", (4 March 2005), <http://news.bbc.co.uk/2/hi/asia-pacific/4317211.stm>

¹⁴⁵ "So hard to be friends", The Economist, (March 23 2005), http://www.economist.com/printerfriendly.cfm?story_ID=3786409

¹⁴⁶ "Strategic Balance", BBC News, http://news.bbc.co.uk/1/shared/spl/hi/asia-pacific/05/china_japan/html/economic_competition.stm

that for 2003 Japan was second only to the US in terms of real dollars spent on defence.¹⁴⁷

This is because while the Japanese constitution limits military spending to one percent of GNP, the total size of Japan's economy means that in absolute terms it has one of the world's largest defence budgets. However, it must be noted that up to 11 percent¹⁴⁸ of this money goes to paying for the continued presence and support of approximately 50 000 US troops in Okinawa and other bases around the country. As Neary notes, Japan's armed forces are comparable to many European countries, but are small when compared with its Asian neighbours and are ultimately constrained by Article Nine.¹⁴⁹ The combined Air, Marine and Ground Self Defence forces numbered 240 000 personnel in 2003 with over 500 aircraft and 160 surface ships and submarines.¹⁵⁰ Dependence on the US is highlighted by the fact that Japan lacks long-range bombers, aircraft carriers and nuclear submarines and so in terms of its constitutional restriction cannot project power beyond its borders.

Despite increased Chinese defence expenditure, Gill claims that Beijing continues to send mixed diplomatic signals, on the one hand flexing its military muscles with manoeuvres intended to intimidate Taiwan; and at the same time reducing the overall size of the PLA and making peaceful overtures to most of its neighbours. However, in terms of what he describes as 'sources of concern' which contribute to the perception of a China threat, he notes that: "with economic modernization as the number one priority of China's grand strategy, (has come) an increased concern with the stability and protection of coastal, offshore, and sea-

¹⁴⁷ "The Major Spenders in 2003", Stockholm International Peace Institute, (accessed 31 May 2005), http://www.sipri.org/contents/milap/milex/mex_major_spenders.pdf

¹⁴⁸ Ian Neary, *The State and Politics in Japan*, Cambridge: Polity Press, 2002, p. 171

¹⁴⁹ Ibid

¹⁵⁰ Hook, Gilson, Hughes & Dobson, *Japan's International Relations – politics, economics and security*, New York: Routledge, 2005, pp. 12-13

based material resources, communications routes and trade access.” This is compounded by what Gill points out is a growing recognition that likely threats and security concerns to China will emanate from the east - Japan, South Korea and US forces in the Pacific.¹⁵¹ Thus, the increasing levels of tension in the region can be understood in terms of security dilemma built upon the considerable foundation of historical mistrust and the extent to which economic considerations drive territorial disputes - most notably the issue of energy resources.

As a result, the political events that are unfolding in Japan now can be seen as the culmination of a process of moving beyond what are perceived as the constraints of history to embrace what Ohta Hiroshi describes as a more “muscular” foreign policy.¹⁵² As Hiroshi also notes, the desire to ‘normalise’ Japan’s position on the world stage has many supporters across the political spectrum. In this way, the drive for normalisation and a greater international role for Japan can be seen to be interacting with realist perceptions of threat and what many consider as the fundamental security requirements of the twenty first century.

Ultimately, the debate in Japan with regard to constitutional change and the resulting remilitarisation reflects the national question in that country – namely what future role will Japan play in the region, and how will the rise of China affect Japan’s position in a post cold war world. This debate about how the country should position itself for the twenty first century is sensitive and divisive because reform and especially rearmament requires what

¹⁵¹ Bates Gill, “Chinese military modernization and arms proliferation in the Asia-Pacific”, in Pollack and Yang (eds), *In China’s shadow regional perspectives on Chinese foreign policy and military development*, RAND, 1998

¹⁵² Ohta Hiroshi, “Japanese Environmental Foreign Policy”, in Takashi and Jain (Eds), *Japanese Foreign Policy Today*, New York: Palgrave, 2000, p.106

amounts to a sea-change in terms of the essential national characteristics that have defined Japan since the end of the Second World War. Thus, despite the pacifist ethos that has characterised Japan for the past sixty years, the global energy imperatives that now face the country are forcing a reappraisal of this ethos, and the desire to maintain relevance in the global arena is driving this process. In this light, legislators face the challenge of formulating Japan's position on the world stage and thereby balancing the complex dynamics of more assertive national objectives with the pacifist norms that, while being somewhat eroded, still hold considerable sway amongst the electorate.

Consequently, talk about rearmament in Japan is essentially the first step in a long-term vision of the country operating outside of the shadow of US influence and umbrella military protection. The questions remain as to whether or not Japan will become an eventual balancer of Chinese power in the region, as well as to what extent the Japanese economy can transform itself and remain globally competitive following a decade of stagnation.

Accordingly, any attempt to forecast the dynamics of East-Asian interaction after Japan has normalised its military is dependent on the manner in which such reform takes place, especially in the light of Sino-Japanese tensions, and the extent to which the much-touted UN reform would allow Japan to assume a more significant role in global affairs. However, the prospects of a more assertive Japan eager to defend its position and improve its status could place further strain on a region already beset by tensions in the Taiwan straits and North Korea. Thus, any vision of a rearmed Japan would have to be tempered by its history in the region and the present balance of power.

Therefore, the factors that influence and constitute Sino-Japanese relations are multifaceted and the forces pushing the two states together often appear as powerful as the dynamics driving them further apart. As Nish noted, “the relationship between China and Japan is a many-layered cake, impossible to eat all at once”¹⁵³ and, as such, the regional security consequences of deteriorating Sino-Japanese relations must be addressed. Thus, the question of Chinese expansion into the South China Sea in the context of both countries’ mutual energy concerns and Japan’s overall view of the threatening nature of these actions due to Japan’s geographic dependence on free trade routes - focused against an emboldened Japanese military, makes the evaluation of Sino-Japanese relations into the future central to an understanding of the security considerations in the region.

¹⁵³ Ian Nish, “An Overview of Relations Between China and Japan, 1895-1945” in Christopher Howe (Ed), *China and Japan-History Trends and Prospects*, p. 23

Chapter Three

Irredentism and Security Concerns in the South China Sea

The complicated dynamics of Sino-Japanese relations in the post-cold war era, where competition for control and access to energy resources plays a role in determining mutual policy formulation and regional engagement has considerable security implications for the region. Accordingly, when considering Chinese expansionist moves in the South China Sea, driven by that country's growing thirst for oil, a number of significant issues with regard to Sino-Japanese relations emerge. Principal amongst those are factors that could see energy competition not only being central to future conflict in the region but also could influence the trajectory of other relations such as Japanese concerns over secure sea routes and Chinese militarization (as a consequence of its energy policy) of the South China Sea - including Chinese influence over the strategically significant Straits of Malacca. In this light, the near-total dependence of Japan on imported oil supplies increases the significance of events in the South China Sea as well as raises questions about strategic oil supplies and the ability of Japan to withstand a 1970s-style oil shock. Against this background, where unrestricted access to oil can be seen as central to both countries' national interests, the extent of Chinese military modernisation and Japanese re-militarization must be examined.

In assessing the likelihood of conflict in the region arising from energy concerns and exacerbated by Chinese expansionist moves, Herberg notes,

China's increasingly mercantilist strategy to assert control of oil and natural gas supplies and transport routes risks fueling tensions and conflict in a region where the lack of regional institutions to manage conflict is already a major problem and a region which is facing a sensitive transition to accommodate China's rising power over the next two decades. Energy competition is beginning to seriously aggravate existing and, in some cases, deepening rivalries between China and her neighbors.¹⁵⁴

Chinese expansionist moves in the South China Sea have invariably been driven by the availability of energy resources and subsequently defended in terms of a re-assertion of sovereignty. However, as Kenny explains, the biggest problem for China "is that nearly all the significant oil and gas found to date in the South China Sea is off the continental shelf of the Riparian nations."¹⁵⁵ This means that almost every Chinese claim in the South China Sea is contested by another country, and generally increases the variables when considering the role of energy competition as a catalyst for possible conflict in the region.

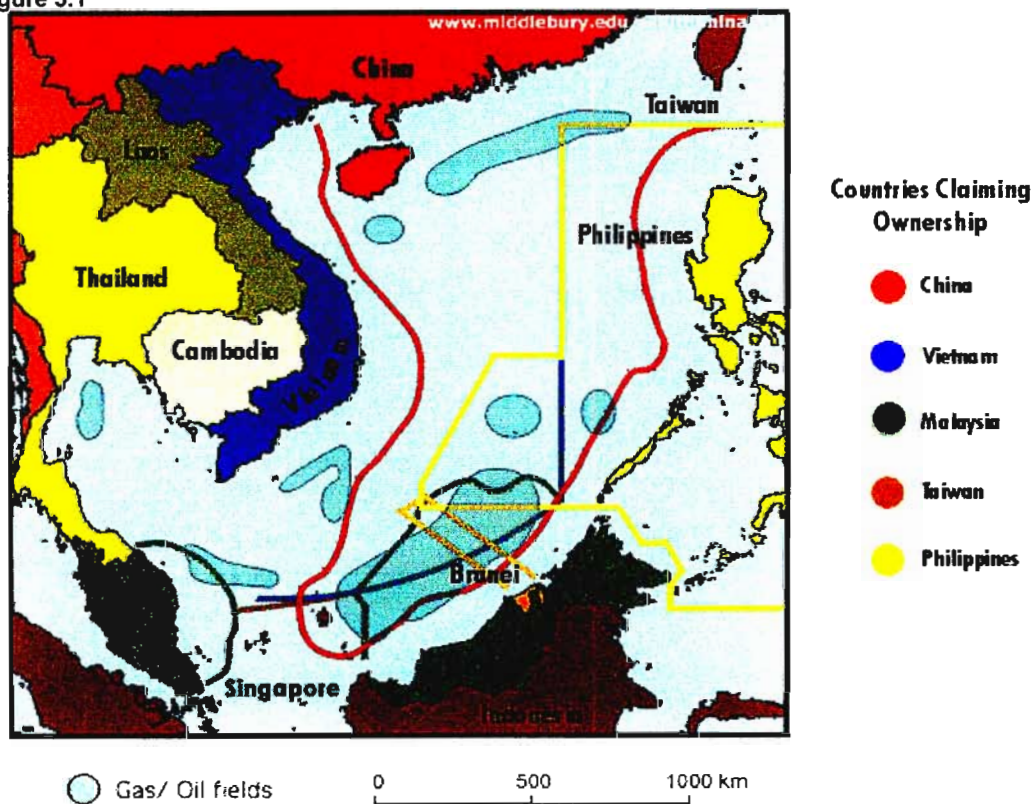
As the Swedish Defence Research Agency describes, the history of maritime dispute in the South China Sea dates back to 1968 when the same UN report that stated the possibility of oil fields surrounding the Senakaku islands revealed possible oil deposits in the South China Sea – most notably in the Spratly islands where oil was discovered in 1976. In 2006 however, "up to 65 islets, reefs and rocks in the South China Sea are occupied by military troops flying

¹⁵⁴ M. Herberg, "China's energy situation and the implications for Asia and the US", *Testimony before the Senate committee on foreign relations*, US Senate, 7 June 2005

¹⁵⁵ Henry Kenny, "China and the competition for oil and gas in Asia", *Asia Pacific Review*, volume 11, number 2, 2004, p 40

various national flags.” Further, the Agency describes how changes in international law and the emergence of the principle of economic zones gave “China a new opportunity to lay claim to vast areas of the South China Sea. The urge to do so was reinforced by the fact that China’s energy needs began to outgrow what could possibly be produced on the Chinese mainland.”¹⁵⁶

Figure 3.1



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In cementing its claims across the region, the Chinese government passed a ‘Law on the Territorial Sea and the Contiguous Zone’ in 1992, which as Roy describes, “claimed nearly

¹⁵⁶ Ingolf Kiesow, “China’s quest for energy; impact upon foreign and security policy”, Swedish Defence Research Agency, (November 2004) available online: <http://www.foi.se/upload/english/reports/chinas-quest-foir1371.pdf>

¹⁵⁷ “South China Sea oil claims”, available at <http://community.middlebury.edu/~scs/maps/oilclaims.gif>

the entire South China Sea as territorial waters.”¹⁵⁸ According to this law, what China defined as its territorial waters was extended from 37 000 square kilometres to 2.8 million square kilometres,¹⁵⁹ including the Paracel and Spratly islands and a considerable area of the South China Sea that included the majority of its oil and gas fields.

These claims, while clearly motivated by the oil reserves that the area contained, were couched by the Chinese in terms of a re-exertion of sovereignty on territory that had always been theirs. As Roy notes, “for Beijing, the South China Sea islands issue inevitably falls into the context of the ‘Century of Shame’. The Chinese Communist Party has publicly adopted the line that Chinese ownership of the islands dates from ancient times... The issue is thus, interpreted as another case of opportunistic foreigners exploiting China’s weakness to commit violations of Chinese sovereignty.”¹⁶⁰ Weaknesses which an increasingly powerful China seem determined to relegate to history as they continue to exert greater influence globally and in the region - driven by a single-minded pursuit of policies aimed at securing all energy resources within its growing sphere of influence.

However, beyond the rhetoric, Chinese claims to islands such as the Spratlys and Paracels have resulted in increased militarization and tension across the region, most notably with the Philippines regarding a partly submerged feature of the Spratly Islands known appropriately as Mischief Reef which is only 135 nautical miles from the Philippine province of Palawan –

¹⁵⁸ Denny Roy, “Restructuring foreign and defence policy: the People’s Republic of China”, in McGrew & Brook (eds), *Asia-Pacific in the New World Order*, New York: Routledge, 2003, p. 147

¹⁵⁹ Ingolf Kiesow, “China’s quest for energy; impact upon foreign and security policy”, Swedish Defence Research Agency, (November 2004) available online: <http://www.foi.se/upload/english/reports/chinas-quest-foir1371.pdf>

¹⁶⁰ Denny Roy, “Restructuring foreign and defence policy: the People’s Republic of China”, in McGrew & Brook (eds), *Asia-Pacific in the New World Order*, New York: Routledge, 2003, p. 147

well within the Philippine's EEZ. Pablo-Baviera describes how an increasing Chinese presence on the reef throughout the 1990s led to military structures being put up, and Philippine fishermen detained by the Chinese navy.¹⁶¹ These Chinese actions highlight what Stenseth describes as the commonly held fear across the region regarding China's slow 'naval march' down the South China Sea. Stenseth points out that

The Philippines now fears that China will use the reef as a staging base for expansion towards the potentially oil-rich Reed Bank...these features may then in turn be used as a quasi-legal basis for claiming EEZs. If turned into military outposts, they could be used as staging bases for launching military attacks on islands occupied by other claimants.¹⁶²

Figure 3.2



Thus, China's increasing thirst for oil is having far-reaching security consequences in the South China Sea and beyond with increasing militarization of the region. In describing the Spratly Islands, Bajpae notes that "five states have permanent military garrisons on the

¹⁶¹ Aileen San Pablo-Baviera, "Perceptions of a China Threat: A Philippine perspective", in *The China Threat: Perceptions, Myths and Reality*, Yee & Storey (eds), London: RoutledgeCurzon, 2002, p.248

¹⁶² Leni Stenseth, "The imagined China Threat in the South China Sea", Centre for Development and the Environment, *University of Oslo*

¹⁶³ Asia Times, "Spratly Islands", <http://www.atimes.com/atimes/China/images/spratly-islands.gif>

atolls in addition to surveillance facilities under the guise of ‘bird watching towers’, weather huts and tourist facilities.”¹⁶⁴ Bajpae continues by noting that

these regional and territorial disputes have the potential to escalate into international conflicts, given the importance of the waterways to international trade and the number of bilateral security commitments between regional states and major world powers, such as between the US and the Philippines, Singapore and Thailand...For example, following the Chinese occupation of Mischief Reef in February 1995... the United States conducted naval exercises with the Philippines close to the disputed territory. The joint exercises may be regarded as a warning to China’s increasingly aggressive posturing in the region.¹⁶⁵

However, from the Chinese point of view, energy security is intimately linked with the country’s national interests, and as such expanding Chinese influence in the South China Sea is a priority. As Danreuther notes, “for a developing and energy importing country like China, a rise in the price of energy or a disruption of energy supply can have a significant detrimental impact... It is quite natural, therefore, that an energy importing country, particularly one pursuing a fast process of economic development, should devise an effective energy security policy.”¹⁶⁶ Thus, while China’s actions with regard to its territorial claims in both the East and South China Seas can be understood in terms of a formulation of energy security, the protection of, and power projection over, vital import routes becomes an integral aspect of a country’s energy security framework.

¹⁶⁴ Chietigji Bajpae, “Setting the stage for a new cold war: china’s quest for energy security”, The Power and Interest News Report, (25 Feb 2005), http://www.pinr.com/report.php?ac=view_report&report_id=272

¹⁶⁵ Ibid

¹⁶⁶ Roland Danreuther, “Asian security and China’s energy needs”, *International Relations of the Asia Pacific*, volume 3, 2003, p.200

The United Nations Development Program (UNDP) defines energy security as “the availability of energy at all times in various forms in sufficient quantities and at affordable prices.”¹⁶⁷ Yet beyond this, the countries of East Asia, which rely heavily on imported oil would include secure import routes into that definition. As Fesharaki asserts, “energy security concerns have always been central to geopolitical interests. Throughout history, the effort to secure access to energy sources and ensure adequate transport routes has demanded technological, commercial, diplomatic and military agility.”¹⁶⁸ May emphasizes this by noting that for the countries of East Asia “the main source of insecurity connected with energy use will be the anticipation, on the part of countries partially or wholly dependent on imports of fuels and energy technologies, of developments that would interfere with either energy-related imports or the exports needed to pay for them.”¹⁶⁹

Thus, China’s moves to defend and ensure its own influence over the South China Sea can be understood in terms of classic *security dilemma* as causing considerable anxiety amongst other regional powers – notably Japan whose national security is intimately linked with open trade routes. Indeed, Japan’s reliance on petroleum imports is far greater than China’s, and as such the maintenance of open sea lanes through the South China Sea is central to that country’s security formulations.

¹⁶⁷ United Nations Development Program (2000), *World energy Assessment*, New York: UNDP

¹⁶⁸ Fereidun Fesharaki, “Energy and the Asian Security Nexus”, *Journal of International Affairs*, volume 53, no. 1, 1999

¹⁶⁹ Michael May, “Energy and Security in Asia”, Asia Pacific Research Centre, Stanford University (1998), <http://iis-db.stanford.edu/pubs/10043/mayfront.pm.pdf>

South China Sea and the security of trade routes

When considering the importance of the South China Sea in the context of regional security and the extent to which Chinese resource-driven expansion has influenced Sino-Japanese relations the question of open trade routes is paramount. As Wiencek points out, it is estimated that nearly half the world's shipping – in terms of tonnage – passes through the South China Sea each year, as well as 75 percent of Japan's oil passes through these sea lanes.¹⁷⁰ Wiencek continues by noting that China has linked its island occupations with a strategy and force build-up that is designed to project power to the furthest reaches of the South China Sea, "Beijing is thus positioning itself to exert control – in time – over the region's vital sea lanes and airspace."¹⁷¹ Central to this objective is guaranteeing the security of the sea-lines of communication (SLOCs) in the South East Asian seas and the Indian Ocean.

This process was begun with the Chinese ratification of the United Nations Convention on the Law of the Sea in 1996 when it stated that it would feel free to request "a foreign state to obtain advance approval from or to give prior notice to...(China).. for the passage of warships through the territorial sea."¹⁷² The significance of this statement is accentuated when considering that virtually the entire South China Sea is claimed by China and the occupation of islands creates the scenario whereby the whole area is perceived in Beijing to

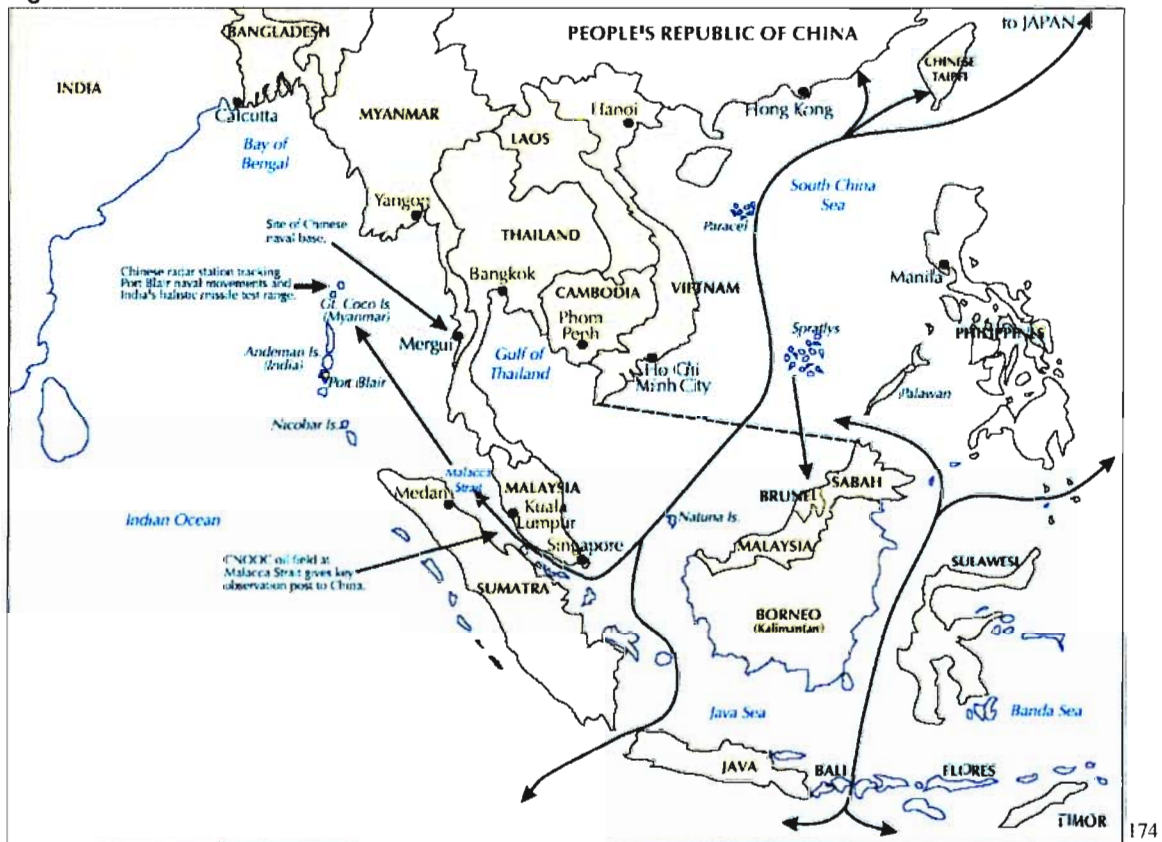
¹⁷⁰ David Wiencek, "South China Sea Flashpoint", *china Brief*, volume 1, issue 2, 2001, available at http://www.jamestown.org/print_friendly.php?volume_id=17&issue_id=630&article_id=4558

¹⁷¹ Ibid

¹⁷² Ingolf Kiesow, "China's quest for energy; impact upon foreign and security policy", Swedish Defence Research Agency, (November 2004) available online: <http://www.foi.se/upload/english/reports/chinas-quest-foir1371.pdf>

be Chinese territorial waters. The Swedish Defence Research Agency points out that China already has two military zones in force in which ships may only enter with permission. “In the United States, Japan and other nations surrounding the South China Sea, these regulations are seen as a harbinger of possible future threats to free navigation in the region.”¹⁷³

Figure 3.2



As figure 3.2 indicates, the sea routes of the South China Sea are notable for the narrow ‘choke-points’ between Sumatra and Java (the Sunda Strait), and the Strait of Malacca, through which all ships must pass when travelling between the Indian Ocean and the South

¹⁷³ Ibid

¹⁷⁴ International Energy Agency, *China's worldwide quest for energy security*

China Sea. Yet with regard to Chinese power projection across the region, the International Energy Agency, which produced the map, indicates the position of a Chinese naval base at Mergui in Myanmar, as well as an observation post in the narrow Malacca strait and a radar station on a Myanmar-owned Coco island in the Andaman Sea. These positions, when combined with a Chinese military presence on the Spratly and Paracel islands and sweeping territorial claims across the South China Sea clearly point to the extent of emerging Chinese power projection across the region.

As Kenny describes, a major concern for China is that the vast majority of its external oil and gas flows will have to transit the narrow chokepoint of the Strait of Malacca – of which nearly two-thirds of the tonnage via Malacca is crude. Similarly, almost 80 percent of the oil imports of Japan, South Korea, and Taiwan go through the same route.¹⁷⁵ The 800 kilometre long strait that varies in width from 40 to 160 kilometres has long been a factor in the determination of naval and trade dominance in the region. Speaking during the Communist Party Congress in December 2003, Chinese President Hu Jintao commented that the “Malacca dilemma is a key consideration for China’s long-term energy security. Certain powers have all along encroached on and tried to control navigation through the strait.”¹⁷⁶ While the reference to ‘certain powers’ clearly indicates the United States, whose naval dominance of the region is still uncontested, Hu is also indicating a change in China’s stance towards a more aggressive position designed to ensure its own energy security through the greater projection of Chinese military strength.

¹⁷⁵ Henry Kenny, “China and the competition for oil and gas in Asia”, *Asia Pacific Review*, volume 11, number 2, 2004, p. 42

¹⁷⁶ Ibid

This power projection includes building a blue water navy and formulating strategically positioned alliances with countries such as Myanmar and Pakistan, which allows for greater Chinese influence beyond the South China Sea into the Indian Ocean and beyond. As Lee points out, the estimates of China's imported oil requirements are expected to grow exponentially, "consequently, the Strait of Malacca and the Strait of Hormuz could emerge as crucial waterways for China's maritime interests. China believes that through close co-operation with Myanmar, Pakistan, and Iran, it could guarantee the security of sea lines of communication (SLOCs) in Southeast Asian Sea and the Indian Ocean."¹⁷⁷

The Chinese alliance with Myanmar has included political and military support for the regime in Yangon, which is facing increasing international pressure over human rights abuse and lack of democratic processes, with an estimated US\$ 1.2 billion worth of weapons and other military equipment. As Lee describes, in return, Beijing has secured a market for its sizable defence industry and has ensured access to intelligence on movements through the congested shipping lanes from the Indian Ocean and the Straits of Malacca.¹⁷⁸ Yet, as Lee explains, the Chinese presence in Burma

Caused concerns to India and Japan: India's concern relates to Coco Island, which is an outlet to the Bay of Bengal and the Andaman Sea and where the Indian Navy had hitherto held sway; and Japan's concern relates to Mergui Island as an entrance to the Malacca Strait which Japan considers to be a lifeline for its economy.¹⁷⁹

¹⁷⁷ Lee Jae-Hyung, "China's Expanding Maritime Ambitions in the Western Pacific and the Indian Ocean", *Contemporary Southeast Asia*, Volume 24, number 3, December 2002, p.553

¹⁷⁸ Ibid, p. 554

¹⁷⁹ Ibid

China is also assessing the feasibility of oil pipelines from Myanmar to China's South Western provinces - thereby lessening its dependence on the Sea routes of Southeast Asia. Such possibilities demonstrate clearly that the alliance with Myanmar has profound strategic importance for Chinese power projection across the region that is underpinned by China's energy security requirements. Lee asserts that People's Liberation Army strategic analysts have identified the controlling of the Malacca Strait as one of China's most urgent tasks, but also notes that "China's strategic hold over the waterway would, however, provoke responses from regional countries and the United States." Lee continues: "However, the three littoral nations (Malaysia, Indonesia, and Singapore) are unlikely to contend with China directly over the Malacca Strait. The potential challenge will likely come from Japan and the United States."¹⁸⁰

Thus, China's energy-driven strategic objectives are being implemented from the Indian Ocean through the Malacca Strait to the South China Sea, where as Wiencek asserts, "China is clearly pursuing a strategy of expanding its military sphere of influence in the area"¹⁸¹ with the establishment of military installations on a variety of islands and remote reefs across the South China Sea.

In the Paracels, Wiencek claims the Chinese military presence includes a battery of 'Silkworm' anti-ship cruise missiles, "the Silkworm has a range of some fifty-nine miles and could be used to threaten nearby shipping."¹⁸² Such a threat would have considerable

¹⁸⁰ Ibid, p. 562

¹⁸¹ David Wiencek, "South China Sea Flashpoint", *china Brief*, volume 1, issue 2, 2001, available at http://www.jamestown.org/print_friendly.php?volume_id=17&issue_id=630&article_id=4558

¹⁸² Ibid

resonance in Japan. In highlighting Japan's near total dependence on access to open sea routes, Graham describes Japanese sea lane security as "a matter of life and death." As such, he argues that "the sea-lane issue demonstrates long-term continuity in Japan's strategic geography" that "transcends its experiment in constitutional pacifism."¹⁸³ He claims that Japanese decision makers continue to view their island nation as resource-poor and surrounded by varying levels of hostility - thus making their dependence on the sea vital to both their prosperity and continued existence. In this regard, Japanese access to the trade routes of the South China Sea has been guaranteed for almost 50 years by the US seventh fleet,¹⁸⁴ as a component of the US-Japan Alliance.

Further, as Lee describes,

The Japanese economy has benefited from safe shipping of its goods and energy resources through the Malacca Strait for more than half a century, owing to not only the political stability of the littoral states, but also the presence of the U.S. Navy in securing the SLOCs. However, the maritime environment in the Southeast Asian seas has been changing with China's naval ambitions in the region. It is reported that People's Liberation Army Navy (PLAN) vessels have sometimes stopped, boarded, and searched Japanese, Russian and Taiwanese ships in the East and South China Sea on the pretext of searching for contraband, or challenging those ships in relation to their constituting a threat to navigation. If the Southeast Asian straits were closed as a result of China's attempts at control, Japanese shipping would be forced to navigate around Australia, and this could result in an increase of 60 percent to shipping costs.¹⁸⁵

¹⁸³ Euan Graham, *Japan's Sea Lane Security, 1940-2004: A matter of life and death?*, New York: Routledge, 2006

¹⁸⁴ Sheldon Simon, "East Asian Security: The playing field has changed", *Asian Survey*, volume 34, no 12, 1994, p. 1051

¹⁸⁵ Lee Jae-Hyung, "China's Expanding Maritime Ambitions in the Western Pacific and the Indian Ocean", *Contemporary Southeast Asia*, Volume 24, number 3, December 2002, p. 563

Japan's current defence plans call for the protection of sea-lanes up to 1000 nautical miles from Tokyo, which does not include SLOCs in the South China Sea or the Malacca Strait. However, Japan's defence guidelines in recent times point to an expanded role for the Marine Self Defence Forces, both in terms of being less tied to US forces and in terms of an expanded mandate. The 2005 National Defence Programme Outline not only included China as a source of 'concern' for Japan but a joint statement with the US included Taiwan as a mutual security concern,¹⁸⁶ thereby indicating the possibility of a significantly enhanced Japanese regional presence. Thus, as Takashi Oka has stated, "how China and Japan define their relationship with each other and with the U.S. will determine the long term stability of the arc from Hokkaido to the Malacca Strait."¹⁸⁷

Japan's apparent gradual shift from its post-war defensive and pacifist posture to include a more active military role in the region could have serious implications regarding the possibility of an energy-resource fuelled conflict. The changes in Japan's stance with regards China can be seen as driven by rising nationalism and a need to secure its own energy resources. As Suganama points out, the US security umbrella does not completely reassure the Japanese. In particular, China's naval expansion is increasingly viewed as a direct threat to Japan's energy security and this threat perception is exacerbated by China's territorial claims to the Senkaku/ Diaoyu islands in the East China Sea.¹⁸⁸

¹⁸⁶ "So hard to be friends", The Economist, (March 23 2005), http://www.economist.com/printerfriendly.cfm?story_ID=3786409

¹⁸⁷ Takashi Oka, "East Asia Seek US Partnerships", *Christian Science Monitor*, 28 May 1993

¹⁸⁸ U. Suganama, *Sovereign Rights and territorial space in Sino-Japanese Relations: Irredentism and the Diaoyu/Senkaku islands*, Honolulu: University of Hawaii Press, 2000

In this way, the Koizumi-led impetus in Japan to re-exert itself militarily and assume a position in the region that better represents its economic might is taking shape through a variety of means. Beyond the questions of military expenditure that were discussed in the previous chapter, Japanese naval expansion has made small, yet significant, moves towards maintaining a presence in the South China Sea. A process that began in April 2000 when the Japanese Coast Guard offered to lead a maritime enforcement operation against piracy in the straits of Malacca – a move welcomed by Indonesia, Malaysia and Singapore. Yet, as Kidd points out, this initiative was welcomed with the clear understanding that the main concern was Chinese expansionist moves rather than increasing numbers of piracy attacks.¹⁸⁹ Further, Danreuther maintains that “all these countries have been enlarging their naval capacities in response to the perceived Chinese threat, which has sparked a regional naval arms race.”¹⁹⁰

Yet it was the Gulf War that saw the first overseas deployment of Self Defence Forces (SDF) since the end of World War II, when Japanese minesweepers engaged in limited operations in the Persian Gulf. Following a number of peacekeeping operations and the attacks of September 11, 2001, the nature of the US-Japan alliance was expanded when the Diet passed the Anti-Terrorism Special Measures Law which enabled the dispatch of Japanese forces to provide logistical support to US activities in Afghanistan and the Indian Ocean.¹⁹¹ Thus, despite constitutional restriction, the post-September 11 deployment of the Japanese military has continued unabated. By late 2004, seven MSDF vessels with over 1000 crew had been dispatched on rotation to the Indian Ocean – including the Aegis equipped destroyer

¹⁸⁹ J. Kidd, “China’s naval expansion”, *Strategic Pointers*, December, 2000

¹⁹⁰ Roland Danreuther, “Asian security and China’s energy needs”, *International Relations of the Asia Pacific*, volume 3, 2003, p.206

¹⁹¹ Hook, Gilson, Hughes & Dobson, *Japan’s International Relations – politics, economics and security*, New York: Routledge, 2005, pp. 13-14

Kirishima whose advanced offensive capabilities include the ability to track up to 200 aircraft and missiles simultaneously while also launching simultaneous attacks against up to ten targets¹⁹². Significantly, Japanese MSDF ships escorted the US aircraft carrier *Kittyhawk* through the South China Sea to support it in operations in the Indian Ocean, thereby steadily increasing the presence of Japanese forces in the region.

Thus, while the strengthening of Japan's naval position through increasing procurement of hardware and joining the US seventh fleet on manoeuvres in the South China Sea can be traced to energy security priorities and a desire for greater participation and power projection in the region, it must also be understood in terms of the growing nationalist sentiment in Japan. The Yomiuri Shimbun reports a nationwide Japanese opinion poll that indicates a reflection of public opinion in favour of a more assertive stance with regards China. "In reply to a question asking whether Koizumi should take a more assertive approach to China, 77 percent of pollees said he should be more articulate in asserting Japan's national interest." While "only four percent said Japan should take a more conciliatory approach towards China."¹⁹³

However, Chinese military modernisation and expansion has clearly not gone unnoticed in Japan. Takahara, writing in the Japan Times describes a Japanese defence white paper presented to the Diet which notes "it is necessary to keep paying attention to these modernisation trends and to carefully evaluate whether the modernization of China's military forces exceeds the levels necessary for its national defense." The report also maintains that

¹⁹² Ibid, pp.164- 165

¹⁹³ Kazunori Ozaki, "Political Pulse/ Time ripe for candid approach to China", Yomiuri Shimbun, (15 June 2005), <http://www.yomiuri.co.jp/index-e.htm>

Tokyo is closely “monitoring activities” by China’s naval vessels navigating near Japan’s territorial waters. Takahara goes on to point out that the “report was made public following the Pentagon’s assessment on China’s military... (which) said Beijing’s buildup poses a long-term threat to regional powers, including Japan and India.”¹⁹⁴

These sentiments, which are driving Japan’s more assertive stance with regard to its energy security and its position in the region, can also be discerned to be playing a role in underpinning Chinese moves in the region. Valencia argues that China’s policy towards the Spratly islands is driven by a nationalist ambition to re-establish hegemonic power in the region. He asserts that “China’s actions in the South China Sea is the result of a rising tide of nationalism that seems to be replacing socialism as the preferred societal glue.”¹⁹⁵ In a similar vein, Christensen claims that the strong popular sentiments in China about Taiwan and Japan combined with the dangers of hypernationalisation and jingoism that appear to be accompanying reform in China could be disastrous in the context of Sino-Japanese security competition.¹⁹⁶

All that notwithstanding, the potential for increased tension and conflict in the South China Sea driven by the pursuit of energy resources alone is played down by Danreuther who claims that the role oil does play

...is in justifying actions which actually have other rationales.
Since oil is so critical to the economies of all these countries, it

¹⁹⁴ Kanako Takahara, “China buildup on Defense Agency radar”, The Japan Times, (3 August 2005), <http://www.japantimes.com/cgi-bin/getarticle.pl?nn20050803a3.htm>

¹⁹⁵ Mark Valencia, “China and the South China Sea Dispute: Conflicting claims and potential solutions in the South China Sea”, Adelphi paper no. 298, Oxford: Oxford University Press, 1995

¹⁹⁶ Thomas Christensen, “China, the US-Japan Alliance, and the security dilemma in East Asia”, *International Security*, volume 23, number 4, 1999

provides a justification to engage in conflicts that can be easily understood and accepted by politicians and the general public...The presumed risk to vital energy supplies, and the competitive struggle for energy resources, is an effective means to justify military and naval build-ups as well as territorial expansion.¹⁹⁷

He continues by pointing out that any attempt by either Japan or China to disrupt the sea lanes of the South China Sea would adversely affect their own positions and, as such, prefers to derive an understanding of China's territorial claims in terms of what Johnston has termed the 'hyper-sovereignty values' which dominate the thinking and behaviour of China's ruling elite.¹⁹⁸

Consequently, an understanding of energy security in the region must incorporate an examination of the nationalist or historical roots which underpin the behaviour of states in the region. However, the growth in Chinese demand for energy resources in recent years continues to be a significant factor in driving policy formulation with regard to the South China Sea and Sino-Japanese relations. The dynamics of the region are changing constantly and the exponential nature of the growth in Chinese demand for oil since the mid-1990s, when combined with an international environment that has seen spiralling oil prices over the same period, points to the increasing relevance of the energy issue. Added to this, Japan is undergoing the dual processes of economic growth following the 'lost decade' of the 1990s, which was characterised by economic stagnation, and a re-emerging nationalist impetus, which is driving the country's response to territorial dispute in an environment of increasing energy concerns.

¹⁹⁷ Roland Danreuther, "Asian security and China's energy needs", *International Relations of the Asia Pacific*, volume 3, 2003, p.206

¹⁹⁸ Alistair Johnston, quoted in *Ibid*, p.207

Chapter Four

The quest for diversified and secure oil supplies

When considering the energy trends that underpin Sino-Japanese relations, there are two significant aspects that characterise Sino-Japanese energy competition, namely, the need to identify and secure energy supplies and the need to achieve greater diversification of supply. Towards this end, both China and Japan are pushing energy concerns to the forefront of their respective diplomatic efforts and, consequently, Sino-Japanese energy rivalry is taking on a global dimension. The extent of the rivalry appears to be increasing as Chinese demand for oil and gas imports grow exponentially and China seeks aggressively new sources of energy supplies from Russia and Central Asia to Africa and Latin America. In part, this is because the Chinese demand for oil on the world market is growing and China is therefore “coming to rely increasingly on the same source that supplies most of the rest of the industrialised world – the Middle East.”¹⁹⁹

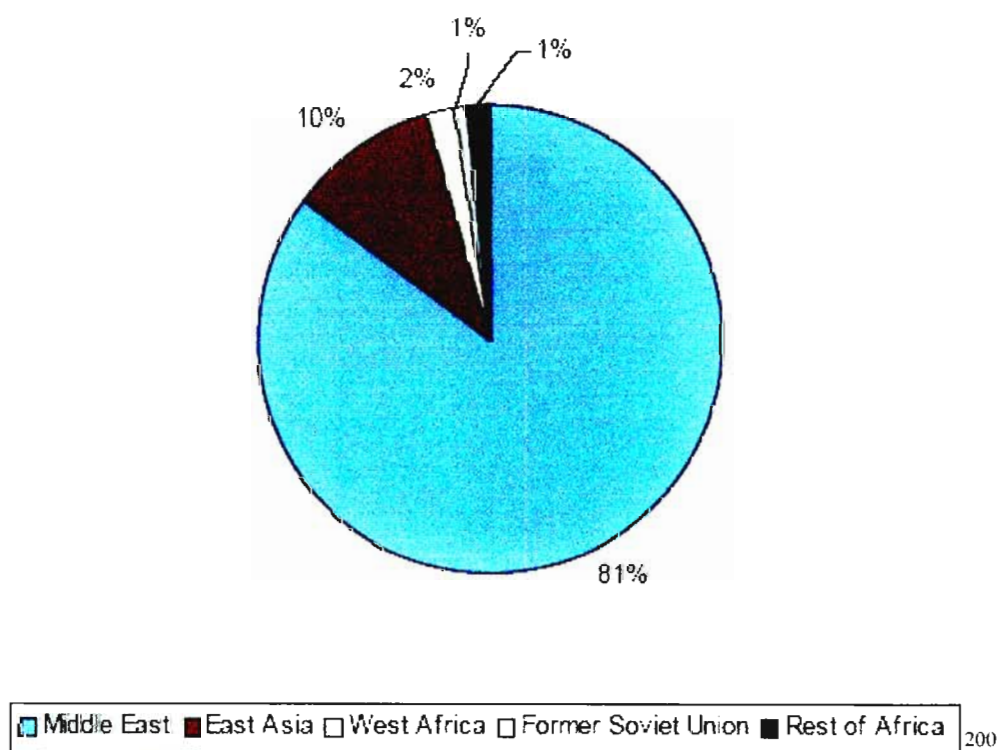
While Middle Eastern sources of energy supplies continue to be the most significant for both China and Japan, this study will focus on efforts by both countries to secure new suppliers,

¹⁹⁹ Henry Kenny, “China and the competition for oil and gas in Asia”, *Asia Pacific Review*, volume 11, number 2, 2004, p 41

driven by fears of instability in the Middle East and the overall annual increases in Chinese demand that is forcing Chinese policymakers to look beyond the Middle East for future energy security. For that reason, the present importance of the Middle East as an oil exporter to both China and Japan is uncontested. Yet, this study seeks to show how future energy concerns and the drive to secure access to new energy suppliers have become significant factors in the foreign policy formulation of both states and an important element in the greater analysis of Sino-Japanese energy competition.

Figure 4.1

Graphic distribution of Japanese oil imports 2004

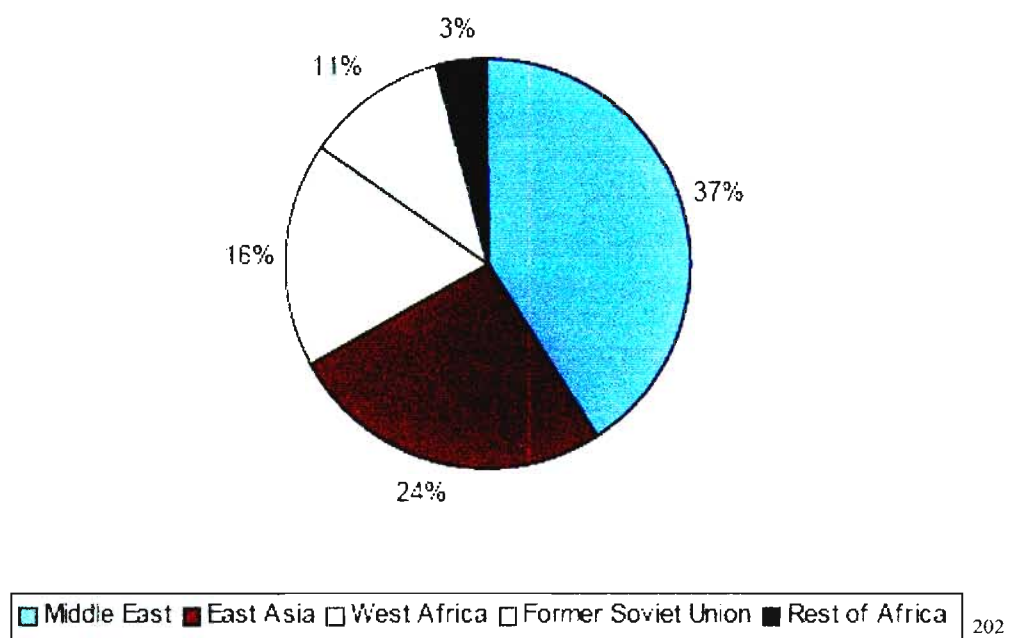


²⁰⁰ Pablo Bustelo, "China and the geopolitics of oil in the Asia Pacific region", working paper 38, *Real Instituto Elcano de estudios internacionales y estrategicos*, September 2005

The considerable effect that China's remarkable growth in demand for oil is having on world oil prices is testimony to the inability of the Middle East alone to meet the energy needs of China's rapidly expanding economy. Thus, China's need to diversify its sources of supply has become central to maintaining its present rate of economic growth. Yet as Kenny points out, "the thirst for oil and gas risks confrontation with other claimants, creates intense global competition for resources, and raises the chance of long-term global shortages."²⁰¹

Figure 4.2

Graphic distribution of Chinese oil imports 2004



As the previous graphs indicate, the Middle East is a vital supplier to both China and especially Japan. However, from the Chinese point of view; competition for oil from the

²⁰¹ Henry Kenny, "China and the competition for oil and gas in Asia", *Asia Pacific Review*, volume 11, number 2, 2004, p 44

²⁰² Pablo Bustelo, "China and the geopolitics of oil in the Asia Pacific region", working paper 38, *Real Instituto Elcano de estudios internacionales y estrategicos*, September 2005

Middle East is already very intense with a growing American presence and entrenched Japanese purchases as well as the considerable political instability, which characterises the region. Thus, while many industrialised countries - Japan included - may benefit from increasing trade with China, the costs in terms of higher world energy prices and increased competition for access to secure and cost-effective sources of energy, has a significantly negative effect on perceptions of China's growth. Accordingly, the ambiguous Sino-Japanese relationship, which is characterised by worsening political tension and increasing economic and cultural exchange, is also characterised by increasing competition over access to oil and gas from Russia and the Central Asian states – with meaningful repercussions for the formulation of mutual foreign policy objectives in the region.

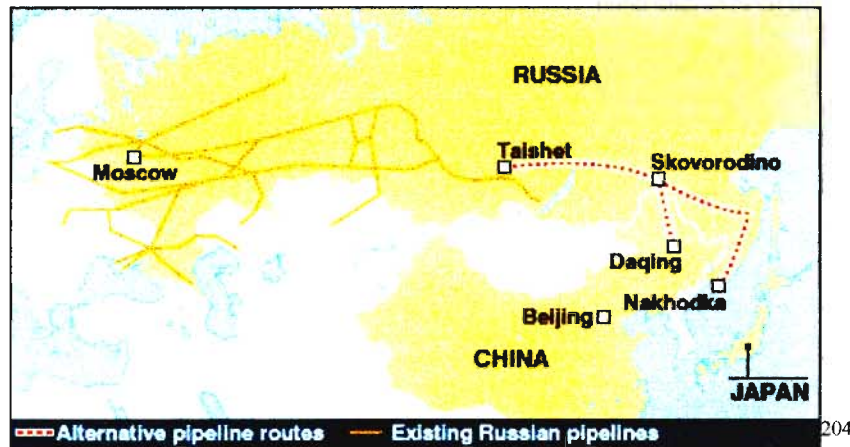
Russia and the Central Asian States

The complexities of Sino-Japanese energy relations in East Asia are being exacerbated by increasing competition to gain direct access to Russian oil supplies in the form of a proposed oil pipeline. However, as the BBC reports, “Moscow has so far refused to commit to a route.”²⁰³ The Russian oil pipeline has been a contested issue for years with China proposing a 2,300 km route that would bring the pipeline to Daqing, thereby linking with its existing oil infrastructure and well-placed to feed the industrial cities of northern China. Japan on the

²⁰³ BBC News, “Putin hints at China oil pipeline”, (22 March 2006), <http://news.bbc.co.uk/1/hi/world/asia-pacific/4831624.stm>

other hand proposes a longer 4,300 km route through Siberia to the Pacific port of Nakhodka which, arguably, could supply both Japan and South Korea.

Figure 4.3



From the Japanese perspective, the Nakhodka option has two strategically important advantages. Firstly, the pipeline could result in an estimated 10-15 percent reduction in Japan's reliance on Middle Eastern Oil imports,²⁰⁵ and secondly, would provide an invaluable supply of oil that was not subject to the costs or security concerns of shipping crude through the South China Sea. However, as Lee explains, the same security concerns are central to Chinese efforts to secure the oil pipeline to Daqing.

The Primary advantage of exploration in Central Asia and Russia is that both the oil resource there and the overland pipeline are not subject to US domination. Signs indicate that China is concerned about whether it could stem the US from imposing serious constraints on its striving for unification with Taiwan. China is worried that in the event of a Sino-American confrontation over Taiwan, the US would disrupt or even block the shipment of oil to China

²⁰⁴ BBC News, "Putin hints at China oil pipeline", (22 March 2006), <http://news.bbc.co.uk/1/hi/world/asia-pacific/4831624.stm>

²⁰⁵ Richard Giragosian, "Sino-Japanese competition for Russia's far east oil pipeline project", Institute for the Analysis of Global Security, available at <http://www.iags.org/n0119063.htm>

from the Middle East via the Strait of Malacca in Southeast Asia.²⁰⁶

Thus, in the context of the energy security concerns of both China and Japan with regard to the vulnerability of sea routes in the South China Sea that were discussed in the previous chapter, the strategic significance of the Russian pipeline becomes paramount. In this regard, Giragosian explains that “the Chinese-Japanese competition for securing the role of primary partner for Russian energy exports from the Far East is much less a commercial competition than a complex courtship. The usual economic considerations inherent in a strictly commercial competition do not apply in this case ...geopolitical considerations far outweigh any and all commercial considerations.”²⁰⁷

The geopolitical considerations that continue to overshadow different aspects of the proposed Russian pipeline include a history of troubled relations between the two East Asian states and Russia. Russo-Japanese political relations continue to be hamstrung by a territorial dispute over the Kurile Islands, which were seized by Russia at the end of World War II, and Japan’s cold war alliance with the United States. The dispute over the Kurile Islands is still unresolved, and as a result Japan and Russia never signed a peace treaty at the end of the War; consequently, the issue continues to be an impediment in Russo-Japanese relations.

Russia’s relations with China on the other hand also suffer from considerable historical divergence that stem from the cold war years, and are still marked by substantial mistrust of

²⁰⁶ Lee Pak K. “China’s quest for oil security: oil (wars) in the pipeline?”, *The Pacific Review*, volume 18, number 2, June 2005, p.270

²⁰⁷ Richard Giragosian, “Sino-Japanese competition for Russia’s far east oil pipeline project”, Institute for the Analysis of Global Security, available at <http://www.iags.org/n0119063.htm>

each other's motives. Yet, modern Russian reservations with regard to China are centred on Russian fears of Chinese penetration into the Russian Far East (RFE), which as Giragosian explains are "exacerbated by Russia's demographic vulnerabilities and by the remote and poor state of the region's infrastructure."²⁰⁸ In describing anti-Chinese sentiments in Russia, Lo describes the commonly-held perception of a 'yellow peril' sweeping into the Russian Far East, he continues by noting that "such atavistic prejudices have been fuelled by fears of Chinese irredentism regarding territories lost under the 'unequal treaties' of the nineteenth century, and by the steady depopulation of the RFE, whose population has declined to less than 7 million."²⁰⁹ While at the same time, a 2002 census showed that the Chinese population in Eastern Siberia stood at 3.2 million and was growing steadily,²¹⁰ thereby adding to the old apprehensions in Russia over the future of Sino-Russian relations. In this regard, Russia appears reticent to construct an oil pipeline running into an 'enclosed market', as Giragosian notes, there is significant Russian reluctance for projects with only one 'end user'. But in the reality of the global energy market, this fear may be essentially more political than practical."²¹¹ The Russian government fears that if China were to become the monopoly buyer of Russian oil, China could renegotiate import price or the volume of oil pumped to China.

Thus, the Russian pipeline, like many facets of interstate relations in the region, is formulated in terms of a number of complex variables the outcomes of which are difficult to predict, but

²⁰⁸ Ibid

²⁰⁹ Bobo Lo, "The long sunset of strategic partnership: Russia's evolving China policy", *International Affairs*, volume 80, number 2, March 2004

²¹⁰ Ingolf Kiesow, "China's quest for energy; impact upon foreign and security policy", Swedish Defence Research Agency, (November 2004) available online: <http://www.foi.se/upload/english/reports/chinas-quest-foir1371.pdf>

²¹¹ Richard Giragosian, "Sino-Japanese competition for Russia's far east oil pipeline project", Institute for the Analysis of Global Security, available at <http://www.iags.org/n0119063.htm>

which have considerable strategic and economic value to both China and Japan. The pipeline was first proposed in 2003 following a visit by Chinese President Hu Jintao to Russia where a 25 year agreement was signed with the Russian oil company Yukos for the supply 150 billion dollars worth of crude oil to China from eastern Siberia. However, as the Swedish Defence Research Agency reports, “as soon as negotiations between Chinese and Russian companies began, problems arose for China in the form of competing offers from Japan. They were made in line with a several year old Japanese government policy aimed at raising the proportion of oil imported from fields owned by Japan or Japanese companies.”²¹²

Japanese Prime Minister Junichiro Koizumi also visited Russia in 2003 and lobbied for the Nakhodka route, reportedly offering to provide low-interest loans for the project and reiterated a Japanese commitment to purchase all the oil shipped through the pipeline. As Lee details, the Japanese proposal was supported by Transneft, a Russian state-owned pipeline operator, and was believed to be preferred by Moscow, where it was thought that strategically a pipeline that was built solely on Russian soil would allow Russia to retain control over its oil exports.²¹³ - a factor that has increasing significance when considering Russia’s decision to cut off gas supplies to the Ukraine in the middle of winter over a price dispute, as the New York Times noted regarding the incident, “whoever controls the taps also holds the upper hand.”²¹⁴ Thus, this element of Russian leverage over both the pipeline negotiations and the oil that will eventually flow through the pipeline is recognised in China

²¹² Ingolf Kiesow, “China’s quest for energy; impact upon foreign and security policy”, Swedish Defence Research Agency, (November 2004) available online: <http://www.foi.se/upload/english/reports/chinas-quest-foir1371.pdf>

²¹³ Lee Pak K. “China’s quest for oil security: oil (wars) in the pipeline?”, *The Pacific Review*, volume 18, number 2, June 2005, p.275

²¹⁴ Jad Mouawad, “Global Power, Redefined – Energy suppliers gain leverage through politics of the pipeline”, *New York Times*, 28 May 2006

and Japan and is a considerable reminder of the unrelenting pursuit of energy security that defines the foreign policy objectives of both countries. As Giragosian points out, the Russian role as an arena for competition between China and Japan stems as much from Russian energy strategy as from Sino-Japanese political rivalry. He notes, “Under Russian President Putin, energy has emerged as a tool for strategic leverage, in effect replacing the traditional Russian reliance on the ‘hard power’ of its military with a new exercise in Russia’s ‘soft power’.”²¹⁵

Thus, the changing fortunes of the respective Chinese and Japanese bids for the Russian pipeline have swung in favour of one and then the other as the Russian government vacillates between the two offers. In this way, both countries are offering increasingly sweeter deals to try and sway Moscow to accept their respective preferred pipeline route. The fate of the Chinese Daqing line appeared to be in doubt following the arrest and imprisonment of Yukos chief Mikhail Khodorkovsky in October 2003 for unpaid back taxes. Khodorkovsky, who had championed the Chinese pipeline, appeared to be a victim of an attempt by the Kremlin to re-exert influence over the relatively newly privatised oil companies. The Economist points out that “in Russia’s energy-dominated economy, a private pipeline would be tantamount to privatised foreign policy.”²¹⁶ As a result, Khodorkovsky’s attempt to break the state’s pipeline monopoly became a further variable in the complex interstate competition between China and Japan for access to Russian oil. On the other hand, Moscow continues to wring concessions out of China and Japan, such as raising support for Russia’s bid to join the World Trade Organisation. Nevertheless, as Lee summarises, “the rivalry between China

²¹⁵ Richard Giragosian, “Sino-Japanese competition for Russia’s far east oil pipeline project”, Institute for the Analysis of Global Security, available at <http://www.iags.org/n0119063.htm>

²¹⁶ The Economist, “King Solomon’s pipes; Russian oil”, (7 May 2005), volume 375, issue 8425

and Japan and the stand-off between the Kremlin and Khodorkovsky led to an unlimited delay to reach a final decision on the routing of the pipeline.”²¹⁷

Over the past few years the Kremlin has continued to be indecisive over which route to give preference, including tabling an option of building both routes and supplying Nakhodka and Daqing. However, while the notion of sharing the pipeline has been accepted in principle, both China and Japan insist that ‘their’ route be built first - fearing that once the oil revenue is flowing the Russian government will be disinclined to continue building the other section of the pipeline. In November 2005, President Putin visited Japan and made reassuring noises by saying his country is committed to building a pipeline from Siberia to the Pacific.

Speaking at a meeting with Japanese and Russian business leaders he said, “We plan to build the pipeline to the Pacific coast with eventual supplies to the Asia-Pacific region including Japan.”²¹⁸ In addition, during Putin’s three day visit to Japan, the Japanese government signed an agreement endorsing Russia’s bid to join the WTO, and it appeared the pipeline issue had been finalised. Indeed, on the 16th of March 2006, Bloomberg News reported that while Russia planned to ship more oil to China by rail, the state-owned pipeline operator Transneft was planning to build an oil pipeline to the Pacific.²¹⁹

However, by the 22nd of March 2006 while on a visit to China, President Putin hinted that he now favours a Chinese route for the pipeline. The BBC reported that Russia’s energy

²¹⁷ Lee Pak K. “China’s quest for oil security: oil (wars) in the pipeline?”, *The Pacific Review*, volume 18, number 2, June 2005, p.277

²¹⁸ BBC News, “Putin reassures Japan on pipeline”, (21 Nov 2005), <http://news.bbc.co.uk/1/hi/world/asia-pacific/4455542.stm>

²¹⁹ Rob Delaney, “Russia to send more oil to China”, Bloomberg News, (16 March 2006), <http://www.iht.com/articles/2006/03/16/bloomberg/sxoil.php>

minister told the Russian news agency Tass that the link to China could be constructed by the end of 2008,²²⁰ thereby continuing the contentious tug-of-war between China and Japan and continuing the Russian policy of indecision. In commenting on the latest change in Russian policy, Koliandre noted that “Russia will be keen to hang onto its polygamous energy export policy. In an effort to avoid throwing in its lot with just one contender, it is likely to keep trying to promise more and deliver less.”²²¹

Therefore, while uncertainty continues to overshadow the various options for the Russian pipeline, China’s compelling demand for energy resources and the mutual Sino-Japanese need for diversification of oil supplies carry on unabated. With the outcome of the Daqing project still doubtful, China is intensifying its efforts to formulate meaningful ties with the oil-rich Central Asian states, especially Kazakhstan. The *Economist* reports a projected oil pipeline linking the eastern Chinese province of Xingjian with existing Kazakh oil infrastructure around the Caspian Sea as being re-examined because of the doubts over the Daqing pipeline. Originally shelved due the prohibitive US\$ 3 billion price tag that would only bring the oil to the undeveloped province of Xingjian - requiring a further US\$ 15 billion in pipeline investment to service the booming cities along China’s east coast,²²² the strategic and economic demands for oil from Kazakhstan are making the project viable in the eyes of the Chinese. As energy consultant Scott Roberts explains however, while the costs

²²⁰ BBC News, “Putin hints at China oil pipeline”, (22 March 2006), <http://news.bbc.co.uk/1/hi/world/asia-pacific/4831624.stm>

²²¹ Alexander Koliandre, “Russia keeps China energy options open”, BBC News, (22 March 2006), <http://news.bbc.co.uk/1/hi/business/4830768.stm>

²²² The Economist, “In the pipeline; The oil wars”, (1 May 2004), volume 371, issue 8373

are high, “there is a strategic value at stake. China’s oil security is increasingly important to its overall economic and political security.”²²³

Chinese investment and interest in the Kazakh oil industry began in 1990s with investments driven by the possibility of overland oil importation routes. As Jaffe and Lewis confirm, the overland route held much appeal for the Chinese because it “would avoid any security risks associated with long supply lines by tanker from the Persian Gulf.” Indeed, as they continue to note, “China is said to view its activities in Central Asia as a potential land bridge to the Persian Gulf.”²²⁴ While sections of the pipeline have been completed, the project has never been completed. In fact, some analysts argue that either the final segment of the pipeline was used as a Chinese bargaining chip in negotiations with the Russians, or that the Chinese have paid well above market value for their Central Asian investments and are reluctant to invest more while the possibility of the Russian Daqing line is still open. Regardless, Central Asia will undoubtedly continue to be an important factor in China’s quest to meet its growing energy demands and to ensure its energy security.

However, beyond issues of the cost effectiveness of oil pipelines from Kazakhstan, Lee notes the greater strategic and geopolitical motives of China’s eagerness to exert influence and guarantee access to energy resources from Central Asia.

China rekindled its interest in Central Asia after September 2001. Since then, the Chinese government has been concerned about US military expansion into Central Asia. The increasingly powerful presence of the US in the region, Chinese security analysts believe, would enable the US to

²²³ Scott Roberts, quoted in *The Economist*, “In the pipeline; The oil wars”, (1 May 2004), volume 371, issue 8373

²²⁴ Jaffe & Lewis, “Beijing’s oil diplomacy”, *Survival*, volume 44, issue 1, 2002, p. 125

extend its control over oil from the Middle East to Central Asia, and hence would have an adverse impact on China's oil as well as national security.²²⁵

Thus, China's growing search for energy resources amongst its western neighbours is based on a complex set of variables related to regional stability and China's energy security. As Swanstrom²²⁶ explains, the Chinese do want natural resources but they are also concerned with securing their borders, ensuring political stability across the region, and increasing their influence in a region traditionally considered well within Russia's sphere of influence. Therefore, Russia's tenuous grip on the Central Asian states since the break up of the Soviet Union has paved the way for outsiders - including the Americans – to come in; however, the Chinese have been the most effective because of their comprehensive regional, economic and security interests. Swanstrom notes that Russian domestic weaknesses have allowed other actors an opportunity to exert influence in the region, "but the Americans and Europeans have not taken the opportunity to the same extent the Chinese have."²²⁷

China's expansionist drive into Central Asia, while propelled by its energy demands, is having significant political repercussions in the region – both in terms of Chinese support for various authoritarian regimes and in terms of exposing underlying fears of China's intentions in Central Asia. As Bransten and Lelyveld note, "on the security front, Beijing has found eager partners in Central Asia's authoritarian leaders."²²⁸ Beijing, like its western neighbours, fears the rise of Islamic militancy and regional conflict spreading to its largely Muslim

²²⁵ Lee Pak K. "China's quest for oil security: oil (wars) in the pipeline?", *The Pacific Review*, volume 18, number 2, June 2005, p.271

²²⁶ Niklas Swanstrom, quoted in Bransten & Lelyveld, "The dragon in Central Asia, Part one: The hunt for friends and oil", *Asia Times*, (6 June 2006), <http://www.atimes.com/atimes/China/FK23Ad03.html>

²²⁷ Ibid

²²⁸ Bransten & Lelyveld, "The dragon in Central Asia, Part one: The hunt for friends and oil", *Asia Times*, (6 June 2006), <http://www.atimes.com/atimes/China/FK23Ad03.html>

province of Xingjian. In this regard, there has been a marked increase in military and police cooperation alongside increased Chinese investment and influence in the region.

However, just as Russia's energy relationship with China is fraught with concerns about the nature and extent of China's influence in the Russian Far East and its irredentist ambitions in Siberia, so too are the former Soviet states wary of China's growth – despite the obvious economic benefits. As Bransten and Lelyveld point out, “there is a latent fear, especially in the countries bordering China, that Beijing is hungry for land. And if that is the case, even a small migration of Chinese to the region would swamp the local populations.”²²⁹ These concerns are obviously dismissed in Beijing but Bransten and Lelyveld go on to quote Murat Auezov, the former Kazakh Ambassador to China as noting undiplomatically, “I know Chinese culture. We should not believe anything the Chinese say... As a historian, I'm telling you that 19th century China, 20th century China and 21st century China are three different Chinas. But what unites them is a desire to expand their territories.”²³⁰

Thus, the complexities of China's energy-driven policies in Central Asia are as multifaceted as they are with Russia. The historical perspective that colours relations in the region are aspects of the same dynamic that continues to impact on Sino-Japanese relations. In this regard, China's efforts to guarantee access to Kazakh oil and enhance its political influence in the region is not going unnoticed in Japan, where energy issues are increasingly becoming central to that country's foreign policy objectives. The Asahi Shimbun reports that in June 2006, Japanese Foreign Minister Taro Aso met with representatives of four Central Asian

²²⁹ Ibid

²³⁰ Murat Auezov, quoted in Bransten & Lelyveld, “The dragon in Central Asia, Part one: The hunt for friends and oil”, Asia Times, (6 June 2006), <http://www.atimes.com/atimes/China/FK23Ad03.html>

states to sign an action plan for regional cooperation to combat terrorism and secure stable energy supplies. Under consideration, was “Japan’s cooperation in building alternative oil and natural gas transportation routes, such as roads or pipelines, which would bypass Russia.” The newspaper goes on to quote officials as saying “this would also help secure stable energy sources for oil hungry Japan.”²³¹

Thus, the extent of Sino-Japanese energy competition extends across the region as both countries look to diversify and ensure secure access to oil and gas. Japan’s traditional reliance on Middle Eastern suppliers is raising concerns in Japan in the context of increasing instability in Iraq and mounting tensions over Iran’s nuclear program. These fears are only amplified by the prospect of growing Chinese demand for energy and its effects on world oil prices, as well as Japan’s ability to access vital sources of oil in a global environment marked by increasing scarcity driven by growing demand in the massive emerging markets of China and India. Thus, with ongoing uncertainty over access to Siberian oil, and perceptions of a Chinese geographic and cultural advantage in Central Asia, Japan is turning to Africa and Latin America in an attempt to break its near complete reliance on Middle Eastern oil. China however, driven by the socio-political needs that underpin the importance of maintaining its rapid economic growth and with marked annual increases in its energy import needs, continues to place access to energy resources at the top of its foreign policy objectives. This is especially true when considering China’s growing relationship with Africa and Latin America.

²³¹ Asahi Shimbun, “Tokyo to promote cooperation with Central Asia”, (6 June 2006), <http://www.asahi.com/english/Herald-asahi/TK20060606050488.html>

Africa and Latin America

The importance of energy resources in the formulation of foreign policy is best illustrated in terms of China's growing relationship with a variety of African states. Africa's rich supply of commodities, including oil and gas, are finding a welcome market in China's booming manufacturing economy. While still smaller (in overall terms) than both the US and Japanese manufacturing sectors, the relative growth of Chinese demand has become very significant. Notably, the growing demand of the Chinese economy is manifesting itself in terms of China's foreign policy in Africa, where, beyond geopolitical issues such as China's desire to maintain a leadership role in the developing world, access to commodities and primary energy resources has become central to Chinese diplomatic efforts on the continent.

In the context of energy-based Sino-Japanese rivalry in Africa, Eisenman notes that significantly, 2005 saw China displace Japan as the second largest importer of African oil after the United States. However, despite falling total petroleum imports, Japan's African supplies grew by nearly 20 percent in 2004, while over the same period Chinese imports grew by more than 35 percent.²³² Thus, Africa's role in Sino-Japanese energy competition is considerable, and the political and economic repercussions of China-Japan interaction with the continent impact not only on patterns of energy rivalry in East Asia, but significantly influence Africa's political and developmental landscape.

²³² Joshua Eisenman, "Sino-Japanese oil rivalry spills into Africa", *Centre for Strategic and International Studies (CSIS)*, Washington D.C.

Sino-Japanese energy competition is premised upon the relatively sudden appearance of China as an important player in the world's energy markets, combined with the troubled historical perspective that forms the foundation of their mutual understanding. In this regard, Africa best illustrates not only China's recent emergence as a noteworthy importer of African oil, but also demonstrates the important role that Chinese imports play in the economies of many African countries. As Eisenman notes, "Beijing's purchases are a significant share of African oil producers' exports. Beijing imports a quarter of Angola's oil, 60 percent of Sudan's and an increasing percent from Equatorial Guinea, Nigeria and Gabon."²³³ Thus, when considering the importance of petroleum exports as a share of Gross Domestic Product, the significance of China to the economies of these countries becomes apparent.

Figure 4.4

Chinese oil imports by region (per cent)²³⁴

	1990	1997	2001
Middle East	39.4	47.5	56
Asia Pacific	60.6	26.2	14
Africa	0	16.7	23
Other (Europe & Central Asia)	0	9.6	7

²³³ Ibid

²³⁴ Ingolf Kiesow, "China's quest for energy; impact upon foreign and security policy", Swedish Defence Research Agency, (November 2004) available online: <http://www.foi.se/upload/english/reports/chinas-quest-foir1371.pdf>

As figure 4.4 indicates, Chinese oil imports from Africa grew markedly between 1990 and 2001. Eisenman estimates that in 2005, Africa accounted for 30 percent of China's oil imports.²³⁵ Thus, with the potential for significant growth in Africa's energy sector, the political importance of the continent in China is growing.

The extent and nature of increasing Chinese influence in Africa is being recognised in Japan, where an Asahi Shimbun report from May 2006 notes that China is outstripping Japan in the diplomatic race to woo Africa.²³⁶ Additionally, Tokyo's emphasis on democratic reform and human rights in Africa largely mirrors American or European views and is diametrically opposed to the Chinese policy of non-involvement in the internal affairs of African countries. Thus, Sino-Japanese energy rivalry in Africa is being played out against this complex geopolitical and ideological background.

However, while China's relationship with Africa in 2006 is largely determined in terms of feeding African minerals and energy resources to its fast-growing economy, and disregarding the political circumstances in many of those countries, it shares many compellingly similar traits with Japan's relationship with the continent at the height of its own economic explosion in the 1960s and 1970s. As Morikawa explains,

Natural resources diplomacy became the focus of Japan's attention in Black Africa from the latter half of the 1960s onwards. As the phenomenal growth of its capitalism took off, Japan became extremely worried about the possibility of a natural resource crisis. Against this background, its natural resources diplomacy was born...²³⁷

²³⁵ Ibid

²³⁶ Asahi Shimbun, "China outstripping Japan in diplomatic race to woo Africa", (3 May 2006), www.asahi.com/english/Herald-asahi/TKY200605030143.html

²³⁷ Jun Morikawa, *Japan and Africa Big business and diplomacy*, London: Hurst & co, 1997, p. 69

Japan's primary focus in Africa during those years was obtaining base metals such as iron ore, copper ore and bauxite, products which are now fuelling China's economic expansion. Yet, it is Beijing's single-minded pursuit of access to energy resources in Africa that has drawn the most comment in the context of Chinese political support for African regimes roundly criticised in the West. These moves by China, however, reflect both the authoritarian aspects of its own political structures and the pressing economic imperatives that underlie not only Chinese relations with Africa but also that once drove Japanese foreign policy objectives, and in the context of increasing Sino-Japanese energy competition, could again become central to policy formation.

Nester describes Japanese foreign policy in the developing world as "a neomercantilist strategy of concentrating on securing Japan's regional geoeconomic interests while skirting any political entanglements."²³⁸ These views of Japan's resource diplomacy often focus on the high levels of trade that occurred between Japan and Apartheid South Africa, and the cynical economic prerogatives that dominated foreign policy objectives at the expense of more ethical concerns. However, in 2006, it is China which is experiencing exponential economic growth and, consequently, the scramble to secure mineral and energy rights is being pushed to the forefront of Chinese foreign policy in Africa - resulting in political and economic support for a number of African regimes whose democratic or human rights records are widely criticised in the West.

²³⁸ William R. Nester, *Japan and the third world – patterns power prospects*, London: Macmillan, 1992, p. 233

However, Chinese interaction with Africa has largely been characterised by its broadly consistent policy of non-interference in the domestic affairs of sovereign states. This position contrasts sharply with the Western (and recently Japanese) approach of expending considerable effort on rhetoric around issues of democratisation and human rights. However, these efforts are focused against a history of extensive interference in Africa, and support for widely unpopular regimes such as that of Apartheid South Africa or Mobutu Sese Seko in the former Zaire. Thus, the absence of a 'moralistic' dimension to Chinese moves in Africa has resonated positively with African leaders, who have for decades witnessed Western powers pursue narrow self-interest and glaringly inconsistent policies with regard the domestic political environment in many African states. In this light, Chinese political support for countries such as Sudan or Zimbabwe – while drawing increasing criticism in the West – highlights the continuity of its policy of non-interference and arguably strengthens its position in the eyes of many of Africa's leaders.

Africa's strategic importance in terms of mineral and energy resources is illustrated by the fact that Chinese President Hu Jintao visited key oil-producing states in 2006 – his second visit to Africa in three years. In addition, Chinese Foreign Minister Li Zhaoxing, and Prime Minister Wen Jiabao also toured the continent in 2006. In describing Foreign Minister Li's visit to Africa in January 2006, McGivering noted that "there is no doubt of Africa's importance in fuelling China's remarkable growth. China's rapacious energy needs are increasingly shaping its foreign policy, especially in regions like Africa, rich in natural resources and eager for investment."²³⁹ McGivering adds that China's state media claims the

²³⁹ Jill McGivering, "China's growing focus on Africa", BBC News, (17 January 2006), <http://news.bbc.co.uk/1/hi/world/africa/4619956.stm>

volume of trade between China and Africa has quadrupled over the past five years to reach approximately US\$ 37 billion – including an “estimated 700 Chinese-funded ventures, many in the field of energy and natural resources: oil and gas development, copper, cobalt, coal, and gold mining.”²⁴⁰

Chinese President Hu’s visit to Africa in April 2006 included a second visit to Nigeria in two years where a significant oil deal was signed and Hu was given the honour of addressing a sitting of both houses of parliament. The US\$ 2 billion oil deal included the Chinese purchase of a controlling stake in the 110,000 barrel a day Kaduna oil refinery and the offer of first refusal to China’s state-owned China National Offshore Oil Corporation (CNOOC) for a quartet of exploration blocks in the Niger Delta.²⁴¹ In addition, CNOOC completed a US\$ 2.3 billion purchase of a 45 percent stake in an existing offshore oil field,²⁴² and China pledged to invest US\$4 billion dollars in oil and infrastructure projects in Nigeria.²⁴³ As the BBC goes on to report, beyond oil deals, China strengthened its ties with Nigeria by lending US\$1 billion towards modernising Nigeria’s railways they note, “the deal is the latest example of China looking to tighten relations with oil-producer countries” so as to secure steady energy supplies for its booming economy.²⁴⁴

²⁴⁰ Ibid

²⁴¹ BBC News, “China’s Hu urges more Africa ties”, (27 April 2006), <http://news.bbc.co.uk/1/hi/business/4946708.stm>

²⁴² BBC News, “Chinese leader begins Africa tour”, (24 April 2006), <http://news.bbc.co.uk/1/hi/world/africa/4937568.stm>

²⁴³ BBC News, “China and Nigeria agree oil deal”, (28 April 2006), <http://news.bbc.co.uk/1/hi/business/4946708.stm>

²⁴⁴ BBC News, “Nigeria gets \$1bn China rail loan”, (22 May 2006), <http://news.bbc.co.uk/1/hi/business/5005510.stm>

China's existing ties with African oil producers include Sudan, Equatorial Guinea, Gabon and Angola. However, the visit in June 2006 of Chinese Prime Minister Wen Jiabao to Brazzaville in the Republic of the Congo to discuss oil exploration in the Gulf of Guinea indicates China's intentions of furthering its energy ambitions in Africa.²⁴⁵ Thus, the extent of high-profile Chinese governmental visits to Africa points to the nature of China's energy diplomacy on the continent, based around the formation of bilateral ties and large-scale investment in oil infrastructure, supplemented by aid and trade deals. Beijing's cultivation of relationships with oil-producing African states allows for Chinese state-owned oil companies to explore, secure, extract, process and finally ship African crude. The BBC reports that China-Africa trade increased by 39 percent in the first ten months of 2005. Additionally, over the same period China invested US\$175 million in African countries and scrapped tariffs on 190 kinds of imported goods from 28 of Africa's least developed countries.²⁴⁶

However, it is the nature of China's energy-driven bilateral relations in Africa that are not only drawing criticism from western nations but also highlighting the increasing gulf in Sino-Japanese policies with regard Africa. Whilst Japanese policy in Africa from the 1960s to the 1990s can be described as neo-mercantilist and driven by the pursuit of mineral resources, in 2006 Japan operates in line with its position in the G8 - the global club of rich nations. In this regard, Japan's relationship with Africa in recent years has been determined in line with the Tokyo International Conference on African Development (TICAD), which is centred on three policy 'pillars', consolidation of peace, poverty reduction through economic growth

²⁴⁵ BBC News, "Chinese PM announces Ghana loan", (19 June 2006), <http://news.bbc.co.uk/2/hi/africa/5094384.stm>

²⁴⁶ BBC News, "China-Africa trade jumps by 39%", (6 June 2006), <http://news.bbc.co.uk/1/hi/business/4587374.stm>

and human centred development.²⁴⁷ However, despite its seemingly noble intents, Cornelissen and Taylor assert that “in essence, Japan’s sponsorship and involvement in the entire TICAD enterprise is one which elevates its ‘non-Westernness’ – first as an advanced nation discerned by its attempts to counter ‘Afro-pessimism’; second, as with China, through a distinct extra-Western appeal.”²⁴⁸ In addition, it could be argued that Japan’s attempts to reflect a less instrumentalist relationship with Africa is intended to mitigate its neo-mercantilist reputation, and to shadow – for the sake of expediency – Western policies with regard to democratisation or human rights.

In an address at the headquarters of the African Union (AU) in Addis Ababa in May 2006, Prime Minister Koizumi spoke of Japan’s commitment to assist the AU in dealing with the humanitarian crisis in Darfur, extending cooperation in areas such as trade, investment promotion and infrastructure development as well the fight against AIDS on the continent. However, as an editorial in the Japan Times noted,

It is said that Mr. Koizumi’s Africa visit was designed to get cooperation from African countries in its bid to become a permanent member of the U.N. Security Council and to counter China’s manoeuvres in Africa. Shortly before Mr. Koizumi’s Africa visit, Chinese President Hu Jintao visited Morocco, Nigeria and Kenya and signed major business deals apparently aimed at facilitating the fast-growing Chinese economy’s access to African resources and markets.²⁴⁹

Koizumi’s visit to Africa and subsequent promises of increased trade and aid followed after the 2005 G8 summit in Gleneagles where Japan agreed to increase its Official Development

²⁴⁷ Japan Times, “Editorial: Apolitical support to Africa”, (15 May 2006), <http://search.japantimes.co.jp/cgi-bin/ed20060515a1.html>

²⁴⁸ Scarlett Cornelissen & Ian Taylor, “The political economy of China and Japan’s relationship with Africa: a comparative perspective”, *The Pacific Review*, volume 13, number 4, 2000, p. 621

²⁴⁹ Ibid

Assistance (ODA) by US\$ 10 billion over the next ten years. Also, at the Asia Africa summit held in Jakarta in April 2005, where Japan committed to doubling the amount of aid directed towards Africa over the next three years.²⁵⁰ These efforts, however, whilst in line with general commitments from developed countries to increase aid to Africa appear to have made little impact with regard to combating China's increasing influence in Africa.

As the Asahi Shimbun points out, apart from large-scale purchases of Africa's energy resources, China also pledged US\$ 10 billion in loans and aid to developing countries over the next three years and stressed its resolve and commitment towards Africa.²⁵¹ The newspaper goes on to point out that Beijing's involvement in the continent also extends to military aid and that China does not try to shape political systems. In this regard, China's economic and political influence in Africa is gaining ground in a global environment where aid is increasingly tied to commitments around human rights or democratic reforms. General African enthusiasm for China's growing role on the world stage is encapsulated by Nigerian President Olusegun Obasanjo who, the Asahi Shimbun reports, said that China will lead the world this century, and that Nigeria intends to be right behind China.²⁵²

However, as Cornelissen and Taylor note, the strategic importance of Africa for both China and Japan is considerable, and extends beyond both countries' resource-driven involvement on the continent.

As such, both countries view the African continent as a useful (albeit latent) buttress to their respective political

²⁵⁰ Ibid

²⁵¹ Asahi Shimbun, "China outstripping Japan in diplomatic race to woo Africa", (3 May 2006), www.asahi.com/english/Herald-asahi/TKY200605030143.html

²⁵² Ibid

and diplomatic goals in the international system, as well as satisfying various economic needs. Hence both countries deploy aid, increasingly in partnership with commercial activity in order to facilitate a sympathetic support base on the continent. By doing so, both countries attempt to cultivate the national elites of African countries in order to build up these support constituencies so that they may utilise these at the multilateral level.²⁵³

While a realist reading of international relations would point to instrumental factors underpinning many facets of state interaction, including the provision of aid and development loans, China's pragmatic energy-driven diplomacy in Africa appears to fully encapsulate these qualities. As Cornelissen and Taylor again assert, "China's economic dealings with most African countries are today based on a cool evaluation of their perceived economic and political potential."²⁵⁴ Many believe that China's activities on the continent have surpassed Japan's neo-mercantilist commodity-driven foreign policy of the 1960s and 1970s. China's permanent seat at the UN Security Council and increasing economic clout - driven by fast-growing energy demands, gives China unparalleled advantages in nurturing energy relationships in Africa.

In the post-cold war environment where the binary divisions that characterised state interaction are not present and the neoliberal economic model is ideologically uncontested, China's possible future challenge to the present hegemonic order is being welcomed in Africa. In a continent with a long history of Western dominance and exploitation, Africa's growing economic relationship with China is built on a perception of shared values. As Taylor describes, "a Chinese diplomat in Africa asserted in a claim shared by many African

²⁵³ Scarlett Cornelissen & Ian Taylor, "The political economy of China and Japan's relationship with Africa: a comparative perspective", *The Pacific Review*, volume 13, number 4, 2000, p.616

²⁵⁴ *Ibid*, p. 628

leaders, human rights such as ‘economic rights’ and ‘rights of subsistence’ are the main priority of developing nations and take precedence over personal, individual rights as conceptualised in the West.”²⁵⁵

In this regard, the 2005 unveiling of Beijing’s official guideline with regard to Africa is significant. Titled ‘China’s African Policy’, the document sets out the principles of Sino-African state interaction and is much in keeping with China’s foreign policy in general. Emphasizing what China terms the Five Principles of Peaceful Coexistence, the document enshrines mutual territorial respect, non-aggression and non-interference in each others internal affairs. As McGivering notes with regard to the document, “that is a much less constraining philosophy than that of most Western governments - who may have ethical concerns about doing business with countries with non-democratic governments and/or human rights concerns.”²⁵⁶ McGivering’s claims about Western ethical concerns notwithstanding, evidence abounds that demonstrate clearly that Western states – or Japan – have rarely ever been constrained from doing business with non-democratic or rights abusing states in Africa when any of their important interests was at stake.

Still, beyond China’s relationship with states such as Sudan or Zimbabwe, which have been shunned internationally, many argue that the ready flow of Chinese cash into the continent is exacerbating existing governmental weaknesses. As the BBC reports with regard China’s increasing investments in Angola’s oil industry, “the combination of corruption and Chinese

²⁵⁵ Ian Taylor, “China’s foreign policy towards Africa in the 1990s”, *The Journal of Modern African Studies*, volume 36, number 3, 1998, p. 448

²⁵⁶ Jill McGivering, “China’s growing focus on Africa”, BBC News, (17 January 2006), <http://news.bbc.co.uk/1/hi/world/africa/4619956.stm>

cash is damaging, and that this source of new funds gives Angola the opportunity to ignore the IMF's recommendations on transparency and accountability.”²⁵⁷ Timberg reiterates this point when he notes that the influx of cash into Angola has further stiffened the government's resolve against outside pressure – mostly from the West – to reform.²⁵⁸

Yet, perhaps it is Sudan which best encapsulates the divergent Sino-Japanese policies in Africa today. Tokyo's emphasis on democratic reform and human rights stems from a 2002 task force on foreign relations report which argued: “bringing about democracy and good governance in Africa is essential for world stability and prosperity.”²⁵⁹ The Koizumi administration has also provided US\$ 2 million towards training on international human rights law to AU troops in Sudan²⁶⁰ and shown intent to vote along the lines of the Western powers with regard to imposing sanctions against the Khartoum government.

Sudan, however, also represents the nexus of China's energy diplomacy and policy of non-intervention in the domestic affairs of states. While the argument could be put forward that the Chinese policy of non-interference is geared towards deflecting attention from its own authoritarian structures and policies in Tibet or Xingjian, the extent of China's investment in Sudan's oil industry is significant and, as such, must be considered a vital element in the formation of Chinese foreign policy towards Sudan. According to Ernest Wilson's testimony before the sub-committee on Africa at the US House of Representatives in July 2005, Sudan

²⁵⁷ BBC News “Angola: China's African foothold”, (20 June 2006), <http://news.bbc.co.uk/2/hi/africa/5080626.stm>

²⁵⁸ Craig Timberg, “Voracious dragon is becoming the new colonial power in Africa”, *The Sunday Independent*, June 18 2006

²⁵⁹ Joshua Eisenman, “Sino-Japanese oil rivalry spills into Africa”, *Centre for Strategic and International Studies (CSIS)*, Washington D.C.

²⁶⁰ Ibid

alone provides five percent of China's oil imports and Chinese workers have constructed a 1,600 km pipeline facilitating oil exports.²⁶¹ In addition, thirteen of the fifteen most significant foreign companies in Sudan are Chinese and Kenny notes that China is also constructing an oil refinery in Khartoum and a 750 km pipeline from the Kordofan oilfield to the coast.²⁶²

However, beyond the increasing energy-based relationship, it is the political support that China lends countries such as Sudan, which continues to draw criticism. As Wilson describes, "When a proposal came before the UN (resolution 1564) to impose an arms embargo on the Sudanese government, China threatened to impose a veto, then watered down the language, then cast an abstaining vote."²⁶³ Chinese obstructionism with regard to UN action in Darfur has continued to raise fears in the West about the negative costs for democracy or human rights in Africa as a result of China's growing influence on the continent – while strengthening China's position due to the many African countries who are at odds with the West over the characterisation of what is happening in Darfur. Indeed, as the head of Human Rights Watch in Africa Peter Takirambudde noted, China will pursue resources wherever they may be, and in doing so "they see no evil. They hear no evil. That is very bad for Africans."²⁶⁴ A view that the Chinese are eager to dispel, when addressing the Nigerian National Assembly, Chinese President Hu asserted that "China's development will

²⁶¹ Dr Ernest Wilson, "China's influence in Africa – implications for US policy", *testimony before the sub-committee on Africa, human rights and international operations, US House of Representatives*, July 2004,

²⁶² Henry Kenny, "China and the competition for oil and gas in Asia", *Asia Pacific Review*, volume 11, number 2, 2004, p.41

²⁶³ Dr Ernest Wilson, "China's influence in Africa – implications for US policy"

²⁶⁴ Peter Takirambudde, quoted in Craig Timberg, "Voracious dragon is becoming the new colonial power in Africa", *The Sunday Independent*, June 18 2006

not pose a threat to anyone. On the contrary, it will bring more development opportunities to the world.”²⁶⁵

Thus beyond Africa, China’s thirst for oil is at the forefront of its diplomacy in Latin America. As Watson points out, Latin America is still below Africa in terms of Chinese strategic interests, but is getting more attention,

China has a targeted need to find energy resources... they are interested in oil contracts in Venezuela, Ecuador and Colombia... They want to cultivate a relationships that will put them in a more favourable situation and they want to show Latin American nations that they will treat them as sovereigns, that they won’t preach to them and they will act as partners.²⁶⁶

This message is being received warmly by virulently anti-US regimes such as Hugo Chávez’s in Venezuela - a nation also rich with oil reserves.

Indeed, it should be borne in mind that China’s energy-driven economic and political activities in Latin America are focused against the backdrop of deep resentment at the history of American interference in the affairs of the region. Nationalist rhetoric directed against ‘*Yanqui*’ imperialism will inevitably find a receptive audience, and in this sense, the emergence of China as a possible future counterbalance to American hegemony must be understood as being built on the strong foundation of deeply felt antagonism towards the US for its history of interference in regional affairs. The Wall Street Journal notes that beyond energy issues, China has constructed a cyber-warfare complex in Cuba to monitor US

²⁶⁵ BBC News, “China’s Hu urges more Africa ties”, (27 April 2006), <http://news.bbc.co.uk/1/hi/business/4946708.stm>

²⁶⁶ Cynthia Watson, quoted in Wall Street Journal, “Americas: The Middle kingdom in Latin America”, Sept 3 2004

satellite communications, and is building a strong strategic relationship with Brazil, the regional powerhouse: “The growing relationship between Brazil and China is viewed as two emerging powers that can benefit each other vis-à-vis the U.S.”²⁶⁷

China’s efforts to construct meaningful economic and political relationships in Latin America follow a similar pattern of political non-interference in domestic affairs to those that are driving China’s Africa policy. Yet, Latin America is still well within the sphere of influence of the United States, and combined with the cost of shipping oil over the much greater distances from Latin America, Africa will continue to remain strategically vital to China’s energy policies.

As a result, China’s energy ambitions in Africa, whilst not entirely uncontested, lack the geopolitical complications that characterise China’s efforts in securing oil and gas in Russia, Central Asia or Latin America. However, as Japan looks to diversify its sources of supply away from its overwhelming dependence on the Middle East, Africa is becoming more significant not only as a supplier of energy resources but as a platform for criticising Chinese policy. The historically difficult nature of Sino-Japanese relations, and the apparent use of the ‘history card’ by China in wringing concessions from Japan means that the Japanese media is quick to highlight the nature of Chinese energy policy in Africa. As Eisenman points out, “China’s methods are not lost on the Japanese media...in an August (2005) editorial, the Sankei Shimbun warned that China chooses to do business with supporters of

²⁶⁷ Wall Street Journal, “Americas: The Middle kingdom in Latin America”, Sept 3 2004

terrorism and anti-democratic African states.”²⁶⁸ These sentiments must be viewed in conjunction with the promotion of democracy message that Koizumi has continued to reiterate with regard to Africa. Indeed, Japan’s former chief Cabinet Secretary and current Prime Minister, Shinzo Abe, publicly criticised China when he said that the two countries do not share fundamental values about freedom and human rights.²⁶⁹ However, while Japan’s neo-mercantilist record in Africa and long history of doing business with unsavoury regimes is well noted, this type of political rhetoric is significant in that it highlights the increasing Sino-Japanese competition in Africa.

Consequently, as Sino-Japanese energy competition moves beyond East Asia, the politico-economic repercussions of the different approaches employed by the two countries in formulating foreign policy will continue to grow. The long-term effects of China’s policies in Africa today can only be based on guess-work and are invariably influenced by an element of ideological bias with regard to one’s position on ethical business practices. In addition, Japan’s history of neo-mercantilist economic activity in Africa must also be factored in when assessing the importance of human rights and democracy in the formulation of its Africa policy today. However as Schraeder notes, “the evolution of Japanese involvement in Africa from the early 1980s to the present demonstrates Japan’s intention to translate its extraordinary economic power into global influence worthy of a political and economic superpower.”²⁷⁰ Thus today, China’s concerted drive to acquire oil and gas in Africa has

²⁶⁸ Joshua Eisenman, “Sino-Japanese oil rivalry spills into Africa”, *Centre for Strategic and International Studies (CSIS)*, Washington D.C.

²⁶⁹ BBC News, “Japan rebuffs China summit offer”, (4 April 2006), <http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/asia-pacific/4874946.stm>

²⁷⁰ Peter Schraeder, “Japan’s quest for influence in Africa”, *Current History*, (May 1999), available at http://www.currenthistory.com/org_pdf_filrs/98/628/98_628.pdf

become another element in the complex framework of Sino-Japanese energy competition. The mutually divergent positions that China and Japan hold with regard to the political dimensions of economic expansion into Africa reiterate and underscore the complex nature of Sino-Japanese tensions, and further exacerbate their historically based energy-driven animus.

Conclusion

Multi-polar power dynamics into the twenty-first century

When considering the factors that will determine the twenty first century and the possibility of realising the Pacific Century, the nature of Sino-Japanese relations into the future becomes paramount. In attempting to plot the geopolitical map of East Asia into the future, one is beset by the challenge of determining adequately the outcomes of events that are occurring now, and moving beyond an understanding of interstate relations based on the concept of precedent. East Asia has never experienced two major power centres, and the varied processes of globalisation that are drawing states closer together through greater cultural interchange, economic exchange and interdependence are still in their formative stages and can offer no models upon which to determine the future course of interstate relations.

Thus, although the nature and future of Sino-Japanese interactions are both hugely important regionally and in a globally they remain difficult to forecast accurately because of the ambiguities and complexities that characterise their relations today. As Kupchan notes, “deep political cleavages still exist in East Asia,”²⁷¹ which serve in the short term, to exacerbate the risk of intraregional balancing and rivalry. However, he envisages that a level

²⁷¹ Charles Kupchan, “Empires and Geopolitical Competition”, in Crocker, Hampson and Aall, *Turbulent Peace: The challenges of Managing International Peace*, Washington D.C.: United States institute of Peace Press, 2001, p. 50

of rapprochement would occur over time between the two states that could see the East Asian region emerge as a powerhouse in a future multi-polar global power alignment. Nevertheless, while the future actions and interactions of Japan and China have by no means a universally agreed upon set of outcomes, the nature of energy-driven interstate tensions in 2006, compounded by realist understandings of *security dilemma* and formulated in terms of historical perspectives suggests that the fast-growing Chinese demand for energy resources, namely oil and gas, will continue to exacerbate tense relations with Japan, creating the potential for open conflict in the foreseeable future.

The role of history and a historically based perception and understanding of current actions is a hugely important factor in determining the nature of modern Sino-Japanese relations. The historical basis of mistrust and antagonism is kept alive through not only repeated Chinese demands that Japan apologise further for its war-time atrocities, and apparent Japanese unwillingness to do as demanded, but also by perceived acts of Japanese insensitivity such as visits by its Prime Ministers to the Yasukuni shrine or display of selective memory in new Japanese school history textbooks, which invariably lead to rounds of recrimination from China. The thread of history that runs through China-Japan interactions is closely linked with that of nationalism, which is developing as an important factor in understanding the geopolitical connection between the two states.

Many observers have noted that following the end of the Cold War and the adoption of 'capitalism with a socialist face' by the communist rulers in Beijing, the nation has been without the all-important uniting ideology that communism had offered, and into this void

has moved a distinctly anti-Japanese brand of nationalism that focuses on history, unity, and the bravery of Chinese opposition to Japanese invaders. McIntosh describes a poster held at an anti-Japan rally in the mid-1980s, which read: “I used to be a Japanese imperialist, decapitating 50 people... but now I’m selling you colour televisions.”²⁷² Thus, the strands of history and nationalism reinforce each other to build a foundation of animosity in Sino-Japanese relations, and are creating a backlash of nationalist impetus in Japan that is central to the Japanese recognition of its regional power and influence and has brought energy competition into stark focus.

As Agakimi notes, “Japan is in the midst of a grand social transformation. Political manners, economic rules, patterns of everyday life and international relations are all in flux. The last time Japan saw change of great magnitude was after the defeat in World War II.”²⁷³ Yet as Japan enters the twenty first century, it lacks an American blueprint for its future of the sort that defined the post-1945 period, and into this space Agakimi describes the rise of an assertive nationalism among young Japanese. Indeed, as Agakimi notes, central to this impetus is a growing mistrust of China and its intentions: “a variety of opinion polls show the vast majority of Japanese concerned about their country’s relations with China. Reacting to media reports on anti-Japanese demonstrations in China, those who hold unfavourable feelings toward China have surged more than 70 percent.”²⁷⁴

²⁷² Malcolm McIntosh, *Japan re-armed*, London: Frances Pinter, 1986, p.118

²⁷³ Hikari Agakimi, “We the Japanese people”, *Asia Times*, (25 May 2006), <http://www.atimes.com/atimes/japan/HE25Dh01.html>

²⁷⁴ Ibid

It is against this backdrop of rising mutually antagonistic nationalisms that Sino-Japanese energy competition must be understood. The exponential growth in China's economy is resulting in growing demand for oil and gas from the same energy exporting markets that supply Japan. Thus, when considering the historically-based political nature of present Sino-Japanese relations, and the near total Japanese dependence on imported fuels, the significance of energy security in the context of regional instability becomes apparent. In June 2006, the Japanese government released its New National Energy Strategy, a report outlining Japan's energy policies. As the Yomiuri Shimbun notes, the report is noteworthy for its emphasis on energy security as compared to previous reports, as well as mentioning the increasing international competition for natural resources with China.²⁷⁵ Thus, as energy security becomes an increasingly important factor in foreign policy formation, the various aspects of Sino-Japanese rivalry from territorial disputes to access to Russian oil accentuates the role of energy concerns in a broad understanding of China-Japan interaction and the possibility of present tension leading to conflict.

Sino-Japanese relations today contain not only the full spectrum of realist concerns about state capabilities and motives but also major issues about an economic relationship that is as competitive as it is complementary. As such, Japanese fears regarding both the Chinese irredentism in the South China Sea as well as its military expansion are matched by Chinese fears of Japanese remilitarisation and the departure of US troops from the region. It is against this backdrop that the complex variables of energy competition and moves to secure energy security are occurring. As Giragosian points out, Japan's expanding regional role and

²⁷⁵ Yomiuri Shimbun, "New energy strategy focuses on security", (5 June 2006), <http://www.yomiuri.co.jp/dy/editorial/20060605TDY04005.htm>

the simultaneous reassessment of its threat environment has made energy competition part of a broader dynamic in Sino-Japanese relations. However, Giragosian maintains that “although the emergence of a vibrant and heated Chinese nationalism has exhibited strident anti-Japanese feeling, it has been the continued dispute over natural gas reserves in the East China Sea that has most recently fuelled Japanese-Chinese rivalry.”²⁷⁶

Thus, the nature of Sino-Japanese energy rivalry into the future, while difficult to forecast accurately due to the numerous historical, economic and geopolitical variables that influence the relationship, is likely to result in continuing legal, political and military outcomes driven by the energy concerns that underpin the foreign policy imperatives of both countries. This understanding of ‘open conflict’ must be understood in terms of the significant changes that are occurring in both countries, in many instances fuelling Sino-Japanese rivalry. The remarkable economic growth and apparent abandonment of socialism in China has changed significantly the landscape of East Asia and can be seen as integral to the changes that are occurring in Japan, as well as igniting the present energy competition that characterises the relationship today.

Japan’s geopolitical position is being debated in the context of the hugely popular pacifist position that many Japanese believe should embody their national ethos. Yet, this pacifist notion of national self-identity is increasingly under threat as political and economic concerns facing the country have begun to influence mainstream political opinion, driven by economic stagnation throughout the 1990s and continuing tension in the region. Thus, the

²⁷⁶ Richard Giragosian, “Sino-Japanese competition for Russia’s far east oil pipeline project”, Institute for the Analysis of Global Security, available at <http://www.iags.org/n0119063.htm>

increase in defence consciousness in Japan can be understood as the net result of the infusion into the public discourse of leadership thinking with regard to the global energy imperatives that the country faces. This changing environment is underscored and driven by a record Liberal Democratic Party majority in the Diet, based on the popular Koizumi-led reform platform.

Consequently, energy security has become central to the foreign policy objectives of both countries and, apart from being a useful issue around which to rally public support such as over gas reserves in the contested Senkaku/ Diaoyu islands, the issue of energy competition can be traced to the deterioration of relations between the two states. From openly competing for access to Russian oil and tensions over the differing nature of Sino-Japanese relations with regard to Africa; the issue of energy security is focused against the militarization of the East and South China Seas and the shared perception that energy competition in the region is a zero-sum game. As a result, a balance of power between the land-based China and maritime-dependent Japan has not been achieved, and the increasing demands of energy security in an environment of rising oil prices and economic dependence on petroleum imports continues to raise the ante in an otherwise tense relationship. Thus, while there is still uncertainty over just how powerful China will become and while Japan is still hamstrung militarily, the threat of the unknown, compounded by historical antagonism and based around protecting their respective national interests and the demands of energy security, will see the relationship continue to be one of mistrust despite growing economic ties.

Addendum

Central to this paper's formulation of reemerging Japanese nationalism and increasingly assertive foreign policy is the leadership of Japanese Prime Minister Junichiro Koizumi. However, Koizumi stepped down on the 30th of September 2006 to be replaced as Prime Minister and leader of the ruling Liberal Democratic Party by former Chief Cabinet Secretary Shinzo Abe. Thus, while it is too early to make any meaningful determination of how Abe's leadership will affect relations with China in the context of energy competition between the two states, it is significant to note that Abe has already indicated a willingness to continue Koizumi's reforms, while at the same time attempting to repair the damaged relations with China. In his first policy speech after replacing Koizumi, Abe spoke of overhauling Japan's pacifist constitution and exercising the country's right to collective self defence. Promising to "break away from the postwar regime", Abe highlighted four elements that will make up "the beautiful nation, Japan" – significantly, one of these four elements was: "a nation that continues to have energy to allow for growth in the future."²⁷⁷ Breaking with tradition, Abe chose China as the destination of his first overseas official visit where he spoke apologetically of Japan's history in the region and the importance of building "a relationship

²⁷⁷ Asahi Shimbun, "Abe stresses changes to constitution", (30 Sept 2006), <http://www.asahi.com/english/Herald-asahi/TKY200609290391.html>

of mutual benefit based on a common set of strategic interests.”²⁷⁸ Thus, while the inherent complexities of Sino-Japanese relations remain, it is doubtful that new leadership will radically alter the nature of energy competition in East Asia in the context of the same energy imperatives and geopolitical tensions.

²⁷⁸ Asahi Shimbun, “Abe, Hu put ties on new footing”, (9 Oct 2006), <http://www.asahi.com/english/Herald-asahi/TKY20061009011.html>

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