Conflict Prevention through Unresolved Dispute or How Pending Joint Gas Development Initiative Contributed to the Regime Building and Peace in the East China Sea

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Abstract

The main purpose of this paper is to explain how pending joint natural gas development initiative between China and Japan served in maintaining peace and stability in the East China Sea. In 2004 this initiative enabled the two countries to avoid direct military confrontation as they entered negotiations. Nonetheless, until now there has been no actual progress. Therefore this paper also examines how and why this pending initiative, addressing bilateral dispute, remained credible.

The paper, referring the theories of international regime, marine regime building, and reassurance in conflict management to construct its argument, suggests that when the gas field dispute emerged, regime building in the East China Sea was at its early stage. Thus its settlement was difficult at that time, and joint development initiative was put on the agenda of China-Japan bilateral relations mainly as a tool for conflict prevention. In a long term it provided the two countries with time necessary to build basic regime and establish channels and norms of communication first. Under such circumstances Japan accepted China’s strategy of reassurance and tolerated the lack of progress in joint development.

To support its argument the paper examines regime building before and after the dispute emerged in 2004 and finds that regime building efforts, although often hindered by general bilateral relation, intensified after 2004.

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Introduction

The main purpose of this paper is to explain how pending joint natural gas development initiative between China and Japan served in maintaining peace and stability in the East China Sea. The paper also demonstrates how and why this non-implemented initiative remained credible and in such a way contributed to a long-term conflict prevention. Joint development initiative refers to China’s proposal in July 2004 to develop natural gas deposits together with Japan in certain areas in the East China Sea, disputed by the two countries. At that time Japan expressed its concerns over China’s research and resource development activities around the Japan-proposed median line. It demanded China to submit geological survey data of the drilling sites in the East China Sea. Rejection of these demands brought the two countries to the brink of military confrontation in fall 2005. The worst-case scenario was avoided only because Japan accepted China’s proposal. Later on, the two countries negotiated joint development and in June 2008 reached a political agreement. It was later to be followed by a legally binding international treaty.

Since then there has been no actual progress made in joint development. Still, the credibility of this initiative remained and the conflict has been prevented. Pure logic suggests that eventually Japan would grow impatient with China’s changing stance on this issue. But in contrary China has been able to keep Japan in negotiations. Thus there remains a question why (or how) this pending initiative retained its credibility. That is why both countries, especially Japan, were relatively satisfied with lingering over the issue when it also postponed the development of possibly large natural gas deposits there. Such a situation implies that there was a special role carried out by this pending agreement.

To answer this question the paper first explains how China’s reassurance strategy in a long run sustained the significance of the pending initiative (and later a pending political agreement) in conflict prevention. The later part of the paper examines why Japan remained receptive to such strategy. It compares regime building in the East China Sea before the conflict escalated in 2004 and after that. Constructing its argument based on the theories of international regime, marine regime building, and reassurance in conflict management, the paper suggests that in 2004, when the gas field dispute emerged, regime building in the East China Sea was at its early stage. China and Japan attempted to build regime in basic issue areas and create channels and norms of communication first, thus Japan tolerated the lack of actual progress in joint development. In such a way the two countries were able to postpone the settlement of this sensitive issue and in a meanwhile sought to promote basic regime building in the East China Sea.

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1 Although China was the major advocate of joint resource development, and in June 2008 it announced a political agreement with Japan to jointly develop natural gas in a specific area around the Japan claimed median line, it later remained reluctant to proceed toward international treaty. In May 2010 China called for the renewal of the negotiations toward such treaty, necessary to actually implement joint development. It suspended the negotiations again in September 2010.

2 The disputed area of the East China Sea is expected to store significant amounts of hydrocarbon resources. The fields of Canxue, Baoyunting, Chunxiao, Duanqiao, Wuyunting, and Tianwaitian in Xihu Trough are estimated to store 17.9 million barrels of oil and 363.9 billion cubic feet of natural gas (Source: US Energy Information Administration).
Conflict Management in the East China Sea

Conflict Escalation and Its Management

Conflict escalation refers to a step-like increase in the nature of a conflict, a change in its saliency (Zartman, 2008). Zartman compares it with conflict intensification: ‘Against “more and more”, escalation is “something else.’ In other words, conflict escalation means a change in the status quo. That is the state of affairs is different after the conflict escalates. In the case of the East China Sea such a change would occur if the two countries entered an armed conflict. On the other hand, in this particular case conflict escalation may also result in the delimitation of the marine boundary between China and Japan upon a decision of an arbitration institution.

The change of the status quo in the disputed areas of the East China Sea is not favored by China. Direct military confrontation would be too costly in terms of domestic politics. First, it might undermine China’s economic development; second, it would distract the government’s attention from the maintenance of domestic social stability. According to Mifune (2010), these are the key factors shaping Chinese foreign policy. Wang (2007) also agrees that Chinese foreign policy is carried out under careful calculations of its domestic policy goals. Further, marine boundary delimitation might jeopardize China’s bargaining positions in its other territorial disputes in the South China Sea. Under such circumstances joint resource development negotiations were nearly the only conflict management measures that corresponded to the interests of the Chinese government.

China’s Conflict Management Strategies

In 2004 Chinese government refused to submit survey data insisting that it ‘could consider the provision for information after an agreement in principle had been reached on joint development’ (MOFA, 2010). China actively advocated joint development negotiations, suggesting it as nearly the only alternative to conflict escalation. Japanese government finally agreed to negotiate joint development in fall 2005 after China deployed a fleet of 5 warships near Chunxiao gas field. In this way the two countries managed to maneuver their way away from open confrontation.

Although the two sides actively negotiated the issue, an effective agreement on how to exploit natural resources in disputed territories proved to be difficult to achieve. In a meanwhile China made an effort to sustain the significance of this initiative. Media reports reveal that Japanese side requested a right to participate in developing 3 Chinese sites (Chunxiao, Duanqiao and a part of Longjing) through capital investment and technological assistance (Au, 2008). China’s initial refusal notwithstanding Chunxiao gas field was included into China-Japan political agreement of June 2008. While it might have imposed high domestic audience costs on Chinese government, such a step reinforced the credibility of joint development as an eventual solution.

In this way pending joint resource development initiative was replaced by a pending agreement, as later China remained reluctant to further negotiate legal international treaty. The costs of lingering over the agreement of 2008 increased in 2010. Japanese policy makers grew impatient, and in January the representatives of Japan warned China they would seek for an international arbitration if it attempted to
develop Chunxiao field. The conflict was escalating again and the threat of arbitral intervention appeared. This was a sign for the Chinese foreign policy makers that the credibility of the agreement to jointly develop resources in the East China Sea was deteriorating. This changed China’s stance: in April President Hu Jintao was still reluctant to do so, but in May 2010 Premier Wen Jiabao announced his will to renew the negotiations soon. The first round of talks was held in July and the following meeting was scheduled in September. In such a way China managed to maintain the status quo in the East China Sea. Japanese side gave up its intention to seek for international arbitrate and returned to the negotiation table. Although no progress was made and the negotiations were ceased later in September, the initiative’s original role to secure the status quo was restored.

Stein defines such actions as reassurance in international conflict management. ‘[A]n important step is to convince the adversary that negotiation is a serious alternative’ (1991). The defender seeks to convince the challenger it is willing to negotiate important issue rather than go to direct confrontation. As Stein points out, this strategy ‘is used in the process of getting to the table rather than at the table itself.’ 2004 witnessed rapid escalation of the conflict. But as China convinced Japan to enter negotiations, it was successfully managed. In 2008 the significance of this initiative was revived and peaceful settlement appeared to be more probable. Later, in 2010 when the initiative’s credibility was fading away, China reassured Japanese government about its intentions regarding the issue.

In a nutshell, China’s initiative to jointly develop natural gas served as means to prevent conflict escalation at the time the dispute emerged. As a result of China’s strategy of reassurance the significance of the pending initiative was extended into a longer-term. The following part explains why it retained credibility in the eyes of the Japanese decision makers.

Regime Building in the East China Sea

International relation specialists point out that for an effective management of the East China Sea territorial dispute a certain regime is necessary (Valencia, 2000). International regime is sets of implicit or explicit principles (believes of fact, causation, and rectitude), norms (standards of behavior defined in terms of rights and obligations), rules (specific prescriptions or proscriptions for action), and decision-making procedures (prevailing practices for making and implementing collective choice) around which actors’ expectations converge in a given issue-area (Amae & Valencia, 2003; Krasner, 1983). Through the establishment of such regimes conflicts can be prevented. The exploitation of hydrocarbon resources in the East China Sea would be an integral part of a much wider cooperation framework, which could be referred to as international maritime regime.

Regime building theory suggests an explanation why lingering over the resource development issue might have been favored by both sides, at least for the time being. This is mainly attributable to different stages of the regime building process. At an early stage regimes tend to focus on low priority issues and usually avoid controversy (Valencia, 2000). Joint oil and gas exploitation between China and Japan is an issue of high sensitivity due to the bilateral relations between the two countries and specifics of domestic politics (Drifte, 2008; Au, 2008; Liao, 2008).
Moreover, it involves controversy as the territorial claims by both countries are based on effective, although conflicting provisions of the United Nations Convention on the Law of the Sea (UNCLOS).

According to Valencia (2000), cooperative regimes in one limited area may also foster cooperation in other. Proliferation of maritime regimes in innocuous areas ‘may build a web of interrelationships necessary to move to the next higher step of successful regional arrangements.’ As the interdependence between the involved countries deepens, it renders the settlement of more complicated issues easier.

Further, a sudden crisis often creates circumstances, favorable for regime building and might even accelerate it. ‘A shock or crisis <…> can stimulate the emergence of political will to address the issues in integrative bargaining and thus open windows of opportunity so that the regime will form’ (Valencia, 2000).

If international regime is the solution for the issues rooted in the East China Sea territorial dispute (Valencia, 2003; Jin¹, 2007) then (1) legal framework for natural gas development in 2004 could not be achieved due to the lack of regime in the area. Further, (2) conflict escalation in summer 2004 should have served as a shock, facilitating regime-building efforts from both sides. This dispute threatened the status quo and in such a way might have strengthened the political will to address the issue. The theory of reassurance in conflict management also argues that while preventing conflict escalation and winning some time leaders may ‘attempt to create informal or formal regimes to build confidence, reduce uncertainty, and establish acceptable limits of cooperation’ (Stein). In short, while a conflict escalation is prevented political leaders are expected to put effort in regime building.

Regime Building before 2004

Joint hydrocarbon resource development in the disputed areas of the East China Sea is not a new idea in China-Japan bilateral relation. Similar proposal was raised in 1978 seeking to shelve Senkaku (Diaoyu in Chinese) islands dispute. Bilateral negotiations ended in 1980s with no workable agreement, which demonstrates that joint development was difficult to achieve when no basic international regime existed just after the normalization of China-Japan diplomatic relations in 1972.

In 1996, after the ratification of the UNCLOS with its ambiguous provisions, China and Japan encountered the necessity to cooperate and establish legal frameworks to peacefully manage the disputed area. However, at the turn of the century regime building process in the East China Sea was lagging far behind the situation in the South China Sea (Valencia, 2000).

By July 2004 the most significant achievements were reached in the issue area where the ‘habit of dialogue’ already existed – the regime for fisheries. At the same time regime building efforts in new issue areas did not progress further than a vague regulatory framework.

¹ Jin provides a detailed examination of the East China Sea gas field dispute between China and Japan against the background of international and domestic law. He concludes that a solution is a matter of political agreement, which can be achieved only through joint resource development that is a certain international regime.
1. Fisheries Agreement

Agreement between China and Japan Concerning Fisheries came into force in June 2000. It replaced an earlier legal document, adopted in 1975, which instantly became outdated after the ratification of UNCLOS in 1996. The previous agreement finalized provisions of 3 documents signed in 1955, 1963 and 1965 between the Japan-China Fisheries Council of Japan and its Chinese counterpart the China Fisheries Council. Thus the two countries had established and developed a number of long-lasting channels for communication regarding the issues surrounding fisheries. In the latest agreement these channels were institutionalized as the China-Japan Joint Committee on Fisheries (Article 11).

This agreement remains nearly the only legally binding agreement between China and Japan, which establishes such a clear mechanism for resource management in the disputed areas. It defines each country’s rights and obligations in their exclusive economic zones (EEZ). Each country is supposed to permit nationals and fishing vessels of the other contracting state to fish within its EEZ, although a permit issued by designated authorities is necessary.

Article 7 establishes a special provisional measures zone, to which none of the above mentioned provisions apply. The article provides a right for the nationals and fishing vessels of both countries to conduct fishing activities without obtaining a permit in the area north from the disputed Senkaku (Diaoyu in Chinese) Islands up to the parallel of 30°40´ and 52 nautical miles from the coast of each state.

In this way the two countries established a legal framework for fishing activities in the overlapping EEZ, while the sovereignty issue was pending. Joint resource development would be expected to provide a similar solution to the disputed borderline in the East China Sea.

2. Regime for Scientific Research

Fisheries as an issue area might be characterized by long-term communication with established norms and practices. Nonetheless, the agreement was not easily achieved, as the expectations and interests of both countries often collided (Amae & Valencia, 2003). Negotiations regarding scientific research activities in the East China Sea demonstrate how difficult it was to create a regime in a sensitive area where such norms were absent.

Since 1998 Japan became increasingly concerned with the activities of the Chinese marine scientific research and navy ships in Japan’s EEZ. On August 30, 2000 foreign ministers of the two countries agreed to negotiate an agreement for advance notification of such activities by either side. On September 15, 2000 the first working level meeting was held in Beijing on establishment of a framework for mutual prior notification of any marine survey activities in the waters around the two countries. The issues discussed there were absolutely new to this bilateral relation: which maritime areas would be involved, and what the actual contents and timing of such notification would be. That is these talks had no precedent and the institutions involved were only establishing their communication norms. Further, at that time existing international regime in other issue areas was also limited. This made it difficult to reach an agreement immediately, especially when these issues were closely related to the territorial dispute between China and Japan. Such circumstances
further complicated the negotiation process, and in September 2000 the two countries failed to reach an agreement on where to draw the line for the zone of the notification scheme. At that time Japanese top officials were quoted saying that ‘we are trying to establish a framework as soon as possible, but it seems that we still need a little more time in order to come to a meeting of minds on this issue’ (MOFA, 2000).

China and Japan finally reached an agreement in February 2001. Yet, it could hardly be referred to as a clear framework regulating the disputed waters, especially when compared to the regime for fisheries. Provisions on the territory are very cautious. It does not specify the line beyond which the notification should be given, although it establishes an obligation for each country to give two months’ prior notification about maritime scientific research activities in waters around the two countries.

*Regime Building since 2004*

1. Political Will for Regime Building

The dispute entered the agenda of China-Japan bilateral relations at the time when the highest-level political exchange was suspended due to the Japanese Prime Minister’s Junichiro Koizumi visits to Yasukuni Shrine, World War II memorial in Tokyo. But political will to address the issue surfaced as soon as Shinzo Abe succeeded Koizumi on September 26, 2006. Already in October China and Japan leaders announced their commitment to accelerate consultations on the joint development of disputed territories in the East China Sea. This was later reaffirmed in April the following year. China-Japan leaders’ joint statement echoed the previous year’s common understanding to appropriately handle the issue of the East China Sea. The two sides expressed their commitment to conduct joint development as a provisional framework until the final delimitation, acknowledging the need to settle the issue gradually. They also committed to the creation of communication channels by agreeing to hold higher-level consultations.

Later the East China Sea related matters remained one of the key issues touched upon in bilateral highest-level exchanges between China and Japan. Chinese government demonstrated its ambiguous stance on the issue; on the other hand, it repeatedly stated that ‘China’s stance on implementing the 2008 basic agreement remains unchanged’, and it would like to continue to improve communication and preparation for the resumption of negotiations (MOFA, 2011).

2. Institutional Framework

At first the development of the gas fields was mainly addressed in bilateral talks between the ministers of foreign affairs. Later a negotiation committee to deal with the dispute was set up, and increasing number of institutions were included, making the East China Sea talks a search for communication channels. Relevant issues were negotiated by the middle-level carrier officials from the foreign ministries of the two countries, assisted by the officials from other related institutions. Chinese side was also represented by the officials from the National Development and Reform Commission, the State Oceanic Administration, and the Chinese Embassy in Tokyo; Japanese side included Director-General of the Agency for Natural Resources and
Energy, officials from the Ministry of Foreign Affairs, the Agency for Natural Resources and Energy, the Cabinet Secretariat and the Japan Coast Guard. During the 11 round of negotiations each side was led by the director-general of the Department of Asian Affairs in the Ministry of Foreign Affairs in China, and the director-general of the Asian and Oceanian Affairs Bureau in the Japanese Foreign Ministry.

Such exchange between different institutional levels was limited before 2004. From 1998 to 2003 6 rounds of China-Japan Consultations on the Law of the Sea were held, when compared to 11 rounds of China-Japan Consultations concerning the East China Sea and Other Matters arranged after 2004. In addition, in April 2007 a bilateral technical experts meeting concerning the East China Sea and other matters was held, providing the opportunity for the Japanese bureaucrats from the Agency for Natural Resources and Energy, as well as the representatives from the Japan Oil, Gas and Metals National Corporation to meet with the officials from the State Development and Reform Commission and other institutions in China.

Talks on the East China Sea related matters facilitated the exchange between various levels of government. This is of significant importance in a few ways. First, the process of ‘habit for dialogue’ formation took off. Second, it made the management of a conflict escalation possible even during the most difficult periods in China-Japan bilateral relation. When China suspended bilateral exchange on the highest level, communication between the two countries would still continue at lower institutional levels. Finally, it facilitated regime creation in other areas on the sidelines of the gas field talks as different institutions were increasingly involved.

In December 2011 the two countries reached a consensus to establish China-Japan high-level consultation mechanism on maritime affairs. The first round meeting was attended by the representatives from Japanese Asian and Oceanian Affairs Bureau, Headquarters for Ocean Policy, Ministry of Foreign Affairs, Ministry of Education, Culture, Sports, Science and Technology, also Fisheries Agency, Agency for Natural Resources and Energy, Ministry of Land, Infrastructure, Transport and Tourism, Japan Coast Guard, Ministry of Environment and Ministry of Defense. Chinese side included the Deputy Director General of Department of Boundary and Ocean Affairs, officials from the Ministry of Foreign Affairs, Ministry of National Defense, Ministry of Public Security, Ministry of Transportation, Ministry of Agriculture, National Energy Administration, State Oceanic Administration and General Staff Headquarters (MOFA, 2012).

2. **Regime Building in Different Issue Areas**

During the 6th round of talks on the East China Sea related matters in July 2006 the two sides agreed in principle to set up a maritime hotline to deal with situations in the area. At that time the agreement was seen as a positive step in the management of the dispute. However, this issue area proved to be too sensitive for such a framework to emerge immediately. On May 22, 2010 foreign ministers agreed on the need to accelerate the efforts toward establishing a hot-line mechanism involving both countries’ defense authorities. Once again the necessity to facilitate interaction between different institutional levels was stated. Finally it resulted in a hotline between the leaders of both countries, not the defense chiefs. The hotline between the two governments was finally set in motion by a telephone conversation between Chinese Premier Wen and his Japanese counterpart Naoto Kan on June 13, 2010.
The two countries were drawing near a maritime emergency hotline in a one-step at a time fashion. This new hotline was not designated for maritime issues. Only later in August China proposed setting up an emergency hotline that would be used particularly for the maritime issues. The initiative also included provisions on an institutional framework for coordination – an annual meeting, a conference to discuss emergency situations, and sharing frequencies and signals used by ships and airplanes during emergencies. Since 2006 this was a step-like advancement towards maritime emergency hotline to address sensitive issue in China-Japan bilateral relation.

In addition, in 2010 the leaders of the two countries agreed on the need for Japan-China Search and Rescue Agreement. In December 2011 they reached an agreement in principle on this matter. The recently launched meeting of China-Japan high-level consultations on maritime affairs could result on a number of more clearly defined frameworks, based on the ‘habit of dialogue’ established since 2004.

Results and Conclusion

Addressing the gas field development dispute China employed the strategy of reassurance. The government maintained the credibility of its initiative to jointly develop the gas fields by bringing the Japanese side back to the negotiation table each time when the status quo was threatened.

Further, the paper found that before the dispute emerged in July 2004 regime building efforts in the East China Sea were limited, especially when compared with the later period. Moreover, as the regime building theory argues, it was easier in these issue areas where certain norms of communication had already existed. On the other hand, the period following the escalation of the dispute into bilateral conflict brought concerted effort to address regime building in the area. Conflict escalation acted as a catalyst for political will to build international regime, which resulted in gradual regime building while joint gas development initiative was pending. The most significant change was in institutional communication at different levels. Regime building in certain issue areas was implemented gradually, starting from general and moving towards more specific framework that address sensitive issues directly linked to the East China Sea territorial dispute.

China’s initiative to jointly develop natural gas fields in the disputed territories of the East China Sea offered an alternative to open confrontation thus preventing conflict escalation. In a longer-run this initiative, although not implemented, retained its credibility because China employed strategy of reassurance. Japan remained open to it as such situation provided time during which regime building could be advanced. In short, the credibility of pending initiative was rooted in the seeming progress of regime building in the East China Sea: institutional communication was taking place and legal frameworks in less sensitive issue areas were negotiated. Moreover, the situation in 2004 served as a shock that facilitated regime-building efforts in the area. Due to high sensitivity of the issue, this process was gradual, advancing in a step-like manner. Eventually this process might produce a clearer framework regulating natural resource development. At the same time while the dispute is pending peace and stability in the area is sustained.

On the other hand, it should be taken into account that durability of such measures for conflict prevention depends on the general bilateral relation and the
actual progress made in the background of the ‘main’ negotiations. Here the key challenge is to convince the opponent, Japanese government in this particular case, that pending settlement of the issue would eventually suggest a solution. Due to precarious, often hard to predict China-Japan bilateral relation regime building process in the East China Sea has been rather sluggish. If no breakthrough is made, Chinese strategy may cease to be effective and the credibility of this pending initiative would finally fade away. What is more, domestic audience costs of lingering over non-implemented joint development may even accelerate this process.

In general this particular case suggests that when a conflict starts escalating between two countries, conflict is possible to prevent for a relatively long period of time without a change in the status quo. It is essential to bring the governments to the negotiation table even if the probability to settle the issue is low. In the background of such negotiations (that appear to be the ‘main’ negotiations), it is important for both sides to promote institutional exchange at different levels of government, in such a way establishing norms of communication. This is more probable when compared to the period before the dispute emerges. The dispute serves as a shock, facilitating political will to address the issue. Establishing regulations (i.e. international regime) in related issue areas could later offer the basis for the settlement of the sensitive issue. In this way the ‘main’ negotiations retain credibility and conflict escalation may be prevented.

Bibliography


