

# Analyzing China's support for a crisis management mechanism in the East China Sea

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After more than two years of interruption, negotiations of a crisis management mechanism have resumed between the Chinese and Japanese ministries of Defense. There are reasons to be optimistic that an agreement might be within reach in 2015. In this year of 70<sup>th</sup> anniversary of the end of World War II, the outcome of the ongoing negotiations seems to hang more on the politics of history than on fundamental disagreements between the two militaries regarding technical and formal details.

This paper examines what prompted China to come back to the negotiating table. The question is worth examining as the November 2014 'four points principled agreement' only vaguely addresses the preconditions that China had set for resuming security diplomacy with Japan: a commitment by the Abe administration to abstain from visiting the Yasukuni shrine, and a recognition that a sovereignty dispute exists over the Senkaku/Diaoyu Islands.<sup>1</sup> As unspecific as it might read for analysts, the language of the document successfully defused China's sensitivities. But the ambiguous language – especially the "spirit of squarely facing history" – also leaves wide the room for interpretation to determine what would constitute a violation of the terms of the document.

The paper examines seven main hypotheses to explain China's policy change. It concludes that while China's engaging in crisis management diplomacy with Japan may appear as tactical and temporary given China's long-term strategic goals, it nevertheless reveals a significant evolution of mentalities and perceptions in China regarding risks of incidents and the need of mechanisms to support strategic stability.

## Examining seven hypotheses

### *Hypothesis no. 1: Domestic politics in China*

A narrative stressing Xi Jinping's power consolidation appears to be mainstream in Japan. Accordingly, the demise of Zhou Yongkang, officially announced at the end of July 2014 after months of speculation, put a long power struggle at the top of the CCP leadership to a close. That ongoing power struggle was an incentive for China to pursue a hard line in the East China Sea and refuse any concession regarding the resumption of crisis management negotiations. China's hardline on relations with Japan would have been instrumental

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<sup>1</sup> According to the official Japanese translation of the document in English, 'Regarding discussions towards improving Japan-China relations', 7 November 2014, [http://www.mofa.go.jp/a\\_o/c\\_m1/cn/page4e\\_000150.html](http://www.mofa.go.jp/a_o/c_m1/cn/page4e_000150.html). **Point 2.** Both sides shared some recognition that, following the spirit of squarely facing history and advancing toward the future, they would overcome political difficulties that affect their bilateral relations. **Point 3.** Both sides recognized that they had different views as to the emergence of tense situations in recent years in the waters of the East China Sea, including those around the Senkaku Islands, and shared the view that, through dialogue and consultation, they would prevent the deterioration of the situation, establish a crisis management mechanism and avert the rise of unforeseen circumstances.

domestically: showing weakness could have been risky as Zhou Yongkang's supporters might have been able to take advantage of it. But once his demise secure, the core leadership was able to focus on improving China's regional environment.

This argument has two main flaws. The first is that it is speculative and lacks compelling evidence. It relies on two assumptions, that there is a timing correlation between the demise of Zhou and the resumption of negotiations, and that power struggles at the top of the party determine foreign policy decisions. In addition, the anti-corruption campaign shows no sign of decreasing in intensity after the demise of Zhou Yongkang, including in the military, which suggests that internal tensions remain high. The second weakness is that this domestic logic fails to explain Chinese policy in the South China Sea. Indeed, while pursuing crisis management with Japan, China has also accelerated actions aiming at consolidating effective control in the South China Sea, at significant costs for China's relations with Vietnam, the Philippines, the US and to some extent even Japan.

#### *Hypothesis no.2: Sequences in China's foreign policy*

A second hypothesis – possibly complementary – points to a connection between China's policy changes in the East China Sea and the South China Sea. During the summer of 2014, China initiated major land reclamation activities in several disputed reefs in the South China Sea. It appears that these constructions ultimately aim at supporting future air operations. Thus while a thaw with Japan was in the making, China quasi-simultaneously chose a more assertive course towards Vietnam and the Philippines.

This observation is consistent with a pattern in China's policy towards sovereignty disputes in its maritime periphery. China refrains from confronting more than one rival claimant at a time. After the Mischief Reef incident, Chinese security policy centered on the Taiwan issue from the 1995-1996 crisis until the pro-independence party lost the 2008 presidential election. After 2008, China prioritized disputes in the East and South China Sea. This suggests a high degree of strategic planning in Beijing. It is also likely that China might refocus on cross-strait relations in 2016 if the DPP wins the presidential election, and consequently pay less attention to the East and South China seas. However, in that case, the current national defense reforms of Japan, which focuses on Southwestern islands, risk generating more suspicions in Beijing that Japan is also considering involvement in the Taiwan Strait.

#### *Hypothesis no.3: The economic costs of tense relations with Japan*

The Chinese Ministry of Commerce has partly attributed the diminution of Japanese investment in China in 2014 (by 38.8 percent to US\$4.33 billion) to political tensions.<sup>2</sup> After the public purchase of the Senkaku/Diaoyu Islands by the government of Japan, Chinese officials have encouraged actions that hurt specific sectors of the Japanese economy, such as the automobile industry. However, there is awareness in China that trade and economic relations are mutually beneficial. Hence a narrative has appeared in some circles, indicating that China sought to bring political tensions to an end in order to focus on economic ties again.

As implicit in MOFCOM's comments, other factors, such as evolving currency exchange rates and the rise of labor and other costs in China, have impacted Japanese investment strategy probably more than political tensions. The foreign investment environment is rapidly evolving as a result of regulatory reforms that are unrelated to the particular case of Japan. Recent research has shown that there is little available evidence of political tensions

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<sup>2</sup> 'Political tensions between China-Japan economic issues: Beijing', *Channel News Asia*, 29 January 2015.

impacting sino-japanese trade.<sup>3</sup> The economic costs argument does not explain China's policy change. The strategic importance of maintaining a positive economic relationship with Japan may have shaped the thinking in China regarding the overall state of China-Japan relations, but not in a decisive way when it comes to crisis management in the military sphere.

*Hypothesis no.4: China has achieved its goal*

In describing relations with Japan over the past two years, many Chinese experts stress that China has achieved 'contested administration' of the Senkaku/Diaoyu Islands. The first Chinese patrol into the 12 nautical miles territorial sea of the islands took place in August 2011. Nowadays, patrols take place on a weekly basis. In addition to Coast Guards' patrols, the PLAAF, the PLAN aviation and the State Oceanic Administration all regularly have planes operating in an airspace that was in the past entirely controlled by Japan, as part of China's East China Sea ADIZ strategy. From a Chinese perspective, although this does not amount to a full enforcement of ADIZ regulations, the flights signal sovereignty to the domestic audience and the international community.

It is likely that this 'tactical gain' hypothesis reflects the mindset of some in China, at least within the PLA and the Coast Guards. They now operate in areas that were out of reach in previous years. For example, PLA officers were quoted remarking that signaling 'sovereignty' does not require a high frequency of patrols, but only a few per month (by contrast with the intensity of patrols during the most tense months in the China-Japan standoff)<sup>4</sup>. According to the Chinese logic, a new status quo has now been established, in which three islands are owned by the Japanese government but in a maritime and aerial environment that is now shared between the two countries.

*Hypothesis no.5: China is being deterred from seeking territorial gains*

This hypothesis stresses Japan's defense reforms, the posture of the Japanese military and Coast Guards and US extended deterrence. Among the important developments in that category, the reaffirmation in Tokyo by US President Obama in April 2014 that the US-Japan alliance applies to all territories administered by Japan – including the Senkaku/Diaoyu Islands – sent a clear message to China that the US and Japan would not be divided over that question. At the same time, constant interdiction operations by the Japanese military and Coast Guards also raised the potential costs for China.

The 'gain denial' hypothesis complements the 'tactical gain' hypothesis. Under the current balance of power in the East China Sea, China could no longer achieve additional gains without risking a conflict. This logic may also imply that by engaging in crisis management negotiations, China is trying to freeze a new status quo by securing a less risky environment for its air and sea patrols. At the same time, the potential cost of regular patrols has risen as a result of Japan's increasingly resolute deterrence posture.

*Hypothesis no.6: Adjustments in China's foreign policy posture*

Many observers believe that international image considerations played a major role in prompting a change of approach in China's Japan policy. Projecting a magnanimous image at APEC required a bilateral meeting between Xi Jinping and Japan's Prime Minister. Some Japanese observers even believe that Prime Minister Abe picked the timing of his visit to the

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<sup>3</sup> Shiro Armstrong, 'Economics still trump politics between Japan and China', *Kokusai Mondai (International Affairs)*, no. 634, September 2014.

<sup>4</sup> Oliver Bräuner, Joanne Chan, Fleur Huijskens, 'Confrontation and cooperation in the East China Sea: Chinese perspectives', *SIPRI Policy Brief*, February 2015.

Yasukuni Shrine in anticipation of the APEC summit a year later, which he saw as a guarantee China-Japan relations would necessarily recover.

Under Xi Jinping, a number of diplomacy initiatives have been unveiled with the apparent attention to impose 'Chinese terms' and a symbolic hierarchy on international relations in Asia. Chinese diplomacy increasingly prioritizes frameworks and mechanisms crafted or dominated by China. In addition to the APEC summit, the Xiangshan Forum, the Asian Infrastructure Investment Bank, the Shanghai Conference on Interaction and Confidence-Building in Asia, the adoption of the Code for Unplanned Encounter at Sea at the Qingdao meeting of the Western Pacific Navies Symposium are all recent examples of foreign policy choices opting for the creation of new frameworks or the empowerment of existing ones under Chinese leadership.

In parallel to this development, the change in policy towards Japan occurred in a wider context of adjustments in China's regional diplomacy endorsed at the November 2014 "Central Conference on Work Relating to Foreign Affairs". President Xi Jinping's speech at the meeting reaffirmed 'good neighbor policy', a key term in the past that in recent years had received less emphasis in official statements. He also mentioned the overall trend of "prosperity and stability in the Asia Pacific".<sup>5</sup> Although security interests feature more prominently than in previous equally authoritative foreign policy statements, the speech reaffirms the importance of cooperation and "win-win approaches" in China's neighborhood. From that perspective, crisis management negotiations can be seen as supporting a Chinese interest in regional stability. Whether the Central Conference represents a significant adjustment in China's policy in East Asia remains to be seen but the overall tone of the meeting as reported in the Chinese media suggests an intention of stabilizing China's periphery after two years of great tensions.

#### *Hypothesis no.7: Growing support for crisis management in China*

The final hypothesis is closely connected to hypothesis no. 4 and 5. It assumes that the perception of the risk of incident is changing in China, both as a result of international diplomacy and of China's own assessments of its security environment. Many countries, especially the US, Japan, ASEAN countries but also EU member states have raised the question of the risk of incident in the East China Sea repeatedly with their Chinese interlocutors over the past three years. The PLA has a record of dangerous close encounters with US naval and air forces, which provided first-hand information on the actual risk of unintended collision. In the past two years, close encounters with the Japanese military and Coast Guards have also occurred at several occasions.

Many in China approach crisis management and confidence building from a very political perspective – by opposition to a more technical approach. Crisis management is traditionally perceived as a tool to negotiate political concessions in areas of the relationship other than security. Another traditional view sees in crisis management a tool imposed by a stronger state upon a weaker state in order to freeze an advantageous status quo. Such doubts regarding the usefulness of crisis management in terms of security benefits still irrigate the thinking of the strategic community in China.

What has changed in the recent past is the threat assessment regarding incidents at sea and air collisions. In addition, the modernization of China's power projection capabilities means that the PLA will increasingly need standard operation procedures to handle close encounters, and has more to fear from unintended collisions.

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<sup>5</sup> Ministry of Foreign Affairs of the PRC, 'The Central Conference on Work Relating to Foreign Affairs was held in Beijing', 29 November 2014, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1215680.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1215680.shtml)

## Conclusions

The above analysis suggests that a cost/benefit analytical model best explains China's decision to resume crisis management negotiations with Japan.

The costs for China of pursuing the negotiations appear to be very low, if there are any. There are no signs of internal opposition to ongoing negotiations. Technical talks are politically acceptable because of the view in China that the November document sets out a new course for China-Japan relations, with acceptable Japanese guarantees on historical issues. From a Chinese perspective, this course should be stable and lead to the conclusion of a crisis management mechanism unless it is disrupted by Japanese actions. However, the upcoming August 15 Abe declaration and some aspects of Japan's national defense policy reforms related to the ongoing negotiations of the new guidelines for the US-Japan alliance may in certain circumstances be invoked by China as evidence of Japan breaking the terms or the spirit of the November document. Provided that the political costs of negotiating remain low, there are however reasons to be optimistic regarding the prospect of concluding an aerial and maritime communication mechanism in 2015.

The benefits for China relate to international image and national security. Technical measures stabilizing China's regional security environment are increasingly perceived as useful as a result of the objective risk of collision and the resolute deterrence posture of the US-Japan alliance. Projecting internationally an image of willingness to negotiate a thaw was also clearly a part of the APEC play. Whether this effort was successful or not is another matter, as many in Southeast Asia, the US and Europe perceive crisis management in the East China Sea as a Japanese foreign policy goal, not a Chinese initiative.

This analysis indicates that theoretically, China has a national interest to pursue crisis management negotiations. However, China's ultimate goal is to exert sovereignty over the Diaoyu/Senkaku Islands, which is an incentive to pursue more confrontational approaches in certain circumstances. As a result, China's interest in defense talks may be temporary and reversible, which raises the question of the resilience of any crisis management mechanism in times of political tensions between the two countries. However, the analysis above points to rising support for crisis management mechanisms in China, for the sake of strategic stability and China's national security. This evolution needs to be supported through diplomacy, including at the track 2 level.