Chapter XI

Politics and Economics in the Resolution/Non-Resolution of the East China Sea/Diaoyu Islands and Northern Territories Issues: Feats, Failures, and Futures

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I. Introduction

From 1945 to the present, the Asia-Pacific Region (APR) has been noteworthy for its plethora of territorial and maritime quarrels.1 Even now, there are outstanding land boundary and island disputes between the People’s Republic of China (“China”) and India, Thailand and Cambodia, and Thailand and Laos. As well, there exist numerous maritime boundary controversies including between China and Vietnam and Japan and South Korea as well as among diverse Southeast Asian nations.2 Only recently were territorial and/or maritime tensions between Australia and East Timor, China and Vietnam, and Singapore and Malaysia settled, in part or in whole, through techniques such as diplomacy, mediation, and third-party adjudication.

Despite the historical prevalence of APR territorial and maritime problems, the contemporary situation is quiescent. One cannot seriously imagine a full-fledged military conflict or even serious low-level armed exchange over many of the territorial and maritime controversies that sometimes were an intense source of conflict from the 1970s through the first half of the 1990s. Some have attributed the diminishment of tensions and reduction in the likelihood of

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conflict to American hegemony while others have stressed the positive role that regional institutions play in promoting cooperation. Yet others have pointed to the growth of economic linkages.

This piece considers the promise of economics to calm or lubricate a settlement of the Japan-South Korea Dokdo issue. It does this by thoroughly examining two APR territorial and maritime disputes. One is the China-Japan controversy over the East China Sea (ECS) and Diaoyu/Senkaku Islands (the “Islands”). The other is the Japanese-Soviet/Russian conflict over the Northern Territories (the “Territories”). The former merits attention because high economic interdependence correlates with a compromise, admittedly a modest one. The latter merits attention because Japan has long attempted to use economic incentives to recover the Territories. Incentives, however, have clearly failed.

This work strongly calls into question the potential for economics to resolve or guarantee stability in the Dokdo quarrel. With respect to the ECS and Islands disputes, this research suggests that economics did not drive the 2008 ECS settlement, solved no part of the Islands dispute, and, in fact, was more often a source of friction than cooperation. In the case of the Territories, Japanese economic incentives failed to push the Soviet Union/Russia to compromise. This contribution incontrovertibly shows that we must pay attention to political factors to understand the potential for economic forces to serve as a palliative and to identify the factors that facilitate/hinder a settlement of territorial and maritime disputes. The policy ramifications of this are tackled below.


The conflict over the ECS obviously involves many other parties. For a comprehensive discussion, see Mark J. Valencia, The East China Sea Dispute: Context, Claims, Issues, and Possible Solutions, 31 Asian Persp. 127 (2007). Even so, as Valencia observes (page 165), the China-Japan ECS conflict is the main one.