The Pacific Review ›

Volume 22, 2009 - Issue 2

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The Senkaku/Diaoyu dispute and Sino-Japanese political-economic relations: cold politics and hot economics?

Min Gyo Koo

Pages 205-232 | Published online: 03 Jun 2009

Cite this article https://doi.org/10.1080/09512740902815342

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Abstract

Can economic interdependence reduce conflicts among states in East Asia? The so-called ‘cold politics and hot economics’ has become a defining feature of Sino-Japanese political-economic relations. This puzzling pattern of interaction is clearly illustrated in the sovereignty dispute over the Senkaku/Diaoyu Islands. The island dispute has unfolded in five rounds of distinct clashes thus far. From one perspective, the competitive elements in the island dispute make it difficult for both Japan and China to give way to the other side on the territorial and maritime issues. At the same time, the two countries have successfully managed to contain their respective territorial and maritime claims thus far. Drawing on the liberal peace theory, this article systematically demonstrates that economic interdependence has repeatedly fostered the de-escalation of Sino-Japanese conflict over territorial and maritime rights.

Keywords:

Sino-Japanese relations | Senkaku/Diaoyu Islands | East China Sea | East Asian territorial dispute | liberal peace

Acknowledgments

Min Gyo Koo is Assistant Professor in the Department of Public Administration at Yonsei University, Korea. His areas of research interest include East Asian territorial disputes, the political economy of the Asia Pacific, and East Asian economic and security regionalism.

Notes

[1]Bilateral trade has increased dramatically, with the total value rising from US$1 billion in 1972 to US$211 billion in 2006. In addition, both private and public investments and capital flows have boomed. Aside from its investment in Hong Kong, the cumulative total of Japan's foreign direct investment (FDI) in China was US$66.6 billion as of 2004. Until fiscal year 2004, the cumulative total of Japanese loans, grants, and technical cooperation to China was ¥3,133.1 billion, ¥145.7 billion, and ¥150.5 billion, respectively (Ministry of Foreign Affairs of Japan 2006).

[2]For the dispute over the Paracel and Spratly Islands, see Lo (1989). For the dispute over the Northern Territories/Kurile Islands, see Hara (1998).

[3]Barbieri (2002: 56–8). Formally, $\text{Trade Dependence}_{i} = (\text{Imports}_{ij} + \text{Exports}_{ij})/\text{GDP}_{i} = \text{Trade}_{ij}/\text{GDP}_{i}$, where Trade_{ij} denotes bilateral trade between states i and j.

[4]For more details about China's military actions in the South China Sea, see Koo (2005: 196–239).

[5]Interview with Japan's Ministry of Foreign Affairs (MOFA) officials conducted in Tokyo in June 2004.

[6]Japanese ownership claims over the island group are multilayered. Privately held Kuba-jima Island and the Islands of Uotsuri, Kita-kojima, and Minami-kojima have allegedly been rented out to the Japanese government since 1972 and 2002, respectively, while Taisho-jima Island has always been owned by the Japanese government. For more details, see Urano (2005: 206–7). I would like to thank one of the anonymous reviewers for bringing this book to my attention.

[7]These Chinese protests were inflamed by the Japanese government's authorization of history textbooks in early April that have reinforced Japan's territorial claim to the islands as well as glossing over its wartime atrocities. The Japanese campaign for a permanent UN Security Council seat was also a target of Chinese public anger.

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