

A not so dangerous dyad: China's rise and Sino–Japanese rivalry

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Abstract

In contemporary East Asia, political rivalry between China and Japan is often discussed. However, little has been done to systematically analyze the bilateral relationship and possible conflict escalation. In this paper, I employ the multiple-hierarchy model of regional politics offered by power transition theorists, in order to examine the recent Sino–Japanese relationship. After examining the effect of the factors suggested by the theory, I conclude that China's rise does not pose immediate destabilizing effects on regional security because the relative rise of China's capability is at best moderate. I also argue that the dyadic relationship has been pacified by several factors such as interest similarity and defense-dominant geography, in spite of China's overall rise. Finally, I offer some policy recommendations suggested by the theory-driven analysis.

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1 Introduction

The relationship between Japan and China was once frequently described as ‘cold politics, hot economy (*seirei keinetsu*)’. The recent Sino–Japanese relationship is often characterized by an intriguing mixture of positive economic ties and problematic politico-military rivalry. The complex nature of international relations often prevents analysts from evaluating ongoing Asian politics in a systematic and theoretically sound way. The Sino–Japanese relationship is not an exception. Are these historically rival states in the Far East going into conflict? Or, are they fostering more cooperative relationships in the beginning of the twenty-first century? How can we understand and explain the dyadic relationship which is often referred to as one of the problematic rivalries in international politics? Also, what may meliorate the bilateral relationship? Theoretically rigorous analysis and policy recommendations drawn from established theories of international relations may help explain the complex relationship between the two regional powers.

In this paper, I provide a theory-driven analysis of recent Sino–Japanese relationships based on the multiple-hierarchy model of regional politics offered by power transition theory. In the first section, I outline the theoretical framework and identify the important variables related to the analysis. In the second section, I analyze the relative capability and recent political dynamics between Japan and China based on the framework specified in the first section. In the final section, I briefly summarize the arguments and discuss policy implications.

2 Multiple-hierarchy and power transitions

2.1 *Anarchy in Asia?*

In this section, I outline the theoretical perspective that I employ to analyze Sino–Japanese dyadic relationships in recent years. The theoretical perspective used in this paper is basically a realist one. Among realists, however, there still exist several distinct variations.

Balance of power theory predicts that the international system generally resists the emergence of a global hegemony. When a state becomes disproportionately powerful, therefore, the other great powers are likely to form counter-hegemonic coalitions to prevent global hegemony; great powers balance against the strongest power (Waltz, 1979).

Balance of power theory, however, is not an appropriate theoretical perspective to analyze the Sino–Japanese dyadic relationship for two reasons.

The first reason is that balance of power theory is a systemic theory, in which alliances are central and in which the outcome of any particular dyadic-level balance of power between the two states is theoretically indeterminate (Levy, 2003). For this reason, balance of power theory does not provide sufficient and viable predictions about Sino–Japanese dyadic relations. For example, even if balance of power theory predicts that there is (or will be) a balancing behavior against China, it means that the other major powers in the region will form a balancing coalition, rather than that a particular state such as Japan is individually balancing against China.

Second, it is still controversial whether balance of power theory is applicable to the region of East Asia. Levy and Thompson (2005) explore the scope conditions of balance of power theory. According to their findings, the balance of power proposition is applicable only if the following conditions are satisfied. First, the international system is autonomous. Deriving from the assumption of anarchy, the system must be autonomous. If other super powers can largely intervene into intra-system affairs from outside of the system, the system is not anarchic. Therefore, the international system must be practically autonomous from outside interventions. Second, Levy and Thompson argue that the international system needs to be a continental one. To them, balance of power theory is basically applicable to continental systems, because land powers are likely to pose a more direct threat. Their third point is that major powers balance against unusual concentrations of power, not against any concentration of power.¹

East Asia is not a continental regional system because the two major regional powers, Japan and China, are separated by the East China Sea. Also, the East Asian system is not autonomous: the United States, an extra-regional great power, constantly exercises enormous influence over the region. Therefore, according to Levy and Thompson, balance of power theory cannot propose viable predictions regarding East Asian

1 According to their criteria, unusual concentration of power means that a state controls more than 33% of the aggregated capability in the entire system.

regional security. For these two reasons, balance of power is not a good theoretical tool to analyze the Sino–Japanese relationship.

2.2 Multiple-hierarchy in regional politics

An alternative realist theory to analyze dyadic relationships, power transition theory, is proposed by Organski's seminal work, *World Politics* (1958) and Organski and Kugler's *The War Ledger* (1980). Power transition theory argues that power parity between leading powers is likely to lead to war, contrary to balance of power theory which suggests that balance of power among major powers leads to peace. In the following paragraphs, I outline the basic assumptions and arguments of power transition theory and explain why power transition theory, among realist theories of international politics, is the appropriate theoretical framework to analyze Sino–Japanese dyadic relationships.

First, contrary to balance of power theory's assumption of anarchy, power transition theory assumes that there is usually a dominant state which shapes international order. This assumption is a major break from the balance of power proposition. Second, power transition theory assumes that internal growth and development of states, rather than shift in alignment, is the primary source of international change (Organski and Kugler, 1980). Recent research reveals that alliance formation is also an important means of increasing national capability (Kim, 1996, 2002).² Moreover, power transition theory assumes that alliance among major powers is relatively inflexible.

Power transition theory is generalizable into regional systems. Lemke and Werner (1996) suggest that there are multiple regional systems in the global state system, and similar international political dynamics are going on in each of the regional subsystems. In their definition, regional systems are local areas in which each state can effectively exercise military power against each other.

2 Some might argue that Kim's relaxation of the assumption is invalid because it violates the hardcore assumption of power transition theory. However, as DiCicco and Levy (2003) indicate, this progress should be interpreted as an inter-program problem shift, a new theoretical and empirical line of inquiry rooted in, but not fully accepting, the assumptions of the prior research program. Therefore, whether the shift is *ad hoc* must be judged based on whether or not the new proposition explains novel facts. In this regard, since Kim's theoretical claims also extend power-transition theory's chronological range of applicability, his refinement is not to be regarded as *ad hoc*.

In this paper, I examine East Asian regional politics, drawing on the multiple-hierarchy model of power transition theory. East Asia is a regional system, which is subordinated only to the global system. Although this paper is about Sino–Japanese dyadic relations, I assume that the regional system that exists in East Asia consists of Japan, China, North Korea, South Korea, and Taiwan. Global powers, such as the United States and Russia, may intervene into Asian affairs when they think that the regional status quo, which usually reflects the related global powers' security interests, is being violated. The United States requires a special consideration in the Asian case because the United States has a permanent commitment to Asian states through alliances with Japan and South Korea.

The multiple-hierarchy model in the power transition framework presupposes that there is the leading state and a 'challenger', the strongest rising power within a regional system. Throughout the post-Cold War era, East Asian regional order has largely been maintained by the so-called San Francisco System, or the US-led network of bilateral security arrangements with Pacific allies such as Japan, South Korea, and Taiwan (Calder, 2004). Among the alliances, the US–Japanese alliance is of particular importance because of its combined military capability, supported by a high level of interoperability. In this paper, I assume that the US–Japanese coalition is the leading power which dominates the regional order in Asia, rather than assuming that there has been an anarchic international order maintained by balance of power between great powers.³

2.3 Conditions of war and conflict

How and under what conditions do armed conflicts break out? What intensifies international conflicts under the framework of power transition theory? Organski and Kugler, in *The War Ledger*, indicate that

3 In his *Regions of War and Peace*, Lemke (2002) specified that China is the leading state and Japan is the challenger in East Asia. However, his analysis includes the longer historical period beginning with the dynastic era. For the purpose of analyzing more recent political dynamics, especially after the 1980s when Japan became the second largest economic power in the world, Lemke's specification is not appropriate. Also, taking into account power augmentation through alliance, it is better to specify that Japan, bolstered by the alliance with the United States, is the leading power and China is the rising challenger, in the recent East Asian regional security framework.

their theoretical claim ‘can only lead to conclusions about the necessary but not about the sufficient conditions of war, and [that] necessary conditions alone cannot suffice in predicting whether wars will in fact take place’ (p. 207). They thus admit at the outset that the central argument of power transition theory only indicates one of the necessary conditions of war and conflict. However, theorists have identified several important factors related to war initiation and conflict intensification in the process of dyadic power transition. In the following paragraphs, I identify and briefly discuss the important factors which intensify international conflicts and may eventually lead to militarized conflicts.

Relative capability. First and foremost, relative capability is an important variable that affects systemic outcome according to any strand of realist international relations theory. In this paper, I evaluate both economic and military capabilities. In addition, I evaluate military power in terms of actual power projection capability paying attention to modernity and quality of equipment.⁴ Also, theorists generally agree that international conflicts are intensified and more likely to be escalated into militarized disputes when a rising challenger’s capability is approaching approximate parity with the leading state’s capability, and that this process is more likely when the challenger’s growth in capability is rapid (Kim, 2002).

Interest similarity (satisfaction with the status quo). Whether or not national interests of the dyad are similar (i.e. whether the rising nation is satisfied with the status quo) is also an important factor which influences the likelihood of conflict severity (Organski, 1958, pp. 363–371).⁵ If the rising nation is dissatisfied with the international status quo implemented by the dominant nation, severe conflict and war are more likely.

Nuclear capability. Whether both nations of a dyad have a nuclear second-strike capacity is also another important variable which particularly affects the likelihood of war. When both sides obtain a nuclear

4 Organski and Kugler (1980) conceptualize national power only as an economic capability.

5 Although Organski and Kugler (1980) do not particularly claim the importance of interest similarity, later research generally agrees that some form of interest similarity is a significant factor affecting the severity of conflicts.

second-strike capacity, war is less likely because of nuclear deterrence (Moul, 2003; Sweeney, 2003).

Territorial dispute. Whether a dyad has territorial disputes is also one of the important factors which may exacerbate conflict.⁶ Territorial dispute is often regarded as a variable distinct from other national interests because of its particular importance.

Geography. Two additional major variables are usually considered important. First, spatial distance affects likelihood of intense conflict. This is because geographical proximity makes states' military actions more threatening. When a dyad is geographically close, conflicts are more likely to be intensified, in comparison with a more separated dyad. Second, territorial continuity is also an important variable which affects likelihood of war and severe conflict. When two states share national land borders, conflicts are likely to escalate. In other words, the 'stopping power of water' prevents states from projecting their capability against remote states (Diehl, 1985; Mearsheimer, 2001).

3 Summary of the theoretical framework

Because of the nature of East Asian regional politics, the multiple-hierarchy model of power transition theory is the most viable theoretical framework to analyze Sino–Japanese political dynamics. Power transition theory holds that, in a bilateral relationship, wars and severe international conflicts are more likely when the relative capability of the two states are close to parity. Also, conflicts are intensified particularly when the power ratio in a dyad is rapidly moving toward parity. In addition, there are important factors which exacerbate dyadic relationships in the process of power transition. In the following section, I empirically

6 Existence of territorial dispute is, in a broader sense, included in interest similarity. However, territorial dispute is usually considered a distinct variable which affects escalation of international conflicts. This is mainly because territorial issues are essential to sovereignty. Also, realist theories assume that states are exclusively the most important actors in international politics. Under the assumption of realism, states struggle ultimately for their own survival in the international system (Morgenthau, 1978). Because territorial integrity and independence are directly related to the very existence of states, every state prioritizes defense of its borders over most other policy issues. Therefore, if two states are engaged in territorial disputes, the dyad is likely to be in more a problematic relationship. See, for instance, Vasquez (1996).

analyze the Sino–Japanese relationship, especially focusing on the important factors explained above. The significant factors include: (i) relative capability, particularly the shift of power ratio toward parity; (ii) (dis)satisfaction with the status quo; (iii) absence of nuclear deterrence; (iv) existence of territorial disputes; and (v) geographical settings. In the next section, I provide an empirical analysis of recent relationships between Japan and China in a systematic way. First, I compare the current capabilities of the two states mostly drawing on recent statistics. Second, I examine the recent dynamic change in capabilities. Third, I evaluate the ongoing events, focusing on those factors suggested by the theory.

4 Comparing capabilities

The shift in economic capabilities of Japan and China is shown in Figure 1. For the purpose of overall economic capability which can eventually sustain military might, I compare simple GDP indicators. Japan has experienced large-scale economic growth since the late 1980s, but also has gone through a series of setbacks in the 1990s. Some analysts, such as Bill Emmott, recently indicate that Japan's economy is now recovering from its debt- and deflation-ridden stagnation of the past 15 years (Emmott, 2005). Despite improvement, however, Japan's economy is experiencing moderate growth at best. On the other hand, China's

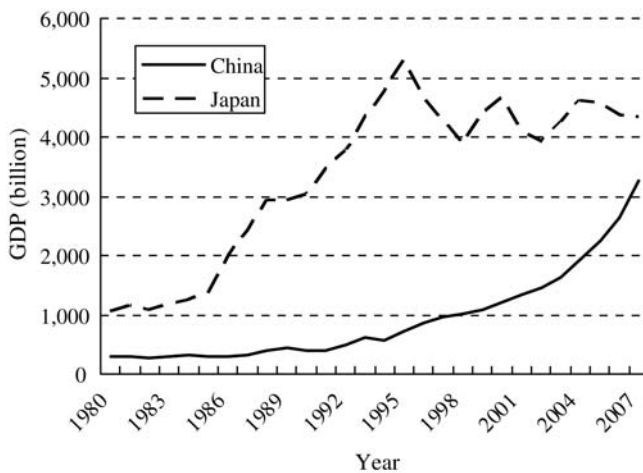


Figure 1 Gross domestic products, 1980–2007, current US dollars. *Source:* International Monetary Fund, World Economic Outlook Database, October 2007.

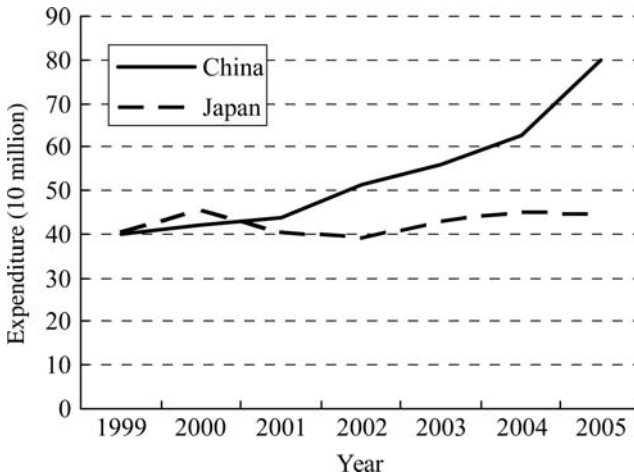


Figure 2 Military expenditure. *Source:* Cordesman and Kleiber (2006). Current prices in US dollars.

economy has grown even more rapidly in recent years. In recent years, the two states' economic power ratio is rapidly approaching parity.⁷

Military capability is also important, as well as the economic power. Military expenditure of Japan and China are shown in Figure 2. China's total military expenditure outweighs Japan's spending after 2000. It corresponds to China's economic growth and approximates almost twice as much as Japan's military expenditure in 2005.

In terms of quantity, China has a much larger military than Japan in land power, while there is little quantitative difference in terms of naval and air power (Table 1). First, regarding land force, China owns 2,280 modern battle tanks and 2,255,000 personnel, while Japan fields 980 modern battle tanks and 240,000 personnel. Second, with respect to naval power and air force capability, Japan's capability by far surpasses China's. Although China has quantitatively more equipment than Japan,⁸ it does not reflect the actual combat capability. Japan owns four

7 In terms of GDP based on purchasing power parity, China's GDP is already almost twice as much as Japan's in 2007. In terms of GDP per capita, on the other hand, Japan still has a large advantage. In this paper, however, the overall economic capability is more important than the quality of life because military strength is built on the overall economic power.

8 China owns 63 major surface vessels, while Japan owns 53. Also, China owns 69 submarines, while Japan owns 16. While China has 182 modern fixed-wing air force combat aircraft, Japan owns 160 modern air force combat aircraft.

Table 1 Modern military equipment

	China	Japan	US PACOM	Japan + United States
Army manpower	2,255	239.9	48	287.9
Modern battle tanks	2,280	280	510	790
Major surface vessels	63	53	17	70 (including 6 CVs)
Submarines	69	16	34	50
Modern air force combat aircrafts	182	160	318	478

Data are from Cordesman and Kleiber 2006. A detailed line item list of aircraft is not available, but the US PACOM deploys 318 air force combat aircraft.

Kongo-class Aegis destroyers, as well as 150 F-15J fighters, which possess sophisticated air-to-air combat capability.⁹ Comparing the two states' capacity, focusing on both the quantitative and the qualitative aspects, Japan has a clear advantage in terms of both air and naval capability, while China may have a moderate advantage in land military power.

However, this comparison does not take into account the existence of the US–Japanese alliance. States obtain national power *either* through internal growth or alliance formation (Kim, 1996). In East Asia, the US military presence has a significant impact on the region's military balance. As O'Hanlon (2005) notes, the US presence in Asia has not lost its importance even after the end of the Cold War. It experienced limited cuts in size, and the focus moved toward Taiwan. The US strategic focus and deployment of forces on Asia has remained stable. It is possible that the United States could intervene in the Sino–Japanese military relationship when the US security interest, specifically stability in the region, may be upset. If China's military rise may pose a serious threat to East Asia's stability, especially if the US administration evaluates China's military build-up as being accompanied by revisionist intentions, US intervention becomes more likely. Therefore, in the multiple-hierarchy model of analysis, the US military capacity should be theoretically counted as Japan's power augmentation through alliance, although it should be

9 Numbers are drawn from Cordesman and Kleiber (2006). In modern warfare, particularly in naval and air combat, the level of technology is important. Therefore, I only count modern battle tanks, surface vessels, and combat aircraft as representative of the main military equipment.

acknowledged that the US military is obviously not under Japanese command. As of 2006, the US Pacific Command (US PACOM) possesses 48,000 soldiers and marines, 510 modern battle tanks, 17 major surface vessels including six aircraft carriers, and at least about 300 modern combat aircraft. As shown in Table 1, when the US PACOM is taken into account as power augmentation, the power projection capability of Japan plus the US PACOM is greater than China's capacity in both naval and air power, while China still has an advantage in land force. In the context of the East Asian security, naval and air power projection capability is of more significance than land military power because the states are separated by the sea. Therefore, in practice, relative military capability currently tilts in favor of the US–Japanese alliance.

5 Changing policy and military capability

5.1 Japan: toward a 'normal' nation

Japan's 'normalization' has been widely discussed. As Cooney (2007) suggests, both international structural change and change in domestic political context interacted in bringing a major shift in Japan's foreign policy. First, the end of the Cold War forced Japanese policy makers to 're-think' the foreign policy which had been designed for the bipolar international structure. Second, following the awkward response to the Gulf War (where Japan offered only economic aid and was excluded from the 'thanks list' published by the Kuwaiti government), a new generation of politicians emerged in the Diet in the mid-1990s.

A change in Japan's security policy is characterized by two points. The first characteristic is 'normalization'. Japanese security policy has been restrained by its so-called peace constitution. Article 9 of the Constitution prohibits Japan from possessing military power and the right to use force as a means of resolving international disputes. Also, under the Yoshida Doctrine, Japanese administrations have always prioritized the country's economic success. However, a series of changes took place corresponding to the emergence of a new generation of policy makers. First, the Cabinet Legislation Bureau (CLB) gradually changed the interpretation of the Article 9. In 1954, the CLB concluded that Japan, as a sovereign nation, had the right to self-defense. Later in 1982, the CLB also issued an interpretation which argues that while the

concept of self-defense exists under international law, the Constitution prohibited Japan from exercising this right collectively (Monten and Provost, 2005). The debate over constitutional legitimacy of collective defense is still ongoing, but the interpretation has, over time, become less restrictive though the process is gradual. Second, the International Peace Cooperation Law in 1992 enabled Japan to participate in the UN PKOs. Also, the most important event for normalization occurred under Prime Minister Koizumi Junichiro. The Koizumi administration sent naval support to the Arabian Sea in 2001 and deployed 1,000 Self-Defense Forces to Iraq to aid in reconstruction, under the 2001 Anti-Terrorism Special Measures Law (Ryu, 2007). It was the first time since the Second World War that Japan had sent its armed forces overseas without an international mandate.

The second characteristic of change in Japan's security policy was a change in the US–Japanese alliance. The Bush administration is a strong proponent of redefinition of the US–Japan alliance. Its blueprint for upgrading the US–Japanese alliance can be found in the so-called Armitage Report, which argued that the revised guidelines for US–Japanese defense cooperation 'should be regarded as the floor, not the ceiling, for an expanded Japanese role in the transpacific alliance' (Wu, 2005, p. 121). Particularly after September 11, the Bush administration has urged Japan to revise the constitution and to expand its role in global security. According to Wu, the United States is 'driving rather than constraining Japan's rearmament' (p. 120). The US–Japanese alliance was strained during the 1980s and 1990s because of issues such as trade disputes, technology transfers, and the extent of host nation support. However, particularly under the Koizumi administration, Japan's more assertive security policy in the international arena, largely responding to the call by the United States, has enhanced the alliance. The US–Japanese alliance has thus been changing: (i) Japan is taking a more independent and active role in security; (ii) the purpose of the alliance is changing from traditional defense to broader security issues and the stabilization of the Asia-Pacific (Bisley, 2006).

Among recent changes in Japanese security policy, what makes Chinese policy makers the most sensitive is how the US–Japanese alliance is involved in the Taiwan issue. In 1996 and 1997, when the United States and Japan worked to revise their defense cooperation guidelines, they included the Taiwan Strait in the parameters. Responding to the

Taiwan Strait Crisis, the new 1997 guidelines for the alliance established a change in Japan's role from being a base location to providing more active support for US military operations in East Asia. Even though Tokyo insisted that the parameters are situational rather than geographical, the Taiwan Strait and the Korean peninsula have been listed by Tokyo and Washington as the two potential hot spots necessitating US–Japanese security cooperation in East Asia. Since the defense cooperation guidelines were revised, both US–Taiwanese and Japanese–Taiwanese security ties have been remarkably enhanced. After listing peaceful resolution of the Taiwan issue as a common strategic objective in February 2005 (Ministry of Foreign Affairs, 2005), Japan and the United States are reported to be working on a joint operational plan for the Taiwan Strait (Wu, 2005).

It should be noted that Japan has no explicit military commitment to Taiwan's defense. Yang (2005) notes that the level of Japanese–Taiwanese security cooperation consists of an unofficial Track-II security dialogue among scholars and practitioners. Although 'Taiwan is actively seeking to develop security ties with Japan in the hope of eventually developing a triangle of security cooperation that would include the United States' (p. 103), Japan is reluctant to make an explicit commitment at least at this point. However, change is taking place. Both the United States and Japan 'now seem to acknowledge that . . . the primary threats and most dangerous military hotspots in East Asia are on the Korean Peninsula and in the Taiwan Strait' (p. 99). There is an implicit but shared notion that Japan may take a more active role on regional security issues including the Taiwan Strait.

As reviewed above, there has been change in Japan's foreign policy, while the material capability remains relatively stable. Can these changes in security policy be thought to destabilize the region? As Roy (2005) indicates, it is unlikely that Japan is 'making a bid for dominating Asia' militarily or even becoming a truly powerful great power, in spite of some Asian states' concerns which mostly come from the history of the Second World War, for two reasons. First, there is a strong domestic constraint against making such an attempt. Japanese public opinion opposes an expansive foreign policy. Second, militarism before the Second World War was the 'exception rather than the norm'. According to Roy,

Prior to the 1930s Japan's foreign policy was based on cooperation with the leading powers of the day, Britain and the United States After defeat in the Second World War, Japan returned to the previous policy by maintaining a close, even dependent relationship with the United States. Similarly, . . . Japan's postwar Yoshida Doctrine, which featured a focus on economic development while maintaining a partnership with America . . . [was] a return to the basic policy of cooperating with the pre-eminent regional power that had defined 'Kasumigaseki' (Ministry of Foreign Affairs, 2005) orthodox diplomacy' from the Meiji era up to the Pacific War. (p. 208).

Japan's changing security policy could be a potential source of threat to Asian nations including China, but it is not realistic to conclude that Japan is becoming a military great power which threatens China or will launch any preemptive actions against China within the foreseeable future.

6 China: rapid but limited military buildup

China's military buildup and modernization possibly poses a threat to Japan. Since the 1990s, China is developing a modern and more powerful navy and air force, equipped with three *Sovremenny*-class and two *Guangzhou*-class destroyers, which have advanced anti-air combat capacity, and 110 Sukhoi Su-27 fighters. In fact, Masuda (2007), in the annual report published by Japan's National Institute for Defense Studies, points to important progress in Chinese military modernization, stating that the People's Liberation Army (PLA) can now project its military power beyond the Taiwan Strait to the entire Asia-Pacific region.¹⁰

First, and most important, China's recent military buildup is taking place in naval construction. Given the rapid and successful military modernization especially in naval power projection capability, Japan has expressed some concern. Masuda (2007) emphasizes that uncertainty about China's military buildup must be carefully examined. Chief concerns include insufficient transparency of China's military capability, unclear intention and goals of the military buildup, and the possibility of acquiring aircraft carriers.

10 See also Shambaugh (2005).

Since the majority of Chinese policy concerns are maritime, construction of reliable naval forces is necessary (McDevitt, 2007).¹¹ The Chinese navy is being converted from a brown-water navy into a green-water navy since the 1990s. Acquisition of *Sovremenny*-class destroyers from Russia and the development of indigenous *Guangzhou*-class destroyers improved the anti-air combat capability of the navy. Also, China has recently expanded its submarine force, by acquiring *Kilo*-class submarines from Russia and building new indigenous submarines (Goldstein and Murray, 2004). Cole (2007) suggests that the PLA Navy (PLAN) already possesses a formidable conventional submarine force equipped with 12 *Song*-class and 12 *Kilo*-class submarines. These improvements are also accompanied by institutional developments and investments in research and human factors. As a result, China is undergoing an effective and comprehensive naval reformation, which, Cole estimates, will be particularly significant by 2016.

Among naval improvement programs, possible acquisition of aircraft carriers catches the attention of Japanese policy makers. In fact, China already possesses, though not yet operable, the *Varyag* aircraft carrier purchased from Russia in 1999. Its rehabilitation is being completed. As of 2006, the Russian economic newspaper *Kommersant* reported that China was also purchasing up to 50 Su-33 jet fighters (carrier-based) from Rosoboronexportm, Russia's state exporter of weapons. In addition, Liang Guanglie, China's National Defense Minister, recently mentioned that China needed to obtain aircraft carriers and possessed capability to do it (*People's Daily*, 2009). The Japanese newspaper *Asahi Shimbun* (2008) reports that China will start building two carriers domestically in 2009.

However, it is still unlikely that China is quickly developing carrier-based power projection capability: it takes years to develop and train aircraft-carrier task forces. As Diamond (2006) notes, the acquisition is 'symbolic rather than pragmatic' since establishing aircraft-carrier task forces is not a realistic part of the PLAN's strategic objective of securing sea lines of communication (SLOCs). In addition, the possession of aircraft carriers does not immediately make significant change in the

11 McDevitt indicates that the important policy issues include Taiwan, South China Sea, Senkaku Islands, and the security of sea lines of communication.

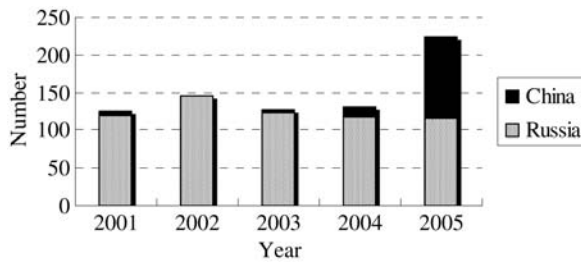


Figure 3 Number of scrambles. *Source:* Mainichi Shimbun (2006). Chugokugun-ki eno Kinkyuhasshin ga Gekizo, 10 Bai Chikaku ni [Increasing scrambles against Chinese airplanes, 10 times as much].

Sino–Japanese naval military balance because of the close distance between them.¹²

Second, an important Chinese achievement is in missile capability. Medium-range ballistic missiles have been upgraded to the Dong Feng-21, with a range extending not only to Japan but all of Asia. China’s intercontinental ballistic missiles have a range far enough to reach not only continental America but also most areas of the world.¹³

Third, in addition to strengthened air combat capability through the purchase of Sukhoi fighters, China is attempting to expand their range of operation. Training in in-flight refueling has been conducted in recent years. The report indicates that ‘the leadership of the Chinese air force says that in-flight refueling not only enables its combat aircraft to attack far-flung targets, but also enables the air force to conduct both defensive and offensive operations (Masuda, 2007, p. 124)’.¹⁴ The Air Staff Office of Japan’s Self Defense Force, in 2006, mentioned that scrambles against Chinese aircraft rapidly increased after 2000. As shown in Figure 3, scrambles against China have been increasing, while scrambles against Russia have been slightly decreasing. The *Mainichi Shimbun* (2006) reports that scrambles against Chinese aircraft approaching to Japanese territorial air space occurred 107 times in 2005.

12 For instance, China’s J-11 (Su-27) fighter has 4,000 kilometers of cruising distance, while Fukuoka, one of the largest cities of Japan, is only about 1,000 kilometers distant from China’s east coast. For these reasons, the ‘carrier’ factor is negligible.

13 See also Zhang (2007).

14 See also Ministry of Defense (2007).

Fourth, China's military modernization is comprehensive. This includes revising military doctrine and structure, constructing informationalized forces, improving training and education, and investing in research and development (Wang, 2007).

China's relative military capability vis-à-vis Japan, even with power augmentation through the US–Japanese alliance, has improved in this decade. Overall, the relative capabilities of Japan and China are slightly shifting toward parity. If this view is viable, conflicts may become more likely than before, and the conflicts are likely to be intensified. However, this only means that conflicts may be *relatively* more likely *than before* because the shift in relative capability is slow if we take into account a qualitative assessment of national capability. As Wang (2007) notes, China's military modernization is always interdependent with economic development. Due to budget and technological limitations, PLA overall modernization is still limited. Qualitatively, Japan maintains superiority. Also, since the United States still maintains its presence in East Asia, the alliance functions as Japan's effective power augmentation. To summarize, therefore, relative capability is changing but the alliance still has the advantage.

7 Impact of 'secondary' variables

As I outlined in the theory section, several factors have an impact on dyadic relations. These factors include interest similarity, existence of territorial disputes, nuclear capability, and geography.

7.1 Dissatisfaction with the status quo?

First, if the states' national interests are not similar, in other words, if the rising nation is dissatisfied with the status quo which basically reflects the leading nation's interests, disputes are more likely to be intensified. The extent to which the rising nation benefits from the status quo international order is an important factor to determine the likelihood of armed conflict within the dyad.

In the case of Sino–Japanese relationships, it is not easy to accurately evaluate interest similarity. With respect to Japanese interests regarding China, Japan's decision makers basically prefer the status quo in the Asian security framework, while they also increasingly move toward an independent security policy and a higher level of hedging against

China.¹⁵ Japanese decision makers, particularly younger generation leaders, think that a non-democratic and more powerful China is essentially inimical to Japan's interests (Wan, 2003; Samuels, 2007b). However, Japan hesitates to employ policies which challenge China's important interests (Goldstein, 2001). According to Samuels, Japan's current security discourse is pragmatic: while Japan seeks to hedge against China, decision makers generally 'do not advocate an autonomous defense buildup, so it is not likely that the Yoshida consensus [which supports an economic-centered strategy while relying on the U.S. in terms of national security] will be displaced entirely' (Samuels, 2007a, p. 152).¹⁶

China, on the other hand, attempts to 're-gain' the international great power status which it lost in the dynastic era. Important aims of China's diplomatic efforts include enhancing its own security and facilitating the rise to great power status at the same time. Reflecting these goals, Chinese diplomacy has concentrated on reassurance and a great power partnership as well as building up coercive power (Goldstein, 2001; Lampton, 2007).

China potentially has interests in rising as a great power, but the Chinese leadership realizes that radical change is counterproductive. China's current strategic priority is on stable economic development for two reasons (Roy, 2005). First, China's military might depend on economic development, since the modernization effort mostly focuses on technological advancement in air and maritime forces. Second, as Lampton (2007) notes, Chinese Communist Party legitimacy depends on nationalism and economic success. In order to maintain stability in domestic politics, the administration must continue economic growth. For these two reasons, economic development is by far the most important priority among China's policy goals.

Therefore, with respect to satisfaction with the status quo international order, China still maintains a positive posture. Despite the fact that Chinese and Japanese long-term potential interests differ (Japan seeks a more active role in regional security, and China attempts to 'regain' great power status), China's security interests do not lie in the radical

15 About increasing realist thinking in Japanese policy making and public support for it, see Rosenbluth *et al.* (2007).

16 About the detailed description of Yoshida Doctrine, see Samuels (2007b) and Ryu (2007).

reformulation of the regional order because Beijing's policy priorities are domestic stability and economic development.¹⁷ So far, China has benefited from the stable regional security framework to achieve remarkable economic development beginning in the late 1980s.

Japan also acknowledges the importance of economic cooperation with China. For example, the Japan Business Federation (JBF or *Keidanren*), which has enormous impact on policy making in the administration led by the Liberal Democratic Party (LDP), has insisted on a stable and close diplomatic relationship with China. In 2007, the JBF issued an opinion paper titled 'A Call for the Development and Promotion of Proactive External Economic Strategies', in which the JBF supported promotion of further economic unification among Asian nations aiming at the establishment of the 'East Asian (Economic) Community'. The JBF particularly emphasized the importance of further economic cooperation with China, as a 'necessary step toward more institutionalized East Asian community' (JBF, 2007). Policy makers also acknowledge the importance of a stable Sino–Japanese relationship. For instance, Prime Minister Fukuda Yasuo argued in his first policy speech in January 2008 that enhancing the bilateral relationship with China and deepening the 'strategic-reciprocal relationship' is one of Japan's important diplomatic goals.

Economically, the two nations' relationship is essentially good and even improving. However, at the same time, the degrees to which each of the two states engages in economic interdependence are slightly different. First, Sino–Japanese bilateral trade has steadily increased. Figure 4 shows trends in the Sino–Japanese bilateral trade. In this decade, both imports to Japan and exports from Japan have increased. Also, the ratio between imports and exports has become more balanced in the 2000s. Also, in 2004, China became Japan's largest trade partner.¹⁸ Foreign direct investment (FDI) is also increasing. Japan's FDI to China has increased rapidly after a setback in the late 1990s and reached about 8,000 million USD in 2004 (Lam, 2005). Economic interdependence between Japan and China has thus grown. At least for now, both sides face strategic and domestic

17 Related to this point, China also attempts to reassure that it will not be a threat to other (mostly southeast Asian) nations through the use of soft power (e.g. cultural interactions, public diplomacy, promotion of Chinese culture, and economic aid). See Kurlantzick (2006).

18 Press Conference by Ministry of Finance, Japan on January 6, 2005.

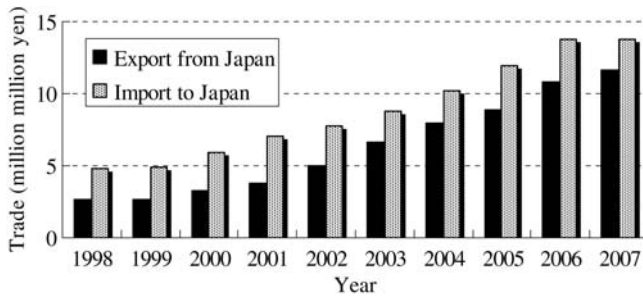


Figure 4 Bilateral trade, 1998–2007. Source: Ministry of Finance, Japan.

demands to keep economic cooperation growing further, and the dyadic relationship is positively affected by economic cooperation.

7.2 Missile defense and nuclear deterrence

Second, the theoretical scheme predicts that the possession of a nuclear second-strike capacity by both sides of a dyad reduces the likelihood of war between the two. In the case of Sino–Japanese relations, China possesses the nuclear capacity to attack Japan, but Japan does not. If we take into account power augmentation through alliance, the US–Japanese alliance provides Japan with extended deterrence. Although the decision to provide extended deterrence is thoroughly up to the United States, this alliance factor should not be neglected in an analysis. Theoretically speaking, the existence of the US–Japanese alliance reduces the likelihood of an intensified interstate dispute. Whereas Japan does not possess a nuclear second-strike capability, the likelihood that a dispute between Japan and China would reach that level is low.

Potential changes in nuclear deterrence within the bilateral relationship are occurring as Japan becomes involved into the US missile defense programs. Japan's engagement with ballistic missile defense (BMD) is one of China's security concerns because it potentially threatens the nuclear deterrence structure. In 2003, Japan decided to purchase an off-the-shelf PAC-III and the Navy Theatre Wide Defense (NTWD). This, along with continued joint research with the United States into Theater Missile Defense (TMD) technologies, makes Japan the first US security treaty partner to actively sign on to missile defense programs (Hughs, 2005). As Urayama (2000) notes, Chinese opposition to the

development of TMD has recently shifted from mere political rhetoric to a highly diversified discussion. Despite the Japanese official position regarding TMD, which argues that TMD is a purely defensive system and does not pose any threat whatsoever to China, China may still feel that TMD will pose a security threat to China because missile defense systems could degrade China's nuclear second-strike capability. Particularly, how the TMD program influences the Taiwan issue is important to China. Given the nature of the Taiwan conflict, where China asserts (at least rhetorically) that Taiwan is one of its own provinces, Beijing is concerned that missile defense could nullify China's nuclear deterrence capability because it may lead to a 'unilateral political change to the status quo [by the U.S. side] (i.e., Taiwan's formal independence)' (Monten and Provost, 2005).

Despite the fact that the US BMD and ship-based TMD can potentially erode China's security and strategic leverage, the programs are not currently the sources of imminent threat to regional stability: due to technological limitations, the TMD system is not highly successful yet. As of now, therefore, 'China is persuaded (Urayama, 2004)' that the BMD and the TMD do not immediately affect China's nuclear strategy.

7.3 Senkaku Islands and the exclusive economic zone: source of conflict

Third, the existence of territorial disputes and maritime border issues exacerbates bilateral relations. Japan and China now engage in an important territorial dispute over the Senkaku (Diaoyu) islands.¹⁹ The issue of sovereignty goes back to the 1990s. After the discovery of natural resources in the continental shelf of the islands, both China and Taiwan claimed sovereignty over the islands. In addition to the Senkakus, China also made territorial claims over vast areas in East Asia. In February 1992, China promulgated the Law of the Territorial Sea and Contiguous Zone. In it, China claimed sovereignty over the South China Sea and much of the East China Sea. Article 2 of the law states,

19 The dispute over the Senkakus might not be included in territorial disputes since it is over islands in the sea. In fact, the notion of territorial disputes is often connected with territorial continuity. However, since disputes over islands are also matters of state sovereignty, they should also be considered particularly important.

The PRC's territorial land includes the mainland and its offshore islands, Taiwan, and the various affiliated islands, including Diaoyu Dao (the Senkaku Islands), the Penghu Islands (the Pescadores), the Dongsha Islands (the Pratas Islands), the Xisha Islands (the Paracel Islands), the Nansha Islands (the Spratlys Archipelago), and other islands that belong to the PRC.

The Law claimed exclusive sovereignty over the Paracels and Spratlys, asserted a right to evict other nations' naval vessels from its territorial waters (presumably even those still under dispute), and authorized the PLA Navy to pursue foreign ships violating its regulations. The law also required 'all foreign warships to give notification of intent to pass through China's territorial seas and to receive permission before doing so' (Dutta, 2005, p. 275). In the 1970s and 1980s, China had suggested shelving its territorial disputes. In this context, the promulgation of the 1992 law was seen by Japan as an important departure from the earlier position, and the Japanese began to worry about Chinese territorial ambitions (Wu, 2000).

In terms of the law of the sea, violations of territorial waters exacerbated the dispute. For instance, in 2004, a Chinese nuclear-powered *Han*-class attack submarine intruded into Japanese territorial waters, while cruising underwater, for more than two hours (Calder, 2006). The Japanese government responded with seaborne policing action by the Maritime Self-Defense Force (JMSDF), for the second time since the establishment of the JMSDF. Early morning on November 10, a JMSDF P-3C anti-submarine warfare (ASW) aircraft spotted a submarine cruising in the territorial sea around the Sakishima Island Chain, Okinawa Prefecture. Yoshinori Ono, the Defense Agency Director-General, ordered a seaborne policing action at 8:45 am, following Prime Minister Koizumi's agreement. The JMSDF tracked the submarine for more than two days with P-3C ASW airplanes, airborne early-warning aircraft, and ASW-capable destroyers with SH-60J helicopters. Six days later, Wu Dawei, Chinese Vice Foreign Minister, acknowledged that the submarine was China's (Kyodo News, 2004). Dutton (2006) observes that China demonstrated its sea power and blue-water operation capability, and possibly tested the military response capabilities of the Japanese. He further continues that 'one of the reasons China may have...[demonstrated] its naval capabilities is to strengthen its

negotiating position in the disputed economic zones in the East China Sea' (p. 96). These actions of demonstration and intimidation reflect China's strong claims on interests in the exclusive economic zone (EEZ) and sovereignty over the East China Sea. The dispute over the Senkakus is multifaceted as discussed above.

Regarding the natural resources that lie in the continental shelf, there is also conflict. The dispute is mostly over the delimitation of the EEZ. Despite a series of negotiations on joint development of the resources in the East China Sea, an explicit and effective agreement on joint development and border delimitation has not been made. In May 2004, China started serious exploratory operations in the Chunxiao (Shirakaba) gas fields, only four kilometers from the median line. The Japanese administration responded with an unprecedentedly assertive move. In the next year, Japan's Ministry of Economy, Trade, and Industry authorized Japanese companies to explore contested areas for natural gas. In response to Chinese warships' patrolling the Chunxiao fields, both Japan's ruling coalition, led by the LDP, and the opposition Democratic Party have prepared bills proposing to protect the operations of Japanese drillers and fishermen in disputed waters, by force, if necessary (Calder, 2006). Also, it was reported that five PLAN ships operating in the area of the Chunxiao gas fields 'swiveled and aimed its 100 mm bow gun at a JMSDF P-3 patrol plane patrolling the region in international airspace' (Dutton, 2006, p. 99). More recently, in 2007, the Japanese newspaper *Sankei Shimbun* reported that China mentioned deployment of naval ships if Japan actually starts appraisal drilling. After four years of negotiation, an agreement on cooperation in the East China Sea was announced on June 18, 2008, during Chinese President Hu Jintao's visit to Japan. The June 2008 agreement, however, remained general principles and, as Drifte (2008) indicates, 'the negotiations for implementing the . . . agreement itself will be very difficult' (p. 47). Settling the issues regarding maritime border delimitation and resource development still requires much diplomatic effort of the both sides.

The territorial dispute over the Senkakus and the issues of the EEZ in the East China Sea are thus two of the most important ongoing disputes between China and Japan. Although it is premature to conclude that those disputes will lead to 'threat to use force' or 'use of force', the possibility cannot be excluded. Territorial disputes may exacerbate the Sino–Japanese diplomatic tension as theorists predict, and there are

some foreboding signs. Also, the issue of maritime border delimitation and resource development in the East China Sea is a potential source of instability in the Sino–Japanese relationship. The delimitation of the EEZ is still being negotiated, and both China and Japan acknowledge economic, strategic, and political importance of the area. The possibility that the dispute causes future instability cannot be thoroughly refuted.

7.4 Defense-dominant geography

Fourth, geographical settings affect the escalation of international conflicts. When two states are distant and separated by sea, conflict intensification is usually unlikely. In East Asia, Japan and China are separated by the East China Sea, relatively distant in the regional scheme, and do not share a land border. Lind and Christensen (2000, p. 192) indicate that pronounced defensive dominance prevails in East Asia. Like amphibious assaults, operations to interdict the SLOCs are inherently difficult because there are no clear and critical checkpoints. Severing the SLOCs requires a large naval force. The United States, having the most powerful navy in the region, is committed to keeping the sea lanes open. Due to its ‘defensive dominance in East Asia, states in the region can increase their own security without threatening others’. Thus the geographical setting in East Asia would reduce the likelihood of intense Sino–Japanese conflict.

Nevertheless, geographical (or geopolitical) distance can be overcome through technological development. Specifically, improved middle-range missile capability can project across distance. At this point, China’s improvement of middle-range missile capability, mostly targeting Taiwan, is at best limited because the plan is constrained by financial limitations and reluctance to provoke neighbors. Lampton (2007) notes that a ‘medium-term challenge [to China] will be to manage the anxieties of other states, especially the United States’ concerns about its commitment to Taiwan’ (p. 119). In addition to the financial constraints, China faces a mid-term demand to avoid provoking other states by its rapid construction of missile capability, which may be directly connected with the Taiwan issue. However, the structural (geographical) nature of the Asian security environment might possibly be altered in the future; China’s buildup of a middle-range missile capability can ‘reduce’ the distance. Although the geopolitical setting in East Asia is currently defense-dominant, there is still room for a potential change.

7.5 Summary: mixed effect of the variables

Recent Sino–Japanese relationships are marked by a mixed effect of theoretically specified factors. On the one hand, the relative capability between Japan and China is slowly shifting toward parity. Because the moment in which the rising power is rapidly approaching parity is the most dangerous even in comparison with the timing when the rising nation overtakes the leading state, power transition theory predicts that severe conflict between China and Japan is more likely than before. On the other hand, other factors indicate little likelihood of intensified conflict between the two nations, except for the existence of the dispute over the Senkakus. Overall, Japan and China have enhanced their economic relations and contained their levels of dispute in ongoing politico-military issues. Sino–Japanese politico-military relationships are still generally good, as many analysts note. In addition to the reciprocal visits of political leaders, military–military exchanges have also been conducted (Goldstein, 2001). In 2007, a Chinese combat vessel entered Harumi harbor in Tokyo for a goodwill visit, for the first time since the outbreak of the Second Sino–Japanese War (Guardian, 2007). Politico-military relationships between the two nations have not been combative.²⁰

What made the disputes so moderate in general? There is a mixed effect of the ‘secondary’ variables on the Sino–Japanese relationship. First, interest similarity would have a pacifying effect on the relationship since interests of the two nations are largely compatible because neither Japan nor China prefers radical reformulation of the regional security framework, although China’s desire to ‘re-gain’ great power status potentially causes uncertainty. The concept of interest similarity is empirically measured by the extent to which the rising nation is satisfied with the status quo international order. In the case of the Asian regional system, the status quo is defined by the US-led network of bilateral security arrangements. Particularly, this security framework has been largely defined by the US–Japanese alliance. As discussed in the previous sections, although China is not fully satisfied with the status quo supported

20 There are several important ongoing issues on which both sides still disagree. Besides the disputes and issues discussed above, there are other issues between the two nations; the Japanese politicians’ visit to Yasukuni Shrine, and rising nationalism in both nations are examples. In these cases, however, disputes remain at a low level.

by Japan's capability and the US presence in Asia, China does not prefer radical change in the regional order due to the strong need for stable economic development. As long as the Sino–Japanese bilateral relationship provides economic profit for both sides, the status quo is still preferred to radical restructuring of the regional order. Second, although Japan does not possess nuclear weapons, power augmentation through the US–Japanese alliance allows Japan's side to have at least a potential nuclear second-strike capability. Given these conditions, the two rivals are unlikely to escalate conflicts. Third, the defensive dominant geographical settings in East Asia are also supposed to prevent onset and radical intensification of conflicts. Fourth, the territorial dispute over the Senkakus may be the only significant factor which causes and exacerbates interstate conflict between Japan and China.

8 Conclusions and policy implications

Power transition theory thus provides a valuable theoretical framework to analyze the Sino–Japanese relationship in a systematic manner. As China's economic and military capability rises, potential conflicts emerged in the dyadic relationship between Japan and China. There are, however, countervailing factors which have pacifying effects. Because both nations' security interests are fundamentally compatible since both prefer a stable regional order at this point, political disputes between the two nations have not escalated. Nuclear capability and defense-dominant geography are also considered to have ameliorated the potential conflicts.

Some policy implications can be offered by the analysis. First, both sides must recognize the particular importance in their dispute over the Senkaku islands and delimitation of the EEZ in the East China Sea. As I stated above, these issues are most likely to pose a relatively intense security problem which might be a significant source of an intensified conflict. The shift in relative capabilities, particularly related to this issue area, suggests an important policy recommendation. In order to avoid exacerbating the overall Sino–Japanese relationship in the possible case of a further shift in the power ratio favoring China, both Japan and China must refrain from escalating the dispute over the Senkakus by engaging in additional military actions and make further diplomatic effort to implement the principles for cooperation in the East China Sea.

Also, both governments must avoid linking those issues with other issues, such as rising nationalism in domestic politics.

Second, reducing uncertainty is also necessary. China's military buildup poses a security threat mainly because Beijing's goals and military capabilities are unclear to Japan. Therefore, enhanced military transparency is required. Moreover, China's hegemonic prospects are worrisome. Although the security interests of the two states are currently compatible, China's potential hegemonic intentions might possibly cause a security dilemma. In fact, some theorists indicate that a rising power 'waits' until its power surpasses the leading power (Chan, 2004). Reassurance is needed in order to maintain stability of the region.

Third, Japan's participation in the BMD regime can potentially be a source of uncertainty because it may erode China's nuclear deterrence capability, which is currently one of the pacifying factors. As stated above, Beijing is currently persuaded that the missile defense system does not pose an imminent threat to China's nuclear deterrence capability. However, if the missile defense technology were to achieve further accuracy and reliability in the future, it would potentially be a source of instability. Therefore, Japan should maintain close communication with Chinese experts through both Track-I and Track-II talks, in order to keep persuading China that the missile defense system is essentially defensive and not aimed at making a radical change in the Asian regional order (e.g. Taiwan's independence).

Fourth, China's satisfaction with the status quo regional order is maintained by its economic development, both for meeting domestic demands and for building military might. Although Sino–Japanese economic relationships are currently being enhanced, Japan should demonstrate that maintaining a good politico-military relationship with Japan and the United States will provide China with stability and prosperity.

The four policy recommendations are implied by the predictions regarding the 'secondary' variables which affect the likelihood of armed conflict. The most important variable is relative capability since a power shift toward parity 'opens up windows of opportunity' for military conflicts. In the Sino–Japanese relationship, a shift continues. China is rapidly increasing material capability. Qualitative improvement of Chinese military capability also continues, although it has not yet achieved enough to threaten the leading US–Japanese coalition in East

Asia. The US military and Japanese Self-Defense Forces still maintain superiority, particularly in terms of maritime and air combat capability.

Taking into consideration the fact that the most of China's security concerns relate to maritime defense (e.g. secured energy supply through SLOCs, the Taiwan issue, the Senkaku dispute, and the South China Sea), it follows that the most important military buildup which might produce tensions in East Asia is China's navy construction. While aircraft-carrier task forces are improbable for China (Diamond, 2006), further development of submarine forces can be a source of threat; extended submarine forces could deter intervention by the US navy and the JMSDF in case of armed conflict in the Taiwan Strait. If the US navy and the JMSDF lose their power of deterrence against Chinese maritime military activity, this could significantly destabilize the region. Therefore, Japan and the United States should focus on naval (and air) construction.

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