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AIDC's F-CK-1 IDF Fighter

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In a Fortnight

By L.C. Russell Hsiao

TAIWAN'S STATE-OWNED AEROSPACE FIRM TO BUILD AIRCRAFTS IN CHINA: RISKS AND OPPORTUNITIES

Taiwan's Aerospace Industrial Development Corporation (abbrev. AIDC; Chinese: *Han Xiang*), a state-owned aerospace enterprise credited with developing the country's first indigenous defense fighter (IDF) is reportedly in negotiations to build a commercial aircraft with China Commercial Aircraft Company (COMAC), a Chinese state-owned behemoth under the direct supervision of Beijing's State Council (*China Times* [Taiwan], June 22). The plan has ignited a hailstorm of criticism from opposition lawmakers and the Taiwanese military over national security concerns because of possible transfers of sensitive military technology to Mainland China (*Taipei Times*, June 23). Industry specialists, however, downplay the security risks due to the complex nature of military technology transfers.

Supporters of the proposed plan argue that AIDC, like any defense business and contractor (i.e. Boeing, Sikorsky, Lockheed, Raytheon, Rockwell Collins, Honeywell, and General Electric), is just competing for a piece of China's fastest growing multi-billion dollar aviation market. Other experts note that under the proposed contract, AIDC would only be manufacturing flaps, slats, leading edge flaps, rudder elevators and belly fairings for the COMAC 919 narrowbody, and thus will not involve any technical transfer of sensitive military technology (Flight Daily News, June 16). Yet, AIDC Spokesperson Li Shih-chang acknowledged that it will be difficult to prevent and control the transfer of some dual use (military-civilian) technologies, but at the same time he emphasized that AIDC "worked with nine countries and 16 companies and we [AIDC] have the experience to keep secrets from leaking" (The Associated Press, June 22; *China Times*, June 22).

Proponents also highlight the fact that the nature of the COMAC contract order is very

similar to the one AIDC signed with Mitsubishi Aircraft in January to design and manufacture the slats, flaps, belly fairings, rudders and horizontal stabilizer rotating blades for the Mitsubishi MRJ regional jet (Flight Daily News, June 16). Thus, this contract proposal is consistent with AIDC's long-term business goal to further commercialize and compete in the global aviation market by positioning itself as a global supplier. In an interview with U.S.-based *Defense News*, then AIDC chairman and CEO, Feng Shih-kuan said: "We [AIDC] want to be a key supplier to China" and "has been pushing the [Taiwan] government to relax restrictions on investment and trade with state-owned enterprises in and with China" (*Defense News*, August 18, 2008).

Shuh-fan Ding, a research fellow at the Institute of International Relations at National Chengchi University, points out that AIDC has been struggling to financially stay afloat for a long time since the Taiwanese government ceased production of the IDF. Industry specialists confirm that the company's growth revenue has been in the red for many years. According to Ding, after 1992 when Taiwan bought the F-16s and Dassault Mirage 2000-5s and cut production of the IDF from 250 to 130, it resulted in a critical shortfall in AIDC's finances. Since there were no other securable sources of revenue, this resulted in a brain drain from the company. The outflow of engineers to foreign companies, Ding opines, is the biggest risk factor for the transfer of military technology. As a result it is possible that some of IDF's technical secrets may have already been leaked, Ding says, citing media reports that many AIDC engineers were hired by South Korean firms and the close resemblance of the new ROK training jets (T-50 Golden Eagle) to the IDF (*Sina.com.tw*, June 22; *News.rti.org.tw*, June 22). Therefore, Ding argues that keeping AIDC as a viable business is the most important safeguard for maintaining sensitive military technology.

Since its formation, AIDC served as one of the major defense manufacturing arms of the Taiwanese military; and is still entrusted to undertake many sensitive research and development projects, which includes manufacturing fighter aircraft and upgrading F-16s. Opponents of the AIDC-COMAC plan raised concerns over the company's technology safeguards, and whether a decision to move ahead with the plan could possibly delay further or even derail the much coveted sale of F-16s from the United States. One prominent opposition Democratic Progressive Party lawmaker, Chai Trong-rong, harshly criticized the plan: "How can a domestic company responsible for developing Taiwan's air defense technology cooperate with the enemy [China]?" He added, "it made sense that the U.S. has hesitated to sell advanced arms to Taiwan as it has concerns that advanced technology could end up in Chinese hands" (*Taipei Times*, June 23).

Opponents argue that even though AIDC is no longer exclusively a military entity, it still receives 80 percent of its business from the military and it remains a major player in the domestic arms industry (*Taipei Times*, June 23). Moreover,

since AIDC still holds the majority of Taiwanese government contracts for sensitive military technologies like developing anti-missile rockets and the Ten Thousand Swords (*Wan Chien*) cluster bomb, the Taiwanese military has also voiced its concern over the proposed deal. Ministry of Defense spokesman Yu Sy-tue publicly questioned the common sense of the proposed deal between AIDC and COMAC: "Of course we have some concerns ... But we do not have the power to interfere with their commercial aircraft deals" (*Straits Times*, June 23).

AIDC's company sales in 2007 of \$475 million amounted to a growth rate of 18 percent from 2006, and according to a Taiwanese-media report the company's sales reached \$484 million in 2008. With its target sale for 2009 set at \$574 million, opponents argue that AIDC's chronic shortage of capital is a thing of the past, and cautions against the company's "adventurism" (*China Times*, June 22).

[The author would like to thank Major Mark A. Stokes for his insights.]

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The Net Revolution: Chinese Netizens vs. Green Dam

By Willy Lam

Celebrations that Beijing has bowed to global pressure and scrapped an order to use filtering software in all personal computers have turned out to be premature. On July 1, a Ministry of Industry and Information Technology (MIIT) spokesman said that while Beijing had, on June 30, postponed the installation of the China-made Net-screening device, "the government will definitely carry on the directive on Green Dam." While Green Dam allegedly targets only pornography, foreign and Chinese experts alike think its real purpose is to censor "subversive" material and to prevent the country's 300 million Netizens from fomenting dissent on China's growing information superhighways (*CNN.com*, June 30; *InformationWeek.com*, July 2). Also indicative of the Chinese Communist Party's (CCP) determination to combat Net-based anti-government activities are plans to convict leading dissident Liu Xiaobo on charges of "inciting subversion to the state and the socialist system." Dr. Liu is an internationally known writer who was a key organizer of the Net-empowered Charter 08 Movement, which the CCP deems one of the most potent challenges to its authority since the mid-2000s. Beijing leaders also appear to have been taken aback by the so-called "Twitter Revolution" in Iran, where liberal activists have used the Internet and allied vehicles to broadcast their opposition to the controversial presidential polls held last month.

The ostensible reasons behind Beijing's postponement of the deadline for installing Green Dam on all new PCs are virulent protests by the U.S. Government and a dozen-odd chambers of commerce representing European and Asian corporations. Well-known American computer and software manufacturers have also complained that the utilization of Green Dam, which has "spyware" functions, would amount to an infringement of intellectual property rights. Most significantly, several domestic Net-anchored NGOs and lobbying groups, including one led by famous artist Ai Weiwei, have called upon Chinese PC users to boycott the much-maligned software (The Associated Press, June 27; *Wall Street Journal*, July 1). Yet a more probable reason for the censorship moratorium is that MIIT technicians have spotted problems in the policing software. The official Xinhua News Agency reported late last month that MIIT engineers had "assigned some staff to repair program faults." The daily quoted IT expert Ma Pengfei as saying that "it will take a long time before the MIIT can improve the technical level of the software." There is widespread report by American IT engineers that the faultily written Green Dam is an easy prey for hackers (Market Watch, July 2; Xinhua English News Service, June 27).

Given that the Chinese leadership has, since the turn of the century, boosted its Internet police force—a division within the Ministry of Public Security that currently employs more than 30,000 officers—why are the censors suddenly redoubling efforts to weed out Net-based dissent (*New York Times*, October 2, 2008)? Seasoned analysts in Beijing point to two apparently unconnected events that have prompted the Hu Jintao leadership to push through the draconian Green Dam campaign. One is the unexpectedly successful Charter 08 movement, and the other, the Internet-empowered opposition movement now sweeping Iran.

Late last year, 30-odd intellectuals led by Dr. Liu launched Charter 08, an Internet signature campaign that is based on a manifesto demanding that the CCP give all Chinese universally recognized liberties including freedom of speech, religion and political organization. It was modeled upon the Charter 77 movement of Czechoslovakia, which played a catalyst's role in hastening the collapse of a host of former Eastern European Communist regimes. Within six months, close to 10,000 Chinese—not just intellectuals but also workers and housewives—from different provinces have given their signatures in support of the manifesto. Dr. Liu was subsequently placed under house arrest in December. His lawyers fear that the ill-defined, catch-all charges laid against him could lead to a stiff sentence of up to ten years (*Times of London*, June 25; *Ming Pao* [Hong Kong], June 27).

Political observers in China see the probable incarceration of Liu as the CCP's warning to Net-based radicals and assorted "troublemakers" about the use of cutting-edge technology to propagate "subversive" materials on the information superhighway. Liu had said famously a few years ago that

"the Internet is God's present to China. It is the best tool for the Chinese people in their project to cast off slavery and strive for freedom." The past few months have seen major cases of civil unrest whose detailed audio-video footages were broadcast on Chinese websites, and then picked up by news media in Hong Kong and overseas. These included the confrontation last month between police and some 20,000 villagers in the Shishou town of Hubei Province (See *China Brief*, "CCP Campaign for a New Generation of 'Red and Expert' Officials," June 24). Given the popularity of cell phones and PCs in China—and the increasing availability of cheap but sophisticated technology—more Netizens are making videos with their phones and broadcasting them on the Net. Others are circulating juicy materials on the Chinese equivalents of Facebook and Twitter. Equally disturbing for the authorities is the Internet's effectiveness in mobilizing public opinion. The corruption scandals of several medium-ranked cadres were first exposed on the Net. Lu Jun, a propaganda official in Zhengzhou, Henan Province was pillorized by tens of thousands of Netizens for asking a reporter this question: "Do you speak for the Party or do you speak for the people?" Also consider the case of Deng Yujiao, a massage parlor hostess in a remote Hubei town who accidentally killed an official in May while resisting his sexual advances. The overwhelming Cyberspace support that Deng received was deemed a key reason why she was let go during the trial that took place a month later (*Ming Pao*, June 22; *People's Daily*, May 21; *Global Times* [Beijing] June 5; *Times of London*, July 4).

Given the sensitive nature of the post-election political drama in Iran, it is hardly surprising that there is little coverage of the protests—particularly Net-empowered ones—in the Chinese press. Official media stories have focused on Beijing's support of "the choice of the Iranian people" as well as its opposition to interference by Western forces. The reports also honed in on Tehran officials blasting Washington and London for allegedly stirring up unrest among Iranian opposition parties (Xinhua News Agency, June 21; Chinaview.cn June 23). Yet there have been enthusiastic exchanges in Net-based forums across China on how the Internet and socializing Net hubs such as Twitter and Facebook have enabled political participation in both China and Iran. Several Chinese Net aficionados have opined on www.fanfou.com and www.taobao.com, which are Chinese equivalents of social networking websites like Facebook and Twitter, "that the Iranian situation today is reminiscent of events in Beijing 20 years ago." The Internet police, however, soon intervened and blocked out discussion about Iran on these sites. Such actions, however, did not prevent a few hundred members of a Net-based NGO from holding a party to celebrate the postponement of the Green Dam stricture (*Yazhou Zhoukan* [Hong Kong weekly]; *Christian Science Monitor*, June 24; *Ming Pao*, July 2).

As a famous Chinese saying goes: "While the Dao [morality] may be 12-inch thick, the Devil is ten-foot tall." Irrespective of the Net-nannying efforts by CCP censors, China's resilient and resourceful Netizens have always been able to get around

the firewalls and prohibitions. Indications are that Green Dam—or even an improved version to be rolled out later this year—may not be able to silence Net-based dissent. For example, inexpensively priced “anti-Green Dam” software has already hit the Chinese market. It is ironic that the CCP’s one-time nemesis, the Falun Gong spiritual sect—which was the first anti-Beijing group to have used the Net to mobilize its supporters—had offered free technological assistance to opposition intellectuals in Iran to help beat the regime of silence imposed by the Mullahs (Radio Australia, July 2). And more anti-censorship software put together by the Falun Gong and other overseas human rights groups may make its way into China.

Meanwhile, as the countdown to the all-important October 1 celebration of the 60th Birthday of the People’s Republic has gotten under way, the authorities are taking no chances, particularly with Net-enabled dissent. Moments after a riot broke out in Urumqi, Xinjiang last Sunday, in which 156 residents were reportedly killed and at least 800 injured, the authorities blamed the World Uighur Congress (WUC) for “instigating” the mishap. Xinhua quoted the authorities as saying that the WUC “had used the Internet and other channels to urge [troublemakers] to ‘be bolder’ and to ‘hit it big’.” The disturbance erupted as a protest over alleged government mishandling of a fistfight between Han Chinese and Uighur workers in a toy factory in Guangdong late last month. On Monday, the Internet was shut down in Urumqi, and the Net police removed several videos of the rioting that had circulated on several popular websites (Xinhua News Agency, July 6; *Ming Pao*, July 6; Reuters, July 7).

In an article in the just-released party theoretical journal *Seeking Truth*, Director of the CCP Propaganda Department Liu Yunshan warned that “various non-Marxist thoughts and ideas have grown and affected social harmony and stability.” Liu, a Politburo member, added that “how to utilize, develop and scientifically manage the Internet has become a major and pressing task” for the country’s law-enforcement apparatus (*People’s Daily*, July 4; Xinhua News Agency, July 3). While Liu and his Politburo colleagues seem confident that a retooled Green Dam might help the CCP keep destabilizing forces at bay, the warfare between Net-empowered activists and the authorities seems destined to remain both ferocious and protracted.

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Chinese Perceptions of U.S. Decline and Power

By Bonnie S. Glaser and Lyle Morris

For the past few years, the Western world has been abuzz with talk of China’s rise. Most statesmen, pundits and academics have concluded that China’s rise is inevitable, but as of yet there has been no consensus on the implications of China’s rise for the rest of the world. While Westerners debate issues like whether and how China can be “molded” into becoming a responsible stakeholder in the international system, the Chinese have been quietly conducting a debate of their own. After more than a decade of judging the international structure of power as characterized by “*yi chao, duo qiang*” (one superpower, many great powers) [1]—with a substantial gap between the United States and other major powers—Chinese scholars are debating whether U.S. power is now in decline and if multipolarity (*duojihua*) is becoming a reality. A key precipitating factor is the global financial crisis, which has sown doubts in the minds of some Chinese experts about the staying power of U.S. hegemony in the international system.

Chinese perceptions of American power are consequential. China’s assessment of the global structure of power is an important factor in Chinese foreign policy decision-making. As long as Chinese leaders perceive a long-lasting American preeminence, averting confrontation with the United States is likely seen as the best option. If Beijing were to perceive the U.S. position as weakening, there could be fewer inhibitions for China to avoid challenging the United States where American and Chinese interests diverge. Since the late-1990s, Beijing has judged the United States as firmly entrenched in the role of sole superpower. As long as the comprehensive national power of China and the other major powers lagged far behind the United States, and the ability of China to forge coalitions to counterbalance U.S. power remained limited, Beijing concertedly avoided challenging U.S. interests around the world; for example, when the United States invaded Iraq. Yet, China’s recent evaluation that the United States is overextended with wars in Iraq and Afghanistan, coupled with a perceived U.S. weakness in the wake of the financial crisis, could imbue Chinese policy makers with the confidence to be more assertive on the international stage in ways that may be inconsistent with American interests.

The debate in China over a possible U.S. decline is not new, however. After the end of the Cold War, Chinese experts embarked on a rigorous examination of the new global environment that would emerge after the collapse of the Soviet Union and communism in Eastern Europe. At that time other rapidly expanding economies, especially Japan and Germany, were perceived as having become powerful U.S. competitors in high technology. Some Chinese experts began to predict the emergence of a post-Cold War multipolar world order,

a greater balance among major powers, resistance toward “Western values” and an increased emphasis worldwide on economic and diplomatic approaches as opposed to military might [2]. These predictions proved overly optimistic, however, and Beijing subsequently concluded that the United States would maintain its status as “sole superpower” for the next 15 to 20 years, if not longer [3].

Recent events, notably U.S. involvement in Iraq and Afghanistan and the financial crisis, juxtaposed against China’s sustained economic growth, have rekindled the debate in China about the sustainability of a U.S.-dominated international structure and China’s role in that new structure of power. In particular, many Chinese experts are viewing the recent U.S.-led financial crisis as sounding the death knell for unfettered American economic and hard power predominance and the dawn of a more inclusive multipolar system in which the United States can no longer unilaterally dictate world events.

Signs that the debate has been rejuvenated surfaced in 2006 with a provocative newspaper article by Wang Yiwei, a young scholar at Shanghai’s Fudan University, who posed the question, “How can we prevent the USA from declining too quickly?”. The article, which suggested that a precipitous decline in U.S. power would harm Chinese investments, predicted the United States would soon fall to the status of a regional power rather than a global power because of its arrogance and imperial overreach and advised Washington to “learn to accept Chinese power on the world stage.” Wang’s article generated a tremendous response from readers and intellectuals, which spurred further debate within China about whether U.S. power was in decline [4].

After the onset of the financial crisis in the United States in 2008, which quickly reverberated globally, more articles appeared in Chinese newspapers positing a radical shift in the global structure of power. In a May 18, 2009 article in China’s official state-run newspaper *China Daily*, Fu Mengzi, assistant president of the China Institutes of Contemporary International Relations, maintained that “the global financial crisis offers global leaders a chance to change the decades-old world political and economic orders. But a new order cannot be established until an effective multilateral mechanism to monitor globalization and countries’ actions comes into place. And such a mechanism can work successfully only if the old order gets a formal burial after extensive and effective consultations and cooperation among world leaders” [5].

Li Hongmei, editor and columnist for *People’s Daily* online, the official mouthpiece of the Chinese Communist Party, framed the argument more assertively in a February 2009 article by predicting an “unambiguous end to the U.S. unipolar system after the global financial crisis,” saying that in 2008, U.S. hegemony was “pushed to the brink of collapse as a result of its inherent structural contradictions and unbridled capitalist structure.” Li forecast that “in 2009, as a result of this decline, the international order will be reshuffled toward

multipolarity with an emphasis on developing economies like China, Russia and Brazil” [6].

Li Hongmei and others highlight what they see as the main source of U.S. power decline: economics; and especially share of global Gross Domestic Product (GDP). The IMF’s recently published figures on global GDP points out that in 2003, GDP in the United States accounted for 32 percent of the world total, while the total GDP of emerging economies accounted for 25 percent. In 2008 however, the figures were reversed, with the total GDP of emerging economies at 32 percent and U.S. GDP at 25 percent of the world total respectively [7]. From Li’s perspective, the recent financial crisis portends a continuation of the downward trend for the United States.

Scholars such as Wu Xinbo, professor and associate dean of the School of International Relations and Public Affairs at Fudan University, and Zhang Liping, senior fellow and deputy director of Political Studies Section at the Institute of American Studies in the Chinese Academy of Social Sciences (CASS), highlight a major shift in U.S. soft power and legitimacy after the U.S. invasion of Iraq. According to Wu, the United States “lost its ‘lofty sentiments’ after it invaded Iraq and is feeling more ‘frustrated and lonely’ which will lead it to seek more cooperation with other big powers” [8]. Similarly, Zhang points to a diminution in U.S. soft power, a decrease in its ability to influence its allies, and diminished ability to get countries ‘on board’ with U.S. foreign policy initiatives after the invasion of Iraq—all signs that augur a decline in America’s legitimacy abroad [9].

Not all Chinese experts are in agreement, however, and some warn explicitly against drawing a premature conclusion that U.S. power is on the decline. Notable among these voices is Wang Jisi, dean of Beijing University’s School of International Studies, who harshly criticizes Chinese analysts who view U.S. power as being in decline. Wang argues, for example, that “there really is no reliable basis for saying at this point that the United States has experienced a setback from which it cannot recover.” While acknowledging that the invasion of Iraq damaged U.S. soft power and legitimacy abroad, Wang maintains that he does not see any fundamental change to the global balance of power. “To date,” Wang says, “no country has been able to constitute a comprehensive challenge to the United States, and the current international power structure of ‘one superpower and many great powers’ will continue for the foreseeable future.” Wang also advises China’s leaders to “avoid becoming embroiled in the central maelstrom of world politics and concentrate on managing its own affairs first” [10].

Xu Jin, researcher at the Chinese Academy of Social Sciences’ Institute of World Economics and Politics, and Zhu Feng, director of the International Security Program in the School of International Studies at Peking University, insist that the financial crisis “will not bring substantive changes to the international pattern of ‘one superpower and many great

powers.” Xu anticipates that the financial disparity between the United States and other powers will narrow as a result of the financial crisis, possibly leading to a decline in U.S. economic hegemony. Yet, he concludes that any harm the financial crisis inflicts on the United States will have limited damage on its overall global position, since economic prowess is only one of the “many elements of U.S. comprehensive power” [11]. Zhu adds that “even if America takes a hit with the financial crisis, the large gap between America and world in economic terms is so large, and other markets are so firmly enmeshed with the U.S., that no fundamental shift will occur to America’s relative position in the world” [12].

Echoing this view is Liu Jianfei, professor and associate director of the International Strategy Institute at the Communist Party Central School. In a recent issue of *Sousuo yu Zhengming*, a periodical published by the Shanghai Social Science Association, Liu presents a comprehensive analysis of the post-financial crisis world and cautions China against coming to premature conclusions about a rapid decline in U.S. overall power. “The financial crisis will undoubtedly weaken U.S. hard power, but it might end up affecting the economies of other countries even more,” says Liu. “The overall negative influence affecting the power of American hegemony—in military, economic and soft power terms—will remain limited” [13].

Liu Jianfei sees U.S. influence as indispensable in shaping a new world order and cautions China about taking “too high a profile,” or “seeking to be a leader” of the international system. “China still needs more time to develop and open up to the outside world,” he says. “Many are calling for China to be the new leader in the new world order, but we need to continue down the road of reform and development and not adopt hegemonic tendencies. China also needs the cooperation and trade of the United States and other Western countries in order to succeed” [14].

What emerges is a lively debate in China about whether the international system is undergoing a fundamental shift that heralds the decline of U.S. power. As evidenced by the wide range of opinions, experts are far from reaching agreement on the core question of whether the United States is in decline. The vast majority maintains that the prevailing international structure of power will not last; it eventually will give way to a multipolar era in which China and other emerging economies have an increasing say about issues of global importance. At the same time, many experts also caution that the transition to multipolarity will be a prolonged process, and that for the foreseeable future the United States will maintain its position at the helm of the international structure of power. Only a minority of experts view the United States as already in decline and the world on the cusp of becoming truly multipolar.

Conspicuously absent from the debate is discussion of how a multipolar system would operate and what role China would play in the new world order. Would a more equal

power distribution among major powers result in greater competition or cooperation, in balancing or bandwagoning, for example? If future international developments persuade Chinese leaders that the United States is in decline and that a multipolar world has arrived, Chinese experts will need to more closely examine such questions.

An emerging multipolar world could prompt Beijing to adopt a more assertive foreign policy and military posture, but could also provide incentives for China to be cooperative. Tensions over territorial claims with the Philippines, Vietnam, and Japan continue to simmer, and a perceived power vacuum in the area could embolden China to assert greater influence over these disputed islands. Furthermore, the potential for China to adopt coercive policies against Taiwan is an ever-present danger looming over U.S.-China relations. Yet, Beijing might instead see its interests best served by working cooperatively with the other major powers to ensure a soft landing as the world transitions from “one superpower, many major powers” to a new multipolar pattern. Significant disincentives will exist to a revisionist shift in China’s foreign and defense policies. Assertiveness or aggression by China would likely cause the other major powers to band together to counter the emergent Chinese threat. Unless China perceives a threat to its vital interests (such as a declaration of independence by Taiwan), Beijing may see strong incentives to act cautiously. The time may then come for China to discard Deng Xiaoping’s dictum to “keep a low profile,” and become the “responsible stakeholder” that the world hopes for rather than the next global hegemon.

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NOTES

1. The first mention of “yi chao duo qiang” that the authors were able to find was by Liao Yonghe, “The Right and Wrong of the ‘America in Decline’ Theory,” *Dangdai Shijie*, 1995 Vol. 3. See also Michael Pillsbury’s *China Debates the Future Security Environment*, National Defense University Press, January 2000.
2. Pillsbury, Michael, “China’s Perceptions of the USA: The View from Open Sources,” Testimony prepared for U.S.-China Security and Economic Review Commission, Oct. 19, 2001.
3. For more on this reassessment, see Finkelstein, David M, *China Reconsiders Its National Security: The Great Peace and Development Debate of 1999*, Project Asia - CNA Corporation, Dec. 2000.
4. Wang Yiwei, “How can we prevent the USA from declining too quickly?” *Global Times Online*, Aug. 12, 2006.
5. Fu Mengzi, “Old Order Should Yield Place to New,”

Peoples Daily Online, May 18th, 2009.

6. Li Hongmei, "U.S. Hegemony Ends, Era of Global Multipolarity Begins," *Peoples Daily Online*, Feb. 24, 2009, Open Source Center (OSC), CPP20090224701001.

7. *Ibid.*

8. Wu Xinbo, "China Rise Startles U.S. into Sobriety," *Global Times*, Dec. 23, 2007*.

9. Zhang Liping, "Is America in Decline after 9/11?" *Shijie Zhishi*, July 2007, Vol. 21*.

10. Wang Jisi, "Roundtable on U.S.-China Relations," *Nanfeng Chuang*, Oct. 20, 2008.

11. Xu Jin, "The Financial Crisis Will Not Upset the 'One Superpower and Many Powers' Structure," *Shijie Jingji yu Zhengzhi*; Dec. 14, 2008, OSC, CPP20090223671003.

12. Zhu Feng, "The Obama Administration Foreign Policy: Afterthoughts on our Fieldwork in America," *International and Strategic Studies Report*, Center for International and Strategic Studies, Peking University, March 20, 2009.*

13. Liu Jianfei, "Chinese Foreign Strategy in Wake of the Financial Crisis," *Sousuo yu Zhengming*; May 2009, Vol. 3*.

14. *Ibid.*

* (Translated from Chinese by authors)

China's Re-emergence as an Arms Dealer: The Return of the King?

By Richard A. Bitzinger

China is now, on average, the world's fifth largest arms exporter, after the traditional leading suppliers: the United States, Russia, France, and the United Kingdom. In fact, in 2007 it was fourth in terms of global arms transfer agreements, ahead of France, Germany and Spain [1]. Nearly all of China's arms transfers are to developing countries, and in this arena the Chinese defense industry is emerging as a formidable competitor. In fact, China ranked third in terms of arms *deliveries* to the developing world in 2007 [2]. China's largest markets are in Asia, the Middle East, and particularly Africa. In fact, during the period 2004-2007, China was the single largest seller of arms to Africa; and its major customers include Pakistan, Egypt, Bangladesh, Iran, Zimbabwe, and Zambia.

All these signs point to China returning to the global stage as a major player in the international arms market. In fact, China has not enjoyed sales this large since the 1980s, when it sold to both sides in the Iran-Iraq War. In 2007, Beijing signed arms exports agreements worth \$3.8 billion, its highest sales figures in more than a decade [3]. In recent years, Chinese overseas arms sales have averaged more than \$2 billion a year [4], considerably higher than during the 1990s, when Beijing averaged less than \$1 billion annually in arms exports [5]. Despite these glowing sales figures, however, China faces

the continual challenge of remaining competitive in a highly cutthroat business. There are no guarantees of an enduring upswing in Chinese arms exports.

Leading Chinese weapons exports include:

- **The K-8 trainer jet:** China has exported nearly 250 of these lightweight trainer/attack jets since 2000, according to the Stockholm International Peace Research Institute (SIPRI) database on arms transfers [6]. Its biggest client has been Egypt, which bought 120 K-8s, most of which were assembled locally from kits, between 2001 and 2008. Other customers include Ghana, Pakistan, Sri Lanka, Sudan, Zambia, and Zimbabwe, while Venezuela is in negotiations to purchase up to 24 K-8s.
- **The F-7MG fighter jet:** This aircraft is the export version of the People's Liberation Army (PLA) Air Force's F-7E, itself an upgraded adaptation of the MiG-21. The F-7MG features a larger wing and, reportedly, a British radar [7]. China has sold more than a hundred of these fighters to Bangladesh, Namibia, Nigeria, Pakistan, and Sri Lanka, according to the SIPRI Arms Transfers database, since the mid-1990s [8].
- **The JF-17 Thunder fighter jet:** The JF-17, also known as the FC-1, is a lightweight multi-role combat aircraft similar in design to the U.S. F-20 Tigershark. The JF-17 was co-developed with Pakistan, which is currently producing the fighter for its air force; estimates are that Islamabad could buy up to 250 of the aircraft. The aircraft is being specifically marketed to developing countries who need replace aging MiG-21, F-7, or F-5 fighters. Azerbaijan, Sudan, and Zimbabwe have all been reported to have interest in buying the JF-17 [9].
- **The C-801/C-802 antiship cruise missile (ASCM):** These missiles, also known as the YJ-8 and YJ-82 (YJ stands for Yingji: "Eagle Strike"), respectively, are similar to the very effective French *Exocet* (the C-802 version being equipped with a solid rocket booster for extended range). These ASCMs can be launched from ships, land, or aircraft. Recent customers for these missiles include Algeria, Bangladesh, Indonesia, Iran, Myanmar, Pakistan, and Thailand [10].
- **The WZ-551 armored personnel carrier:** Although not a particularly high-tech system, the WZ-551 is notable for being sold widely around the world, including countries like Argentina, Gabon, Kenya, Kuwait, Nepal, Oman, Sri Lanka, Sudan, and Tanzania [11].

Finally, it is worth noting that China has sold a number of

small and medium-sized transport aircraft, mostly to African states. These include the Y-12 (to Kenya, Nepal, Uganda, and Zambia) and the MA-60 (to Ghana, Nepal, and Zambia) [12].

A TENUOUS STANDING?

Still, China's current high standing in the global arms marketplace remains tenuous. Most of China's biggest arms sales come from only a handful of customers, particularly Pakistan. The 2007 figures were high mainly because the data included a couple of big deals with Pakistan, like the JF-17 fighter for instance (which Pakistan is co-producing with the Chinese) and four Jiangwei-class frigates. It is not certain, therefore, that China will maintain such high levels of arms exports for the next several years. For example, Myanmar [Burma] was a big buyer of Chinese arms during the 1990s, but its purchases have tapered off significantly in recent years, in favor of weapons from Russia, India and Ukraine [13].

For the most part, China can still offer only a few advanced weapon systems (e.g. trainer jets and antiship cruise missiles) that are competitive on the global arms market, and its customers still remain basically the poor (e.g. African states) and the pariahs (e.g. Pakistan and Iran). Additionally, a large chunk of Chinese arms exports includes small arms and ancillary equipment, such as trucks, uniforms, and field equipment. Finally, many of China's arms deals are still done at "friendship prices," that is, selling arms at a discount, either for political purposes (i.e. cementing alliances or promoting cordial relations) or, increasingly, to secure links with oil-and mineral-rich nations, such as Nigeria, Sudan and Zimbabwe.

Finally, it is important keep in mind that ranking fifth, fourth, even third as the largest arms exporter should not be exaggerated. While China delivered \$1.2 billion worth of arms to the developing world in 2007 to capture the number three position, the number one-ranked United States exported *more than six times* as much, or \$7.6 billion, while Russia (number two), exported \$4.6 billion, nearly four times as much as China [14]. Additionally, while China exported \$7.8 billion worth of arms globally between 2000 and 2007, the United States exported over \$92 billion worth; Russia was second with \$36.2 billion worth of arms exports, and the United Kingdom third with nearly \$34 billion worth. Even Germany out-exported China by nearly 60 percent [15]. One good sales year does not necessarily presage a bright future.

PROSPECTS FOR BIG-TICKET SALES

In order to remain a leading arms exporter, China needs to come up with more competitive products. The JF-17 fighter jet has already been mentioned as a possible big seller to countries needing a low-cost replacement for their aging inventories of MiG-21s or F-5s; the JF-17 reportedly costs between \$15 million and \$20 million apiece, much cheaper than a U.S.-built F-16, for example [16].

An even more promising prospect for significant overseas sales is China's new J-10 fighter jet. This aircraft is a cousin to the Israeli *Lavi* (upon which it is based) and roughly equivalent in capabilities to the U.S. F-16C flown by several air forces around the world. The J-10 started development in the mid-1980s and finally entered production for the People's Liberation Army Air Force (PLAAF) about three or four years ago. It is certainly a vast improvement over the 1960s- and 1970s-era Chinese and Soviet fighters that have filled out the PLAAF for decades, although probably not as good as the Su-27 or (particularly) the Su-30s acquired from Russia.

There has in fact been considerable speculation that the Chinese might try and flood the global arms market with the J-10. This aircraft could be a good buy, as it would probably be offered at cut-rate prices, certainly below the F-16, the Swedish Gripen, and other smaller combat aircraft. Pakistan and especially Iran have been mentioned as prospective buyers [17].

Other potentially marketable products include the C-701 short-range antiship cruise missile (already sold to Iran and, reportedly, Hezbollah) [18], the FN-6 man-portable surface-to-air missile (exported to Sudan), and the KS-1A surface-to-air missile (sold to Malaysia) [19].

That said, the capabilities of most Chinese weapons systems remain unknown. The J-10, for example, may be a very good aircraft, but its performance and reliability cannot be independently confirmed, and many countries may not wish to take a chance on it. For its part, the JF-17 is a rather unremarkable aircraft, technologically speaking; buying used F-16s—of which there is currently a global abundance, given the downsizing of many air forces around the world—may be seen as a cheaper and more capable alternative.

Finally, keep in mind that countries do not necessarily buy the cheapest weapon systems available—capabilities and effectiveness count, especially when it comes to military products. Many countries, given the choice, will still pay a premium price to get a premium product. For example, when Pakistan decided to acquire new submarines, it bought from France and Germany, not China, and while it is buying Chinese fighters, it is also purchasing F-16s from the United States.

Even during the current global economic crisis, many potential buyers will still be hesitant to seriously consider Chinese weaponry more than they might normally, since they may have to live with these weapons for the next twenty to thirty years. Instead, these countries are more likely to delay any big-ticket arms purchases in general, and wait until the economy recovers—like most Asian countries did during the financial crisis in the late 1990s.

One product area where the Chinese do have a considerable

technological edge is ballistic missile systems, such as the DF-11 and B-611 short-range ballistic missiles. The DF-11 (also known as the M-11) has been sold to Pakistan, while Turkey has acquired the B-611 [20]. Sales of longer-range missile systems, however, are restricted by the Missile Technology Control Regime (MTCR), to which China has agreed to abide.

CHINESE ARMS SALES: STILL AN UNCERTAIN BET?

China is still extremely constrained when it comes to potential customers, the types of arms they may want to buy, and the types of arms it can sell. Yet, Beijing will increasingly promote its arms on the global market and in the process it will score some coups when it comes to overseas sales. Certainly, expanding arms exports continues to be a key business strategy for Chinese defense firms, but as much as it is for almost every arms manufacturer around the world. Given the global overcapacity in armaments production and economic pressures to keep factories open and preserve jobs, everybody wants to get in on the arms-export business. China will not be soon supplanting or joining the United States and Western Europe as a large supplier of sophisticated arms.

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NOTES

1. Richard F. Grimmett, *Conventional Arms Transfers to Developing Nations, 2000-2007* (Washington, DC: Congressional Research Service, October 23, 2008, Table 8D, p. 67.
2. Grimmett, *Conventional Arms Transfers*, Table 2G, p. 52.
3. Grimmett, *Conventional Arms Transfers*, Table 1, p. 34.
4. Grimmett, *Conventional Arms Transfers*, Table 1, p. 34.
5. See Richard A. Bitzinger, "Arms to Go: Chinese Arms Sales to the Third World," *International Security*, Fall 1992.
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11. *SIPRI Arms Transfers database*.
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13. *SIPRI Arms Transfers database*.
14. Grimmett, *Conventional Arms Transfers*, Table 2G, p.

52.

15. Grimmett, *Conventional Arms Transfers*, Table 8C, p. 66.

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China's Claims to an Extended Continental Shelf in the East China Sea: Meaning and Implications

By James Manicom

On May 11 2009, the People's Republic of China (PRC) submitted the preliminary survey findings on the outer limits of its continental shelf to the UN Commission on the Limits of the Continental Shelf (CLCS). The submission makes a claim to an extended continental shelf beyond 200 nautical miles (nm) in the East China Sea (ECS). The submission is reportedly based on data collected over ten years of marine scientific research undertaken by a wide variety of Chinese organizations including the Academy of Sciences, the Hydrographic Department as well as the People's Liberation Army Navy (PLAN) [1]. That this research program has been undertaken in waters claimed by both China and Japan has been the source of considerable discord. The Chinese submission is preliminary, submitted two days before the May 13 deadline for those states that ratified UNCLOS in 1996. In its submission China claims an extended continental shelf beyond 200nm as far as the western slope of the Okinawa Trough. China states its intention to make a complete submission after further survey work has been completed. This may not be the last extended continental shelf claim made by China, as according to Foreign Ministry spokesman Ma Zhaoxu, it also reserves the right to make additional extended continental shelf claims in the East China Sea and elsewhere [2]. Finally, and consistent with all Chinese territorial claims, the submission states that China will "through peaceful negotiation, delimit the continental shelf with States with opposite or adjacent coasts by agreement on the basis of the international law and the equitable principle" [3].

The East China Sea dispute stems from overlapping jurisdictional claims under the U.N. Convention on the Law of the Sea (UNCLOS). Japan claims an exclusive economic zone (EEZ) as far as its median line that bisects the East China Sea. China, meanwhile, has always claimed a continental shelf as far as the Okinawa Trough based on the principle of natural prolongation, the basis upon which continental shelf claims

are made. Political tensions have manifested themselves in a number of ways. The dispute has been exploited by nationalist and conservative actors on both sides to reinforce confrontational policy pursuits. The most serious tensions have occurred at sea where Chinese and Japanese authorities have collided (in some cases quite literally) over resource exploitation and marine scientific research. In June 2008, the two sides agreed on a roadmap toward joint resource development, but no progress has since been made [4]. These disputes stem from competing jurisdictional entitlements to the East China Sea, and thus a ruling by an impartial third party such as the CLCS could move the dispute toward settlement.

What does this submission mean for the East China Sea dispute? There are two primary implications. First, although the submission is made to an impartial third party, this body has no authority to rule on the final delimitation of the East China Sea. The CLCS is not tasked with dispute resolution; it is responsible for evaluating the scientific merits of a state's claim to a continental shelf beyond the 200nm as permitted under Article 76 of UNCLOS. Thus, at most, the CLCS could rule that the PRC has demonstrated the scientific basis for a continental shelf claim beyond 200nm in the area included in the submission. This is not the same as granting China exclusive jurisdiction over the area it has claimed. Japan is still entitled to claim an EEZ as far as 200nm, although it has only claimed an EEZ as far its median line. Final delimitation is still to be negotiated between the two parties.

This is not to say that a ruling by the CLCS can be expected anytime soon. While the length of time it takes to rule on a submission varies depending on the complexity of the science involved, there are two reasons to expect a significant delay. First, the CLCS is understaffed and under funded [5]. UNCLOS remains a relatively new piece of international law and the entitlement to an extended continental shelf is at the cutting edge of international legal debates. Secondly, due to the ten year deadline for submissions to the CLCS after a state's ratification of UNCLOS, combined with the enormous amount of ratifications in the mid-late 1990s, the CLCS is confronted with a massive backlog of submissions. Prior to 2008 the CLCS had received only nine submissions, which took an average of over twenty months to be adopted. Since 2008 the Commission has received 41 submissions and has yet to make a ruling on one of these [6]. Thus it will be quite some time before a Chinese submission can be heard, much less finalized.

The second implication for the East China Sea dispute is the location of China's extended continental shelf claim; it is located primarily in the northern portion of the East China Sea. As maritime policy analyst Mark Valencia notes, it is unlikely that final delimitation will be based on the recognition of natural prolongation over the EEZ regime, as both are permitted under UNCLOS. It would be more likely that the line reflects compromise over both states' jurisdictional

entitlements [7]. Recognition of the Chinese continental shelf claim by the CLCS adds weight to the Chinese entitlement to a greater share of the ECS, which could arguably push a final delimitation line east toward the Japanese coast. Yet, any CLCS ruling will not touch on the disputed sovereignty over the Senkaku/Diaoyu islands—the basis of the delimitation dispute in the southern end of the ECS—as this is outside its authority. A further problem relates to the northern portion: China's submission may overlap with the extended continental shelf claimed by the Republic of Korea [8].

To further strengthen its claims to the East China Sea, China has made a rhetorical commitment to the equitable principle in the delimitation of maritime boundaries. This principle relates to special consideration given to coastal states based on social, economic, geological, and geographical factors that impact a state's entitlement to ocean space. In the Gulf of Maine case, for instance, the International Court of Justice pushed the final boundary line toward Nova Scotia to account for the longer coastline on the American side. In light of the length of the Chinese coastline compared to the Japanese, an extended continental shelf approved by the CLCS further strengthens the Chinese claim to special considerations that ultimately may result in a more favorable settlement. So, a CLCS ruling on China's entitlement to a continental shelf beyond 200nm—even if it occurs in the near future—does not automatically move the ECS dispute toward resolution. It may however strengthen China's claims to a larger portion of the northern part of the East China Sea.

The danger in the short term is that the submission and subsequent ruling may escalate tensions in the absence of attempts to clarify the implications for jurisdictional entitlements. Chinese vessels already behave as if the East China Sea and South China Sea are Chinese territorial waters. Witness for example the confrontation with the USNS *Impeccable* in March 2009 (see *China Brief*, "Impeccable Affair and Renewed Rivalry in the South China Sea," April 30) and the recurrent Chinese naval intrusions into Japanese-claimed waters. In light of the highly decentralized Chinese command structure (the *Impeccable* was confronted by a wide variety of vessels in an apparent policing action, including civilian fishing trawlers) it is possible that the submission could reinforce Chinese authorities' and civilians' sense of entitlement to the waters off of China. This in turn could increase the latitude with which Chinese vessels operate in Japanese claimed waters. Early signs are that Chinese authorities—fisheries, coastal patrol, and military—will increase their presence in waters that China purports to administer [9]. This comes as Chinese foreign ministry officials and media have condemned submissions to the U.N. by Malaysia, Vietnam and the Philippines for recognition of their maritime borders in the South China Sea. Taken as a whole these trends point to continued Chinese assertiveness in its claimed waters.

This greater naval presence and operational latitude come at a time when Japan is seeking to better protect and exploit its ocean territory. In response to the growing Chinese naval presence in the East China Sea, pressure has been building on Japanese leaders to better enforce Japan's maritime jurisdiction [10]. In light of Japanese concerns about the longer term strategic consequences of Chinese behavior in waters claimed by Japan, Tokyo would view an increasingly assertive Chinese posture in the East China Sea as a threat [11]. In 2007, Tokyo took the first steps toward rectifying this situation by passing the Basic Ocean Law which created an Ocean Policy Headquarters headed by the prime minister. Furthermore, the first piece of legislation passed on maritime affairs permits Japanese authorities to protect Japanese resource production installations in the East China Sea. This was intended to assuage concerns that Teikoku Oil workers and assets would be threatened by China if they were ever called upon to conduct exploratory drilling east of the median line. Indeed, last year the Diet began considering a law that would allow Japan to intercept suspicious vessels transiting its claimed waters [12]. While this is likely a legacy of Japan's experience with North Korean espionage boats, it could just as easily provide the basis for an assertive Japanese response to non-authorized Chinese vessels. Recall that in addition to increased reports of Chinese naval incursions in the ECS in recent years, a Han submarine transited Japan's territorial sea in 2004 and Chinese naval vessels routinely sail provocatively through the international straits that pass through Japan.

The two sides have yet to move forward in implementing the treaty called for by the June Consensus reached in 2008. This means proceeding with plans for Teikoku Oil to conduct joint operations at the Chunxiao gas field with the China National Offshore Oil Corporation (CNOOC) and commencing exploration in the joint development zone south of the Longjing field. The primary barrier to the finalization of a treaty appears to be political. Japanese media reports that Tokyo is reluctant to proceed as long as the development of the Tianwaitian field continues [13]. China maintains that Tianwaitian was not included in the June Consensus, and thus CNOOC's continued production at the field should not disrupt joint development [14].

While China's submission to the CLCS does strengthen its claim to the East China Sea, it does little to bring the dispute to a cooperative end. As noted above, it could very well exacerbate tensions in the area. Considerable political will is needed in both Beijing and Tokyo to ensure the continued stability that has characterized the East China Sea for past two years.

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NOTES

1. It is difficult to ascertain which Chinese bureaucratic entity conducts which aspect of the research program. For a discussion see James Manicom, *Cooperation and Confrontation in the East China Sea Dispute: Lessons for China-Japan Relations* (PhD thesis, Flinders University 2009), chapter five.
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