Erratum

The following pages feature the corrected version of Erica Strecker Downs and Phillip C. Saunders, “Legitimacy and the Limits of Nationalism: China and the Diaoyu Islands,” Vol. 23, No. 3 (Winter 1998/99), pp. 114–146. Please note that the authors bear no responsibility for errors that appear in the article as it was published in the Winter 1998/99 issue, which include a section of missing text on pp. 130–132 and repeated text on pp. 145–146. We apologize for these errors. To avoid any confusion and to ensure that the entire correct article is available to all readers, we are including the full text here. The article should, however, continue to be cited as appearing in the Winter 1998/99 issue. It is therefore reproduced with the pagination (pp. 114–146) from that issue.
Influenced by the resurgence of nationalism in the post–Cold War era, international relations scholars have produced a pessimistic evaluation of ways that nationalism increases the chances of international conflict. Three broad themes have emerged in the literature. The first focuses on the use of nationalism to divert attention from the state’s inability to meet societal demands for security, economic development, and effective political institutions. Illegitimate regimes may seek to bolster their grip on power by blaming foreigners for their own failures, increasing international tensions. The second looks at groups within the state that have expansionist or militarist goals. By propagating nationalist or imperialist myths, they can generate broad public support for their parochial interests. The third emphasizes how political elites can incite nationalism to gain an advantage in domestic political competition. Nationalism can be used both to mobilize support for threatened elites and to fend off potential challengers. This function can be particularly important in democratizing or liberalizing authoritarian regimes, which lack established political institutions to channel...

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popular participation and reconcile contending claims.\footnote{Edward Mansfield and Jack Snyder, “Democratization and the Danger of War,” International Security, Vol. 20, No. 1 (Summer 1995), pp. 5–38.} All three approaches focus on nationalism’s instrumental value for insecure elites seeking to gain or hold onto power. Nationalism can not only aggravate ethnic relations within the state, but it can also spill over borders and increase the likelihood of international conflict. Once the public has been mobilized through nationalistic appeals, elites can become trapped in their own rhetoric and choose to pursue risky security strategies rather than jeopardize their rule by not fulfilling popular nationalist demands. Even though nationalist myths are primarily aimed at a domestic audience, other states may misinterpret them as a serious threat and respond in kind, giving rise to a security dilemma.

nationalism with an explicitly expansionist character. Both history and international relations theory suggest that a rising power's challenge to a declining hegemon often results in war. This structural concern is heightened by the popularity of a number of nationalist tracts, as well as recent aggressive Chinese military actions that have stimulated talk of a "China threat." Some analysts suggest that a powerful, nationalist China is likely to come into conflict with the United States.

This article argues that concerns about aggressive Chinese nationalism are overstated, or at least premature. China's leaders (President Jiang Zemin, National People's Congress Chairman Li Peng, Prime Minister Zhu Rongji, and other members of the Politburo Standing Committee) have employed both nationalism and economic performance in their efforts to restore the domestic legitimacy of the Chinese Communist Party (CCP). Domestic legitimacy and international behavior have a reciprocal relationship: efforts to enhance legitimacy not only influence China's foreign policy behavior, but foreign policy performance can also affect the regime's domestic standing. An examination of Chinese behavior in two territorial disputes with Japan over the Diaoyu (Senkaku) Islands in 1990 and 1996 reveals a complex relationship between legitimacy, nationalism, and economic performance that differs from the predictions of the literature on nationalism and international conflict. Despite the

14. Because our focus is on the calculations of Chinese leaders, we use the Chinese name "Diaoyu Islands" for the remainder of the article. This does not imply acceptance of any side's sovereignty claims.
efforts of nationalist groups on both sides to escalate the disputes, the Chinese government proved willing to incur significant damage to its nationalist credentials by following restrained policies and cooperating with the Japanese government to prevent the territorial disputes from harming bilateral relations. When forced to choose, Chinese leaders pursued economic development at the expense of nationalist goals. This article therefore seeks to document and explain the contrast between China’s nationalist rhetoric and its restrained international behavior.

We begin by exploring the meaning of legitimacy, nationalism, and economic performance in the Chinese context. We then seek to explain how domestic legitimacy concerns and relative power constraints influence China’s foreign policy choices. Next we examine how Chinese leaders responded when right-wing Japanese groups reasserted claims to the Diaoyu Islands in 1990 and 1996. By choosing two similar cases separated over time, we can assess the impact of rising nationalism and improvements in China’s relative power position while holding other variables constant. We then consider whether this pattern of restrained behavior is likely to apply to the cases of Taiwan and the Spratly Islands and assess the future effectiveness of the CCP’s legitimation strategies.

**Legitimacy, Nationalism, and Economics**

Marxist, Leninist, and Maoist ideology has been gradually losing its ability to legitimate the CCP’s continued rule. Internationally, the collapse of communism in Eastern Europe and the Soviet Union revealed communism’s bankruptcy as a political ideology and as a viable economic model. Within China, market-oriented economic reforms have increasingly undercut the CCP’s claim that China is a socialist country; calls for adhering to the socialist road have been largely devoid of economic content. Socialism’s ideological focus on workers and state ownership of capital clashes with government policies that emphasize the importance of markets, the suppression of independent labor unions, and the dismantlement of state-owned enterprises. Rampant official corruption, periodic bouts of high inflation, and widespread unemployment

15. Our analysis focuses on the symbolic value of disputed territory to the regime’s nationalist credentials, the economic impact of aggressive pursuit of territorial claims, and the relative power of the states involved. The first two factors measure the likely impact of the crisis on regime legitimacy; the third influences the international consequences of aggressive action. Compared with China’s claims to Taiwan and the South China Sea, the Diaoyu Islands are an intermediate case along all three dimensions.
illustrate the disjuncture between socialist ideology and economic reality. This tension was an important cause of the 1989 Tiananmen Square protests.

The political crisis brought on by the use of force to suppress the Tiananmen demonstrations (reflecting communism's collapse as a legitimating ideology) compelled the Chinese government to seek new sources of legitimacy. Political legitimacy is established by the compatibility of the values of the rulers and the ruled. Every political system attempts to establish and cultivate the belief in its legitimacy in order to have orders obeyed willingly rather than by the threat of force. Although China's political leaders continue to employ socialist rhetoric, the search for normative arguments that can legitimize the CCP's rule has led them in two potentially incompatible directions. The first emphasizes nationalist goals and highlights the party's success in building China into a powerful state; the second emphasizes economic goals and claims that the political stability provided by CCP rule is necessary for continued economic growth. Each legitimation strategy seeks to appeal to values and goals shared by the Chinese people. The party's claim to legitimacy now rests largely on its performance in achieving these goals, not on its adherence to ideological standards.

Chinese nationalism emerged from the shock of extensive contacts with the West in the nineteenth century, which challenged both the traditional Confucian cultural worldview and China's territorial integrity and national unity. The Qing dynasty's inability to resist Western and Japanese imperialism caused Chinese intellectuals to turn to nationalism as a means of mobilizing the energies of the Chinese people to "save China." Foreign countries repeatedly compromised Chinese sovereignty by demanding trade and extraterritorial privileges, carving out economic spheres of influence, and seizing territory under Chinese control (including Hong Kong, Taiwan, Korea, and parts of Manchuria). By the 1890s foreigners appeared poised to dismantle China entirely. The development of Chinese nationalism in this context has given sovereignty and territorial integrity intense symbolic value. Although the content of Chinese nationalism has varied as successive state leaders have tried to impose definitions that served their immediate political goals, nationalist values such as territorial unity and national power provide citizens with an independent basis for evaluating the government's performance.

has sought to appeal to these values, claiming that where previous regimes compromised or capitulated, the communists were willing to stand up and fight. The CCP has also sought to shape the character of Chinese nationalism, drawing selectively on Chinese history to meet the political and strategic needs of the moment. We use "nationalism" to refer both to government efforts to appeal to preexisting nationalist sentiment and to deliberate attempts to stir up nationalist sentiment for political ends.

Japan has played a central role in the rise of Chinese nationalism, both as a spur for the development of Chinese state patriotism and as a target for Chinese xenophobia.\(^\text{18}\) Japan's military victory in the 1895 Sino-Japanese War and its subsequent seizure of Taiwan and Korea were particularly humiliating because the Chinese have traditionally considered Japan to have a derivative and inferior culture. Japan's invasion of China in the 1930s and wartime atrocities such as the 1937 Nanjing massacre gave rise to popular anti-Japanese sentiment that continues to resonate widely. The CCP's initial claim to legitimacy rested largely on its role in organizing resistance to Japan.\(^\text{19}\) Japan continues to provide a useful target that allows Chinese leaders to define China's national identity in opposition to Japanese aggression and imperialism.\(^\text{20}\) Appeals to anti-Japanese sentiment still pay domestic political dividends; the regime has used propaganda campaigns, exhibits depicting Japanese wartime atrocities, and anniversaries of past Japanese acts of aggression to exploit these popular feelings.\(^\text{21}\)

The CCP's economic claims to legitimacy lie in its ability both to develop China into a powerful modern economy and to raise individual living standards. China's impressive overall growth rates have not been matched by performance in improving living standards for all citizens. Economic reforms have had differential impacts in rural and urban areas, and in coastal and interior provinces, resulting in a rapid increase in economic inequality.\(^\text{22}\)


\(^{20}\) Shih, "Defining Japan," p. 545.

\(^{21}\) Since the CCP's patriotic education campaign began in 1992, the Nanjing massacre exhibit at the Museum of the Revolution in Beijing has expanded dramatically, and attendance at the Nanjing museum, which features a large exhibit on the massacre, has doubled. Visits by Phillip Saunders; and Patrick Tyler, "China's Campus Model for the 90's: Earnest Patriot," New York Times, April 23, 1996, p. A4.

eral improvements in the economic situation can substitute for improvements in personal economic circumstances for a while, but tolerance of inequality does not last indefinitely. Survey data indicate that Chinese citizens view growth in economic inequality and “pocketbook issues” such as inflation, job security, and social services as important measures of government performance.\textsuperscript{23} Since Tiananmen, China’s leaders have tried to forge a new ideological connection between economic performance and legitimacy by arguing that political stability is an essential precondition for economic development. The CCP has emphasized a development-oriented neo-authoritarianism that claims that authoritarian rule is necessary during the early stages of economic development.\textsuperscript{24} The argument that the CCP is the only force capable of holding China together and guiding economic development has proved persuasive to many Chinese.\textsuperscript{25}

**Domestic Legitimacy and International Behavior**

China’s top political leaders have sought to restore the regime’s legitimacy following the Tiananmen massacre by appealing to nationalism and by raising living standards.\textsuperscript{26} Both are potentially important sources of legitimacy, but economic performance matters to a wider segment of the population.\textsuperscript{27} Ideally, the CCP would like to maximize its legitimacy by making strong appeals to nationalism while simultaneously raising living standards, but power constraints and the contradictions between domestic appeals to nationalism and


\textsuperscript{26} Although top Chinese leaders compete for power and sometimes have different policy preferences, our analysis focuses on their common interest in regime survival. In the interest of parsimony and given the lack of reliable information on individual leadership preferences, we treat CCP civilian leaders as a collective, unitary actor. Our argument could be extended to analyze other relationships in which legitimacy matters, such as civil-military relations or the relationship of competing top CCP leaders to medium-level officials.

\textsuperscript{27} Legitimacy claims based on nationalism and economic performance can be conceptualized either as appealing to both sentiments in a single individual or as separate appeals to groups with different preferences. In reality, the two formulations overlap considerably.
a development strategy that relies heavily on foreigners mean trade-offs exist between nationalism and economic performance. The CCP's challenge is to pursue both sources of legitimacy in a complementary manner, seeking to manipulate foreign and domestic perceptions so that the contradictions between a legitimation strategy based on nationalism and one based on economic performance do not become unmanageable.

Three sets of constraints prevent Chinese leaders from leaning too heavily on either nationalism or economic performance. The first (and firmest) constraint is China's international power position, which limits its ability to attain nationalist objectives. Excessive nationalism can stir up demands for assertive international policies that Chinese leaders cannot presently satisfy. Conversely, maximizing economic growth to create new jobs requires China to make economic concessions and to accept a politically uncomfortable degree of economic dependence on foreigners. The second constraint is international reactions to Chinese behavior and rhetoric. Excessive nationalism may affect the willingness of other states to trade with and invest in China or even stimulate military reactions. Conversely, Chinese efforts to maximize international economic cooperation will likely require accepting foreign demands for restraint in China's military buildup. The third constraint is domestic reactions. If Chinese leaders push nationalism so far that it interferes with economic growth, they are likely to increase unemployment and popular discontent. For that matter, any severe external shock that affects the Chinese economy could hurt the government's legitimacy. Conversely, if Chinese leaders pursue economic development at the expense of nationalism, the government will be vulnerable to criticism from economic nationalists on the grounds that they are selling out China's interests to foreigners, especially if citizens believe corruption among CCP leaders influences economic decisionmaking.

These constraints severely limit China's options. In the short run, Chinese leaders make tactical shifts between the two sources of legitimacy, stressing nationalism and blaming foreigners when the economy is doing poorly, and emphasizing the party's successful economic management when the economy

28. Japan's suspension of some developmental aid after China conducted nuclear tests in May and August 1995 is one example.
29. There is an additional domestic constraint against excessive nationalism: appeals based on Han superiority would likely fuel separatism among non-Han minorities in Xinjiang and Tibet.
is doing well. In order to exploit both sources of legitimacy in a complementary manner, the government seeks to shore up its nationalistic credentials through propaganda aimed at a domestic audience while simultaneously sending reassuring messages about China’s desire for international cooperation to foreign audiences. If foreigners challenge China’s nationalistic claims, however, the contradictions between the two legitimation strategies can become evident, and the government may be forced to choose between satisfying popular nationalist demands and pursuing economic performance. This dilemma is especially acute because China’s territorial claims reflect dissatisfaction with the status quo and historical grievances that resonate deeply with nationalist sentiment. Even if diplomatic agreements to shelve disputes do not prejudice China’s future negotiating position, failure to pursue Chinese claims aggressively when nationalistic issues arise damages the regime’s nationalistic credentials.

The Chinese leadership’s strategy also has a longer-term international focus. China’s weak power position and economic dependence restrict the government’s international bargaining power. In negotiations with the United States over the status of Taiwan from 1969 to 1989, for example, Chinese leaders consistently refused to accept unsatisfactory agreements that reflected China’s weak bargaining position, preferring instead to defer the resolution of critical issues until China’s position improved. The Chinese government is confident that economic growth and improvements in China’s technological and military capabilities will eventually increase its relative power and reduce its economic dependence. By deferring the resolution of territorial and border conflicts until China’s position improves, the leadership hopes to eventually be able to dictate settlements on Chinese terms. Chinese political leaders make tactical shifts between the two sources of legitimacy to maintain their rule, waiting until the country becomes powerful enough to achieve their nationalist objectives. Although China’s leaders share nationalist goals such as reunifying Taiwan with

31. This interpretation differs from those that see shifts between economic reform and political orthodoxy as the product of conflicts between conservatives and reformers in the CCP leadership. Carol Lee Hamrin argues that economic difficulties strengthened conservative influence and shifted policy toward orthodoxy. See Hamrin, “Elite Politics and the Development of China’s Foreign Relations,” in Thomas W. Robinson and David Shambaugh, eds., Chinese Foreign Policy: Theory and Practice (New York: Oxford University Press, 1994), pp. 105-106. We agree that elite conflicts matter, but feel our analysis parsimoniously captures this dynamic by focusing on the common goal of maintaining CCP legitimacy.
the mainland, asserting Chinese claims over the Diaoyu and Spratly Islands, and increasing China's power and international prestige, we argue that their use of nationalist rhetoric is aimed primarily at a domestic audience and is intended to shore up the regime's legitimacy. Specifically, the recent rise in Chinese nationalism is partly the product of the regime's conscious efforts to craft a new ideology that can justify continued CCP rule. Chinese political leaders are rational actors who balance the need to maintain domestic legitimacy with the pursuit of longer-term international objectives. Although pressure from the military or factions within the CCP that favor a more aggressive pursuit of nationalist goals has sometimes affected Chinese foreign policy, we argue that civilian control and cautious behavior that balances economic and strategic objectives are the norm.

The Chinese leadership's delicate balancing act depends on the ability to manage the contradictions between its domestic legitimation strategies while maintaining access to the international economy. China's economic partners tolerate the CCP's efforts to stir up nationalism and antiforeign sentiment because they benefit economically and therefore have been willing to make allowances for the Chinese leadership's domestic need to cloak capitalist economic reforms in socialist and nationalist rhetoric. In the case of Sino-Japanese relations, fears that an unstable Chinese regime would damage regional stability have led Japan to employ economic diplomacy to help maintain political stability; they have also prompted low-key responses to confrontational Chinese statements and anti-Japanese polemics in official media. Aided by provocative statements and actions of Japanese nationalists, however, Chinese


34. Jiang Zemin's political weakness in early 1996 likely permitted the military a greater voice in policy, but since Deng Xiaoping's death Jiang's authority has become clear. Jiang has reasserted CCP control over the military through retirement of People's Liberation Army (PLA) elders, appointment of new senior officers, and moves to reduce PLA policy influence and prerogatives. These measures include defense cuts of an additional 500,000 men, the lack of a PLA representative on the Politburo Standing Committee, and Jiang's July 1998 order for the PLA to divest its vast business holdings. For views that emphasize military influence, see Whiting, "Chinese Nationalism and Foreign Policy after Deng"; and Garver, *Face Off*. For a more skeptical view, see Michael Swaine, "The PLA and Chinese National Security Policy: Leadership, Structures, Processes," *China Quarterly*, No. 146 (June 1996), pp. 360–393.

leaders have also been able to use the issue of Japan’s wartime behavior to portray China as a victim and keep Japan on the defensive. Although these tactics have been effective, growing concerns about aggressive Chinese behavior and structural changes in the Japanese political system may be diminishing Japan’s tolerance for Chinese nationalism.\textsuperscript{36}

**Competing Claims to the Diaoyu Islands**

The Diaoyu Islands are a set of five uninhabited islets and three barren rocks claimed by China, Taiwan, and Japan. The islands lie in the East China Sea about 125 miles northeast of Taiwan and 185 miles southeast of Okinawa, adjacent to a continental shelf believed to contain 10–100 billion barrels of oil. This estimate is based on geological surveys; no test wells have actually been drilled in the disputed area.\textsuperscript{37} According to oil industry sources, there is no firm evidence that commercially exploitable oil reserves exist.\textsuperscript{38} China, Japan, and Taiwan have overlapping claims to large parts of the East China Sea continental shelf near the Diaoyu Islands.\textsuperscript{39} Resolution of these competing claims is complicated by the sovereignty dispute over the Diaoyu Islands, Taiwan’s status, and the existence of competing principles for fair division of the continental shelf.\textsuperscript{40} Possession of the Diaoyu Islands could convey sovereignty over about 11,700 square nautical miles of the continental shelf perceived to have good petroleum potential.\textsuperscript{41} Although the 1982 United Nations

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\textsuperscript{37} For a geological analysis of the area’s oil and gas potential and review of competing claims (with maps), see Mark J. Valencia, *Offshore North-East Asia: Oil, Gas, and International Relations* (London: Economist Intelligence Unit, 1988).

\textsuperscript{38} Multinational oil companies currently have little interest in drilling near the Diaoyus because of difficult terrain, political uncertainty, existence of unexploded ordnance from the use of the islands as a target range, and doubts about whether any reserves that might exist can be exploited on commercially viable terms. Western oil companies spent $5 billion drilling in geologically similar areas in the northern part of the South China Sea without discovering any significant commercial finds. See Sanqiang Jian, “Multinational Oil Companies and the Spratly Dispute,” *Journal of Contemporary China*, Vol. 6, No. 16 (January 1997), pp. 596-597.

\textsuperscript{39} For a detailed legal analysis of the claims, see Jeanette Greenfield, *China’s Practice in the Law of the Sea* (New York: Oxford University Press, 1992), pp. 127-149.

\textsuperscript{40} Japan argues that the continental shelf should be divided along the median line between the two countries; China advocates use of natural prolongation of the continental shelf, which would give it most of the territory.

\textsuperscript{41} Mark J. Valencia, “Energy and Insecurity in Asia,” *Survival*, Vol. 39, No. 3 (Autumn 1998), pp. 97-98. This estimate assumes that the Diaoyu Islands are islets or rocks that “cannot sustain human habitation or economic life of their own” and therefore do not generate a 200-nautical mile
Convention on the Law of the Sea includes extensive dispute resolution procedures, the convention does not address conflicting sovereignty claims over islands.

China’s claims to the Diaoyu Islands rest partly on historical records dating back to the Ming dynasty (1368-1644), which include scattered references to the islands. Japan contends that it acquired the islands upon gaining control of Okinawa in 1879, although they were not formally annexed until 1895. After China’s defeat in the 1895 Sino-Japanese War, the Qing dynasty (1644-1911) formally ceded Taiwan “and its surrounding islands” to Japan under the Treaty of Shimonoseki. China claims that this transfer included the Diaoyu Islands. The United States gained control of the Diaoyus following Japan’s defeat in World War II. In 1972 the United States returned “administrative rights” over the islands to Japan along with Okinawa, but refused to take a position on the sovereignty dispute. The U.S. decision was based on a desire to avoid offending either China or Japan and on the recognition that both sides had some basis for their claims. The Chinese government argues that the reversion of the Diaoyu Islands to Japanese rule violated the 1943 Cairo Declaration and the 1945 Potsdam Proclamation. The Cairo Declaration stipulated that Japan must return all the Chinese territories it had annexed, while the Potsdam Proclamation, which Japan accepted upon its surrender, called for the execution of the terms of the Cairo Declaration. Thus China claims that the Diaoyu Islands should have reverted to Chinese rule. Japan argues that the islands were not specifically mentioned in any of the treaties except the 1972 Okinawa reversion treaty.

42. For a detailed statement of the historical basis of China’s sovereignty claim, see Zhong Yan, “China’s Claim to Diaoyu Island Chain Indisputable,” Beijing Review, November 4-10, 1996, pp. 14-19.
44. Zhong, “China’s Claim to Diaoyu Island Chain Indisputable,” pp. 17-18. The islands were not explicitly mentioned in the treaty and were first defined as part of the Okinawa archipelago by a 1953 U.S. administrative order. See Jean-Marc F. Blanchard, “The Contemporary Origins of the Sino-Japanese Dispute over the Diaoyu (Senkaku) Islands: The U.S. Role,” paper presented at the annual meeting of the American Political Science Association, Boston, Massachusetts, September 3-6, 1998.
Although China, Taiwan, and Japan did not pay much attention to the Diaoyu Islands prior to the announcement in 1969 that the East China Sea might contain oil, the dispute quickly became linked to nationalism. A September 1970 incident, in which reporters raising a Taiwanese flag were evicted from the Diaoyu Islands, sparked anti-Japanese protests and inspired a “Protect the Diaoyu Islands” movement in North America. The inclusion of the Diaoyus in the Okinawa reversion treaty led to a second round of diplomatic and popular protests, which ended with a 1972 agreement between Beijing and Tokyo to shelve the dispute indefinitely. In March and April 1978, right-wing Japanese Diet members opposed to a Peace and Friendship Treaty with China raised the issue of the Diaoyus in an effort to block the treaty, and the right-wing Japanese Youth Federation erected a lighthouse on the largest of the islands to symbolize Japan’s claims. China responded by sending a flotilla of more than eighty armed fishing boats that repeatedly circled the islands.47 The People’s Liberation Army (PLA) Navy commander reportedly planned a major naval exercise as a show of force, but was overruled by Deng Xiaoping.48 Because attaining an antihegemony clause in the Sino-Japanese treaty was a higher priority, China again agreed to shelve the dispute for future consideration.

The Chinese government’s responses to Japanese challenges over the Diaoyu Islands in 1990 and 1996 offer an excellent opportunity to examine the relationship between the domestic search for legitimacy and foreign policy behavior. Both cases demonstrate the efforts of Chinese leaders to balance nationalism and economic performance. During the months prior to each crisis, the CCP promoted patriotism and anti-Japanese sentiment. When Japanese right-wing groups reasserted Japan’s claim to the islands, there was popular pressure inside China for a strong response, forcing the leadership to choose between their nationalist and economic legitimation strategies. In each case the leadership chose to abandon its strident rhetoric in order to avoid damage to Sino-Japanese economic ties and to maintain domestic stability. The perceived failure of the CCP to defend China’s territorial claims vigorously led to public criticism and had a negative impact on the regime’s legitimacy.49 These cases

49. It is fair to ask how much the average Chinese knows or cares about the Diaoyu Islands. A 1992 poll of over 1,000 Beijing college students found that 98.6 percent supported the overseas
suggest that economic development goals may be an effective restraint on nationalism, at least in the short term.

THE 1990 DISPUTE
The 1990 dispute over the Diaoyu Islands occurred when China’s leaders were under extreme pressure from internal and external forces. Domestically, the 1989 Tiananmen massacre revealed the government’s lack of legitimacy, and the subsequent political crackdown undermined efforts to address socio-economic problems. The government’s austerity program drove the economy into a severe downturn during the first two quarters of 1990. Real gross national product grew at a rate of only 1.8 percent during the first half of the year, state enterprises posted losses of $3.2 billion (twice the 1989 total), and rural unemployment soared. China’s leaders mounted a major propaganda campaign to appeal to nationalism and to shore up their legitimacy. On June 3, 1990, CCP General Secretary Jiang Zemin warned 3,000 youths about the threat of “peaceful evolution” from hostile forces at home and abroad and urged them to “carry forward” China’s tradition of patriotism. A month later the 150th anniversary of the Opium War provided another opportunity to play to Chinese nationalism. Although most propaganda focused on the threat of “peaceful evolution” from the West, the Anti-Japanese War Museum in Beijing hosted an exhibition and film commemorating Chinese resistance to Japanese aggression between 1937 and 1945. The strong performance of Chinese athletes at the 1990 Asian Games, held in Beijing, provided another vehicle for stirring up nationalism.

Following the Tiananmen crackdown the United States, Japan, and Western European countries suspended high-level contacts with the Chinese leader-
ship. In addition, the World Bank, the Asian Development Bank, and the Japanese government each froze billions of dollars of loans to China. Although Japan initially cooperated with diplomatic and economic sanctions, it also stressed the importance of not isolating China. Accordingly, Japan supported the resumption of small-scale World Bank loans to China in October 1989, and announced its unilateral decision to resume official development loans to China (including a $5.6 billion loan package that had been frozen after Tiananmen) at the July 1990 Group of Seven summit. These actions not only helped break China's diplomatic isolation, but also placed Japan in a position to influence the flow of foreign capital and development assistance crucial for Chinese efforts to restore economic growth. The announcement that development assistance would resume triggered a series of visits to Beijing by Japanese officials and businessmen, but the loan agreement was not formally signed until November 3, a delay that gave Japan diplomatic leverage during the 1990 Diaoyu Islands crisis.

The dispute began when the Japanese press reported on September 29, 1990, that Japan's Maritime Safety Agency was preparing to recognize the lighthouse built on the main Diaoyu island in 1978 as an "official navigation mark." The Japan Youth Federation, an extreme right-wing political group with about 3,000 members, had repaired the lighthouse in 1988 and 1989 to meet the safety agency's technical standards and applied for official recognition. Although Taiwan immediately delivered a written protest to Japanese officials, China did not comment on the reports until October 18, when a Ministry of Foreign Affairs spokesperson responded to a press conference question by condemning the recognition of the lighthouse as a violation of China's sovereignty and demanding that the Japanese government curtail the activities of nationalistic

57. Kyodo, September 29, 1990, in FBIS, Daily Report: East Asia (hereafter FBIS-EAS), October 2, 1990, pp. 11–12. According to a former U.S. diplomat who questioned Japanese officials directly, the safety agency's intention to recognize the lighthouse was based on its utility as a navigational aid and was not intended to press Japanese sovereignty claims.
right-wing organizations.\textsuperscript{59} The Japanese Foreign Ministry responded with a statement reaffirming Japan’s claim to the islands.

Three days later tensions rose when the Maritime Safety Agency repelled two boats of Taiwanese activists who were attempting to place a torch on the Diaoyu archipelago as a symbol of Taiwan’s sovereignty. China’s foreign ministry spokesperson responded to a Taiwanese reporter’s question by denouncing the safety agency’s actions and demanding that Japan “immediately stop all violations of China’s sovereignty over the islands and in neighboring waters.”\textsuperscript{60} In Hong Kong the incident inspired anti-Japanese demonstrations and newspaper articles condemning Japanese militarism.\textsuperscript{61} Taiwan held an emergency cabinet meeting and issued a statement protesting the Japanese action, reaffirming Taiwan’s sovereignty claim, and calling for the issue to be handled through diplomatic means.\textsuperscript{62} At the same time, the government stressed that it was “inopportune and infeasible to use force” and quietly took steps to prevent Taiwanese boats from approaching the Diaoyus.\textsuperscript{63}

On October 22 Japan’s chief cabinet secretary, Misojir Sakamoto, reaffirmed Japan’s sovereignty claim but also cited Deng Xiaoping’s 1978 statement that ownership of the Diaoyus should be settled by a later generation.\textsuperscript{64} China’s news agency criticized the Japanese claim as arrogant. The next day Japanese Prime Minister Toshiki Kaifu promised that Japan would adopt a “cautious attitude” in dealing with the lighthouse application, and the Japanese Foreign Ministry stated there were no plans to dispatch military ships to patrol the islands.\textsuperscript{65} Kaifu’s statement demonstrated Japan’s desire to prevent the issue from escalating and sought to reassure China that the pending Diet bill authorizing deployment of Japanese forces for United Nations peacekeeping missions did not represent a resurgence of Japanese militarism.\textsuperscript{66} When Chinese


\textsuperscript{62} Taipei Domestic Service, October 21, 1990, in FBIS-CHI, October 24, 1990, p. 68.

\textsuperscript{63} Taipei Domestic Service, October 22, 1990, in ibid., p. 69; and Willy Wo-lap Lam, South China Morning Post, October 30, 1990, p. 9.

\textsuperscript{64} Kyodo, October 23, 1990, in FBIS-EAS, October 23, 1990, p.3.

\textsuperscript{65} Kyodo, October 24, 1990, in FBIS-EAS, October 24, 1990, p.2.

Vice Foreign Minister Qi Huaiyuan finally met with the Japanese ambassador on October 27, he reaffirmed China’s claim of “indisputable sovereignty” while urging Japan to agree to joint development of the area’s resources. Qi’s mildly worded statement criticized the safety agency’s interception of the Taiwanese boats and Tokyo’s “attitude of noninterference” toward the group that built the lighthouse, and requested that Japan “immediately cease unilateral action related to the Diaoyu Islands and the surrounding waters.” Three days later, diplomats in Beijing and Tokyo reported that both countries had agreed to quietly drop the dispute and avoid further provocative actions.

Although the governments of China, Taiwan, and Japan adopted restrained policies that reaffirmed their sovereignty claims while preventing the dispute from escalating, a return to the status quo that left the lighthouse standing and Japan in control of the Diaoyu Islands was unsatisfactory to Chinese nationalists. In Hong Kong about 10,000 people demonstrated against Japan’s claims to the islands. In Taiwan protesters rallied outside Japan’s unofficial embassy and Huang Hsin-chieh, chairman of the opposition Democratic Progressive Party, announced plans to lead 300 fishing boats to surround the islands to protest Japan’s control. Chinese students in Macao demanded that China lodge an official protest against Japanese actions, while Chinese protesters in the United States staged demonstrations in front of the Japanese embassy and consulates.

The Hong Kong press criticized the Chinese government’s response as “weak and inadequate,” noting that China had not invoked the aggressive rhetoric or military threats it normally used in response to sovereignty violations, that senior CCP leaders had not spoken out on the Diaoyu issue, and that Beijing’s joint development proposals amounted to concessions.

70. “Addressing the Tiaoyutai Issue,” China Post, October 24, 1990, p. 4, in FBIS-CHI, October 30, 1990, p. 56. The announcement was probably intended to score political points by taking a tougher line on nationalist issues than the ruling Nationalist Party; the Taiwanese government prevented the fishing-boat flotilla from sailing.
71. Catherine Beck and Daniel Kwan, “Diaoyu Islands Campaign Called ‘Ruse,’” South China Morning Post, October 26, 1990, p. 2; and Taipei CNA, November 12, 1990, in FBIS-CHI, November 15, 1990, p. 73.
Legitimacy and the Limits of Nationalism

China Morning Post columnist criticized Vice Foreign Minister Qi’s mild condemnation of Japanese actions as “a classic piece of appeasement posing as protest.” The perceived linkage between the CCP’s accommodating posture toward the Diaoyu dispute and the resumption of Japanese loans highlighted the contradictions between the Chinese leadership’s nationalist claims and its passive actions during the dispute. One writer scoffed at the claim that the National People’s Congress Standing Committee had not received a telegram from Hong Kong deputies calling for urgent discussion of the Diaoyu Islands prior to its October 25 meeting, and criticized Prime Minister Li Peng for “begging for Japanese loans” at the same time that the CCP was banning anti-Japanese demonstrations. A Chinese-controlled Hong Kong newspaper that had taken a hard-line position earlier in the dispute now responded by defending China’s “firm stand and prudent attitude.”

China’s restrained diplomacy was coupled with domestic efforts to minimize the significance of the Diaoyu dispute and to prevent anti-Japanese demonstrations. Following the landing attempt by Taiwanese activists, the CCP issued a circular to local party committees stressing that tensions over “these economically and strategically insignificant islands should not affect friendly relations between China and Japan.” The Chinese leadership sought to quell expressions of anti-Japanese sentiment by imposing a blackout on coverage of the protests occurring overseas, while the Beijing municipal government refused permission for rallies on university campuses and increased security in the university district. The CCP’s guidance to public security officials banned student demonstrations, called for intensified ideological education, and warned that people with ulterior motives might exploit anti-Japanese sentiment among students.

Despite the media blackout, students in Beijing learned about the initial incident and the protests abroad through the British Broadcasting Corporation and Voice of America, and sought to express their anger toward the Japanese. They expected that the government would grant permission to stage anti-Japa-

nese protests because the demonstrations would be based on "patriotic sentiment" and "national dignity." Although the government clampdown prevented large-scale protests, many Beijing students felt the government had been too soft on Japan. The demonstration ban angered students, who accused China's leaders of failing to live up to their nationalistic rhetoric: "Is there any patriotism to speak of when they don't even want the territory? 'Diplomacy is diplomacy and public opinion is public opinion. Why can't the public express its opinion?' 'This only proves that this country is not the people's country.'" By banning anti-Japanese demonstrations, the CCP itself became the target of public complaints. In Beijing students hung posters criticizing the CCP, and citizens distributed handbills entitled "We Want the Diaoyu Islands, Not Yen," censuring the CCP for sacrificing Chinese territory for Japanese loans.

The conflicting demands of efforts to rebuild legitimacy through economic performance and nationalist appeals put the CCP in a difficult position. The aggressive defense of Chinese territorial claims that nationalists were demanding would threaten economic ties with Japan and Japanese diplomatic support, which was critical in persuading the Group of Seven to support the resumption of multilateral lending to China. A passive defense of China's territorial claims, however, made the regime vulnerable to domestic criticism and created the appearance that Taipei was more willing to defend China's sovereignty than was Beijing. Given the regime's shaky hold on power after Tiananmen, fear of what might happen once students took to the streets was also a major concern. A senior cadre in Beijing indicated that China's leaders were afraid that demonstrations might not only jeopardize the resumption of Japanese lending but also turn into antigovernment protests. Although the Chinese leadership's pragmatic diplomacy improved China's international position and preserved its economic ties with Japan, the failure to back up nationalistic rhetoric with action angered many Chinese, who regarded Beijing's reactive posture as evidence that Chinese leaders did not actually support the patriotic sentiments they promoted.

82. Chao, "We Want Diaoyu Islands," p. 7; and Lo, "Bowing to Japanese Yen," p. 7.
83. Chao, "We Want Diaoyu Islands," p. 7.
THE 1996 DISPUTE

The Chinese government's international and domestic position had improved considerably by 1996; however, another dispute over the Diaoyu Islands was still unwelcome. The U.S. decision to allow Taiwan's president, Lee Teng-hui, to make a private visit to the United States in June 1995 infuriated China. The U.S. policy reversal discredited President Jiang Zemin and Foreign Minister Qian Qichen's Taiwan policy and may have strengthened the hand of military hard-liners who favored a confrontational policy. The PLA conducted extensive military exercises from late June to August 1995 that included live missile firings near Taiwan. A second round of exercises prior to the March 1996 Taiwanese elections included the launch of ballistic missiles that landed within 25 miles of Taiwanese ports, leading the United States to deploy two carrier battle groups to the area and prompting quiet discussion of the “China threat” throughout Asia. Chinese officials were aware of negative international reactions and sought to downplay China’s military capabilities for fear of driving Japan closer to the United States. China’s desire for a lower military profile and an opportunity to repair relations with Japan influenced its policy toward the Diaoyu Islands. When China ratified the Convention on the Law of the Sea in May 1996, the legislation refrained from specifying China's territorial baseline around Taiwan to avoid triggering a dispute with Japan over the Diaoyu Islands.

As in 1990, renewed claims to the islands by right-wing Japanese groups brought the Chinese leadership's legitimation strategies into conflict. Domestically, Jiang Zemin and the CCP had launched major “patriotic education” and “spiritual civilization” campaigns in 1995-96 that stressed nationalism and played to anti-Japanese sentiment. The one-hundredth anniversary of the Treaty of Shimonoseki and the fiftieth anniversary of World War II prompted numerous government-sponsored patriotic activities—including a film recreating the Nanjing massacre and public exhibits documenting Japanese acts

86. “State Adopts UN’s Maritime Law,” Beijing Review, June 3–9, 1996, p. 5; and “News Briefing by Chinese Foreign Ministry,” ibid., p. 10. In 1992 China's inclusion of the Diaoyu Islands in its domestic territorial waters law (reportedly at the behest of the PLA) had triggered Japanese protests. By not specifying baselines around Taiwan, China avoided provoking Japan without weakening its sovereignty claim.
of aggression. The draft revision of U.S.-Japan security guidelines to give Japan a larger regional security role also provoked strong nationalistic feelings in China. Successful efforts to promote nationalism raised the political stakes in the territorial dispute. At the same time, the Chinese leadership also sought to enhance its legitimacy by improving economic relations with Japan. Japan had become an increasingly important market for Chinese goods, with exports to Japan reaching $30.9 billion in 1996. China’s economic position had improved considerably, but Chinese leaders were still eager to attract Japanese investment, to obtain new concessional loans, and to have Tokyo reinstate the grant aid it froze to protest China’s nuclear tests in August 1995. The suspended grant aid and delays in finalizing the loan package gave Japan diplomatic leverage throughout the crisis.

The 1996 dispute over the Diaoyu Islands began when the right-wing Japan Youth Federation erected a second makeshift lighthouse on July 14 to buttress Japan’s sovereignty claim. On July 20 Japan ratified the Convention on the Law of the Sea, declaring a 200-nautical mile exclusive economic zone that included the Diaoyu Islands. Five days later, the Japan Youth Federation applied to the Maritime Safety Agency to have the lighthouse recognized as an official beacon. Japanese Prime Minister Ryutaro Hashimoto’s visit to the Yasukuni shrine (which honors Japan’s war dead) on July 29 further heightened Sino-Japanese tensions. On August 18 the Senkaku Islands Defense Association, a small right-wing group, placed a wooden Japanese flag next to one of the lighthouses. In discussions with Hong Kong officials on August 28, Japanese Foreign Minister Yukihiko Ikeda reaffirmed Japan’s claim to the islands. A Hong Kong newspaper quoted Ikeda as saying, “The Diaoyu Islands have always been Japan’s territory; Japan already effectively governs the islands, so the territorial issue does not exist.”

Ikeda’s statement prompted the stern warnings from China that had been absent during the 1990 dispute, reflecting improvements in China’s relative power.

90. Taipei CNA, August 22, 1996, in BBC Summary of World Broadcasts, August 24, 1996, in LEXIS/NEXIS.
power position. Foreign ministry spokesperson Shen Guofang condemned Ikeda’s remarks as irresponsible, and stressed that the actions of right-wing Japanese groups were related to the Japanese government’s attitude.92 The People’s Daily published a front-page editorial declaring that “whoever expects the 1.2 billion Chinese people to give up even one inch of their territory is only daydreaming.”93 A petition by a Chinese activist calling upon Jiang Zemin and China’s top military leaders to send warships to dismantle the lighthouse garnered 257 signatures.94 At a press conference on September 3, Shen denied that Japanese loans would alter China’s sovereignty claims: “Japanese yen loans are helpful for promoting Sino-Japanese economic cooperation and trade, but as far as the issue of sovereignty is concerned, the Chinese government cannot make any compromise.” Shen repeated China’s offer to shelve the dispute in favor of joint development and cautioned against unilateral actions by either side that might intensify the conflict.95

On September 9 members of the Japan Youth Federation returned to repair the new lighthouse, which had been damaged by a typhoon. The next day they reapplied for official recognition of the lighthouse. China’s foreign ministry lodged a strong protest with the Japanese government, and Shen stated that if the Japanese government did not take measures to prevent right-wing groups from infringing on China’s sovereignty, “the situation will become more serious and the issue more complicated.”96 On September 13–14 the PLA practiced blockades and landings on islands off Liaoning Province that may have been intended to warn Tokyo against further incursions on the Diaoyu Islands.97 Chinese in Hong Kong, Macao, and Taiwan staged anti-Japanese demonstrations, while Hong Kong activists presented the Chinese government with 15,000 signatures urging a tougher stand against the Japanese.98

On September 24 Chinese Foreign Minister Qian met with Japanese Foreign Minister Ikeda at the United Nations General Assembly in New York. Both governments were determined to prevent nationalist groups from escalating the dispute. Qian affirmed the importance of Sino-Japanese relations, but also

93. “Japan, Do Not Do Foolish Things,” Xinhua, August 30, 1996, in WNC.
94. Kyodo, September 2, 1996, in WNC.
95. Zhongguo Tongxun She, September 3, 1996, in WNC.
96. Xinhua, September 11 and 12, 1996, in WNC.
called upon the Japanese government to take effective measures to control the actions of right-wing groups. He urged Japan to remove the lighthouse, but made no threats. Ikeda stated that Tokyo had no plans to officially recognize the lighthouse, but made no commitment to remove the structure. Each foreign minister reaffirmed his country’s claim to the islands, but both agreed that the dispute should not overshadow good bilateral ties.99

Despite the conciliatory tone of the Qian-Ikeda meeting, anti-Japanese sentiment surged two days later following the death of David Chan, a pro-China activist from Hong Kong who drowned after jumping in the water when Japan’s Maritime Safety Agency prevented his boat from landing on one of the Diaoyu Islands. Chan’s death inspired large anti-Japanese protests and boycotts in Hong Kong and Taiwan, and prompted a second and more successful attempt by Hong Kong and Taiwanese activists to plant their national flags on the Diaoyu Islands on October 9.100 Within China seventeen members of a small newly formed anti-Japanese group wore black armbands to protest Chan’s death.101 As demonstrations in Hong Kong and Taiwan escalated, the Chinese leadership became increasingly eager to end the controversy over the islands. A foreign ministry spokesperson refused to answer a question about whether China would take measures to protect protesters.102 Premier Li Peng blamed the incident on “a tiny handful of right-wingers and militarists in Japan” and called upon the Japanese government to safeguard the relationship.103 In an interview with Japan’s NHK TV, Chinese Vice Foreign Minister Tang Jiaxuan pressed for a resolution of the dispute in light of the upcoming twenty-fifth anniversary of the normalization of Sino-Japanese diplomatic relations.104 Foreign Minister Qian expressed similar sentiments to a group of Japanese reporters visiting China and repeated Beijing’s long-standing proposal for joint exploration of the area’s resources.105 On October 29 Tang

104. “Vice Foreign Minister Interviewed on Island Dispute with Japan,” NHK TV, October 9, 1996, in BBC Summary of World Broadcasts, October 11, 1996, in LEXIS/NEXIS.
traveled to Tokyo and used an informal meeting to press Prime Minister Hashimoto to remove the new lighthouse. Hashimoto refused, claiming that because the lighthouse was on private property, the government could not legally remove it.\textsuperscript{106} Tang was forced to settle for a vague commitment from Deputy Foreign Minister Shunji Yanai that Japan would "properly" handle outstanding issues in Sino-Japanese relations, including the Diaoyu Islands.\textsuperscript{107} This brought the issue to a close.

Throughout the dispute over the Diaoyu Islands, China’s leaders sought to quash expressions of anti-Japanese sentiment for fear that they would damage Sino-Japanese economic relations and might turn into antigovernment protests. Chinese newspapers ignored the demonstrations in Hong Kong and Taiwan. When government authorities became aware that more than 200 messages calling for anti-Japanese protests were circulating on campus electronic bulletin boards, they deleted the messages and tightened control over university computer systems.\textsuperscript{108} Jiang Zemin banned student demonstrations, and the State Education Commission instructed university officials in mid-September to channel students’ feelings properly and prevent "too drastic words and deeds" that might hurt national stability and economic growth. Schools were ordered to inform students that the CCP was capable of safeguarding national sovereignty, and that social stability was a prerequisite for a powerful and prosperous country. In some cities, government authorities warned influential professors and writers not to express their opinions on the Diaoyu Islands dispute.\textsuperscript{109} As the September 18 anniversary of Japan’s invasion of Manchuria approached, the government sent leading anti-Japanese activists out of the capital to preempt plans for a rally in front of the Japanese embassy.\textsuperscript{110} The central government also ordered local officials throughout China to contain

\textsuperscript{106} In fact, the Japanese owner had not given permission for construction of either lighthouse and regarded landings on the islands as illegal entry. "Islands of Extremism," \textit{South China Morning Post}, September 22, 1996, p. 16.

\textsuperscript{107} Kyodo, October 30, 1996 in LEXIS/NEXIS; and Kwan Weng Kin, "No Legal Power to Remove Lighthouse: Hashimoto," \textit{Straits Times}, October 31, 1996, p. 3, in LEXIS/NEXIS.


\textsuperscript{110} "Diaoyu Protesters Told to Stop Their Activities," \textit{Hong Kong Standard}, September 13, 1996, p. 1; and "Activist: ‘Military Confrontation’ with Japan ‘Possible,’” \textit{Hong Kong Standard}, October 1, 1996, p. 3.
pro-Diaoyu activities because of fears that migrant workers and the unemployed might use the demonstrations as a pretext for criticizing the government.\footnote{Beijing Said Ordering Cities to Curb Diaoyu Protests,} Despite the claim that Japanese loans would not influence Beijing’s policy toward the islands, instructions issued by the central government in early October ordered provincial governments to place top priority on domestic economic development and to prevent anti-Japanese protests. The instructions stated that “the central government is determined to prevent elements of the Hong Kong public from destroying relations between Japan and China by intensifying their criticisms of Japan.”\footnote{Beijing Moves to Keep Lid on Protests,}

The Chinese leadership’s efforts to quell domestic unrest and downplay the dispute again hurt the regime’s nationalist credentials. Hong Kong commentators drew unflattering parallels between China’s willingness to fire missiles near Taiwan and its reluctance to defend Chinese protesters in Chinese waters. The CCP’s pragmatic diplomacy clashed with its earlier anti-Japanese propaganda campaigns. Although the government crackdown prevented large anti-Japanese demonstrations like those in Hong Kong and Taiwan, it also prompted accusations that the Chinese leadership was illegitimate and unpatriotic. During the dispute, Chinese citizens sent over 37,000 letters and petitions with more than 150,000 signatures to the People’s Daily and the People’s Liberation Daily, demanding that the central government aggressively defend China’s claim to the Diaoyu Islands.\footnote{Lo Ping,} Students in Beijing universities told reporters that the Chinese leadership’s policy toward Japan was not firm enough and that they supported the Hong Kong demonstrations. Some declined to stage protests out of fear of punishment; others explicitly blamed the communist system for the leadership’s insufficiently nationalist response.\footnote{Jasper Becker,} In Shanghai, Fudan University students who had been prevented from demonstrating created a leaflet criticizing the People’s Daily (and by implication the CCP) for its weak stance toward Japan.\footnote{Huang Ling,} Other Shanghai residents hung posters and distributed handbills directly censuring the CCP. District party

\footnote{Beijing Said Ordering Cities to Curb Diaoyu Protests, South China Morning Post, October 18, 1996, p. 12.}
\footnote{Beijing Moves to Keep Lid on Protests, Daily Yomiuri, October 7, 1996, p. 1, in LEXIS/NEXIS.}
\footnote{Lo Ping, “Army, Civilians Call Jiang Zemin to Account,” Cheng Ming, October 1, 1996, pp. 6–8, in WNC.}
\footnote{Jasper Becker, “Students in Beijing ‘Too Scared’ to Protest,” South China Morning Post, September 26, 1996, p. 8; and authors’ interview with a participant in the protests, Princeton, New Jersey, March 1998.}
\footnote{Huang Ling, “Leaflets Spread on Fudan Campus Calling for ‘Breaking the Ice’ on Diaoyu Islands,” Ming Pao, September 17, 1996, p. A4, in WNC.}
committees received leaflets entitled “What should be the punishment for suppressing the patriotic campaign of protecting the Diaoyu Islands?” and “A true Communist Party should stand by the people who are determined to protect the Diaoyu Islands!” Hu Sheng, president of the Chinese Academy of Social Sciences, warned that if the Chinese leadership continued to suppress anti-Japanese sentiment and ignore popular desires for a firm stance on the Diaoyu Islands, nationwide unrest could bring about “greater trouble than the political turbulence of 1989.”

The Chinese leadership’s “unpatriotic” management of the Diaoyu Islands dispute also invited criticism from the military. A “well-informed source in Beijing” noted that China’s conciliatory posture toward Japan was under fire. Party officials and generals criticized Foreign Minister Qian for his soft stance on territorial issues. A Chinese military expert claimed that air force and naval exercises conducted off the coast of Liaoning Province were intended to send a message not only to Japan, but also to “government officials preoccupied with economic ties to Japan who apparently ignore the nationalist sentiments among soldiers.” A group of thirty-five army generals reportedly submitted a joint letter to the Chinese leadership demanding stronger efforts to “resist Japanese militarism and recapture the Diaoyu Islands,” and criticizing the government’s relaxed stand on the issue. Despite both military and popular demands for a tougher policy toward Japan, the CCP leadership again proved willing to undermine its nationalist credentials in pursuit of economic development.

The Limits of Nationalism: Findings and Challenges

The Chinese leadership’s actions in the 1990 and 1996 Diaoyu Islands disputes reveal a very different relationship between nationalism and international behavior than the international relations literature predicts. Before each crisis, Chinese leaders had promoted nationalist and anti-Japanese sentiment to increase their domestic legitimacy, while simultaneously trying to maintain good

116. Lo, “Army, Civilians Call Jiang Zemin to Account.”
119. Lo Ping, “Jiang Zemin Seen Facing Crisis over Diaoyutai Issue,” Cheng Ming, October 1, 1996, pp. 6-8, in WNC.
economic relations with Japan to encourage economic growth. Renewed Japanese claims to the Diaoyu Islands created a conflict between these two goals. In each case the Chinese government chose to pursue economic growth at the expense of its nationalist credentials, adopting a conciliatory policy that maintained economic ties with Japan. China’s improved power position in 1996 permitted a more assertive initial diplomatic response, but the Chinese government again acted firmly to contain nationalism when anti-Japanese sentiment started to escalate to a level that might have harmed bilateral relations. The government was willing to bear the domestic costs of reduced legitimacy caused by suppressing nationalist sentiment, and even proved willing to tolerate military criticism. An analysis of nationalism that neglects economic factors cannot explain this pattern of Chinese restraint. We argue that the relationship between legitimacy, nationalism, and economic performance presented above is a useful model for understanding Chinese behavior that can also be applied to other cases.

Some might contend that we have misinterpreted the significance of the protests and overstated their impact on the CCP’s legitimacy. This interpretation views the Diaoyu Islands issue as a pretext: Chinese students used it as a safe means of expressing resentment against the CCP, Hong Kong democrats used it to demonstrate their patriotism, and Taiwanese opposition parties used it to criticize the ruling Nationalist Party. Although some protesters undoubtedly had ulterior motives, the majority appear to have been genuinely concerned about Japan’s actions and the status of the Diaoyu Islands. The alternative interpretation ignores the dynamic of the incidents, in which initial opposition to Japan later turned into criticism of the CCP’s actions. It also neglects the depth of the protests (including many participants without plausible ulterior motives), their breadth (including protests in North America), and their context as part of a rising nationalist trend. Because the Chinese government suppressed demonstrations and many critics were afraid to speak out, it is difficult to judge the strength of the protest movement inside China and the degree to which the government’s legitimacy was affected. We have presented evidence that suggests a significant number of Chinese were concerned about the Diaoyu Islands and that some students and military officers were disappointed enough by their government’s performance to express their dissatisfaction despite fears of punishment. Criticism of the CCP’s performance was much stronger in the 1996 case, reflecting heightened nationalist sentiment. Collectively, our evidence suggests that some Chinese did draw a connection between the CCP’s handling of the Diaoyu incidents and the regime’s legitimacy.
Others might question whether our model can be extended to other cases. The argument presented above can also be applied to Taiwan and the Spratly Islands, but because the relationship between legitimacy, nationalism, and economic impact differs in each case, the pattern of Chinese behavior also differs. Taiwan's status is directly linked to the CCP's legitimacy, giving Chinese leaders less room to maneuver. At the same time, the economic and military costs of aggressive action are much higher (given the possibility of U.S. economic sanctions and military intervention). The stakes in terms of legitimacy are therefore very high, but Chinese options are constrained. The 1996 missile firings were an extreme response to perceived Taiwanese provocations and suspicion that the United States supported Taiwanese moves toward independence. They may have also reflected Jiang Zemin's political weakness during the leadership transition and the belief that the United States would not intervene. As the economic and strategic costs of China's March 1996 actions have become clear, however, China has adopted a restrained policy intended to maintain economic ties and to reassure the United States and Japan that it is not a military threat. China's actions slowed Taiwan's movement toward independence and enhanced the regime's nationalist credentials, permitting CCP leaders to return to a strategy of balancing between sources of legitimacy while waiting for China's power position to improve. A formal declaration of Taiwanese independence would directly challenge the legitimacy of China's leaders, and economic considerations would be unlikely to moderate their response. In the absence of a direct challenge, however, Chinese leaders will likely continue to find ways to reconcile their sovereignty claims with Taiwan's de facto independence, as they have since rapprochement with the United States in 1971.

The Spratly Islands are a group of small islands and coral reefs that sit above potentially large but unproven oil reserves in the South China Sea; six countries claim sovereignty over all or some of the islands. China's claim to the Spratlys is less strongly linked to nationalism, so the Chinese leadership has more room to maneuver without endangering its nationalist credentials. At the same time, the other parties to the dispute (Taiwan, Vietnam, Brunei, the Philippines, and Malaysia) have less economic leverage over China, and China is by far the most powerful actor. The result has been a pattern of opportunistic

and sometimes aggressive Chinese behavior. When the Association of South- 
east Asian Nations has presented China with a common front and outside 
actors such as Japan and the United States have been focused on Chinese 
expansionism, the economic (and potential military) costs of aggressive Chi-
inese actions have been higher, and Chinese behavior has been more restrained. 
This restraint has been evident since the 1995 Mischief Reef incident focused 
attention on Chinese actions in the South China Sea.121 Although the outcomes 
of these cases differ somewhat from the Diaoyu Islands cases, we argue that 
they are broadly consistent with our model.

**Legitimacy and Regime Survival: Seven Scenarios**

The Chinese government's search for new sources of legitimacy must be 
considered at least partially successful. China's leaders have skillfully handled 
the reversion of Hong Kong to Chinese sovereignty, ended China's post-
Tiananmen international isolation, won diplomatic recognition from South 
Korea and South Africa, and slowed, at least temporarily, movement toward 
Taiwanese independence. Economically, their policies have sustained a high 
growth rate, lifted hundreds of millions of people out of poverty, and weathered 
the East Asian economic crisis. Per capita incomes have quadrupled since 
reforms began in 1978, although social and economic inequality is also increas-
ing rapidly.122 These accomplishments, combined with the "negative legiti-
macy" provided by the lack of viable alternatives to party rule, have helped 
the regime stay in power.123 One survey of Chinese political opinion concluded 
that "the CCP leadership as the prevailing regime in China continues to enjoy 
political legitimacy, and hence is able to maintain the 'stability of society.'"124 
Another concluded that "there is an increasing level of acceptance of [the] 
CCP's new legitimation claims by the general public in the PRC."125

Despite these successes, the Communist Party's position remains fragile. Its 
legitimacy claims now rest on performance and emphasize the achievement of 
nationalist and economic objectives. The government has only a limited ability

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121. The incident occurred when China erected territorial markers and structures on a reef also 
claimed by the Philippines; the Philippine government protested the Chinese action and later sent 
warships to demolish the structures.
Bank, 1997), pp. 1-4, 43-59; and Khan and Riskin, "Income and Inequality in China."
to deliver on these goals, and will have difficulty satisfying the rising expectations created by its own claims. Achieving nationalist goals such as reunification with Taiwan, control over the Diaoyu and Spratly Islands, greater influence in Asia, and increased international prestige depends largely upon China’s relative power, which is currently insufficient. Aggressive efforts to achieve these goals would interfere with economic performance, which requires expanded access to the international economy. Moreover, wrenching economic reforms with high social costs lie ahead, as the government moves from a planned economy to dismantling state-owned enterprises (creating a massive increase in urban unemployment) and constructing a new social welfare network. China will continue to suffer from the dislocations of modernization and remain dependent on international loans, foreign investment, technology transfers, and access to foreign markets. Chinese leaders will have difficulty delivering the level of performance necessary to maintain legitimacy.

Our analysis of the constraints and incentives that influence the Chinese leadership’s behavior implies the need for a careful balance between nationalism and economic performance, between short-term regime survival and long-term nationalist goals. Seven potential developments could alter the leadership strategy described above.

First, major economic failure could remove economic performance as a source of legitimacy. Nationalism might not be a sufficient substitute, especially if corruption among party leaders or economic mismanagement were to be blamed for economic collapse. Given the economic challenges China faces as it tackles state enterprise reform in the midst of the Asian economic crisis, this scenario must trouble Chinese leaders, even if the alternatives to reform are equally unattractive.

Second, new political actors could challenge the leadership for not defending China’s interests with sufficient vigor. The obvious source of a challenge is the PLA, but factions within the CCP could also use nationalism to attack the current leadership. Even an unsuccessful challenge could force leaders to adopt more aggressive international policies to shore up their domestic position. Leaders might push nationalism too far, despite recognition of potential negative consequences.

Third, nationalist rhetoric could frighten Japan and the United States into seeking to contain China. China might not only weaken its relative power position but also create enemies, which would decrease its security. The strategy outlined above depends on the ability to tailor nationalist messages for domestic purposes without adverse international consequences. Chinese lead-
ers have managed this successfully in the past, but China’s rising power means that nationalist statements now attract increased foreign scrutiny. Recent efforts to counter the Western perception of a China threat suggest that the leadership is aware of this danger.

Fourth, we describe contradictions between nationalism and economic performance, but Chinese leaders could redefine the relationship between these goals. China became a net oil importer in 1993, and the PLA Navy has argued that oil reserves under the Spratly and Diaoyu Islands are crucial to China’s future economic development.\(^\text{126}\) These geostrategic arguments weaken the conflict between nationalist and economic sources of legitimacy by suggesting that an aggressive foreign policy would serve both goals. We believe that Chinese leaders are unlikely to accept this argument because access to international markets will continue to be more important to China’s development than control of energy supplies. Energy is not currently a binding constraint, and the time required to move these reserves into production—if they exist—makes this a long-term argument unlikely to appeal to a leadership focused on more immediate challenges.

Fifth, the expected Diaoyu (and South China Sea) oil reserves might not exist, or might not be commercially exploitable. The absence of significant oil reserves would remove the economic dimension of the conflict and reduce the issue to a sovereignty dispute over uninhabited rocks, diminishing the importance of the issue and making a settlement easier to achieve. Chinese and Japanese fishermen peacefully shared fishing grounds near the Diaoyus for centuries; the two governments signed an agreement in September 1997 allowing reciprocal fishing privileges.\(^\text{127}\)

Sixth, China’s economic dependence might not decrease, keeping the economic costs of military action high and preventing China from using force to achieve nationalist goals. Despite the negative side effects, Chinese leaders have recognized the necessity of keeping the door to the outside world open. Interdependence has continued to grow despite the efforts of Chinese leaders to control its costs.\(^\text{128}\) China’s integration into the world economy may not only improve China’s power position, but it may also channel how China can use


\(^{127}\) “Calmer Waters,” South China Morning Post, September 18, 1997, p. 22.

its power. This is a fundamental premise of liberal international relations theory and the basis of the U.S. engagement strategy.129

Seventh, our focus on nationalism and economic performance as sources of legitimacy assumes that Chinese leaders are committed to the survival of the current Chinese political system. Political reforms are back on the government’s agenda, however, and might help the government develop new sources of legitimacy. The widespread use of local elections as a means of disciplining corrupt local officials is one example of how political reforms have the potential to increase the government’s legitimacy and improve state capacity.130 Political reforms could reduce the government’s reliance on nationalism as a source of legitimacy.131 Restoration of Chinese sovereignty over uninhabited islands might be less important to a Chinese government that had other bases of popular support.

Conclusion

Are the pessimists right to worry about Chinese nationalism? We argue that fears that nationalism will interact with rising Chinese power to produce aggressive behavior are overstated, or at least premature.132 China’s behavior in the Diaoyu Islands disputes demonstrates that Chinese leaders sought to maintain good relations with Japan and pursue economic sources of legitimacy even at heavy cost to their nationalist credentials. Nationalism did not drive China into irrational actions. Although circumstances exactly comparable to the Diaoyu disputes are relatively rare, many authoritarian or liberalizing countries face similar trade-offs between appealing to nationalist sentiment on territorial issues and adopting restrained policies that maximize access to the

131. A more responsive Chinese government might be pressured even harder by popular nationalist demands, but this would be less worrying than current deliberate government efforts to maintain legitimacy by stirring up nationalism.
132. For a similar argument that emphasizes China’s current international weakness, see Andrew J. Nathan and Robert S. Ross, The Great Wall and the Empty Fortress: China’s Search for Security (New York: W.W. Norton, 1997).
international economy and promote economic development. The evidence from these case studies suggests that the literature on nationalism and international conflict may be too pessimistic. We agree that relative power and economic dependence are the main forces currently restraining Chinese leaders, and that they intend to achieve nationalist goals once China's power position improves. One official reportedly stated after the 1996 Diaoyu crisis that China could afford to be patient, because China would catch up to Japan's economy in the next few decades. "When that happens, Japan will review its position on the Diaoyus and find that China has been right all along."\(^{133}\) However, conclusions about China's future international behavior based solely on today's nationalist rhetoric are premature. Nationalism is currently an important source of government legitimacy, but economic performance also matters. The seven scenarios outlined above suggest that domestic and international conditions could change dramatically before China is in a position to achieve its goals. Chinese nationalism is cause for concern, but not yet cause for alarm.