

Japan-China 2008 Agreement: Common-Pool Resource Governance Problem

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ABSTRACT:

This research aims to answer the reason behind the stalled progress of dispute settlement in East China Sea between Japan and China, despite a high initial commitment to cooperate under “2008 Japan-China Agreement on Cooperation for the Development of East China Sea Resources” framework. This research was done qualitatively by amassing reliable literatures and relevant official documents. In accomplishing the research objective, this article employs common-pool resource (CPR) and security dilemma concepts to analyze the collected data. This research finds that the reason why the 2008 Agreement, which intended to make East China Sea as common-pool resource for Japan and China, did not work is due to the lack of institutional supply and commitment. The insufficient institutional supply was occurred since Japan and China, as appropriators of the CPR, were seeking less binding and more flexible rules. Even though that maximum result could be attained through high commitment, both Japan and China were not assured about each other intentions. Thus, the cooperation is stalled.

Keywords: common-pool resource, security dilemma, Japan, China, East China Sea.

ABSTRAK:

Penelitian ini bertujuan untuk menjawab alasan di balik tersendatnya kemajuan penyelesaian sengketa di Laut Cina Timur antara Jepang dan Cina, meskipun komitmen awal yang tinggi untuk bekerja sama di bawah “Perjanjian Jepang-Cina 2008 tentang Kerjasama untuk Pengembangan Sumber Daya Laut Cina Timur” kerangka. Penelitian ini dilakukan secara kualitatif dengan mengumpulkan literatur yang dapat dipercaya dan dokumen resmi yang relevan. Dalam mencapai tujuan penelitian, artikel ini menggunakan konsep common-pool resource (CPR) dan security dilemma untuk menganalisis data yang dikumpulkan. Penelitian ini menemukan bahwa alasan mengapa Perjanjian 2008, yang dimaksudkan untuk menjadikan Laut Cina Timur sebagai sumber daya bersama untuk Jepang dan Cina, tidak berhasil adalah karena kurangnya pasokan dan komitmen kelembagaan. Pasokan institusional yang tidak mencukupi terjadi karena Jepang dan Cina, sebagai pemilik CPR, mencari aturan yang kurang mengikat dan lebih fleksibel. Meski hasil maksimal itu bisa dicapai melalui komitmen tinggi, baik Jepang maupun Cina tidak yakin akan niat masing-masing. Dengan demikian, kerja sama terhenti.

Kata Kunci: Sumber daya; dilema keamanan; Jepang; Cina; Laut Cina Timur

INTRODUCTION

Since 1971, East China Sea has been very tense for several countries in East Asia, particularly Japan and

China due to the overlapping claims of Senkaku/Diayou Islands and energy competition in the Islands area ([Roy-Chaudhury, 2016](#)). After decades of militarily maritime tension fluctuation, in 2004 the direct skirmishes over the energy resources around the Islands emerged. On that year, China established a natural gas site near the median line, allegedly to acquire natural gas from the Senkaku/Diayou Islands and to establish *fait accompli* of the Islands water control ([Ueki, 2006](#)). The urgency of maritime security escalated ever since. To pacify the tension and to maintain maritime stability, cooperative endeavors had been initiated by China and Japan. More specifically, to shape the East China Sea as the “Sea of Peace, Cooperation and Friendship,” Japan and China established “The 2008 Japan-China Agreement on Cooperation for the Development of East China Sea Resources” ([Hayashi, 2011](#)). By the Agreement, the two countries agreed to cooperate in (1) achieving concrete maritime border delimitation without prejudice on each other’s legal position and (2) allowing Japan energy corporation(s) to participate in the *Shirakaba/Chunxiao* oil and gas field exploration in accordance to Chinese foreign enterprises oil/gas off-shore exploration law ([Japan-China Joint Press Statement Cooperation between Japan and China in the East China Sea, 2008](#)). This agreement was seen to be decisive for both countries progress in resolving the overlapping border in the East China Sea since it was expected to a delimitation and energy cooperation, instead of fighting over claims and energy reserves. In addition, this agreement was also vital as it was the momentum where Japan and China first started to initiate such cooperation regarding the delimitation & joint development in East China Sea.

However, a decade after the agreement, the progress on delimitation and stable energy cooperation progress was seen to be stalled. On July 22, 2015, Japanese Government

claimed that China had been developing their 16 energy exploration units unilaterally without Japan's consent ([Ministry of Foreign Affairs of Japan, 2019](#)). This was seen as a counterproductive action against the 2008 Agreement. In response to this, Chinese government objected to Japan's demand by claiming that China's soil and gas development in the East China Sea is legal and justified ([Ministry of Foreign Affairs of People's Republic of China, 2015](#)). Therefore, this research aims to find the cause to the regressive development of the cooperation, despite of the promising initial agreement to cooperate.

LITERATURE REVIEW

Current findings are mainly concerned about the bilateral trust issues and legal constraints in achieving delimitation and joint development in The East China Sea. Early in 2008, approaching the agreement signing, ([Gao, 2008](#)) stated that joint development could only work if the delimitation issue were settled out first. Meanwhile, delimitation issues itself is already a huge constraint as China had opted out from obeying Law of the Sea Convention ([Hamakawa 2006, Li 2010](#)). Therefore, Japan and China had to go through trustful a negotiation phase or the two agendas will not work otherwise. Subsequent to the agreement, ([Lee & Kim, 2008](#)) had also explained that it would be a great challenge to create multinational agreement that manages the resources in the East China Sea because (1) Japan and China had relatively symmetrical power and (2) they have trust issue among each other. Lee and Kim's findings had emphasized that the negotiations itself would also be constrained by the trust issues between Japan and China.

The economic analysis of ([Manicom, 2009](#)), Japan and China could lose an incentive to progress in regards to the agreement if the global economy is dropping, such as the

global oil price drop in 2008. Expanding back into perspective of political dynamic, ([Hayashi, 2011](#)) stated that the bilateral talks regarding the agreement progress and implementation had been struggling since it was highly contingent upon the general bilateral political relations among Japan and China. Besides, Hayashi also stated that the delimitation and further cooperative progress was also challenged by the difficulty to define the joint development area, as both countries had different standing legal points. ([Szechenyi, 2015](#)) also stated that the unilateral gas development of China in East China Sea and Japan's protest towards it was caused by the differing legal standing points in context of territorial sovereignty in accordance of the Exclusive Economic Zone in East China Sea.

Another group of analysis explain the stall by the escalation of the territorial dispute itself and glowing nationalistic sentiments. ([Iwamoto, 2012](#)) mentioned about the importance of situations around the nationalization of islands in 2012, perception gaps between two nations. ([Masuo, 2012](#)) also pointed out how the conflicts in this period against Japan hardened Chinese policies in East and South China Sea.

The majority of the findings above emphasized on the legal and political instability constraints. However, researches that specifically mitigate the political instability through security dilemma approach of Japan and China is rare. ([Green, Douglas, Hicks, Cooper, & Schaus, 2017](#)) had elaborated that the crisis resolution is less progressive since there is a misperception among Japan and China in regards to each other assertiveness. Green and his research team stated on their findings that China failed to understand that its rising power drove Japan to be insecure. Japan, in response also took several actions (such as nationalizing the Senkakus in 2012 and increasing its military personnel staying there) that it thought may increase

their security, but otherwise inflamed China anger.

There are established understanding and researches on Ja-pan-China relations as well as East Asian security affairs in general from security dilemma perspective. ([Hughes, 2016](#)) found that Japan's increasing military capacity under Abe administration since 2012 was reflecting 'resentful realism'. Instead of adding the equilibrium of power in East Asia, it has the risk to destabilize the regional security. In 2017, Suh also stated that the THAAD deployed by United States in South Korea will sharpen the security dilemma among Northeast Asians, including Japan and China. In (2019) Hovhannisyan also emphasized that the instability of Japan-Sino relations was also rooted from the security dilemma as both countries are constantly building up its weaponries due to the insecurity towards each other.

In common pool resources perspective, ([Zhang, 2020](#)) explained that the clashes among fishers in South China Sea is tragedy of commons, thus required a better sea governance to manage the resources. Despite of the paramount discussion on security dilemma perspective on Japan-China conflict, especially in East China Sea, the analysis using common-pool resources is underexplored. Seeing that significant part of the tension is rooted from the competition of resources in that area, further research using common-pool resource concept is necessary.

Seeing the interconnection of the two concept and overlooked usage of the concept to analyze East China Sea conflict, this research will employ common-pool resources concept and security dilemma. In brief, the problems arise within common-pool re-sources could be caused by the insecurity of each appropriators' intention, which is a central premise of security dilemma in cooperation context. The further relations could be seen in the following detailed elaboration of both common-pool resources concept and security dilemma.

COMMON-POOL RESOURCES

This concept of CPR is going to be used to frame the idea of the 2008 Japan-China Agreement on Cooperation for the Development of East China Sea Resources as a proposed institution to pacify the tension in East China Sea and why it does not work as expected. Common-pool resources means natural manmade resource system consisted of resource units that allows appropriators to take the benefit from it, aiming to regulate the tragedy of the commons ([Ostrom, 1990](#)). Ostrom defined resource system as the stock variable with the ability to produce maximum number of variable flows. The system consists of resource units, which means what the appropriators use or consume from the resource system. The appropriators are the ones who act as beneficiaries appropriating the resource units from the resource system.

According to ([Ostrom, 1990](#)), the Common-pool resources concept was proposed as the institutional solution to the unregulated common resources fought over the years, which lead to many worsening conflicts in major scale. She referred to the work of Hardin (1968), explaining that the tragedy of commons represents the threat to the environment whenever too many individuals are consuming a scarce resource. This condition is worsening since Hardin analogize the situation where people are pushed to utilize the resource as much as possible, while the other actors are thinking the same way. Contextualized with the contemporary security issues, despite of the simple resemblance of the resources as pool for fisheries, this paper sees it is only a metaphor for a bigger problem such as the non-renewable energy resources such as oil and gas which often inflame conflict among countries. In global scale, the environmental threat caused by tragedy of commons could be also seen as the risk of regional

insecurity and instability due to tense endeavor from many countries to secure energy resources. Added by the fact that energy is highly contingent with state's survival and industrial economic activity, such kind of skirmish are becoming more likely. In averting such confrontations and provide fair allocation of supply, the usage of the resources was managed by an institution, namely Common-pool resources (CPRs).

The CPRs establishment are coming with set of risks and challenges to stabilize the resource withdrawing environment. This concept then presents three major problem that may arise within the CPRs. Those are (1) the problem of supply, (2) the problem of commitment, and (3) the problem of mutual monitoring ([Ostrom, 1990](#)).

Different from 'supply' in economic definition, this concept conveys the problem in supplying institutions in managing the CPRs. Distinct from the supply in the economic context, this concept conveys the problem in supplying institutions in managing the CPRs. Initially, the institutions are made to escalate the level of assurance among appropriators so there is no party betraying the other one. However, adding more institution could be problematic as well. Since the actors involved in the CPRs are rational actors, they would choose most lucrative alternatives among the many institutions available. As each of appropriators has different calculations and aiming for the highest benefit, there might be distributional issues concerning which institutions to choose in managing the CPRs. This clash arises due to the rational consideration of the appropriators to see that different institution may affect the benefit they could gain from the CPRs.

Subsequent to the supply problem, the CPR might be challenged by one or more of the appropriators disobeying the rules they have agreed upon at first. The problem of commitment arises due to the likelihood where not all actors are willing to comply to the institutions they made in the

long run. In the best scenario, if everyone follows the initial agreements, each of the involved parties will get the proportional share from the CPR, leading to a predictable withdrawal. However, the appropriators' preferences, as well as the situation in the CPR, are dynamic. This situation often pushed appropriators to make new choices that benefits them, such as disobeying the rules.

Lastly, even when the institutions work with firm compliance from the appropriators, this concept also sees that there is still a possibility of a free-rider within the CPR. Since the concept analogize a CPR with a fish pond or a labor union, it depicts a situation where there is an external party breaching the system and withdraws the resource. To prevent such thing from occurring, all appropriators should take part in monitoring the CPR.

SECURITY DILEMMA IN COOPERATION CONTEXT

This research would hypothesize that the stalled institutional solution and mistrust among Japan and China during the cooperation was caused by the security dilemma among them, manifested through arm race among both. This concept of security dilemma in cooperation context was comprehensively explored by ([Jervis, 1978](#)). He stated that: *unless each actor thinks that the other party will cooperate, it will not cooperate*. This is because they are insecure about each party's assertiveness toward each other. Insecurity is a legitimate rationale to withdraw from that negotiation or cooperation process. Jervis also did not neglect that two or more states might have a common interest, but a security dilemma is causing them to be unable to reach the common goal. He described that the security dilemma became the constraint to cooperation for three reasons;

- (1) the politics dynamic
- (2) each state's expansionism over resource-gaining motivation and

- (3) the increasing security of one state that led to the decrease of the others. The picture on how security dilemma may affect cooperation was portrayed by Jervis using Stag Hunt model as seen below.

TABLE 1. STAG HUNT MODEL

		Country B	
		Cooperate (C)	Defect (D)
Country A	Cooperate (C)	1 1	2 4
	Defect (D)	4 2	3 3

Source: Jervis, R. (1978). Cooperation Under the Security Dilemma. *World Politics*, Cooperation Under the Security Dilemma.

Details:

- 1. All states are cooperating and less assertive
- 2. Maintain a high level of armaments while the other party does not
- 3. All parties maintain a high level of armaments/arm race
- 4. Maintain a low level of armaments but the other party does the opposite

The table above shows that countries involved in a cooperation will be more likely to stay in a CC position when all states are willing to cooperate and being less assertive. Meanwhile, those countries will express their defective manner (DD) if all of the parties are maintaining a high level of militarization, or in other words, fighting in an arm race. Jervis also went with a possible solution to drag and to maintain the cooperating countries into a sustainable CC position in 3 ways: (1) Increasing the incentive of cooperation (CC) and decreasing the cost if state A cooperates but state B does not (CD); (2) decreasing the incentive for defecting (DC) and increasing the cost of competition (DD) and (3) increasing anything that increase the common expectation that both parties will cooperate.

Therefore, this theory could be used to analyze the gathered data since this theory explains why arm race jeopardizes cooperation and what possible solution should be attempted to reach sustainable cooperation.

The Stag Hunt Model will be utilized to analyze how the mis-trust and insecurity among Japan and China was formed and on how it affects the cooperation process in the implementation of 2008 Agreement. The deeper characterization of the cooperation constraints due to the security

Country A	Country B	
	Cooperate (C)	Defect (D)
Cooperate (C)	1, 1	4, 2
Defect (D)	2, 4	3, 3

dilemma also fits with the current status quo in East China Sea context of Japan and Chinese relationship.

Table 2. Stag Hunt Model

RESEARCH METHOD

Since this research aims to explain a cause of specific case, then qualitative method of case study was employed to achieve the research objective. Furthermore, the case study approach was chosen due to its ability to expose new variables within a causal relationship of a phenomenon ([George & Bennett, 2005](#)). It fits the goal of the research aiming to expose the

novel perspective of the cause of stalled cooperation between Japan and China using a case of 2008 Agreement. This article strategically compiled reliable literatures and relevant valid documents to answer the re-research question. The collected data was then analyzed with established concepts and theories in international politics those are common-pool resources (CPRs) concept and security dilemma.

RESULT AND DISCUSSION

Japan-China East China Sea Joint Development: Common-Pool Resource and its Appropriation Problem

As highlighted in the theoretical framework, a CPR consisted of three elements: (1) resource system, (2) resource unit, and (3) appropriators. Prior to investigating the stalled negotiation process, this article elaborates the conceptualization of the Agreement as an intended to solve a common-pool resource problem. First, the agreement formed a resource system for the joint re- source development in a specified area and border in East China Sea, measured by a detailed set of coordinate points. The agreed area includes the *Shirakaba/Chunxiao* oil and gas field, which works as the stock variable that creates the variable flows. Second, related to the first one, the variable flows in the CPR are indeed the oil and gas produced by the oil and gas rigs within the agreed borders. Third, is the actors appropriating the oil and gas field, which are Japan and China.

Notwithstanding with the prospective benefits, Japan and China hardly establish a sustainable bond in withdrawing the resource from East China Sea. Concept-wise, these problems could arise from either in the institution supply, appropriators' commitment or monitoring process. Among the three possible problems arising in a CPR, this article asserts that the major constrains jeopardizing Japan and China cooperation process in East

China Sea is the first and second problem, which is the problem of supply and commitment. *First*, this paper sees that the Agreement is lacking of institutions since both appropriators seeks for flexibility and less binding rules, while such cooperation process needs a high level of assurance. By design, it is not yet a firm institution since it is an initial agreement before reaching a final deal of East China Sea dispute. To begin with, according to Vienna Convention metrics, the Agreement could not work as a treaty since it is neither legally binding nor having any effect to the domestic constitution of both Japan and China ([Peterson, 2009](#)). Besides of the no-effect, this Agreement also have no enforcement procedure or any consequences for non-compliance among the involved parties. Even though ([Ostrom, 1990](#)) stated that CPR emphasized on the social/community side instead of the formal side of the enforcement, the sense of community between East Asian countries, in this case Japan and China, is also lacking. Unlike South-east Asians who are able to unite and maintain the order under ASEAN Community umbrella, East Asians are still dealing with historical and political issues, unable to institutionalize a sense of community. This is not necessarily the mistake of Japan and China since this Agreement is not a final decision that creates delimitation for the dispute. This situation is less likely to change for the better since the legal constraint is still there, as China did not comply to UNCLOS as ([Hayashi, 2011](#)) and ([Szechenyi, 2015](#)) emphasized. Therefore, from the CPR concept standpoint, there is a lack of institutional supply and no appropriators is urged to change the status quo.

Second, as a parallel consequence of the inadequate rules, the appropriator could find a loophole to disobey the rules for their benefit. Even when they do not intend to necessarily break it, the appropriators could act counterproductive manner against the agreed rules simply because it does not regulate that one particular action. In case of Japan and

China case, Japan was accusing China for breaking the rules for unilaterally withdrawing from the CPR without prior consultation with Japan, as agreed earlier. China, at the other side, was sure that it was exploring oil and gas in Chinese maritime jurisdiction. It could be seen from both countries' official statements below:

“Japan’s request is groundless and China’s relevant oil and gas exploration activities in the East China Sea are absolutely rightful and legitimate. First, China’s oil and gas exploration in the East China Sea is in undisputable waters under China’s jurisdiction and completely falls within China’s sovereign rights and jurisdiction, which is beyond reproach. Second, China and Japan have not conducted maritime delimitation in the East China Sea and China does not recognize the ‘geographical equidistance line’ unilaterally drawn by Japan and disagrees to Japan’s so-called maritime delimitation stance based on the ‘geographical equidistance line’”. ([Ministry of Foreign Affairs of People’s Republic of China, 2015](#))

Japan, who keeps updating its statements concerning this issue then responded:

“The Exclusive Economic Zone (EEZ) and the continental shelf in the East China Sea have not yet been delimited, and Japan takes a position that maritime delimitation should be conducted based on the geographical equidistance line between Japan and China. In this regard, under the circumstances pending maritime boundary delimitation, it is extremely regrettable that China is advancing unilateral development, even on the China side of the geographical equidistance line. The Government of Japan once again strongly requests China to cease its unilateral development and to resume negotiations as soon as possible on the implementation of the June 2008 Agreement in which Japan and China agreed to cooperate on the development of natural resources in the East China Sea.”

(Min- istry of Foreign Affairs of Japan, 2019)

As seen from both states' statements, it could be seen that there is a loophole within the Agreement since both parties are having different view of the rules. This gap of perception creates a distinct notion and mismatch understanding of what they can do and can-not do. This situation is less likely to change without further trust- worthy negotiation since everyone has their own justification, making each action seems unilateral and not cooperative.

How-ever, such proposal will hardly work since United States, the state who often appear to defuse regional instability, is seen to be biased to Japanese side due to military alliance, while impartiality is vital for such mediative enforcements. While China also showed less compliance to UNCLOS as a more neutral institution, the only way out is through further consultation.

Concerning the third problem, this paper sees that context of the Agreement is different with the monitoring issue conveyed by Ostrom. The monitoring explained in the theory was intended to watch a resource system that was made since there is too many possible appropriators, therefore there might be potential out- siders withdrawing. Meanwhile, the East China Sea CPR does not face any mutual monitoring problems since by fact, there is no third party appears to be potentially breach the disputed territory. Geographically, even if East China Sea is disputed for long by Japan and China, the overlapping claims are only made by two countries. This CPR was initially made as a response of an existing territorial dispute among two major actors with symmetrical power.

UNCERTAINTY AND SECURITY DILEMMA IN EAST CHINA SEA

After describing the technical problems with the East China Sea CPR, the real question is why those issues are

occurring at the first place, despite of the initial commitment and the high reward if they were cooperating. Using the security dilemma theory in cooperation context, this research hypothesizes that Japan and China took an inferior choice since it is more certain for them, otherwise their sovereignty is at stake. It involves the analysis on how the arms race between two countries in East China Sea did not deescalate despite of the cooperation process, causing trust issues to arise.

As explained by (Jervis, 1978), the uncertainty arises when a state feels unsure about the commitment of other state to cooperate. Certainty is vital since a state will not stay in C-quadrant if the counterpart is not doing the same way. As drawn in Table.1, unwillingness emerged since if state A stays in C-quadrant and state B does not, they will fall into a CD-quadrant, in which a huge loss for A and big advantage for B who defects. Seeing this kind of possibility, there is a tendency for a state to defect first before the other does, making DD-quadrant more certain for cooperating parties under security dilemma.

If state A and state B are ever in the C-quadrant box, those states are more likely to stay there since it is an equilibrium and all could enjoy the same benefit. However, if the incentive or assurance that both parties will stay in C-quadrant is really low, one state might change their mind and defect to protect themselves. Such situation also might occur if there are some misperceptions or errors.

Jervis also explained that such uncertainty was caused by several things. *First*, it is because international politics is by default uncertain. Politics is dynamic, there could be new leader, new policies, or new foreign policy orientation, causing different calculations in executing the cooperation. In such scenario, it is difficult to always adjust the cooperation rules and deals to increase the disincentives for defection.

Japan-China relationship is unstable concerning East

ChinaSea security issues. The bilateral talks regarding the Agreement progress and implementation had been struggling since it is highly contingent upon the general bilateral political relations among Japan and China ([Hayashi, 2011](#)). Since the Agreement, there have been series of crisis around Senkaku/Diayou Islands in different political leaderships. In September 2012, Japan's prime minister Yoshihiko Noda under Democratic Party of Japan unilaterally bought three of five privately-owned islands in East China Sea, causing ultranationalist anti-Japanese sentiment and demonstration in China ([Ryall, Japan agrees to buy disputed Senkaku islands, 2012](#)). In the following year, China then one-sidedly established "East China Sea Air Defense Identification Zone (ADIZ)" that overlaps Japanese claimed border, enabling China to fly its aircrafts over the disputed maritime domain, causing a negative perception among the neighbors ([Osawa, 2013](#)). Until 2019, the negotiation is stalled and pending, in which Chinese government stated that this consultation is suspended due to "trouble stirred by Japan". Added by the new Chinese Coast Guard Law taking effect in 2021, the tension will be even stiffer since Japan and its close ally United States expressed serious concern about the law enabling China to fire at foreign ships in China's claimed waters disputed with Japan ([Imahashi & Sharp, 2021](#)). Therefore, it showed how the consultation could be only resumed under stable bilateral relationship.

Second, is the insecurity of state over their resources and survival. In the anarchical structure, there is always a tendency of states to protect their possessions and to control resources since in such self help system state needs to ensure that their basic needs is secured first. To begin with, certainty is hard to achieve in such situation when there is no higher authority to assure that the appropriators are not breaking the rules for the sake of survival. Thus, ([Ostrom, 1990](#)) emphasized that self organized group between

appropriators is necessary to monitor the CPR and impose sanctions to keep the performance desirable. However, the sense of community between Japan and China to establish “self-organized group” to monitor East China Sea is also lacking.

In East China Sea setting, Japan and China have the urgencies it takes to push for resources in the disputed area. China, as the most populous country in the world, need to keep its industry running to serve its people. Japan energy consumption is also at stake if they lost the control of Senkaku Islands, since 80 per- cent of Japan’s energy is foreign imported. Not only that securing the oil and gas rigs in East China Sea would help Japan fulfil its energy demand, it would also avert China’s domination around the sea lane, creating safe shipping lane for energy imports to Japan.

The *third* one is the arms race; the evil circle caused by the propensity of state to unilaterally fortify its security at the expense of others, triggering the surroundings’ anxiety and finally doing the same thing in reciprocal. Among several mentioned attributions of East China Sea, such as energy and border issues, sovereignty is the top priority. Sovereignty could be at stake for both Japan and China, they will not risk to lose it by letting otherparty overpower them in East China Sea.

In response to such volatile situation, Japan and China is then fortify their armaments, causing arms race. Since 2012, Japan, under Shinzo Abe second administration, has been gradually escalate its military capacities. Besides keeping on increasing the military budget, Japan lifted its military export ban in 2014, allowing it to modernize its defense industry and to transfer weaponries abroad. In the following year, Japan established “Japan’s Legislation for Peace and Security”, allowing it to send troops abroad to for collective self-defense purposes ([Ministry of Foreign Affairs of Japan, 2015](#)). China does the same thing by keep on increasing its

military expenditures and capabilities, even on the faster pace than United States (Ryall, 2018). Both Japan and China aim to adjust with the changing security environment surrounding them, which significantly involving East China Sea dispute.

CONCLUSION

Utilizing common-pool resource concepts, this paper concludes that the problems behind not functioning CPR in East China Sea context is the problem of supply and commitment. This paper investigates that Japan and China's decision to choose a more inferior alternatives in running the CPR, despite of promising returns from the superior quadrants, was because the more inferior choice has more certainty over the latter under security uncertainties. From here this paper learned that a strong institution is built under a strong trust and stable relationship among relevant stakeholders.

This paper sees that by including the Agreement into consultations in larger scale would be an effective measure to strengthen the institution. Notwithstanding with the worsening maritime security fuss among the two neighboring countries, both Tokyo and Beijing have a growing economic cooperation and manageable trade relationship. It pictures the possibility of both countries to cooperate, as long as the incentive is more certain. Therefore, by putting this issue into a firmer institution, both countries could take more benefit from the CPR in East China Sea.

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