

# **SINO-JAPANESE DISPUTE OVER EAST CHINA SEA: THE MATTER OF RESOURCES AND SEA POWER**

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## **Abstract**

East China Sea dispute proves to be one of the complicated issues in Sino-Japanese relations. Since both countries' dependence on oil and natural gas is growing every day to run their economic engines, both China and Japan consider East China Sea resources essential for their energy needs. The incidents occurring in the territorial waters of each other can be escalated to a military clash in the sea between Japan and China. The article tries to examine the origins of the dispute as well as the diplomatic efforts made by China and Japan to resolve the puzzle. The article also discusses the island dispute between Japan and China in the light of history evidences and international law point of view.

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## Introduction

Despite advances in inter-continental nuclear weaponry and the heavy build up of land power over six decades, sea power continues to be a strategic imperative and its importance has only increased after the end of the Cold War.

The rise of geo-economics means that the economic uses of the sea far eclipse its military use. The whole subject of sea power is thus more complex than it once seemed in the age of Mahan. Eric Groove perceptively notes, the states that possess the most power full navies (hence, naval power) do not possess the world's largest merchant fleet, in the emergent age of sea power.<sup>1</sup> The United States, the most power full naval power was by the end of the 1986 outflanked in merchant shipping by Liberia, Greece and Japan.

Historically Japan and China have enjoyed a great status of being sea powers. At present the dispute among the two Northeast Asian neighboring states over the East China Sea highlights their battle for supremacy in the sea. The political and strategic pundits predict a major clash if the issue of Sino-Japanese confrontation over the East China Sea is not resolved. The modernization of People's Liberation Army Navy (PLAN) and an ocean going navy possessed by Japan can lead towards a major war between them in the sea.

East China Sea, an arm of the Pacific Ocean, located off the eastern coast of Asia. The sea is surrounded by Kyūshū Island and the Ryūkyū Islands on the east and by Taiwan and the Taiwan Strait on the South. It merges with the Yellow Sea on the northwest. The most important ports on the sea are Shanghai, China, and Nagasaki, Japan. Shipping and fishing in the East China Sea are economically important.<sup>2</sup> Due to the absence of a mutually agreed median

line both states have skewed their own lines to separate the territorial waters of Japan and China.

The conflict between Japan and China over the East China Sea where there are rich oil and natural gas deposits is heating up. In a world of diminishing resources, estimates have 200 trillion cubic feet of potential gas reserves and up to 100 billion barrels of oil deposits on the entire shelf of the East China Sea and that is where the danger of miscalculation and deadly escalation lies.

The issue became so controversial when China signed contracts in August 2003 with oil development companies in China and other countries including Royal Dutch/ Shell and the United States oil company Unocal for exploration of gas projects in the East China Sea worth billions of dollars. Japan expressed its concern that the fields may intrude upon Japan's exclusive economic zone (EEZ).

Japan is concerned that the Chinese drilling could draw off natural gas from Japan's territorial seabed, while Beijing considers Tokyo's claim as infringing on its interests and sovereignty.<sup>3</sup> The officials in Beijing believe that Japan is so much concerned about China's economic development and trying to contain it at least in the East China Sea.<sup>4</sup> However, the two countries started talks to resolve the issue and several proposals were exchanged in several rounds of negotiations but the situation remains unchanged.

This research paper will examine this issue thoroughly and will also scrutinize the origins of the dispute, its historical background, consequences, implications and efforts towards resolving the dispute.

## **Japan, China and the East China Sea**

East China Sea is part of the Pacific Ocean, between the east coast of China and the Japanese Kyushu Island and the Ryukyus. It merges in the north with the Yellow Sea without any definite line of demarcation, connects with the South China Sea through the Formosa Strait, and with the Sea of Japan through the Tsushima and Korea Straits. Its greatest length (about 800 miles) is between Matsu Island, off China, and Nagasaki, Japan. Its area is estimated at 485, 000 square miles. Its average depth is 640 feet and its extreme depth is 9,070 feet.<sup>5</sup>

The seabed slopes gently from the Chinese coast until it drops abruptly into the Okinawa Trough whose depth reaches nearly 2,300 meters at its deepest point. China holds the Okinawa Trough, which does not follow the Japanese coast closely, proves that the continental shelves of China and Japan are not connected, and that the Trough serves as the boundary between them.

China has coast line of 18,000 kilometers (10,800 miles) in length, but its exits to the sea run into the exclusive economic zones (EEZ) of neighboring states, including two Koreas and Japan. The latter is the geographic opposite state whose long coast line, interrupted by gaps, linking the islands of Japan proper with the Ryukyus (Okinawa) is parallel to the Chinese coast line. The maritime territory claimed by Japan, which in the Chinese view far exceeds what is allowed under the law of the sea, obstructs the Chinese access to the seabed oil and gas resources over which China has sovereign rights under the same law. Because Japan claims EEZ extends to the disputed Diaoyutai, which is less than 200 nautical miles from the Chinese coast line and is claimed by China, its sea denial threat actually extends into China's maritime territory. The

only open entry left for mainland China to the high seas is through the Taiwan Strait. Even there, it has to be careful not to tress-pass into the other half of the strait shared with Taiwan, as the latter remains outside People's Republic of China's (PRC) jurisdiction and claims a separate identity, with the support of Japan and the United States.

Japan due to the absence of agreement unilaterally drew a 'median line', which is rejected by China on the ground that it is skewed in favor of Japan. Japan considers all waters east of this unilaterally drawn 'median line' to be Japanese territory. The Chinese would draw the line quite differently, and it would run in the middle course between the western coast line of the Ryukyus (Okinawa) and the eastern coast line of Taiwan, which Beijing considers to be part of China. A line thus drawn, even without the Taiwan part, would have Diaoyutai (Senkaku) in the Chinese EEZ, instead.

In accordance with the Law of Sea (LOS) Convention Japan declared its EEZ in 1996 and China in 1998. Despite the absence of a mutually agreed middle line, the Chinese began explorations in the 1980s with the view of developing natural gas in the Xihu Trough, a region slightly under 200 nautical miles in a bee line from the eastern point of the China coast base line, or 215 nautical miles.

Even after a thorough study it still is very difficult to imagine to whom the Diaoyutai (Senkaku) belongs. Respectable Japanese historians, such as Professor Kiyoshi Inou (1972) of Kyoto University and Professor Murata Tadayoshi (2004) of Yokohama University, both have spent years in research, offered drastically different and dissenting views from the Japanese government and supported China's claim to the Senkaku.<sup>6</sup> While the former Taiwan President Lee Teng-hui openly supported the Japanese government's position that the island (Diaoyutai)

belongs to Japan.<sup>7</sup> After stepping down from the office in 2000, Lee publicly admitted that during his presidency he had ordered Taiwan's Navy not to intervene when elements from the Japanese right built a nearby light tower and planted Japanese flags on Diaoyutai to assert Japanese Sovereignty.<sup>8</sup>

The question has to be answered from both the standpoints of history and the law. The study done by the Japanese above mentioned historians show that the Diaoyutai (Senkaku) was not part of Ryukus, a Chinese protectorate before 1895 when Japan annexed it, and also that the Diaoyutai was detached from Japan at the end of the World War II as a United States' occupied territory (returned to Japan in 1972). The study also demonstrates that the island was part of Taiwan under the Manchu Dynasty of China until 1895; even the Ryukuan recognized this fact. According to history evidences the earliest record of Chinese presence in Diaoyutai dated from 1532, or 363 years before Japan came upon the island, calling it Senkaku. According to some authentic sources of history Diaoyutai was included in the Chinese defense networks against the encroachments of Japanese pirates that frequented southern Chinese coasts in the Ming Dynasty (1368-1644).

In response the Japanese official position is that the Senkaku islands were returned as part of Okinawa in 1972 by the United States. The US government in answering inquiries from the Chinese-American civic group categorically stated that the United States had only exercised 'administrative rights' not 'sovereign rights' over Diaoyutai between 1951 and 1972, when it was turned over to Japan.<sup>9</sup> Even if Diaoyutai was returned to Japan by the US as part of Okinawa, Japan would have to prove evidence that it was part of Ryukus (today's Okinawa) in history.

## Origins of the Dispute

It was an Okinawa Prefecture businessman Tsunehisa Omija predicted rich oil deposits in the sea. On Yaeyama Islands, there are beaches with star shaped structure corpses also found along the Persian Gulf, leading to believe that there would be under sea oil fields in the neighborhood of the islands Japan calls the Senkaku. Since 1948, when the islands were under the administration of the US military, Omija had conducted his own investigations, and in 1969, he successfully applied for the mining right in the sea.

An investigation report by the UN Economic Commission for Asia and the Far East (ECAFE) also pointed out the possibility of oil deposits there.<sup>10</sup>

Uruma Resource Development Co., a subsidiary of Toyo Oil Development Co. affiliated with then Nissho Iwai, succeeded the mining right from Omija and applied to the then Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry) for the right to explore in the sea around the Senkaku Islands in 1973 and received approval. But for 33 years since, the Japanese government has approved no test drilling.

Japanese Prime Minister Obuchi visited China in 1999 and was offered by the then Chinese Premier Zhu Rongji for joint resource use. But Obuchi returned home without responding to the proposal, missing a good opportunity to break the deadlock over the development of resources in the sea.

China has since carried out test drilling in more than 20 places near the Japan's drawn demarcated median line between the two countries and begun production at the Pinghu gas field. China does not regard the median line as

legitimate. China is proposing joint development with Japan only on the Japanese side of the median line and areas near the disputed islands.

### **The Energy Needs of Japan and China**

China is racing to develop natural resources to meet its rapidly growing domestic demand for energy as the economy races ahead. With its annual GDP growing at close to 10 percent annually during the past 25 years, China's appetite for energy has developed rapidly. The Institute of Energy Economics in Japan also forecasts that oil consumption in China will grow to 590 million metric tons in 2020 from 220 million tons in 2000, and the country's oil imports will soar to 450 million tons during the same period compared with 250 million tons for Japan.<sup>11</sup>

Just over a decade ago, China was still a net exporter of oil. Today, it is the fastest-growing user of oil in the world, ahead of energy-efficient Japan and second only to the United States in terms of total consumption and imports. China will not only become more dependent on imported oil and gas for its future economic growth, modernization and prosperity but its reliance on supplies from the volatile Persian Gulf, and from politically unstable West Africa, also seems set to increase.

Meanwhile, Japan, the world's second largest economy has almost no natural resources of its own and relies on others especially the Middle East for nearly 90 per cent of its oil as an energy source.<sup>12</sup> Japan is also negotiating for access to oil and gas reserves with Russia and Iran, among others.

That is why China and Japan are racing to secure other sources of supply closer to home, including Central Asia, Siberia and the East China Sea. Tokyo is contesting Beijing's



right to develop a gas field near the edge of Japan's exclusive economic zone in the East China Sea and launched its own seismic survey in the area despite a stern warning from China recently not to risk any action that could upset bilateral relations and regional stability. The field is estimated to contain up to 200 trillion cubic feet of potential gas reserves and up to 100 billion barrels of oil deposits.

### **The Recent Developments**

It is obvious that the planes and ships of Japan and China operate in close proximity to one another which ultimately can cause a clash. "Incursions by Chinese planes and submarines into Japanese waters are occurring more frequently, and when ships and planes operate in close proximity to each other, the danger of an accident increases. Avoiding such an accident requires clear knowledge of both sides' rules of engagement and I am not confident (that the two countries have that)", said Bonnie Glaser, senior associate at the Center for Strategic and International Studies in Washington.<sup>13</sup>

On 10<sup>th</sup> November 2004 a Chinese *Han*-class nuclear-powered submarine entered Japanese territorial waters near Taramajima Island. Subsequently on November 16, Beijing apologized for the incident, which had resulted in Tokyo declaring a 'maritime operation' for only the second time since 1945. However, the incident highlighted the increasing activity of the People's Liberation Army Navy (PLAN), in the region.<sup>14</sup>

This was not the first time that the incidents like that were detected. In 2003 Japan had detected eight incidents of Chinese ships operating in Japan's EEZ without prior notification; such incidents were also identified in January-

April 2004. Chinese Foreign Ministry Spokesperson Liu Jianchao made clear that “the water where the Chinese vessels entered is disputed” and “not the EEZ of Japan”, accordingly, “it is absolutely normal for Chinese vessels to conduct scientific research in the waters.”<sup>15</sup>

In July 2005, the Ministry of Economy, Trade and Industry finally approved an application of the test drilling right filed by an oil development company, but if company carries out test drilling it will be resisted by Chinese Warships and it will not do so until an environment is prepared. So far four Japanese companies have applied for the test drilling but work is yet to begin.

In October 2005 when Japanese and Chinese officials met to discuss the energy development in the East China Sea Japan had presented a proposal for joint development extending across both sides of the median-line boundary while China held to its previous position that joint development should take place only on the eastern (Japanese) side of the line. However, the two countries progressed in defining the area for joint development. The talks were broken off by China in response to Prime Minister Koizumi's visit to Yasukuni Shrine on October 17, 2005.

The Japanese Asia and Oceanic Bureau Director General Sasae Kenichiro visited Beijing and held informal talks with the Chinese officials but the talks failed to make any progress. Japanese officials said that the China's response to Japan's proposal was problematic and that China was preparing to present its own proposal at the time of next round of negotiating table.

The situation remained stalemate in talks held in Beijing in March 2006, when China neither agreed to cease development in the Chunxiao gas field nor assured to provide

data on exploration activities – China also did not agree to respond Japanese proposal for joint development – Beijing later proposed joint development only in two areas, one in the north of the East China Sea near the median-line but still in the territory in dispute between Japan and South Korea and a second in the south in the vicinity of the disputed Diauytai (Senkaku) islands. Japanese diplomats initially agreed to further study the proposal, but later expressed strong dissatisfaction with Beijing's proposal. Japan's Chief Cabinet Secretary Abe told a news conference on March 8, 2006 that Japan could not accept China's proposal and noted that "Japan has the right to carry out test drilling".<sup>16</sup> The *Sankei Shimbun* reported that Abe had upbraided Sasae for not refusing the Chinese proposals outright.<sup>17</sup>

China, however, saw it differently, the Chinese Foreign Ministry spokesperson Qin Gang characterizing Chinese proposal as rational, reasonable and constructive in contrast to Japan's unilateral position, said "We hope Japan can carefully study the plan proposed by China,"<sup>18</sup> Japanese Foreign Minister later made clear that the Senkaku islands are indisputably Japan's territory both historically and under international law and that Japan would not allow co-development in the area.<sup>19</sup>

Once again, Beijing refused to accept Japan's claimed median-line boundary along with its proposal for the joint development of the Chunxio field. China also continued to reassert its sovereignty claim over Diaoyutai/Senkaku islands. China's Foreign Ministry spokesman Qin Gang announced that China would continue to develop the Chunxio field until agreement is reached on joint development.<sup>20</sup>

Appealing for not to be nervous Japanese Minister of Economy, Trade and Industry Nikai Toshihiro told a Lower House Budget Committee on March 8, 2006 that the various problems on the negotiating table with China – Sovereignty issues as well as History- are not problems that can be solved quickly and will have to be dealt decisively. Two days later Liberal Democratic Party (LDP) approved legislation to protect companies engaged in the exploration and development of natural resources within Japan's exclusive economic zone (EEZ).<sup>21</sup>

Due to the concerns that China may have violated Japan's interests in tapping marine resources Japan always requested that China provide the exact locations, depths and other related data of its offshore drillings underway in the East China Sea but China on every occasion refused to provide data regarding offshore drillings.

Japan's conservative media also reports that Japan appeared to conclude that China is collecting oceanographic data for possible submarine warfare around the area, which Japan considers strategically necessary for China to boost its military presence in comparison with Taiwan as well as the United States.<sup>22</sup> The disputed gas field is in the vicinity of Taiwan and the disputed Senkaku Islands, which are claimed by both countries. The Japanese government seems to believe that this is why China has refused to give any data and information on its oil and gas development in the region.

In 2003 Japan had detected eight incidents of Chinese ships operating in Japan's EEZ without prior notification. Japan raised that issue in the meeting on UN Convention on the Law of the Sea held in Beijing on 22 April 2004. Japan also reminded in the meeting that in 2001 both countries agreed for advance notification of conducting maritime research

activities in other country's EEZ. But the Chinese delegation refused to take the responsibility and insisted that the Japan's southernmost island, Okinotori, is not an island but rocks, thus disallowing Japan's EEZ claim measured from that point and allowing the activities of maritime research vessels near Okinotori.<sup>23</sup>

The Chinese activities continued in the areas Japan considered under its EEZ. On 7 May 2004 Chinese research ship *Number 7 Fen Dou* found operating without any advance notification near Uosturi Island in the Senkakus. The Japanese foreign ministry protested and asked Chinese Embassy to end the survey activities but the China made clear that the waters where Chinese vessels entered is disputed and not the EEZ of Japan, so it is absolutely normal for Chinese vessels to conduct scientific research in the waters.<sup>24</sup>

The Japanese government also confirmed press reports which said that China had started construction of an exploration facility in the Chunxio natural gas field, an area of the East China Sea near the demarcation line between China and Japan. Reacting to the press reports the LDP's Working Group on Maritime Interests, chaired by Takemi Keizo issued a report advocating the creation of an intergovernmental committee, under the Prime Minister to deal with maritime related issues. The report also urged the government to develop a comprehensive national strategy and to begin survey immediately of natural resources on the Japanese side of the demarcation line. The report offered nine proposals dealing with the illegal Chinese maritime research activities.

The opposition Democratic Party of Japan (DPJ) also intended to submit legislation aimed at banning other countries from resource exploitation in Japan's EEZ. The

LDP on 17 November 2005 followed suit, announcing its intention to submit legislation in next year's ordinary Diet Session. The LDP's special Committee on Maritime Interests exposed draft legislation that would protect ships and crew engaged in exploration activities in Japan's EEZ, establish a 500-meter safety zone around exploration platforms, and forbid entry into the safety zone to unauthorized ships.

During the meeting in Beijing between officials of both countries on May 30-31, 2005, both nations agreed to resolve issues through continuing talks and joint development of resources and to establish working groups on issues related to the maritime boundaries. In April 2005 Japanese Minister of Economy, Trade and Industry, announced that Japan was preparing to grant exploratory drilling rights in the disputed waters of the East China Sea. Following his statement, in April 2005 Japan's Director General of Asia and Oceanic Affairs Sasae told the minister at the Chinese embassy that Japan was moving to grant exploration rights. He again requested that China stop its activities and provide Japan with exploration data.<sup>25</sup>

After several rounds of negotiations, the two parties are not close to a resolution. In diplomatic language, both countries say that they hope to cooperate with each other, conducting joint exploration and sharing the region's resources. But in reality, the two parties have different definitions for the term 'joint exploration'. To Japan, it means that China must stop its current projects, turn over all existing geological data to Tokyo before both sides can share the potential resources of the region, including the gas fields on the Chinese sides of Japan's declared median line. The Chinese find such demands unacceptable. China interprets joint exploration as Japan not interfering with any current Chinese development on the Chinese side, even according to Japan's median line. Instead, China agrees to share

resources found in the disputed area between the two median lines claimed by Tokyo and Beijing.

The Japanese press became so active to address the issue almost every week. The *Yomiuri Shimbun* criticized the government for being so slow in responding due to the influence of pro-China forces and called on the Prime Minister's Office to exert leadership on the issues.<sup>26</sup>

## Conclusion

The two neighboring states are among the world's top most importers of primary energy. The rich wealth of oil and gas resources on the seabed of the East China Sea is, therefore, like a dragnet of conflict, further exacerbated by the latent competition for sea power dominance in the region. Although maritime geography and the law of the sea seem to be on the Chinese side, Japan is not likely to budge from its present position, considering that the 1982 Law of the Sea Convention is subject to different interpretations in accordance with two cordial principles for maritime delimitation. Whether or not the final resolution will be decided by naval power depends on the success or failure of diplomacy, and ultimately on whether rationality will triumph over base instinct that has marred Sino-Japanese relations since traditional times.

If the diplomacy failed to resolve the heating up issue between China and Japan the conflict seems to be inevitable. Even if the countries do not mean to start a military clash, accidents in the sea could spin out of control given the combination of distrust and lack of communication between the two countries can lead towards a military clash. The Tokyo governor Shinto Ishihara after visiting the islets in May 2005 already warned against the possibility of a major conflict in the future.<sup>27</sup> In the current circumstances

both Japan and China have no any other option except to work together, although occasional friction is likely because the matter is complicated by history issues and the territorial dispute. Japan in recent situation might want to accept China's joint project proposal. Japan also might improve the climate for future cooperation through collaboration in resource development.

With economic interdependence of the two neighbors deepens almost every day, with unprecedented flows of goods, investment and joint ventures in both directions, the cooperation between the two countries is much better option than to compete each other.



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