Drifte R.

From 'Sea of Confrontation' to 'Sea of Peace, Cooperation and Friendship'? - Japan facing China in the East China Sea.


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Date deposited:

13/08/2015
Im Fokus

From ‘Sea of Confrontation’ to ‘Sea of Peace, Cooperation and Friendship’? – Japan Facing China in the East China Sea


Reinhard Drifte

Abstract

In June 2008 Japan and China announced an agreement, following lengthy negotiations, on joint approaches to the exploitation of hydrocarbons in the East China Sea. To evaluate this agreement and its possible consequences, one has to look at the history of the disputes over the sovereignty of the Senkaku Islands (Diaoyu Islands in Chinese) and the delimitation of the maritime border in the East China Sea. This article argues that the June agreement does not solve either of these problems. Its value is more political than legal or economic. As a result, the implementation of the agreement will necessitate further arduous negotiations and the ratification of a treaty in Japan, both of which will expose the implementation of the agreement to the vagaries of Japan’s and China’s domestic politics and the current atmosphere in the relationship between the two countries.¹

Keywords: Senkaku Islands, Japan-China relations, East China Sea, energy

1 Introduction

In June of this year, following four years of negotiations, Japan and China concluded an agreement which outlined a framework for exploiting oil and gas resources in the East China Sea (referred to as Donghai in Chinese).² This

¹ This article is partly based on the author’s earlier publication Japanese–Chinese territorial disputes in the East China Sea – between military confrontation and economic cooperation (Drifte 2008b).
was generally greeted as an important breakthrough in view of the difficult relationship between the two countries, which had only started to improve in 2006, after the end of the Koizumi cabinet. In contrast to this point of view, this article argues that the document is only an agreement on general principles to be applied to two different kinds of cooperation intended to exploit the oil and gas resources in the East China Sea (ECS). It will take further arduous negotiations supported by a lot of political good will to conclude a treaty and then to implement it. Moreover, the agreement does not address differences regarding the delimitation of the maritime border between the two countries, let alone the disputed sovereignty over the Senkaku Islands (Diaoyudao in Chinese), two issues which are intimately interlinked.

In order to evaluate the importance of the agreement as well as its future, it is necessary to understand the political, economic, and legal background of the territorial disputes between Japan and China in the ECS. Both sides have very different legal approaches to their respective legal claims and have tried for a long time to avoid addressing the delimitation of the maritime border and the sovereignty of the Senkaku Islands. For Japan, the latter stance became unsustainable at the beginning of the new millennium when China took Japan’s inaction as a tacit approval of its relentless advances in exploring and then exploiting the hydrocarbon resources of the ECS, moving ever closer to a line which has been proposed unilaterally by Japan. A brief overview of the legal positions of both sides outlines the considerable gap which will have to be bridged in order for both countries to benefit from the riches in the ECS, let alone to eliminate a constant bone of contention (section 2). An evaluation of the economic importance of the hydrocarbon resources reveals interesting differences between Japan and China (section 3). The last section (4) analyses the negotiation process which led to the June 2008 agreement and concludes that – at least for Japan – the implementation of joint approaches for the exploitation of resources in the ECS will be more important in terms of managing Japanese-Chinese relations than gaining economic benefits.

/t448568.htm, and for its English version see http://news.xinhuanet.com/english/2008-06/18/content_8394206.htm. There is no agreed-upon English version.
2 The Legal Aspects of the Japanese-Chinese Disputes in the ECS

2.1 The Dispute Surrounding the Senkaku Islands

The disputes between Japan and China in the ECS revolve around the sovereignty of the Senkaku Islands and the delimitation of the maritime border. Both disputes are considered by most observers to be interlinked, making an agreement on the maritime border and thus on joint approaches for the exploitation of resources in the ECS even more difficult.

The Senkaku Islands (approximately 7 square kilometres) consist of five uninhabited islets and three barren rocks located approximately 120 nautical miles south-west of Okinawa. They are situated at the edge of the ECS’s continental shelf, fronting the Okinawa Trough to the south.

Japan claims that it incorporated the islands as terra nullius (vacant territory) in January 1895, having discovered them ten years before. The authorities of imperial China, republican China, and, until 1970, the People’s Republic of China (PRC) did not dispute Japan’s ownership. In January 1895, the Sino-Japanese War had turned in Japan’s favour, but the acquisition of the Senkaku Islands cannot be linked in a legal sense to Japan’s acquisition of Taiwan under the Peace Treaty of Shimonoseki, which was concluded in April of 1895. However, the acquisition of the Senkaku Islands occurred after ten years of hesitation by the Japanese government in view of possible negative Chinese reactions; the decision was not conveyed to other countries at the time, and was only made public in 1952 (Urano 2005: 123ff.; Su 2005: 54; Okuhara 1971: 98; Zhou 1991: 233).

From 1945 to 1972 the islands were administered by the US as part of their occupation of Okinawa, and they were returned to Japan along with Okinawa. However, although the US confirms that the islands are part of the territory covered by the Japan-US Security Treaty, no US administration has ever made a statement concerning the legal title of the islands, only referring to Japan as effectively administering them (Valencia 2007: 155). The US has an increasing interest in involving China in regional and global issues (for example, North Korea, Sudan) and does not want to add another problem to its list of bilateral disagreements with China.

China first claimed the islands in May 1970, after Japan and Taiwan had started talks on jointly exploring the energy resources around the Senkaku Islands and the US had agreed to return the islands, together with Okinawa, to Japan.
(People’s Daily, 18/05/70, 4, 29/12/70). Only on 30 December 1971 did the Chinese Foreign Ministry publish an official statement claiming the islands (Urano et al. 2001: 35-6). This was therefore after the Committee for Coordination of Joint Prospecting for Mineral Resources in Asian Offshore Areas (CCOP), under the auspices of the UN Economic Commission for Asia and the Far East (ECAFE), had conducted a geophysical survey in 1968. The committee had said in a May 1969 report that the continental shelf between Taiwan and Japan might be extremely rich in oil reserves (Gao/Wu 2005: 32). Since 1970, the PRC has asserted territorial rights to the islands, basing these on historical and legal arguments such as prior discovery and use (as navigational aids and later as a source of medicinal herbs), the cession of the islands as part of Taiwan in the 1895 Shimonoseki Peace Treaty, and the cession of any Japanese claims to Chinese territory at the end of World War II (Dai 2006: 142-143). Japan refutes these arguments by referring to its uninterrupted administration of the islands since their incorporation into Japan in 1895, the incorporation of the islands before the Shimonoseki Peace Treaty, the absence of any Chinese claims between 1895 and 1970, and the incorporation of the islands into the Nansei Shotō group of islands, which had nothing to do with Taiwan and thus nothing to do with the 1951 San Francisco Peace Treaty. Without going into further detail, suffice it to say that the majority of international law scholars seem to give more validity to the Japanese rather than to the Chinese arguments, although there are also Japanese scholars, such as Inoue Kiyoshi and Murata Tadayoshi, who support the Chinese claim (Hsiung 2005: 10).

Initially, both countries tried to play down the island dispute while still making clear their legal claims. The topic was raised by Japanese leaders in 1972 and 1978, and in both cases the Chinese leaders, Zhou Enlai and Deng Xiaoping, respectively, proposed not to deal with it. In 1972, the Chinese were very keen on achieving the normalisation of diplomatic relations, and in 1978, the conclusion of the Peace and Friendship Treaty; since both agreements faced serious difficulties, the Chinese leaders did not want the Senkaku Islands to stand in their way as yet another problem. The two diplomatic agreements were achieved, but with the cost of sweeping explosive issues under the carpet by agreeing to disagree for the time being.

Since 1978 the dispute over the Senkaku Islands has led to a series of incidents involving nationalists and the armed forces from both sides, as well as diplomatic protests. As recently as June this year a Japanese Coast Guard boat rammed a
Taiwanese sport fishing boat which had entered the territorial waters around one of the Senkaku Islands causing it to sink. Beijing and Taipei protested, and both reiterated their territorial claim to the islands (FMPRC 2008a). For the Japanese government, with its de facto control over the islands, there is officially no territorial dispute. But it is not only incidents like those above, but also the existence of unknown quantities of hydrocarbon resources around the islands and the impossibility of delimiting the maritime border in the southern part of the ECS without agreement on the status of the islands that will keep the issue on the agenda.

2.2 Differences over the Application of International Law

The dispute about the modus for delimiting the maritime border revolves around the fact that Japan demands the application of the equidistance approach whereas China insists on the application of the principle of the natural prolongation of the continental shelf. Based on the latter approach, which allows claims up to 350 nautical miles (n.m.) from the coast, China claims an area which extends from its coast up to the Okinawa Trough (approximately 2,000 metres deep), which is within the 350 n.m. limit. Japan argues that the Exclusive Economic Zone (EEZ) of both sides overlap because the width of the ECS is less than 400 n.m. and, therefore, that the median (or equidistant) line drawn through the overlapping area should be the maritime border. However, as long as a border is not agreed upon by both sides, Japan claims potential authority (senzaiteki kengen) over an area stretching up to 200 n.m. from its coast. 3 Whereas for China the disputed area is therefore between Japan’s proposed median line and the Okinawa Trough, for Japan it is the overlapping area of the 200 n.m. EEZ. The Japanese discount the natural shelf prolongation approach as being superseded by more recent international litigations.

The delimitation issue is made more complex by the claims of South Korea, which borders the ECS in the north. Whereas South Korea has also not yet agreed with China on the delimitation of its maritime border, and even has a dispute underway over the territorial title to a submerged feature (‘Ieo’ in Korean; ‘Suyan’ in Chinese) on the continental shelf, it has a provisional agreement with Japan. However, in 1974, when both countries drafted the Agreement between

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3 Author’s e-mail correspondence with the China Division of the MOFA, 23 June 2007.
Japan and the Republic of Korea Concerning the Establishment of Boundary in the Northern Part of the Continental Shelf Adjacent to the Two Countries and the Agreement between Japan and the Republic of Korea Concerning the Joint Development of the Southern Part of the Continental Shelf Adjacent to the Two Countries, China objected vigorously, yet without referring to any particular territorial claim of its own. As a result, Japan deferred ratification of the agreements until June 1978, when it ratified the agreement without regard for China’s continued opposition (Gao/Wu 2005: 33). Japan and South Korea conducted seven explorations on three sites between 1980 and 1986, but, not finding any economically viable fields, they abandoned the search (KH, 2/8/02).

Most of the Japan-Korea joint development zone is on the Japanese side of what Japan claims to be the median line (Park 2006: 21), a situation which Japan wants to avoid in its current negotiations with China. Moreover, some sections of the maritime area in which Japan did some survey work in 2004 are also part of the 1978 Japan-South Korea joint development area; and some of the area being developed now by China in the north of the ECS (that is, the Longqing field, Asunaro in Japanese) is considered by South Korea to be adjacent to that joint development area (Park 2006: 104-105). It is clear from this circumstance that an agreement on exploration between Japan and China in the northern end of the ECS will have to involve South Korea and will ultimately depend on an agreed maritime border between the latter and China. As we will see later, this circumstance led to the exclusion of the Longqing gas field from the June 2008 agreement.

The legal positions of both sides are therefore diametrically opposed. Still, the application of the relevant laws in both countries allows considerable room for interpretation (Drifte 2008b: 9-10). In the end, an agreement will need to be based on a political decision which takes the overall relationship into consideration.

3 The Hydrocarbon Resources in the ECS

In order to assess the room available for a political decision, it is important to understand the economic stakes of the hydrocarbon resources in the ECS.

The various estimates of proven and potential hydrocarbon resources vary considerably. According to a 1994 estimate by Japan’s METI (Ministry of the Economy, Trade and Industry Ministry), deposits of oil and natural gas on the Japanese side of the East China Sea amount to 500 million kilolitres in crude
oil volume (YS, 28/8/04). Selig Harrison mentions that Chinese estimates of potential ECS gas reserves on the entire shelf range from 175 to 210 trillion cubic feet. Foreign estimates of potential oil reserves on the shelf are as high as 100 billion barrels (estimate for Saudi Arabia: 261.7 billion barrels, for the US: 22 billion barrels ‘proven and probable’). Harrison refers to Chinese estimates of ‘proven and probable’ gas reserves of some 17.5 trillion cubic feet on the Chinese side, much of it in the Xihu Trough. Both countries assume rich petroleum deposits in the seabed around the disputed Senkaku Islands, where the Japanese government speaks of over 94.5 billion barrels of quality oil (Harrison 2005: 5-6).

The Chunxiao field which is immediately adjacent to the median line, on the Chinese side of it, has explorable reserves of 63.8 million barrels of oil equivalent, while the whole of the ECS could yield up to 3.26 billion barrels according to data from the Japanese and Chinese governments. Japan consumed 97 billion cubic metres of gas in 2006, or 610 million barrels of oil equivalent, almost all of which was imported, according to the International Energy Agency (CI 2008a).

Although these reserves are not particularly high by international standards, they are important in view of the crucial role of hydrocarbon imports in both Japan and China and the desire of both countries to reduce their high dependence on energy from the Middle East. Japan has reduced its oil dependence by a third since the oil crises in the 1970s, but it remains the world’s third-largest consumer of oil (after China and the US) as well as the world’s largest importer of liquified natural gas (LNG), accounting for 40 percent of total world imports. While its energy consumption growth is expected to level off, Japan will continue to import vast quantities of oil and gas; China’s consumption, on the other hand, is rising steeply. In 2003 China became the world’s second largest consumer of oil (it became a net oil importer in 1993), following the US (Drifte 2008b: 11-12; AS, 26/9/05).

Currently, the most important hydrocarbon resource in the ECS is gas. Although gas accounts for only about 3 per cent of China’s total energy consumption, its consumption rising quickly, driven by a deliberate policy of reducing the high level of environmentally damaging coal consumption. In 2007, despite its own growing gas production, China started to import gas in the form of LNG. It is also relevant in our context that, rather than relying on market forces and diversification, as Japan does, China’s leaders consider the control of foreign oil and gas fields to be very important for guaranteeing a stable supply. It is
well known that this Chinese approach is attracting considerable international criticism with respect to its impact on certain conflict zones (for example, Darfur in Sudan).

There are purely economic and logistical reasons which, in practice, make the oil and gas reserves in the ECS more useful for China than for Japan. In the case of gas, which seems to be most abundant in the contested area, it is important to note that Japan imports gas only in the form of LNG. Therefore, a large land-based gasification plant would have to be built. This would require laying a pipeline, which would be uneconomical because it would have to lead to Japan’s major consumer centres, over 2,000 km from the gas fields. Furthermore, such a pipeline would have to cross deep waters, including the Okinawa Trough (Gotō 2005: 38; Dai 2006: 166). In the case of oil, opinions are more diverse because extracted oil could more easily be loaded onto tankers, although using the existing Chinese pipeline structure to the Chinese mainland would be cheaper.

Obviously, these economic and logistical circumstances have no impact on legal circumstances and do not provide grounds for demanding that Japan should abandon its territorial claims to facilitate a solution. As we will see from the June 2008 agreement, there are no practical obstacles to Japan taking part in the exploitation of the oil and gas fields, or sharing the profits as part of a bilateral agreement.

4 The Road to the Agreement of 18 June 2008

4.1 Why Did Japan Abandon its Passive Stance over the Maritime Border Issue?

Soon after the 1969 report, Japan started, with its ECS neighbours, to explore possibilities for joint development of the sea’s hydrocarbon resources, leading initially to the above-mentioned Japan-Korea agreement. There were also proposals for Japan and China to jointly develop energy reserves in the ECS. In 1984, Deng Xiaoping proposed solving the territorial problems of the Spratly Islands, in the South China Sea, and the Senkaku Islands by jointly developing the disputed areas before discussing the question of sovereignty (Yu 1994: 107; Urano et al. 2001: 49). There have been various other reports containing Chinese joint development proposals for the continental shelf and / or the Senkaku Islands area, but in each case Japan first demanded a settlement of the maritime border or recognition of its title to the Senkaku Islands. The October
1980 proposal by Deputy Premier Yao Yilin for joint oil development around the Senkaku Islands is particularly intriguing, since he mentioned that the joint oil development around the Senkaku Islands should also include the US (Asahi Evening News 11/10/80).

In the same year, Japanese-Chinese negotiations on joint development of the area, including the area around the islands, foundered after a series of meetings (Drifte 2003: 59). Other negotiations took place between 1985 and 2001; these foundered as much because of the territorial disputes as because of the disarray among the various Chinese actors (Yarita 2005: 23-26). The Japanese Ministry of Foreign Affairs (MOFA) asserts that these negotiations were only between private entities, not between the two governments. However, Miyoshi writes that the negotiations between oil development companies from both sides were under the supervision of the governments after 1985 (Miyoshi 2006: 271). In 1995, the relevant Shanghai office of the Chinese State Council proposed joint research on the Japanese side of the continental shelf to a Japanese oil company, but the latter declined in view of Japanese claims of sovereignty over the area (Hiramatsu 2002: 83-84). On 12 October 1996, Chinese foreign minister Qian Qichen suggested to a Japanese media group in Beijing that the issue of the sovereignty of the Senkaku Islands should be shelved and the area jointly developed (Mōri 2006: 141). However, the Japanese government restated that before any talks about joint exploration of the continental shelf could start, the issue of delimitation would have to be settled (MOFA 1996).

Japan finally abandoned its temporising stance in view of China’s relentless pursuit of oil and gas explorations near Japan’s proposed median line, as well as the increase in Chinese scientific research vessels and naval vessels in the ECS area claimed by Japan as its EEZ and around the Senkaku Islands. At the same time, the general tenor of the bilateral relationship worsened as a result of rising nationalism on both sides, Japan’s worries about China’s military build-up, and the growing political and economic rivalry between the two countries.

China’s exploration activities in the ECS started in 1974 (Hiramatsu 2002: 74). In 1983, the Pinghu oil and gas field was discovered by the then Ministry of Geology and Mineral Resources, and preparation for exploration began in 1992 (ADB 2004). As of the early 1990s, China stepped up exploration in what Japan

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4 Author’s e-mail correspondence with the China Division of the MOFA, 22 June 2007.
claimed as its own EEZ. Faced with Japanese protests, Beijing insisted that operations by Chinese ships in the zone were legitimate scientific research as permitted under the UN Convention on the Law of the Sea (UNCLOS). However, the Japanese government often discovered evidence of China conducting exploration into natural resources, in violation of the convention. These activities included drilling into mineral deposits and firing air guns at the seabed.

In October 1999, a rig only 4.8 km from the median line found gas in what was later called the Chunxiao field (Hiramatsu 2002: 78). This Chunxiao gas field is now part of what is confusingly called the Chunxiao gas field group (*tengun* in Japanese) and encompasses four gas fields altogether. Along with the Chunxiao gas field, these are the Tianwaitian, Duanqiao and Canxue gas fields. In November 1998, China began full operation of its first oil and natural gas field in the Pinghu field, about 70 km from the median line, on the Chinese side. As proof of the Japanese government’s long-lasting tolerance of China’s ECS resource extraction activities, in 1997/98 Japan co-financed – through its contribution to the Asian Development Bank (ADB), as well as directly through its Export Import Bank (renamed Japan Bank of International Cooperation in 1999) – the two oil and gas pipelines from the Pinghu field to the Chinese mainland. The initial disbursement by the ADB was in February 1997, and the final one was as recent as November 2001 (ADB 2004). This support of Chinese oil and gas extraction activities in the contested area has received heavy criticism in Japan in recent years. Today, the Japanese government publicly insists that the Pinghu field is within the contested ECS area, as long as no agreement on the demarcation has been reached, because it lies within 200 n.m. from the Japanese mainland (YS, 28/4/05, 9/11/06). The Pinghu pipelines have now also come under suspicion because China has connected them with those of the Chunxiao field. Seen from a Chinese perspective, however, the long-term Japanese tolerance and even financial support must have been interpreted as at least implicit acquiescence regarding China’s rights in the area, as long as China’s activities did not fall within any area on the Japanese side of the median line.

According to Japanese press reports, production started at the Tianwaitian gas field (50–60 km from the median line) in September 2005 (JT, 2/10/05; Anami 2007: 210). The Chunxiao gas field is also ready for production, but for political reasons vis-à-vis Japan China seems to have put the start on hold. It was very important in facilitating the June 2008 agreement that China has implicitly respected the median line and withheld the start of exploration in the Chunxiao
gas field, but the Chinese advances had also put tremendous pressure on Japan to come to an agreement.

At the same time, Japan had refrained even from performing explorations in the ECS, with the exception of the exploration under the 1974 Japan-South Korea treaty. Several Japanese companies applied for ECS exploration permits in the 1970s, but the Japanese government turned them down. It is reported that the Ministry of Foreign Affairs did not want to upset China (Nomura 2005: 68; JT, 15/8/01; Hiramatsu 2002: 112). It is understandable that this, too, must have been interpreted by China as an implicit acknowledgement of China’s claims.

Before changing its mind about allowing explorations by Japanese companies, the Japanese government had begun in 2003 to ask the Chinese to hand over data on the Chunxiao field, but Beijing refused since it considers the area part of its EEZ. In order to enhance its leverage, the Japanese government decided in 2004 to collect its own geological information. From July to October 2004, a private company commissioned by the Energy Agency of the METI conducted a geological survey on the Japanese side of the median line, in order to investigate whether China was tapping into gas reserves which straddle the median line. The survey area was a 210 km north-south strip, with a width of 30 km, the lower end facing the Chunxiao and Tianwaitian gas fields on the Chinese side (Map in Kajjō Höan Repōto 2006: 38).

China reacted immediately after the announcement of the survey and warned the Japanese to act with caution in what it considered to be the Chinese EEZ (FMPRC 2004). It was even reported that a Chinese surveillance vessel, and later two warships, tried to chase away the survey ship (AS, 13/10/04; YS, 13/4/05). The interim report of the survey, in February 2005, concluded that it was highly likely that the Chunxiao and Duanqiao geological structures were linked with those on the Japanese side of the median line; this was confirmed as definite in the final report in April 2005 (YS, 2/4/05). The Chinese disputed any geophysical link between the two sides, maintaining that the geological faults near the two gas fields prevent such a link (YS, 21/2/05).

After this final report, the Japanese government announced its intention to start the procedure for awarding test drilling rights to private companies (Kaiyo Hakusho 2006: 131). In July 2005, Teikoku Oil was given a licence to drill in three areas, totalling 400 square km, along the Japanese side of the median line and running along the Chunxiao and Duanqiao gas fields (AS, 15/7/05). To no one’s surprise, China had already declared that it would consider test drilling
as constituting serious damage to its interests and to its sovereignty, thereby reconfirming its position that its EEZ reached as far as the Okinawa Trough (FT, 14/7/05). As a result, Teikoku Oil did not embark on any exploration.

Other developments also prompted Japan to become more insistent on reaching some kind of agreement with China. The Japanese authorities observed a growing presence of Chinese military forces in the area of the territorial disputes, as well as around Japan in general. There were also increasing reports of intelligence-gathering naval ships around other areas of Japan. Tensions further increased in 2005 when Chinese and Japanese military forces confronted each other near the oil and gas platforms along the median line to observe, deter, and impress the other side. In January, Chinese destroyers were reportedly seen criss-crossing the Chunxiao area, and Japanese P3C reconnaissance aircraft went to observe them (YS, 12/4/05). When the Japanese protested against China’s deployment of naval ships, including destroyers near the Chunxiao fields, in September 2005 (at the time of the 3rd maritime border consultation round), China argued that these were normal exercises in its waters; it asked Japan to cease flights by Japanese aircraft near the same fields, as they disturbed the gas exploration project. Later it was reported that during that deployment a ship gun pointed at an aircraft of the Maritime Self Defence Force (MSDF). Also in September, the Chinese Foreign Ministry spokesman Qin Gang announced that a Chinese reserve vessel squadron had been established to ‘handle emergencies during peacetime, and being able to fight during wars’. The establishment of the squadron followed China’s creation of two naval groups in the Bohai Sea and the Yellow Sea (JT, 30/9/05). Japan reacted with military preparations on its side and considered the Chinese military presence to be part of what it calls China’s non-transparent military build-up.

4.2 Negotiating the Joint Use of Hydrocarbon Resources

The legal claims of both Japan and China concerning the Senkaku Islands had allowed only for the ‘shelving’ of the issue, which was followed by the Japanese government claiming that there was no territorial issue to discuss. The only achievement in coming to a compromise in the ECS, apart from the Prior Notification Agreement of 2001 intended to stop the incursion of Chinese research vessels into Japan’s claimed EEZ, was the 1997 Fisheries Agreement (Drifte 2008b: 18-21). As a result of both countries having ratified UNCLOS in 1996, the bilateral 1975 Fisheries Agreement had to be replaced. Negotiations
to this end started in April 1996 and ended successfully in November 1997, to become effective in June 2000. The agreement circumvented the territorial disputes by establishing ‘joint fishing areas’ in lieu of EEZ boundaries (Drifte 2008b: 24-25).

Tokyo’s original median line proposal was rejected by Beijing. Moreover, the Fisheries Agreement of 2000 states that it does not affect their positions on other legal matters, including disputed islands and the boundary delimitation of their EEZs and continental shelves, and is therefore a provisional agreement. Additionally, there is no effective dispute settlement mechanism. Finally, South Korea protested the agreement and demanded trilateral talks because one of the designated fishing areas overlapped its claimed EEZ (Valencia/Amac 2003: 196).

The fishery negotiations were superseded by the ‘Consultations on the Law of the Sea and the Delimitation of the EEZ’ from August 1998 onwards. These ‘consultations’ consisted mostly of an annual meeting and were conducted at the deputy-director-general level. They made no progress at all because both sides insisted on their legal positions, the Chinese continued with their explorations and extractions of energy resources, and the Japanese tried to maintain the status quo. In addition to that, the Koizumi era, with the prime minister’s Yasukuni war shrine visits, was not conducive to progress.

Since 2004, the Japanese government has been demanding that the Chinese stop all further development work until a compromise is found. To emphasise its claim to a potential 200 n.m. EEZ pending an agreement, the government gave Japanese names to the Chinese oil and gas fields in that area in 2005:

– Chunxiao - Shirakaba
– Longqing - Asunaro
– Duanqiao - Kusunoki
– Tianwaitian - Kashi
– Lengquan - Kiko

At the same time, more nationalistic forces in both countries pushed for a greater assertion of their country’s stance, adding to the pressure arising from China’s relentless exploration and the worrying military connotations of the territorial disputes. All these circumstances may have prompted both sides to relaunch their efforts to find a solution to the disputes, even while Koizumi was still prime minister. A meeting between both foreign ministers in 2004 resulted in the beginning of what the Japanese officially called the ‘Japan-China Consultations concerning the East China Sea and Other Matters’ (Higashi Shinakai to ni kansuru
Nitchū Kyōgi, hereafter ECSOM). The Chinese name of the negotiations was ‘China-Japan Consultations regarding the East Sea’ (Zhong Ri guanyu Donghai wenti cuoshang).

In these negotiations the Chinese side initially proposed joint exploration between Japan’s proposed median line and the Okinawa Trough, something which was turned down by the Japanese side, as was a Chinese proposal for one area near the Senkaku Islands and one in the north of the ECS, adjacent to the Longqing field (YS, 11/3/06). Only at the third round in September 2005 did Japan for the first time formally call for joint development, proposing an area equally divided by Japan’s proposed median line, and including the Chunxiao, Duanqiao, Tianwaitian and Longqing gas and oil fields (YS, 2/10/05; Anami 2007: 210). Another important step was made during the fifth round in May 2006 when both sides agreed to shelve the delimitation of the EEZ border because it would take too long, and that the emphasis should now instead be on joint development (SANKEI, 31/5/06). Japan also agreed that it would share the costs of areas already developed by China (FT, 21/3/07; YS, 20/9/07).

The progress of the talks was helped significantly by the ending of the Koizumi cabinet in 2006 and the firmer hold on power of the Hu Jintao leadership. Hu Jintao reacted very positively to the new Japanese prime minister, Shinzō Abe, agreeing to invite him immediately after he assumed power in October 2006. At the summit in Beijing, the two leaders published a joint statement in which they promised to accelerate the process of consultation on the issue of the East China Sea, adhere to the broad direction of joint development and seek for a resolution acceptable for the both sides [...] in order to make the East China Sea a “Sea of Peace, Cooperation and Friendship”. (MOFA 2006)
Table 1  Chronology of East China Sea Consultations, 2004–2008

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<tr>
<th>Japan-China Consultations concerning the East China Sea and Other Matters (Higashi Shinakai to ni kansuru Nitchi Kyōgi), director-general level</th>
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<tr>
<td>1st round of the Japan-China Consultations concerning the East China Sea and Other Matters</td>
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<td>2nd round of the Japan-China Consultations concerning the East China Sea and Other Matters</td>
<td>30-31 May 2005</td>
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<td>3rd round of the Japan-China Consultations concerning the East China Sea and Other Matters</td>
<td>30 September-1 Oct 2005</td>
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<td>Informal Japan-China Consultations concerning the East China Sea and Other Matters</td>
<td>January 2006</td>
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<td>4th round of the Japan-China Consultations concerning the East China Sea and Other Matters</td>
<td>6-7 March 2006</td>
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<td>5th round of the Japan-China Consultations concerning the East China Sea and Other Matters</td>
<td>18 May 2006</td>
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<td>6th round of the Japan-China Consultations concerning the East China Sea and Other Matters</td>
<td>8-9 July 2006</td>
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<tr>
<td>7th round of the Japan-China Consultations concerning the East China Sea and Other Matters</td>
<td>29 March 2007</td>
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<td>25 May 2007</td>
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<td>10th round of the Japan-China Consultations concerning the East China Sea and Other Matters</td>
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<td>14 November 2007</td>
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<tr>
<td>1st Ministerial meeting in Beijing</td>
<td>1 December 2007</td>
</tr>
<tr>
<td>Prime minister Yasuo Fukuda’s visit to the People’s Republic of China</td>
<td>27-30 December 2007</td>
</tr>
<tr>
<td>Japan-China Strategic Dialogue in Beijing</td>
<td>22-23 February 2008</td>
</tr>
<tr>
<td>President Hu Jintao’s official visit to Japan</td>
<td>6-10 May 2008</td>
</tr>
<tr>
<td>Foreign minister Yang Jiechi’s visit to Japan</td>
<td>14 June 2008</td>
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<tr>
<td>Announcement of the Joint Press Statement</td>
<td>18 June 2008</td>
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</table>

Source: E-mail from the China Division of MOFA to the author on 20 November 2006 and 25 June 2008.

The negotiation process was given further impetus by prime minister Wen Jiabao’s Japan visit in April 2007. Wen expressed very clearly to an audience of Chinese residents in Japan how important he considered the visit to be by placing it in
the larger context of China’s international politics:

This is the most important task since I took office. I did a lot of preparation. Every sentence is written by myself, and I did all the research work myself. Why? Because I feel our nation’s development has reached a critical moment. We need to have a peaceful and conducive international environment. (IHT, 19/4/2007)

The leaders reached a consensus on ‘making the East China Sea a sea of peace, cooperation and friendship’ and carrying out joint development based on the principle of mutual benefit as a temporary arrangement pending the final demarcation and without prejudice to the positions of either side on matters concerning the law of the sea. They also agreed to carry out joint development in a ‘relatively wide area that is acceptable to both sides’ (Xinhuanet 2007). A deadline for submitting a plan for joint development by autumn 2007 was set, thus moving the process further along than the Abe-Hu agreement of October 2006, which spoke only about accelerating the pace of the negotiations. The phrase ‘relatively wide area acceptable to both sides’ was meant to make it easier to agree on an area for joint development which would not just be limited to one area in the north and one in the south of the ECS, as originally proposed by China, but which would also not be limited to the Chunxiao field, as demanded by Japan.

In order to create a good atmosphere for these difficult negotiations, and also for the larger Japanese goal of bringing China into a global environmental compact to follow the Kyoto Protocol of 1997, the Japanese government initiated a forum to help China with energy- and environment-saving technologies. This initiative was also included in the wider context of the 8 October 2006 bilateral agreement to foster a ‘mutually beneficial relationship based on common strategic interests’ (MOFA 2006). In 2006, Tokyo hosted a Japan-China forum for technical experts on energy-saving technologies. On the occasion of prime minister Wen Jiabao’s visit to Japan in April 2007, an energy dialogue was organised at short notice. It was attended by approximately 650 Japanese and Chinese business executives from oil, gas, electricity, and other energy-related companies and is to be held annually (JT, 13/4/07). The second comprehensive forum on energy conservation and environmental protection was held on 27 September 2007 in Beijing.

The relationship between the two countries improved further when Yasuo Fukuda became prime minister in October 2007. Known as a politician with greater sympathy for China than his predecessors Jun’ichirō Koizumi and Shinzō
Abe, he immediately made clear that he would not visit the Yasukuni Shrine. But when foreign minister Masahiko Kōmura met his Chinese counterpart Yang Jiechi on 1 December 2007, both sides merely agreed to conclude the talks before the planned visit by prime minister Fukuda to China, thus abandoning the April 2007 agreement to achieve a joint development framework by autumn. Even the China visit by Fukuda in December 2007 and the Hu Jintao Japan visit in May 2008 did not result in a conclusion of an agreement. However, one can assume that for whatever domestic politics reasons in China (for example, the earthquake in Sichuan) finalisation of an agreement did not materialise. An agreement in principle was in fact achieved during the Hu visit, because on 18 June an agreement on cooperation in the ECS was announced.

4.3 An Evaluation of the Agreement of 18 June 2008

The document of 18 June 2008 is surprisingly short and consists of three parts. In Part 1 the general point is made that both countries have agreed to cooperate in the ECS in order to turn it into a ‘Sea of Peace, Cooperation and Friendship’. This cooperation – in the absence of an agreed-upon maritime border – is to be without prejudice to the legal position of either party. Both countries will continue negotiations. The agreement is therefore only a first step.

The second part, like the third part, is referred to as an understanding (ryokai in Japanese; liangjie in Chinese). In the former, the two sides agree to joint development (kyōdōkaihatsu, gongtong kaifa) in an area defined by seven measures of longitude and latitude as a first step. The agreement has a map attached which shows the area. The area is south of the Longqing field and, as far as this author is aware, has not been developed by China so far. Both sides declare their willingness to select sites for joint development in this area through consultations and to conclude a bilateral agreement to implement joint development. Of particular importance for Japan is that the two sides will also consult about other areas outside of the above area for joint development.

The third part illustrates a fascinating attempt to bridge the gap between the two countries’ positions on the national sovereignty over the area of the Chunxiao field. The title of the Chinese version refers to the participation of Japanese legal persons in the development of the Chunxiao oil and gas field in accordance with Chinese laws. The Japanese version is merely titled ‘Understanding on the development of Shirakaba (Chinese name: Chunxiao) oil and gas field’ but then contains the same wording. The important point here is that China wanted to
make clear its unchanged position on its title to the field by insisting on the omission of ‘joint’ and speaking of ‘welcoming’ Japanese companies to participate in the exploration and exploitation in accordance with Chinese laws regarding cooperation with foreign enterprises. Vice Foreign Minister Wu Dawei reinforced this point shortly afterwards when he declared that the cooperative development of the Chunxiao oil and gas field by Chinese and Japanese enterprises was different from the ‘joint development of the East China Sea’. He added that the biggest difference was that in the case of the Chunxiao field, development must be conducted in accordance with Chinese laws, a requirement which thus indicated that the sovereign rights over the field belonged to China. And just to make it even clearer, he referred to the previous cooperation by Unocal and Royal Dutch Shell in the development of Chunxiao as being exactly the same case (CI 2008b). This latter point was also emphasised by foreign minister Yang Jiechi on 24 June in refutation of a Japanese official’s remark that it was not important whether it was called ‘joint development’ or not (FMPRC 2008b).

The following points can be made about this three-part agreement:

- The agreement does not amount to any substantive progress concerning the delimitation of the maritime border in the ECS. However, politically speaking, it is a success that such an agreement could be concluded despite the continuing impasse over how the border should be delimited, and it highlights a continuous improvement of the bilateral relationship since 2005. At the same time, the Japanese side can claim that the agreement indicates implicit Chinese acknowledgment of the median line because the defined zone for joint development approximately straddles this line and differentiates between Chunxiao and the joint development zone. In exchange, the Japanese side had to accept a text version and Chinese unilateral statements which imply that Chunxiao is under Chinese sovereignty. Furthermore, the Japanese side could not get the Chinese to accept the inclusion of the Tianwaitian and Duanqiao fields, although that had been – together with the Longqing field – one of the Japanese demands. Instead, Japan had to satisfy itself with the statement in Part 2 that both sides will continue consultations on joint development in other parts of the ECS, which can be interpreted by the Chinese as being between the median line and the Okinawa Trough. However, the Chunxiao field has the more ‘iconic’ value for Japan. In the case of Longqing, both sides agreed to exclude it because of the Korean factor (YS, 21/6/08).

- The agreement is merely an agreement on principles, and the implementation
of Part 2 and 3 will require further difficult negotiations and in Japan’s case a treaty which will have to be ratified by the Diet, potentially exposing the whole venture to the vagaries of party politics (for example, as a result of the Democratic Party’s majority in the Upper House). Domestic opposition in China against the agreement has also already been raised, and the implementation will depend on the strength of Hu Jintao’s regime and the overall Japanese-Chinese relationship (YS, 20/6/2008). The agreement on Chunxiao is hardly of any economic value to Japan since the field is fully developed and Japan’s share and proportional profits can only be symbolic. So far, Teikoku Oil has declared its interest in participating in the Chunxiao field (which is next to the area on the Japanese side of the median line for which it received a license in 2005) and Nippon Oil Corp. has declared its interest in the joint development zone (CI 2008c).

5 Conclusions

The methods used to address the Japanese-Chinese territorial conflicts in the ECS are not only important for the further development of the Japanese-Chinese relationship but will also have repercussions for the solution of China’s other territorial conflicts (with Korea in the northern part of the ECS and notably with many Southeast Asian countries in the South China Sea) and provide important clues about China’s military power and how it may use this power. Moreover, given the strategic location of the ECS, the outcome of the disputes will also have an impact on how China addresses the Taiwan issue.

The investigation of the Japanese-Chinese territorial disputes in the ECS provides an illustration of how Japan has changed its general approach to China, and how it is attempting to balance a much more assertive approach with the relative decline of its power in relation to China. On the Chinese side we see a move away from very centralised control of the disputes to a decision-making process where public opinion, individual ministries, oil companies, and particularly the navy are increasingly gaining more influence (Drifte 2008b: 35). Despite China’s relentless pursuit of its energy interests in the ECS, one cannot put the blame completely on China since we have seen that both sides have, at different times, gone ahead without achieving prior consent from the other side. The Chinese will remember that in 1974 Japan concluded an agreement with South Korea for the exploitation of carbon resources in the north of the ECS, although the Chinese government considered the agreement to violate its rights
in the area. Despite these protests, the Japanese went ahead with exploration and abandoned it only when no commercially viable resources were found.

Thereafter, however, the Japanese showed great restraint in surveying even the area on the eastern side of its proposed median line, even before the ratification of UNCLOS in 1996, which advises partners to a maritime border dispute not to do anything which would jeopardise or hamper a final agreement (UNCLOS Article 74 paragraph 3 and Article 83 paragraph 3). Secondly, the Japanese government blocked several semi-private Japanese and Chinese attempts, and official Chinese proposals attempting to find a compromise, by insisting on linking such proposals with the title to the Senkaku Islands. The Japanese government could have made better use of its most important leverage in the 1970s and 1980s, that is, its access to off-shore exploration, extraction, and transportation technologies. After the conclusion of the Peace and Friendship Treaty in 1978 and the beginning of a relatively stable and positive bilateral relationship during the 1980s, there was a golden opportunity for tackling remaining bilateral issues. But not only did the Japanese government overplay its territorial claim to the Senkaku Islands – while underplaying its technological advantage and the opportunity offered by a stable relationship at the time – it also reinforced the Chinese perception that it did not care much about China beginning explorations and was instead implicitly condoning them through its silence and its co-financing of the Pinghu field development. The Japanese government did not allow any company to explore the disputed area until 2004, even on the Japanese side of the median line, but it did not even try to get something in return from China. The Japanese government seemed to be content as long as the Chinese were implicitly respecting the median line, even though there were reports in 1995 and afterwards that Chinese exploration rigs went beyond it.

The sudden change in Japan’s official approach to the disputes gave rise to Chinese suspicions about Japan’s own hunger for energy and its will to impede China’s development (Drifte 2008b: 34). Of course, the Japanese silence was due to a rather more complex set of reasons. Japan’s China policy, until at least the second half of the 1990s, was in the hand of the MOFA, which was keen to protect the increasingly fragile relationship from several negative domestic influences over which it had no control. These included, for example, the textbook issue and other problems related to Japan’s difficulties in coming to terms with its past in a way that was acceptable to its Asian neighbours. However, the MOFA had control over the agenda-setting related to the territorial disputes.
Another example would be the ending of ODA loans (Drifte 2008a). In that case, the temporising and ignoring of the problem as a result of lack of foresight or political wisdom on both sides ultimately allowed the decision-making process to be hijacked by the general deterioration of Japanese-Chinese political relations, which was driven by growing Japanese concern over China’s political, military, and economic developments.

The June 2008 agreement can be considered an important milestone on the way towards resolving the territorial disputes, but much will depend on the general developments in Japanese-Chinese relations. The year 2008 has shown how vulnerable these relations are, whether one thinks of the Chinese ravioli poisoning, the Japanese reaction to the Tibet clampdown, or the sinking of the Taiwanese sport fishing boat. The negotiations for implementing the June 2008 agreement itself will be very difficult in view of the rigid legal positions of both sides and predictable issues which will, time and again, directly challenge these positions. The requirement to submit data for the extension of the continental shelf to the UN Committee on Limits of Continental Shelf by May 2009 is one such predictable issue, although the author has been told that Japan will not submit data.\(^5\) In addition, the committee has recently decided that it will be satisfied with preliminary data for the time being (LOS 2008). After oil and gas there is also the issue of the deep sea mining of nodules, containing raw materials, which China will need for its expanding manufacturing industry even more quickly and in greater quantity than Japan. In March 2008, the Japanese cabinet adopted a basic maritime development plan which states that immediate steps should be taken to research and develop oil, natural gas, methane hydrate, and sea-floor hydrothermal deposits in the nation’s EEZ (YS, 19/3/08). At the same time, the activities of the Chinese navy in the ECS can only increase as a result of the unresolved Taiwan conflict, China’s desire to access the Pacific Ocean, and Japanese-American military countermeasures.

In the end, as Mark Valencia argues, the fundamental barrier to the resolution of the disputes in the ECS is not oil but rather ‘unresolved historical grievances and the politics of national identity’ (Valencia 2007: 157). China and Japan’s economic stakes in the ECS are too different to allow them to rely on a purely economic-interest based motivation leading to a resolution. International law

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\(^5\) Author’s interview with a senior Japanese diplomat, 28 May 2008.
can give some guidance, but ultimately there has to be a political solution, particularly in view of the fact that both sides refuse international litigation. For a political solution there has to be a positive atmosphere and strong leadership, which will allow both sides to understand that a constructive relationship is an absolute necessity for the national interests of both countries and to act upon this understanding.

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