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A Glimpse of our Geopolitical Future -- The East and South China Seas

Posted by Dave Cohen on March 15, 2006 - 7:12pm
Topic: Policy/Politics
Tags: china, continental shelves, exclusive economic zones, japan, korea, law of the sea, natural gas [list all tags]

Geopolitical conflicts have obvious effects on the world's supply of oil & natural gas. Mostly, such conflicts are discussed in the context of the Middle East, Russia as a supplier or West Africa. However, there is an underpublicized set of conflicts in the maritime areas of East Asia over who owns the development rights to disputed oil & natural gas rights in those offshore areas. The hottest of these conflicts is between China and Japan over drilling rights in the East China Sea (Asian Times) and among various nations adjacent to the South China Sea. And there are other disputes as well. Whether these rights of ownership are resolved amicably or through intimidation and military conflict will affect how various nations fare in obtaining their fossil fuels supplies in the future and hence their security. Let's take a closer look at geopolitical disputes in East Asia's ocean regions.

[Editor's Note 3/15/2006]: I made an inadvertent error regarding US annual natural gas consumption that Westexas pointed out to me. It is now corrected in the text below. US consumption of natural gas is now about 23 trillion cubic feet (Tcf)/year. The disputed reserves in the East China Sea comprise about 1/3rd of that yearly estimate of US consumption. This should give you some clue about the importance of conflicts over the resources in question which are paltry compared to the big natural gas reserve holders like Russia, Saudi Arabia, Iran, Qatar, the UAE, etc. That these relatively small fossil fuels resources should be at the center of volatile geopolitical and historically based political disputes in East Asia gives us a realistic perspective on what the world faces in the current crisis and that is the whole point of this post.

To understand what's going on in the China & Japan dispute, we need to be acquainted with the Law of the Sea and what are called exclusive economic zones.

> In international maritime law, an Exclusive Economic Zone (EEZ) is a seazone over which a state has special rights over the exploration and use of marine resources. Generally a state's EEZ extends to a distance of 200 nautical miles (370 km) out from its coast, except where resulting points would be closer to another country. Technically it does not include the state's territorial waters, so the EEZ's inner boundary follows the borders of the state's territorial waters (usually 12 nautical miles from the coast).
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> This concept of allotting nations EEZs to give better control of maritime affairs outside territorial limits gained acceptance in the late 20th century and was given binding international recognition by the Third United Nations Convention on the Law of the Sea in 1982. Part V, Article 55 of the Convention states:
>
> *Specific legal regime of the Exclusive Economic Zone*

> *The Exclusive Economic Zone is an area beyond and adjacent to the territorial sea, subject to the specific legal regime established in this Part, under which the rights and jurisdiction of the coastal State and the rights and freedoms of other States are governed by the relevant provisions of this Convention.*
>
> *Fisheries management is a significant aspect of the resulting control.*

Unfortunately, it's even more complicated than that. Perhaps some of you are familiar with Geneva Convention on the Continental Shelf which

> Established a general regime for the continental shelf, defined in Article 1 as (a) the seabed and subsoil of the submarine areas adjacent to the coast but outside the area of the territorial sea, to a depth of 200 metres or, beyond that limit, to where the depth of the superjacent waters admits of the exploitation of the natural resources of the said areas; or (b) the seabed and subsoil of similar submarine areas adjacent to the coasts of islands. Includes measures for the exploitation of the natural resources of the continental shelf, including sedentary species.

OK, now that we know the pertinent international laws that apply, we can talk about the actual dispute. In The Geopolitics of Natural Gas, Michael Klare of The Nation magazine briefly describes the conflict.

> A dispute between China and Japan over the ownership of an undersea gas field in an area of the East China Sea claimed by both countries has grown increasingly inflammatory, with China sending warships into the area and Japan threatening "bold action" if the Chinese begin pumping gas from the field. The conflict has soured relations between Beijing and Tokyo and provoked a strong nationalistic response from the populations of both countries. The huge anti-Japanese demonstrations in Shanghai and other Chinese cities last April were prompted, in part, by Tokyo's announcement that it would permit drilling in the area by Japanese firms. A peaceful resolution of the dispute does not appear imminent.

And this gives us an opporunity to display this beautiful map of the East China Sea from The Economist, Oil and gas in troubled waters.

The disputed area in the East China Sea
Figure 1

From the Asian Times (link cited above the fold), we learn that "Under the UN Convention on the Law of the Sea, to which both Japan and China are signatories, coastal countries can claim an economic zone extending up to 370 kilometers [about 200 miles at its widest point] from their shorelines, which Japan relies on in its argument over the gas field. But China bases its exploration claim on another international treaty, the 1958 Geneva Convention of the Continental Shelf, that allows coastal countries to extend their borders to the edges of their undersea continental shelves." The disputed natural gas reserves straddle both the Chinese and Japanese claims under *two different* international covenants! Originally, these agreements were meant primarily to cover fisheries rights but now that we've almost reached *Peak Fish* and are fast approaching Peak Oil, things have changed--sorry, I'm trying to find the humor in this situation. In fact, from the Economist

> Japan says the boundary should be the median line between the two countries. China says its EEZ should extend to the edge of its continental shelf, which would put the line almost up against Japan's shores. The convention does not give specifics of how overlapping EEZ and continental shelf claims should be resolved.

What's being disputed here? There are three natural gas fields out there in the overlapping area but naturally the two countries have different names for them. Here's a brief guide for the perplexed.

- Chunxiao (China) = Shirakaba (Japan)
- Duanqiao (China) = Kusunoki (Japan)
- Tianwaitian (China) = Kashi (Japan)

And from the Asian Times, geologically speaking...

> The Chunxiao/Shirakaba and Duanqiao/Kusunoki fields have been confirmed to be connected at the subterranean level to a gas field that lies within what Japan says is its EEZ. The Tianwaitian/Kashi gas field is also suspected to be directly connected to deposits on the Japanese side.

What's at stake out there? Estimated reserves are 200 billion cubic metres (Bcm) which is

approximately 7.063 trillion cubic feet (Tcf) of natural gas, a relatively large number. This is a couple trillion cubic feet shy of 1/3 of one year's natural gas consumption in the US.

Before we get into the gory details, let's review a little 20th century history. In 1931, the Japanese invaded Manchuria and set up a puppet state Manchukuo. The Japanese occupation of this part of China lasted until the end of World War II when Chinese sovereignty was at last reasserted. And who among us can forget the Rape of Nanking?

> Following the Battle at Marco Polo Bridge, which formally started the Sino-Japanese War [1937 to 1945], the Japanese were swift in capturing major Chinese cities in the northeast....
>
> After losing the Battle of Shanghai, Chiang Kai-shek knew the fall of Nanking would be simply a matter of time. Leaving General Tang Shengzhi in charge of the city for the Battle of Nanking, Chiang and many of his advisors flew to Chongqing, which became China's capital for the next seven years. On November 11, 1937, after securing control of Shanghai, the Japanese army advanced towards Nanking from different directions. In early December, the Japanese troops were already in the outskirts of Nanking.
>
> On December 9, the Japanese troops launched a massive attack upon the city [Nanking].
>
> Eyewitness accounts from the period state that over the course of six weeks following the fall of Nanking, Japanese troops engaged in massacre. War crimes committed during this episode include the killing of civilians and prisoners of war, rape, looting, arson. It is not known how many Nationalist soldiers were trapped within the walled city and disguised themselves as civilians, but a large number of deaths also occurred to civilians including women and children....

Needless to say, this history has not been forgotten by either nation and we could say that relationships have always been "strained" since the end of the war. In October of 2005, "Japanese Prime Minister Junichiro Koizumi ... paid homage at a Tokyo shrine [Yasukuni Shrine] for [World War II] dead that is seen by critics as a symbol of Japan's militaristic past, drawing swift and angry protests from China and South Korea". It was his 5th such visit. As reported at Bloomberg on March 7th 2006 in Japan to Consider China Proposal on Gas Dispute,

> Relations between China and Japan have become increasingly acrimonious in the past year as Asia's two biggest economies have argued over Japanese Prime Minister Junichiro Koizumi's visits to a Tokyo shrine that includes war criminals among the dead it honors.
>
> "The key cause of difficulties in China-Japan relations is a certain Japanese leader who still insists on honoring Class A criminals who commanded aggression against China during World War II," Li said during a briefing in Beijing. "That Japanese leader should not continue to offend the people of China," Li said, without naming the leader.

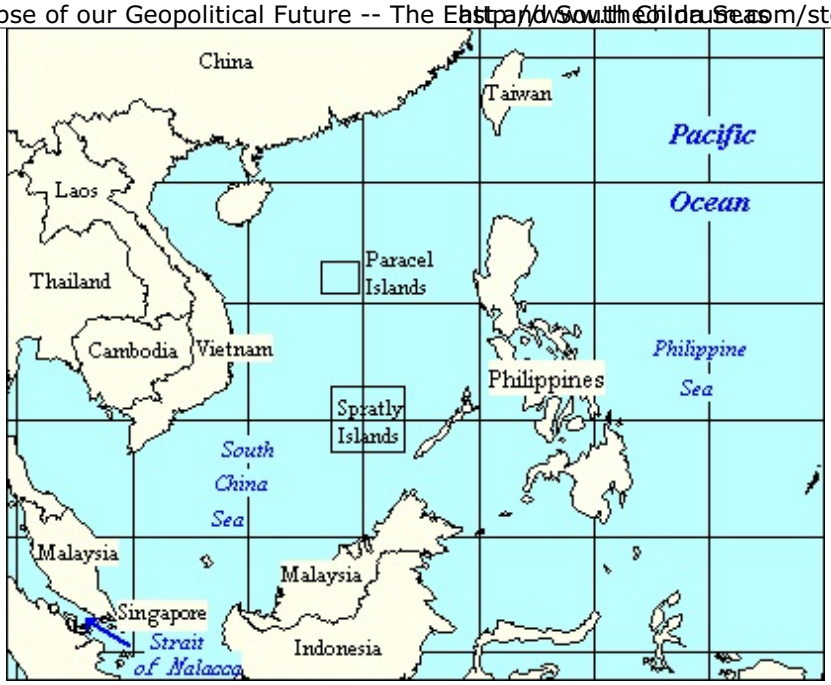
So, as you can see, historical animosity has not eased off much and perceived provocations like these shrine visits have aggravated tensions over the disputed natural gas fields. In October, Japan proposed joint development of these inconveniently located gas fields but China has not

agreed to any such arrangement. In fact, back in October of 2005, China started production in the Tianwaitian/Kashi field and has apparently started production in the other two fields as well. Meanwhile, negotiations drag and on, which the Japanese naturally enough interpret as a delaying ploy that allows Chinese production to continue unimpeded by any political agreement. It didn't help that last fall the Chinese carried out military manuevers in the area. This gunboat diplomacy was clearly meant to intimidate the Japanese. Of course it did nothing of the sort--it just pissed them off even more. So, Japan continues to press for a joint development while China is drilling for gas in the East China Sea.

There are other disputed maritime areas in Asia's waters. As Klare describes it

> Although demand for natural gas has engendered cooperation between once-estranged nations, rival claims to oil and gas fields have frequently caused friction, even armed conflict. This has most often occurred in cases involving disputed offshore territories, notably in portions of the South China Sea, the East China Sea and the Strait of Korea. All these areas are believed to harbor substantial reserves of hydrocarbons in one form or another--oil and gas combined, gas alone or, as in the Korea Strait, gas hydrates...
>
> The most intense and prolonged of these conflicts has occurred in the South China Sea, a relatively shallow body of water believed to harbor substantial reserves of oil and gas. All of the countries with shorelines on the South China Sea--Brunei, China, Indonesia, Malaysia, the Philippines and Vietnam--have laid claim to a 200-mile offshore Exclusive Economic Zone in the area, many of them overlapping with one another, and all have laid claims to some or all of the small islands and reefs that dot the region. China, the dominant power in the area, claims all the islands and has been particularly aggressive in asserting its sovereignty over them--on several occasions using military force to drive away ships belonging to Vietnam and the Philippines. Several attempts have been made by the Association of Southeast Asian Nations to resolve the dispute peacefully, but China has not renounced its claim to the islands and continues to expand its small garrisons on some of the larger islets...
>
> Japan is a party to two maritime boundary disputes in the region--the one with China discussed earlier [in this post] and another with South Korea over a cluster of small islands in the Strait of Korea located roughly midway between the two nations. Here, too, the conflict revolves around the boundary between two overlapping Exclusive Economic Zones and the ownership of energy supplies that are thought to lie in the disputed territory--in this case, gas hydrates that could be mined and converted into natural gas.

So far, all efforts to resolve any of these disputes peacefully have been unsuccessful. Here's the South China Sea.



The South China Sea -- Figure 2

As described by the EIA's South China Sea assessment, this region is "rich in natural resources such as oil and natural gas". As Klare notes above, there are no less than *seven* nations who have various EEZ claims to these hydrocarbon resources, including Indonesia, The Philippines, Malaysia, Brunei, Vietnam, Thailand [Klare leaves them out] and finally, of course, China which would just declare that development rights in the entire South China Sea belongs to them if that were possible.

Geopolitical disputes over oil & natural gas are rampant in all of East Asia's maritime regions. These conflicts are acrimonious and bound to get worse. The Chinese feel little compunction about sending out a few gunboats and military aircraft to remind all the others who the Big Bully on the Block is. Geopolitically, these are signs of the "interesting times" we live in as oil & gas becomes more scarce and harder to produce globally. Is it inevitable that in the not-too-distant-future real military conflicts will evolve out of these disputes in East Asia? This could be a perilous new world as these geopolitical conflicts escalate.

Cooperation or armed conflict? What's your bet?