

IN-DEPTH ANALYSIS

# The struggle for control of the East China Sea

Author: Roberto BENDINI

## Abstract

A dispute that has simmered for more than 40 years between Japan and China (and Taiwan) has flared up, bringing Beijing and Tokyo close to a potentially devastating armed confrontation. At issue is the control of small, uninhabited islands in the East China Sea, known by the Japanese as the Senkaku Islands and by the Chinese as the Diaoyu Islands.

In recent years China has radically changed its approach, moving from the relatively moderate and reasonable attitude to world affairs it had adopted for decades to a very assertive foreign policy aimed at, *inter alia*, bolstering its military and political role in Asia and securing key strategic positions off its coastline. China has unilaterally attempted to modify the status quo in the region to conform to an old vision of Asia, in which Imperial China played a hegemonic role. With increasing frequency, China's Communist Party has played the 'nationalism' card to bolster its domestic legitimacy.

For its part, Japan appears unready to accept the Chinese claim over the desolate, barren archipelago, and has refused even to acknowledge the dispute's existence. The quarrel has resuscitated nationalist sentiments in an otherwise pacifist Japan, even leading to a revision of the constitution to allow the Japanese armed forces to assist allies, and to an expansion of the country's military cooperation with the US.

This paper is an initiative of the Policy Department, DG EXPO

**AUTHOR:**

Roberto BENDINI  
Directorate-General for External Policies of the Union  
Policy Department  
SQM 03 Y 85  
Rue Wiertz 60  
BE-1047 Brussels

Editorial Assistants: Jakub PRZETACZNIK and Elina STERGATOU

**CONTACT:**

Feedback of all kinds is welcome. Please write to:  
[roberto.bendini@europarl.europa.eu](mailto:roberto.bendini@europarl.europa.eu).

To obtain paper copies, please send a request by e-mail to:  
[poldep-expo@europarl.europa.eu](mailto:poldep-expo@europarl.europa.eu).

**PUBLICATION:**

English-language manuscript completed on 27 August 2014.

© European Union, 2014

*Printed in Belgium.*

ISBN: 978-92-823-6464-2 (paper)

ISBN: 978-92-823-6463-5 (PDF)

Doi: 10.2861/512997 (paper)

Doi: 10.2861/01942 (PDF)

Catalogue: QA-04-15-015-EN-C (paper)

Catalogue: QA-04-15-015-EN-N (PDF)

This paper is available on the intranet site of the Directorate-General for External Policies, in the [Regions and countries](#) or [Policy Areas](#) section.

**DISCLAIMER:**

The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the publisher is given prior notice and sent a copy.

## Table of contents

<b>Introduction</b>	<b>4</b>
<b>1 Senkaku/Diaoyu dispute</b>	<b>4</b>
<b>1.1 Origin of the dispute over the Senkaku Islands</b>	<b>4</b>
<b>1.2 Establishment of the first Chinese Air-Defence Identification Zone (ADIZ)</b>	<b>9</b>
<b>1.3 Chinese (and Taiwanese) claims</b>	<b>11</b>
<b>2 UN Convention on the Law of the Sea (UNCLOS) and its impact on the Senkaku/Diaoyu dispute</b>	<b>14</b>
<b>2.1 Maritime jurisdiction: <i>De Mare Libero v Mare Clausum</i></b>	<b>14</b>
<b>2.2 UN Convention on the Law of the Sea (UNCLOS) (1982)</b>	<b>15</b>
<b>2.3 Exclusive economic zones (EEZs)</b>	<b>16</b>
<b>2.4 Overlapping maritime claims in the East China Sea</b>	<b>17</b>
<b>2.5 Critics of the UNCLOS regime</b>	<b>19</b>
<b>3 Conclusion</b>	<b>20</b>
<b>Annex 1. Boundaries of the ocean</b>	<b>22</b>
<b>Annex 2. Energy reserves in the East China Sea</b>	<b>23</b>

## Introduction

On 23 November 2013, China announced the establishment of an Air-Defence Identification Zone (ADIZ) in the East China Sea. The Chinese ADIZ extended well into what Japan considers to be its national exclusive airspace and includes an uninhabited archipelago known in Japan as the Senkaku Islands and in China as the Diaoyu Islands. Beijing's decision represents the latest development in a protracted dispute between China and Japan over the control of these islands and the nearby waters in the East China Sea.

In recent years China has radically changed its approach, moving from the relatively moderate and reasonable attitude to world affairs it had adopted for decades to a very assertive foreign policy aimed at, *inter alia*, bolstering its military and political role in Asia and securing key strategic positions off its coastline. China has unilaterally attempted to modify the status quo in the region to conform to an old vision of Asia, in which Imperial China played a hegemonic role. With increasing frequency, China's Communist Party has played the 'nationalism' card to bolster its domestic legitimacy.

For its part, Japan appears unready to accept the Chinese claim over the desolate, barren archipelago, and has refused even to acknowledge the dispute's existence. The quarrel has resuscitated nationalist sentiments in an otherwise pacifist Japan, even leading to a revision of the constitution to allow the Japanese armed forces to assist allies, and to an expansion of the country's military cooperation with the US.

Repeated provocations have inflamed the long-simmering dispute and brought the two countries close to an armed conflict. While there has been no exchange of fire, the dispute is destabilising the region and impeding further regional cooperation.

## 1 Senkaku/Diaoyu dispute

### 1.1 Origin of the dispute over the Senkaku Islands

The Senkaku/Diaoyu Islands are a small archipelago in the middle of East China Sea.

The Senkaku (Pinnacle) Islands (known as the Diaoyu Islands in Chinese and the Diaoyutai Islands in Taiwanese) consist of five uninhabited islets and three barren rocks, with a total surface area of about 7 km<sup>2</sup>. The archipelago lies about 120 nautical miles (170 km) from both Ishigaki, one of the Ryukyu Islands in the Prefecture of Okinawa (and the nearest undisputed Japanese land), and Taiwan.<sup>1</sup>

---

<sup>1</sup> Agreement Between Japan and the United States of America Concerning the Ryukyu Islands and the Daito Islands (source: *Japan's Foreign Relations – Basic Documents*, Vol. 3, pp. 481-489).

**Figure 1:**  
The Senkaku/Diaoyu  
Islands and  
the East China Sea



Source: The Economist

China discovered the islets in the XIVth century and incorporated them into its defence system in the XVIIth century.

The archipelago, a barren and desolate set of islets and rocks, was generally considered to be unable to sustain human life for more than a short period of time. In the past, the islands' potential economic value was also rather limited. In these conditions, it is not surprising that the international community manifested so little interest in the islands' status that almost no specific reference has been found in any international documents.<sup>2</sup>

According to Beijing, Chinese historical records mention the discovery – with a succinct geographical description – of the Diaoyu (Senkaku) Islands as early as 1372. At that time the islands were used as navigational aid and a temporary operational base for Chinese fishermen. China claims it incorporated the islands into its maritime defence in 1556. However, China never established a permanent settlement of civilians or military personnel on the islets, and there is no evidence that it maintained permanent naval forces in adjacent waters. Later, an imperial decree – dated 1893 – issued by

<sup>2</sup> Peter Upton, 'International Law and the Sino-Japanese Controversy over the Territorial Sovereignty of the Senkaku Islands' (*Boston University Law Review*, Fall 1972).

Dowager Empress Cixi gave a Chinese businessman the right to access the islands and gather medicinal herbs.

Japan rediscovered the islands at the end of the XIX century and annexed them in 1895.

The islands came to be of interest to Japan after one of its subjects, Tatsushiro Koga, 'discovered' them and made a request to the local government of Okinawa for their commercial exploitation.<sup>3</sup> From 1885, the Government of Japan, through the agencies of the Okinawa Prefecture and other means, started to carry out surveys of the Senkaku/Diaoyu Islands. These surveys confirmed that the islands had not only been uninhabited but showed no trace of having been under the control of China's Qing Dynasty. In 1895, the Government of Japan decided to formally incorporate the Senkaku/Diaoyu Islands into its national territory (Cabinet decision of 14 January 1895<sup>4</sup>). According to Japan, the acquisition was carried out in full accordance with the principles of international law (occupation of *terra nullius*).

Following this Cabinet decision, Japan openly exercised its sovereignty over the Senkaku/Diaoyu Islands, including the issuing of permits for land tenancy and field surveys for the central government and the government of Okinawa Prefecture as a gesture announcing its intentions.<sup>5</sup>

However, the 1895 Cabinet decision was taken at a time when Japan and China were at war. The decision itself predates the conclusion of a peace treaty between the two Asian countries by just a few months. Under the terms of the Treaty of Shimonoseki (signed on 17 April 1895), China acknowledged its military defeat and was forced to cede to Japan the island of Formosa (Taiwan) together with all minor islands belonging to that province.

Japanese subjects carried out economic activities on the islands before the outbreak of WWII.

The islands were leased to a Japanese subject Tatsushiro Koga in 1896. According to Japan, a major effort was made by private Japanese investors to develop an industry on the islands in the years preceding WWI. Mr Koga started fish-canning operations and began collecting bird feathers and guano. During these years the islands were permanently inhabited by Japanese workers employed in a fish processing plant. The undertaking was apparently closed because of high transport costs and the progressive disappearance of indigenous bird populations. After Mr Koga died in 1918, his son Zenji Koga conducted economic activities on the islands until the beginning of the war in the Pacific in 1941. In 1932, the Japanese Government changed the status of four islands from state-owned to privately-owned land and sold them to the Koga family.

---

<sup>3</sup> Agreement Between Japan and the United States of America Concerning the Ryukyu Islands and the Daito Islands (source: *Japan's Foreign Relations – Basic Documents*, Vol. 3, pp. 481-489).

<sup>4</sup> The aforementioned Cabinet decision of 1895 was not made public until 1951, but it is understood that this was generally the case for similar Cabinet decisions at that time. Under international law, there is no obligation to notify other countries of a government's intention to occupy *terra nullius*.

<sup>5</sup> Ministry of Foreign Affairs of Japan, Q&A on the Senkaku Islands (2012).

As a result of Japan's defeat in 1945, Taiwan was returned to China, while the Senkaku/Diaoyu Islands were placed under US trusteeship.

Japan's surrender in 1945 paved the way for the country's occupation by the United States. The 1951 Multilateral Treaty of Peace with Japan (and the subsequent 1952 bilateral treaty between the Republic of China (ROC) and Japan) resulted into the abrogation of all international agreements concluded between Japan and China prior to the outbreak of WWII. This included the Treaty of Shimonoseki. As a consequence, Japan renounced all title to Taiwan and the Pescadores Islands, which were returned to the Republic of China. However, the Senkaku/Diaoyu Islands were placed under US administration as part of the Nansei Shoto Islands (Ryukyu Islands), in accordance with Article III of the San Francisco Peace Treaty.

During the San Francisco Peace Treaty negotiations, the US (and the UK) agreed that Japan would retain 'residual sovereignty' over Okinawa and its appurtenances. When the ROC Government established diplomatic relations with Japan the following year (Treaty of Peace between Japan and the Republic of China, 1952), the subject of the Senkaku/Diaoyu Islands was not raised by either side.

After 1945, three of the Senkaku/Diaoyu Islands were leased to the US and used by the US Navy as firing ranges. In 1972, Zenji Koga sold Kita Kojima and Minami Kojima, followed by Uotsurijima in 1978 and Kubajima in 1988, to Kunioki Kurihara, a Japanese real estate investor.<sup>6</sup>

The US returned the Senkaku/Diaoyu Islands to Japan in 1972 but did not take a position on its titles of sovereignty.

The Senkaku/Diaoyu Islands were included in the area sold, the administrative rights over which reverted to Japan in accordance with the Agreement Between Japan and the United States of America Concerning the Ryukyu Islands and the Daito Islands<sup>7</sup> (also known as the Reversion Treaty), which was signed on 17 June 1971 and entered into force on 15 May 1972. For almost 20 years, the US administered the Senkaku/Diaoyu Islands and Okinawa as a single territorial entity over which Japan enjoyed 'residual sovereignty'. However, under the Reversion Treaty Washington decided to return Okinawa as a territory under the full sovereignty of Japan (the US has even opened a consulate-general on the island), while the Senkaku/Diaoyu Islands were recognised only as being under the administration of Japan.<sup>8</sup>

In a letter dated 20 October 1971, Department of State's Acting Assistant Legal Adviser Robert Starr stressed that 'the United States believes that a return of administrative rights over those islands (Senkaku/Diaoyu) to Japan, from which the rights were received, could in no way prejudice any underlying claims. The United States cannot add to the legal rights Japan possessed before it transferred administration of the islands to us, nor can

---

<sup>6</sup> Reinhard Drifte, 'The Japan-China Confrontation Over the Senkaku/Diaoyu Islands – Between "shelving" and "dispute escalation"' (*The Asia-Pacific Journal*, Vol. 12, Issue 30, No 3, July 2014).

<sup>7</sup> Agreement Between Japan and the United States of America Concerning the Ryukyu Islands and the Daito Islands (source: *Japan's Foreign Relations – Basic Documents*, Vol. 3, pp. 481-489).

<sup>8</sup> Mark E. Manyin, '[Senkaku \(Diaoyu/Diaoyutai\) Islands Dispute: U.S. Treaty Obligations](#)' (Congressional Research Service, 22 January 2013),

the United States, by giving back what it received, diminish the rights of other claimants. The United States has made no claim to the Senkaku/Diaoyu Islands and considers that any conflicting claims to the islands are a matter for resolution by the parties concerned'.<sup>9</sup>

The Senkaku/Diaoyu Islands are covered by the 1960 US-Japan Mutual Cooperation and Security Treaty.

This declaration did not, however, prevent the US from extending the scope of the Treaty of Mutual Cooperation and Security between Japan and the United States of America, signed at Washington on 19 January 1960, to all the territories returned to Japanese administration by the 1971 treaty, including the Senkaku/Diaoyu Islands.<sup>10</sup>

For a number of reasons, none of the parties involved had any interest in igniting further confrontation, and they managed to keep the issue under wraps for almost 20 years. Japan and the People's Republic of China (PRC) normalised their diplomatic relations in 1972, concluding a Peace and Friendship Treaty in 1978. The Japanese raised the issue of the Senkaku/Diaoyu Islands during these two negotiations, but in the end both parties decided to unofficially shelve the issue so as to avoid anything that could negatively affect the otherwise successful outcome of the negotiations. The Chinese side in particular was keen to avoid raising issues that might have hindered or otherwise put at risk the outcome of bilateral talks.

The dispute re-emerged in 1996 and more recently in 2010, when the Japanese coast guard arrested the crew of a Chinese trawler operating in disputed waters.

The dispute was kept relatively quiet for decades. The East China Sea issue re-emerged in late 1996 when a Japanese nationalist organisation, the Nihon Seishinsha (Japanese Youth Federation), decided to make repairs to a lighthouse it had erected on one of the Senkaku/Diaoyu islets in 1978. This widely publicised action prompted anti-Japanese demonstrations in Hong Kong and Taiwan, and activists from Hong Kong and Taiwan eluded Japanese coast guard vessels to plant the flags of China and Taiwan on one of the islets.<sup>11</sup> Both Japan and China struggled to keep the issue at bay, but 'incidents' continued.<sup>12</sup>

Increasingly frequent Chinese 'incursions' by both research and naval vessels became a serious domestic political issue in Japan and damaged relations between Tokyo and Beijing. Equally, the dispute gained disproportionate weight in the internal affairs of China and Taiwan and was often associated with Japanese aggression towards China during the first half of the XX century.

These tensions became especially acute in September 2010, after a Chinese

---

<sup>9</sup> Okinawa Reversion Treaty hearings.

<sup>10</sup> US Department of State, [Treaty of Mutual Cooperation and Security between Japan and the United States of America](#) (19 January 1960).

<sup>11</sup> The raising of the territorial issue by China (ROC and PRC) and the campaign by the Bao Diao (Protect the Diaoyu) movement, notably in Taiwan and Hong Kong, following the publication of the UN Economic Commission for Asia and the Far East (ECAFE) report led to similar involvement of the Japanese political right and other nationalist groups, which took up the issue as a symbol of national pride.

<sup>12</sup> Wani Yukio, ['Barren Senkaku Nationalism and China-Japan Conflict'](#) (*The Asia-Pacific Journal*, Vol. 10, Issue 28, No 4, 9 July 2012).



trawler operating in disputed waters near the Senkaku/Diaoyu Islands deliberately collided with Japanese coast guard patrol boats. The coast guard arrested the trawler's captain and crew and transported them to the Japanese mainland, where they were charged under Japan's domestic laws.<sup>13</sup>

The announcement that the right-wing governor of Tokyo would purchase two islands and their subsequent acquisition by the Japanese Government prompted a new wave of protests in China and Taiwan.

In April 2012, the dispute re-emerged again after Tokyo's right-wing governor Shintaro Ishihara announced that he would use public money to buy two of the Senkaku/Diaoyu Islands from their private Japanese owner.<sup>14</sup> The Japanese Government, fearing that Mr Ishihara's move would irreversibly damage Japan-China relations, first stopped the operation and then reached a deal to buy the islands from their owner in a move to block Mr Ishihara's provocative plan.

The Japanese Government's move did not please China, however. The Chinese foreign ministry issued a statement criticising the Japanese Government's decision to nationalise the islands, on the grounds that this altered the status quo and affected China's inalienable rights over the islands. In general, both the Chinese Government and the Chinese public reacted vehemently against this act, which was perceived as completely unacceptable and highly provocative. As a result, it sparked violent anti-Japanese protests in more than 125 Chinese cities, forcing some Japanese companies to curtail or suspend their operations.<sup>15</sup>

Incidents between the Japanese coast guard and Chinese maritime surveillance and fishing boats have increased in recent years.

Since then, Chinese maritime surveillance vessels, trawlers and investigation boats have regularly sailed in and out of what Japan considers to be its territorial waters around the islands. The Japanese coast guard is used to escorting Chinese ships inside the islands' territorial waters. China's increased naval presence around the Senkaku/Diaoyu Islands appears to be a further attempt to demonstrate that Beijing has a degree of 'administrative control' over the islets.

## 1.2 Establishment of the first Chinese Air-Defence Identification Zone (ADIZ)

China's ADIZ overlaps Japan's and includes the airspace of the Senkaku/Diaoyu Islands.

On 23 November 2013, China also announced the creation of a new ADIZ in the East China Sea waters facing its coastline. An ADIZ is a defined area extending beyond national territory in which unidentified aircraft are liable to be interrogated and, if necessary, intercepted for identification before they cross into sovereign airspace.

The US was the first country to declare an ADIZ in the 1950s, during the Cold War. At that time, ADIZs were supposed to reduce the risk of a surprise attack by the Soviet Union. The US currently has five zones (East Coast, West Coast,

---

<sup>13</sup> Richard Weitz, [Global Insights: Senkaku Dispute Reflects China-Japan Struggle for Regional Primacy](#), (*World Politics Review*, 18 September 2012).

<sup>14</sup> Mr Ishihara planned to build a number of facilities (including a port) on the islands, with the apparent objective of strengthening Japan's sovereignty claims.

<sup>15</sup> Ben Dolven (and others), 'Maritime Territorial Disputes in East Asia: Issues for Congress', (Congressional Research Service, 30 January 2013).

Alaska, Hawaii and Guam) and operates two more jointly with Canada. Other countries that maintain ADIZs include India, Japan, Norway, Pakistan, South Korea, Taiwan and the United Kingdom. In addition to their main security purpose, ADIZs are also supposed to help reduce the risk of mid-air collisions, combat illicit drug flows, facilitate search-and-rescue missions, and reduce the need for fighter jet sorties for purposes of visual inspection.<sup>16</sup>

ADIZs are not covered by binding legal agreements under international treaties. Countries can create an ADIZ simply by providing its GPS coordinates, as China did in November 2013. The new Chinese ADIZ, which also includes the Senkaku/Diaoyu waters (see picture below), goes beyond the boundary of what Japan considers to be its exclusive national airspace.<sup>17</sup>

**Figure 2:**  
Overlapping ADIZs  
in the East China Sea



Source: *The Economist*

Unlike all other ADIZs, the Chinese require commercial aircraft always to inform Chinese air traffic control irrespective of their final destination.

The Chinese ADIZ has certain peculiarities, however. China requires commercial aircraft flying through its ADIZ to provide advance warning even when their final destination is another country. In contrast, commercial aircraft flying through the US ADIZ are required to provide advance flight details only when they are destined to land in the US.

Japan demanded the revocation of the Chinese ADIZ, while the US declared that it would ignore the zone and refused to comply with any Chinese regulations involving it (although, because of safety concerns, Washington also indirectly advised American commercial airlines to comply with China's

<sup>16</sup> David A. Welch, 'What's an ADIZ? Why the United States, Japan, and China Get It Wrong' (*Foreign Affairs*, 9 December 2013).

<sup>17</sup> Airspace (definition): in international law, the space above a particular national territory, treated as belonging to the government controlling the territory. It does not include outer space, which is considered to be free and not subject to national appropriation.

ADIZ). Most third countries criticised the Chinese move and expressed their concern about any potential restrictive reading of customary international laws.<sup>18</sup>

### 1.3 Chinese (and Taiwanese) claims

China considers the Senkaku/Diaoyu Islands to be an appurtenance of Taiwan that was ceded to Japan as a result of the Shimonoseki Treaty in 1895.

China – and Taiwan – does not agree with the interpretation of international law put forward by the Japanese Government in support of its claims over the Senkaku/Diaoyu Islands. According to Beijing some ancient Chinese records, dating back to the Ming Dynasty (1368-1644), mention the islands, while more recent documentation demonstrates that the islands were incorporated into the Ming and Qing (1644-1911) dynasties' maritime defence.<sup>19</sup>

Based on this historical documentation, both the PRC and ROC (Taiwan) Governments consider that the islands were not *terra nullius* at the time of their incorporation by Japan in 1895. Rather, they suggest that, together with the Pescadores, the Senkaku/Diaoyu Islands were an appurtenance of the island of Formosa and thus shared the same fate. China holds that Japan's title of sovereignty over the Senkaku/Diaoyu Islands is not based on the Cabinet decision of January 1895 but rather on the Treaty of Shimonoseki, which transferred Formosa and all its appurtenances to Japan.

For many years, however, neither of the Chinese governments made any public claim to the title of the Senkaku/Diaoyu Islands, and nor did they protest even when the islets were not returned to China as an appurtenance of Taiwan, but placed under US trusteeship. The fact that China expressed no objection to the status of the islands as being under US administration in accordance with Article III of the San Francisco Peace Treaty may indicate that at that time China had no outstanding claims over the Senkaku/Diaoyu Islands.

It was not until the early 1970s that the Government of China and the Taiwanese authorities began to raise questions regarding the Senkaku/Diaoyu Islands. The ROC Government decided to raise the issue of sovereignty owing to public opposition in Taiwan (and among the Chinese diaspora) to the return of islands under US trusteeship to Japan.

The PRC and ROC did not contest US administration of the islands until they were returned to Japan in 1972.

This decision was also prompted by the discovery of significant hydrocarbon reserves in the waters adjacent to the Senkaku/Diaoyu Islands. A geophysical survey conducted by 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), indicated that the continental shelf between Taiwan and Japan was rich in oil reserves.

---

<sup>18</sup> Kimberly Hsu, 'Air Defense Identification Zone Intended to Provide China Greater Flexibility to Enforce East China Sea Claims' (U.S.-China Economic and Security Review Commission, January 2014).

<sup>19</sup> Zhongqi Pan, 'Sino-Japanese Dispute over the Diaoyu/Senkaku Islands: The Pending Controversy from the Chinese Perspective' (*Journal of Chinese Political Science*, Vol. 12, No 1, 2007).

Unlike Chinese claims to the South China Sea, Beijing's demands over the Senkaku/Diaoyu Islands are rather vague and more recent.

The PRC's public reaction was even less timely. The first official statement by the Chinese Ministry of Foreign Affairs disputing the title over the islands was only published on 30 December 1971. By contrast, China's claims to the South China Sea (the 'nine-dash line', see map below) were formalised back in 1947, although they had appeared in Chinese maps in one form or another since 1936, and were then taken over as early as 1949 by the PRC.

**Figure 2:**  
The 'nine-dash line'  
in the South China Sea



Source: The Economist

The protracted lack of any reaction to the incorporation of the Senkaku/Diaoyu islets into the US trusteeship over Okinawa represents the weakest point of both the ROC's territorial claim to the Senkaku/Diaoyu Islands and, since 1949, that of the PRC. Scholars agree that this absence of objections was a 'serious political misstep'.<sup>20</sup>

China contends that the Senkaku/Diaoyu Islands had been under China's administration and jurisdiction as part of Taiwan and resolutely holds that they were ceded to Japan along with Taiwan by the Treaty of Shimonoseki, which ended the 1894-1895 Sino-Japanese conflict.

China also stresses that it was not a signatory of the San Francisco Peace Treaty, and therefore considers that the deal is not legally binding. Moreover,

China holds that it is not

<sup>20</sup> Han-yi Shaw, 'Diaoyutai/Senkaku Islands dispute: its history and an analysis of the ownership claims of the P.R.C., R.O.C., and Japan', (University of Maryland School of Law, 1999).

bound by the San Francisco Peace Treaty and reiterates that the islands should have been returned to China together with Taiwan.

China insists that it objected to any and every stipulation of this treaty and that there was therefore no need to expressly mention the islands in question. According to Beijing, the islands were illegally kept under US trusteeship and later returned to Japan, when they should naturally have been returned to China together with Taiwan.

China affirms that the islands are 'an inseparable part of the Chinese territory. Diaoyu Dao is China's inherent territory in all historical, geographical and legal terms, and China enjoys indisputable sovereignty over Diaoyu Dao.'<sup>21</sup> As acknowledged by *The Economist*, this interpretation relies on a vision of the 'world in which status and stability in relations across Asia were regulated through a system of tributary states acknowledging Chinese centrality. Everything had its place – including the Diaoyu islands.'<sup>22</sup>

Japan, on the other hand, holds that 'there is no doubt that the Senkaku/Diaoyu Islands are clearly an inherent part of the territory of Japan, in light of historical facts and based upon international law. Indeed, the Senkaku Islands are under the valid control of Japan. There exists no issue of territorial sovereignty to be resolved concerning the Senkaku Islands.'<sup>23</sup>

While Japan seems to have a relatively stronger title over the Senkaku/Diaoyu Islands (China's claims being rather vague at best), the dispute 'has more to do with ignorance, disinterest and confusion concerning these very minor and far-flung islands' rather than being the result of intentional and coherent political decisions.<sup>24</sup>

The EU did not take a clear position on the issue of sovereignty over the islands.

The EU has so far preferred to take a cautious approach and has not expressed its views on the sovereignty of the contested islands. On 25 September 2012 the EU High Representative, Catherine Ashton, called on all parties to calm the situation in East Asia's maritime areas, using the UN Convention on the Law of the Sea (UNCLOS) and other international rules to resolve disputes.<sup>25</sup> By opting for a very moderate, if not timid, approach to the dispute, the EU has shown that it is not ready to engage seriously in the resolution of the dispute, and its influence in the area remains rather limited.

The US, while avoiding any statement on the possession of the islands, has reiterated that they

The US has also refrained from taking a clear position on Chinese legal claims to the Senkaku/Diaoyu Islands, but has stressed on a number of occasions over the years that since the Senkaku/Diaoyu Islands are under the administration of Japan, they are *ipso facto* covered by the 1960 US-Japan Treaty of Mutual Cooperation and Security. During his visit to Tokyo in April 2014, US Secretary of Defense Chuck Hagel declared that there is no

---

<sup>21</sup> State Council Information Office (PRC), '[Diaoyu Dao, an Inherent Territory of China](#)' (White Paper, September 2012).

<sup>22</sup> '[Narrative of an empty space: Behind the row over a bunch of Pacific rocks lies the sad, magical history of Okinawa](#)' (*The Economist*, December 2012).

<sup>23</sup> Japanese Ministry of Foreign Affairs, [Senkaku Islands Q&A](#).

<sup>24</sup> Reinhard Drifte, 'The Senkaku/Diaoyu islands territorial dispute between Japan and China: between the materialization of the "China threat" and Japan "reversing the outcome of World War II"?' (UNISCI Discussion Papers, No 32, May 2013).

<sup>25</sup> [Declaration by High Representative Catherine Ashton, on recent developments in East Asia's maritime areas](#) (25 September 2012).

are covered by the 1960 alliance treaty.

‘weakness on the part of the United States as to our complete and absolute commitment to the security of Japan’. This formal commitment vis-à-vis Japan is seen as one of the main pillars of the US strategic rebalancing: the so-called ‘pivot’ towards Asia.

## 2 UN Convention on the Law of the Sea (UNCLOS) and its impact on the Senkaku/Diaoyu dispute

### 2.1 Maritime jurisdiction: *De Mare Libero v Mare Clausum*

In ancient times the principle of freedom of the seas prevailed over the claims of coastal states.

Traditionally, the principle of freedom of the seas prevailed over the claims of coastal states to rule over the waters facing their coastline. This was not only done in the name of free trade but also resulted from the relatively poor means available to ancient countries to effectively expand their control over the seas. In 1609 the Dutch philosopher Hugo Grotius, in his work *Mare Liberum* (‘The Freedom of the Seas’), argued that ‘no ocean can be the property of a nation because it is impossible for any nation to take it into possession by occupation’, while any such attempt would be against the laws of nature.

According to Grotius, a nation had jurisdiction over the coastal waters that could be effectively controlled from the land. Coastal states’ rights were thus restricted to a narrow coastal strip that was generally assumed not to exceed 3 nautical miles (nm) offshore, in accordance with what was known as the ‘cannon-shot rule’. This rule was never properly codified, and in more recent times several countries began to advance increasingly structured jurisdictional claims over waters facing their coastline.

In 1945, the US unilaterally extended its jurisdiction and control to natural resources ‘of subsoil and sea bed of the continental shelf beneath the high seas but contiguous to the coast’. This move was clearly resource-oriented. The presidential proclamation (known as the Truman Proclamation) extending US maritime jurisdiction to the American continental shelf openly stated that the decision had been prompted by the need to ensure ‘the conservation and prudent utilisation’ of natural resources (such as oil and minerals) and by the need to increase national security and, *inter alia*, to ‘keep a close watch over activities off of its shores’. The US made it clear, however, that the new rules did not affect the character of the high seas of such waters and ‘the right to their free and unimpeded navigation’. The Truman Proclamation is generally regarded as a major step towards the expansion of coastal states’ maritime jurisdiction further offshore.

Efforts towards the codification of the law of the sea proved unsuccessful, and little progress was made until the late 1950s. However, growing interest by coastal states and improved technological resources made it impossible to defer progress on the codification of international maritime law any longer. In 1958, the first Conference on the Law of the Sea (UNCLOS I), organised under the good offices of the United Nations, gave birth to four conventions covering, *inter alia*, the territorial sea and the contiguous zone,

the continental shelf, and the high seas. UNCLOS I was followed two years later by another conference (UNCLOS II), which extended the territorial sea to 6 nm, coupled with another 6 nm fishing zone seaward. UNCLOS II also fixed continental shelf limits at 200 nm or further, provided that exploitation of resources was possible.<sup>26</sup>

Some of the UNCLOS II results proved unsatisfactory. The 6 nm limit on territorial waters was considered insufficient by a number of countries, while provisions on the maximum extension of the continental shelf were generally considered to be too vague and subject to unpredictable technological developments. In the light of these shortcomings, a third conference (UNCLOS III) started in 1973. Negotiations lasted almost a decade, resulting in the UN Convention on the Law of the Sea (hereinafter 'UNCLOS').

The 1982 UN Convention on the Law of the Sea, which came into force on 16 November 1994, is an international treaty that lays down a regulatory framework for the use of the world's seas and oceans, *inter alia* with a view to ensuring the conservation and fair exploitation of resources and the marine environment and the protection and preservation of the living resources of the sea.

UNCLOS also addresses such matters as sovereignty, rights of US in maritime zones, and navigational rights. In this respect, its major achievement was to find a consensus on a clear definition of national limits on maritime jurisdiction. As at 10 January 2014, 166 states had ratified, acceded to, or succeeded to, UNCLOS.<sup>27</sup> The US is not a member of UNCLOS, but accepts most of its provisions on the grounds that it is based on customary international law.

## 2.2 UN Convention on the Law of the Sea (UNCLOS) (1982)

UNCLOS extended the maximum breadth of the territorial sea to 12 nm. It also set the maximum extension of the contiguous zone at 24 nm<sup>28</sup>, and introduced the concept of the exclusive economic zone (EEZ), the maximum breadth of which was set at 200 nm (with a few exceptions).

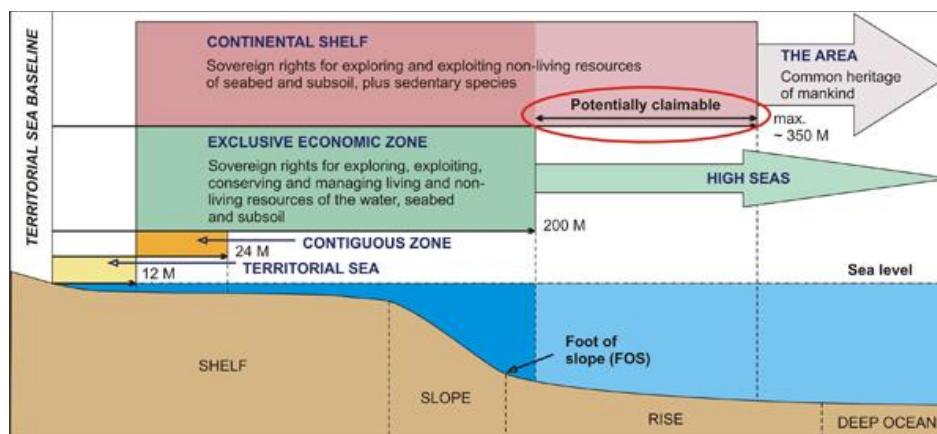
---

<sup>26</sup> Clive Schofield, '[Parting the Waves: Claims to Maritime Jurisdiction and the Division of Ocean Space](#)' (*Penn State Journal of Law & International Affairs*, Vol. 1, Issue 1, 2012).

<sup>27</sup> The full text and status of UNCLOS can be accessed through the [UN Division for Oceans Affairs and the Law of the Sea](#).

<sup>28</sup> Definition of 'contiguous zone': a maritime zone adjacent to the territorial sea that may not extend beyond 24 nm from the baselines from which the breadth of the territorial sea is measured. Within the contiguous zone the coastal state may exercise the control necessary to prevent and punish infringement of its customs, fiscal, immigration, or sanitary laws and regulations within its territory or territorial sea. In all other respects the contiguous zone is an area subject to high seas freedom of navigation, overflight and related freedoms, such as the conduct of military exercises.

**Figure 3:**  
Delimitation of maritime zones under UNCLOS



Source: after Symonds et al., 1998

An in-depth analysis of UNCLOS goes beyond the scope of this note. It is worth noting, however, that it provides for a special regime for islands. Article 121 defines an 'island' as 'a naturally formed area of land, surrounded by water, which is above water at high tide'. The convention also makes a distinction between 'islands' and 'rocks'. Rocks are islands which cannot sustain human habitation or economic life of their own. Unlike islands, rocks have no exclusive economic zone or continental shelf, while the territorial sea and the contiguous zone are determined in accordance with the convention provisions applicable to other land territory.

The distinction between 'islands' and 'rocks' is rather important. An island with no maritime neighbours within 400 nm is entitled to an EEZ of 125 664 nm<sup>2</sup> (corresponding to 431 031 km<sup>2</sup>), while a rock gives entitlement to territorial waters of only 452 nm<sup>2</sup> (corresponding to 1 550 km<sup>2</sup>). At the moment, there is no conclusive case law establishing a legally binding distinction between rocks and islands.

Thanks to UNCLOS, islets or rocks that for centuries had had limited economic interest, or none at all, suddenly gained huge economic and strategic value, but also became the source of new disputes among maritime countries. As correctly noted by Clive Schofield, 'in the context of maritime boundary delimitation and disputes, small insular features and their capacity to generate extensive maritime claims, and therefore act as a valid base-point in the construction of an EEZ or continental shelf boundary, is often a key consideration and point of contention'.

## 2.3 Exclusive economic zones (EEZs)

Article 55 of UNCLOS defines EEZs as areas 'beyond and adjacent to the territorial sea', which are subject to a specific legal regime different from the one traditionally associated with territorial and high sea waters. In its EEZ, a coastal state has several sovereign rights (Article 56). The most important of these is the right of 'exploring and exploiting, conserving and managing the natural resources'.

The importance of EEZs should not be underestimated. Generalised



application of the 200 nm EEZ would encompass 43 million square nm (147 million km<sup>2</sup>) of maritime space. This amounts to approximately 41 % of the surface area of the oceans or 29 % of the Earth's surface, and roughly corresponds to the surface of the Earth covered by emerged land.

In 1984 the UN Food and Agriculture Organisation (FAO) estimated that 90 % of marine fish and shellfish were caught within 200 nm of the coast. Similarly, it was estimated that 87 % of the world's known submarine oil deposits would fall within the 200 nm-breadth zones of jurisdiction.

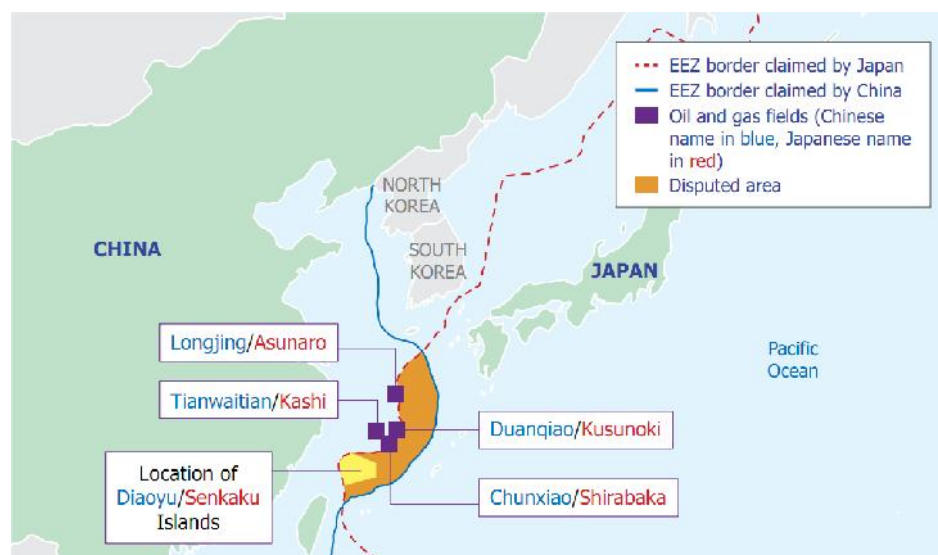
The introduction of 200 nm-breadth EEZs had a dramatic impact on the extent of ocean space becoming subject to the maritime claims of coastal states, and represents a profound reallocation of resource rights from international to national jurisdiction.

To date, only half of the potential maritime boundaries around the world have been delimited, while some previously concluded agreements do not include the EEZ, but only continental shelf rights.

## 2.4 Overlapping maritime claims in the East China Sea

China and Japan have overlapping maritime claims over the East China Sea and have not found an agreement on the delimitation of their respective EEZs and the extension of the continental shelf.<sup>29</sup> Japan demands the application of the equidistance (median-line) approach, whereas China insists on the application of the principle of natural prolongation of the continental shelf. Based on the latter approach, which allows claims up to 350 nm from the coast, China claims an area extending from its coast up to the Okinawa Trough (circa 2 000 m in depth), which is within the 350 nm limit set by UNCLOS (Article 76).

**Figure 4:**  
Japanese and Chinese  
EEZs, and the location of oil  
and gas fields in the East  
China Sea



Source: US Energy Information Administration

<sup>29</sup> Paul O'Shea, 'Sovereignty and the Senkaku/Diaoyu Territorial Dispute' (European Institute of Japanese Studies, Stockholm School of Economics, September 2012).

Japan does not agree with China's topographical interpretation, and considers that the Trough is merely a dent in the continental shelf which cannot be considered to be a physical border. Moreover, the Japanese Government considers Okinawa to be an extension of its continental shelf.

According to Japan, the East China Sea has a breadth of less than 400 nm and therefore the maritime border should be the median (or equidistant) line drawn through the overlapping area.<sup>30</sup> The median-line approach is favourable to the Japanese, notably in view of its demand to draw the line westward of the Senkaku/Diaoyu Islands.

It should be noted that in a hypothetical International Court of Justice ruling the length of the coastline (in this case that of mainland China) could be an important criterion and lead to the delimitation of the maritime border somewhere between the median line and China's 200 nm EEZ line.

China and Japan also disagree on the nature of the Senkaku/Diaoyu Islands. Japan considers them to be 'islands' within the meaning of UNCLOS, and therefore able to generate both EEZ and continental shelf rights. Accordingly, it takes them as base points for its continental shelf and EEZ claims in the East China Sea. China disagrees with this interpretation on the grounds that the islets cannot sustain human habitation or economic life of their own and therefore are not entitled to generate a continental shelf or an EEZ.<sup>31</sup> Taiwan also holds that 'the Diaoyudao Islands themselves are not entitled to have a continental shelf or EEZ, and thus have no significant legal effects on the boundary delimitation in the East China Sea.'<sup>32</sup>

Should Japan's interpretation of UNCLOS be accepted, then it could claim up to an equidistant line with China. If China were granted the Senkaku/Diaoyu Islands under such conditions, it could claim a continental shelf up to the Okinawa Trough, and an EEZ to an equidistant line with the nearest undisputed Japanese island. The alternative scenario is that both countries would have an overlapping continental shelf and EEZ claims extending from their nearest undisputed territory.

The delimitation of maritime borders between Japan and China in the East China Sea is therefore inextricably intertwined with the resolution of the dispute over ownership of the Senkaku/Diaoyu Islands.<sup>33</sup>

---

<sup>30</sup> However, as long as a border is not agreed upon by both sides, Japan is potentially claiming authority (*senzaiteki kengen*) over an area stretching up to 200 nm from its coast.

<sup>31</sup> Reinhard Drifte, 'Japanese-Chinese territorial disputes in the East China Sea – between military confrontation and economic cooperation' (LSE Research Online, 2008).

<sup>32</sup> Mark J. Valencia, 'The East China Sea dispute: context, claims, issues and possible solutions' (*Asian Perspective*, Vol. 31, No 1, 2007).

<sup>33</sup> In addition to maritime territorial disputes in the East China Sea, China is involved in another quarrel, particularly but not exclusively with the US, over whether China has a right under international law to regulate the activities of foreign military forces operating within its EEZ. In recent years (2001, 2002 and 2009), multiple incidents between Chinese and US ships and aircraft in international waters and airspace have been recorded (see, for example the USNS Impeccable incident). Ronald O'Rourke (CRS), 'Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress'

## 2.5 Critics of the UNCLOS regime

Some scholars have criticised UNCLOS because they believe that some of its provisions may ignite conflicts rather than resolving long-standing maritime issues and allowing appropriate exploitation of natural resources.

According to Carlos Ramos-Mrosovsky, 'the Law of the Sea Convention's general rules are not tailored to, and cannot easily accommodate, the unique political geography of the East China Sea'. He also stresses that 'by enabling whichever country has sovereignty over the Senkakus to claim exclusive rights over resources hundreds of miles offshore, the law of the sea has inflamed the dispute by vesting otherwise worthless islands with immense economic value'.<sup>34</sup>

Moreover, the international customary law governing the acquisition of territory tends to encourage the 'display of sovereignty' and penalises states for appearing to 'acquiesce' in a rival state's claim to disputed territory. In a dispute such as the one between Japan and China over the Senkaku/Diaoyu Islands, the need to demonstrate sovereignty and avoid acquiescence – or the appearance of acquiescence – in a rival's claim may inevitably result in a series of dangerous escalatory initiatives and even in an open conflict which would not only have disastrous effects on the opponents but could also undermine the global economy and stability.

Finally, the lack of clarity of customary international law encourages parties to invoke international legal norms which can almost always be construed to fit their interests, while dissuading them from trying to resolve their dispute through legal processes. This is the case with the Senkaku/Diaoyu Islands: the Japanese Government insists that there is no territorial issue to discuss, while the PRC has so far carefully avoided having the dispute discussed and adjudicated by the International Court of Justice or other international arbitration bodies as provided for in Article 287 of UNCLOS.<sup>35</sup>

The decision not to bring the case before an international court is easy to explain. The unpredictability of litigation, the probable domestic reaction to any adverse result, and the lack of any means other than military to enforce a judgment all work to discourage litigation or arbitration and highlight the

---

(Congressional Research Service, 2012). See also Jing Geng, 'The Legality of Foreign Military Activities in the Exclusive Economic Zone under UNCLOS' (*Utrecht Journal of International and European Law*, 2012).

<sup>34</sup> Carlos Ramos-Mrosovsky, 'International Law's Unhelpful Role in the Senkaku Islands' (*University of Pennsylvania Journal of International Law*, Vol. 29, Issue 4, 2008).

<sup>35</sup> Article 287 (Choice of procedure), Part XV, of UNCLOS provides that: 'When signing, ratifying or acceding to this Convention or at any time thereafter, a State shall be free to choose, by means of a written declaration, one or more of the following means for the settlement of disputes concerning the interpretation or application of this Convention:

- (a) the International Tribunal for the Law of the Sea established in accordance with Annex VI;
- (b) the International Court of Justice;
- (c) an arbitral tribunal constituted in accordance with Annex VII;
- (d) a special arbitral tribunal constituted in accordance with Annex VIII for one or more of the categories of disputes specified therein.'

shortcomings of the international law and arbitration systems.

### 3 Conclusion

From Europe's distant point of view, the dispute between Japan and China over a small, uninhabited archipelago in the middle of the East China Sea may well appear to be a local disturbance of little relevance, especially in comparison with a persistent economic downturn and the growing instability of EU's eastern and southern borders.

Yet the struggle over the Senkaku/Diaoyu Islands should interest EU. Although there is currently little chance that the confrontation will ignite a regional conflict (with potentially disastrous global consequences), the deterioration of relations between Japan and China poses a serious threat to peace and stability in the area and prevents further economic and political cooperation.

The issue is not driven solely by economic interests. The presumed oil and gas reserves in the East China Sea are certainly tempting for China and could help fuel its future economic development, but they do not explain the intensity of the emotions involved. An otherwise pragmatic Beijing has taken an uncharacteristic stance in the Senkaku/Diaoyu Islands dispute.

National honour, retribution against Japan and a clearly expressed desire to regain the centrality that Imperial China enjoyed for centuries in east Asia all lie at the heart of China's actions. Having adopted a very discreet and moderate attitude in world affairs for many years, China is now becoming increasingly assertive and willing to flex its greater economic and military muscle.

Chinese leaders have also used nationalism to bolster the legitimacy of the Communist Party. Threatened by democratic pressures from below, China's ruling elite has tended to support nationalism as an alternative outlet for popular sentiment. Chinese public opinion plays a key role in keeping the issue high on the Chinese Government's agenda, while also preventing Beijing from finding a reasonable solution. The country's nationalist drift is rather dangerous and is perceived as a serious threat – not only by Japan but also by other, often weaker and less influential, neighbours of China.

Beijing's claims and modus operandi represent a serious challenge to the structure of the international legal system as well as to widely agreed modalities for resolving territorial disputes. China has disputed the territorial status quo in Asia not only in relation to the Senkaku/Diaoyu Islands, but also in the South China Sea.

The dispute's importance lies in its potential to redefine the balance of power in Asia. China is testing both Japan and the US, and is increasingly irritated by the 'security belt' that Washington and its allies have set up around the Chinese coastline.

Japan's confrontation with China is also radically changing Tokyo's stance. As the country most wary of China's growing economic and military power,

Japan has gradually adopted 'hedging' policies – preparing for the eventuality that China's rising economic, political and military power becomes a security threat.

Japan's 'pacifist' constitution has recently been reinterpreted to allow Japan to lift the ban on 'collective self-defence', permitting Tokyo to assist allied countries under attack. Japan also plans to increase the size and operational capacities of its military forces. This is intended to reinforce security ties with the US as China expands its armed forces and North Korea develops its nuclear capabilities. Tokyo's increased military cooperation with the US may also lead Japan to assist Taiwan in any future cross-straits confrontation.

Lifting the ban – a proposal that has, unsurprisingly, been criticised by China and other Asian countries – would be a major turning point for the Japanese self-defence forces, which have not engaged in combat since the country was defeated in WWII. In several Asian countries, memories of Japanese aggression still play a role in shaping bilateral relations. Alerted by Japan's economic and political future, an increasing number of Japanese have expressed nationalism, mistrust and sometimes outright hostility towards the country's neighbours. That said, pacifism remains deeply rooted in the country, and the shift to the right is in its early stages. Nevertheless, the change in Japanese policies has worried other Asian countries – in particular those that have publicly objected to Japanese prime ministers' symbolic visits to the Yasukuni Shrine in Tokyo.

Although both Beijing and Tokyo profess their commitment to resolving the East China Sea dispute peacefully, efforts to reach a negotiated settlement have failed, and a mediated solution does not seem within reach. Potential solutions, including recourse to the International Court of Justice and the joint exploitation of natural resources in the East China Sea, have been put forward by scholars, but have apparently not been given serious consideration by the disputing parties.

There is a risk that the quarrel may escalate, perhaps even out of control, as a result of either a miscalculation or a deliberate attempt by one or both sides to gain domestic political advantage from the crisis. As noted by several commentators, the scenario recalls the situation in Europe before the onset of WW I in August 1914.<sup>36</sup>

---

<sup>36</sup> Gideon Rachman, ['The shadow of 1914 falls over the Pacific'](#) (*Financial Times*, 4 February 2013).

## Annex 1. Boundaries of the ocean<sup>37</sup>

**Territorial sea:** A belt of ocean measured seaward up to 12 nautical miles (nm) from the baseline of a coastal nation, or from the seaward side of any islets or islands under its sovereignty (1 nm = 1.852 km). Nations enjoy full rights of sovereignty in their territorial seas, including their economic development and policing. All ships enjoy the right of 'innocent passage' in a nation's territorial sea.

**Contiguous zone:** An area extending seaward from the baseline up to 24 nm in which the coastal nation may exercise the control necessary to prevent or punish infringement of its customs, fiscal, immigration and sanitary laws and regulations within its territory or territorial sea. Most observers hold that all ships and aircraft enjoy high seas freedoms, including overflight, in the contiguous zone, although some nations, including China and others, dispute this interpretation.

**Exclusive economic zone (EEZ):** A resource-related zone adjacent to the territorial sea, in which a state has certain sovereign rights, including the right to govern economic development, but not full sovereignty. The EEZ may not extend beyond 200 nm from the nation's baseline. This zone can be claimed from a coastal state's mainland, or from *habitable* landmasses, including islands. Most observers hold that all ships and aircraft enjoy high seas freedoms, including overflight, in the EEZ, although some nations, including China and others, dispute this interpretation.

**Extended continental shelf:** Under certain geological conditions, nations can make claims that extend beyond their 200 nm EEZ, to the feature that geologists call the 'continental margin.' If accepted by the Commission on the Limits of the Continental Shelf, nations enjoy the same rights as they do in the EEZ.

---

<sup>37</sup> Source: US Congressional Research Service.

## Annex 2. Energy reserves in the East China Sea<sup>38</sup>

### Oil

According to the US Energy Information Administration (EIA), hydrocarbon reserves in the East China Sea are difficult to determine. The area is underexplored and the territorial disputes surrounding ownership of potentially rich oil and natural gas deposits have so far precluded further development. The EIA estimates that the East China Sea has between 60 and 100 million barrels of oil in proven and probable reserves. Chinese sources claim that undiscovered resources may run as high as 70 to 160 billion barrels of oil for the entire East China Sea, mostly in the Xihu/Okinawa Trough. However, 'undiscovered resources' do not take into account economic factors relevant to bringing them into production, unlike 'proven and probable reserves'.

China began exploration activities in the East China Sea in the 1980s, discovering the Pinghu oil and gas field in 1983. Japan co-financed two oil and gas pipelines running from the Pinghu field to Shanghai and the Ningbo onshore terminal on the Chinese mainland, through the Asian Development Bank and its own Japanese Bank of International Cooperation (JBIC). More recently, both China and Japan have concentrated their oil and gas extraction efforts on the contested Xihu/Okinawa Trough.

To date, only the Pinghu field, operational since 1998, has produced oil in significant quantities. Pinghu's production peaked at around 8 000 to 10 000 barrels per day (bbl/d) of oil and condensate in the late 1990s, levelling off to around 400 bbl/d in recent years. In the medium term, the East China Sea is not expected to become a significant supplier of oil.

### Natural gas

The EIA estimates that the East China Sea contains between 1 and 2 trillion cubic feet (Tcf)<sup>39</sup> of proven and probable natural gas reserves. The region may also have significant upside potential in terms of natural gas. Chinese sources point to as much as 250 Tcf of undiscovered gas resources, mostly in the Xihu/Okinawa Trough.

The Chinese National Offshore Oil Corporation (CNOOC) listed its proven East China Sea gas reserves at 300 billion cubic feet (Bcf) in 2011, according to an annual report. In 2012, an independent evaluation estimated probable reserves of 119 Bcf of natural gas in LS 36-1, a promising gas field north of Taiwan currently being developed as a joint venture between CNOOC and UK firm Primeline Petroleum Corp.

The uncontested Pinghu field began producing in 1998, reaching a peak of approximately 40 to 60 million cubic feet per day (Mmcf/d) in the mid-2000s and declining in recent years. Chinese companies discovered a large oil and gas field group in 1995 in the Xihu/Okinawa Trough. Chunxiao/Shirabaka is the largest gas field in this group and is used on occasion to reference all fields in the area. China began producing at the contested Tianwaitian/Kashi field in 2006, claiming it as part of its exclusive economic zone. According to industry sources, Tianwaitian/Kashi has produced between 10 and 18 Mmcf/d over the past few years. China has not released production data from the Chunxiao/Shirabaka field, citing concerns about the regional dispute.

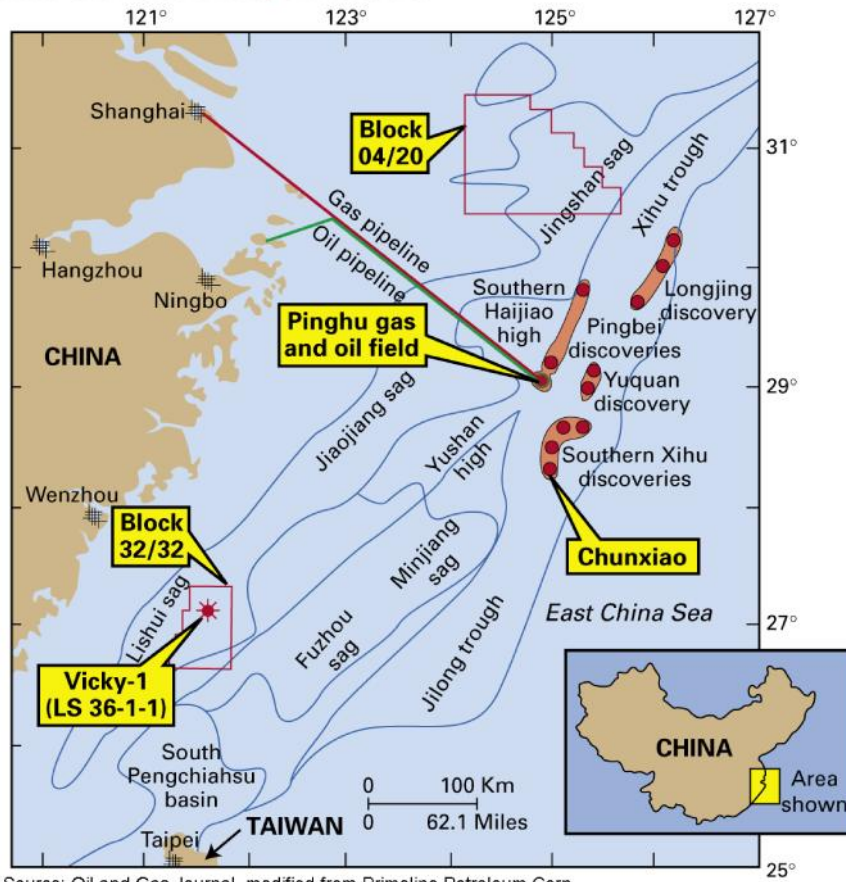
---

<sup>38</sup> Source: US Energy Information Administration country report – [East China Sea](#) (2012).

<sup>39</sup> 1 cubic feet corresponds to 28.31 litres.

### EAST CHINA SEA DISCOVERIES, STRUCTURES

Fig. 1



Source: Oil and Gas Journal, modified from Primeline Petroleum Corp.