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EAST CHINA SEA DISPUTE: LEARN FROM THE AUSTRALIANS AND EAST TIMORESE

Yasuhiro Goto

Japan and China remain at odds over the development of undersea gas reserves in a disputed area of the East China Sea. Tokyo has proposed joint development of four gas fields, including Shirakaba and Asunaro (known by the Chinese as Chunxiao and Longjing respectively), which straddle the median line that it claims divides the two countries' overlapping exclusive economic zones. Beijing does not recognize this border line and insists on joint development only on what Japan claims to be its side of the line. No breakthrough has yet been made despite repeated

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high-level bilateral negotiations meant to sort out the problem, ministerial-level meetings included. Given that the nature of the dispute is directly tied to territorial claims, the two countries may naturally find it difficult to make any concession. Indeed this gas field dispute has of late come to symbolize the rivalry between Japan and China, complicating efforts for a resolution. Aroused nationalist sentiment on both sides is adding to the difficulty of reaching a realistic compromise. Breaking this stalemate requires the two countries to adopt a completely new approach – and I suggest they draw lessons from the Australians and East Timorese.

Settling a boundary dispute, be it land or sea, is an extremely difficult task. When natural resources are involved, the problem becomes more than twice as difficult. In most cases, the disputing countries are left with no choice but to wait for a ruling by the International Court of Justice or the International Tribunal for the Law of the Sea. However, recent years have seen several exceptional cases in which bilateral solutions have been achieved.


The agreements reached by Australia and East Timor on joint administration and development of the rich natural gas deposits in the Timor Sea are one such example. The two countries had long been in dispute over sea boundaries and the apportionment of revenues from resource development in the waters where large-scale projects such as the Bayu-Undan and the Greater Sunrise were underway. The gap was so significant that a resolution seemed a long way off, if not impossible. The deadlock, however, was broken rather abruptly when the Timor-Leste parliament, which had voted down a bill to ratify a revenue-sharing treaty with Australia, turned around and ratified the treaty in February 2007. The key to this was the decision by the two countries to put aside for 50 years their competing claims over maritime boundaries and to share resource exploration rights in the disputed waters at an escalated rate by which Australia will receive 10 percent of the revenues while East Timor will receive 90 percent.

The generous revenue concession made by Australia to the newly independent nation was surely a key factor. There is no doubt, however, that the idea of putting on hold a final boundary settlement for half a century played a greater role in turning the tide and creating an opportunity for agreement.

If there are any lessons that Japan and China can learn from this Australia-East Timor case, I think the most critical is the idea of deferring a permanent boundary settlement. Freezing thorny issues and awaiting a better time for arriving at a solution with the aid of situational changes, an approach that might be called “Asian wisdom,” will provide a realistic option for both the Japanese and Chinese governments. Putting aside a resolution of maritime borders would enable the two countries to engage in joint development in wider areas of the East China Sea, for at the heart of the stalled negotiations lie the dogmatic stances of the two countries, with Japan insisting on joint development in the areas straddling the median line and China objecting to the border line and suggesting development only on what Japan claims to be its side of the line.

The option of joint development without a permanent boundary settlement would allow the two countries to overcome rigid arguments framed by the median line and their respective claims relative to that line. The remaining challenge is that of dividing the revenues from the gas fields. Unlike the Australia-East Timor case, sympathy alone will not settle matters where two economic powers are concerned. The fear is that the ratio of exploration rights will be directly applied to the division of the two countries’ overlapping EEZs, which may bring the negotiations back to square one. One idea to avoid such a disaster is to store all the revenues from the gas fields in a joint account maintained by Japan and China and to use the money in contributing to the international community.

Both Japan and China are major aid providers to the developing world, where demand for financial assistance is strong. The joint account would allow the two countries to address the problems of the developing world and Asia, such as the securing of oil reserves, the prevention of epidemics and human resources

development, in the name of, say, a “Japan-China Joint Aid Initiative.” This should not cause significant friction in their foreign policies, as long as the two countries continue aid programs that suit their respective national strategies elsewhere as before. It is time for Japan and China to demonstrate in the East China Sea the kind of wisdom shown to the world by Australia and East Timor. 

Yasuhiro Goto is an editorial writer for The Nihon Keizai Shimbun, specializing in energy and industrial issues.