

# Energy Competition in Maritime East Asia: A Red Herring for U.S. Foreign Policy

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Over the last few years, maritime disputes in East Asia have been perceived as an increasing threat to international security. China and Japan's dispute over the East China Sea heated up in 2012, when Tokyo nationalized the contested Senkaku/Diaoyu Islands. In the South China Sea, China's artificial island building, since 2014, has heightened regional tensions. Concerns are widespread that these territorial contests could escalate into outright militarized conflicts, which could draw in the United States, either through its commitments to regional allies or through direct great power competition with China.

This essay focuses on one component of East Asian maritime disputes: energy resources. Oil and natural gas fields are at stake in the East China Sea and South China Sea and many journalists and policymakers have suggested that these valuable resources play a major role in driving the territorial contests. As former US Secretary of the Navy Ray Mabus asserted: "It's not those rocks in the water, it's what's underneath them...the minerals and the oil and gas."<sup>1</sup>

I argue, in contrast, that oil and gas resources are quite benign, in comparison to other issues at stake in East Asian maritime disputes. Energy resources can encourage competition, especially for countries that share a history of hostility. However, these contests rarely escalate into outright militarized confrontations and, when such incidents occur, national leaders quickly contain them. In addition, in the East and South China Sea disputes, oil and gas have inspired some interstate cooperation. Consequently, when attempting to manage these contests, US civilian and military officials should focus their attention to other issues: in particular, nationalism, regional power struggles, and great power competition between the United States and China.

To elaborate on this argument, the essay briefly outlines the East China Sea and South China Sea disputes, discusses how energy resources have influenced the contests' trajectories, and highlights implications of these dynamics for US foreign policy under the Trump administration.

## The Disputes

There are technically four claimants in the East China Sea dispute: China, Japan, Taiwan, and South Korea. However, the dispute is currently centered on China and Japan. The states' territorial contest emerged in the late 1960s, but has evolved to encompass a wide range of issues, including continental shelf and maritime boundary delimitation, Senkaku/Diaoyu Islands sovereignty, offshore energy resources, fisheries, control over airspace, and control over sea lanes. In addition, the dispute has become a vehicle for both countries to express their displeasure over other activities. China, for example, has initiated dispute incidents in response to Japanese leaders' visits to Yasukuni Shrine, the publication of controversial textbooks, and joint Japan-US military exercises.<sup>2</sup>

In the South China Sea, six participants are competing over offshore areas: China, Taiwan, the Philippines, Brunei, Malaysia, and Vietnam. The contests that pose the greatest threat to international security are those between China and Vietnam and China and the Philippines. The

South China Sea dispute has existed since at least the 1930s, although it did not intensify until the 1990s. It also involves numerous contentious issues, including maritime and continental shelf boundaries, the Spratly Islands (contested by four claimants), the Paracel Islands (contested by China and Vietnam), energy resources, fisheries, and control over airspace and sea lanes. In addition, the South China Sea has become the primary locale for competition between China and the United States over maritime power, authority, and influence in East Asia.

### The Roles of Energy Resources

The East and South China Seas both contain oil and gas resources. However, the precise amounts at stake in each area are uncertain. The Chinese government consistently offers the most optimistic assessments of the seas' hydrocarbon endowments. In contrast, figures provided by the International Energy Administration (IEA) are far more conservative. Regardless of the precise amount of resources at stake, however, levels are sufficient to pique substantial littoral states interest.

In both disputes, energy resources have encouraged competition. The East China Sea dispute emerged in the late 1960s, after a UN-sponsored research program reported that the continental shelf between Taiwan and Japan might be "one of the most prolific oil reservoirs in the world."<sup>3</sup> Over the next two years, all four of the sea's bordering entities claimed parts of the continental shelf. Similarly, the South China Sea dispute intensified in the 1990s, during the period when China was becoming a net oil importer, heightening the state's need for reliable energy supplies.

However, in spite of this amplified competition, oil and gas resources have not encouraged much militarized conflict in either dispute. In the East China Sea, China and Japan have engaged in only one "militarized interstate dispute" (MID) over gas fields (2005). In contrast, there have been over a dozen militarized incidents around the Senkaku/Diaoyu Islands, 200-300 miles to the southwest, and an additional two related to sea lanes. China and Japan's 2005 gas confrontation was also fairly mild; the PLA(N) moved ships into areas near Chinese gas platforms, but no shots were fired. In the South China Sea, China and Vietnam have engaged in several militarized incidents concerning oil exploration, including the notorious 2014 clashes over a Chinese drilling rig. However, national leaders were quick to contain this confrontation and later reiterated their commitments to peaceful dispute resolution.

In comparison to the other issues at stake in East Asian maritime disputes, energy resources have not been very provocative. Moreover, they are unlikely to become more contentious in the future. The amounts of oil and gas at stake in both seas are moderate. The costs of exploiting many of these resources are also high, due to their geographical locales. And, oil and gas prices are likely to remain low, for at least the next five years. Even when prices rise, fighting for oil will not be an efficient way of obtaining additional resources.

Within both disputes, energy resources have also inspired international cooperation. In 2008, China and Japan established the *Principled Consensus on the East China Sea and Other Issues*, which created a small joint development zone along the states' maritime median line and permitted Japan's participation in development of a Chinese gas field. In the South China Sea, during the mid-2000s, national oil companies from China, the Philippines, and Vietnam jointly surveyed for potential hydrocarbon resources around the Spratly Islands. This collaboration collapsed in 2008 because of Philippine domestic politics. However, other regional leaders have continued to promote joint oil and gas development as a means of moderating East Asia's maritime disputes.<sup>4</sup>

## U.S. Foreign Policy

Secretary of State Rex Tillerson has personal experience with the South China Sea dispute, through his former career as CEO of Exxon Mobil. In 2009, the company acquired rights for gas exploration off Vietnam's central coast, in areas that are also claimed by China. Beijing protested the concessions but, with Tillerson at its helm, Exxon Mobil rejected pressure to terminate the agreements. Tillerson also flew to China in the midst of the 2014 Sino–Vietnamese rig confrontation to meet with Chinese oil company executives. Such encounters may encourage Secretary Tillerson to view East Asian maritime disputes through an energy lens.

However, this will not be a constructive strategy. As indicated by the discussion above, in these contests, energy resources are a red herring. They inspire competition. However, they do not pose a serious threat to international security, as they do not provoke significant militarized conflicts. Moreover, although claimant states have engaged in some hydrocarbon cooperation, these achievements have not helped states to resolve their broader territorial disputes. Consequently, focusing on oil and gas will not advance the United States' foreign policy aims of preventing crises or facilitating dispute resolution. In East Asian maritime disputes, energy resources are neither *casus belli* nor silver bullet.

Consequently, U.S. foreign policy should focus on more contentious issues, including the United States and China's competition for maritime authority in East Asia and regional power struggles, particularly between China and Japan, rather than being distracted by energy competition.

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<sup>1</sup> Columbia Center for Global Energy Policy, interview with Secretary Mabus (podcast), 29 May 2015.

<sup>2</sup> Krista E. Wiegand, "China's Strategy in the Senkaku/Diaoyu Islands Dispute: Issue Linkage and Coercive Diplomacy," *Asian Security*, Vol. 5, No. 2 (2009).

<sup>3</sup> K.O. Emery et al. "Geological Structure and Some Characteristics of the East China Sea and Yellow Sea," Economic Commission for Asia and the Far East, Committee for Co-Ordination of Joint Prospecting for Mineral Resources in Asian Offshore Areas (CCOP), Technical Bulletin, Vol. 2, p. 3043.

<sup>4</sup> These include former Taiwanese President Ma Ying-jeou, Malaysian Prime Minister Najib Razak, and, periodically, the Philippines' President Rodrigo Duterte.