

OIL AND GAS COOPERATION IN THE YELLOW SEA:

POSSIBILITIES, PROBLEMS AND PROSPECTS

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The Yellow Sea waters connect three countries: the People's Republic of China (PRC), the Democratic People's Republic of Korea (DPRK) and the Republic of Korea (ROK). Signs of oil and gas reserves have been detected in its northern part. Though devoid of similar signs, its southern part has a huge expanse of basin and a simple geological structure, thus providing favorable conditions for oil formation. Naturally, a number of parties have shown their interest in oil and gas development and utilization in the Yellow Sea and cooperation in this field. Here, I would like to offer my observations on the possibilities, problems and prospects for oil and gas cooperation in the Yellow Sea.

The Possibilities For Oil and Gas Cooperation

The following factors will determine the possibilities for oil and gas cooperation in the Yellow Sea: first, the existence, reserves, storage conditions and exploitation value of oil and gas resources in the area; second, whether the littoral countries of the Yellow Sea (the PRC, the DPRK and the ROK) have the need and will to exploit and utilize these resources; third, whether the current political and economic situation in Northeast Asia and in the world is favorable to oil and gas cooperation there.

The PRC, the DPRK and the ROK have all conducted surveys, though at different levels, of resources in the Yellow Sea. They share a general conclusion that there are oil and gas deposits in the waters, but their locations, reserves, storage conditions and exploitation value have not been ascertained. The knowledge of oil and gas reserves will heat up the desire to recover and exploit them and unknown storage conditions will impel people to prospect and survey, so as to have a clear picture of the resources in the area.

With regard to the needs and will of the three countries to prospect for, develop and utilize the oil and gas resources in the Yellow Sea, I believe that they will develop these resources as long as they exist, since all the three countries more or less suffer shortfalls in oil and gas resources and long to find and acquire new resources within their own territory and territorial waters. Having found no exploitable oil and gas resources within their own territories, the DPRK and the ROK are solely dependent on imports to meet their demand. Even though China is a producer, it has become a net oil importer since 1993 and has annually increased its import volume. Now, imported oil covers 1/3 of China's oil consumption, and is expected to claim 50 percent by 2010. Energy security is of great significance to all the three countries.

Today's international situation is favorable to oil and gas cooperation between the PRC, the DPRK and the ROK. In political terms, the international situation is on the whole moving towards a relaxation of tensions and efforts are underway to resolve the nuclear issue in the Korean peninsula through dialogue. In economic terms, the trend of economic globalization is continuously growing, and economic integration in Northeast Asia is gradually developing and expanding. The global and regional climates are to the advantage of oil and gas cooperation among the three countries in the Sea.

Given the above facts, it can be concluded that oil and gas cooperation in the Yellow Sea is possible.

The Problems Impeding Oil and Gas Cooperation

Oil and gas cooperation in the Yellow Sea is possible, but is impeded by difficulties and problems, as follows:

1. Signs of oil and gas resources are not encouraging. Oil and gas cooperation has to be based on the existence of resources. If the reserves are insignificant, or even non-existent, or yield poor exploitation value, there will be no cooperation to speak of. In the area of the Yellow Sea, the PRC, the DPRK and the ROK have all made surveys, including prospecting, in their adjacent waters. Positive signs have been detected in the northern part, where geological conditions would appear less propitious for oil formation, while the southern part, gifted with better conditions, has not yielded any signs of reserves, though the possibility of deep stratum oil deposits cannot be excluded. Uncertainty concerning reserves is the sticking point that thwarts the final resolve of the three countries on oil and gas cooperation.
2. Another key factor standing in the way of oil and gas cooperation among the three countries is the unfinished delimitation of their maritime boundaries in the Yellow Sea.
3. The situation on the Korean Peninsula is yet to be stabilized. This fact not only affects security and stability in Northeast Asia as a whole, but directly prejudices possible oil and gas cooperation in the Yellow Sea. To start

cooperation in this field is faced with difficulties in the context of weak political trust and economic cooperation between the DPRK and the ROK.

The Prospects for Oil and Gas Cooperation

Advocates of oil and gas cooperation in the Yellow Sea confront both advantages and difficulties. However, with concerted efforts of the PRC, the DPRK, the ROK and other countries concerned, it may well be possible to overcome the difficulties, draw advantages out of disadvantages and realize cooperation.

To facilitate oil and gas cooperation in the Yellow Sea, the issue of maritime boundary delimitation has to be settled in the first place between the three countries. This would not only foster oil and gas development, but would facilitate fishing and other economic activities of the three countries in the waters as well. The parties concerned should settle the delimitation issue through equal consultation and on the basis of fairness, rationality, mutual understanding and mutual accommodation.

Second, proceeding with joint development ahead of maritime delimitation should be considered. Since the settlement of border issues takes a long process, the parties concerned may consider shelving their differences and conducting joint development, including bilateral and multilateral development among the three countries and introduction of technology and capital from companies outside the three. Even after the three countries have officially delimited their maritime boundaries, it may also be necessary for them to engage in bilateral and multilateral cooperation and joint development. Since the underground oil and gas reserves straddle boundaries at some

sections, joint development is the only way to avoid conflicts and frictions and ensure fair and reasonable development and utilization of those reserves.

Third, the situation on the Korean Peninsula should be further relaxed. To achieve this end, efforts should be made to bring about a peaceful settlement of the nuclear issue on the Korean peninsula and make the peninsula a stable and peaceful region, so as to lay a solid political foundation for oil and gas cooperation in the Yellow Sea.

In sum, oil and gas demands of the three countries are bound to increase along with their economic development, strengthening the trends in favor of oil and gas cooperation in the Yellow Sea. Such cooperation meets the common needs of the three countries as well as the trend in our times of economic globalization and regional integration. Therefore, it is blessed with a bright future. Given the existing uncertainties and difficulties, however, such cooperation is likely to progress gradually.