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HEADLINE: Japan threatens to forge ahead in energy row with China

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Japan threatened Friday to grant oil and gas exploration rights to Japanese companies in a disputed area in the East China Sea unless China halts its mining project there.

The move could escalate an energy dispute between the two Asian powers, which have not agreed on where to draw the boundaries of each other's exclusive economic zones in shared seas.

Shoichi Nakagawa, the minister of economy, trade and industry, said an official Japanese geophysical survey had confirmed the Chinese project extended into what Japan claims as its side of the underground areas.

He told a news conference the Japanese government would shortly renew its demand to Beijing that the project be halted and its data be provided to Tokyo.

"If there is no sincere response in a week or so, we will start the procedure toward granting test-drilling rights," Nakagawa said.

He said the survey, which started last July, had stopped short of confirming the existence of resources on the Japanese side but that the Chinese project might affect "natural resources on the Japanese side."

On Thursday, Chinese foreign ministry spokesman Liu Jianchao expressed "grave concern" about the Japanese move, saying it could "complicate the issue." "We request the Japanese side treat this issue calmly," he said.

China embarked on the exploration project in early 2004 on its side of the median line between the 200-nautical-mile exclusive economic zones.

China, which does not accept the median line, claims its economic waters stretch further than as designated by Japan.

The two countries started talks in October to address Japan's worries the gas project could dip into resources on the Japanese side.

Japan-China relations have worsened in recent months over the energy issue and other problems. In December, Japan for the first time listed China as a potential threat in revised defense guidelines.

China, in turn, has been incensed over Prime Minister Junichiro Koizumi's repeated annual visits to the Yasukuni shrine, which honors Japanese war dead including war criminals.

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