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China: Growing Interest and Problems in East Asian Waters

A Research Paper

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January 1980*

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China: Growing Interest and Problems in East Asian Waters

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A Research Paper

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Asia - Pacific Division, Office of Political Analysis,
and [Redacted] Geography Division, Office of
Geographic and Cartographic Research. This paper has
been coordinated with the Office of Strategic Re-
search, the Office of Economic Research, and the Na-
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cific. [Redacted]

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Comments and queries are welcome and may be di-
rected to the Chief, Southeast Asia Branch, East
Asia - Pacific Division, OPA [Redacted] or to the
Chief, Asia Branch, Geography Division, OGCR [Redacted]

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**China:
Growing Interest and Problems
in East Asian Waters**

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Overview

The growing demand for oil by East Asian states and the advent of new technology capable of exploiting ocean resources at greater depths increased the pressure on the littoral states to assert and defend their jurisdictional claims and to exploit offshore resources. China in particular has greatly increased its offshore activities since the early 1970s, and it has broad and longstanding claims to the continental shelf, the islands, and the archipelagos of East Asia. These areas are disputed variously by Japan, South Korea, the Government on Taiwan, Vietnam, and the Philippines.

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China's growing demands for the resources believed present on the shelf and its increasing technological capability to exploit them could sharpen territorial disputes over the next three to five years. Conflict is unlikely, however, so long as good relations with the United States, Japan, and the Association of Southeast Asian Nations (ASEAN)¹ remain Beijing's major diplomatic objectives. A desire to cultivate friendly relations with these countries and a need to avoid greater friction with South Korea and the Government on Taiwan will cause China to take a nonconfrontational approach to its sweeping claims. Furthermore, China's concern over increased Soviet naval strength in East Asian waters and the evolving Soviet-Vietnamese relationship has reinforced Beijing's desire to develop stronger ties with the United States, Japan, and ASEAN. China's continuing imbroglio with Vietnam will increase the volatility of the disputes over the Gulf of Tonkin sea boundary and the South China Sea islands.

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China has gradually increased its naval, merchant marine, and offshore oil operations, making East Asian waters and waterways more significant in the conduct of Chinese foreign trade and in the pursuit of Chinese strategic goals. China considers the development of its oil industry a top priority, especially the need to develop its potentially rich offshore petroleum resources to offset declining rates of production from onshore wells.

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China has built up its international merchant fleet in the last several years. As this fleet grows, Beijing will become increasingly concerned with guaranteeing free access through the principal sea lanes in East Asia. Moreover, other Law-of-the-Sea issues, such as freedom of the high seas, passage through straits, and secure transit routes will become more

¹ ASEAN's members are Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

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important to China as its commercial relations with the rest of the world expand. As China enhances its capabilities to conduct distant fishing operations, it will become a more important voice in regional fishing matters. In the past three years, Beijing has begun to modernize its fleet and fishing practices in order to exploit fishing grounds farther from shore.

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In keeping with China's growing interest in offshore resources, the Chinese Navy is undergoing a transition from a coastal force to a deep water one. The Navy at present can conduct coastal defense operations up to 300 nautical miles from the eastern edge of the East China Sea, which gives it a military reach to the Senkaku and Paracel Islands; the Spratly Islands can only be reached by large combatants and submarines.

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China has long championed increased coastal state control over the world's seas and has instituted a number of measures to maximize its ocean claims. Indeed, Beijing has participated actively in the Law-of-the-Sea Conferences, strongly supporting the position of the Third World countries on a variety of issues while denouncing exploitation of ocean resources to the detriment of the developing countries. As Chinese activities in East Asian waters grow, however, Beijing may find it difficult to balance its support for the Third World's position with its desire to safeguard Chinese national interests.

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**China:
Growing Interest and Problems
in East Asian Waters**

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Part I

Political Context

China has sweeping territorial and jurisdictional claims to the East Asian continental shelf as well as the islands and archipelagos in East Asian waters (see foldout map 1, appended). At least five other governments have claims that overlap China's. Although China has shown little interest in negotiating a resolution to these claims, political considerations and technological constraints have caused Beijing to take a cautious and cooperative approach in exploiting potential resources in disputed areas. China's present emphasis on economic modernization and cultivation of good relations with countries such as Japan and the United States assure that, at least over the short term, Beijing will prefer a nonconfrontation approach toward its territorial claims in East Asia. China's desire to prevent the Soviet Union from making inroads into East Asia, and its corollary desire to isolate Moscow's client state Vietnam, also impel it at present to cultivate good relations with non-Communist Asian nations, particularly Japan and those in Southeast Asia.

At the same time, however, China's growing demands for the resources believed present on the continental shelf and its increasing technological capability to exploit these resources will create the conditions for an adversary relationship with these same countries, particularly if significant oil reserves are discovered. Over the next three to five years, China's naval and maritime capability, although much improved, will remain modest, and this will tend to reinforce its preference for a noncombative approach toward territorial claims. As China's need and capability grow, however, the conflict between its economic interests and political goals in East Asia will sharpen. Beijing will have to decide whether to pursue its national territorial claims in East Asian waters more aggressively at the risk of jeopardizing its good relations with the non-Communist states.

China-Japan

China considers the cultivation of cooperative relations with Japan one of its highest priorities. For at least the immediate future, this will determine Beijing's approach to territorial claims not only in the East China Sea where Japan is a major claimant, but also in the Yellow Sea where China's claims conflict with those of an important Japanese partner, South Korea (see maps 2 and 3).

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Japan is China's most important trading partner. Sino-Japanese trade totaled more than \$5 billion in 1978 and, according to the provisions of their Long Term Agreement, should increase considerably. Japan is the largest purchaser of Chinese crude oil—60 percent of China's total exports—but, more important, Tokyo is the major source for the advanced equipment and technology Beijing needs for its ambitious modernization program. China considers a close relationship the key to obtaining this technology on preferential terms.

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Japan's political importance to China will increase as China seeks to counter the expanding Soviet presence in East Asia. China perceives its developing relationship with Japan as an important counterbalance to Soviet and Vietnamese ambitions. Beijing believes an identity of interests based on opposition to the USSR is proved by Japan's willingness to sign the implicitly anti-Soviet Peace and Friendship Treaty with China in August 1978. Chinese leaders undoubtedly hope that Japan can be further induced to favor Beijing at the expense of Moscow's interests in East Asia.

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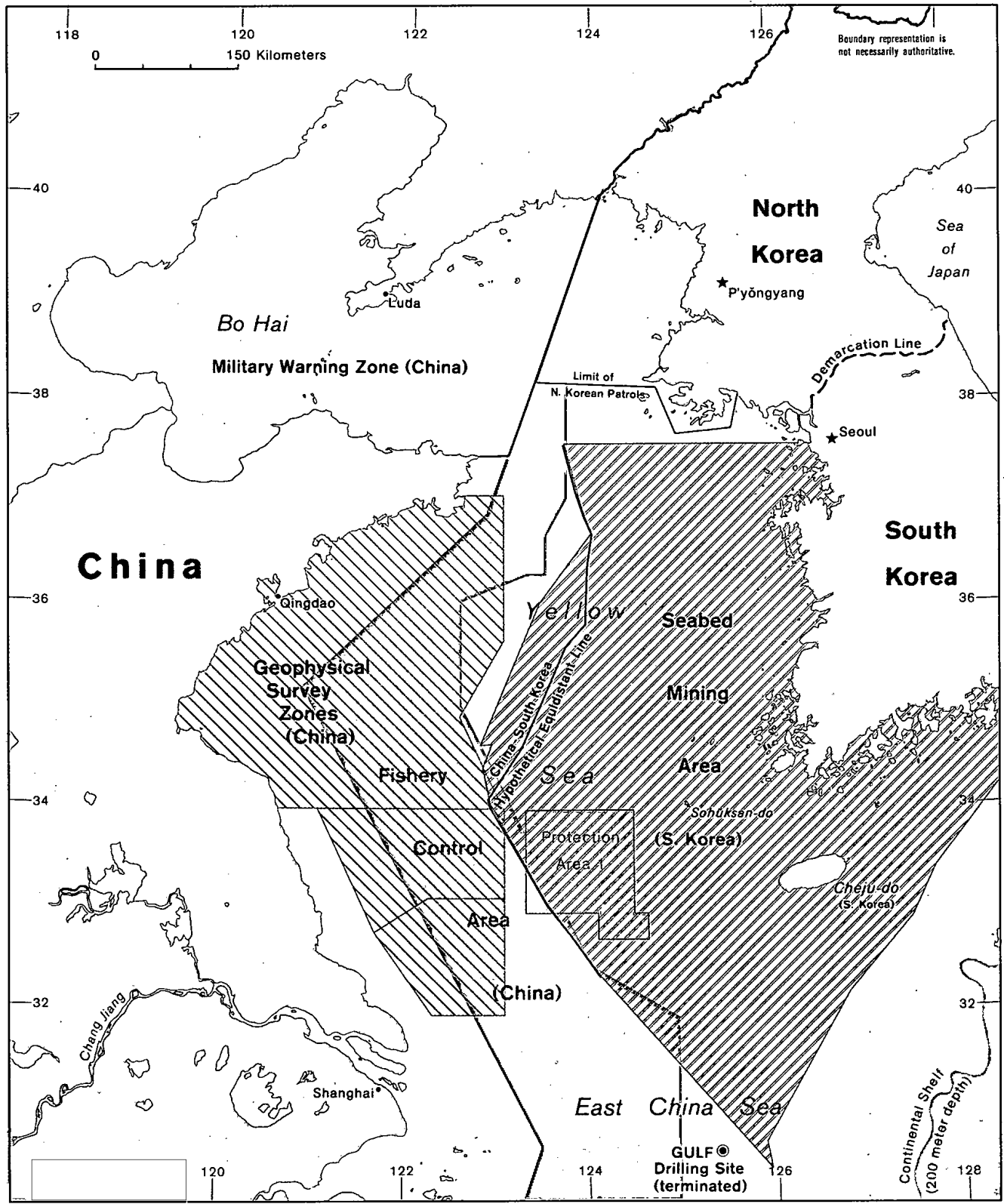
In view of China's substantial equities in maintaining good relations with Japan, Beijing will probably continue to try to avoid serious confrontation over contested claims in the East China Sea, both the area near the Senkaku Islands north of Taiwan and the

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Claims in the Yellow Sea

Map 2



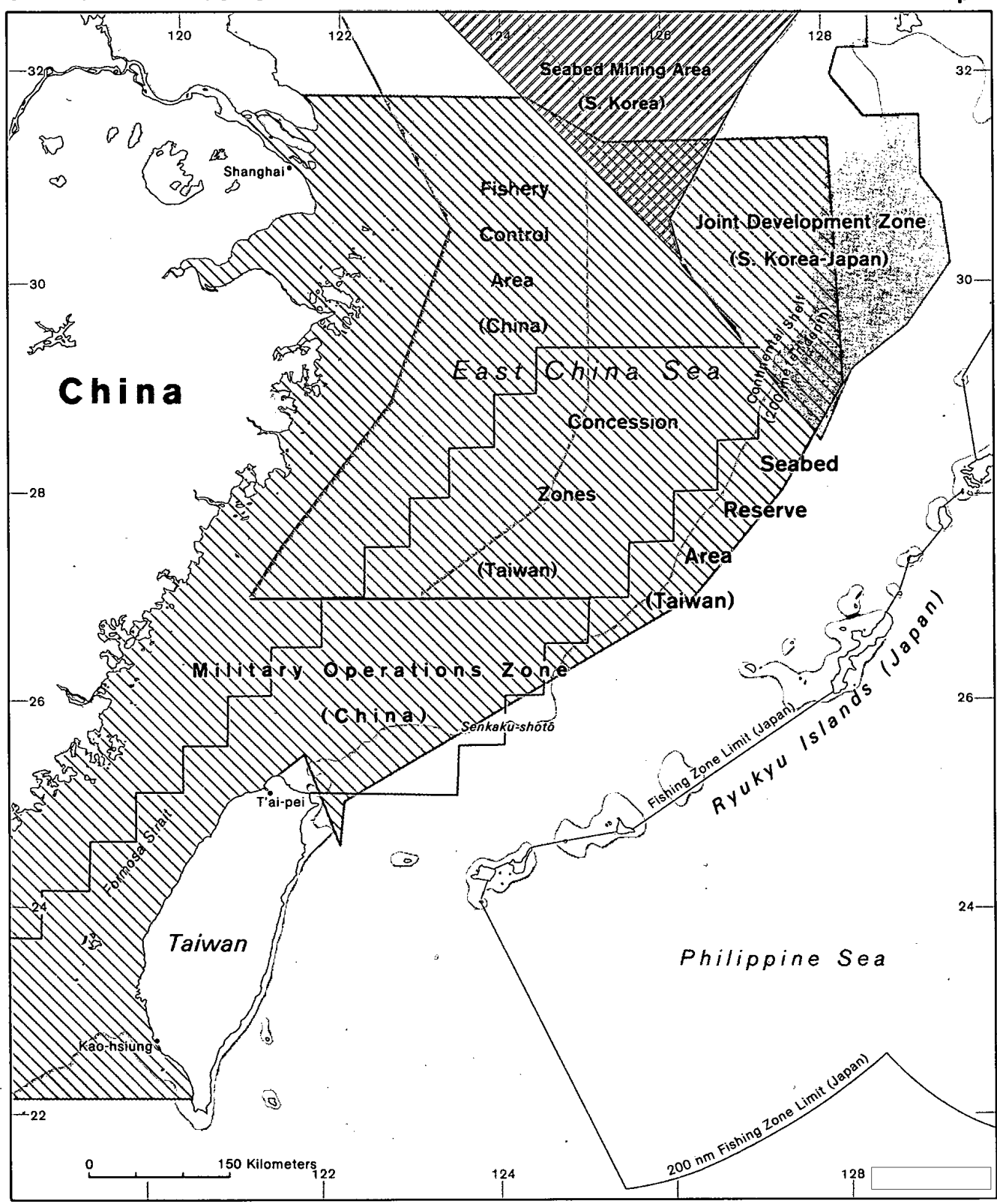
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Claims in the East China Sea

Map 3



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Japan - South Korea Joint Development Zone south-east of the Japanese island of Kyushu. Two different events indicate the way Beijing's interest in good relations with Japan influence its handling of territorial claims. In 1972, China made it clear that the US-Japan reversion agreement transferring the Ryukyus to Japanese jurisdiction in no way prejudiced China's longstanding claim to the Senkakus, which are a part of the Ryukyus. Nonetheless, Beijing did not let the issue interfere with its diplomatic priority of normalizing relations with Japan, which occurred later that year. In April 1978, more than 200 armed Chinese fishing boats intruded into waters around the Senkakus in a brief revival of the territorial dispute, but this did not prevent Beijing and Tokyo from signing a Peace and Friendship Treaty in August, a much more important objective from China's viewpoint because of its importance to China's diplomatic competition with the USSR. Chinese Vice Premier Deng Xiaoping, moreover, assured the Japanese at the time of the signing of the treaty that such an "incident" would not occur again. [redacted]

China has, in fact, proposed a joint development program with Japan for exploiting the presumed oil and gas deposits offshore near the Senkakus. China offered to set aside territorial differences, but it did not offer to negotiate a resolution of them. Tokyo did not rule out a joint Sino-Japanese venture but countered with a three-way development project proposal that would involve Chinese, Japanese, and American oil companies and would arrange for Taipei, another claimant to the area, to receive some of the proceeds. [redacted]

Japan's growing energy needs will probably increase the pressure to expand exploratory activities near the Senkakus substantially. China would undoubtedly try to exert strong diplomatic pressure on Tokyo, but although it might hint at economic sanctions, Beijing would be unlikely to jeopardize its important trade relationship with Tokyo. Military threats would be even less likely. Beijing's capability at present to take direct action in the disputed area is limited; to send Chinese ships to the disputed area would risk creating a public political issue in Tokyo that could work against broader Chinese interests. [redacted]

China-Korea

China's desire to preserve political stability on the Korean peninsula as well as its interest in close ties with Japan greatly influences Beijing's approach to jurisdictional disputes with South Korea. China publicly supports Pyongyang's basic foreign policy objectives, but privately favors a continued US military presence in South Korea as a stabilizing force. South Korea's close relationships with the United States and Japan minimize the potential for conflict between China and South Korea. On the other hand, China's desire to maintain good relations with North Korea will prevent it from negotiating with South Korea for demarcation of a sea boundary and/or fishing agreements in the southern Yellow Sea. [redacted]

China's strong desire to stay on good terms with Japan works to South Korea's benefit, particularly with regard to disputes over the area encompassed by the Japan-Korea Joint Development Zone. A Chinese challenge against South Korean activity in the zone would adversely affect Sino-Japanese relations. As long as China desires to maintain friendly relations with Japan, it will probably not seriously challenge Seoul. An oil discovery in the zone would certainly trigger a Chinese protest against Japanese and Korean activity, but there is little pressure that China could bring to bear on either Tokyo or Seoul. Concern about China's reaction, however, has contributed to Japanese reluctance to move rapidly in exploiting resources in the zone. [redacted]

Farther north, between the Korean and Shandong peninsulas, the situation is more complex. China clearly intends to conduct exploratory drilling in the Yellow Sea, but for the time being it is confining its operations to China's side of a hypothetical equidistant line. If this exploration proves fruitful and an oilfield appears to extend farther east, the Chinese may push gradually across the line. China probably would do this cautiously and only after it conducted a number of tentative probes designed to test US and South Korean sensitivities. The Koreans are not exploring on their side of the equidistant line. [redacted]

The discovery of a considerable amount of oil in the Joint Development Zone could change the situation in the Yellow Sea. A discovery in the zone would increase China's interest in granting concessions in contested areas of the Yellow Sea, but Seoul probably would be in a better position to control those waters. [redacted]

thinner closer to the mainland, thereby reducing the chances of a find. [redacted] 25X1

Incidents have occurred between China and South Korean fishing fleets in the Yellow Sea, although Seoul has tried to avoid provoking Beijing. It has not sent armed boats to protest its fishing fleet and has tried to keep South Korean boats from interfering with Chinese fishing operations. China has ignored South Korean calls for joint consultations on fishery matters and maritime incidents in the southern Yellow Sea will probably continue. Neither side, however, is likely to do anything that will cause serious tension in the area. [redacted]

Beijing probably will tolerate Taiwanese drilling activities as long as they are confined to Taiwan's side of the hypothetical equidistant line. If oil is discovered, however, China certainly would protest and probably would begin its own exploratory operations in the waters off Fujian. Beijing would be unlikely to attempt to cross the de facto division line in the Straits unless it believed that Taipei would not or could not challenge its actions. [redacted] 25X1

China - Government on Taiwan

Both Beijing and Taipei claim to represent the legitimate Government of China, and it is therefore virtually impossible to resolve their overlapping territorial and jurisdictional claims. The desire to cultivate closer relations with the United States inhibits Beijing from acting aggressively vis-a-vis Taipei, and both Beijing and Taipei have thus far avoided any developmental operations in areas of particular sensitivity. [redacted]

China-Vietnam
China sees Vietnam as a rival for influence in Southeast Asia, and as an ally of the USSR intent upon pursuing anti-Chinese policies. The deep-rooted animosity between China and Vietnam led to the Chinese invasion of Vietnam in February-March 1979. Their jurisdictional and territorial disputes in the Gulf of Tonkin and in the South China Sea thus became part of the larger conflict (maps 4 and 5). [redacted] 25X1

Taipei's failure to locate significant quantities of offshore oil improves the prospect for stability. Despite many years of exploration by foreign companies and by Taiwan's state-controlled Chinese Petroleum Corporation, no significant finds have been made. Much of the test-drilling has been concentrated off Kao-hsiung, but during the past year the Chinese Petroleum Company has also been active northwest of the Pescadores within a few miles of the hypothetical equidistant line of the Straits of Taiwan. Extensive seismic studies and some exploration in waters north of Taiwan have also been disappointing. [redacted]

Not only are both countries arch enemies, but each has ambitious offshore development programs intended to enhance its military power as well as obtain much-needed resources. As matters now stand, no improvement in Sino-Vietnamese relations is foreseeable, and the oil potential and strategic location of the contested areas heighten the potential for conflict in the Gulf of Tonkin and the South China Sea. [redacted] 25X1

China shows no indication that it intends to prospect for oil on its side of the Straits or in Taipei-designated concessions areas to the north or west of the island. China's general lack of interest has probably been reinforced by Taiwan's failure to discover commercial amounts of petroleum. Geologically the strata become

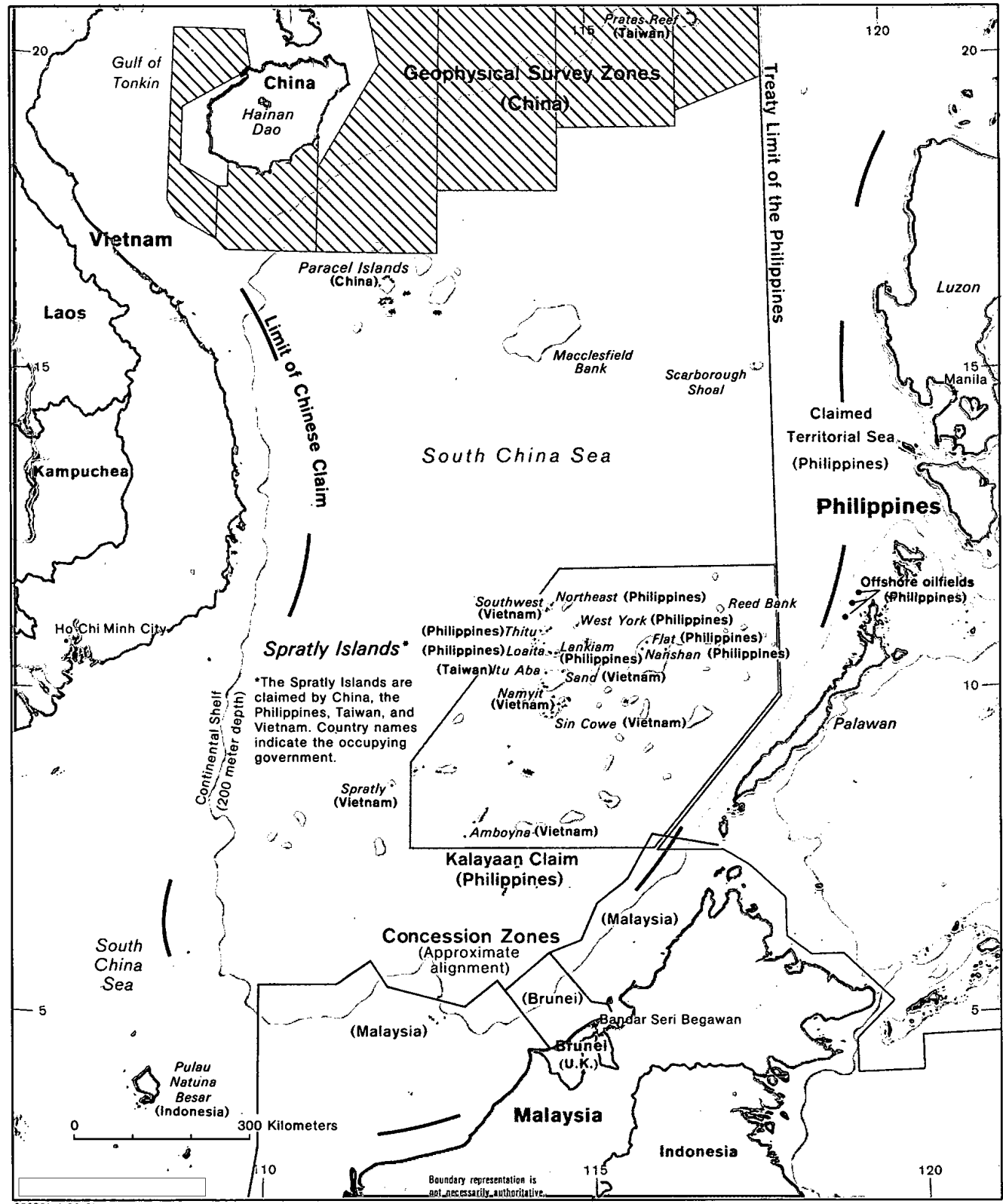
The question of who has jurisdiction in the Gulf of Tonkin, an area with great oil potential, constitutes the major dispute between China and Vietnam relating to offshore activity. China has already conducted seismic surveys and drilled several test wells [redacted] 25X1

China withdrew its drilling rigs to safer, but presumably less promising, water near Hainan Island at the start of the Sino-Vietnamese war in February 1979. China clearly intends to proceed with its development plans, however, for it signed contracts with US and European companies to conduct further seismic studies in the Tonkin Gulf west and south of Hainan. Hanoi warned Beijing recently to halt exploratory activities in the Gulf. [redacted] 25X1

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Claims in the South China Sea

Map 4



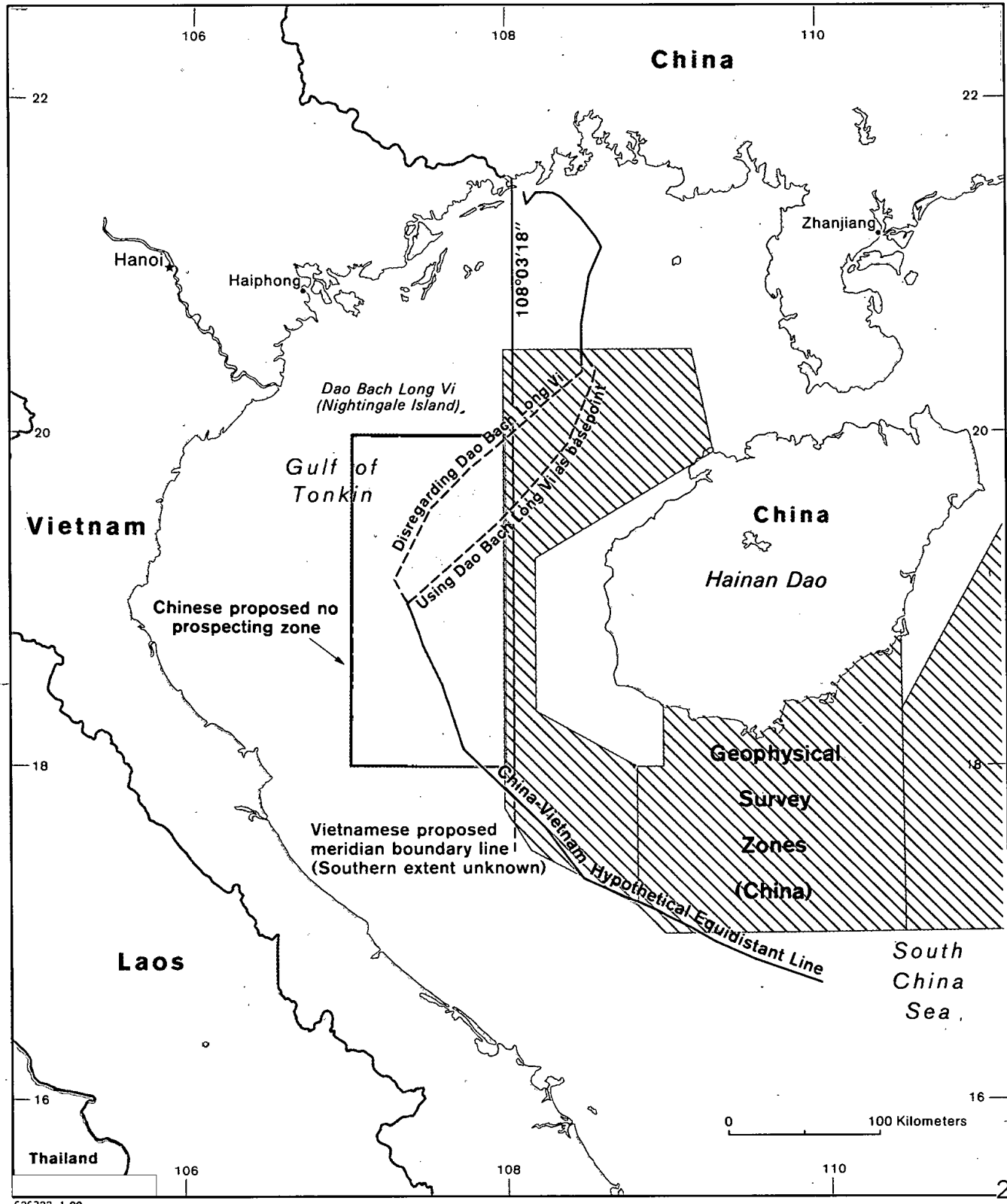
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Claims in the Gulf of Tonkin

Map 5



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China's oil prospecting in the Gulf could lead to a military showdown with Vietnam. At present, Beijing has two rigs engaged in exploration work positioned fairly close to the hypothetical equidistant line.² If China were to make a significant find in the Gulf near the line, the potential for conflict would grow. Vietnam might seek to defend its claims in the Gulf by deploying greater naval forces. China's reaction would depend on the general level of tension between the two countries at the time and on the particular way in which Hanoi tried to assert its claim. Although conflict would not be inevitable, both sides undoubtedly would be hard-nosed. [redacted]

tions China's assertion of its territorial claims in the Spratly Islands, which Vietnam, the Philippines, and Taiwan also claim. [redacted]

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Vietnamese troops occupy six of the Spratly Islands, and Hanoi may expand this presence gradually to other islets in the next few years in anticipation of or in response to moves by Beijing and Manila. Beijing might decide to try to counter moves by Vietnam by a show of force in the area or perhaps by garrisoning some unoccupied islets to prevent Vietnamese control of them. China probably would not threaten areas claimed by Manila [redacted]

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Unlike China's other offshore disputes, those involving the Tonkin Gulf bear directly on Chinese security concerns and lie within an area where China enjoys military superiority. Vietnam's Navy is no match for the Chinese forces, and Hanoi would be hard-pressed to defend militarily its extensive claims. Vietnam, however, probably would rely on the continuing presence of Soviet naval ships in the South China Sea to restrict China's freedom of action against Vietnamese interests. [redacted]

Despite these apprehensions, Beijing probably would not be willing to risk military engagement of the Vietnamese in the Spratlys. The Chinese would be hard-pressed to provide air support for their naval ships at such a distance from the mainland. Although Beijing's naval capability far exceeds that of Hanoi's, it is doubtful that it could be amassed in sufficient strength to compensate for a virtual lack of air cover. [redacted]

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Vietnam and China are also in conflict over the Paracel Islands, which China seized from the former Saigon government in a naval and air attack in early 1974, and the Spratly Islands. Vietnam cannot challenge Chinese control of the Paracels because its naval forces are inferior to those of China. Hanoi will not abandon its claim to them, however, and may hope some day to be in a position to contest for their ownership. The dispute over the Spratlys is more complex because it involves the Philippines as well. [redacted]

China's desire to strengthen bilateral relations with Manila will decrease the potential for serious Sino-Philippine conflict over the Spratlys. China has shown a keen interest in expanding trade with Manila, particularly in crude oil. Since 1974, the Philippines has purchased most of China's Shengli crude exports. Last year, Manila agreed to import 6 million tons of Chinese crude over the next five years. Although in absolute terms the total volume is not great, it nevertheless places Manila second only to Japan as a market for Chinese oil. No doubt the Chinese also find the growth potential attractive. [redacted]

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China-ASEAN

China considers cultivating friendly relations with members of the Association of Southeast Asian Nations³ a major objective of its foreign policy in Asia and a keystone in its policy efforts to minimize Vietnamese influence in Southeast Asia. This condi-

As Beijing renews its efforts to offset Soviet influence in the region, its relations with Manila are taking on added importance. A serious confrontation over disputed claims would not only jeopardize promising bilateral ties but would heighten suspicions of China among other ASEAN countries, particularly Singapore and Indonesia, which have yet to respond to China's efforts to normalize relations. Over the next few years, Manila will certainly increase its exploratory drilling near the Reed Bank and may send

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² The determination of an equidistant line will be difficult since China and Vietnam disagree over the use of Dao Bach Long Vi as a base point. This could affect a large area in the potentially oil-rich central part of the Gulf. [redacted]

³ ASEAN's members are Indonesia, Malaysia, the Philippines, Singapore, and Thailand. [redacted]

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garrisons to additional islets in the Spratlys.⁴ These developments, or a possible oil discovery by the Philippines off Reed Bank, may spur Beijing to establish a presence in the area to reinforce its claims. If Hanoi granted the Soviets some form of base rights in Vietnam or on a Vietnamese-controlled island in the Spratlys, China would be doubly concerned. As their own maritime and naval capability grows, the Chinese have shown greater interest in the security of Asian sea lanes. [redacted]

Over the next five years, Chinese concern about the future of the Spratlys could strain Sino-Philippine relations. To what extent this occurs depends largely on where and how the two sides press competing claims in that area. The Reed Bank is much more sensitive from Manila's perspective than the rest of the Spratlys, and if China sent military patrols to assert its claims, this would be more discomfiting to Manila than would be the case if only oceanographic ships visited. Both sides, however, have good reason to prevent the competition from escalating into a serious confrontation which could jeopardize growing bilateral ties or open the door to greater Vietnamese or Soviet influence. [redacted]

Prospects

China obviously would like to extend as much as possible its control over all the areas of the continental shelf to which it believes it has historic or legal claims. During the next few years, China will attempt to enhance its position by sending naval, research, and fishing vessels into contested areas. [redacted]

China will probably continue to avoid negotiating its claims because it believes it does not yet have the needed leverage. In seeking to assert its position in the contested waters, China probably will be careful not to provoke strong reactions from rival claimants, retaining the flexibility to withdraw if necessary. Nonetheless, Chinese probes in the offshore areas inevitably

⁴ Manila recently published a presidential decree annexing some of the Spratly Islands. [redacted]

will create friction between Beijing and the other claimants. China probably hopes the close ties being forged with Japan and the Philippines will keep irritations from affecting those relationships. Beijing is not concerned about the effects of disputed claims on its relations with Taiwan or South Korea, but it will nonetheless avoid open hostility toward Taipei and Seoul because of its interest in maintaining good relations with the United States. The disputed claims with Vietnam, on the other hand, could lead to military conflict, particularly in the Gulf of Tonkin, where the claims have a security as well as an economic aspect for China. [redacted] 25X1

China's growing economic and military interests in East Asian waters may eventually undermine Beijing's present nonconfrontational approach toward most territorial disputes. A successful economic modernization program will not only make the exploitation of offshore resources more necessary but also will provide the technological and military capability to exploit and protect them. Growing demand for oil and the advent of new technology capable of exploiting ocean resources at greater depths will increase the pressure on all the littoral states to assert and defend their jurisdictional claims. [redacted] 25X1

Discovery of major oil reserves offshore in the disputed areas will add a new dimension to the territorial claims issue and make resolution of them more urgent—and also more difficult. As a major Asian power, China's position as claimant to the shelf inevitably affects the development programs of the other littoral states, making them reluctant to proceed too far until they are certain how China will react. All these states are energy short, however, and if oil is discovered on the shelf, China would come under increased pressure to negotiate demarcation or risk destroying the good diplomatic relations it has achieved—relations which are critical to its strategic objectives vis-a-vis the USSR. [redacted] 25X1

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**China:
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in East Asian Waters** [redacted]

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Part II

Economic Maritime Factors

China has greatly increased its offshore activities since the early 1970s. It has intensified its oil development program near the coast and has conducted surveys and exploratory drilling farther from the coast. Growing naval, fishing, and merchant marine operations have made East Asian waters and waterways more important for China in the conduct of its trade and pursuit of its strategic goals. [redacted]

Offshore Oil Development

China considers the development of its oil industry a top priority, but, in particular, it needs to develop its potentially rich offshore petroleum resources to offset declining rates of production from onshore wells. Oil exports are an important source of foreign exchange to finance China's economic development. Domestic oil consumption will grow as industry and agriculture expand, reducing the amount of exports. China can enhance its own capabilities for offshore drilling by purchasing foreign equipment and technology, but it will also need to cooperate with foreign companies in joint projects. [redacted]

China began offshore exploration in the late 1960s in the shallow waters of the Bo Hai, and by 1978 three platforms were producing oil. In the early 1970s, the Chinese began exploring areas in the East China and South China Seas; they have drilled wells off the eastern coast of the Leizhou Peninsula, at the mouth of the Pearl River estuary, and in the Gulf of Tonkin. China has purchased foreign equipment and technology, but technical difficulties, financial constraints, and shortages of trained personnel have hampered the offshore program. [redacted]

Recognizing that it will have to cooperate with foreign firms to develop potential offshore oil resources, China has contracted with foreign companies for seismic studies and will permit open bidding for production contracts once the geophysical data have been as-

essed.⁵ Except for the work in the Bo Hai, the foreign companies will have to explore offshore at their own expense and will be compensated only if they find oil. This approach allows development without expending China's scarce capital. China recently signed an agreement with the Japan National Oil Corporation to develop oil resources in the Bo Hai—where shallow depths could be easily drilled by Japanese companies—while assigning to US and European companies areas in the Yellow and South China Seas—where the technological demands are greater. Even if oil is discovered in commercial quantities, it would probably take at least 10 years to attain large-scale production of offshore crude. [redacted]

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Merchant Fleet

China has built up its international merchant fleet in the last several years, and as this fleet grows, Beijing will become increasingly concerned with guaranteeing free access through the principal sea lanes in East Asia. Moreover, other Law-of-the-Sea issues, such as freedom of the high seas, passage through straits, and secure transit routes will become more important to China as its commercial relations with the rest of the world expand. [redacted]

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China's international fleet has grown since the early 1970s, and its composition has changed dramatically. General purpose dry cargo ships accounted for much of the fleet in 1973, but subsequently Beijing has shifted emphasis to bulk carriers. Such ships constituted about 80 percent of total acquisitions in 1978, probably reflecting China's need to transport large quantities of grain imports. In coming years, China is likely to concentrate on expanding its tanker fleet to handle growing oil exports. China built two small tankers in 1978 and plans to build 10 more, totaling 225,000 deadweight tons, over the next few years. [redacted]

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⁵ China signed agreements with British and French companies to conduct a seismic study of the Yellow Sea and with six US companies to do so in the South China Sea and the Gulf of Tonkin. [redacted]

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Fishing

China has a large offshore fishing fleet but cannot at present conduct extended fishing operations at sea. As China acquires this capability, it will become a more important voice in regional fishing matters. In the past three years, Beijing has begun to modernize its fleet and fishing practices to exploit fishing grounds farther from shore. Since 1976, China has bought more than 25 refrigerated transports and factory ships from Japan and has begun producing similar ships at home. China has also markedly increased the size and sophistication of its fishing boats. [redacted]

China's distant water fishing fleet not only enables it to increase its total catch but also allows China to assert a presence in areas over which it claims jurisdiction. For example, China has conducted large-scale fishing operations in the waters around the Paracel and Spratly Islands in recent months. [redacted]

Naval Expansion

In keeping with China's growing interest in offshore resources, its Navy is changing from a coastal force to one capable of deep-water operations. The Navy can now conduct coastal defense operations up to 300 nautical miles⁶ from the eastern edge of the continental shelf, which provides a military reach to the Senkaku and Paracel Islands. [redacted]

[redacted]

[redacted]

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⁶ Throughout this paper, distances are reported in nautical miles, hereafter referred to as miles. [redacted]

China: Growing Interest and Problems in East Asian Waters [redacted]

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Part III

Staking and Asserting National Claims

China has long championed increased coastal state control over the world's seas and has instituted a number of measures to maximize its ocean claims. In 1958, the Chinese Government established a straight baseline system and claimed a 12-mile territorial sea (see map 1). The declaration also asserted Chinese sovereignty over, and established territorial seas around, Taiwan, the Spratly and Paracel Island groups, and numerous shoals and underwater reefs throughout the South China Sea.⁷ Beijing has published a number of maps that place its international boundary line as far south as the continental shelf of Malaysian Borneo. This line does not delineate a territorial sea claim but merely encircles all Chinese-claimed island groups. [redacted]

The need to maintain a consistent legal basis for its claims causes the Chinese Government some difficulty in maximizing its claims to ocean resources. China's claims to the shelf are based on the natural prolongation principle—that the continental shelf is the seaward extension of the Chinese mainland and, therefore, under the jurisdiction of the Chinese Government. Using this principle, China claims rights over the Yellow and East China Sea shelves up to the periphery of the Korean peninsula and the Ryukyu islands. [redacted]

China has never declared a 200-mile exclusive economic zone, even though it vigorously supports such declarations by Third World countries. Declaring such a zone around its southern coastline and South China Sea islands would increase potential Chinese control over the narrow-shelved South China Sea, but it would undercut its claims to the Yellow and East China Sea shelves. Fear of prejudicing its shelf claims also prevents China from declaring even a 200-mile exclusive fishing zone, although China restricts foreign

⁷ The declaration did not specifically include the East China Sea's Senkaku Islands, called the Diaoyu Tai by China and claimed by China, Japan, and the Government on Taiwan. [redacted]

fishing, particularly by the Japanese, in a large area of the Yellow and East China Seas. Increased concern about the depletion of its fishery stocks, however, could lead Beijing to opt for some form of broad or extended fishery zone. [redacted]

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China also imposes navigational restrictions on foreign ships operating in Chinese waters. Beijing has created a military warning zone in the Bo Hai, which cannot be entered without prior permission, and a military operations zone north of Taiwan where foreign fishing vessels venture at their own risk. These restrictions, established solely for security reasons, have no precedent in international law. [redacted]

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Law of the Sea

China has participated actively in Law-of-the-Sea Conferences, strongly supporting the position of the Third World countries on a variety of issues while denouncing the superpowers, especially the Soviets, for exploiting ocean resources to the detriment of the developing countries. [redacted]

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China supports measures that will ensure strict control of all activities, other than navigation and overflight, in ocean areas beyond the territorial sea. These include:

- Complete coastal state sovereignty and the right of innocent passage in the territorial sea, including international straits that lie within the territorial sea.
- Coastal state ownership and management of the coastal state economic zone, with perhaps some sharing of management and benefits with adjacent landlocked and shelf-locked states.
- Maximum international control of the areas beyond coastal state jurisdiction through an international system in which all nations have an equal voice and through which revenues derived from the exploitation of the seabed will be shared equally by all nations.

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As the range and scope of China's activities in East Asian waters grow, however, Beijing may find it difficult to balance its support for the Third World's position with its desire to safeguard Chinese national interests. [redacted]

Yellow Sea

Politically divided Korea creates problems for China in delimiting its boundary in the Yellow Sea (see map 2). Although China and North Korea have apparently agreed on a boundary in the northern Yellow Sea, the boundary in the southern part will remain in dispute unless a major change occurs in Beijing's policy toward South Korea. China claims the continental shelf on the basis of the natural prolongation principle, but it has not specified its claims in the Yellow Sea, which is a semienclosed body of water warranting negotiations among the involved states in order to divide it on an equitable basis. China, however, has established a military warning zone and fishery protection zones in the Yellow Sea, conducted seismic surveys, and signed contracts with European companies for oil exploration predominantly on the Chinese side of a hypothetical equidistant line. [redacted]

China's military warning zone does not necessarily represent the maximum extent of its jurisdictional claim to the northern Yellow Sea. Such a zone has no basis in international law, but Beijing and Pyongyang seemed to have agreed on respective areas of jurisdiction. The western limits of North Korean patrols in the Yellow Sea correspond closely with the eastern boundary of China's military warning zone.⁸ [redacted]

The southern Yellow Sea, which is disputed between China and South Korea, has been the scene of numerous incidents involving fishing and petroleum exploration. In 1952, South Korea established the Rhee Line and claimed sovereignty over all economic resources in a large area around the entire Korean peninsula. In 1970, Seoul issued the Submarine Mineral Resources Development Law and established—by presidential decree—a median-line limit for seven seabed mining blocks in the Yellow and East China Seas, which superseded the claims based on the Rhee Line. [redacted]

⁸ In 1977, Pyongyang announced the establishment of a military warning zone and a 200-mile exclusive economic zone off both coasts but has not specified the zones' boundaries in the Yellow Sea. [redacted]

China protested South Korea's actions and sent lightly armed Chinese fishing boats into the area to harass seismic surveying. A Korean-US consortium suspended operations in 1971, but the Gulf Oil Company, ignoring the Chinese warnings, began drilling in 1973 only 175 miles off the coast of Shanghai. The Chinese repeated their protest and dispatched Komar-class gunboats to the area. In response, and at the urging of Washington, Gulf Oil gradually terminated its operations. [redacted]

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Since 1975, China has conducted its own seismic survey in the Yellow Sea to the east and northeast of Shanghai—areas close to the hypothetical Sino - South Korean equidistant line. It has also signed agreements with foreign companies for further exploration. Seoul has repeatedly offered to negotiate the delimitation of the continental shelf in the Yellow and East China Seas, but to no avail. For the time being, both Beijing and Seoul will probably confine their exploratory activities to areas falling on their respective sides of a hypothetical equidistant line. [redacted]

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Numerous incidents have also occurred between China and South Korean fishing fleets over the years. Chinese vessels, often armed or escorted by patrol boats, have seized South Korean boats, detained crews, and confiscated their catch and equipment. All the incidents have occurred in China's Fishery Protection Area 1 between the Korean island of Sohuksan and the Chinese mainland. This protection area is partially on the Korean side of a hypothetical equidistant line and partially within South Korean continental shelf claims in the East China Sea. [redacted]

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East China Sea

Two divided nations and Japan are competing to exploit the resources of the East China Sea (see map 3). Oil is the primary impetus behind the dispute. The extent of the oil reserves beneath the East China Sea remains unproved, but no significant test-drilling has occurred in the most geologically promising areas. China, Japan, North and South Korea, and the Government on Taiwan all claim parts of the East China Sea, but the disputes focus on the Senkaku Islands and the South Korea - Japan Joint Development Zone.⁹ [redacted]

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⁹ North Korea, because of its claim to represent the only legitimate government of Korea, has a theoretical claim to the East China Sea, although it has not played an important role in the dispute. [redacted]

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The Senkaku Islands have little intrinsic value, but their ownership is crucial to determining jurisdiction over much of the shelf and, hence, the right to exploit petroleum reserves thought to exist there.¹⁰ Jurisdiction over thousands of square kilometers of the shelf may depend not only on a determination of the ownership of these islands, but also on the effect given them in a shelf division. Before the shelf boundary issue can be settled, the sovereignty issue must be resolved. [redacted]

Japan claims that the Senkakus are part of the Ryukyu Island chain. Tokyo points out that the United States administered the Ryukyu Islands (including the Senkakus) after World War II, but returned them to Japanese administration on 15 May 1972. Since reversion, Japan has been responsible for defense of the Ryukyus—including the Senkakus. The Japanese Self Defense Force generally leaves coverage of the disputed islands to the Civil Maritime Safety Agency, which makes occasional patrols around them. [redacted]

Publicly, Tokyo considers the Senkakus issue settled, but its operations on the shelf near the Senkakus have been cautious. Japan, South Korea, and the Government on Taiwan established a committee in 1970 to discuss cooperation in developing potential oil and natural gas resources in the East China Sea, but Tokyo quickly ended the discussions once Beijing publicly asserted its claims. Japan has approved no concessions south of the 29th parallel and holds in abeyance applications for oil exploratory licenses and other projects in the immediate vicinity of the islands. Tokyo recently conducted scientific surveys of the islands and their surrounding waters and has begun sea patrols in the area. [redacted]

The Government on Taiwan and China cite practically identical historical and legal evidence to support their contention that the Senkakus never rightfully belonged to Japan and that reversion did not prejudice their claims. In December 1970, Beijing reasserted China's historical claims over the Senkaku Islands. In early 1972, just four months before the planned reversion of the Ryukyus to Japan, the Chinese Foreign Ministry said that the US-Japan reversion agreement would not alter China's claims of sovereignty. [redacted]

¹⁰ The Senkaku Islands are a small group of uninhabited, largely barren islets on the eastern margin of the East Asian continental shelf. Until the publicity about possible petroleum deposits in the East China Sea based on a 1968 UN survey, the Senkakus were virtually unknown and seldom shown on maps of the area. [redacted]

Japan and South Korea have created a Joint Development Zone in an area of the East China Sea where they and China have overlapping claims. Tokyo and Seoul agreed in 1974 to ignore their differences and cooperate in the development of oil and natural gas resources. Despite Beijing's protests, they established a boundary in the northern part of the continental shelf and marked off a joint zone of about 83,000 square kilometers west of the Japanese island of Kyushu. Seoul ratified the agreement soon after the signing, but Tokyo delayed ratification until June 1977 and did not pass the enabling legislation until June 1978. The companies to conduct the operations in the various subzones were not chosen until March 1979, with exploratory drilling planned for spring 1980. [redacted]

Japan's reluctance stems largely from concern about the Chinese reaction, even though the zone is on the Japanese side of a hypothetical equidistant line with China. When the Japanese Diet ratified the treaty, China reiterated its own claims to the area and threatened to impose economic sanctions against Japan. China further alarmed the Japanese in May 1978 when it dispatched a marine research ship to the southern part of the joint development zone to reinforce its claims. Chinese Vice Premier Li Xiannian warned, moreover, that China would take "concrete" action if exploration activities began. [redacted]

A dispute between Beijing and Taipei over offshore jurisdiction in the East China Sea flared in 1970 (see map 3). Taipei proclaimed five seabed reserve areas extending to the Chinese mainland, granted concessions to foreign oil companies, and actively promoted drilling activities in sharply contested areas near the Senkaku Islands and in the Taiwan Straits. With foreign oil companies exploring the East China Sea only 40 to 50 miles from China's coast and with Taipei, Seoul, and Tokyo discussing cooperative ocean development, Beijing issued the first major statement of its claims to the East Asian continental shelf since 1958. China warned that activities by others in these areas constituted an infringement of Chinese sovereignty that would not be tolerated and sent a Komar class missile attack boat to the area to back up the statements. Washington said it would not protect US oil companies operating in the disputed waters. [redacted]

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Despite Beijing's admonition and Washington's hands-off policy, several US companies as well as Taiwan's Chinese Petroleum Corporation have drilled at least 40 wells off Taiwan's coast since 1973. Although one well about 55 miles west of Gaoxiung produced a gas flow, subsequent drilling in that immediate area failed to provide any evidence of a field. By 1976, increasingly hostile statements from Beijing, interest in offshore oil deals with China, and discouraging results from drilling caused US oil companies to suspend their contracts with Taipei indefinitely. Only the Taiwan company continues to conduct exploratory operations, but it has confined operations to the Taiwan side of a hypothetical median line in both the East China Sea and in the Taiwan Straits. [redacted]

South China Sea

China's search for offshore oil, its strategic goals, and its regional ambitions have involved it in several territorial and jurisdictional disputes in the South China Sea (see map 4). In addition to its disputed boundary with Vietnam in the Gulf of Tonkin, Chinese claims to the Pratas, Paracel, and Spratly Islands are a potential source of conflict with the Government on Taiwan, Vietnam, the Philippines, and Malaysia. [redacted]

A longstanding jurisdictional conflict between China and Vietnam over their sea boundary in the Gulf of Tonkin (map 5) became a public dispute after Sino-Vietnamese relations sharply deteriorated in 1978-79. This dispute is significant because it involves thousands of square kilometers, not only possibly rich in oil, but also strategically important. [redacted]

Beijing and Hanoi published their respective positions on the Gulf of Tonkin sea boundary as well as on the Paracel and Spratly Islands in Foreign Ministry memorandums in March 1979. Vietnam's memorandum made public for the first time the extent of Hanoi's claims in the Gulf. These claims are based on the 1887 Sino-French boundary convention, which Hanoi maintains established Greenwich Meridian 108° 03' 18" east as the offshore boundary. The Vietnamese argued that the extension of this meridian boundary from the southern part of the Gulf into the South China Sea is the only segment that needs to be delineated. Beijing rejected the Vietnamese contention but offered no counterdocumentation or specific claims of its own. China called for negotiations to settle the issue equitably. [redacted]

The Vietnamese memorandum tries to put the onus for the Tonkin Gulf impasse on China. It maintains that the disputes started in 1973, when Hanoi informed China that it planned to prospect for oil and proposed negotiations to delineate the offshore boundary officially. China evidently agreed to negotiate, but insisted that pending an agreement, third countries should be prohibited from exploration activities and neither China nor Vietnam should prospect in a large area of the central Gulf. This would effectively prevent Vietnam from any significant exploitation of its oil resources. Vietnam claims that the subsequent negotiations in 1973 and 1977 both failed because China refused to discuss the boundary question seriously. [redacted]

In fact, Vietnam is more to blame for the Tonkin impasse than China. Vietnam's claim that the 1887 treaty divided the Gulf is an exaggeration.¹¹ Indeed, the concept of extending maritime boundaries great distances from the coast did not even exist in the 19th century, so Vietnam's contention that a mutually acceptable offshore boundary has existed since 1887 is obviously fallacious. [redacted]

China, the Government on Taiwan, and Vietnam claim sovereignty over the Paracel Islands, citing historical documents and dynastic practices as evidence of their respective rights to jurisdiction. In 1956, the South Vietnamese replaced French troops on several of the Paracels, prompting Beijing to establish a naval base on another one and garrison some 200 soldiers on two more. South Vietnam occupied additional islands in late 1973, but in early 1974 China launched a naval and air attack against the South Vietnamese and secured control over the entire archipelago. Since taking over the Paracel Islands, China has fortified its positions and drilled an exploratory oil well on one of the islands. [redacted]

¹¹ According to the treaty, "the islands which are east of the Paris meridian of 105° 43' east (108° 03' 18" east of Greenwich), that is to say, the north-south line passing through the eastern point of the island of Tra-co which forms the boundary, are also allocated to China. The island of Gotho and other islands west of this meridian belong to Annam." Although the wording is imprecise, it appears that the 108° 03' 18" meridian was not intended to divide the entire Tonkin Gulf but only to serve as a cartographic device for awarding control over the islands. [redacted]

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Although Hanoi did not publicly object to China's takeover of the Paracels at the time, in 1976 it published maps that showed the Paracels and some other islands as Vietnamese territory. In 1977, Hanoi referred to them in its declaration of the limits of Vietnam's territorial sea. Public assertion of Vietnamese territorial claims and denunciation of Chinese occupation of the Paracels did not occur until late 1978, when Sino-Vietnamese relations deteriorated. A Vietnamese Foreign Ministry memorandum of March 1979 reiterated these claims while again denouncing Beijing's 1974 takeover. [redacted]

Beijing argues that Hanoi recognized China's claims to the Paracels and other South China Sea islands several times in the past. Beijing also has asserted that Vietnamese Premier Pham Van Dong accepted Chinese dominion over the islands in 1958 when he wrote Zhou Enlai that "the Government of the Democratic Republic of Vietnam recognizes and supports the declaration of the People's Republic of China on China's territorial sea made on 4 September 1958."¹² Hanoi charges the alleged acquiescence was obtained under the duress of its conflict with South Vietnam and the United States. [redacted]

China, the Government on Taiwan, Vietnam, and the Philippines each claim sovereignty over the Spratly Islands—an archipelago of more than a hundred islands, reefs, and banks scattered over an area of 260,000 square kilometers in the South China Sea. China has never occupied any of the Spratlys; Vietnam occupies and has fortified six of them, the Philippines seven, and Taiwan one. The strategic importance of the islands—located amid naval and maritime transit routes—and the potentially valuable offshore petroleum resources in the area have intensified the longstanding dispute over them in recent years.¹³ [redacted]

¹² The declaration said that the territory of China includes the Chinese mainland and its coastal islands as well as Taiwan and its surrounding islands—the Penghu Islands (Pescadore), Dongsha Islands (Pratas Islands), Xisha Islands (Paracel Islands), Zhongsha Islands (Macclesfield Bank), and the Nansha Islands (Spratly Islands). [redacted]

¹³ The 1968 UN geophysical study of East Asian waters fueled speculation about the area's potentially rich petroleum resources prompting claimants to reassert their rights and caution their rivals. South Vietnam and the Philippines occupied several islands each, and Manila granted concessionary rights to foreign oil companies to drill in the waters around the islands. Recent oil discoveries off the coast of the Philippine island of Palawan, east of the Spratlys, have further increased Manila's interest and the potential for conflict. [redacted]

China, Taiwan, South Vietnam, and the Philippines first made their respective claims to the islands in the 1950s. The Spratlys were included in China's 1958 Territorial Sea Declaration.¹⁴ In the early 1970s, when speculation about the oil potential of the area was running high, China warned that any exploratory or developmental activities on or around the islands constituted encroachment on its territorial sovereignty. [redacted]

Beijing initially contested the ownership of the Spratlys primarily with the former Saigon government. Hanoi took over the South Vietnamese-held islands in 1975 and published maps showing the islands in 1976, but China did not comment publicly until relations deteriorated in 1978. That December, Beijing issued a Foreign Ministry statement denouncing the Vietnamese occupation of some of the Spratlys. Hanoi responded that the Spratlys were "sacred Vietnamese territory," citing historical records and practices as justification of its claim. Beijing and Hanoi reiterated their claims in March 1979 memorandums. [redacted]

The Philippines¹⁵ is the only claimant to attempt to exploit the potentially valuable oil deposits in the Spratly Islands region. The Philippines' rising oil import bill and Manila's desire to reduce its dependence on foreign suppliers spur its search for oil in the South China Sea. It granted oil-drilling concessions to foreign companies in the early 1970s, but exploration in the contested area near Reed Bank did not begin until after a March 1976 discovery northwest of Palawan. Despite strong protests from Beijing, Hanoi, and Taipei, a Swedish-led consortium of oil companies that included the American Oil Company (Amoco) began drilling operations 50 miles south of Reed Bank. In 1977, the consortium halted its activities; drilling has resumed but without Amoco's participation. In recent months, the US Cities Service [redacted]

¹⁴ China's claims to the Spratly archipelago extend southward to areas under Malaysia's jurisdiction, but Beijing is unlikely to press its claims there because its friendly relations with Kuala Lumpur are more important at present. [redacted]

¹⁵ The Philippine claim implicitly includes the entire Spratly archipelago, but since 1974, Manila has differentiated between the area it calls Kalayaan or Freedomland—an ill-defined group of islands and reefs in the northeastern Spratlys—and the rest of the islands. Manila recently published news of a presidential decree formally including Kalayaan as part of the Philippines. [redacted]

Company discovered oil 23 miles off the northwestern coast of Palawan. Commercial production has already begun from these wells and has reached about 40,000 barrels per day. [redacted]

Manila has strengthened its military capability to protect its claims to the Spratly Islands in general and the so-called Kalayaan Islands in particular. The Philippine Navy has increased patrols around the Spratlys, and an airfield has been constructed on one of the islands. The armed forces also recently created a Western Command responsible for protecting Philippine claims west of Palawan. An airfield on Palawan has been renovated and a naval base expanded, and the number of troops there will be increased. Recently acquired F-8 jet fighters from the United States also improve Manila's military capabilities in the South China Sea. [redacted]

Manila claims that it has tacit assurance from Beijing that China will not interfere with Philippine oil exploration initiatives, but the Chinese periodically restate their own longstanding claims. Manila's announcement of an oil strike in early December 1978 prompted China's public reiteration of its claims to the Spratly Islands on 22 December of that year, although the statement was also clearly directed at Vietnam. The Chinese Foreign Ministry statement not only opposed "any foreign country's invasion or occupation of any of the Spratly Islands" but also warned that "any development activities" in the area would constitute an encroachment on Chinese territorial sovereignty. [redacted]

The Government on Taiwan also claims the Spratly Islands, but has professed no interest in developing potential offshore oil and natural gas there. Taiwan's distance from the Spratly Islands and its small Navy make it difficult for Taipei to defend its claims to the islands. [redacted]

China claims sovereignty over several islands, shoals, and reefs in the South China Sea, as does the Government on Taiwan. Although the reefs have no intrinsic economic value, the surrounding area may have oil resources, and ownership of the reefs would affect determination of jurisdiction over the South China Sea. [redacted]

Pratas Reef lies in the South China Sea just off the East Asian continental shelf, approximately 230 miles southwest of Taiwan and only 135 miles southeast of the Chinese mainland.¹⁶ Japan recognized Chinese sovereignty over the island in 1909. China administered it until 1936, when the Japanese Navy occupied it. After World War II, the Chinese Nationalist Government quickly reclaimed Pratas and established a military presence on the island. The mainland government officially claimed Pratas in its territorial sea declaration of 1958, but Beijing has not made the island an important issue in recent years. [redacted]

Taiwan also maintains a low-key approach to the dispute, compared with its more widely publicized disputes over the Paracel and Spratly Islands. It has quietly strengthened naval defenses on the island, however [redacted]

[redacted] Current naval manpower is estimated at about 400. [redacted]

The military buildup is strictly defensive in nature. Naval ships or planes cannot be permanently based on Pratas, and the only naval operations may have been associated with resupply or troop rotations. The airfield is seldom used except for sea rescues or medical emergencies. [redacted]

Despite its obvious firm control of the island, Taipei has been circumspect about using Pratas to claim greater control of South China Sea waters and continental shelf. When Taipei delineated five seabed reserve zones in 1970, the southernmost zone extended only as far south as the southern tip of Taiwan, some 80 miles north of Pratas. No offshore drilling has occurred south of the southern tip of Taiwan,¹⁷ an indication of Taipei's desire to keep the Pratas ownership question out of the headlines. [redacted]

¹⁶ Called Dongsha by the Chinese, Pratas Reef is a circular, coral barrier reef about 21 kilometers in diameter with an island on the western edge. For centuries, the island was used by fishermen from the mainland, Taiwan, and the Ryukus while fishing and gathering seaweed, shells, and coral. [redacted]

¹⁷ Conoco and Amoco at one time held offshore oil concessions in the southernmost reserve zone, but the concessions were allowed to expire and are now held by the government-controlled China Petroleum Corporation. [redacted]

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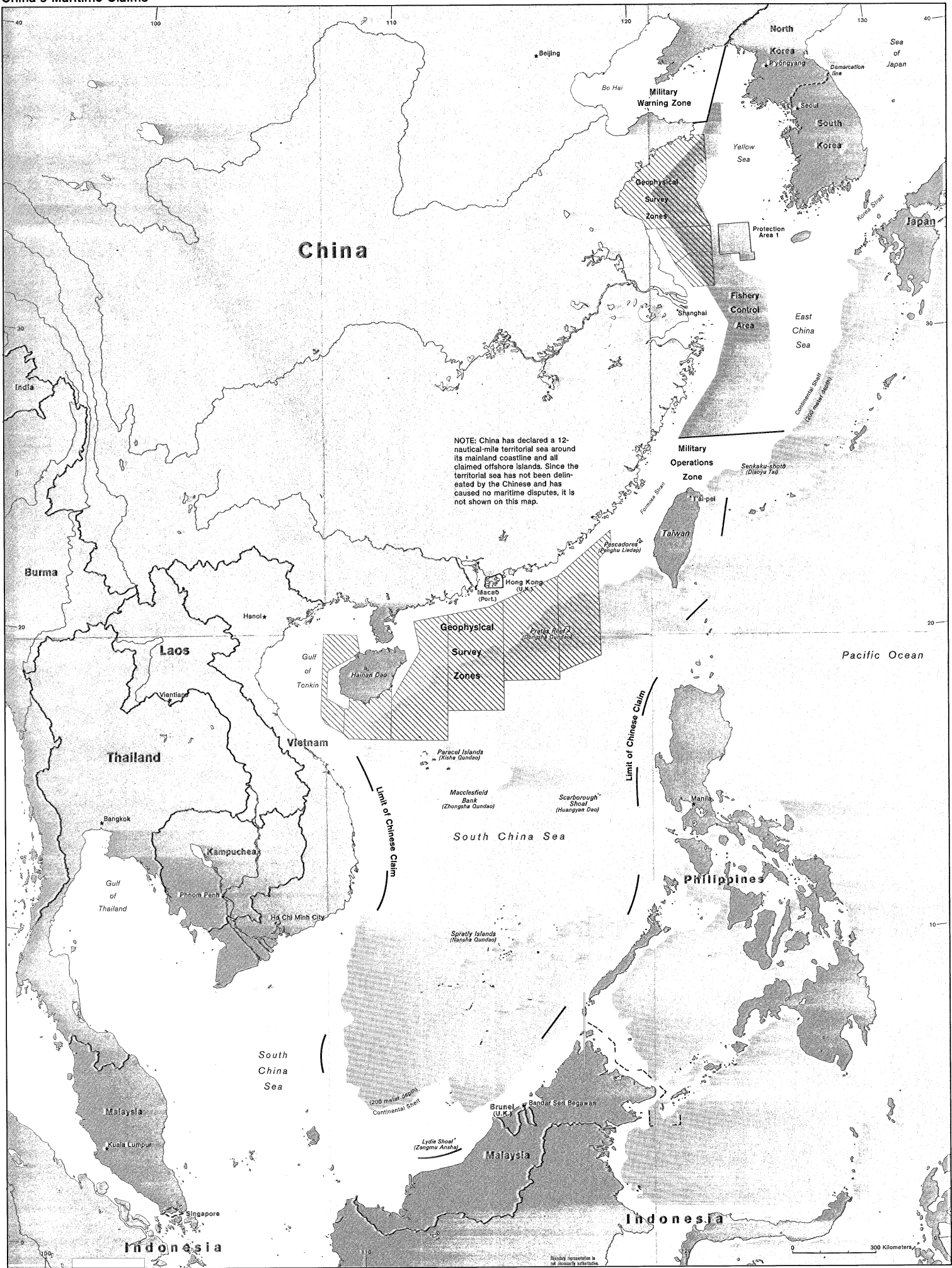
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In recent months, China signed agreements with foreign oil companies to conduct geophysical surveys in the South China Sea. Beijing granted concessionary rights for exploration to the US Phillips Petroleum Company in zone 6, where Pratas is located. Although this suggests a willingness to risk provoking Taiwan, Beijing privately told the oil company to avoid operations close to Pratas. Taiwan will undoubtedly protest but it lacks the naval and air capabilities on Pratas to respond militarily. [redacted]

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China and Taiwan claim the Macclesfield Bank, about 300 kilometers east of the Paracels, and the Scarborough Shoal about 135 miles west of Luzon Island in the Philippines. Macclesfield is completely submerged, and Scarborough contains only a few rocks breaking the surface, preventing either claimant from establishing a presence there. [redacted]

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NOTE: China has declared a 12-nautical-mile territorial sea around its mainland coastline and all claimed offshore islands. Since the territorial sea has not been delineated by the Chinese and has caused no maritime disputes, it is not shown on this map.

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