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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

*The Senkaku Islands Dispute:
Oil Under Troubled Waters?*

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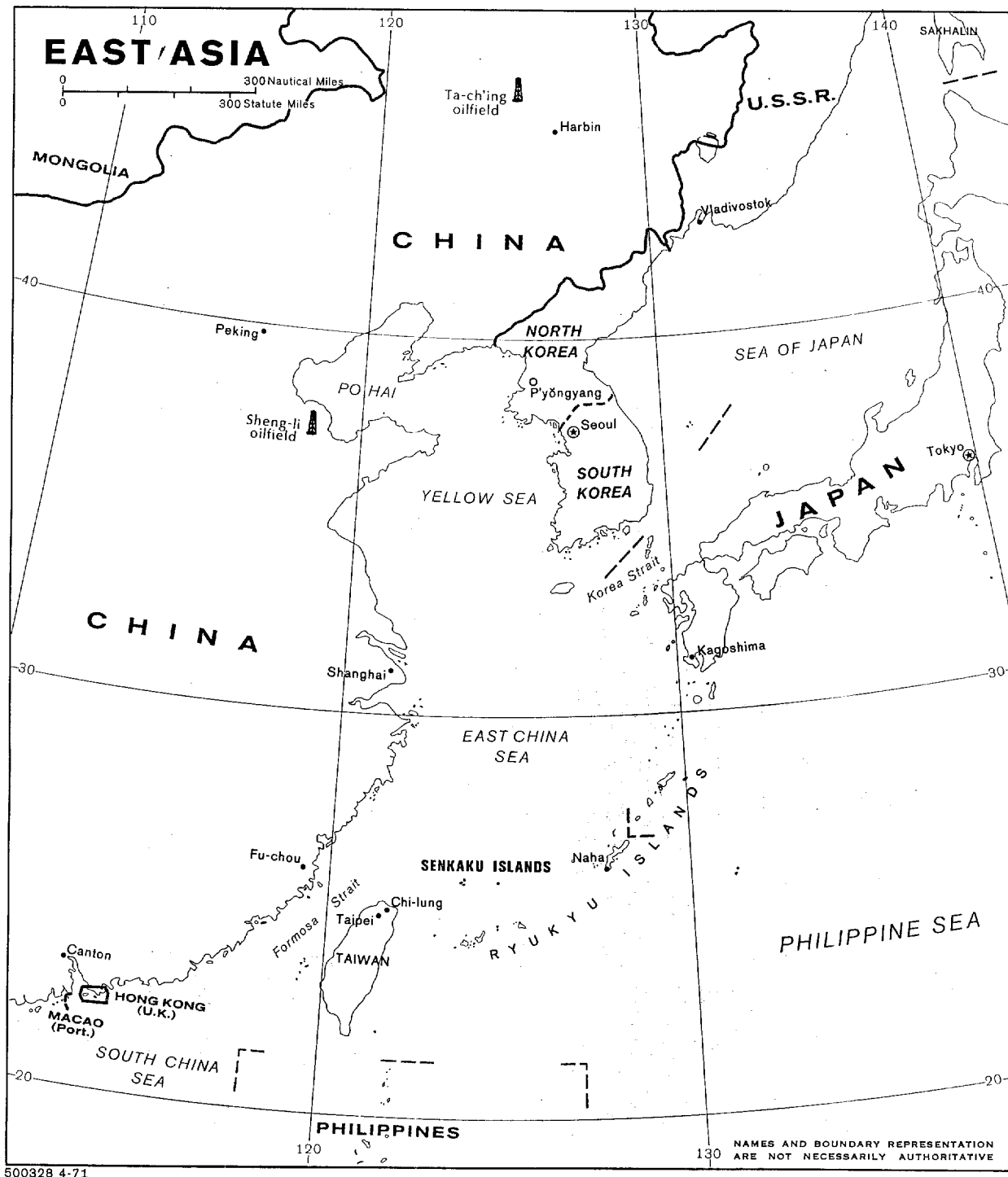
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
May 1971

INTELLIGENCE REPORT

The Senkaku Islands Dispute:
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Introduction

1. The Senkaku Islands, a small group of East China Sea islets generally accepted as being Japanese owned, were claimed by Peking as part of "China's sacred territory" in December 1970. At the same time the Chinese Communists declared the exploration by US oil firms in the area constituted an encroachment on Chinese sovereignty. This declaration further complicated the already complex dispute between Taipei and Tokyo that had developed after the 1968 discovery of a potential oil reservoir on the continental shelf in the vicinity of the islets. The Senkaku Islands, uninhabited and unimportant, have emerged from obscurity to give their name to an undersea region that conceivably could cause international conflict; if oil in commercial quantities is not found, they could ultimately lapse again into obscurity.

2. The problem posed by the Senkaku area is complicated by two separate but related issues. The first deals with the ownership of the islets. Before the discovery of the potential Senkaku oil resource, this issue was of little international concern; they were of no economic or

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political importance, were usually uninhabited, and if any thought was given to them at all, it was related to sovereignty over the Ryukyu Islands.*

3. The second issue, concerning jurisdiction over the adjacent continental shelf, is infinitely more complex, as existing international law concerning such matters is contradictory and is not universally supported. To cope with such issues the United Nations is scheduling a 1973 Law of the Sea conference; hopefully, this conference will create a code that will more clearly define, inter alia, the rights of all nations relative to the jurisdiction of the continental shelf.

The Physical Setting

4. The Senkakus are located about 100 nautical miles northeast of Chi-lung, the major northern port of Taiwan. They are situated approximately 220 nautical miles from Naha, Okinawa, and Fu-chou, China, and they are about 500 miles from Kagoshima, Japan.

5. The Senkakus are volcanic in origin, having erupted through what is now the seaward fringe of the outer continental shelf. The islets are probably identical to the geologic material that forms the basement floor of part of the continental shelf. This theory is supported by evidence developed in a 1969 Japanese survey, which found plant-bearing sedimentary rocks on Sekibi-sho and fossil-bearing conglomerates on Uotsuri-jima (see Map 500329).** There is little doubt that the islets are on and are part of the continental shelf.

* The Senkakus are commonly considered as part of the large Ryukyu Island chain.

** Japanese and Chinese names for the individual islets are given in Figure 1.

Figure 1. Senkaku Islands (Japonyu)

Japanese Name Romanized	Geographical Coordinates	Characters Used by Japanese	Chinese Name Romanized	Characters Used by Chinese	Alternate Names
Senkaku Guntō	25°46'N 123°32'E	尖閣群島 尖閣諸嶼	Tiao-yu-t'ai Lieh-yu	釣魚台列嶼	Sento-shosho
Uotsuri-jima	25°46'N 123°32'E	魚釣島	Yu-tiao Tao	魚釣島	
Tobi-se	25°45'N 123°33'E	飛瀬	Fei-lai	飛瀬	
Kita-ko-jima	25°45'N 123°35'E	北小島	Pei-hsiao Tao	北小島	
Hinami-ko-jima	25°44'N 123°36'E	南小島	Han-hsiao Tao	南小島	
Uki-no-kita-iwa	25°48'N 123°35'E	沖ノ北島			
Uki-no-minami-iwa	25°46'N 123°37'E	沖ノ南島			
Kobi-shō	25°55'N 123°40'E	黄尾礁 久馬島	Huang-wei-chiao	黄尾礁	Kuba-jima
				久馬島	Chiu-ma Tao
Sekibi-shō	25°53'N 124°34'E	赤尾礁 大正島 赤尾島	Ch'ih-wei-chiao	赤尾礁	Taisho-jima
				大正島	Akao-jima
					Ta-cheng Tao
					Raleigh Rock

Japanese Generic Glossary

Guntō -- archipelago,
island chain

Iwa -- rock, shoal, reef

Ko-jima -- islet

Se -- shoal, reef, rock, islet

Jima -- island, islet, rock

Shō -- reef, rock

Shosho -- islets

Shotō -- island group

Chinese Generic Glossary

Chiao -- reef, rock

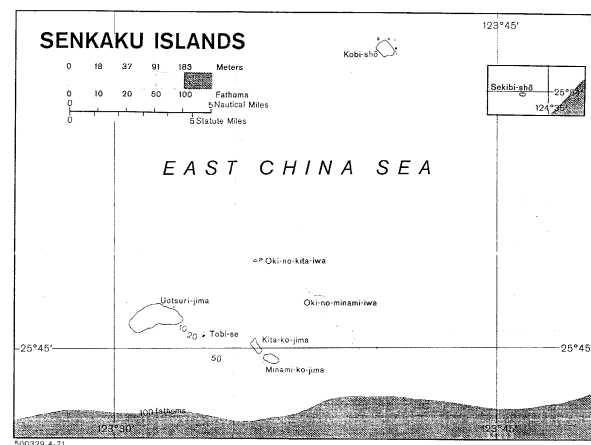
Ch'un-tao -- island group

Lieh-tao -- islands

Lieh-yu -- group of islets

Tao -- island

Yen -- rock, island



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6. With the exception of Sekibi-sho, the Senkaku islets and rocks rise sharply from the continental shelf; depths reach 90 meters about 1 nautical mile from Uotsuri-jima, the twin islets Kita-ko-jima and Minami-ko-jima, and Kobi-sho. Away from the immediate island area submarine slopes are very gentle. The portion of the continental shelf near the Senkakus that is of concern to oil explorations slopes gradually from the mainland into an area referred to as the Taiwan Basin. Water depths in the Taiwan Basin range from 100 to 200 meters and average 130 meters; in the central part of it, however, there is a large depression in which the water reaches a depth of 170 meters.

7. The continental shelf abruptly terminates and water depths increase rapidly a very short distance east and south of the Senkakus. About 40 nautical miles southeast of the islets waters reach a depth of more than 2,700 meters (see Map 500330). This is the deepest part of the submarine trench that separates the Senkakus and the East China Sea geological continental shelf from the Ryukyus. This trench is the basis on which the Chinese stake their claim that the Senkakus are on the continental shelf and are physically detached from the Ryukyus.

8. The islets are uninhabited at present, but prior to 1945 Uotsuri-jima, the largest islet, apparently did have a few seasonal residents who were engaged in fishing and lumbering. Brushwood, banyan, and rattan palm cover the islets. Uotsuri-jima has two summits; the one in the west is almost 1,200 feet high, about 50 feet higher than the one in the east. Between them is a ridge with a conspicuous pinnacle rock on its crest. In contrast to its northern side, which slopes to shores of sand alternating with rocks, the south side of Uotsuri-jima drops sharply to the sea. Small boat landings can be made only on the western side of the islet near the ruins of a fish-processing plant.

9. Tobi-se is a detached rock located between Uotsuri-jima and the twin islets

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Kita-ko-jima and Minami-ko-jima. When approached by ship from most directions, these islets appear to be one; actually they are separated by a 300-yard-wide shallow channel. Landings on their rock, coral, and sand shores can be made by small craft, but only when the sea is calm. Each of these islets is more than 400 feet high, rocky, and treeless, but coarse grass occurs in places. Oki-no-kita-iwa and Oki-no-minami-iwa are barren rocky islets due north of Kita-ko-jima. Kobi-sho, about 12 nautical miles northwest of Uotsuri-jima, is the summit of an extinct volcano. It rises to an elevation of almost 400 feet above sea level. Kobi-sho has no beaches; its shoreline is ringed with dry, awash, and submerged rocks that would make the landing of small craft extremely dangerous. Palm trees and undergrowth cover all the slopes.

10. Sekibi-sho is an isolated islet about 47 nautical miles east of Kobi-sho. A treeless pinnacle of lava, it is fringed on all sides by a low, broken, flat shelf, from which arise precipitous cliffs that reach crest elevations of over 250 feet.

11. The waters near the Senkakus are fished for bonito by the Taiwanese; Ryukyuan fishermen seldom fish in this area because the winds and currents are predominantly unfavorable. Shellfish are also taken, and fishermen search the islets for eggs, feathers, turtle shells, and guano. There is no indication of recent lumbering; in all probability exploitable timber resources have been exhausted.

Ownership of the Islands: Historical Background

Before World War II

12. The Senkakus should be examined in the context of their relationship with the Ryukyu Islands. Some Chinese claim the Senkaku Islands were mentioned in Ming dynasty documents as early as 1403; in contrast, it is likely that the earliest Japanese references to the islets were

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made sometime in the late 19th century. Japanese involvement with the Ryukyus, however, is dated from about 1166, the year of the birth of the first king of Okinawa, whose father was a Japanese nobleman in exile.

13. Near the end of the 12th century Satsuma Province was established on the southern part of the Japanese island of Kyushu. The ruler of this province was given the title "Lord of the Southern Islands," thus indicating the first Japanese claim to the Ryukyus. During the latter part of the 14th century, however, formal relations were established by an Okinawan ruler with the new Ming dynasty in China, and a Chinese community was established in Okinawa at Naha. Promising young Okinawans were taught Chinese and then sent to China for 2 or 3 years of higher education.

14. Although students continued to study in China, the Japanese influence was increasing, and in 1572 the first Okinawans to be educated in Japan were sent to Kyoto. Shortly after the Tokugawa Shogunate came to power in Japan in 1603, the Japanese conquered Okinawa by force and made it a dependency of Satsuma Province. From this time on Okinawa became increasingly dominated by Japan, which formally established the area as a Japanese prefecture in 1879.

The US Occupation

15. US military forces have occupied the Ryukyus continuously since the end of World War II. By virtue of Article 3, Chapter II, of the Treaty of Peace with Japan, which entered into force in April 1952, the United States has the right to exercise any and all powers of administration, legislation, and jurisdiction over the quondam Japanese islands south of 29°N., including the territorial waters. The United States, however, relinquished control over the Amami Islands in December 1953 and returned them to Japan; included in this transfer were "all of those islands, islets, atolls, and rocks" situated north of 27°N. Remaining under US administration were three major Ryukyu island groups (guntos) -- Okinawa, Miyako,

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and Yaeyama. Miyako and Yaeyama form Sakishima Gunto, which is located about 75 miles due south of the Senkakus.

16. The Senkakus are located within the area administered by the United States under Executive Order 10713 of June 1957.*

The Current Sovereignty Dispute

The Japanese Position

17. Spurred by the findings of a 1968 UN hydrographic survey of the East China Sea, the Japanese Government in 1969 sponsored a survey, headed by Professor H. Niino of Tokyo University, of the submarine geology near the Senkakus. Apparently at that time the Japanese gave no thought to the possibility that their sovereignty over the Senkakus or the contiguous continental shelf would be challenged. The Japanese Government released glowing newspaper accounts that Niino's survey confirmed the 1968 UN discovery of a potentially great oil reserve on the continental shelf near the Senkakus.

18. The first inkling that the Government of the Republic of China (GRC) might formally challenge Japanese sovereignty in the area came on 20 July 1970, when a GRC official queried the Japanese Embassy in Taipei about the exact meaning of the term "Nansei Shoto" -- the Japanese name for the Ryukyu Islands -- and whether or not it was intended to include the Senkakus. Tokyo reacted to Taipei's inquiry by creating a Gaimusho (Foreign Office) task force to study international law pertaining to the continental shelf and territorial claims and to draft a basic Government of Japan (GOJ) policy. The Japanese also requested a meeting with the GRC in the summer of 1970 to discuss the Senkakus situation.

* See Appendix I for geographical boundaries of Ryukyus.

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19. Two incidents in the summer of 1970 intensified Japanese, Nationalist Chinese, and Ryukyuan interest in the Senkakus. A GRC flag that was planted on the Senkakus was removed by the Government of the Ryukyu Islands (GRI), and a painted slogan, "Long live President Chiang", was obliterated. In the second incident a group of Taiwanese fishing boats allegedly were ordered by two Japanese naval patrol boats to leave the waters of the Senkakus. The GRC denied having instigated the flag and slogan incident, and the Government of Japan (GOJ) denied that Japanese naval vessels were involved in the dispersal of the fishing boats.

20. By mid-September in 1970, the GOJ had taken the official position that the Senkaku Islands belong to Japan and were not a matter for negotiation with any country.* The GOJ saw the continental shelf problem, however, as a separate and different matter, which it was willing to discuss with GRC.

* A possible precedent exists should the Senkakus question ever reach the International Court of Justice or any other international adjudicating body. In 1953, Great Britain and France contested the ownership of islets and rocks known as the Miniquiers group. This islet group is located in the Gulf of St. Malo, 110 miles from the British coast, but only about 25 miles off the Normandy coast on the French side of the English Channel. The situation is closely similar to that of the Senkaku Islands: the Miniquiers are on the geological continental shelf and there is a submarine trough between the Miniquiers and Britain. Britain contended the Miniquiers were part of their Channel Islands. The International Court of Justice unanimously upheld the British sovereignty claim, basing its decision on old French maps that indicated the Miniquiers to be "possedes par l'Angleterre".

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The Government of the Republic of China (GRC)
Position

21. Taiwanese fishermen provided the only significant GRC contact with the Senkakus prior to 1969. They fish in this area every spring, and occasionally they come ashore to collect bird eggs. These intrusions are often protested by the United States Civil Administration, Ryukyus (USCAR),* and usually the GRC replies in a cooperative manner.**

22. The 1968 UN-sponsored hydrographic survey was a multinational effort in which the GRC had participants aboard the survey research vessel. Despite the findings of the survey, Taipei did not make even an informal claim to the resources of the continental shelf until almost a year later. In July of 1969, just as the Japanese survey was receiving great publicity, the GRC granted a concession to an American oil firm (Gulf) to explore the continental shelf area around the Senkakus for oil. Simultaneously, GRC diplomats

* USCAR was established on 5 December 1950 to direct the military occupation and the government of the Ryukyus. USCAR Proclamation 13 of 1 April 1952 established the Government of the Ryukyu Islands (GRI) to provide an indigenous domestic government through which the Ryukyuan people may be represented.

** The United States protested such an intrusion in 1968, and Taipei's reaction at that time could prove embarrassing if a GRC claim to the Senkakus is pressed. The GRC accepted the legitimacy of the US representation and stated its intent to keep such intrusions under control; said that the crew and owners of the fishing vessel had been convicted and penalized for the intrusion; solicited US suggestions for more effectively controlling intruders and tracing offenders; and indicated that the Fisheries Bureau of the Taiwan Provincial Government had been instructed to stop such intrusions and had established penalties for violators.

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informally disputed the Japanese claims of residual sovereignty over the Senkakus, basing their case on the San Francisco Peace Treaty that limited Japan's sovereignty to the four main Japanese islands.*

23. The GRC was not a party to the 1958 Geneva Convention on the Continental Shelf and for over a decade paid little attention to it. Shortly after the 1969 Japanese survey, however, the GRC hastily ratified the Continental Shelf Convention. This convention provides for the establishment of boundaries. When two or more states are adjacent to or opposite the same shelf, the boundary of the continental shelf appertaining to them shall be resolved between the states concerned. In the absence of such an agreement, the boundary shall not be beyond a median line drawn from the baselines that determine the territorial seas of each state (see Appendix II). The GRC has reserved its position on this provision, however, and has asserted that the continental shelf boundary between two or more states shall be determined in accordance with the principle of the natural prolongation of their land territories. Accordingly, the GRC claims jurisdiction over the shelf as an extension of the China mainland, of which it claims

* There are two possible explanations for Taipei's unseemingly delay in claiming continental shelf resources. The most likely explanation is that the GRC had been informed of the significance of the 1968 findings but had decided not to publicize its awareness. This possibility is based on the assumption that a considerable period of negotiation with the oil firm that received the GRC concession must have preceded the July signing of the concession. On the other hand, it is possible that the GRC personnel participating in the UN survey did not inform their government of the significance of the survey's findings or their report was not judged important enough for Taipei to make an immediate claim on the resources of the continental shelf.

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to be the legitimate government. To counter any Japanese claims to a portion of the shelf, based on a claim to sovereignty over the Senkakus, the Chinese have entered the further reservation that exposed rocks and islets shall not be taken into account when determining the boundary of the continental shelf.

24. The GRC took an even stronger position by publicly claiming sovereignty over the Senkakus in February 1971 instead of merely refuting the Japanese claims. In a recent note verbale, which was not released to the public, the GRC Ambassador in Washington requested the United States to "respect the sovereign rights of the Republic of China over Tiao-yu Tai islets and restore them to the GRC" when the US occupation of the Ryukyu Islands terminates.

The Government of the Ryukyu Islands (GRI)
Position

25. Aware of the prospects and benefits of an oil discovery on the continental shelf near the Senkakus, the GRI was alarmed by both the GRC claim to the Senkakus and the possibility that, upon reversion of the Ryukyus to Japan, the rewards of the discovery might go to the Central Government in Tokyo without direct benefit to the Okinawan economy.

26. Consequently, native Ryukyuan leaders, in order to refute GRC claims, built their own case for sovereignty over the Senkakus. They pointed out that the World Meteorological Organization, an organ of the United Nations, recognized Uotsuri-jima as part of the Ryukyus; that the Senkakus had been under the administration of Ishigaki* before World War II; and that Article I of USCAR Proclamation # 27, "Geographical Boundaries in the Ryukyu Islands", based on the San Francisco

* Ishigaki is the largest city on Ishigaki-shima of Yaeyama Gunto.

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Peace Treaty, distinctly placed the Senkakus within the area under US administration. The Ryukyu officials also announced that the GRI has been receiving taxes annually from an individual who has title to four of the Senkaku islets.

27. In September 1970 a GRI legislative delegation was sent to Tokyo to submit legislative resolutions concerning the protection of GRI territorial rights over the Senkakus. In its official statement on 10 September 1970, the GRI claimed that the Senkakus were a part of the Ryukyus, and it supported the applicability of the Geneva Continental Shelf Convention (that is, where there is no agreement between nations on the division of a common continental shelf the delineation shall be based on equidistance). By this proclamation the GRI in effect was trying to force Tokyo to adopt a similar position.

The People's Republic of China (PRC) Position

28. Peking publicly proclaimed a 12-mile territorial sea in 1958, but for the next 12 years made no significant public statement on the sea or the continental shelf. While the 1968 UN survey undoubtedly stimulated Peking's interest in the potential oil resources under the East China Sea, the PRC remained silent as to its interpretation of sovereignty over the continental shelf. When the GRC-GOJ dispute over the Senkakus flared, and even as concessions were granted by Taipei and Tokyo to foreign oil companies, the PRC continued its silence. As long as the Taipei-Tokyo dispute continued to be hung up on non-negotiable positions, Peking apparently felt no urgency to study the continental shelf or ocean management problems in order to establish a position and policy on such matters.

29. An indication of Peking's leanings, however, was gained by following the communist press in Hong Kong. The Hsin-wan Pao and the Ta-kung Pao published articles in August and September 1970, respectively, which stated that Asian underwater petroleum resources were being plundered by the United States and Japan and that Taiwan's petroleum resources were being sold out by "the Chiang gang" to the United States. Peking

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did not break its silence on the matter until the efforts of quasi-governmental and business interests in Tokyo, Taipei, and Seoul (The Tripartite Committee), who sought to reach a modus vivendi, appeared to have a chance of success.

30. A New China News Agency (NCNA) broadcast on 3 December 1970 blasted the tripartite effort and claimed the Senkakus were part of China's continental shelf, ergo Chinese, not Japanese. The position taken in this broadcast was amplified by a written article, which charged that the motivating force behind Japan's claim to the Senkakus was her need for petroleum to satisfy a growing military establishment. The precise extent of PRC's continental shelf claims, however, was not announced. Basis for the claims of both Chinese governments presumably are identical -- historical, locational, and legal.

31. The PRC claim to the Senkakus was probably viewed with mixed emotions by Taipei, whose position for dealing with Tokyo was strengthened by the "united" Chinese front on the issue. Simultaneously, however, the PRC claim probably adversely affected the ability of the GRC to reach an early and direct settlement with the Japanese so that exploitation of the shelf resources could get under way at an early date. The Japanese press interpreted Peking's announcement as a reminder that the Chinese Communists consider Taiwan and the East China Sea continental shelf as part of China; furthermore, it indicated that despite a prolonged reticence to take a position, the leaders in Peking fully intended to exploit the continental shelf of China and to control the ocean resources associated with it.

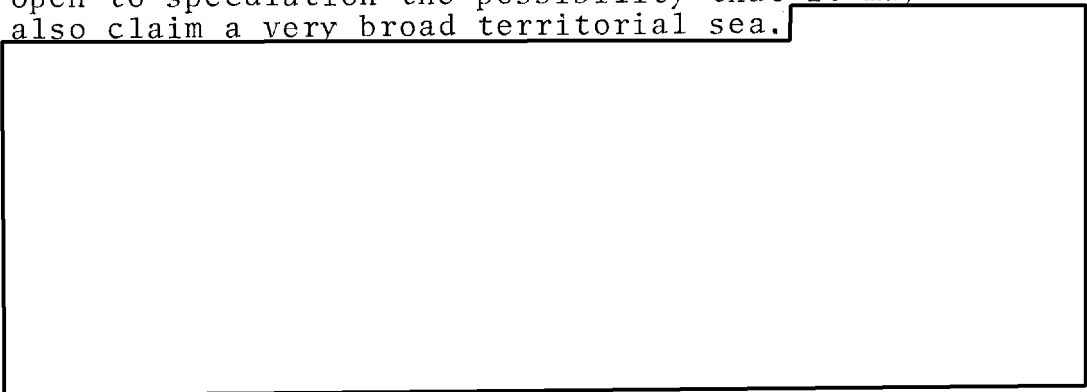
32. The action taken in Peking to claim the Senkakus was motivated by what was considered to be a dangerous foreign infringement of China's territorial rights. The PRC also fears that GOJ-GRC cooperation in developing the oil resources of the continental shelf would strengthen Japan's interest and influence in Taipei and thus complicate the ultimate settlement of the Taiwan problem.

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33. Although the Chinese Communists have claimed the Senkakus, they still have not announced a clear position relative to continental shelf boundary limits or ocean development. Peking has given strong propaganda support for the 200-mile territorial sea claims of Latin American nations, however, and in a November 1970 pronouncement it supported the right of countries to determine their territorial sea limits "in accordance with their geographical conditions and geological and biological characteristics as well as the need of a rational use of their own resources." In a 24 December 1970 dispatch, the NCNA applauded the resistance of these nations in their "struggle" at the 25th General Assembly of the United Nations to thwart "US imperialism and the other super power" in "their criminal scheme for dividing and dominating the oceans." By such pronouncements the PRC leaves open to speculation the possibility that it may also claim a very broad territorial sea.



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34. Additional evidence suggests that China's ultimate position may be on the moderate side. In January 1971 the PRC referred for the first time to the Geneva Convention on the Continental Shelf. Previously, international agreements or accepted international law were not used either as leverage or as a means to support PRC thought on the Senkaku issue. In the same month the Peking Review published excerpts from an article in the British newspaper Guardian. Included in the excerpts was a statement by a British author that "the Chinese cannot lay claim to the entire continental shelf in areas contiguous to Japan and South Korea, which also enjoy similar rights as coastal states." The printing of this statement suggests tacit approval of its thought and may indicate Peking might be willing some day, under conditions of her choosing, to enter into

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agreements on the apportionment of the East China and Yellow Sea continental shelf.

The US Position

35. The territorial extent of the Ryukyus, as accepted by the United States, had been identified long before the sovereignty of the Senkakus became an issue.* Early in the US administration of the Ryukyus, the US Navy selected two Senkaku islets, Kobi-sho and Sekibi-sho, as gunnery ranges. Kobi-sho is privately owned, and the United States pays an annual rent (\$11,000 in FY 1971) to the registered owner of the islet who, in turn, pays taxes to the GRI for this and three other Senkaku islets registered in his name. Sekibi-sho is used by the US Navy for a ship-to-shore and air-to-ground range, but as it is former Japanese state property, it is available to the United States without cost.

36. The first direct US involvement with the problem of Senkakus oil resources occurred in the autumn of 1969. At this time USCAR established a policy whereby US approval was required prior to GRI or third party use of the tidelands or territorial waters. The seabed under the territorial waters in the Ryukyus is administered as part of the public lands by USCAR. The United States was able to maintain a low posture to avoid formal involvement until the 1970 dispute between GRC and GOJ over Senkaku sovereignty reached a serious level. It then became necessary for the United States to make a public statement. This was done reluctantly, however, as the US position with respect to conflicting claims is that such matters should be solved by the parties concerned. The US statement had a dampening effect on the GRC-GOJ struggle and contributed to the shift of the dispute to the quasi-governmental, GOJ-GRC-ROK Tripartite Committee.

The Tripartite Committee

37. In the early autumn of 1970 it became apparent that GRC-GOJ governmental positions regarding

* See Appendix I.

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sovereignty over the Senkakus had become rigid and that ROK-GOJ negotiations on conflicting continental shelf claims were not progressing satisfactorily. Business and national leaders in Japan, Taiwan, and South Korea, therefore, collectively sought a modus vivendi that would permit oil explorations on the continental shelf even in disputed waters. Accordingly, on 12 November 1970, high level representatives from each country met in Seoul to form a private "liaison committee." The group received a Japanese proposal to form a joint-venture company for ocean development, exchanged opinions, and agreed to meet again in Tokyo. The Seoul meeting triggered the 3 December 1970 PRC accusation that the joint development plan was in reality a trick instigated by Japanese militarists, aided and abetted by "the Chiang Kai-shek bandit gang and the Pak Jung Hi clique," and whose purpose was the plundering of the seabed and undersea oil resources of China and Korea.

38. The second meeting of the Tripartite Committee, in December 1970, resulted in agreement upon a broad purpose -- the "planning and execution of surveys, research, and development of marine resources." The conferees also agreed to try to keep their negotiations out of formal international diplomatic channels unless or until it became apparent that chances of securing agreement seemed favorable. By this method they left an avenue open for the continuation of current and planned exploitation surveys without halting research operations because of sovereignty disputes. Each country is to establish its own national development committee that will conduct independent surveys on a basis of mutual cooperation. Such surveys presumably would continue the hydrographic work already contracted by each nation through concessions to foreign oil firms.

39. Domestic problems and national goals of each country make acceptance of the joint-venture company approach somewhat complicated. Consequently, the next meeting was not scheduled to be convened until May 1971. This schedule was adopted to give the committee delegates time to resolve domestic opposition to the concept of a joint-venture company. The preoccupation of the Koreans with

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national elections held in April, however, and a GOJ-ROK economic cooperation meeting scheduled for July, suggest that the next meeting may slip until late summer or early autumn.

40. Peking, by issuing verbal warnings, may hope to delay GOJ-ROK-GRC exploitation of the East China Sea continental shelf long enough to permit its own offshore drilling techniques and expertise to mature. The Chinese Communists have been interested in offshore drilling techniques for several years, and have been seeking a drilling vessel capable of operation in the open ocean. The first Chinese offshore drilling rigs were sighted in February 1969, working in the shallow sheltered waters of Po-Hai (Gulf of Chihli) near T'ien-chin. This area provides an excellent training ground for the Chinese to develop continental shelf drilling expertise, and work here could prove economically rewarding, as Po-Hai forms part of the sedimentary depression that also includes the oil fields of Ta-ch'ing in Manchuria and Sheng-li in Shantung.

Cartographic Evidence of Ownership

41. Judicial bodies often accept maps as documentary evidence in boundary dispute cases. Strong support for the Japanese claim to the Senkakus exists not only on Japanese maps but also on maps published in Peking and Taipei.

42. The "Red Guard" atlas of 1966, published in Peking during the Cultural Revolution, includes a map of the internal administrative areas of Communist China. This map definitely indicates that the ocean area in which the Senkakus are located is beyond China's border; it also indicates that the Ryukyu Islands are Japanese. Another map in the same atlas includes Taiwan and the ocean area to 122°10'E and 25°50'N -- thus excluding the Senkaku ocean area north and east of Taiwan. This is in contrast to current PRC practice in which the Senkakus are frequently referred to as "Taiwan and the islands appertaining thereto."

43. The same maps, with the same boundary lines -- which indicate that the Senkaku Islands belong to the Ryukyus, and therefore to Japan --

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are shown in the August 1967 "popular edition" of Atlas of China, also published in Peking. The legends used in these recent Chinese atlases include two types of international boundary: some are identified simply as "national boundary"; others are designated as "unsettled national boundary." The latter category is used to identify areas in dispute. That Peking did not contest Japanese sovereignty over the Senkakus prior to the oil discoveries is clearly indicated by the use of "national boundary" lines to delimit East China Sea international boundaries in both atlases.

44. None of the Chinese Nationalist maps that were examined indicate that the Senkaku ocean area is within China's boundaries. In the 1963 National Atlas of China, Volume 1, printed by the GRC National War College, for example, several 1:250,000 maps of Taiwan are presented. The map of the extreme northern tip of Taiwan includes a special small-scale inset, on which Peng chia Hsu, Mien-hua Hsu, and Hua-ping Hsu, located about 35 miles offshore to the northeast, are depicted; the Senkakus, located about 80 miles to the east of these islets, however, are not shown.

45. The Chinese Petroleum Corporation (CPC), GRC's government-owned oil development and producing organization with which all foreign concessionaires must deal, published a 1:4,000,000 geologic map of China in June 1970. The Senkakus were not depicted. Shortly after the GRC-GOJ dispute over the Senkakus in the summer of 1970 the Republic of China's Ministry of National Defense published an Atlas of China. It was compiled by the Chinese Army's Topographic Service and printed by the Army's Map Service. This atlas includes maps of the eastern half of China, at 1:13,000,000; they show the Senkakus, giving the Chinese name for them along with the Japanese name in parentheses. In a 1962 edition of these same maps the islands were unnamed.

46. A random selection of maps printed in Europe and privately published do not indicate the area of the Senkakus to be Chinese. Furthermore, the 1967 edition of the USSR's official Atlas of the World included a 1:2,500,000 map that specifically designates the Senkakus to be Japanese.

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The East Asia Oil Situation

Japan's Oil Situation

47. Oil is literally at the bottom of the Senkaku dispute. While all concerned powers are eager to establish their rights to these potentially large resources, the importance of petroleum to the nations involved varies greatly. Among the disputants, Japan has the highest level of petroleum technology, and she alone has all of the necessary capital resources to invest in exploration and production. Yet, Japan is in the most critical position from the standpoint of oil supply. This is due to the almost total lack of significant domestic crude oil resources* and to the fact that petroleum is the prime energy source for the rapidly expanding Japanese economy.** Japan consumes 3.8 million barrels of crude oil per day, a consumption rate that is expected to quadruple in the next 15 years. At present, 90 percent of Japan's crude oil comes from the Persian Gulf; although some of this is produced by Japanese companies, over 85 percent of the total Japanese supply is obtained from foreign sources. This costs Japan almost 2 billion dollars per year, and represents over 10 percent of her total national imports. The remotest possibility of a significant oil reservoir on Japan's continental shelf, therefore, is a tantalizing prospect.

GRC's Oil Situation

48. Petroleum products consumption in Taiwan doubled between 1965 and 1969, when oil accounted for 30 percent of the country's commercial energy requirements. Continued petroleum consumption growth is forecast. Oil is replacing coal as Taiwan's prime energy source, and it is being increasingly used to produce Taiwan's thermal

* Only about 1 percent of Japan's oil requirements are met by domestic crude resources.

** Oil supplies 68 percent of Japan's energy requirements presently, and it is expected to supply 75 percent within the next 5 years.

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electric power (representing two-thirds of installed power capacity and three-fourths of power produced). Further, Taiwan's new petrochemical industry, which has been accorded a high priority in the Fifth Four-Year Plan (1969-1972), is increasing the nation's requirement for crude oil.

49. As domestic crude production is very limited, over 90 percent of the GRC's oil supply is imported (70,000 barrels per day in 1968), mainly from Kuwait, Iraq, and Saudi Arabia. Furthermore, the Chinese Petroleum Company's (CPC) director of exploitation and production has indicated that virtually all of Taiwan's indigenous onshore oil reserve exploration possibilities have been exhausted. This has led the GRC to adopt a policy of authorizing foreign companies, in association with the CPC, to explore and develop offshore reserves. This policy is largely explained by the fact that the GRC does not have adequate funds or sufficient technological experience to pursue independent offshore programs.

PRC's Oil Situation

50. Petroleum presently provides only about 10 percent of Communist China's primary energy. Virtually all of her limited liquid fuel requirements are met by domestic production.* Only 3 percent of the total crude oil supply in 1970 was imported, and part of this was for political reasons. Demand generated by China's growing inventory of petroleum-consuming equipment will probably be met or exceeded by the growth of her petroleum industry, which may even permit the eventual export of petroleum products.

51. The PRC is developing an offshore exploration/exploitation capability, but progress is handicapped by inadequate technology and equipment. To overcome these weaknesses the Chinese have attempted to purchase (unsuccessfully to date) a Japanese-constructed offshore drilling platform, designed originally for use in Indonesian waters.

* About 18 million tons were produced in 1970.

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Initial Exploratory Surveys for Oil

52. The UN ECAFE CCOP* survey of the East China Sea and the Yellow Sea was conducted in October and November of 1968. This preliminary geophysical study was the work of scientists from the United States, Japan, Korea, and Nationalist China. Geological formations revealed by this survey strongly suggest that the continental shelf around the Senkakus could be a potential petroleum resource area.

53. This discovery prompted the Japanese to make a more detailed survey in 1969. This survey was headed by Professor Niino and largely financed by the Japan Petroleum Development Corporation. Niino's team of Tokyo University scientists confirmed the UN survey findings. It established the existence of marine tertiary deposits, more than 6,000 feet thick, in the area surveyed. It also discovered that folding structures, identified as three large barriers and numerous small ridges, existed in several places. This was a significant finding, for it indicated the possibility that geological formations exist to entrap the oil-forming elements that are almost certain to be found in the thick marine sediments. The report issued by Niino's group specifically stated that their findings, while generally optimistic, were not sufficient to evaluate the presence of oil resources since the data collected was still inadequate. Niino's caveat was minimized in the great publicity that followed the Japanese Prime Minister's press release in which the presence of vast continental shelf oil deposits near the Senkakus was announced. His recommendation that subsequent surveys were required was acted on, however, and a second Japanese survey was conducted in the summer of 1970.

* UN ECAFE CCOP -- Committee for Coordinating Joint Prospecting for Mineral Resources in Asian Offshore Areas (CCOP), which is an element of the Economic Commission for Asia and the Far East (ECAFE), a United Nations organization.

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54. The second survey, results of which were also promising, indicated the geological structure of the continental shelf might be identical with those of the oil producing tertiary deposits of western Taiwan as well as with those near Japan. The Japanese were much more discreet in revealing data developed by this exploration, as they wished to avoid intensification of the sovereignty disputes that erupted following the release of data supplied by Niino's survey. Japan apparently also felt it unwise to provide free geophysical data, which only serves to whet the Chinese Communist interest. A more sophisticated Japanese survey (the third) is planned for June 1971, prior to the first actual drilling in the area.

Offshore Concessions

55. Although the Senkaku dispute has had more publicity, due in part to its having drawn a reaction from Communist China, serious continental shelf sovereignty problems had previously arisen between Japan and South Korea. Both of these nations have granted licenses or concessions to foreign oil companies to conduct geophysical research in assigned areas. Conflicting claims to an area southwest of Kyushu, one of the principal islands of Japan proper, arose in 1970 when South Korea signed an exploration agreement with a US firm, the Wendell Phillips Oil Company. The large, irregular, 25,000-square-mile area granted to Phillips partly overlapped a concession previously granted to the Nippon Oil Company by Japan. It also overlaps a small portion of a concession granted by the GRC to Clinton Oil Company (see Map 500343).*

* Although the concession areas indicated on the map are believed to be accurate they must not be considered authoritative. For example, the JAPEX concession as indicated on the map does not include the Senkakus. Conflicting information, however, suggests the Senkakus are included in the JAPEX area.

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56. In October of 1970, Taipei also claimed part of this area, which is referred to by the GRC as Zone V.* This claim covers an area extending from the Chinese Petroleum Corporation and Clinton zone north to the 32nd parallel and east to the 128th meridian. Zone V overlaps much of the Phillips and Nippon Oil concessions, but the GRC probably will not grant a concession in this area as long as the Tripartite Committee negotiations offer hope for the solution of the overlapping concession problem. Japan has been holding in abeyance all applications for exploration/exploitation rights in disputed areas, hoping a modus vivendi may be reached.

57. The westernmost boundary of Zone V, and all other GRC zones, was defined by the GRC Executive Yuan as extending to the coastline of mainland China. The western boundary of the concessions as defined by the CPC agreements, however, conform to an approximate median line drawn between Taiwan and the Ryukyus on one side and the mainland on the other.

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Current Status of Concessionaire Survey Work

58. Actual concessionaire geophysical survey work in the Senkaku - East China Sea area started in autumn of 1970. The survey of GRC Zone 1, undertaken by the United Geophysical Corporation (See Map 500343), was the first to get underway. Operations were delayed frequently by bad weather, a condition that has

* GRC concession zones are numbered from south to north; Amoco has Zone 1, Gulf has Zone II, etc.

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had the same effect on surveys in Zones II and III which were to have been completed by January 1971. The GRC contract held by Clinton for Zone IV requires that reconnaissance and detailed seismic work must be started no later than March 1971 and be completed within 1 year. Nippon Oil Company was also to have initiated seismic operations early in 1971. It is considered unlikely that survey operations will be undertaken at present in GRC Zone V, the Teikoku, or Phillips concession areas.

59. Despite ominous warnings from Peking and muddled sovereignty issues, survey work has progressed almost according to plan. Present survey operations, however, are being conducted at a discreet distance from mainland China, a circumstance unlikely to change until total accord is reached. There is little concern on the part of concessionaires that their work in areas disputed by GOJ, ROK, or GRC may be harassed or stopped.

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Thus foreign oil firms (mainly US-owned) willingly accept the risks involved in exploring these areas of disputed sovereignty. They may not be willing, however, to accept the heavy investments required for actual production until such time as the disputes are solved.

Outlook

60. No oil has yet been produced in the Senkaku continental shelf area or in any of the areas of disputed sovereignty in the East China Sea. Even the step prior to production, the test drilling of exploratory wells, has yet to be accomplished. Consequently, the question as to whether there is recoverable crude oil in commercially exploitable quantities remains unanswered.

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61. A great number of profit-motivated petroleum geologists and geophysicists are obviously convinced that the data developed by the preliminary surveys are worthy of further study. Their professional opinions, in combination with attractive, or at least acceptable, host-nation contracts, have caused a scramble for concessions in the East China Sea. Many American geologists feel the area could be one of the ten largest oil deposits in the world.

Further, the land areas around the East China Sea that are presently producing oil are actually geological extensions of the submerged basin now being surveyed.

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64. Exploratory wells in the Senkaku area are quite likely to hit oil, and they will answer the "crunch" questions of whether commercial quantities exist. It is uncertain, however, as to whether the drilling will commence in 1971 as planned. The Communist Chinese warning is being taken seriously and has put a definite damper on Tripartite Committee planning. The member nations of the committee (GOJ, GRC, ROK), however, may proceed with exploitation of the East China Sea continental shelf either unilaterally or in concert, should they determine the rewards are worth the risks. Despite Peking's record of being adamant on territorial issues, drilling of exploratory wells would not be likely to provoke a Chinese Communist military response. The seaward extension of credible Chinese Communist military capability is limited, and the initial test drillings would probably be in the proximity of the Senkakus, perhaps within the zone administered by USCAR or close enough thereto (such as GRC Zone IV) to deter Peking from overt military action.

65. The decision to proceed with the exploratory work in the East China Sea will probably be made in Tokyo rather than in Taipei or Seoul. Throughout the period of diplomatic and public discussions over the Senkakus, the GRC has constantly expressed concern that the dispute should in no way jeopardize the good relations existing between it and Japan or with the United States. The Chinese Nationalists feel compelled to take a strong public position, but their true and pragmatic goal is to obtain a fair share of the economic benefits to be had from the exploitation of the continental shelf oil in that part of the East China Sea area to which they conceivably have a justifiable claim.

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66. For its part, the ROK is unlikely to antagonize Japan by sanctioning oil exploration operations in the zone of their overlapping concessions. Both the ROK and the GRC, however, may be expected to encourage Japan to push forward with the joint development plan, not so much for the petroleum, but rather as a means of drawing Japan into a regional security grouping, even though they share fears of Japanese domination.

67. Tokyo is thus left with an obligation to make an agonizing decision, which may become more difficult if delayed. The increasing demand in Japan for petroleum and the desire to accommodate Taipei and Seoul are being weighed by Tokyo against the potential economic return expected from normalization of trade relations with Peking. Japan will probably proceed, however, with test drilling in the Senkaku area or it will tacitly encourage the GRC to do so. If no commercial quantities of oil are discovered, the Senkaku issue would disappear and a confrontation with Peking would be avoided. If significantly large reservoirs are indicated by the test drilling, Tokyo may feel compelled to accept Peking's wrath and opt for a joint exploitation venture in which Japanese interests could be expected to be, or become, dominant.

68. The cautious and deliberate development of PRC policy on territorial sea and continental shelf matters is still continuing. At this point, the PRC seems to be leaning toward adoption, with reservations, of the principles of the 1958 Geneva Convention on the Continental Shelf. This may be the only way the PRC could effectively argue its case should it ultimately be presented to an international court for decision. But to bypass Article 6, Section I of the Geneva Convention (See Appendix II), Peking would have to either eliminate Japan's claim to the Senkakus or their use as basepoints in the construction of an equidistant line dividing the continental shelf. If Japanese sovereignty over the Senkakus were sustained by an international judgment, China might be in a position of having to accept Japanese territorial

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sea boundaries that would result in a division of the continental shelf that is much more favorable to Japan.

69. Whatever the turn of events, it is unlikely that the Senkaku sovereignty issue, superficially the focal point of dispute, will actually be taken to an international court or be resolved by United Nations action. The Japanese claim to sovereignty over the Senkakus is strong, and the burden of proof of ownership would seem to fall on the Chinese.

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APPENDIX I

Geographic Boundaries of the Ryukyu Islands

Geographical boundaries of the Ryukyu Islands administered by the United States Civil Administration, Ryukyus (USCAR):

28°00'N 124°40'E; thence

24°00'N 122°00'E; thence

24°00'N 133°00'E; thence

27°00'N 131°50'E; thence

27°00'N 128°18'E; thence

28°00'N 128°18'E; thence

28°00'N 124°40'E.

NOTE: The curvilinear chain of islands, about 375 miles long, encompassed by the above boundaries, are to revert to Japan in 1972 (See Map 500343).

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APPENDIX II

Pertinent Provisions of the 1958 Geneva Convention on the Continental Shelf

The most widely accepted international principles on the division of the continental shelf are those developed by the 1958 Geneva Convention on the Continental Shelf. That convention determined the legal definition of the continental shelf to be: "... the seabed and subsoil of the submarine areas adjacent to the coast but outside the area of the territorial sea, to a depth of 200 meters, or beyond that limit, to where the depth of the superjacent waters admit of the exploitation of the said areas." The Geneva definition applies to islands as well as continental mainlands, and it also recognizes the sovereign right of coastal states to explore and exploit the natural resources of their continental shelves.

Article 6 of the Geneva convention states:

1. Where the same continental shelf is adjacent to the territories of two or more States whose coasts are opposite each other, the boundary of the continental shelf appertaining to such States shall be determined by agreement between them. In the absence of agreement, and unless another boundary line is justified by special circumstances, the boundary is the median line, every point of which is equidistant from the nearest points of the baselines from which the breadth of the territorial sea of each State is measured.
2. Where the same continental shelf is adjacent to the territories of two adjacent States, the boundary of the continental shelf shall be determined by agreement between them.

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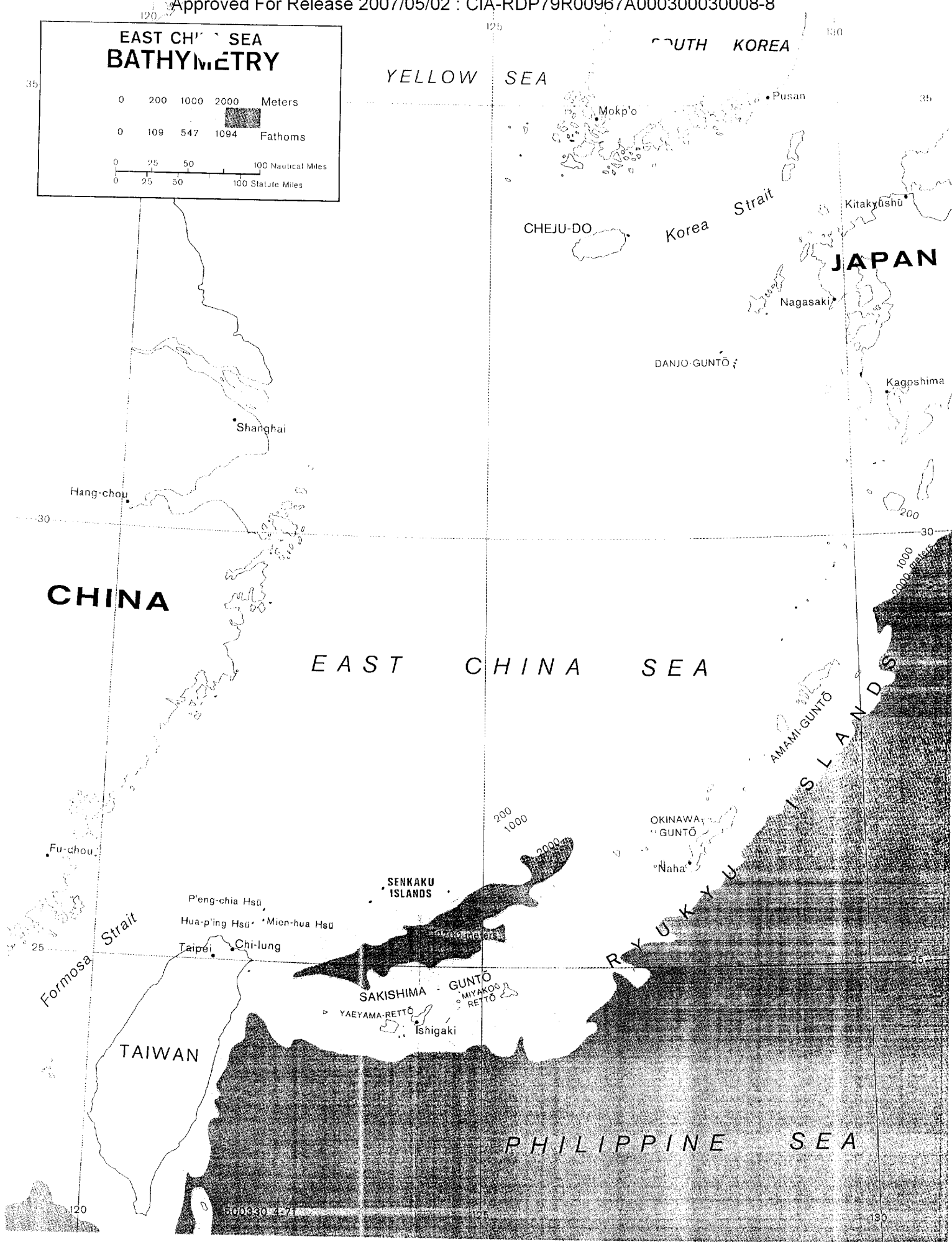
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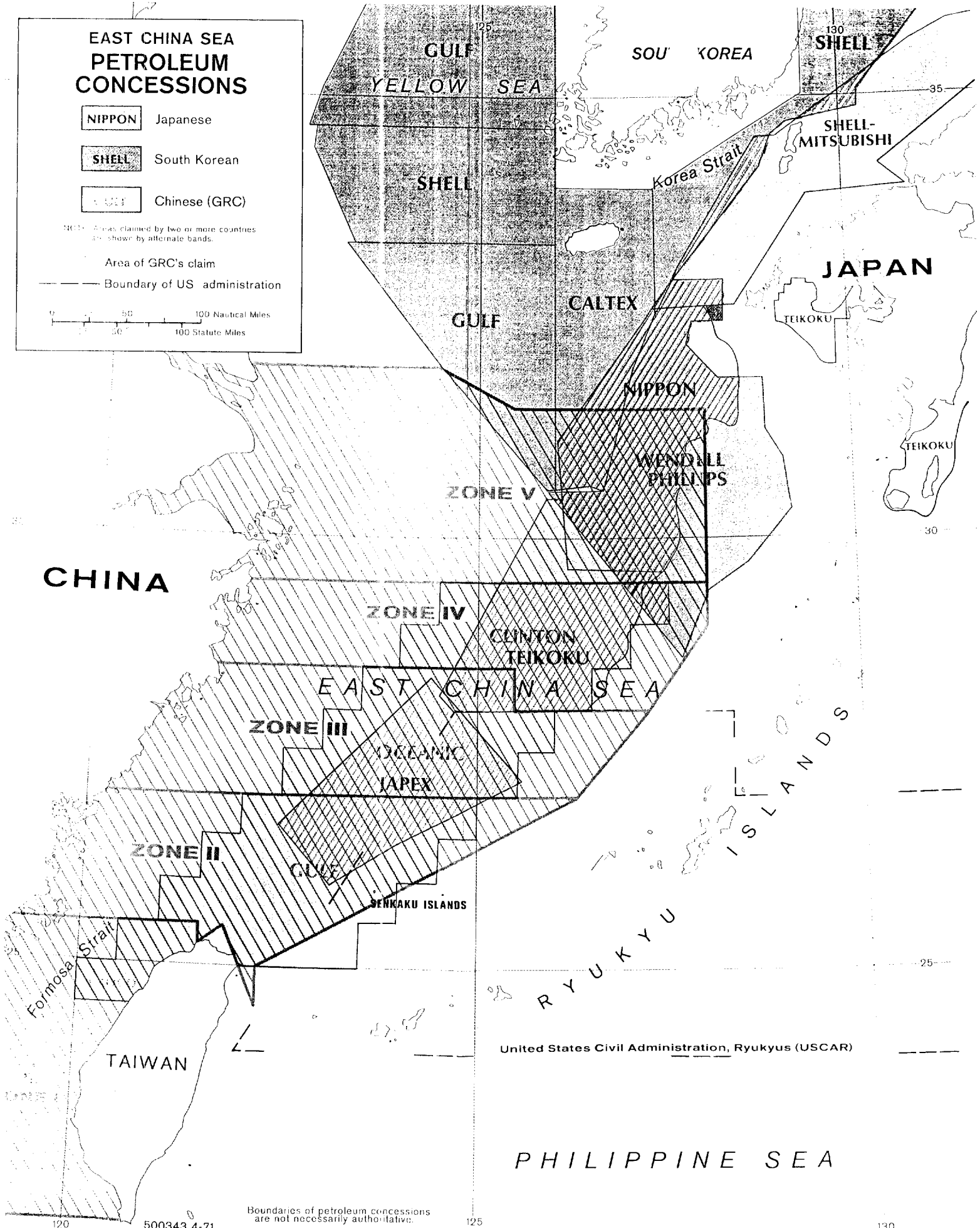
In the absence of agreement, and unless another boundary line is justified by special circumstances, the boundary shall be determined by application of the principle of equidistance from the nearest points of the baselines from which the breadth of the territorial sea of each State is measured.

Recent international juridical practice has been to ignore small islands situated near the center of a semienclosed sea.* This appears to be an application of the "special circumstances" clause of paragraph 2 of Article 6 in order to attain an equitable division of the continental shelf.

The International Court of Justice, in the 1969 North Sea Case, held that delimitation of national jurisdictions over the continental shelf should be by negotiated agreement and that equitable principles should be applied. But the court held that the equidistant principle of the Geneva Convention was not established as customary international law and, moreover, was not binding on a nonsignatory to the Continental Shelf Convention. Neither Japan, the People's Republic of China, nor the Republic of Korea are signatories; the Republic of China signed, but with reservations (see paragraph 23 of text).

* Agreements between Iran and Saudi Arabia in the division of the Persian Gulf and between Italy and Yugoslavia in the division of the Adriatic Sea disregarded small islands.





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