

**MARITIME TERRITORIAL DISPUTES AND  
SOVEREIGNTY ISSUES IN ASIA**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON EAST ASIAN  
AND PACIFIC AFFAIRS  
OF THE  
COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE  
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## **MARITIME TERRITORIAL DISPUTES AND SOVEREIGNTY ISSUES IN ASIA**

**THURSDAY, SEPTEMBER 20, 2012**

U.S. SENATE,  
SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The committee met, pursuant to notice, at 2:10 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Jim Webb (chairman of the subcommittee) presiding.

Present: Senators Webb, Lugar, and Risch.

### **OPENING STATEMENT OF HON. JIM WEBB, U.S. SENATOR FROM VIRGINIA**

Senator WEBB. Good afternoon. The hearing will come to order. Let me make a comment at the beginning that the Senate is in the middle of a vote. We may have other Senators come to the hearing during the course of it, but I am going to go ahead and begin.

I would also like to point out that Senator Inhofe will not be at this hearing, but he has a statement that will be inserted into the record—a written statement at the end of my opening statement.

Today the East Asia and Pacific Affairs Subcommittee will consider the impact of recent and ongoing maritime territorial disputes in Asia, one of the most critical issues of strategic importance for the United States and for the entire Pacific region.

I have written and spoken about this issue for many years, since long before I entered the Senate. It was the subject of the first substantive hearing I held as chairman of this subcommittee in July 2009. And it probably will be the subject of the last substantive hearing that I am holding as chairman of this subcommittee.

Unfortunately, since that time, the disagreements over sovereignty and the potential for conflict have only increased. In addition to the much publicized pivot into East Asia, it is imperative that the United States policy be based on a clear set of principles that everyone here at home and in the region can understand, and from which our enduring relationships can continue to grow.

Throughout my entire professional life, I have worked to emphasize the importance of a strong United States presence in East and Pacific Asia. To state the obvious, the United States has strong, enduring, vital interests in East Asia, and East Asia would be a far more volatile place if the United States were to recede from the region.

Since World War II, our country has proved to be the essential guarantor of stability in this region, even as the power cycle shifted

from Japan, to the Soviet Union, and most recently to China. Economically and politically, all of East Asia and the Pacific has benefited from the stability that has been made possible by our involvement in this region.

I reiterate this point in order to emphasize that neither this hearing, nor any other comments and writings that have been made over the years by me have intended to diminish or discourage the evolution of our larger relations with China. The great value that the United States has added to the complex historical mix of East Asia transcends any one country.

The concerns that are raised today would have been raised just as quickly if they were directed at Japan during the 1930s or the Soviet Union when I was a Department of Defense executive in the 1980s. The United States does not seek hegemony in this region, nor does it seek containment.

Its vital interest is stability, which allows countries of all different populations and sizes the opportunity to resolve their differences without fear of intimidation or the tragic consequences of war. And history teaches us that when stability is lost in East Asia, violence replaces it.

A strong presence of the United States in the Pacific-Asia region since World War II has been invaluable in the economic development and growth of more mature political systems throughout the region. This was true even in our frequently misunderstood effort in Vietnam as Minister Mentor Lee Kuan Yew of Singapore commented in his memoir "From Third World to First," and I quote, "Although American intervention failed in Vietnam, it brought time for the rest of Southeast Asia. America's action enabled non-Communist Southeast Asia to put their houses in order. Had there been no U.S. intervention, the will of these countries to resist would have melted, and Southeast Asia would have most likely gone Communist. The prosperous emerging market economies of ASEAN were nurtured during the Vietnam war years."

During the cold war, American policy encouraged a stronger relationship with China partly as a way to counter Soviet influence in East Asia. When massive American investment in China, coupled with the abrupt fall of the Soviet Union, helped enable a rapid and continuing power shift in favor of China, at the same time that American concerns in Pacific-Asia were placed on the backburner due to the manner in which our attention was distracted by the volatility of events in Iraq, Afghanistan, and the Muslim world.

In April 2001, following the collision of a Chinese fighter with a U.S. reconnaissance aircraft in international airspace, I warned of this development in an article in the Wall Street Journal, noting that China, "has engaged in a massive modernization program fueled largely by purchases of Russian weaponry and bolstered by the acquisition of American technology, which was having an impact on sovereignty claims in the East China Sea and the South China Sea." I warned in that article that China, "has laid physical claim to the disputed Paracel and Spratly Island groups, thus potentially straddling one of the most vital sea-lanes in the world, has made repeated naval excursions into Japanese territorial waters, a cause for long-term concern as China still claims Japan's

Senkaku Islands, and has never accepted the legitimacy of Okinawa's 1972 reversion to Japan."

In 2006 in the final debate of my campaign for the U.S. Senate, I was allowed to ask my opponent one question. I asked him what he thought we should do about the sovereignty disputes in the Senkaku Islands. For a region in relative peace compared to the rest of the world, East Asia has a significant number of open territorial disputes, mostly with maritime borders. China and Japan both claim the Senkaku Islands in the East China Sea. China, Vietnam, the Philippines, Brunei, Malaysia, and Taiwan all claim sovereignty over all or part of the Spratly Islands, also in the South China Sea. Japan and Korea have sovereignty over the Liancourt Islands, also known as Takeshima by Japan and Dokdo by Korea. Japan and Russia claim the Kuril Islands.

These are open, active disputes. They involve not only claims to the land features, but also claims to surrounding waters. And as all of these Asian nations have grown more prosperous, their sovereignty claims have become more fierce.

It is the policy and the desire of the United States to pursue harmonious relations with each of these countries. We also recognize that these countries have long and complicated histories with each other, which impact these claims. We take no sides in the resolution of such historical disputes, but we should not refrain from using our influence to discourage the use of military force or the unilateral expansion of claims of sovereignty. And it should be within the creative energy of our leadership to seek proper venues for the resolution of these disputes, particularly in the area of the South China Sea.

What we have been witnessing over the past several years is not simply a series of tactical disputes. They are an accumulation of tactical incidents designed to pursue a larger strategic agenda. Virtually every country in the region understands that. It is the duty of the United States to respond carefully and fully to it.

In the past week, our most important ally in Asia, Japan, has come to the brink of open conflict with our largest creditor, China, over claims to the Senkaku Islands.

This latest incident represents years of growing tension. In 2008, Japan and China agreed to develop oil and gas resources in waters near the Senkaku Islands in an effort to focus on the benefits of economic cooperation. This cooperation was cut short in 2010 when a Chinese fishing captain rammed a Japanese Coast Guard vessel near the islands.

Last week, Japan's Government announced that it would purchase land from the Senkaku Islands from its private Japanese owner in an attempt to prevent the Governor of Tokyo from purchasing this land and perhaps using it to stoke further controversy. A move that the Japanese Government expected to relieve tensions was met with widespread misunderstanding, including a blast by China.

Last Friday, China sent six maritime surveillance ships into waters around the islands, the largest-ever intrusion by China into this area. Anti-Japanese protests in China have reached a new height. These protests, abetted by the Chinese Government, have

damaged Japanese-owned businesses and caused considerable harm.

On Tuesday following a meeting with Secretary of Defense Panetta in Beijing, China's Defense Minister stated that China reserves the right to act further against Japan in this dispute, which can only be read as a threat of the use of military force.

This threat has direct consequences for the United States. In 2004, the Bush administration stated clearly that the Japanese-United States security treaty obligations extended to the Senkaku Islands, which, according to accepted principles of international law, are under the administrative control of Japan. Secretary Clinton reiterated this position in 2010 following the incident with the Chinese fishing boat. Given the recent incursion by China into waters around the Senkaku Islands, it is vital that we continue to state clearly our obligations under the security treaty.

For several years, China has also demonstrated an increased willingness to use force in the South China Sea. Its claims in this area are based upon a roughly defined nine-dashed line, the so-called cow's tongue, encircling the South China Sea. In 2009, Chinese vessels harassed a United States maritime surveillance ship, the USNS *Impeccable*, and then a Chinese submarine collided with a sonar cable of the guided missile destroyer USS *John S. McCain* while it was operating in the South China Sea. Last year on three separate occasions in March, May, and June, China interfered with the maritime surveillance activities of Vietnamese and Filipino ships by cutting their cables.

Following those incidents, I introduced a Senate resolution deploring the use of force by China, and reaffirming United States support for the peaceful resolution of maritime territorial disputes. This resolution passed the Senate unanimously. This year in April, tensions on Scarborough Shoal, an area less than 200 miles from the Philippines' coast, escalated as a Philippine Coast Guard vessel investigated illegal fishing by China. In response, Chinese maritime enforcement ships, backed by PLA naval vessels, roped off the mouth of the lagoon, denying access to the territory. China also retaliated through trade measures by blocking Filipino banana exports.

In June, Filipino ships withdrew from the standoff due to weather concerns, but Chinese ships remained and are there today.

In July, the Chinese Government began implementing a decision to assert administrative control over this entire region, establish a prefectural level government called Sansha on Woody Island located in the Paracel Islands chain, and appointed 45 legislators, a standing committee, a mayor, and a vice mayor.

Woody Island, also called Yongxing, has no indigenous population, no natural water supply. The jurisdiction of this new prefecture extends to more than 200 islets and over 2 million square kilometers of water. In other words, virtually the entire South China Sea.

This political shift has been matched by economic and military expansion. In late June, the China National Offshore Oil Corporation opened bidding on oil blocks that fall within Vietnam's Exclusive Economic Zone and overlap with oil blocks that Vietnam itself is developing, some in partnership with United States firms. With-



in days of establishing the Sansha prefecture, China's central military commission announced that it would deploy a garrison of soldiers to guard the area and conduct regular combat readiness patrols in the South China Sea.

Other countries in the South China Sea have been actively working to reinforce their claims in the face of such developments. In June, Vietnam passed a new maritime law that restates Vietnam's claim to the Paracel Islands and Spratly Islands. The Philippines has been working through the United Nations Commission on the Limits of the Continental Shelf to delimit its expanded Continental Shelf and clearly define its maritime borders.

All countries are seeking to benefit from the resources in the region, claiming mineral development rights or fishing rights. However, China's actions this past year go a step further in attempting to expand administrative and physical control over the areas in the South China Sea previously out of its internationally recognized jurisdiction.

These incidents have coincidentally been occurring near the anniversary of Japan's September 18, 1931, invasion of Manchuria. Historian Barbara Tuchman noted that the failure of the international community, and particularly the League of Nations, to respond to the Mukden incident at that time, "breed the acid of appeasement that opened the decade of dissent to war in Asia and beyond." The precedent for Munich was set in Manchuria, in China, lived through the consequences of the international community's failure to address the unilateral actions taken against its territory.

One hopes the present Government of China will appreciate the usefulness of international involvement in finding solutions to the increasingly more hostile sovereignty issues in Northeast Asia and in the South China Sea. All of East Asia is watching the United States response to these recent actions in the South China Sea and East China Sea, particularly the countries of ASEAN, with whom we have shared expanding relations, and Japan, and the Philippines, two countries with whom we share the solemn commitment of being treaty allies.

To discuss these issues today, I would like to welcome Assistant Secretary of State Kurt Campbell. Prior to his confirmation in June 2009, Assistant Secretary Campbell was CEO and cofounder of the Center for a New American Security, and concurrently served as the director of the Aspen Strategy Group.

He has served in several capacities in government, including as Deputy Assistant Secretary of Defense for Asia and the Pacific, a director on the National Security Council staff, Deputy Special Counselor to the President for NAFTA in the White House, and White House fellow at the Department of Treasury.

[The prepared statement of Senator Inhofe follows:]

PREPARED STATEMENT OF SENATOR JAMES M. INHOFE,  
RANKING MEMBER OF THE SUBCOMMITTEE

I want to thank Chairman Webb for holding this hearing on the rising tensions involving overlapping maritime claims in the South China Sea by Communist China, Brunei, Malaysia, Philippines, Taiwan, and Vietnam. This hearing will also include testimony about the conflicting maritime claims in the East China Sea by China and Taiwan with Japan, and the disturbingly rekindled dispute between South Korea and Japan over the set of islets there.

For me, the number of incidents over the past 2 years by the Communist Chinese military in these seas leads me to focus my comments on China's destabilizing and harmful actions. Actions, that left unanswered and unchecked by the peace-seeking nations in the region and world, could lead to open conflict.

Along with Chairman Webb, I introduced and passed last year in the Senate, S. Res. 217, a resolution that condemned China's calculated acts of naval harassment in the South China Sea. The Senate resolution noted that since China declared much of the South China Sea as its Exclusive Economic Zone, it has repeatedly threatened the other countries (nine in all) in the region who have overlapping claims to this 1.35 million square miles of water.

Not even the 2002 Declaration on the Conduct of Parties in the South China Sea, signed by China and the 10-member Association of Southeast Asian Nations, has helped in reaching a peaceful resolution to this dispute. The added fact that China is a 1996 signatory to the deeply flawed Law of the Sea Treaty (LOST)—which mandates negotiated settlements of maritime disputes—clearly reveals China's willingness to disregard its own treaty obligations, and is a testament to the ineffectiveness of the LOST treaty itself, which I strongly oppose the U.S. ratifying.

Since passage of our resolution, China has continued its threatening and aggressive administrative and military actions, with the latest being its proclaimed jurisdiction over the Paracel Islands—more than 200 miles southeast of Hainan, mainland China's southernmost territory. On June 21, 2012, the Communist leadership established a new prefecture there, naming it Sansha, with its headquarters on Woody Island. And most disturbingly, at the end of July, its People's Liberation Army announced it would deploy a garrison of soldiers there to guard the islands and conduct "combat ready" patrols.

Simply put, Communist China needs to receive a clear message from the U.S. and other peace-seeking nations that China's continued harassment, and expansive administrative and military actions in this region, and specifically in the South China Sea, will no longer be tolerated.

I look forward to hearing testimony from Assistant Secretary Kurt Campbell today on concrete steps our Nation will be taking, along with our allies, to "come about" and tack away from our present course of diplomacy, and maneuver toward a new, robust one.

Senator WEBB. Before Secretary Campbell begins his comments, I would like to welcome Senator Lugar, the former chairman and ranking Republican on the full committee. And we are very pleased to have you at the hearing today, Senator Lugar.

**OPENING STATEMENT OF HON. RICHARD G. LUGAR,  
U.S. SENATOR FROM INDIANA**

Senator LUGAR. I thank you, Mr. Chairman, and you have certainly set the stage for a very important hearing with a very important witness. I simply want to take the opportunity to thank you and to congratulate you, Secretary Campbell, on your vigorous and tenacious work in East Asia throughout the past 3 years of time and your service before that. It has been extremely helpful not only with regard to the current issues that the chairman has outlined, but a whole host of issues which may arise in your testimony and our questions today. Welcome to the committee.

Thank you, Mr. Chairman, for calling the hearing.

Senator WEBB. Thank you, Senator Lugar. And welcome, Secretary Campbell.

**STATEMENT OF HON. KURT CAMPBELL, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC**

Mr. CAMPBELL. First of all, Senators, thank you very much for holding this hearing today. I cannot imagine a more important or more delicate set of questions for us to undertake.

I would like to put my full testimony on the record and just open with a few comments.

Let me first say that I want to commend both of you for the strong bipartisan support that you have given for decades to our engagement in the Asia-Pacific region. Sometimes we have not always agreed as parties or as people, but I think we are united in our quest to see a strong, enduring American role in Asia for decades and decades to come.

I travel a lot through the region, and almost more than any other issue I hear is a concern about what happens in Congress in the years ahead. Will there be people like Senator Lugar and Senator Webb who will care about the region? I try to assure them that there will be, but frankly you both leave enormously large shoes and military boots to fill. And so I want to thank you for your service and your support going forward.

I would just like to take a couple of moments to talk a little bit about the overarching strategy because I think it is important, and then I will turn to the specific questions that Senator Webb, I think, has very effectively laid out.

I think our approach has been built on a bipartisan approach, but it has some new elements over the course of the last several years. And this has been articulated clearly by the President, and I think acted on very strongly by Secretary Clinton and Secretary Gates, and Secretary Panetta as well.

At the heart of our effort in the Asia-Pacific region are our strong alliances, and we have sought to take steps to strengthen these alliances across the board. More needs to be done, particularly in Southeast Asia, but I believe we have done important things with Australia, Japan, and South Korea.

But it cannot end there. We must take steps to deepen ties with new and emerging partners. Those include friends in Southeast Asia, a much more vigorous relationship with New Zealand than we have enjoyed in the past, and we are increasingly taking steps to draw India into the Asia-Pacific region. And as part of that is a recognition, as Senator Webb clearly articulated, that we need to work closely with a China that is emerging as a dominant player, not only in the Asia-Pacific region, but in the world. This is clearly an enormous proposition, very challenging, but it is incredibly important for this and the next generation of Americans going forward.

When Asians look at the United States, they expect us to play a role in a variety of fields, none more important than economic statecraft. And with your strong support, both of you and others, we have been able to take steps to build on that bipartisan tradition.

Last year, we passed the Korea Free Trade Agreement. We are already seeing the benefits there, and we are taking steps to work toward advancing a very high quality trade agreement, the Trans-Pacific Partnership. And we will be looking to take steps to further our commercial diplomacy in Asia. At the encouragement of Senator Webb, Secretary Clinton held the largest-ever meeting of American business leaders, ministers, and heads of state in Cambodia in July after the ASEAN Regional Forum to articulate that we have a role to play, and that American products and services

can play a huge role in the prosperity of Asia and the building of a strong and durable middle class.

We are also attempting to articulate a comprehensive defense strategy, diversifying our capabilities around the Asia-Pacific region, taking steps to strengthen our military ties through training and new arrangements for joint facilities, and exploring new opportunities for cooperation, such as in the area of disaster relief.

We have noted the helpful role that Senator Webb and others have played to help us think deeply about the relationship that we have with Okinawa and Guam going forward. I look forward to ensuring that our defense and security relationships remain strong, and as we speak, Secretary Panetta is in the region advancing those goals.

And last, we also believe fundamentally that a new wrinkle in our strategy has got to be engaging multilateral institutions more effectively, such as the ASEAN Regional Forum. We joined the East Asian summit. We are working more closely with defense partners in a number of institutions.

This is increasingly going to be the focus of our diplomatic efforts. These are all young institutions, new institutions without deep roots, but strengthening them and encouraging partners like ASEAN to have the confidence to stand up on issues of mutual import is at the center of our strategy going forward. We want to see a series of institutions take root—APEC, the East Asia Summit, the ASEAN Regional Forum, and military institutions.

Now all of this work has to be animated by our values, the advancement of the cause of freedom, democracy, and rule of law. And I have to say, I do not think there are two people who have done more for making what happened yesterday possible than you two. I have been in a number of meetings where each of you took us to the woodshed about needing to try harder—to work harder, on issues associated with Burma. And yesterday was a day to celebrate with Aung San Suu Kyi's receipt of the Congressional Gold Medal. That does not mean our work is over. We have a lot more to do, as she indicated yesterday. But at least we have been able to get this far with your strong support, and I want to underscore our continuing commitment to support the process of reform. We look forward to the visit of President Thein Sein next week. We are going to engage with him closely in New York.

So this is a region that we believe is the cockpit of the global economy. With slowdowns in Europe, the United States still climbing out of economic difficulties, we recognize how important the maintenance of peace and stability is at this time. We acknowledge that recent disputes in the South China Sea, the East China Sea, and the Sea of Japan have sent reverberations throughout the region.

Our consistent and systematic diplomacy has been, both in public and behind closed doors, that we want to see cooler heads to prevail in the current set of challenges.

The South China Sea, as Senator Webb indicated, is a vital thoroughway for global commerce and energy. Almost half the world's merchant tonnage flows through there, about a third by value, and over 15 million barrels of oil a day.

Now if you look at these disputes and tensions, as Senator Webb has indicated in greater detail and more elaborately and profoundly, the tensions have ebbed and flowed over time. But with rare exceptions, countries have chosen peace and diplomacy. And so even during this period of the last 30 years where they have been accentuated, we must recognize that this has also been the best 30 years of peace and prosperity in Asia's history. There has been an understanding in capitals about how important it is to keep a lid on tensions.

We view the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea as an important effort at maintaining peace and stability and sustaining dialogue among the key partners. It unequivocally signaled the willingness to approach disputes multilaterally.

I just want to quote quickly, Senator, what Secretary Clinton said in her important intervention at the ASEAN Regional Forum this year. "None of us can fail to be concerned by the increase in tensions, the uptick in confrontational rhetoric, and disagreements over resource exploitation. We have seen worrisome instances of economic coercion and the problematic use of military and government vessels in connection with disputes among fishermen. There have been a variety of national measures taken that create friction and further complicate efforts to resolve disputes.

Recent incidents in Scarborough Reef, including confrontational behavior like the use of barriers to deny access and regional disputes over oil and natural gas exploration blocks underscore the need for agreement among all parties on rules of the road and the establishment of clear procedures for addressing disagreements.

The United States supports firmly a binding code that is based on international law and agreements, including the Law of the Sea Convention and the Treaty of Amity and Cooperation, a code that creates a rules-based framework for regulating conduct in the South China Sea, including preventing and resolving disputes. Recent tensions lend further urgency to this effort."

I want to underscore that we have been involved in a sustained interactive process over the course of the last several months, involved with every party involved in these disputes, to underscore our strategic interests in the peaceful handling of these disputes. We are very clear and firm about our opposition to the use of coercion, intimidation, and threats of force. And we encourage in all instances diplomatic, peaceful approaches.

We have called on parties to clarify and pursue claims consistent with international law as reflected in the Law of the Sea. As you know, Secretary Clinton has strongly supported, as has our government, our ratification of that agreement.

Our close allies have been clear on recent incidents with ASEAN, with China, and others. We are very actively engaged currently as we lead into the East Asia Summit and in all our multilateral platforms. We have seen signs of renewed diplomacy between ASEAN and China on issues associated with the South China Sea. We welcome that dialogue, and we think this is the appropriate way forward.

There are many other elements of this that are important. I think we recognize the significance of the topic. We want to handle

it carefully. We have sought to promote dialogue among the key partners. We have tried to be clear about our principled approach, and we have made crystal clear to all involved that the United States is going to continue to play a strong central role in the diplomacy and the security activities of the Asia-Pacific region for decades to come.

I will stop here. Thank you very much.

[The prepared statement of Mr. Campbell follows:]

PREPARED STATEMENT OF ASSISTANT SECRETARY OF STATE KURT CAMPBELL

Chairman Webb, members of the subcommittee, thank you for the opportunity to testify today on these critically important issues.

Before I begin, I would like to take this opportunity to thank you, Chairman Webb, for your leadership on this issue and for your work to enhance our engagement with the Asia-Pacific region, particularly Southeast Asia. Your strong voice on this committee and in the Senate to draw attention to East Asian and Pacific issues is greatly appreciated. You and your subcommittee have played a fundamental role in sustaining the rich bipartisan tradition of engaging the Asia-Pacific and advancing U.S. interests in the region. Working together, it is as important as ever to demonstrate without question the enduring nature of this bipartisan commitment.

The United States is and will remain a Pacific power, bound to the Asia-Pacific region by virtue of our geography, history, alliances, economic ties and people. Much of the history of the 21st century will undoubtedly be written in this dynamic region, which today accounts for more than half the world's GDP and nearly half of its trade, is a key driver of innovation, and houses some of the fastest growing economies in the world. The Asia-Pacific holds vast opportunity, but still faces tremendous challenges that, if not addressed, will pose significant risk to the future of the region and America's interests as well.

The United States is intensifying its focus on the Asia-Pacific, recognizing that greater strategic investment in the region will be essential to both seize opportunities and address challenges. We are taking steps to strengthen our alliances with Japan, the Republic of Korea, Australia, Thailand and the Philippines. We are deepening partnerships with new and emerging partners, like Singapore, India, Indonesia, New Zealand, Malaysia, and Vietnam and taking steps to strengthen unofficial relations with Taiwan. As Secretary Clinton noted in her recent visit to Beijing, we are also working tirelessly to build a positive, cooperative, and comprehensive relationship with China and write a new, constructive answer to the age-old question of what happens when an established power and an emerging power meet.

Beyond our bilateral relationships, a critical evolution in American strategy in the Asia-Pacific has been an unprecedented commitment to engaging the region's multilateral institutions—principally, ASEAN, the Pacific Island Forum and APEC—and supporting their evolution into more effective, solutions-oriented bodies. We have taken systematic steps to elevate our economic statecraft in the region to help fuel the U.S. recovery, as exemplified by July's U.S.-ASEAN Business Forum, which brought together the largest grouping of U.S. and ASEAN governments and business leaders ever to discuss shared opportunities. We are expanding our economic ties to the region and refocusing our efforts to build a level playing field so that American companies can compete and win. In addition, as you know, we have embarked upon a comprehensive defense strategy to develop a force posture in the region that can better respond to nontraditional security threats, protect allies and partners, and ultimately defend U.S. national interests. Finally, we remain steadfast in our commitment to advance freedom, democracy, and the rule of law. Senator Webb, your efforts with respect to Burma have played an essential role in this regard. Each element of this strategy is mutually reinforcing and meant to positively affect the Asia-Pacific strategic environment and to advance peace, prosperity, and security.

As the United States pivots to the Asia-Pacific region, the recent spate of disputes in the South China Sea, the East China Sea, and the Sea of Japan are sending reverberations throughout the region, threatening instabilities that could undermine U.S. interests.

Let me begin by noting recent developments in the South China Sea. The South China Sea is a vital thoroughway for global commerce and energy. Half the world's merchant tonnage flows through the South China Sea and over 15 million barrels of oil per day transited the Strait of Malacca last year. We cannot afford to allow

disputes in the South China Sea to endanger the global economy, our recovery, or regional security; diplomatic approaches must prevail.

Brunei, China, Indonesia, Malaysia, the Philippines, Taiwan, and Vietnam each claim sovereignty over parts of the South China Sea, including its land features. The parties vary widely in their claims, as well as the intensity and manner in which they assert them.

Despite the fact that tensions in the South China Sea have ebbed and flowed for decades, the most important feature of these disputes is that, with rare exceptions, countries have chosen the path of peace, diplomacy, and shared prosperity to address them. Even following heightened tensions in the 1990s, including the events at Mischief Reef in 1995, ASEAN and China resolved to reach agreement on a Declaration on the Conduct of Parties in the South China Sea. While nonbinding, the 2002 Declaration was an important milestone, built upon the 1992 ASEAN Declaration on the South China Sea and unequivocally signaling a willingness among the parties to approach disputes multilaterally. In the 2002 Declaration, ASEAN and China committed to respect freedom of navigation and over-flight in the South China Sea in accordance with international law, as reflected in the 1982 Law of the Sea Convention, and to resolve their disputes through peaceful means, without resorting to the threat or use of force. They also committed to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including steps to inhabit presently uninhabited land features.

Nevertheless, the region entered into a new period of heightened tensions beginning in 2007, stemming in part from the combination of an increasingly intense demand for natural resources, including hydrocarbons, and rapidly improving capabilities to extract resources in deep water. Additionally, fishing stocks in coastal and inland areas have significantly declined due to overfishing and environmentally harmful techniques, pushing fishing fleets further offshore into the South China Sea.

Complex domestic political dynamics in each of these countries are also a significant factor in efforts to build lasting and peaceful solutions. The separate incidents this year involving the Philippines, Vietnam, and China, underscore this deeply complex environment.

U.S. policy toward the South China Sea has been both consistent and well coordinated. Our strategy strives to set a context for peaceful approaches to disputes in the region, with the long-term goal of supporting a rules-based order, undergirded by agreements and strong institutions, that can support the management and, ultimately, resolution of the disputes. In order to promote a stable environment in the region, the United States has clearly articulated our principles and interests in accordance with longstanding policy. As Secretary Clinton has made clear, as a Pacific nation and resident power, the United States has a national interest in the maintenance of peace and stability; respect for international law; unimpeded lawful commerce; and freedom of navigation in the South China Sea. The United States does not take a position on the competing sovereignty claims over land features in the South China Sea, and we continue to encourage all parties to take steps to address these disputes diplomatically and in a collaborative manner. We oppose the use of coercion, intimidation, threats, or force by any claimant to advance its claims. We believe that claimants should explore every diplomatic and other peaceful means for dispute resolution, including the use of arbitration or other international legal mechanisms. In order to decrease the risk of misunderstanding and miscalculation, we continue to urge all parties to clarify and pursue their territorial and maritime claims in terms consistent with international law, including the 1982 Law of the Sea Convention.

For our part, we can strengthen our hand in engaging disputes in the South China Sea by joining the Law of the Sea Convention. As the Secretary emphasized when she testified before the full committee in May, “[O]ur navigational rights and our ability to challenge other countries’ behavior should stand on the firmest and most persuasive legal footing available, including in critical areas such as the South China Sea. . . . [A]s a party to the convention, we would have greater credibility in invoking the convention’s rules and a greater ability to enforce them.”

Over the past several months, we have closely watched incidents and activities by multiple parties that have raised tensions in the region. We have maintained close, direct dialogue with the Philippines, Vietnam, China, other ASEAN members, and ASEAN as a whole, facilitated by our mission and Resident Ambassador to ASEAN located in Jakarta. In the past several years, we have substantially increased the level and frequency of our engagements with ASEAN which has significantly improved our ability to address tensions. We have also sustained substantial dialogue with other countries that have critical interests in the region, including India, Japan, Australia, Russia, as well as the European Union, to explore how we

can work together to foster a peaceful, stable environment. In multilateral channels, we remain committed to advancing a collaborative and diplomatic course of action in ASEAN-based meetings, particularly the ASEAN Regional Forum and the East Asia Summit.

We have also coordinated closely with our colleagues at the Department of Defense to ensure that our South China Sea diplomacy is supported by an effective and well-calibrated defense strategy.

A consistent and critical element of our approach has been exercising U.S. leadership and maintaining public engagement when necessary to underscore the importance of peaceful and diplomatic approaches to disputes. Most recently, the United States released a statement on August 3 which reaffirmed U.S. interests, raised concerns about recent incidents, and urged the parties involved to take necessary steps to lower tensions. The statement was eagerly welcomed by key ASEAN states, contributing to a cooler political environment and helping to set the stage for progress on ASEAN-China Code of Conduct discussions.

We support ASEAN and China's efforts to develop an effective Code of Conduct, as called for in the 2002 ASEAN-China Declaration. History has shown that a region united by rules and norms enjoys greater peace and stability, and a Code of Conduct can be an important element of the emerging rules-based order in the region. While it is up to the parties to agree to the terms of a Code of Conduct, we believe that it should be based on the widely accepted and universal principles of the U.N. Charter, the international law of the sea, as reflected in the Law of the Sea Convention, the Treaty of Amity and Cooperation, and the 2002 Declaration on Conduct. An effective Code of Conduct would also create a rules-based framework for managing and regulating the conduct of parties in the South China Sea, including preventing and managing disputes.

We also encourage relevant parties to explore new cooperative arrangements for managing the exploitation of resources in the South China Sea. For example, as Secretary Clinton discussed at the ASEAN Regional Forum this July in Cambodia, this could include equitable joint exploration and exploitation arrangements for hydrocarbon resources in areas of unresolved claims. Joint exploration would not only allow claimants to reap material benefits, but could also help to build the habits of cooperation and collaboration that will ultimately be needed to resolve these disputes.

I would now like to say a word about other maritime disputes that are currently roiling the region, different but equally complex situations, where territorial disputes over the Senkaku Islands and Liancourt Rocks (known to the Japanese as Takeshima, and Korea as Dokdo) have flared up in recent months. In both cases, as with the South China Sea disputes, the United States has reiterated its long-held position that it does not take a position on the ultimate sovereignty of the land features in question, and that the claimants should address their differences peacefully. The United States has an interest in peaceful relations among all of our Northeast Asian partners and allies, and has nothing to gain from seeing the situation escalate.

Given the intense level of commerce and people-to-people ties among these three great Northeast Asian nations of China, Japan, and the Republic of Korea, and the extraordinary potential costs of conflict, we are hopeful that all involved will make sincere efforts to settle their disputes amicably. These economies account for a fifth of global GDP and if not appropriately managed these tensions can pose risk to the necessary foundation of global economic recovery: security and stability. As Secretary Clinton said when meeting with the APEC nations in Vladivostok this month, now is the time for everyone to make efforts to reduce tensions and strengthen diplomatic involvement. We have made this point both publicly and privately to all of the countries involved.

The United States has no better or closer allies than Japan and the Republic of Korea (ROK). For more than half a century, our alliances with both countries have undergirded peace and stability in the Asia-Pacific and have provided a context for regional and global economic growth and prosperity. As the United States increases its strategic investments in the Asia-Pacific, our close and enduring ties with the ROK and Japan will remain the fulcrum of this pivot, and tensions between our closest allies damage our strategic interests.

Over the past several years, the U.S.-Japan-ROK trilateral relationship has become an increasingly important engine for promoting our mutual national security goals both in the region and around the world. From our cooperative efforts to put a stop to North Korea's nuclear ambitions and promote the human rights of its people, to our coordinated actions to address Iran's nuclear program, to our efforts to address maritime piracy off the Horn of Africa, to our shared work to promote de-



mocracy and good governance in Burma and around the world, the United States, Japan, and South Korea enjoy an active and growing partnership on a global scale.

A key pillar of this trilateral partnership is the ROK-Japan relationship. The United States welcomes both countries' efforts to strengthen their political, economic, security, and people-to-people ties, as well as to address in a constructive and future-oriented manner the differences between them. As we enter the second decade of the Asia-Pacific century, we have every hope and expectation—and we will do what is necessary to ensure—that the ties and cooperation between and among the United States, Japan, and the ROK will continue to strengthen in every way.

A stable and productive Japan-China relationship is also in the strategic interest of the United States and the region as a whole. We have been concerned by the rising tensions in Sino-Japanese relations over the Senkaku Islands, the violence of anti-Japanese protests in China, and the potential for miscalculation or accidents in the East China Sea that could lead to even greater tension. We have consistently urged both sides to take steps to defuse the situation and resolve their differences peacefully.

In conclusion, Mr. Chairman, I would underscore that the United States is deeply engaged in the region—diplomatically, economically, and militarily—all of which support our interests and advance peaceful progress.

Thank you for giving me the opportunity to testify today. I am pleased to answer your questions.

Senator WEBB. Thank you very much, Secretary Campbell. Your full written statement will be included in the record at this point. And also to reiterate that Senator Inhofe's opening statement will be in the record immediately at the end of my opening remarks.

Let me begin first by thanking you for appearing here today. This is not only a very busy time in terms of our foreign policy, but this is a delicate ongoing subject. And I think it is one that we need to hear more about, but also I would like to express my own appreciation for the work that has been undertaken by people in the State Department, including Secretary of State Clinton over the past 2 months to try to resolve some of these issues and to continue the type of dialogue that we need.

With respect to—well, no, let me just agree with you. Yesterday was a really incredible day. And I have said many times that that came about, in my view, largely because of the courage of two people. One is Aung San Suu Kyi, who we recognized, and the other is someone who I was glad to hear you mention, and I was very glad to hear her mentioned more than once yesterday, and that is President Thein Sein. Two people of completely different backgrounds in every sense of the word, who came together after 2010 and showed the type of leadership that the only way that this country could move forward the way that it has is for those two have shown the type of courage and leadership that they showed. So he's coming—Thein Sein is coming next week. I hope that the leadership in our country can help to recognize through the contributions that he made, working alongside Aung San Suu Kyi to bring this moment about.

And since I made such a long opening statement, Senator Lugar, I am going to yield to you for your questions.

Senator LUGAR. Thank you. Let me just start, Mr. Secretary, with this basic question. Since 2010, the United States repeatedly stated at ASEAN forums and elsewhere that freedom of navigation and peaceful settlement of disputes in the South China Sea is a U.S. interest. Yet, in the intervening time, disputes seem no closer to resolution. In fact, there could be an argument there appear to be even more of them being articulated by the parties.

So I would ask, is the position we enunciated in 2010 sufficient? And what other leverage or role do you see as advisable for the United States to take now? And would this be done at the current summit as planned or through other forums?

Mr. CAMPBELL. Thank you very much, Senator. Let me try to answer that. I think as you clearly articulated, Secretary Clinton laid out in 2010 our position at the ASEAN Regional Forum in Vietnam. Last year in Bali, that position was further articulated. And this year she reiterated our position, but also elaborated on a couple of key variables, which we think are important.

At the basis of everything that we have done, however, are those specific principles that you underscore: freedom of navigation and the insistence on the peaceful resolution of disputes.

I would simply say that, in fact, the disputes that you refer to, Senator, have gone on for decades. Some of them get a lot of attention. Others do not. Some countries have been very vocal about their concerns. Others have been less so. We believe a clear enunciation of our position has been helpful in encouraging the parties toward a dialogue, and we will continue to stress our interest in seeing progress toward a Code of Conduct.

These issues are now discussed at the ASEAN Regional Forum and the East Asia Summit in a way that they were not just a few years ago. Secretary Clinton just got back from a long trip that included stops in Southeast Asia, and she has met virtually every ASEAN leader in the last 3 or 4 weeks. And we have heard the same thing, that a strong, steady, persistent role of the United States is in the interest of ASEAN.

They have encouraged us to engage on these issues, but to do it carefully. And frankly, they believe that in the current environment it will be important for ASEAN to play a critical role in diplomacy. We support that effort as well.

I think we have a strong foundation, and we need to make sure that we articulate it and that our actions are animated by those overall principles, Senator.

Senator LUGAR. Well, I think it is an important—it is in the historical context that you mention these disputes have been there for quite a while. One thing that is different is the United States much more intense participation in ASEAN, and the fact that we have literally been out there, and you and others have been visiting the countries intensively so that that interest is not superficial. You are on the ground. And that has certainly fortified the countries that are involved, and may have led also to many visits by their Foreign Ministers and others to the United States, who have given new hope.

I have tried to encourage Members of Congress to become much more vocal and interested in all this. But I think your statement essentially is that you have a policy enunciated in 2010, and it still holds. It is just that all the activity now and all the actors are interacting with us are much more vocal and much more obvious.

Let me center on a specific country, and that is, is there a common understanding now of the United States obligations under the United States-Philippine Mutual Defense Treaty in Manila and in Washington? And how do these understandings relate to the South

China Sea? And are we perfectly clear on this both in our dialogue with the Philippines as well as ourselves?

When President Aquino came to the United States recently, it was obvious from his conversation that he was much more intensively interested in Subic Bay and in a lot of other things that have been rather dormant or off the charts for quite a while. There was a revitalization of our overall Department of Defense in the Philippines in a way we had not seen for quite a while. Can you relate the Philippine situation to the ASEAN overall?

Mr. CAMPBELL. I will. Thank you, Senator Lugar. Let me just add one other point to the previous discussion, which I think is important. Many of the incidents that we saw over the past several decades have involved fishing issues. But in a series of op-ed pieces that Senator Webb and others have written over the last several years, obviously the new dimension is resources. These are all countries that import an enormous share of their hydrocarbons, and they look at studies and other kinds of research that suggest in many of these areas, there may be large reservoirs of natural gas, oil, and petroleum.

One of the things that Secretary Clinton has brought up in many of our discussions is whether it is possible to advance agreements, understandings, or contracts for exploration and exploitation of natural resources in a situation in which sovereignty is unresolved.

Now that is very difficult, very challenging. We recognize that. It has been done between countries in Southeast Asia before, and we are interested to see whether that model can be applied in other circumstances. There is some wariness understandably, but clearly that is one potential for the kind of creative diplomacy that Senator Webb and you have called for in the past.

Specifically, on the Philippines, first of all, let me thank you for your strong support of this relationship. I believe we are entering a period of renaissance with the Philippines. I believe that this is a partnership that has not received enough attention for decades. And I am thrilled to see renewed support across the board, for people-to-people, economic, and commercial ties. We are strongly involved in efforts to tackle corruption, to promote trade, education, you name it.

This is very important for the United States, and there is a critical defense component to it that we are working on in terms of our strategic dialogues. More will be clear in the months and years to come. This is a country that we share a unique history with and a very strong security alliance.

Secretary Clinton has stated our alliance has kept both of our countries secure for more than 60 years, and it has been a bulwark of peace and stability in Asia. Our alliance is rooted not just in a deep history of shared democratic values, but in a wide range of mutual concerns.

Now we stand by and fully honor our MDT commitments, and we have taken steps in recent months to significantly strengthen our bilateral relationship across the board through many new dialogues and high-level diplomacy. We were thrilled with the visit of President Aquino.

We are cooperating much more effectively on maritime domain awareness. We are shifting some of our military collaboration,

which in the past has been primarily involved in critical issues in Mindanao, and we are focused more on naval coordination and cooperation. We have recently inaugurated the National Coast Watch System, and we are looking to articulate a number of new areas for diplomacy. Behind the scenes, our diplomacy with the Philippines in the last several months has been extraordinarily intense, and we will continue with that process.

We have seen in recent weeks closer dialogue and interaction between the Philippines and China. We support that and we want that to continue.

Senator LUGAR. Thank you.

Senator WEBB. Thank you, Senator Lugar.

Secretary Campbell, I mentioned in my opening statement the Chinese Government having established a prefectural level of government which they call Sansha on Woody Island, in which they have appointed 45 legislators, a standing committee, a mayor, a vice mayor, and claimed the jurisdiction to more than 200 islets or 2 million square kilometers of water.

Two questions just to clarify administration policy. First, did the State Department have any advance warning that this prefecture would be established?

Mr. CAMPBELL. Senator, to the best of my knowledge, the answer to that is "No." Even though some have suggested that this was established long ago, the first articulation of it in the spring was in the media, and the military dimension in late July, early August was also unanticipated.

I think as you know, the Department of State, in a policy carefully coordinated with the White House and the Defense Department, issued a statement on August 3 that reaffirmed our interest. It raised concerns with this and other activities, and it urged all parties to lower tensions.

I will say, Senator, that that statement has been broadly welcomed, oftentimes quietly by ASEAN interlocutors. We believe that any steps that introduce a military dimension to these very complex territorial matters is unhelpful.

Senator WEBB. Thank you. And for the record, let me say that I got the same answer from Admiral Locklear, commander in chief of PACOM, during an open line telephone conversation on July 28. He had just been in China and had no advance warning that this was going to take place.

What is the administration position on the creation of this prefectural level government? Would you consider this to be an escalation from China's past actions in terms of asserting territorial claims?

Mr. CAMPBELL. I would say, Senator, that the statement on August 3 stands and speaks for itself. We have made clear to all parties to refrain from provocative actions. Some of these issues are extraordinarily hard to deal with in this environment given heightened nationalism and swirling demonstrations. We want cooler heads to prevail, and we want the action to shift from military interactions to the field of diplomacy.

Senator WEBB. Thank you. In 2004, the Bush administration stated that the U.S.-Japan Security Treaty obligations extended to the Senkakus. Deputy Secretary Armitage made a comment,

“There is no question for the United States that the Japan-U.S. Security Treaty obligation extends to the Senkakus.” Secretary Clinton, as I mentioned in my opening comments, reiterated this position in 2010. I assume this is still our official position on the U.S.-Japan Security Treaty.

Mr. CAMPBELL. Yes, Senator. I believe the first time this was articulated as U.S. position was actually in 1997, much more forcefully, clearly, and firmly, by Deputy Secretary Armitage, by Secretary Clinton again in 2010, and 3 days ago by Secretary Panetta in Tokyo.

Senator WEBB. Last week, the Japanese Government announced its intention to purchase land on the Senkaku Islands. And again, as I mentioned in my opening statement, I think there has been some misinterpretation internationally about what their intention was as opposed to sovereignty, administration, and land ownership on top of something.

Has the administration given a view on the legal impact of this type of a purchase in whether it actually affects sovereignty?

Mr. CAMPBELL. Senator, we have not. We have stated very clearly that we want this issue to be resolved peacefully through dialogue between Japan and China. Secretary Panetta and Secretary Clinton have stated this very clearly. We are concerned, as you indicated, by recent demonstrations, and frankly by the potential for the partnership between Japan and China to fray substantially in this environment. That is not in our strategic interest, and clearly would undermine peace and stability in the Asia-Pacific region as a whole. We very much want a process of reengagement dialogue to continue and to build between Tokyo and Beijing.

Our position is clear. We do not take a position on the ultimate sovereignty of these islands. We do acknowledge clearly through the process that you have set out, Senator, that Japan maintains effective administrative control. And third, that as such, the Senkaku Islands fall clearly under article 5 of the Security Treaty.

But in the current environment, we want to focus more on issues associated with the maintenance of peace and stability, and less on the particular details of this very complex and challenging matter.

Senator WEBB. Does the administration have any official indication from China that it recognizes the sovereignty of Japan over the Ryukyus?

Mr. CAMPBELL. No.

Senator WEBB. With respect to the Chinese National Offshore Oil Corporation’s open bidding on oil blocks that are generally recognized to fall within Vietnam’s Exclusive Economic Zone, and actually some of them, as I mentioned in my opening statement, overlap with oil blocks that Vietnam itself is developing, some of them in partnership with American firms. Has the administration expressed any concerns over this attempt? Do we have a position on it?

Mr. CAMPBELL. As you well understand, Senator, it is a very complex matter, and let me try to state clearly a few facts.

As you know, the United States does not have state-owned oil companies. And as private firms in the United States, energy companies have to make their own decisions based on their own com-

mercial interests. We oppose any efforts at political, economic, or military harassment or coercion of international energy firms.

Secretary Clinton has stated clearly that we support equitable joint exploration and exploration in areas of unresolved territorial sovereignty. This set of circumstances also involves Vietnam's new maritime law, and we are assessing how this new maritime law impacts our own national interests.

We recognize that there is a very delicate set of issues involved here. And we have encouraged clear communication between Vietnam and China on these matters.

Senator WEBB. Well, just to be absolutely clear, and there is little in your statement that I would disagree with, we do support the validity of internationally accepted Exclusive Economic Zones, those that are set out under basically agreed-upon international law.

Mr. CAMPBELL. That is true, Senator. But there are elements of the establishment of those parameters that require a level of knowledge of legal history and precedence that frankly I do not possess. Those are some of the issues that are set out in the Law of the Sea. That is one of the reasons why we think that this is such an important instrument for dealing with these matters, and one of the reasons why we would like to see efforts toward a Code of Conduct.

Senator WEBB. Assuming that the Exclusive Economic Zones that we are speaking of are recognized under generally accepted principles of international law, we would, I assume, have some difficulty with the recent activities of China. I am not asking for an answer, but I would appreciate a statement of the position of the State Department perhaps for the record.

Mr. CAMPBELL. All I would say, Senator, is Secretary Clinton's statement at the ASEAN Regional Forum and our August 3 statement made very clear that activities that interrupt or raise concerns about legitimate commerce are antithetical to the maintenance of peace and stability in the South China Sea and, by extension, the Asia-Pacific region.

Senator WEBB. Thank you.

Senator.

Senator LUGAR. Thank you, Mr. Chairman. I just wanted to ask a question about Vietnam. The delegation that came to visit me a while back indicated in their judgment, that Chinese claims in the South China Sea seem to extend almost, if not to their coast, that there was no area that appeared to be theirs. This was a group of people in their foreign ministry perhaps who were not specifically versed on the questions we are discussing today.

But how would you describe the Vietnam plight as you have talked to those leaders? How do they take a look at it?

Mr. CAMPBELL. Well, Senator, we have had hundreds of hours of conversations, interactions with all the key players. I have been struck by a certain quality to all of the interactions and a commonality, that in private, the diplomats of all of these nations indicate that they are under enormous pressure, that there are huge domestic issues that they are dealing with. All feel on the defensive, and all feel that they are responding to activities that have

been driven elsewhere. Many feel that they do not have a full picture of what is going on, and all are concerned.

In that environment, we think the most important role the United States can play is to urge everyone to be cautious, to stand down, and to shift the focus back to venues where diplomacy and dialogue in a multilateral forum is the order of the day. That set of interactions would apply to Vietnam as well.

Senator LUGAR. Well, is the Vietnam situation one in which this diplomacy almost inevitably would have to be international or multinational? In other words, if the Vietnamese were to have dialogue with the Chinese, they would appear to be at a disadvantage just in terms of the size of the parties that are there quite apart from the number of ships or other devices. So what hope would there be for a country like this, with respect to diplomacy?

Mr. CAMPBELL. Thank you, Senator Lugar. I would simply point out that in Senator Webb's opening statement, he did go through all the areas where we have lingering problems that have persisted for decades. But the truth is there are also areas where we have had very successful, very careful, and very quiet diplomacy on maritime border issues between other countries in Southeast Asia. There is precedent for being able to make adjustments, and to ensure that redlines and other concerns are sensitized.

In the current environment, some of these issues are extraordinarily difficult to solve. They are probably best managed for a period of time, and our particular role in the current set of circumstances is to reestablish dialogue, rebuild trust, and to remind everyone of the larger endeavor at work here. The world cannot afford a crisis in Asia that would have untold consequences for our economy, for the economies of Asia and Europe and the rest of the world.

It is a moment where great care is needed. That means rapid, fast movements are to be discouraged. Careful, extraordinarily well-thought-out approaches are the order of the day.

Senator LUGAR. Before I ask my last question, I just want to note that possibly this will be the final hearing that Senator Webb will chair. And I just want to add my voice to many who have pointed out how his leadership in this area, as well as on the full committee, has been remarkable, exemplary, and we have appreciated it very much.

Having said that, let me ask the final question, and that is, essentially what risks are there during all of these negotiations for American ships, American craft that are in the area, presumably on normal missions, commercial or military as the case may be. While the negotiations are proceeding, are we likely to get into harm's way without knowing it, or how would you describe the tactical situation for our craft?

Mr. CAMPBELL. Thank you. We have for decades been very active in our naval activities and our overflight activities across Asia, and that includes in the South China Sea. Those activities will continue, and they are part of a global policy to support the maintenance of freedom of navigation, which is at the core of our strategic interests in the South China Sea and Asia as a whole.

I believe that all players recognize the importance of freedom of navigation and the freedom of the seas. We have seen incidents in

the past that have involved tensions between our vessels and the vessels of the People's Republic of China. One of the greatest challenges we face in Asia is the risk of inadvertence or accidents—local commanders, things operating too closely in proximity. That is one of the reasons why we are seeking much greater dialogue and discussion.

Institutions like the Incidents at Sea Agreement that we maintained with the former Soviet Union. We have a similar dialogue with China, but we would like that to be amplified. We need more interactions that would prevent misunderstandings or accidents, and that is a critical component of the 21st century relationship that the United States and China are building.

We are going to be operating much more regularly in proximity. Maintaining that peace and stability which we all recognize is the heart and blood of the global economy, is increasingly in the interest of not just the United States, but China as well.

Senator LUGAR. Thank you again for your important testimony.

Mr. CAMPBELL. Thank you very much, Senator.

Senator WEBB. Thank you, Senator Lugar, and thank you for those comments as well. I mean, you are listening to someone who is one of the most revered members of this committee in the history of the Senate, and whose reputation was established in a very great way before I ever got here.

Thank you, sir, for all of the work you have done for our country.

Secretary Campbell, I am going to just seize for a moment on something that you said because I think it is the key reason that I asked to have this hearing. And that is that it is very important that we take care in the way that we address these issues in East Asia, and very aware of the potential volatility in this region. And I also think that it is important that we communicate this concern very clearly to the Government of China because it is the activities that have been taking place over the last 2 years particularly that have caused us the kind of concern that brought about this hearing, particularly the situation with the establishment of this prefectural level government and the inclusion of a military garrison.

They are just beyond the normal debates about sovereignty, and the other issues that we would discuss if we go in other places around the Pacific rim. It is really a step that requires us to have some form and continuing response. And you mentioned the August 3 statement. I thought that was a very useful statement for us.

But I just think it is so important that we communicate to China on a number of fronts that it is in every country's interest in this region, including theirs, that we try to work to find multilateral solutions. And that includes other areas that we have worked on since I have been on the committee, such as the Mekong River, by the way, where as you well know, we have 70 million people at risk at the lower end of the Mekong River because of decisions that had been made up river on hydroelectric dams on the main stem. And China does not recognize downstream water rights, and it will not enter into multilateral discussions about the health of the Mekong system.

So the more that we can do our part to show the validity of the multilateral process and to encourage all of the countries in the



region to understand that this is the best way for it, the better off we will be.

Senator Risch.

Senator Risch. No questions at this time.

Senator WEBB. OK. Secretary Campbell, thank you very much for coming today. This has been, I think, a very useful hearing for all of us.

I have one point that I want to make sure we get clarification on from you, and that is the question about the administration position with respect to these overlapping grants, oil blocks, and what under international—our recognition of international law, what our position is on that. They could potentially affect ongoing CFIUS review of Nexen or a Canadian firm. But more importantly, I would like to understand more fully what the administration position is on that.

Thank you very much.

Mr. CAMPBELL. All right, thank you. I will get the answer to you, Senator.

[The submitted written response from Assistant Secretary Campbell to the question above follows:]

The administration's position on territorial disputes and sovereignty issues has been clearly stated by Secretary Clinton on a number of occasions, including in her discussions with China, Vietnam, ASEAN members, and other countries in the region. The United States has a national interest in the maintenance of peace and stability, respect for international law, unimpeded lawful commerce, and freedom of navigation in the South China Sea. The United States opposes the use of coercion, intimidation, threats, or force by any claimant to advance its claims. The policy of the United States is not to take sides on competing claims over land features in the South China Sea. We encourage all parties to pursue their territorial claims and accompanying rights to maritime space in accordance with international law, including as reflected in the 1982 Law of the Sea Convention. The United States calls on all parties to clarify their claims in the South China Sea in terms consistent with customary international law, including as reflected in the Law of the Sea Convention, and believes that the parties should exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability. We continue to encourage all parties to take steps to manage their differences in a peaceful and constructive manner.

Senator WEBB. Thank you. And this hearing is closed.

[Whereupon, at 3:10 p.m., the hearing was adjourned.]

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#### ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

##### RESPONSE OF ASSISTANT SECRETARY KURT CAMPBELL TO QUESTION SUBMITTED BY SENATOR JAMES M. INHOFE

*Question.* The tension between Japan and China over the Diaoyutai/Senkaku Islands in the East China Sea is escalating. President Ma of Taiwan recently proposed an "East China Sea Peace Initiative," calling on all parties concerned to show restraint, set aside controversies, and settle the dispute in a peaceful manner.

- Please comment on this initiative. Specifically, does the administration welcome such an initiative?

*Answer.* On August 5, President Ma Ying-jeou proposed an East China Sea Peace Initiative, reiterating Taiwan's territorial claims to the Senkaku Islands and calling on all parties to resolve disputes peacefully based on the United Nations Charter and relevant provisions in international law.

U.S. policy on the Senkaku Islands is longstanding and has not changed. The United States does not take a position on the question of the ultimate sovereignty of the Senkaku Islands. We expect the claimants to the Senkakus to resolve the issue through peaceful means and among themselves. We welcome any collaborative and diplomatic solution that resolves this issue without coercion, without intimidation, without threats, and without the use of force.

