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Subcommittee on Terrorism, Nonproliferation and Trade**

**“Foreign Aid and the Fight Against Terrorism and Proliferation:
Leveraging Foreign Aid to Achieve U.S. Policy Goals”**

Chairman Sherman, Ranking Member Royce, Members of the Subcommittee, I appreciate the opportunity to discuss with you today foreign aid and the fight against terrorism and proliferation.

The Threat

As the President and Secretary Rice have repeatedly emphasized, the proliferation of WMD, including the danger that terrorists may succeed in their effort to acquire these devastating weapons, represents the most severe threat to national and global security.

Irresponsible states and non-state actors are pursuing the materials and capabilities for WMD. North Korea conducted a nuclear test on October 9, 2006; launched long-range ballistic missiles on July 5, 2006; and engaged in the proliferation of ballistic missiles and nuclear capabilities to other states. Iran continues to support terrorist groups, engages in sensitive nuclear activities in defiance of United Nations Security Council resolutions, and aggressively develops ever-more-capable ballistic missiles. Syria also sponsors terrorism and made significant progress, with North Korean

assistance, in covertly constructing a reactor that appeared to be well-suited to producing weapon-grade plutonium. Syria undertook these activities without notifying the International Atomic Energy Agency and, if they were intended to support a nuclear weapon development effort, would have been in violation of Syria's commitments under the Nuclear Nonproliferation Treaty. As these governments pursue WMD and missile-delivery systems, other states in their regions may be tempted to pursue their own weapons programs in self-defense.

Though the threat from state proliferation is severe, the threat from non-state actors is equally daunting. Despite shutting down the A.Q. Khan network and strengthening international tools against non-state proliferators, many continue to engage in their deadly trade wherever and whenever they can through both illicit activities and manipulation of the legitimate worldwide economic and financial system. Terrorist groups continue to seek WMD, including nuclear weapons. That threat would only be compounded if leading state supporters of terrorism like Iran or Syria succeed in their own proliferation efforts.

Assistance Programs

Foreign assistance is one of a number of tools available to us to advance our national interests. In general, our decisions on whether to provide foreign assistance to a specific country, or to condition assistance, are made on a case-by-case basis and take into account the specific country circumstance and our strategic objectives and priorities. We would be opposed to a general policy of conditioning foreign assistance on cooperation with

nuclear proliferation efforts because, as a wholesale approach, it does not take into consideration the national security considerations that are presented with each unique case. In one case nonproliferation cooperation may be the paramount national security concern; whereas in another case the interest of to U.S. security may be best served by moving forward with a security assistance package. We need the flexibility to weigh each case individually, taking into account short and long-term interests, without being hamstrung by one-size-fits-all formulas.

We also make every reasonable effort to guard against the risk that foreign aid could inadvertently benefit those whom we mean to counter or marginalize. This includes, when possible, establishing safeguards against misuse of foreign aid. Earlier this year, the Deputy Secretary of State approved a risk-based approach to evaluate possible terrorist financing, which would formalize more established procedures, remind organizations of their responsibility to evaluate all foreign aid cases, and ensure that a framework is established for proper evaluation of all department programs. The Deputy Secretary's guidance acknowledges the importance of avoiding a "one size fits all" approach. The guidance instead lays out key factors that all Assistant Secretaries and their organizations should review to evaluate the risk that assistance could unintentionally benefit terrorists.

In addition to this risk-based assessment, foreign assistance programs are evaluated to consider how the use of such foreign assistance advances overall U.S. foreign policy. The goal is to ensure that there is good awareness of risks and provide assistance only when the benefits outweigh risks.

As part of larger Department foreign assistance efforts, nonproliferation assistance plays a critical role in helping the United States and our allies counter the proliferation threat from irresponsible states and terrorists. Some programs eliminate, reduce and prevent the proliferation of weapons, related materials, and expertise. Others build partner nations' tools to combat proliferation, reduce incentives for proliferation, and better prepare partners to mitigate losses in the event of an attack. Department of State nonproliferation assistance programs are relatively small compared to those of the Departments of Defense and Energy. The Department plays, however, a central role in all three areas through our leadership, diplomacy, and direct assistance activity that is so often critical to gaining the international cooperation that we desire.

Reducing, and Preventing Proliferation of WMD, Materials and Expertise

At the end of the Cold War, the Soviet WMD legacy appeared to present the greatest proliferation threat. Through the U.S. programs initially sponsored by Senators Sam Nunn and Richard Lugar, and subsequently through partners' efforts under the G-8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction, the United States, Russia, and others have had major achievements in reducing and preventing the proliferation of former Soviet WMDs, delivery systems, related materials, and expertise. That work is not yet finished and remains essential. We must, however, focus increasingly on meeting global proliferation activity.

Several Department of State assistance programs contribute importantly to this overall effort. Through the Nonproliferation and Disarmament Fund (NDF), the U.S. Government can respond rapidly to proliferation concerns. A key example was the removal in 2004 of Libya's WMD components and infrastructure just a few short months after Libya's historic decision to abandon its WMD and longer-range missile programs. NDF funding has also been critical to the disablement of the three core nuclear facilities at North Korea's Yongbyon complex. In both cases, NDF's unique authority to provide assistance "notwithstanding any other provision of law" allowed the U.S. Government to implement nonproliferation priorities in countries where our laws prohibited other assistance efforts. If it were not for the NDF program, the reactor cooling tower at Yongbyon would still be standing, and no other North Korean nuclear program disablement actions likely would have occurred so quickly. The Administration sought and received from the Congress a waiver of the Glenn Amendment, allowing the Department of Energy to contribute funds to the denuclearization effort in North Korea. This will both permit a substantially increased denuclearization assistance effort in North Korea and also free more NDF resources to meet other requirements worldwide.

The Department of State's Global Threat Reduction programs focus on worldwide efforts to enhance biological security, promote chemical and nuclear security, and provide peaceful employment for former WMD experts. Work to secure dangerous pathogens and develop best security practices for biological scientists is also being done in Pakistan, Southeast Asia, the Middle East, and the former Soviet states; and is beginning in Africa and South America. Activities are expanding in South and Southeast

Asia and the Middle East to help chemical scientists, technicians and engineers improve chemical security. Through the Science Centers Program, we continue to engage and redirect former WMD personnel in the former Soviet Union. We focus increasingly on transforming the Science Centers into partnerships to improve collaborative nonproliferation efforts, transparency and sustainability. Building on our Science Center experience, the Department of State also pursues programs to redirect Libyan and Iraqi former WMD experts toward sustainable, productive, and peaceful employment.

These Department of State programs complement other U.S. Government assistance efforts, especially those of the Departments of Defense and Energy. Thus, NDF often kick starts nonproliferation work that is later expanded and completed by other agencies. Global Threat Reduction redirection efforts and global biological and chemical security efforts complement Department of Defense and Energy programs to reduce and secure weapons and materials.

The Department of State also leads U.S. participation in the G-8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction. In creating the Global Partnership at their 2002 Summit in Kananaskis, the G-8 Leaders committed \$20 billion over 10 years (\$10 billion from the United States) to reduce and prevent the proliferation of former Soviet weapons of mass destruction, related materials, equipment and expertise. The Global Partnership has since grown to include 14 donors in addition to the G-8. Even more important, G-8 leaders agreed at the

Hokkaido Summit earlier this month to expand the Global Partnership to address worldwide proliferation threats. The United States already allocates over \$350 million each year to threat reduction projects outside the former Soviet states, including efforts to prevent terrorists and proliferant states from accessing materials, expertise, and technologies needed to develop nuclear or radiological weapons capabilities. We are now encouraging other Global Partnership donors to follow suit and giving new partners to aid in this critical effort.

Building Capacity to Prevent and Counter Proliferation

In addition to reducing and preventing the proliferation of weapons of mass destruction, related material, and expertise, several of the efforts discussed above – for example, the G-8 Global Partnership and the Department of State’s Global Threat Reduction programs – also help build partners’ long-term capacity to counter proliferation.

Additional State Department assistance programs focus even more directly on strengthening counterproliferation. The Export Control and Related Border Security Program (EXBS) works closely with other U.S. Government agencies, academia, and private industry to provide training and equipment to strengthen export control. The EXBS operates in more than 50 countries. A major focus of EXBS is assisting countries in fulfilling their export control obligations under United Nations Security Council Resolution 1540. EXBS helps countries to adopt export control laws, regulations, and control lists, as well as licensing and enforcement best practices that meet international standards, including those of the multilateral control regimes

(such as the Nuclear Suppliers Group, Australia Group, Missile Technology Control Regime and Wassenaar Arrangement). Further, a significant portion of EXBS assistance supports delivery of detection and interdiction equipment and related training.

Complementing EXBS efforts to build international tools to combat nuclear smuggling is the Preventing Nuclear Smuggling Program (PNSP), which includes the Nuclear Smuggling Outreach Initiative. Under the Initiative, the United States and partner governments develop joint action plans to address capability gaps, determine assistance projects, and reach out to potential U.S. and foreign donors to fund critical projects. The second element is the PNSP Response activity, which increases partners' tools to respond to nuclear and radioactive smuggling incidents by supporting partner efforts to produce national response operating procedures. PNSP Response also strengthens international nuclear forensics cooperation through improving partner nation nuclear material libraries, points of contact, and procedures for sharing forensics information on crimes involving nuclear or radiological material.

The Department of State also leads implementation of the most promising multilateral efforts to combat WMD terrorism, the Global Initiative to Combat Nuclear Terrorism. Launched jointly by the President and Russian President Vladimir Putin in July 2006, the Global Initiative now includes 75 partner nations, spanning all geographical regions. This year alone, we have made significant inroads within the Middle East as Bahrain, Jordan, Saudi Arabia and the United Arab Emirates all joined as partners. It is also noteworthy that India recently joined the GI as well, giving us the

opportunity to improve cooperation with both India and Pakistan as partner nations.

The Global Initiative is an action-oriented, flexible partnership that leverages partner nations' collective capabilities to counter nuclear terrorism – including through deterrence, denial, detection, material confiscation, and response. To that end, the Global Initiative Statement of Principles outlines eight key goals: improve accountability and physical protection of nuclear systems; enhance security of civilian nuclear facilities; improve the ability to detect nuclear material; improve capabilities to search and confiscate unlawfully held nuclear material; deny safe haven and economic resources to terrorists; implement criminal liability for terrorists; improve response and mitigation in the event of a terrorist attack; and promote information sharing to suppress acts of nuclear terrorism. In pursuit of those goals, partner nations host seminars, workshops, information sharing activities, exercises and other activities to build individual and joint capacity to combat nuclear terrorism. Approximately one Global Initiative activity occurs per month around the world hosted by different partner nations.

The Global Initiative was created without a specific line item in the Administration budget. The Department of State has the support of other agencies for many of its activities. To help ensure long-term success for the effort, the Administration has requested \$5 million in State Department Nonproliferation, Antiterrorism, Demining and Related Projects (NADR) funding for FY2009 to establish a new “Combating WMD Terrorism Program.” This new account will further Global Initiative goals and provide limited assistance to other combating WMD terrorism priorities. Funding

assistance to these areas will immediately complement the work of other U.S. assistance efforts and help to facilitate greater contributions by our partners.

Another important component in the global fight against nuclear terrorism is the Global Nuclear Detection Architecture (GNDA), designed to be a multi-layered, international system offering multiple opportunities for detection by an array of countermeasures deployed in between sources of materials and potential targets to provide capabilities to detect and interdict nuclear / radiological material. The GNDA complements and is integrated with the goals of the Global Initiative to Combat Nuclear Terrorism, as well as the Proliferation Security Initiative and other U.S. Government programs such as the Department of Energy's Second Line of Defense Core, Megaports and Homeland Security's Container Security.

Through the Global Initiative, we are developing, in conjunction with the Departments of Homeland Security, Energy and Defense, a comprehensive set of model nuclear / radiological detection guidelines that will identify national, regional, and global detection norms. The guidelines document will explain the basic elements of a nuclear detection architecture, include internationally-accepted standards, and thus serve as a strategic planning guide to assist nations in developing and implementing their own nuclear / radiological detection capability.

The Proliferation Security Initiative (PSI) is yet another critical example of interagency and international leadership by the Department of State to counter proliferation. Established by the President just over five years ago,

PSI provides a flexible, agile framework to impede and stop shipments of WMD, delivery systems and related materials. More than 90 states worldwide have now endorsed the PSI Statement of Interdiction Principles. PSI partner nations have successfully conducted dozens of interdictions of sensitive materials for WMD and ballistic missiles en route to countries like Iran and Syria. PSI nations continue to build partners' capacity to act in a coordinated, effective fashion. They have conducted 35 exercises involving over 70 nations to improve interdiction capabilities. In the PSI Operational Experts Group, diplomatic, military, law enforcement, technical intelligence and legal experts develop new operational concepts for interdiction, organize the program of exercises, share information about national capabilities and authorities, and pursue cooperation with industry sectors that can help the interdiction mission.

The Department of State has also taken a leading role in persuading the United Nations Security Council to act against WMD and missile proliferation. In April 2004, as a direct result of the Administration's focused diplomacy, the Security Council passed Resolution 1540 – the first resolution to declare WMD and missile proliferation a threat to international peace and security. Security Council Resolution 1540 requires all states to implement effective export controls and nuclear security and to criminalize proliferation by nonstate actors. Since then, the Security Council has adopted a series of resolutions imposing firm sanctions on North Korea and Iran, in response to North Korea's 2006 missile launches and nuclear test and to Iran's continuing defiance of its Security Council and International Atomic Energy Agency obligations. The United States is working actively within and outside the United Nations framework to help ensure that all

governments meet their obligations under Security Council Resolution 1540 and resolutions on Iran and North Korea.

Reduce Incentives to Proliferation

Many of the programs described above – designed primarily to build partners’ capabilities or to eliminate or secure WMD – also reduce incentives to proliferation. They do so primarily by denial (through making WMD and related materials less accessible) and by deterrence (through increasing the risks of detection and interdiction). In addition, other important programs are designed to change incentive to proliferate. The State Department programs to redirect former weapons scientists, technicians and engineers in Libya, Iraq and former Soviet states is a good example of an effort to support this important measure.

We are also assisting another effort to reduce incentives to proliferation in the growing field of nuclear energy. An increasing number of states are turning to civil nuclear energy. We must work to ensure that states pursuing the economic and environmental benefits of peaceful nuclear energy are moving forward in a manner that does not increase proliferation.

Just over one year ago, Presidents Bush and Putin issued a Joint Declaration on Nuclear Energy and Nonproliferation that aims at assisting states to acquire safe and secure nuclear power, encourage proliferation-resistant nuclear technologies, and present viable alternatives to the spread of enrichment and reprocessing. The U.S. Special Envoy for Nuclear

Nonproliferation, Ambassador Jackie Wolcott, has been working hard with her Russian counterpart to implement the ideas set forth in the Joint Declaration. Moreover, the United States recently signed Memoranda of Understanding with Jordan, Bahrain, the United Arab Emirates, and Saudi Arabia, in which each of those governments set themselves as counter-examples to Iran by expressing their intent to choose the international market for civil nuclear fuel rather than pursue enrichment and reprocessing.

A key element in this effort is persuading states not to pursue enrichment and reprocessing. In this regard, the United States, Russia, other partners, and the IAEA are all working to ensure reliable access to nuclear fuel should there be a disruption in supply – in order to encourage states to choose the international fuel market in lieu of acquiring indigenous enrichment and reprocessing technologies. In this area as well, we link incentives with deterrence and denial measures – seeking to set tough criteria on enrichment and reprocessing transfers within the Nuclear Suppliers Group guidelines.

In addition, the United States is working to establish stockpiles of low-enriched uranium as a safe means for nations pursuing peaceful nuclear energy to obtain fuel. As part of a Department of Energy effort, the U.S. is developing a reserve of low-enriched uranium fuel, down-blended from 17.4 metric tons of highly enriched uranium declared in excess of national security needs. The first shipment of down-blended low-enriched uranium was sent to a fuel fabrication facility in April, and the first core load will likely be ready by the end of this year. This should be completed by 2010 and is complemented by the ongoing work of the non-government organization Nuclear Threat Initiative (NTI), which is creating an

international fuel bank to be managed by the IAEA. Accordingly, we welcome the Congressional appropriation of \$51 million in FY2008 to support this program. Those funds will be transferred later this year by the Department of Energy as the U.S. contribution to the international nuclear fuel bank, matching the \$50 million pledged from NTI. We are working with the IAEA and other states to meet the remaining \$50 million required to release NTI funds.

Conclusion

Once again, I would like to thank the Chairman, Ranking Member, and Members of the Subcommittee for this opportunity to discuss foreign aid and the fight against terrorism and proliferation. These represent severe threats to national security and foreign aid plays a critical role in helping to prevent irresponsible states and terrorists from acquiring WMD by shrinking the supply of such capabilities, increasing the likelihood of a successful WMD detection and interdiction, and building tools to execute an effective response to a WMD incident.