



# U.S. DEPARTMENT of STATE

## **Nonproliferation Policies and Initiatives**

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Testimony Before the Senate Foreign Relations Committee

Washington, DC

March 19, 2003

I am pleased to have the chance to talk with you today about our policies and initiatives on nonproliferation. I know we share a view that weapons of mass destruction in the possession of hostile states and terrorists are one of the greatest security challenges facing the United States. Over eleven years ago, this chairman of this committee showed extraordinary foresight in proposing the Nunn-Lugar authorities to address a problem that has broadened and become more serious.

Since then, our nonproliferation policies and programs have come a long way. Executive agencies have forged powerful partnerships in many areas.

The Cooperative Threat Reduction program has partnered the Departments of Defense, Energy and State on vital programs within the former Soviet Union. These include programs managed by my own Bureau of Nonproliferation (NP) in the Science Centers in Russia and Ukraine, and the Nonproliferation and Disarmament Fund (NDF) projects and export control assistance programs, which can operate worldwide. I will have a few more words to say about other areas of interagency cooperation later in my testimony.

We face a world in change, and in the nonproliferation world, this change is not for the better. I'd like today first to offer some thoughts about the worldwide situation we face. I will then describe some of what we are doing about it.

Our challenges have multiplied in many worrisome ways since the end of the Cold War. During the first 40 years following World War II, we and our allies depended largely on deterrence and tight export controls to limit the spread of dangerous weapons. Looking back, things seemed more manageable -- perhaps because the Soviet threat superceded all others.

Today, we face a substantially increased risk from countries and international terrorist groups with access to chemical and biological weapons, and at least several states with access to components and technology for making nuclear weapons.

Nuclear issues have the most public visibility. The Nuclear Nonproliferation Treaty (NPT) remains the cornerstone of U.S. nuclear nonproliferation policies, and we can take some satisfaction that, of the 188 countries that are parties to the Nuclear Nonproliferation Treaty, most have made irrevocable decisions to forego the nuclear option. States like South Africa, Brazil and Argentina actually turned back. Ukraine, Kazakhstan and Belarus chose not to try to maintain the nuclear weapons that were left on their territories following the Soviet Union's collapse.

However, we can no longer say we have held the line at five nuclear armed states. South Asia has crossed the nuclear threshold. So too apparently has North Korea. Iraq, Iran, and Libya are among the list of nuclear wannabees. These wannabees seek nuclear weapons capabilities even though they are all parties to the NPT.

We are determined to do what it takes to push back their efforts. We need to get this right. Failure to arrest nuclear proliferation would profoundly affect US and allied defense interests and policies.

Curbing supply of dangerous technologies, including nuclear technology, is made more difficult by the ambivalent approach of many governments in Europe and Asia. While combating proliferation is, for us, a central, focusing national security issue, many others trade off concerns about the spread of WMD against economic and political

interests. For us, though, we clearly see a threat -- from real countries, with real names, and real capabilities, capabilities which pose real security problems for the U.S. and our allies and friends.

Iraq is a unique threat; and one the President is determined to see ended. For twelve years, Saddam Hussein has reneged on his disarmament commitments and defied the international community by continuing to produce prohibited weapons of mass destruction and delivery systems. That defiance will now end. We are resolved to eliminate Iraq's ability to use WMD to threaten its neighbors, our friends and allies, and our interests. And we are determined not to wait until it is too late.

Some ask why disarming Iraq is more urgent than resolving North Korea's nuclear threat. The facts are different, and so too should be our policies. While all options are on the table, we will be patient yet deliberate in working for de-nuclear-ization of the Korean peninsula. We are working quite closely with our South Korean and Japanese allies, with Russia, China and with the EU to seek a peaceful, multilateral path to end the North's nuclear weapons program.

Iran is another proliferation problem -- both for its indigenous programs and for the risk of onward proliferation. Recent visits to Iran by the IAEA have made all too clear what we have been saying publicly and privately to counterparts in the EU, Russia, China, and other countries in Asia -- Iran has a sizable, heretofore clandestine, effort to acquire capabilities that makes sense only as part of an effort to produce fissile material for weapons. It has done this while maintaining the pretense of adherence to its NPT safeguard obligations.

As I will expand on in a moment, we count on IAEA to be forthright and forceful in identifying problems and safeguards violations, and we expect it to insist on immediate action by Iran to end its clandestine nuclear weapons programs. This is not just an IAEA problem; again the international community must act in concert. All nations that have not yet done so should sign the Additional Protocol. That would enhance global security through more rigorous safeguards.

The situation in South Asia deserves special mention, as it is quite different from the dangers posed by the rogue states. India and Pakistan are two very different countries, with which we are pursuing boldly different relationships. Each poses special challenges. We need to take account of the unique situation posed by their possession of nuclear weapons. From the NP Bureau perspective, ongoing tensions in South Asia make especially important these countries' controls on sensitive technology. We are also mindful of the risks that nuclear weapons could be used, either intentionally or accidentally in a crisis. We discuss these issues regularly with officials from both countries: I convey our concerns and help identify possible solutions whenever I meet with my Indian and Pakistani counterparts. But with India, there are tough questions about how far we can go. We must continually weigh our mutual interests in cooperation against our obligations under the NPT, NSG, and the Atomic Energy Act.

In the face of such challenges, what's missing in today's international debate is a sense of outrage; international standards of acceptable conduct -- embodied in treaties like the NPT and other nonproliferation treaties -- are being violated by countries and the world is reluctant to impose consequences. I have said to my colleagues, in Europe and India for instance, that what the rogue states are demonstrating is a deep seated antipathy for our systems based in law, religious tolerance, and respect for human rights and ethnic pluralism. Today their target may be the U. S., but one can well expect these states to strike out against all who share these values.

Against this grim backdrop, there is a risk that complacency, inertia, and timidity are preventing the international community from blocking attempted violations, or from reacting decisively to them. Clearly, we cannot simply wring our hands and hope things will get better. We have an active agenda, in partnership with a wide range of other countries and international organizations, and unilaterally.

I have set five goals for the Nonproliferation Bureau. They are:

- Curbing the supply of material, equipment, and technology for WMD and missiles to proliferators or terrorists;
- Persuading states seeking to acquire WMD and missiles to cease those efforts;
- Maintaining and strengthening the international system of nonproliferation treaties and regimes;
- Promoting international nuclear cooperation under the highest nonproliferation and safety standards; and
- Containing the transfer of advanced conventional arms to states of concern, and to terrorists.

We focus considerable attention on the need to stop leakage of WMD expertise, sensitive materials and technology

from the states of the Former Soviet Union. Looking first at nuclear materials, it's axiomatic that one cannot build a nuclear weapon without fissile material. Thus a key part of our efforts relates to securing the hundreds of tons of such materials present mainly in Russia and other states of the FSU. The FY 2004 budget request currently before the Congress seeks about \$1 billion for our Global Partnership effort in the former Soviet Union to prevent the spread of weapons of mass destruction. This request includes \$459 million for Department of Energy (DOE) programs to prevent proliferation of nuclear weapons, material and expertise, \$451 million for Department of Defense (DOD) Cooperative Threat Reduction programs, and \$81 million for Department of State programs to prevent the spread of weapons of mass destruction and expertise.

Our goals for nuclear nonproliferation within this effort are to:

- Improve security at Russia storage facilities;
- Consolidate stored fissile materials;
- Stop new production; and
- Purchase or down-blend former nuclear weapons materials to reduce supply.

My bureau provides the diplomatic lead for several of the nonproliferation and weapons reduction programs funded and implemented by the Departments of Defense and Energy. Just last week, for example, Secretary Abraham was able to sign the Plutonium Production Reactor Agreement thanks in part to such support from the State Department. Similarly, with Energy, we are leading the multilateral negotiations on an agreement to finance Russia's plutonium disposition program.

We also oversee the U.S. Government's participation in the International Science Centers in Russia and Ukraine. These provide flexible platforms for engaging former Soviet WMD scientists and for redirecting them toward peaceful, commercial projects, and away from rogue states or terrorists. The centers also are used as partners when needed to support other U.S. nonproliferation programs. The Defense Department, for example, as a partner of the Moscow Center, contributed assistance for pathogen security projects when it was unable to negotiate an implementing agreement for such biological weapons nonproliferation research projects in Russia.

The centers have had some notable successes. Russian scientists regularly tell us that the prospect of working with the Center provides them a genuine incentive to spurn offers from rogue states, and we continue to receive reliable reports that such offers are being made. Research done under the auspices of the Science Centers has produced tangible benefits for Russia -- and for us. One project, for example, resulted in development of a high altitude laser which can detect leaks from gas pipelines and is now under commercial development. Another has identified new electronics applications for beryllium that allow a shift from weapons to commercial manufacturing.

Recently, some of our biggest achievements have been in the bio-medical sphere. In research jointly sponsored by State and the U.S. Public Health Service, Russian scientists have identified two anti-viral compounds that hold promise of effectiveness against smallpox. If this effort bears fruit, we could have an important new tool in the event our nation is ever exposed to attack with a smallpox virus. Similarly, Russian researchers in the program are hard at work developing kits for rapid diagnosis of West Nile, Newcastle, and Avian flu. I am sure all members of this committee who have poultry producers in your states understand the importance of reacting quickly to stop these diseases.

Improved access is another important benefit of our engagement programs. The economic advantages of participating in them are so great that with time and persistence we have steadily reduced the number of institutes closed to us. In recent months members of my staff were the first Americans to receive a thorough tour of the Berdsk biologics facility and the Vostok joint stock company facilities at Omutninsk. They also were the first Americans to be received in any fashion at the Institute of Toxicology in Saint Petersburg. The Kirov-200 facility you tried to visit, Senator Lugar, still eludes us despite much effort. We will not give up, however. We have developed good relations with members of the local university and are now looking into the feasibility of working with the EPA to site an environmental monitoring station there.

In the coming year, we will continue our engagement efforts with a significantly increased focus on chemical scientists, and we will reform our efforts to better guide scientists to commercial self-sustainability. This means in the first instance reorganizing the Moscow and Kiev centers to clarify lines of authority and add staff specialized in the marketing of scientific research. The \$30 million Congress provided in Defense Emergency Response Funds for FY 2002 for conversion of former bio-production facilities will also play an important part in the sustainability effort. We are using it to assist such institutes to obtain western business development expertise and to foster the formation of

a bio-consortium led by the Moscow Medical Academy to assist Russian biological researchers in marketing their research. We will also, of course, help support American firms seeking to invest in projects at these institutes. We are very grateful, in particular, for the interest shown by the Eli Lilly company in producing a drug at one of these institutes. We will assist and encourage others to follow.

In the year ahead we will press this case with Russian authorities, and we will insist on more access and bringing more institutes into the tent. We want to establish a basis for real commercial partnerships with U.S. industry, but progress has been slow, frustrated by Russian bureaucracy and suspicion.

Another tool we use to curb supply globally is our Nonproliferation and Disarmament Fund, for which the President has requested \$35 million in FY 2004, more than double the FY 2003 appropriation. NDF has tackled tough, urgent, and often unanticipated problems on a worldwide basis. In the recent past, it has negotiated and executed the removal of Highly Enriched Uranium (HEU) from Serbia, the destruction of missiles in Bulgaria and the return from Cyprus of nuclear reactor parts en route to the Middle East. The NDF has also led a successful international effort to develop a state-of-the-art automated tracking system referred to as Tracker designed to help governments strengthen their control over sensitive exports or transshipments. Tracker has been a key tool for engaging nearly two dozen countries -- either as design partners, current users, or in discussions of future implementation. Now deployed throughout Central Europe to track sensitive exports, this system is increasingly of interest to countries in Western Europe and Asia as a means to track terrorists and to monitor the movement of dangerous materials. The State Department is closely coordinating this export control assistance tool with other U.S. equipment assistance provided to these states. The State Department is closely coordinating this export control assistance tool with other U.S. equipment assistance provided to these states.

In the future, we expect the NDF to focus on urgent, unanticipated opportunities to eliminate missile systems; destroy, secure and remove biological pathogens; eliminate chemical agents and weapons; rescue orphaned radiological sources; inventory and track dangerous materials; assist countries in developing laws and regulations to control the movement, storage, and security of dangerous materials; and encourage countries in the Middle East and South Asia to use the Tracker system and to assist with its development.

The NDF funding increases that we seek anticipate the substantially accelerated effort we will make to work worldwide to help countries at risk secure dangerous materials. We want to help countries establish better accounting and control mechanisms to secure radioactive materials, pathogens, and sensitive precursors, from the laboratory to movement in internal and international commerce. This Dangerous Materials Initiative (DMI) aims for synergies among U.S. Government agencies and programs, and also with international partners and international organizations.

At this point, we are not seeking separate funding for the DMI but expect that the Nonproliferation and Disarmament Fund will be a major resource, along with other U.S. assistance programs. Although still in the design stage, we are aiming to encourage international support under this umbrella at the G8 Evian Summit in June, and we have already started several small pilot projects to prove our concept and to survey worldwide legal authorities for controlling dangerous materials.

Another of our major programs to curb supply is centered in State's Export Control and Related Border Security (EXBS) Program. We provide policy direction and coordination and draw on the expertise of the Departments of Commerce and Energy, as well as Customs and Coast Guard (now incorporated into the Department of Homeland Security). We also work closely with the Department of Defense to coordinate our efforts.

We currently have active programs in some 30 countries, with 20 EXBS program advisors serving overseas engaging foreign officials on ways to strengthen controls, directing training activities and providing much-needed detection and enforcement equipment. In a number of countries officials trained by EXBS or using EXBS-provided equipment have seized sensitive goods or weapons components bound for countries or programs of concern. U.S. export control assistance is largely responsible for over a dozen European and Eurasian countries adopting comprehensive export control laws that meet recognized international standards.

Even before September 11, 2001, the EXBS program and its advisors were active in key Central Asian countries, a factor that doubtless paid unanticipated dividends when these countries were thrust into the front line of the war against terrorism. Following September 11, increased EXBS resources were focused on this strategic region to help these countries, and key countries in the Caucasus as well, shore up vulnerable borders and improve capabilities to

deter, detect, and interdict the transit of illicit goods and weapons.

In Europe, we are increasing EXBS assistance to the Baltics and Southeastern Europe, and Mediterranean transshipment points like Malta and Cyprus. All states, especially those with large ports, must do their part to forestall the transit of dangerous materials and technology.

Export controls can only succeed as a multilateral endeavor, creating a network of controls that is capable not only of detecting and interdicting illicit shipments but deterring them. In the last twelve months, we have hosted major conferences and seminars for European, Central Asian, Caucasus, Middle Eastern and Southeast Asian countries. Countries have stepped forward to take new leadership roles, provide training and equipment. Countries with inadequate controls are committing to adopting new laws to strengthen them and devoting increased resources to enforcement. Other governments are now talking to each other about areas for cooperation in export controls and border security, thereby complementing and reinforcing our efforts.

The State Department also works cooperatively with other, related agency programs to synergize efforts abroad. For example, we have a close working relationship with both the Department of Energy's National Nuclear Security Administration (DOE/NNSA), which funds and manages the Second Line of Defense program that provides advanced radiation detection equipment to foreign governments, and with Customs/DHS, which has the lead on the Container Security Initiative (CSI) designed to secure the supply line of cargo shipments destined for U.S. ports. The State Department's Export Control and Related Border Control Assistance (EXBS) program has worked with NNSA to support NNSA's assessments of countries in which NNSA is considering providing material assistance. NNSA experts perform repairs and maintenance on radiation detection equipment previously provided under both Defense and State programs. State is also working closely with U.S. Customs/DHS officials to ensure that U.S. Government approaches to countries with "megaports" to join the Container Security Initiative are integrated with our broader nonproliferation policy and with export control outreach and assistance efforts we are carrying out in some of these countries.

Our third goal, making the export control regimes stronger, is also one on the supply side. As we noted in our response to last year's examination of the regimes by GAO, the Administration is in process of reviewing the nonproliferation regimes. Since September 11, anti-terrorism has been adopted as a formal goal of the Australia Group, Missile Technology Control Regime, Wassenaar Arrangement, and Nuclear Suppliers Group. We have won Australia Group agreement to adopt catch-all provisions and last year the Group issued its first export control guidelines incorporating catch-all, setting the standard for the other regimes. The Wassenaar Arrangement amended its dual-use export control list to begin adding items specifically of concern for terrorists, and this year is reviewing its controls on man-portable air defense systems (MANPADS) like SA-7s and SA-18s with a view to further strengthening them.

In the year ahead we intend to push adoption of catch-all controls and denial consultation in areas where they haven't yet been implemented, continue to review control lists to make sure they are keeping up with technology and the threat and, as always, look for ways to strengthen implementation and enforcement. We are also working in the NSG and MTCR on other ways to tighten further these agreements. We will be sending to Congress soon a strategy report, prepared in partnership with our colleagues in the Arms Control Bureau.

But while strong regimes are necessary, they are not enough. Most are voluntary agreements, which aren't legally binding. I talked a moment ago about the differences we have with Europe. I think we spend too much time debating what I'd call "architecture" -- treaties, arrangements etc. -- and not enough time discussing how to put in place a strong commitment to action to back up those fine words on paper. What we're not doing enough of is taking concrete action to enforce commitments more strictly and make proliferation more costly -- politically, and financially.

Tightening regimes and improved enforcement are part of the answer. Many governments tell us about their export controls and laws. But what counts is their willingness to enforce the laws, to make clear there is a price for violating the law. Proliferators need to know they face isolation and consequences if their efforts continue. Ending the threat posed by Iraq's weapons of mass destruction will send a powerful signal to other proliferators that the world will not stand idly by.

And, North Korea must not imagine it can blackmail the international community. The world community has spoken on this in the IAEA's report to the Security Council. As Secretary Powell said, "The United States stands ready to build a different kind of relationship with North Korea, once Pyongyang comes into verifiable compliance with its

commitments. The North must be willing to act in a manner that builds trust."

India and Pakistan and two very different countries with which we are pursuing boldly different relationships. Each poses special challenges. We need to take account of the unique situation posed by their possession of nuclear weapons. From the NP Bureau perspective, ongoing tensions in South Asia make especially important those countries' controls on sensitive technology. We are also mindful of the risk that nuclear weapons could be used, either intentionally or accidentally in a crisis. We discuss these issues regularly with officials from both countries. I convey our concerns and help identify possible solutions whenever I meet with my Indian and Pakistani counterparts. With India, there are tough questions about how far we can go. We must continually weigh our mutual interests in cooperation against our obligations under the Nuclear Suppliers Group, the NPT and the Atomic Energy Act.

To help deal with determined proliferators not prepared to conform to international standards, we employ a number of tools. One important tool I mentioned earlier is the IAEA. The Agency has a vital role in ensuring that civilian nuclear facilities are not diverted to weapons purposes, ferreting out covert weapons efforts, and reducing the risk of nuclear and radiological terrorism.

The IAEA underpins the basic bargain of the NPT - non-nuclear weapon state access to nuclear technology in exchange for forgoing nuclear weapons. In the current environment, where some non-nuclear weapon states are violating the basic tenets of this bargain, the IAEA must aggressively pursue every hint of questionable activity and frankly and fully report to the world whenever safeguards are compromised or violated.

The IAEA needs to be strong enough to alert us to tomorrow's problems, wherever they occur. More than 70 countries have now signed on to the Additional Safeguards Protocol, which provides the IAEA with more information and broader access rights. But despite a large expansion of responsibilities, the IAEA's budget has remained essentially flat. That is why the United States is supporting the Agency's efforts to increase its budget to implement its safeguards responsibilities, working diplomatically with others to get them on board.

Beyond safeguards, IAEA has an important role in preventing nuclear terrorism. After September 11, 2001, the IAEA moved quickly to develop a comprehensive program to help states protect against acts of nuclear and radiological terrorism. Just last week the Department of Energy, working with IAEA and Russia, hosted a Conference to validate a new work program to control radioactive sources. Part of our voluntary contribution will support this important effort.

While regimes and institutions, such as the IAEA, can make important contributions to halting the spread of WMD and WMD delivery systems, they alone are simply not enough. The United States also has a variety of tools to help us in these instances:

**Interdiction:** Where controls fail and international bodies are unable or unwilling to act, interdiction is an option; properly planned and executed, interception of critical technologies en route to dangerous end users can make a difference. At a minimum, interdiction can lengthen the time that proliferators will need to acquire new weapons capabilities, and demonstrates our commitment to combat the spread of weapons of mass destruction and their delivery systems. In some instances, interdiction can prevent proliferators from acquiring new capabilities. Procurement efforts are becoming increasingly sophisticated, and our efforts to halt those procurements must keep pace.

**Sanctions:** On sanctions, from our vantage point, companies have a choice: sell to proliferators, or sell in the United States, but not both. Where national controls fail, and where companies make the wrong choice, there will be consequences. U.S. law requires it. That said, U.S. legislation currently offers a crazy-quilt of overlapping requirements that are difficult for foreign entities to understand (which is required to deter them from misbehaving) and that are often difficult to apply in a flexible manner to advance our nonproliferation policies. We hope to be able to work with you to consolidate and rationalize these important authorities.

**Positive Measures:** "Sticks" are an inescapable reality in fight against proliferation. But carrots too can play a useful part.

The G-8 Leaders' agreement at the Kananaskis summit last June to a new Global Partnership was an important step that reflects the shared view that nonproliferation work remains under-funded. They embraced an initiative to widen European and Japanese support to complement and accelerate this process. G8 leaders pledged to raise up to \$20 billion over ten years for nonproliferation, disarmament, counter-terrorism, and nuclear safety projects to prevent

WMD from falling into the hands of terrorists or states who sponsor them.

Since the Summit, Under Secretary of State for Arms Control and International Security, John Bolton, has continued to lead U.S. efforts to ensure the success of the initiative. The U.S. has so far carried most of the burden. More cooperation is needed from Europe and Japan. We want total G8 commitments, by the Evian summit, to meet the \$20 billion target. The Senior Officials Group continues to press Russia to take concrete actions to meet donors' concerns about exemption from taxation and adequate liability protections in order to move forward.

We also look to the business community, which has key interests in stable foreign partners. The same protection of intellectual property, and controls on illegal exports of technology, that they seek, are important tools in the fight vs. proliferation. Good corporate governance, transparency, the rule of law -- both government and the business community have a shared interest in seeing our partners strengthen the institutions that make the international marketplace transparent and predictable. Business itself prospers from a secure international setting.

But the most vital partnership of all is, of course, between the Administration and the Congress. You give us the tools we need to take on our vital mission through spending authorities and appropriations.

Since you have asked, Mr. Chairman, that I come today with ideas for what Congress can do now to help strengthen our efforts, I would like to offer some general proposals.

You encouraged us to think broadly and creatively. The President has requested major funding increases this year to allow non-proliferation programs to take advantage of new opportunities in the post September 11 world. We of course seek your authorization of those amounts, as well as the budget proposal for Science Centers and bio-engagement, and our voluntary contribution to the IAEA.

The U.S. may very well be confronted with new requirements that go beyond our existing authorities. So we urge the Congress to support the President's proposal to broaden the current Cooperative Threat Reduction spending authorities to permit use of up to \$50 million of CTR funds beyond the Former Soviet Union, allowing the President to use those resources in the best way he can.

And, of course, I strongly urge Congress to support the President's request that the authority to waive the requirements for CTR and Title V of the Freedom Support Act certifications be made permanent. We also strongly support permanent waiver authority to cover construction of the Shchuch'ye chemical weapons destruction plant in Russia.

### **Conclusion -- Nonproliferation is a Team Effort**

We are all partners in the worldwide effort to make the world safer. There are many areas where the interlocking nature of the challenges confronts us all.

Nonproliferation challenges are multiple and multiplying. We need to focus on the meat of the issue, and not lose the forest for the trees.

Enhancing nonproliferation dialogue with our worldwide partners is essential to success. But dialogue is no substitute for concrete action, and where dialogue fails we will use other means -- whether multilateral, plurilateral, or unilateral. That was at the heart of President Bush's National Security Strategy.

There are lots of opportunities to make progress; it's up to us to transform opportunity into reality. Thank you.

[End]