



U.S. DEPARTMENT of STATE

Remarks at the Conference on "Tomorrow's Proliferation Pathways: Weak States, Rogues, and Non-State Actors"

Mary Alice Hayward, Deputy Assistant Secretary, Nuclear Nonproliferation Policy and Negotiations

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I appreciate the invitation to provide opening remarks to this conference on "Tomorrow's Proliferation Pathways" – a timely and relevant topic. I want to thank the School of Policy and International Affairs, and its Director for Research and Academic Programming, Professor Bahman Baktiari, for the kind invitation to speak to you today. Thank you also to the Naval Postgraduate School's Center for Contemporary Conflict, and its Co-Director, Jim Russell, for co-organizing this seminar and for his work to develop a better understanding of the threat of proliferation and how it evolves. I would also like to acknowledge the sponsorship of the Defense Threat Reduction Agency's Advanced Systems and Concepts Office and thank Commander Chris Bidwell, National Security Counselor and Deputy Director David Hamon .

The principal objective of this conference is to examine the different "proliferation pathways" available to state- and non-state actors on both the supply and demand side of today's proliferation market, with a view to identifying so-called "gaps" in the international nonproliferation regime. Developing a deep understanding of these networks is an essential first step toward the goal of eliminating the threat that they pose to U.S. and international security. I applaud you for taking on this important issue, and my remarks today will give you a broad understanding of the current efforts and programs that the U.S. is undertaking both bilaterally and multilaterally to achieve this same objective.

Starting in its earliest days, the Bush administration worked hard to identify and address these so-called "gaps" in the international nonproliferation regime. In 2002 President Bush unveiled both the National Security Strategy of the United States and the National Strategy to Combat Weapons of Mass Destruction. These innovative and comprehensive strategies outlined the threats and challenges that WMD proliferation poses to U.S. and international security and described the means to combat them. The directives in these documents are unique. They are the first to unite all elements of national power in addressing the threat of WMD proliferation, they greatly expanded the range of U.S. nonproliferation tools, and they placed a new emphasis on counterproliferation and on consequence management.

In particular, three strategic objectives emerged from these documents which have animated our efforts at the State Department and throughout the U.S. Government. The objectives are:

- 1) To prevent rogue states and terrorists from acquiring the materials, technologies, and expertise for weapons of mass destruction through strengthened nonproliferation efforts.
- 2) To deter and defend against the threat before it is unleashed through proactive counterproliferation efforts.
- 3) To respond to the effects of WMD use, whether by terrorists or hostile states through effective consequence management.

These pillars represent the strategic backbone of the specific efforts that I will outline today.

There is still more work to be done, which is where I think this conference can make a contribution. But it will be useful to lay out some of the specific gaps that this administration has identified and the specific steps that we have taken to address those gaps

Securing potential sources of WMD

Some of the most abundant sources of WMD are the legacy stockpiles leftover from the Cold War. We are working cooperatively around the globe to better secure and eliminate these weapons. The centerpiece of the United States' long term commitment to address this threat has been the Nunn-Lugar Cooperative Threat Reduction (CTR) programs. This administration has undertaken efforts to build upon the CTR program and to expand the concept to address a broader set of threats on a global basis. President Bush and Russian President Putin established the Bratislava Nuclear Security Initiative in February 2005 to complete security upgrades at all identified Russian nuclear warhead and fissile material facilities by the end of this year. Today we are on track to meet this goal. The initiative has also given impetus to ongoing joint work to repatriate fresh and spent HEU fuel of Russian and U.S.-origin and we are working on converting HEU-fueled research reactors in third countries as well as in the United States to the use of LEU. As both sides work to sustain the upgrades, this new partnership will continue to be a positive mechanism for furthering the nonproliferation and counter-terrorism goals of both countries.

The Global Partnership

In 2002, we worked closely with our G-8 partners to launch the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction (Global Partnership). The Global Partnership is a 10-year, \$20 billion commitment for WMD threat reduction efforts, of which the U.S. has pledged half (\$10 billion). These programs secure fissile material, destroy chemical weapons, dismantle strategic nuclear submarines, engage and redirect former WMD scientists, technicians and engineers, increase export controls and border security, prevent nuclear smuggling, and improve biological and chemical security. Initially this program focused only on Russia and the former Soviet Union . The Global Partnership now includes all G-8 members plus another 13 donor nations. U.S. efforts under the Global Partnership grew out of our Cooperative Threat Reduction programs and include active participation by the Departments of State, Defense and Energy.

Since the Sea Island Summit in 2004, the U.S. has worked closely with the G-8 and other Global Partnership nations toward expanding the geographic scope of the Partnership to address global WMD threats, to extend the Partnership beyond 2012, and to add new donor nations. During this year's G-8 Summit under Japan's Presidency, the G-8 Leaders formally announced the geographic expansion of the Global Partnership. While we remain committed to finishing the job in Russia and the rest of the former Soviet Union , we cannot neglect the very real threat posed by terrorists and proliferant states in the rest of the world. The U.S. already allocates over \$350 million a year on WMD threat reduction efforts beyond Russia and the former Soviet Union , and we are now reaching out to new Partners and encouraging other Global Partnership nations to follow suit.

The Global Threat Reduction Initiative

In order to specifically focus efforts on securing and accounting for civilian nuclear materials, the United States launched the Global Threat Reduction Initiative in 2004. The objective of this initiative is to secure nuclear and radiological materials at civilian sites throughout the world in order to prevent them from falling into the hands of terrorists or other rogue actors. By reducing, removing or further protecting these sources we are working to eliminate access to potential WMD sources that terrorists, black market smugglers and other bad actors are eager to exploit. To date, GTRI has converted more than 50 HEU-fueled research reactors around the world into LEU; over 1,100 kilograms of fresh and spent HEU fuel have been returned to the United States, and more than 440 kilograms of fresh and 150 kilograms of spent HEU fuel have been repatriated to Russia. In total, GTRI has removed material that could have been used for many dozens of improvised nuclear devices. Globally, more than 18,000 U.S.-origin radioactive sources have been removed from sites, and risk has been reduced by completing security upgrades at over 650 vulnerable sites where radioactive material are or have been located. GTRI's budgets now exceed \$190 million annually and have been growing steadily through strong bipartisan support in

Congress. While its track record has been significant, the GTRI momentum and support must be expanded.

Eliminating proliferation networks and creating inhospitable conditions for new ones to emerge.

Another proliferation pathway that we have aggressively focused on is the proliferation networks that provide the tools, technology and raw material that WMD programs depend on. Breaking up existing networks and making the world a less hospitable environment for new ones has been a key focus of this administration. As economies and markets have become integrated on a global scale, which has stressed a global export control regime that was not designed or built for globalized economies, international trade and travel has correspondingly expanded. As such, proliferation networks have exploited this increase in cross-border activity to camouflage their illicit efforts. Operating in a fast moving and competitive world, proliferators depend on variances in national standards and capabilities in export controls, regulations and enforcement. We have taken many steps to make the world a more difficult place for these WMD proliferators to operate. Working with our international partners we have successfully isolated proliferators financially and commercially by denying them access to the international financial system; and we have exposed proliferators' activities publicly in an effort to comprehensively warn unwitting facilitators.

So long as great financial gain can be won, the battle against proliferation networks will be ongoing and they will evolve and develop new tactics to avoid detection. Future U.S. administrations will have to be prepared to act nimbly to stay ahead of this changing threat. With this in mind, the Bush administration has created a broad foundation, grounded in international organizations and agreements, to combat this threat and from which future administrations can operate. From this base we also developed efforts that are less traditional, such as our new focus on counterproliferation policy and our use of financial tactics against proliferators. I hope that the new administration will utilize and build from the existing base of work that we have put in to place and that is widely adopted and accepted throughout the world.

UNSCR 1540

One part of the foundation that this administration created is United Nations Security Council Resolution 1540. In 2003¹ President Bush called on the Security Council to address the need for all states to create and implement domestic laws to stop all aspects of proliferation within their borders. In 2004 the Security Council adopted Resolution 1540 under Chapter VII of the UN Charter – the resolution requires all Member States to criminalize proliferation, and develop the capacity to fight proliferation. The scope of the resolution is designed to address the full-range of proliferation activities. UNSCR 1540 creates three primary obligations: to prohibit support to non-State actors seeking WMD, their means of delivery and related materials; to adopt and enforce effective laws prohibiting the proliferation of such items to non-State actors, and prohibiting assisting or financing such proliferation; and to take and enforce effective measures to control these items, in order to prevent their proliferation. Through the UN Security Council 1540 Committee, and with continued U.S. , key Member State , EU and International Organizations' support, states are assessing their own laws and undertaking efforts to fill the gaps in their non-proliferation laws and regulations. The U.S. has a variety of programs that assist other states to meet the obligations of UNSCR 1540.

Enhancing Export Control Systems and Border Security Capabilities

Effective implementation of UNSCR 1540 requires improved enforcement of export control systems and strengthening of border security capabilities. The State Department assists this process with the Export Control and Related Border Security (EXBS) program which coordinates assistance implemented through USG agencies, academia, and private industry. At its inception ten years ago, EXBS focused primarily on the former Soviet Union . Today it has program activities in over 50 countries around the world and has expended over \$366 million in trainings, technical exchanges, workshops, inspection and interdiction equipment, regional conferences, and seminars. Additionally, DOE Second Line of Defense programs work around the world to install radiation detection equipment at bordering crossings, seaports and airports.

International Nonproliferation Regimes

An important element of an effective export control system is determining which materials should be targeted for scrutiny as proliferation risks when being exported. The long standing international nonproliferation regimes such as the Australia Group, Missile Technology Control Regime, Nuclear Suppliers Group (NSG), the Zangger Committee and the Wassenaar Arrangement establish and coordinate export policy guidelines designed to restrict and control the trade in sensitive materials that have a high proliferation risk. By harmonizing export control laws to these lists and guidelines, states can create universal and consistent regulations that make it more difficult, costly and time consuming for proliferators to acquire the expertise and materials needed to advance their programs. We are engaged in these export control regimes, and through broad outreach efforts, more countries are members of them than at any point in history. Their efforts have caused delays, forced proliferators to use elaborate and expensive procurement networks, employ deceptive practices, and compelled them to use older, less reliable technology.

Disrupting the Proliferators' Financial Infrastructure

Today, we seek out and disrupt proliferation support networks wherever we are able. Proliferation support networks are similar to international criminal networks – they operate for financial gain and depend on the international financial system to carry out transactions and business deals. When discovered, these networks are highly vulnerable to public exposure and the disruption of financing and support, as well as asset forfeiture. UNSCR 1540, as well as UNSCR 1718 relating to North Korea and UNSCRs 1737, 1747 and 1803 relating to Iran contain provisions that require States to deny proliferators and their supporters access to financing and other services of the financial system. It is incumbent upon all UN Member states to enact the domestic authorities to enable them to freeze the assets of, shut-down, and impose strict penalties on entities conducting such illicit activities in their jurisdictions.

With the 2005 adoption of Executive Order 13382, the U.S. authorized targeted financial sanctions against proliferation networks just as we have against terrorist networks. To date the U.S. has designated 57 entities and 17 individuals under E.O. 13382, of which 41 and 16 respectively are related to Iran . (These designations have also included entities from North Korea and Syria). Once designated, the entities and individuals are no longer able to claim legitimacy within, or access to, the international financial system. Just last week the U.S. Government designated under E.O. 13382 six Iranian individuals and five entities of proliferation concern. These individuals included senior Iranian nuclear scientists, Iranian Revolutionary Guard Corps (IRGC) officers and those involved in Iran 's growing missile development industry. In particular, the Iranian firm was designated for its involvement in a variety of international transactions related to weapons procurement. This designation shines a light on these dealings that will make further use of the international financial system by this firm very difficult.

As a result of these, U.S. and multilateral initiatives, financial institutions around the world have ceased providing enabling environments for entities involved in proliferation and other illicit financial activities. The change in behavior by financial institutions has, in turn, impacted Iran 's ability to pursue nuclear capabilities; we believe that continued pressure is a part of what is necessary to dissuade Iran 's current leadership from securing a nuclear weapons capability.

We continue to urge financial authorities worldwide to develop and implement authorities that allow financial institutions to close or freeze any accounts held by such illicit actors at institutions in their jurisdictions, and to take steps to ensure that the private sector ceases any dealings with these entities.

Interdicting Proliferation Materials

Thus far I have described initiatives that secure existing weapons and create inhospitable conditions for proliferators. We also recognized the need to facilitate and coordinated rapid action to interdict and halt shipments of dangerous weapons, materials and technologies. Once these shipments are underway they present a unique set of challenges. Difficult lessons, like the actions of the A.Q. Khan network and the interdiction of the So San, which was carrying SCUD missiles from North Korea to Yemen , demonstrated the need for the establishment of a broad partnership of states prepared to act to prevent shipments of proliferation concern.

Proliferation Security Initiative (PSI)

A key new tool created to address this challenge is the Proliferation Security Initiative (PSI). Launched by President Bush in Krakow , Poland in May 2003, it now includes

more than 90 nations from across the globe. Each state has endorsed a statement of interdiction principles declaring their willingness to work cooperatively to stop shipments of proliferation concern within the limits of their domestic laws and international norms. We recently commemorated PSI'S 5th anniversary and held a senior level conference of participating states to discuss the great success and growth of the program while also analyzing challenges that lie ahead. A declaration was adopted that notes the developments of the last five years and reaffirmed the commitment of the participating states to respond to new proliferation challenges.

In addition to actual interdictions, the PSI'S greatest success lies in the way it has helped shape the international environment to enable the interdiction of WMD and related materials. In short, interdicting and halting shipments of WMD related materials has become integrated in to our work and has been regularized thanks to PSI. Examples include:

- Ship-boarding agreements with key flag states. The US has concluded such agreements with Belize , Croatia , Cyprus , Liberia , Malta , the Marshall Islands , Mongolia , Panama , and the Bahamas . These agreements provide standard procedures for requesting authority to board and inspect sea vessels suspected of carrying illicit WMD-related cargo, and cover a large portion of the world's commercial shipping vessels.
- PSI has also helped build capacity among partner nations to identify, track and interdict WMD and related cargoes, through operational exercises and sharing of best practices.
- The commitment by more than 90 nations to PSI also creates a deterrent effect, as it demonstrates to proliferators that a large number of responsible nations will not tolerate their activities.

A.Q. Khan

Many of the specific actions that we take to disrupt proliferation networks are performed quietly; successful interdictions are usually not publicized. A major exception was the October 2003 interdiction of the BBC China. This ship was carrying centrifuges and related components to Libya from a manufacturing and assembly facility that was part of the A.Q. Khan network. The interdiction of this shipment, a cargo that represented a huge investment by Libya in to a clandestine nuclear weapons program, helped roll up all of Libya's WMD programs and shed the first public light on to the existence and operations of the A.Q. Khan network. The U.S. and other countries have worked hard to shut down this network, but the final chapter has yet to be written. Information about how the network operated continues to become available as countries pursue prosecution of Khan's associates. We continue to work with countries to close loopholes exploited by the network so other proliferators cannot follow the same model. We have learned a great deal about the operation of these types of networks from this experience and we continue to apply it to our current efforts. In this regard, we are encouraged that both Pakistan and the UAE have since adopted export control laws and are working to implement them. It will be important for countries to share information from their investigations, when appropriate, so that we can best ensure that the gaps that allowed the network to function for so long are completely closed.

Global Initiative to Combat Nuclear Terrorism

As a direct complement to efforts conducted within the PSI, the U.S. and the Russian Federation established the Global Initiative to Combat Nuclear Terrorism just over two years ago. This is both a political and operational effort, giving new weight to the desire of like-minded nations to combat the threat of nuclear terrorism. The Initiative, like PSI, gains partners, currently numbering 75, who endorse a set of principles that are based on the core set of ideas outlined in the U.S. Combating WMD and Terrorism National Strategies. The Global Initiative is a way to accelerate existing efforts as well as a means to develop new activities that deter, detect, and address our response to any nuclear terrorism attack.

One element of the Initiative that I am particularly keen on is the idea that we now have in this global partnership the means to achieve some of our most resource-intensive requirements as they relate to the threat of nuclear terrorism. This includes strengthening our efforts to conduct nuclear forensics – which, in a worst-case, post-attack scenario, can provide information as to the very source of the nuclear material. Attribution, in this terrible scenario, is critically important in helping us determine an appropriate and effectively targeted response. Additionally, the capability of attributing nuclear material back to specific sources is an effective deterrent.

The Global Initiative is also looking at how we can better share information on radiation detection alarms around the world and, if necessary, dispatch assistance to a country to impart our expertise towards identifying the material, and source. Another idea worth mentioning is the notion that we as partners can "pool" resources to prevent an attack. For example, if we learn through intelligence sources that an attack is planned for a major city here in the U.S. or overseas we can pool detection sources in a greater effort to provide the best opportunity to detect and thwart the nuclear item intended to be used in the attack.

Civil Nuclear Power and the exploitation of the NPT as cover for a nuclear weapons program.

A very different but equally serious gap exists in the international nonproliferation regime that has effectively governed civil nuclear power for decades. This gap is being exploited by a few bad actors but has far reaching ramifications on international peace and security. Forty years ago this month the United States joined 61 other nations in signing the Treaty on the Nonproliferation of Nuclear Weapons (NPT) and since that time nearly all nations have become parties to this important treaty. Today the Nuclear Non-Proliferation Treaty (NPT) is being challenged by noncompliance with the Treaty's core nonproliferation obligations by countries seeking to develop nuclear weapons. A country that exploits the benefits and ignores the restrictions of the NPT to develop nuclear weapons imperils the peace, stability, and security of all nations. The NPT faces the very serious threat of weapons proliferation by Iran and North Korea . The Iranian program in particular, continues to pose a serious challenge to the international nuclear nonproliferation regime because, despite a longstanding history of safeguards violations and four corresponding UNSCRs, it continues to use the NPT to legitimize its nuclear program.

It is encouraging that the international community has adopted its third resolution under Chapter VII of the UN Charter in the Security Council, requiring that Iran suspend its enrichment-related, reprocessing, and heavy water-related activities and imposing additional sanctions. This demonstrates that States around the globe are concerned about the Iranian nuclear program and the future of the NPT. We are working to strengthen the NPT to make the path that Iran has chosen more difficult and less appealing to other states. We are also creating incentives for reliance on fuel assurances from existing suppliers rather than pursuing their own uranium enrichment capabilities. We also encourage steps to achieve NPT universality, and we promote the full implementation of IAEA full-scope safeguards agreements and the Additional Protocol as a way to strengthen the treaty by ensuring compliance. We are also developing further disincentives for withdrawal from the treaty – a path that North Korea chose in 2003.

It is important to note that the U.S. takes its Article VI obligations under the treaty very seriously as well. Thanks to the nuclear reductions that President Bush has directed and the Moscow Treaty agreed to with Russia in 2002, the U.S. nuclear weapons stockpile has been reduced by half during the Bush administration and is at its smallest size since the 1950s.²

The NPT guarantees a signatory's right to avail itself of the benefits of civilian nuclear power and to ensure that these peaceful nuclear energy programs-- when safeguarded and protected to international standards -- are not a proliferation risk. The United States supports the expansion of nuclear power as an environmentally clean source of electricity in both developed and developing countries. However, the sensitive technologies that are used in the manufacture of nuclear fuel can also be used to make weapons. In order to enjoy the benefits of peaceful nuclear power, countries do not all need to develop the capability to enrich uranium or reprocess spent reactor fuel. To discourage the spread of these technologies we are engaged in a number of initiatives, both unilateral and through the International Atomic Energy Agency (IAEA), to ensure that countries with peaceful nuclear programs will have reliable access to nuclear fuel at a reasonable cost should there be a disruption in supply. This eliminates any rational economic incentive for acquiring enrichment or reprocessing capabilities.

We recently signed Memorandums of Understanding for peaceful civil nuclear energy with the UAE, Jordan , Saudi Arabia , and Bahrain , in which each of these governments deliberately set themselves as counter-examples to Iran by expressing their intent to rely on the market for fuel rather than create indigenous enrichment and reprocessing capabilities. Additionally, our Department of Energy is down-blending 17.4 metric tons of high-enriched uranium, excess to our defense needs, into low-enriched uranium that will serve as a reserve to provide reliable access to reactor fuel should the market fail. Over the longer term, the Global Nuclear Energy Partnership (GNEP) is pursuing advanced fuel cycle technologies that would utilize fast burner reactors and recycle spent reactor fuel without separating plutonium – to

close the fuel cycle in more proliferation-resistant way to address the challenge posed by the accumulation of waste.

Gaps in our defenses against a potential WMD attack.

Even as we expend maximum effort at denying hostile states and terrorists access to nuclear and other WMD, we must be prepared to defend ourselves if they should succeed. In the last 35 years the number of states possessing ballistic missiles has increased from 9 to more than two dozen today. By strengthening deterrence, Missile Defense provides us an extra layer of protection against this threat. The presence of such defenses undermines the ability of potential adversaries to coerce states and makes it far less likely that our adversaries will ever use missiles during a conflict, since such a missile attack could be detected and defeated.

Missile defenses can be an important means to promote stability as demonstrated when North Korea began preparations to launch its Taepo Dong 2 ICBM in 2006. We activated our missile defense system for the first time during this incident. Instead of potentially contributing to the crisis by moving forces into the area, we were able to protect ourselves without destabilizing the situation further. Last week Iran tested a large number of ballistic missiles in spite of the Security Council's determination that this program should be constrained. Iran possesses the largest ballistic missile force in the Middle East and, coupled with its nuclear program, these tests reinforce the threat posed by this capability and the importance of a robust missile defense system. Missile Defense is the ultimate insurance policy if the other elements of our multi-faceted strategy for combating proliferation fail. That is why we have worked closely with NATO, and particularly with Poland and the Czech Republic, to augment our cooperation on Missile Defense. Two weeks ago this resulted in the signing of a Ballistic Missile Defense Agreement between the U.S. and the Czech Republic. Prior to this NATO had expressed its support for missile defense in its Bucharest Summit Declaration by stating that missile defense efforts are intended to better address the security challenges we all face and that missile defense offers opportunities to deepen levels of cooperation and stability. The agreement with the Czech Republic is a basis for cooperation to provide defenses against the growing threat of ballistic missiles from Iran and, as the Secretary stated at the signing ceremony: " This missile defense agreement is significant as a building block not just for the security of the United States and of the Czech Republic, but for the security of NATO and ultimately, for the security of the international community as a whole ." ³

Conclusion

In discussing the variety of gaps that the Bush Administration is addressing it should be clear that this is a comprehensive effort to ensure that each layer of defense against WMD proliferation is buttressed and reinforced for maximum possible effectiveness. Existing stock piles of weapons are being drawn down, destroyed or further secured, we have identified and disrupted or dismantled the networks that trade in these dangerous materials and we have isolated those networks from the international financial system. Addressing the unique and real threat that is nuclear terrorism, we created the Global Initiative to specifically focus on stopping terrorists from gaining access to nuclear and radiological materials. We are working to restrict the spread of enrichment and reprocessing technologies through the expansion of NSG criteria, and the promotion of safe, secure and proliferation resistant nuclear energy. Finally, in recognizing that understanding and comprehensively predicting every existing and future gap is impossible, we established the PSI to interdict shipments of concern once they are already underway. To this end we also created a new layer of protection to defend our allies and our homeland against ballistic missile attack. Missile Defense was a priority of the Bush administration from its first day in office and its capabilities today are very real.

In closing, it is important to note that the threat of WMD proliferation is one that requires a global field of view and one that continually evolves and changes. The challenge to the policy maker is to understand these changes and, as we do at the State Department, maintain strong relationships around the world so that when new gaps in our defenses emerge, we can act quickly and in coordination with our partners and allies to address them.

¹ <http://www.whitehouse.gov/news/releases/2003/09/20030923-4.html>

² <http://www.whitehouse.gov/news/releases/2008/07/20080701.html>

³ <http://www.state.gov/secretary/rm/2008/07/106758.htm>

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