



## Remarks to U.S.-China Economic and Security Review Commission

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Washington, DC  
March 10, 2005

Thank you, Mr. Chairman and members of the U.S.-China Commission, for the opportunity to appear before you today. Mr. Chairman, your letter of February 10 noted that you wish to focus today's hearing on China's proliferation record and its role in the Six Party Talks. I am pleased to address these issues as well as other questions that you or Commission members may have.

The President is committed to working toward a relationship with China that enhances America's security and that of our friends and allies. We are engaging China constructively and candidly, and President Bush has led the way. On December 9, 2003, on the occasion of the visit of Premier Wen, President Bush stated:

"America and China share many common interests. We are working together in the war on terror. We are fighting to defeat a ruthless enemy of order and civilization. We are partners in diplomacy working to meet the dangers of the 21<sup>st</sup> century."

President Bush has also made it a top national priority to ensure that the world's most dangerous weapons do not fall into the hands of the world's most dangerous regimes. It follows naturally that the nonproliferation of weapons of mass destruction (WMD), their means of delivery, and related technology is a key element of our maturing relationship with China.

This does not mean, however, that we will shy away from frank discussions of issues where we have disagreements with China. While we are working cooperatively with China in the area of nonproliferation, there is no doubt that we feel China can do and should be doing more to prevent the spread of WMD, missiles and conventional weapons.

As a manifestation of our concerns regarding proliferation, President Bush and Jiang Zemin launched the U.S.-China Security dialogue at the Crawford Summit in October 2002. Under Secretary of State for Arms Control and International Security John Bolton leads this dialogue for the United States. I have been participating in this dialogue with my Chinese counterparts in my capacity as the Assistant Secretary for Arms Control.

Proliferation is a common threat to the United States and China and requires common efforts. Over the past several years, the United States and China have worked hard together to further those efforts. At the same time, however, challenges remain in our nonproliferation relationship, predominantly over significant proliferation activities by Chinese entities, including some government-related entities. The Bush Administration takes such activities very seriously, and does not hesitate to make its views known to Beijing, or to implement U.S. sanctions laws against Chinese entities that engage in such activities. We have candidly urged China to strengthen its laws, commitments and export controls, and to take more vigorous action to enforce its regulations against proliferation.

Our longstanding practice of imposing sanctions against Chinese entities demonstrates the seriousness with which this Administration confronts Chinese proliferation-related activities. The Administration has aggressively imposed sanctions on Chinese entities under CBW and missile sanctions laws, the Iran Nonproliferation Act (INPA), the Iran-Iraq Arms Nonproliferation Act, and Executive Order 12938. In the first four years of the Bush Administration, we imposed such sanctions against Chinese entities on over sixty occasions, in contrast to the eight times sanctions were imposed on Chinese entities during the eight years of the Clinton Administration. As President Bush stated regarding sanctions we imposed earlier this year, "The (Chinese) have heard us loud and clear. We will make sure to the best extent possible they do cooperate. We'll make it clear not only to China but elsewhere that we'll hold you to account -- we want to have friendly relations but do not proliferate."

Our bottom line is this: while Beijing has taken important steps to strengthen its nonproliferation laws and policies, more work remains to be done by Beijing toward effective and consistent implementation and enforcement of its laws and policies. Unacceptable proliferant activity continues. Until China's nonproliferation policies and practices fully meet international standards, the United States will continue to encourage China at high levels and through diplomatic channels to move its policies in the right direction, while using sanctions to deter further proliferant activities by Chinese entities.

While China's nonproliferation behavior remains problematic, China has taken some important steps within the past two years to improve its nonproliferation commitments. In December 2003, China issued its first White Paper on nonproliferation -- the first authoritative and comprehensive articulation of China's international nonproliferation commitments and its nonproliferation policies. In doing so, China, for the first time, instituted a measure of transparency in its nonproliferation policies. The paper publicly acknowledged that China employs country specific considerations for export license approvals. Rather than basing an export license approval solely on the end-use or end-user, China also considers whether the importing country has a program for the development of WMD or missiles, whether it supports terrorism or has links to terrorist organizations, whether it has close ties to a country with a WMD program, whether it is subject to sanctions under a UN Security Council resolution, and whether it has the capability to exercise its export controls. This is in marked contrast to previous Chinese statements that country-specific considerations are inherently discriminatory.

China's progress on nuclear nonproliferation was recognized when China became one of four applicant states welcomed as new members of the Nuclear Suppliers Group (NSG) in May 2004. China has thus committed to applying the Nuclear Suppliers Guidelines to its own export control policies, including requirements for IAEA safeguards, physical protection, and retransfer consent rights. Most significantly, China has committed not to engage in nuclear supply to any state that does not have full-scope safeguards, that is, states that do not have IAEA safeguards on all nuclear material and facilities. By doing so, China effectively agreed to not enter into any new nuclear cooperation with Pakistan beyond those "grandfathered" projects that had started before its membership in the NSG: construction of the safeguarded Chasma II power reactor and supply of fuel and related services for the safeguarded reactors at Chasma, Karachi, and the research reactor at the Pakistan Institute of Nuclear Science and Technology (PINSTECH). This was a fundamental political shift for China, given the decades-long history of close Chinese-Pakistani nuclear cooperation.

Over the last year, China has also worked alongside the United States to support international nuclear nonproliferation efforts. It has supported nonproliferation initiatives at the ASEAN Regional Forum and endorsed the Asia Pacific Economic Cooperation's (APEC) efforts to introduce security issues, including nonproliferation, into APEC's work agenda. Furthermore, since joining the NSG, China has been generally supportive of proposals to enhance the effectiveness of the Group. In addition to its more recent NSG membership, for several years now China also has been a member of the

NPT Exporter's Committee, or Zangger Committee, in which it has played a positive role. China has also played an important leadership role in improving the prospects for the adoption of an important amended Convention on the Physical Protection of Nuclear Material (CPPNM). China helped to end the three-year long deadlock over CPPNM negotiations by proposing a well-received bridging amendment, which mitigated some of the controversies surrounding the original CPPNM amendment proposal.

At the same time, persistent problems include the following: continued interactions by Chinese entities with Iranian and Pakistani entities with ties to nuclear establishments; transfers by Chinese entities of items destined for Iran's chemical weapons (CW) and missile programs; Chinese entity assistance to missile programs in Pakistan; and Chinese entity supply of conventional weapons to Iran, Sudan and other areas of instability. Chinese entities have provided dual-use missile items, raw materials, and assistance that have helped Iran become more self-sufficient in the production of ballistic missiles, as well as dual-use CW-related production equipment and technology. Much of this activity is associated with the so-called "serial proliferators," that is, Chinese entities that repeatedly proliferated missile- and chemical-related items to programs of concern, as well as conventional weapons. We are particularly concerned about continued transfers of CBW- and missile-related technology by Chinese entities to Iran, despite the imposition of sanctions.

We have approached the Chinese Government at all levels with our concerns about the activities of Chinese entities and have asked the Chinese Government to closely scrutinize these entities. Their inability to take action against serial proliferations calls into question China's commitment to truly curb proliferation to certain states. One particularly problematic "serial proliferator," for example, is China North Industries Corporation, known as NORINCO. NORINCO has been particularly active in WMD-related transfers to Iran, resulting in the imposition of U.S. sanctions five times. Notwithstanding our numerous complaints to the Chinese Government about the proliferation activities of NORINCO and other "serial proliferators," such as China Precision Machinery Import and Export Corporation (CPMIEC) and Zibo Chemical, we are not aware of any actions taken by the Chinese Government to end these activities. These continuing problems and the continued need to impose sanctions against Chinese entities clearly indicate that more work remains to be done to move China toward more effective and consistent implementation and enforcement of its nonproliferation laws and policies. It is particularly mystifying as to why the Chinese authorities have been unable to halt the proliferation activities of Q.C. Chen, an individual under U.S. sanctions since 1997 who has repeatedly provided material support to the Iranian chemical weapons program.

Our policy of simultaneously engaging China in dialogue and pursuing the aggressive imposition of sanctions where required may be bearing some fruit. China has been willing to cooperate with the United States in investigating some proliferation-related transfers. In the fall of 2003, for example, Chinese authorities worked with us to interdict a shipment of chemicals bound for North Korea's nuclear program. And in the spring of 2004, China officially announced that it had imposed administrative penalties on two Chinese companies for violating China's missile and missile-related technology regulations. This was the first time that China had announced sanctions on a Chinese firm for violating Chinese export control laws. While this step of increased transparency was welcome, it is worth noting that China did not publish either the names of the punished companies nor the exact amounts fined. This underscores the fact that China still needs to take strides in bringing its export control practices in line with international norms, and we have communicated this to China.

Another encouraging indicator has been China's willingness to engage with the United States in an export control dialogue. From May 19-21, 2004, the United States and China engaged in the first comprehensive export control talks since the late 1990s. The talks focused on general export licensing, implementation, enforcement and industry outreach issues, and concluded with a nuclear-specific export control workshop. During that dialogue, the Chinese delegation admitted to some shortcomings and proposed to institutionalize regular consultations and exchanges between counterpart agencies. A follow-on Nuclear Technical Experts Export Control Workshop was subsequently held in Beijing from December 15-17, 2004. Plans to arrange a series of Nuclear Commodity Identification Workshops for Chinese enforcement personnel are ongoing.

This Administration attaches great value to further cooperation with China on export controls. In all of our meetings, the Chinese have asked thoughtful questions that demonstrated they were listening to and thinking carefully about the issues. We judge that further sustained dialogue between experts and practitioners on detailed export control issues will be particularly useful in encouraging China's movement in the right direction on export controls.

Mr. Chairman, although the North Korean nuclear issue is not the main subject of my testimony today, I am aware of the Commission's interest in the Six-Party Talks and China's role. Therefore, I would like to make a few remarks on this subject. This Administration is deeply concerned by North Korea's pursuit of nuclear weapons and the actions it has taken and the statements it has made on this issue. The North's recent public statement that it has manufactured nuclear weapons and has indefinitely suspended participation in the Six-Party Talks only serves to further isolate it from the international community and runs counter to the efforts of the other parties concerned. The recent North Korean statement also reflects a history of North Korean disregard for its international commitments and obligations. For these reasons, the United States continues to call for the permanent, thorough and transparent dismantlement of North Korea's nuclear program that would result in a complete, verifiable and irreversible end to the D.P.R.K.'s nuclear program. Dismantlement would have to include the D.P.R.K.'s uranium enrichment program – the existence of which the D.P.R.K. continues to deny, despite earlier admissions of such a program in October 2002 and evidence of assistance by A.Q. Khan to that program.

The Six-Party Talks are the best opportunity for North Korea to chart a new course with the international community. We have repeatedly expressed our readiness to return to the table without preconditions and hope North Korea will reconsider its recent statements and return as well.

The United States has insisted on the Six-Party format for discussing this problem in order to underscore to Pyongyang that its pursuit of nuclear weapons is not a bilateral issue between the United States and the D.P.R.K., but a matter of great concern to its neighbors in East Asia and, indeed, to the entire world. China has made important contributions as host and coordinator of the Six-Party Talks, and has been an active participant in working groups and formal plenary discussions. Since North Korea's announcement to suspend its participation in the Talks indefinitely, China has been actively engaged with all Six-Party members to secure an early resumption of the talks. Like the United States, China is publicly committed to ending the North's nuclear ambitions permanently and has said that it will continue to do its part to seek a peaceful settlement of the nuclear issue and a lasting peace on the Korean Peninsula.

We think it imperative, however, that China bring to bear the full weight of the significant influence it has with North Korea in order to secure the furtherance of our common goals: an end to all of North Korea's nuclear program in a permanent and verifiable way. China's constructive role as host and facilitator of the Six-Party Talks needs also to include a substantial leadership role in ending North Korea's nuclear program.

Mr. Chairman and members of the Commission, let me conclude by reiterating that nonproliferation has become an area of increasing cooperation between the United States and China, as exhibited by our cooperation on the North Korea nuclear issue. Indeed, proliferation is a common threat and requires common efforts. But, while China's nonproliferation record is gradually developing in a positive direction and the United States will continue to take proactive measures to encourage that development, I believe that I have made clear today that China still poses many proliferation challenges. There are implementation issues. There are enforcement issues. China needs to do a consistently better job in identifying and denying risky exports, seeking out potential violators, and stopping problematic exports at the border.

These issues matter to us because China's success in ending proliferation by Chinese entities is critical to ensuring that weapons of mass destruction do not end up in the hands of terrorists or rogue states prepared to use them. In the meantime, the Bush Administration will continue to pursue an

aggressive sanctions policy and will utilize other nonproliferation tools as necessary to ensure U.S. national security and that of our friends and allies. We are making progress with China, but there is much more to do.  
Thank you.

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