



Conference on Global Perspectives of the Proliferation Landscape: An Assessment of Tools and Policy Problems

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Introduction

I appreciate the invitation to provide some remarks to the fifth annual Monterey nonproliferation seminar. I want to thank the Naval Postgraduate School's Center for Contemporary Conflict, and its Co-Director, James Russell, for organizing this seminar and for establishing a legacy of focused attention on the problems of counterproliferation. It is appropriate that we also acknowledge the sponsorship of the Defense Threat Reduction Agency's Advanced Systems and Concepts Office.

Professor Russell asked me to discuss U.S. non- and counter-proliferation policies, and the role of the Bureau of International Security and Nonproliferation in coordinating international efforts to construct a so-called "defense in depth" against the proliferation of weapons of mass destruction. So, I will say something about our perceptions of today's security landscape, how that landscape has changed since the end of the Cold War, what we see as the main security challenges in this new era, and how we have adapted our strategies, programs, and tools to address these challenges.

Today's Proliferation Challenges

Combating the proliferation of weapons of mass destruction is one of this administration's highest national security priorities. President Bush has said on a number of occasions that we must keep the world's most dangerous weapons out of the hands of the world's most dangerous regimes, including out of the hands of terrorists. The world has changed since the end of the Cold War, requiring a new set of policies and tools to address this threat.

On the positive side, the United States and Russia are focused more on identifying mutual interests than strengthening mutual deterrence. The challenge is not building nuclear weapons but managing the legacy of excess nuclear stockpiles and ensuring that dangerous materials do not leak into the black market and go to the highest bidder.

Unfortunately, though, more states are pursuing the capacity to develop and deploy the full range of weapons of mass destruction. We have seen North Korea conduct a nuclear weapons test and sell ballistic missiles to whomever will pay. We have seen Iran work to develop the capability to enrich uranium even as it develops advanced ballistic missiles and engaged in nuclear weapons development activities. We have seen Syria come close to completing a nuclear reactor that could have produced plutonium for nuclear weapons, and serve as the transfer point for arming Hezbollah with rockets used to attack Israel and destabilize Lebanon.

As these repressive governments pursue nuclear weapons and other WMD capabilities, responsible states feel increasing pressure to pursue their own weapons programs to protect themselves, raising concerns of a cascade of nuclear proliferation and the undermining of the Nuclear Nonproliferation Treaty (NPT). This prospect multiplies the risk of what so many of our nations have worked for decades to prevent: a nuclear arms race in the Middle East, and other regions of tension.

Moreover, we are acutely aware that nation-states are not the only proliferation risk we face -- non-state actors are active on both ends of the supply chain. We face increased threats from terrorist groups seeking nuclear, chemical, biological, and radiological weapons -- and many more methods of delivery. And we see an increase in non-state actors who facilitate these aspirations through both illicit activities and manipulation of the global trading and financial system.

Meeting Today's Challenges

From its earliest days in office, this Administration has emphasized that WMD proliferation is the major security threat of the 21st Century, and requires a new, comprehensive strategy. That is not to say that traditional nonproliferation approaches are no longer valuable -- we still rely upon the NPT, the CWC, BWC and arms control agreements as pillars in combating the spread of WMD. However, we continue to expand our approaches and develop new tools to adapt to today's changing threats. In 2002, the Administration issued two documents that are the foundation of our policy for dealing with these new threats. In these documents -- The National Security Strategy of the United States, and the National Strategy to Combat Weapons of Mass Destruction -- the President expanded on the requirements to meet today's evolving threats and the tools we would marshal against them.

The President's new approach -- the first of its kind to unite all elements of national power in countering the full spectrum of WMD threats -- dramatically expanded U.S. nonproliferation efforts and also put new emphasis on counterproliferation activities and consequence management.

The administration's approach consists of three pillars, or objectives:

- 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.

Steven Hadley, the President's National Security Advisor, recently laid out how the Administration has used this strategy to address six main challenges we face today. These challenges are:

- Securing the potential sources of weapons of mass destruction.
- Dismantling the facilitating networks that could supply dangerous weapons to rogue states and terrorists.
- Interdicting illicit transfers of dangerous weapons, materials, technology, and knowledge as they move through the avenues of global commerce: land, sea, air and cyberspace.
- Disrupting terrorists efforts to acquire WMD materials and to turn them into the weapons of terror.
- Strengthening our defenses against a potential WMD attack.
- Deterring the use of these weapons against any of our nations.

I'd like to walk through some of the programs and tools that the Department of State has put in place to address each of these challenges.

The Tools We Have Developed to Combat the New Threats

The first key challenge mentioned by Steve Hadley is securing the potential sources of weapons of mass destruction.

The hallmark of previous U.S. efforts has been the Nunn-Lugar Cooperative Threat Reduction programs. This Administration has built on the success of these programs, and undertaken new initiatives and efforts to expand work in this area not only by the United States but also our international partners. I'll mention a few areas of this work that have produced impressive results.

In 2002, we worked closely with our G-8 partners and announced the Global Partnership, by which our partners committed to provide an additional \$10 billion to eliminate WMD over ten years to match the \$10 billion the United States had committed to spend. We also enhanced the scope of these programs, greatly increasing the level of effort in important new areas such as securing dangerous bio pathogens, and expanded the geographic scope of programs, looking for example to engage and redirect WMD and missile scientists in programs worldwide as part of the global war on terrorism.

In addition, the United States launched the Global Threat Reduction Initiative (GTRI) in 2004 at the IAEA. GTRI has brought together and accelerated a number of programs whose mission is to reduce, protect, or remove vulnerable nuclear and radiological materials located at civilian sites worldwide. To date, more than 50 HEU-fueled research reactors worldwide have been converted to LEU under GTRI; 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 kg of spent HEU fuel have been repatriated to Russia -- in total, removing material that would have been enough for many dozens of improvised nuclear devices. In addition, more than 15,000 U.S.-origin radiological sources have been removed from sites around the world, and over 600 sites using radiological materials have been given security upgrades. GTRI's budgets now exceed \$150 million annually and are growing steadily through strong bipartisan support in Congress.

Peaceful nuclear energy programs in and of themselves 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, these sensitive technologies can be used in the manufacture of nuclear fuel but they can also be used to make a bomb. In order to enjoy the benefits of peaceful nuclear power, countries do not 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 (the IAEA), to ensure that countries with peaceful nuclear programs will have reliable access to nuclear fuel at a reasonable cost, thereby eliminating any rational economic incentive for acquiring enrichment or reprocessing capabilities. We recently signed Memorandum of Understanding with the UAE, Jordan, Saudi Arabia, and Bahrain, in which each of the 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, the 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. We are also working with the IAEA to set up a reliable fuel mechanism under its auspices. Over the longer term, the members of the Global Nuclear Energy Partnership (GNEP) are pursuing advanced fuel cycle technologies that would recycle spent reactor fuel without separating plutonium.

As a second key challenge is the importance of dismantling the facilitating networks that could supply dangerous weapons to rogue states and terrorists.

With advances in economic integration and significant growth in the volume and speed of international travel and trade, proliferation support networks now find it easier to transfer sensitive items globally, and it is becoming more challenging for governments to monitor and control these transactions. That is why it is critical that we have worked with our international partners to disrupt and impede the operations of WMD proliferators and their supporters; to isolate proliferators financially and commercially by denying them access to the international financial system; and to expose proliferators' activities publicly and warn unwitting facilitators globally.

To that end, President Bush challenged the United Nations Security Council to address the need for all states to put in place appropriate laws and measures to stop all aspects of proliferation within their jurisdictions. The Security Council subsequently adopted Resolution 1540 placing broad-based requirements on all nations to criminalize proliferation. Already, the resolution has been used to augment export control standards around the world, and through the UN Security Council 1540 Committee states are assessing their own laws, gaps in their nonproliferation standards, and areas for enhanced cooperation and assistance.

An important area of work to disrupt and impede networks and their facilitators has been in the financial area. Similar to international criminal networks, proliferation support networks operate for financial gain and depend on the international financial system to carry out transactions and business deals. These networks are highly vulnerable to public exposure and the disruption of financing and support. UNSCR 1540, as well as UNSCR 1718 relating to North Korean and UNSCRs 1737, 1747 and 1803 relating to Iran contain provisions that request that States to deny proliferators and their supporters access to financing and other services of the financial system.

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. This has had a significant impact on the readiness of financial institutions to take a harder look at their customers and their exposure to risk should they support proliferation activities like those referenced in UN Security Council Resolution 1540. To date, the U.S. has designated 52 entities and 12 individuals under E.O. 13382, including entities from Iran, North Korea and Syria. These entities should no longer be able to claim legitimacy, nor access to the international financial system. We have also worked with the Financial Action Task Force (FATF) as it has addressed proliferation finance and issued guidance on implementing targeted financial sanctions required by UN resolutions.

As a result of these multilateral initiatives, many responsible financial institutions around the world have taken a closer look at their own operations, and decided to cease providing enabling environments for entities involved in proliferation and other illicit financial activities. We believe the asset freezes and other financial-related vigilance called for by the UNSC are also having an impact on Iran's ability to conduct business as usual and hopefully will help prompt Iran to reconsider its nuclear posture. 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 take steps to ensure that the private sector ceases any dealings with these entities.

The U.S. and other countries have also worked hard to shut down the A.Q. Khan network. The final chapter has yet to be written. Information about how the network operated continues to become available as countries pursue prosecution of Khan associates. We continue to work with countries to close loopholes exploited by the network so other proliferators do not follow the same model. 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 undetected for so long are completely closed.

That brings me to the third key challenge -- interdicting and halting illicit transfers of dangerous weapons, materials, technology, and knowledge.

The AQ Khan network's activities, and failed interdictions like the So San carrying scud missiles from North Korea to Yemen, taught us that we needed to have a broad partnership of nations prepared to act against proliferation networks and their trade activities if we were to succeed at impeding and deterring proliferators. 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, that are prepared to work cooperatively to stop shipments of proliferation concern.

In addition to actual interdictions, the PSI'S greatest success lies in the way it has helped shape the international environment to enable interdiction of WMD and related materials. 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, and Panama. 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.

- 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.

In addition to the PSI, we continue to rely upon and augment the work of the various international nonproliferation regimes (Australia Group, Missile Technology Control Regime, Nuclear Suppliers Group, and the Wassenaar Arrangement). Through broad outreach efforts, more countries are members of nonproliferation and export control regimes than at any point in history. The regimes have found better and smarter ways to make it more difficult, costly and time consuming for proliferators to acquire the expertise and materials needed to advance their programs. Their efforts have caused delays, forced proliferators to use elaborate procurement networks, and compelled them to use older, less reliable technology. This in turn buys us time to enhance our abilities to defend against the proliferation threat, smoke out proliferators and terrorists, and seek to address the underlying reasons proliferators seek these capabilities in the first place.

Over the past 20 years, the MTCR has become increasingly focused on steps to impede non-member missile programs – not just MTCR countries controlling their own exports. MTCR countries regularly exchange information on proliferation threats and trends, and have cooperated to halt numerous shipments of proliferation concern. The MTCR Guidelines and Annex have become the established standard for responsible missile nonproliferation behavior, and they regularly update the MTCR Annex to keep pace with proliferant procurement and technological advances.

For the last 17 years, the Nuclear Suppliers Group has proved a remarkably effective mechanism for strengthening the international guidelines that govern the export of nuclear materials, equipment, and technology. The NSG continues to consider ways to strengthen its guidelines and control lists to meet current proliferation concerns including recent agreement on nuclear trigger list updates for control of equipment and technology related to uranium enrichment. The NSG is currently engaged in intensive discussion on strengthening controls over transfers of enrichment and reprocessing facilities, equipment and technology.

An export control mechanism specifically focused on the nonproliferation of chemical and biological weapons, the Australia Group, provides an impressive array of controls. AG members control 63 dual-use chemical precursors, 114 pathogens and toxins that affect humans, livestock, animals, and/or food plants. Controls also extend to the dual-use production equipment for these chemicals and pathogens. In addition to export controls, the AG members exchange intelligence and coordinate policies on nonproliferation of chemical and biological weapons. In the coming years, the AG will need to increase its focus on emerging technologies as well as intangible technology transfers.

The Wassenaar Arrangement prevents destabilizing accumulations of conventional weapons and related dual-use goods and technologies, and promotes transparency through regular reports on transfers of munitions items in eight categories derived from the UN Register of Conventional Arms, and on certain sensitive dual-use goods and technologies. This transparency helps Wassenaar Arrangement members identify acquisition patterns that suggest emerging threats to regional and international peace and security and potentially destabilizing accumulations. Transparency promotes responsible arms transfers, as countries have an interest in ensuring that transfers appear reasonable when subjected to international scrutiny. Recently, Wassenaar participating states have placed increased emphasis on halting illicit transportation of small arms and light weapons and improving security for MANPADS.

The fourth key challenge is disrupting terrorists efforts to acquire WMD materials and to turn them into the weapons of terror.

To support our counterterrorism efforts, we have worked to expand international resolve and capabilities to prevent access to nuclear materials by terrorists and to develop the ability to respond to terrorist efforts to develop or use nuclear or radiological materials. To this end, the Department spearheaded the Global Initiative to Combat Nuclear Terrorism, which currently consists of 71 partner nations committed on a voluntary basis to combat the threat of nuclear terrorism by building partner nation capacity across the elements of physical protection, detection, search/confiscation, denial of safe haven, law enforcement, response and investigation.

A hallmark of the Global Initiative is its Work Plan, which includes a range of activities involving experts from the partnership nations. Most recently, the Spanish hosted a table-top exercise that brought together cross-cutting expertise from the law enforcement, intelligence, diplomatic, counter-terrorism and counter-proliferation disciplines to work through real-life scenarios. The United States has led an effort through the Plan of Work to develop model guidelines for nuclear detection, to include capacity building programs run by the Departments of Homeland Security and Energy. The Fourth Meeting of the Global Initiative partner nations will be June 16-18 in Madrid, Spain at which we hope to deepen participation by all partner nations by emphasizing the importance of deterrence, denial of safe haven, nuclear detection, and exercises, and work to more fully integrate the private sector and state/local governments into the mission of combating nuclear terrorism.

The State Department has also led the way in creating a Nuclear Smuggling Initiative, with particular focus to date in Central Asia. This effort is a complement to the Global Initiative, and creates a framework for enhanced bilateral cooperation with key countries. Within this framework, programs funded by State and DOE, as well as some multilateral donors, help build capacity in countries most likely to be the target of nuclear smuggling activities.

The fifth challenge is strengthening our defenses against a potential WMD attack.

In the last 30 years the number of states possessing ballistic missiles has increased from 9 in 1972 to more than two dozen today. One element of our multi-faceted approach to address this growing threat is missile defense. Missile defenses strengthen deterrence. 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 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. We activated our missile defense system for the first time. This allowed us to stabilize the situation, instead of potentially contributing to the crisis by moving forces into the area. We have seen significant growth in the number of countries pursuing missile defenses. 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. The recent strong statement at the NATO Summit in Bucharest in support of missile defense cooperation will serve as a basis for deepening transatlantic cooperation.

We also are actively working with our friends and allies to prepare for and respond to the release of chemical, biological, radiological or nuclear materials overseas. Our objectives in preparing for foreign consequence management are supported through NATO and U.S. Defense Department exercises, and international conferences and seminars like those of the Global Initiative.

Finally, the sixth key challenge is seeking to deter the use of these weapons against any of our nations.

A declaration of our policy backed up by credible action is essential to maintaining a strong disincentive for nations, or terrorists, to use nuclear weapons. In recent statements by Steve Hadley, he has reaffirmed elements of the 2002 Security Strategy, and elaborated the consequences of supporting those who might support terrorist acquisition of WMD. The U.S. deterrence policy is built on the proposition that deterrence can be strengthened if we can deny the benefits that possession of weapons of mass destruction are supposed to bring, and change the calculation of states, organizations, and individuals who might use WMD or assist terrorists in obtaining or using WMD. Detering terrorists is a challenging proposition, and terrorists themselves may not be deterrable, but those whom they depend on for assistance may well be. However, many terrorists value the perception of theological legitimacy for their actions. By encouraging debate over the morality of WMD terrorism, we can try to affect the strategic calculus of the terrorists and discourage them from resorting to these weapons.

The United States has made clear for many years that it reserves the right to respond with overwhelming force to the use of weapons of mass destruction against the United States, our people, our forces, and our friends and allies. In recent statements, we have also made clear that the United States will hold any state, terrorist group, or other non-state actor or individual fully accountable for supporting or enabling terrorist efforts to obtain or use weapons of mass destruction -- whether by facilitating, financing, or providing expertise or safe haven for such efforts.

Conclusion

I would like to close by saying that the international community is becoming increasingly sophisticated in how it applies new tools to combat international security threats. This new era requires that governments and private sectors work together in close collaboration along with international partners to proactively seek out threats to international security and ensure that such threats are effectively isolated. The security situation we face today is more complicated and requires flexible and targeted responses to the threats we face while protecting the integrity of the international commercial and financial system that underpins our way of life. States like Iran, North Korea, and Syria and terrorist organizations that seek weapons of mass destruction are adapting to our best efforts to stop them, and so we must develop and implement innovative tools and approaches to deter, detect, and defeat them.

But innovation alone will not win this fight. As Secretary Rice has articulated in her vision of transformational diplomacy, we must strengthen our partnerships – new and old – and ensure that we share a common vision of the threats we must address and maximize our tools to address these threats. Only then will we be capable of succeeding in our fight against weapons of mass destruction in the twenty-first century.

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