LOOSE NUKES, BIOLOGICAL TERRORISM, AND CHEMICAL WARFARE: USING RUSSIAN DEBT TO ENHANCE SECURITY

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CONTENTS

Page

WITNESSES

The Honorable Ellen O. Tauscher, a Representative in Congress from the State of California 7
The Honorable Alan P. Larson, Under Secretary for Economic, Business, and Agricultural Affairs, U.S. Department of State 13
James L. Fuller, Ph.D., Director, Defense Nuclear non-proliferation Programs, Pacific Northwest National Laboratory 20
Charles B. Curtis, President, The Nuclear Threat Initiative 25
Constantine Menges, Ph.D., Senior Fellow, Hudson Institute 37

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

The Honorable Henry J. Hyde, a Representative in Congress from the State of Illinois, and Chairman, Committee on International Relations: Prepared statement 2
The Honorable Ellen O. Tauscher: Prepared statement 10
The Honorable Alan P. Larson: Prepared statement 14
James L. Fuller: Prepared statement 22
Charles B. Curtis: Prepared statement 27
Constantine Menges: Prepared statement 41

APPENDIX

The Honorable Joseph R. Biden, Jr., a U.S. Senator from the State of Delaware: Prepared statement 65
The Honorable Richard G. Lugar, a U.S. Senator from the State of Indiana: Prepared statement 67
The Honorable Christopher H. Smith, a Representative in Congress from the State of New Jersey: Prepared statement 69
The Honorable Earl Blumenauer, a Representative in Congress from the State of Oregon: Prepared statement 69

LOOSE NUKES, BIOLOGICAL TERRORISM, AND CHEMICAL WARFARE: USING RUSSIAN DEBT TO ENHANCE SECURITY

THURSDAY, JULY 25, 2002

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Committee met, pursuant to call, at 10:50 a.m. in Room 2172, Rayburn House Office Building, Hon. Henry J. Hyde presiding.

Chairman HYDE. The Committee will come to order. The collapse of the Soviet Union heralded a new era, liberating hundreds of millions from the chains of annihilation. But this miraculous event was not an unalloyed good. Throughout its 7 decades, the Soviet Union operated as a gigantic war machine, its economy, energies, and resources devoted to creating the means for the destruction of its endless enemies. The world has inherited the massive arsenal left behind and, with it, a mortal threat.

For well over a decade, we have been alert to the dangers posed by the combination of this deadly legacy and the frayed guarantees of its continued control. To secure these weapons and materials and the vast infrastructure that made possible their creation and manufacture, we have invested billions of dollars and tremendous effort, and there are many successes to report. But the task is far from over and is made more urgent by the efforts to terrorists and rogue states alike to secure access to weapons of mass destruction. The smallest gaps in our defenses can have unimaginable consequences, and the first and most important line in our defense must be to prevent that access from occurring.

Given this very real threat, we must focus our attention on devising the most effective means to counter it. There are many factors to consider, among them the lessons learned from our non-proliferation programs to date, the degree to which we can persuade our allies to share responsibility for addressing a problem that threatens us all, and the extent to which the cooperation of the Russian government is likely to be forthcoming. I confess that this latter question causes me great concern. Russia's record of cooperation in our existing non-proliferation programs is far from perfect, despite the commitments and assurances received or mandated by the agreements that established them.

Far more disturbing is the problem of Russia's continuing proliferation of weapons, materials, and know-how to states such as Iran and China. Clearly, if we are to be successful in preventing

the world from becoming an even more dangerous place, we must receive the cooperation of our friends and allies in all areas of concern, not simply those demarcated by U.S. funding.

It is for these and other reasons that we have called today's hearing on the proposal to use Soviet-era debt to the United States to advance our non-proliferation efforts. The financial aspects of this innovative proposal are of considerable interest in themselves, and I look forward to a discussion of their merits and implementation. But of far greater importance is the degree to which this funding mechanism can have a positive influence on the broad range of factors I mentioned earlier.

We have time to consider and weigh our options, but we have none to waste. Delay and indecision can only increase the risks we confront. The threat may seem distant and abstract, but we cannot allow the absence of crisis to lull us into a deceptive sleep, for then we would be certain to be awakened by a sudden alarm, one announcing the arrival of a new and darker era.

It is my hope that our discussions here today will equip us with the means to avoid that fate and to allow us to make secure our future and that of the entire planet as well and I am now pleased to yield to the distinguished Ranking Democrat on the Committee, Mr. Tom Lantos.

[The prepared statement of Chairman Hyde follows:]

PREPARED STATEMENT OF THE HONORABLE HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS

The collapse of the Soviet Union heralded a new era, liberating hundreds of millions from the chains of dictatorship and the threat of annihilation. But this miraculous event was not an unalloyed good. Throughout its seven decades, the Soviet Union operated as a gigantic war machine, its economy, energies, and resources devoted to creating the means for the destruction of its endless enemies. The world has inherited the massive arsenal left behind and, with it, a mortal threat.

For well over a decade, we have been alert to the dangers posed by the combination of this deadly legacy and the frayed guarantees of its continued control. To secure these weapons and materials and the vast infrastructure that made possible their creation and manufacture, we have invested billions of dollars and tremendous effort, and there are many successes to report. But the task is far from over and is made more urgent by the efforts of terrorists and rogue states alike to secure access to weapons of mass destruction. The smallest of gaps in our defenses can have unimaginable consequences, and the first and most important line in our defense must be to prevent that access from occurring.

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I confess that this latter question causes me great concern. Russia's record of cooperation in our existing non-proliferation programs is far from perfect, despite the commitments and assurances received or mandated by the agreements that established them. Far more disturbing is the problem of Russia's continuing proliferation of weapons, materials, and know-how to states such as Iran and China. Clearly, if we are to be successful in preventing the world from becoming an even more dangerous place, we must receive the cooperation of our friends and allies in all areas of concern, not simply those demarcated by U.S. funding.

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It is my hope that our discussions here today will help to equip us with the means to avoid that fate and to allow us to make secure our future and that of the entire planet as well.

Mr. LANTOS. Thank you very much, Mr. Chairman. There are few issues more important than preventing the spread of nuclear, chemical, or biological materials and agents from falling into the hands of either terrorists or nations that support terrorism. We have all been sensitized to the vast and incalculable consequences of an attack on an American or European city by terrorists using even a crude and improvised nuclear weapon or radioactive conventional explosives, the so-called "dirty bombs." Terrorist chemical or biological attacks would sow great panic, create severe economic hardship, and depending on the ingenuity of the attack, could result in hundreds, thousands, or a much vaster number of Americans killed and injured.

We have been warned many times that it is absolutely critical that we and other nations invest significantly greater resources with much greater urgency to safeguard these materials and agents in the states of the former Soviet Union. Parenthetically, Mr. Chairman, I have been going to the Soviet Union since 1956 on a fairly regular basis, and if there is anything that keeps me awake at night, it is the sloppy, utterly unreliable, utterly non-nuclear conventional housekeeping everywhere in the Soviet Union and now in Russia. If the finest Soviet hotels cannot sweep their rugs, which is not an overly complex technological feat, how they keep this incredible range of weapons and materials under water-tight control escapes my comprehension. So the issue you have chosen to devote this hearing to is extremely important, and I want to compliment you.

In January of last year, a blue-ribbon panel headed by Lloyd Cutler and Howard Baker, two distinguished Americans and good friends, declared that an investment of $30 billion over 10 years was necessary just to deal with the unsecured Russian nuclear material and technology. At long last, we are beginning to awaken to this enormous task. I think the Administration deserves credit in proposing its 10+10 over 10 concept in which we would spend $10 billion, and our European friends would spend $10 billion over a 10-year period to deal with this issue.

Today's hearing is on one of the more innovative ideas to support our non-proliferation security, establishing a program to convert Soviet era debt to the United States and other members of the Paris Club into new resources for securing former Soviet nuclear, chemical, and biological materials. I note with interest that the G–8 recently endorsed the concept of debt conversion as a possible means to implement this 10+10 over 10 commitment.

As the events of September 11th have made crystal clear, we no longer have the luxury of making incremental policy and program adjustments to safeguard our security. We must move both swiftly and boldly, and proposals such as debt relief for non-proliferation

is an example of innovative thinking we must have. I urge the Administration, Mr. Chairman, to move quickly to bring such a program to swift fruition, and I want to commend our most distinguished colleague, Congresswoman Tauscher, my good friend and fellow Californian, who in a very brief period of time has made herself one of the leaders in Congress in dealing with national security issues. She is the quintessential good public servant dealing with the most important issues of our age, and I am delighted she is our first witness.

Chairman HYDE. Thank you very much, Mr. Lantos. Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman. I want to commend you for holding today's hearing. It is vitally important that we are exploring ways to prevent the proliferation of weapons of mass destruction, and we welcome the gentlelady from California, Ms. Tauscher, as our first witness. I know that she has had a long-term commitment to this issue.

On September 11th, the lives of virtually every American man, woman, and child changed forever in our nation. Those barbaric attacks brought us to the realization that no one is immune from wanton acts of terrorism. Yet as horrifying as those terrorist attacks were, the damage and casualties could have been much greater if the terrorists had used weapons of mass destruction such as nuclear, chemical, radiological, or biological weapons.

We are all fully aware of the destructive potential of those weapons of mass destruction and the efforts of Osama bin Laden and al Qaeda who would try to acquire them. The only practical way for them to obtain the materials to build a nuclear, radiological, chemical, or biological weapon is to buy or steal the materials necessary to build one from a state that already has such weapons. Russia remains the world's largest warehouse of weapons of mass destruction, in particular, nuclear weapons and materials, much of it poorly protected.

Russian facilities housing weapons-grade nuclear and biological materials receive very low funding, lack trained security personnel, and do not have sufficient equipment for securely storing such material. Weapons-grade and weapons usable nuclear materials have been stolen from some Russian institutes. There is also little doubt that undetected smuggling has occurred, although we are unable to deduce the extent of such thefts. And while our nation continues to assist Russia in safeguarding and improving security at facilities housing weapons of mass destruction through the cooperative threat reduction program and the U.S. Department of Energy's material protection, control, and accounting program, many risks still remain. Russian housing facilities remain highly vulnerable to a well-planned and executed terrorist attack or infiltration.

And since Russia is a valuable partner in our war on terror, it is imperative that we assist it in improving the security of weapons usable materials. The Russian Federation Debt Reduction for Nonproliferation Act of 2002 is one such measure. That act establishes within the Department of the Treasury the Russian non-proliferation investment facility for the purpose of providing for the Administration of Soviet era debt reduction and authorizes the President to reduce the amount of outstanding Soviet era debt owed by the

Russian Federation to our nation for the purpose of facilitating debt-for-non-proliferation exchanges.

Mr. Chairman, in closing, I would like to thank our witnesses for taking the time and effort to help us with their knowledge and experience today, and I hope this hearing will provide greater insight into the Russian Federation Debt Reduction for Nonproliferation Act and the actions that our Administration and Congress can take to help Russia in enhancing the safeguards and securing the facilities housing their weapons of mass destruction. Thank you, Mr. Chairman.

Chairman HYDE. Thank you. The gentleman from California, Mr. Schiff.

Mr. SCHIFF. Mr. Chairman, I want to thank you for holding this very important hearing today to address ways to reduce the threat weapons of mass destruction pose to the United States, and I want to thank our colleague from California for her leadership on this issue and welcome.

Eleven years ago, the Nunn-Lugar Cooperative Threat Reduction Program (CTR) was born out of a necessity to ensure that the nuclear arsenal of the Soviet Union would not fall into the wrong hands as the Soviet Empire was coming apart. Throughout the latter half of the Cold War, the Soviet and U.S. camps had achieved mutually assured destruction capability, resulting in an uneasy yet stable security. The enemy was clear and identifiable. However, the demise of the Soviet Empire ushered in a new, post-Cold War period with unclear and unidentifiable threats and a new and very real sense or urgency, instability, and insecurity.

In the 11 years since, while much has been done to dismantle Russia's and the former Soviet Republic's nuclear weapons, the dangers persist, and in the post-September 11th world the threat is clear and tangible. In addition to the traditional nuclear weapons proliferators such as North Korea and China, countries such as Libya, Iran, Iraq, and stateless terrorist organizations such as al Qaeda are actively in search of nuclear weapons technology and materials. It is this latter type of threat, the unclear, mobile, and not easily identifiable source of threat, that compels us to continue and increase our efforts to secure Russia's nuclear materials.

Nunn-Lugar CTR has made significant achievements in reducing threats from the former Soviet Union. However, continuing economic and social weaknesses in Russia, coupled with an eroding early warning system, poorly secured nuclear, chemical, and biological weapons and materials, and poorly paid Russian weapons scientists and security personnel increase the threat of mass destruction on an unprecedented scale, especially if these materials fall into the hands of terrorists or rogue nations.

Now more than ever we must make a fundamental shift in the way we think about nuclear weapons, the spread of weapons of mass destruction, and our national security. Using Russia's debt to the United States as a funding mechanism for programs addressing the inadequate security of Russian weapons stockpiles is an innovative approach. The Russian Federation Debt Reduction for Nonproliferation Act, which I was pleased to coauthor with Ms. Tauscher, Mr. Green, and Mr. McHugh, will provide mechanisms to forgive the repayment of the $3.7 billion in loans and credits

owed to the United States by Russia in exchange for cooperation with U.S. efforts in Russia to monitor and reduce weapons usable nuclear material, nuclear and other weapons of mass destruction and the facilities where they may be built.

Securing Russia's nuclear arsenal is a massive challenge but not an impossible one. While the costs of a terrorist attack on the United States involving Russian expertise or involving smuggled Russian nuclear, chemical, or biological materials are potentially staggering, funding for the simple measures that can prevent these attacks is both sensible and urgent. The use of this important funding mechanism could accelerate the progress in reducing these threats to the United States' security and help the Russian Federation secure its weapons stockpile.

Thank you again, Mr. Chairman. Thank you, Ms. Tauscher, for your leadership, and I look forward to hearing from our distinguished panels.

Chairman HYDE. Thank you, sir. The gentlelady from the 1st District of Virginia.

Ms. DAVIS. Thank you, Mr. Chairman. I would just like to welcome my colleague from Armed Services and look forward to hearing her testimony. Thank you.

Chairman HYDE. Thank you, Ms. Davis. The gentleman from Wisconsin, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman. I would merely associate myself with the remarks of my colleague from California, and I, too, look forward to the testimony and the full discussion of this issue. Thank you.

Chairman HYDE. At this time I would like to note that Mr. McHugh, Mr. Schiff, and Mr. Green of our Committee are cosponsors of H.R. 3836, the "Russian Federation Debt Reduction for Nonproliferation Act of 2002," and we want to thank them for their valuable work on this important issue. And now, Mr. Chabot, if you have an opening statement.

Mr. CHABOT. Thank you, Mr. Chairman. I will be very brief. I look forward to the gentlelady's testimony here this morning, and I agree with many of the things my colleagues have already stated, particularly the importance in not allowing these weapons to get into the hands of those who wish this country ill. We have to do everything we can to make sure that does not happen.

I have to, however, acknowledge that I am not a big fan of forgiveness of debt under any circumstances, whether it is Third World nations, whether it is Africa, whatever, for a whole range of issues but principally for the reason that you basically invite future instances of countries getting debt and just expecting that it is going to be forgiven. So the repayment to us goes down toward the bottom of the list when a country is deciding what it is going to do with its limited assets and limited resources. So for that reason, I generally in the past have opposed proposals in which we are going to forgive debt, but I am certainly willing to listen. I would thank the gentlelady for putting thought and effort into this proposal, but I have to state that I am generally going to be fairly skeptical of this because I am not a big fan of forgiving debt under any circumstances.

Chairman HYDE. If I might leap into this mini-discussion, it seems to me this is not a straight forgiveness—this is a trade-off. What we are trading off for is, it seems to me, pretty worthwhile, so I would ask my good friend to kindly listen to it with an open mind, and I know you will.

Mr. CHABOT. And I will certainly keep a semi-open mind, especially since the Chairman has requested that.

Chairman HYDE. I hope we can elevate that to a quasi-open mind.

Well, I want to welcome our first witness, Representative Ellen Tauscher from the great state of California. Currently serving her third term, she sits on the Armed Services Committee and is the senior Democrat on the congressional panel overseeing the National Nuclear Security Administration, the Federal agency that manages the U.S. nuclear weapons program. Ms. Tauscher also has the distinction of being the only Member of Congress to have two national defense laboratories—Lawrence Livermore and Sandia California—in her district. We are very happy to have you with us today, and please proceed. If you can confine your statement to 5 minutes, give or take, and then your whole statement will be made a part of the record. Ms. Tauscher.

STATEMENT OF THE HONORABLE ELLEN O. TAUSCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. TAUSCHER. Thank you very much, Mr. Chairman, Ranking Member Lantos, friends on the Committee, and colleagues. I would like to thank you for the opportunity to testify before your Committee on the issue of debt for non-proliferation.

Mr. Chairman, I know that this is not a new issue to you, and I commend you for holding a hearing on what I believe would be a powerful tool in improving the security of the United States and strengthening our relationship with Russia. I would also like to recognize the support of my colleagues on this Committee, John McHugh, my good friend and fellow Californian Adam Smith, and Mark Green, who have worked with me on debt-for-security legislation.

And the timing of this hearing could not be better. The May 24th arms agreement with Russia and the G–8 Summit in Canada this June together provide a critical framework for U.S.-Russia relations that emphasizes increased economic security and cooperation, and identifies preventing the spread of weapons of mass destruction as a top priority for both countries. Secretary Powell called the Moscow Treaty an important element of a new strategic framework involving a broad array of cooperative efforts in political, economic, and security areas.

At the G–8 Summit, the leaders of the industrialized nations went one step further, specifically outlining what economic mechanisms should be used to combat the threat of weapons of mass destruction. Indeed, as you know, they launched a new global partnership against the spread of weapons and materials of mass destruction to support specific cooperation projects that address nonproliferation, disarmament, counterterrorism, and nuclear safety issues.

This commitment to non-proliferation itself is important, but even more notable is the leaders' agreement to fund non-proliferation programs at $20 billion over the next 10 years and specify that a range of financing options, including the option of bilateral debt program exchanges, will be available to countries that contribute to this new global partnership.

As you know, Mr. Chairman, more than a decade after the end of the Cold War, thousands of poorly guarded nuclear weapons and materials still remain in Russia, increasing the possibility for their diversion or theft into the hands of terrorists. Existing U.S.-Russian threat-reduction programs have had an impressive track record over the last decade, but the challenge of securing Russia's vast nuclear arsenal is far from having been met.

A more robust investment and international participation is needed to accelerate and complement U.S. efforts, and debt-for-security swaps are an ideal investment. For example, the Department of Energy's material protection, control, and accounting program will not complete comprehensive security upgrades on fissile materials in Russia until 2011, but more focused funding and effort could enable at least rudimentary security improvements at these sites over the next 9 months.

In January of last year, a bipartisan task force chaired by former Senator Howard Baker and former White House Counsel Lloyd Cutler highlighted this problem, stating that

> "the national security benefits to United States citizens from securing and/or neutralizing the equivalent of more than 80,000 nuclear weapons and potential nuclear weapons would constitute the highest return on investment in any current U.S. national security defense program."

The Baker-Cutler task force strongly recommended that, at a minimum, investment in DOE non-proliferation activities should be increased to roughly 1 percent of the annual U.S. defense budget, which would total about $3 billion per year, or $30 billion over the next 10 years.

I welcome the Administration's pledge at the G–8 meeting to commit $10 billion to threat-reduction programs, but to actually improve on current funding levels, the $10 billion figure has to be a floor, not a ceiling. It sounds like a lot of money, I know, but non-proliferation programs are the only proven way to literally buy down our risk that a loose Russian nuke will be stolen by a terrorist and aimed at us.

The G–8 Agreement and its specific reference to debt reduction as a mechanism for combatting the spread of weapons of mass destruction is a vital development, as it does a number of things. It helps Russia reduce its outstanding debt, it involves Russia and the rest of the G–8 countries in programs that directly improve United States national security, and it extends burden sharing to our allies.

In terms of Russia's incentives, we know that Russia has identified $17 billion in its Fiscal Year 2003 budget for servicing its debt. Now is the time to seize this unique moment in history to put in place a tool that could both minimize the threat posed by weapons of mass destruction and help stabilize the Russian economy.

Accordingly, I introduced bipartisan legislation supported by three Members of this Committee—Representatives John McHugh, Mark Green, and Adam Schiff—the Russian Federation Debt Reduction for Nonproliferation Act of 2002, and it is a mouthful. This legislation would establish debt-for-non-proliferation swaps and is modeled on past successful debt reductions for environmental efforts.

Our bill authorizes the President to establish an office at the Treasury Department to administer the debt reduction and authorizes $150 million in appropriations over Fiscal Years 2002 and 2003 to offset the cost of debt reduction to the Treasury. The bill gives the President the authority to reduce the Lend Lease and agricultural portions of Soviet era debt and replaces those obligations with new obligations defined through a "Russian Nonproliferation Investment Agreement" to be negotiated with the Russians and resulting in a non-proliferation fund.

Both our bill and the Senate bill would allow the President to sell the debt to an eligible third party or to the Russian government, provided that required non-proliferation plans, commitments, and transparency measures are in place. The bill further requires that non-proliferation programs be approved by the United States Government directly or via its representative on any governing board established to manage the funds, incorporate best practices from established threat-reduction and non-proliferation assistance programs, be free of Russian taxes, be subject to U.S. audits, and that 75 percent of the funds be spent in Russia.

Finally, the bill mandates that the President or his designee enter into discussions with the Paris Club of creditor states on getting them to agree that significant portions of their bilateral debt with Russia be devoted to non-proliferation and arms-reduction activities.

I recognize that our bill and the Senate version are only one way of addressing debt-for-security, but I believe that it gives the President a vital tool to defend our nation, and I look forward to working with my colleagues in Congress in this Committee and others and the Administration to move this measure forward.

Mr. Chairman, I would like to briefly discuss what Mr. Chabot was talking about. I think that those are natural prejudices. I think that there is no one certainly that takes the oath that we take that takes American taxpayer dollars seriously, takes the ability to protect the American people seriously that believes that we should get into a situation where we are willy nilly allowing nations that we are creditors to to forgive their debt. But I think that we have to use a different set of terms, and I think we have to realize that we are already spending hundreds of millions of dollars a year in Russia to achieve some of these ends.

If we can find a way to balance that investment with not only the performance that we would have but also have the extra sweetener of improving the Russian economy, improving relations, and having partners to do that, which would be the G–8 countries, I think that is a win for the American people. I do not think anyone is interested in encouraging bad debtor nations, but I think we are all united in making sure that non-proliferation is an issue that we

are all putting on the front burner and that we are putting our money into and that we are being creative in the ways we do it.

I very much appreciate you having me here today. I hope that we can move this legislation. I appreciate your leadership. I thank my colleagues for listening, and I look forward to working with you.

[The prepared statement of Ms. Tauscher follows:]

PREPARED STATEMENT OF THE HONORABLE ELLEN O. TAUSCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, Ranking Member Lantos—I would like to thank you for the opportunity to testify before your committee on the issue of debt-for-nonproliferation.

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As you know, Mr. Chairman, more than a decade after the end of the Cold War, thousands of poorly guarded nuclear weapons and material still remain in Russia, increasing the possibility for their diversion or theft into the hands of terrorists.

Existing U.S.-Russian threat reduction programs have had an impressive track record over the last decade, but the challenge of securing Russia's vast nuclear arsenal is far from having been met.

A more robust investment and international participation is needed to accelerate and complement U.S. efforts, and debt-for-security swaps are the ideal investment.

For example, the Department of Energy's Material Protection, Control and Accounting Program will not complete comprehensive security upgrades on fissile materials in Russia until 2011, but more focused funding and effort could enable at least rudimentary security improvements at these sites over the next nine months.

In January of last year, a bipartisan task force chaired by former Senator Howard Baker and former White House Counsel Lloyd Cutler highlighted this problem stating that:

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The Baker-Cutler task force strongly recommended that, at a minimum, investment in DOE nonproliferation activities should be increased to roughly one percent of the annual U.S. defense budget which would total about three billion dollars per year, or thirty billion over the next ten years.

I welcome the administration's pledge at the G–8 meeting to commit ten billion dollars to threat reduction programs.

But to actually improve on current funding levels, the ten billion figure has to be *a floor* and not a *ceiling*.

It sounds like a lot of money, I know, but nonproliferation programs are the *only proven way* to literally buy down our risk that a loose Russian nuke will be stolen by a terrorist and aimed at us.

The G–8 agreement and its specific reference to debt reduction as a mechanism for combating the spread of weapons of mass destruction is a vital development as it does a number of things: it helps Russia reduce its outstanding debt; it involves Russia and the rest of the G–8 countries in programs that directly improve U.S. national security; and it extends burden-sharing to our allies.

In terms of Russia's incentives, we know that Russia has identified seventeen billion dollars in its fiscal year 2003 budget for servicing its debt.

Now is the time to seize this unique moment in history to put in place a tool that would both minimize the threat posed by weapons of mass destruction and help stabilize the Russian economy.

Accordingly, I introduced bipartisan legislation supported by three members of this committee,—Representatives John McHugh, Mark Green, and Adam Schiff—the Russian Federation Debt Reduction for Nonproliferation Act of 2002 (H.R. 3836).

The legislation would establish debt for nonproliferation swaps and is modeled on past successful debt reductions for environmental efforts.

Our bill authorizes the President to establish an office at the Treasury Department to administer the debt reduction and authorizes one hundred and fifty million dollars in appropriations over fiscal years 2002 and 2003 to offset the cost of debt reduction to the Treasury.

The bill gives the President the authority to reduce the Lend Lease and agricultural portions of Soviet-era debt and replaces those obligations with new obligations defined through a "Russian Nonproliferation investment Agreement" negotiated with the Russians and resulting in a Nonproliferation Fund.

Both my bill and the Senate bill would allow the President to sell the debt to an eligible third party or to the Russian government, provided that required nonproliferation plans, commitments, and transparency measures are in place.

The bill further requires that nonproliferation programs be approved by the U.S. government directly or via its representative on any governing board established to manage the funds, incorporate best practices from established threat reduction and nonproliferation assistance programs, be free of Russian taxes, be subject to U.S. audits and that seventy five percent of the funds be spent in Russia.

Finally, the bill mandates that the President or his designee enter into discussions with the Paris Club of creditor states on getting them to agree that a significant portion of their bilateral debt with Russia be devoted to nonproliferation and arms reductions activities.

I recognize that our bill and the Senate version are but one way of addressing debt-for-security, but I believe that it gives the President a vital tool to defend our nation and I look forward to working with my colleagues in Congress and the administration to move this measure forward.

Thank you, Mr. Chairman, and I am ready to answer any questions you might have.

Chairman HYDE. Thank you very much. I want to extend our appreciation for you appearing here and your very timely, valuable testimony on an important, critical subject. We know you are committed to a thorough examination of the issues that are the focus of this hearing, and you have added an important dimension to our discussion and debate on the subject.

I have thought that Russia is owed a lot of money by Iraq, and the same principle might be put into play with Iraq, so this has great possibilities.

Ms. TAUSCHER. Yes. As a small child I spent 14 years on Wall Street, and I think that there are very innovative things that we can do that are part of existing financial models and markets that our Treasury Department uses right now to stabilize our fiscal policy and our international monetary policy that really apply here. There are ways for us to negotiate with not only the Paris Club but other creditor nations around the world to help restructure Russian debt, to get them better deals, but the nice thing is that we get something very, very important to us, which is not only a more secure Russian economy and help them emerge as a player, but also

we get to buy down our risk that a weapon of mass destruction lands on our shores or harms our fighting men and women around the world or our interests around the world.

Chairman HYDE. Well, thanks for your contribution. We do not usually question witnesses from the Senate or the House.

Ms. TAUSCHER. And boy do I appreciate that.

Chairman HYDE. It is with great restraint that we rein ourselves in. Thank you, Ms. Tauscher.

Mr. LANTOS. May I just——

Chairman HYDE. Mr. Lantos.

Mr. LANTOS [continuing]. Mention one small thing, Mr. Chairman? I now know who that small, cute child on Wall Street was that I was watching over the years. I just would like to suggest to my friend and colleague that she is doing an invaluable service to all of us in bringing forward the legislation, which I will be most happy to cosponsor.

Ms. TAUSCHER. Thank you very much.

Mr. LANTOS. I think it is a very valuable piece of legislation. I am sorry our friend from Ohio left because I think it is important to point out that we have to be candid in our thinking with respect to the concept of debt relief. I believe that individuals, and I am not referring to him, who think nothing of providing unconscionable tax loopholes which amount to incredible tax reductions and in some cases the total avoidance of the paying of taxes would be horrified at the notion that we forgive taxes. We have to look rationally at policies and their impact.

Clearly, Russia today is not in a position to provide for the total security of all of these dangerous materials, and if by the debt-reduction program we can facilitate this, it is clearly in our interest. So I think my colleague from California is coming to us with a very valuable proposal that we hope will become legislation.

Ms. TAUSCHER. Thank you.

Mr. SCHIFF. Mr. Chairman, I just want to point out that our colleague from Ohio is still quasi-present.

Chairman HYDE. I think this is a California production here, all of you, and——

Ms. TAUSCHER. We need Illinois' help.

Chairman HYDE. That is right. Well, thank you very much.

I would like to welcome Alan P. Larson, the Under Secretary of State for Economic, Business, and Agricultural Affairs. Mr. Larson serves as the senior economic advisor to Secretary of State Powell, and included among his responsibilities is the entire range of international economic policy. Since joining the State Department in 1973, Mr. Larson has served in senior positions dealing with economics, trade, finance, energy, sanctions, transportation, and telecommunications. From 1990 to 1993, Under Secretary Larson served as the U.S. Ambassador to the Organization for Economic Cooperation and Development.

Under Secretary Larson, we are honored to have you appear before us today. Please give us as close as you can come to a 5-minute summary, and your full statement will be made a part of the record.

STATEMENT OF THE HONORABLE ALAN P. LARSON, UNDER SECRETARY FOR ECONOMIC, BUSINESS, AND AGRICULTURAL AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. LARSON. Mr. Chairman, thank you very much. Mr. Lantos and distinguished Members of the Committee, we really appreciate the opportunity to testify today on the G–8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction. My testimony is going to focus on one of the possible means of financing this important initiative, and that is waiving repayment of specific amounts of Russia's Soviet era debt to the United States in order to free up resources for expanded non-proliferation programs.

There are two very important reasons for expanding cooperation on non-proliferation. The first is the national security imperative of destroying or bringing under responsible control materials, expertise, and technologies that hostile powers could use to threaten the United States. The attacks of September 11 have given us a glimpse of the terror that such materials in the wrong hands could inflict on the American people or on the people of any country.

The second reason is the new opportunity opened by the U.S.-Russia strategic relationship. Over the last year Russia has confirmed its position as a partner in the war against terror. In particular, the Russian leadership has made clear its interest in doing more to eliminate or secure weapons of mass destruction and related material.

One fruit of this new spirit is the G–8 Partnership. This agreement between Russia and the other G–8 countries was the most notable achievement of the G–8 Summit in Kananaskis. The United States played a leading role, but all of the G–8 partners, including most especially the Canadian host, deserve great credit for recognizing and seizing a historic opportunity.

The partnership commits the G–8 to raise up to $20 billion over 10 years for cooperation projects to address non-proliferation, disarmament, counterterrorism, and nuclear safety issues. The United States intends to provide half. Our partners will seek to match this amount. This initiative will make possible substantially increased non-proliferation efforts. It also includes a commitment to principles to prevent proliferation, to guidelines for more effective implementation of cooperation projects, and an agreement to coordinate our projects to obtain the broadest possible coverage of non-proliferation requirements.

Bilateral debt for program exchange is one option for financing these projects. The Administration will consult closely with the Congress on those non-proliferation programs and projects that we would like to support and on the choice between debt or more traditional ways of financing the projects.

Our concept of how a debt option might work is very straightforward. The United States would agree to waive collection of a given amount of debt payments owed by the Russian government on Russia's Soviet era debt. In return, Russia would spend more on agreed non-proliferation activities. The financial and the budget mechanics would need to be worked out in the negotiations. We do know the Russian authorities are interested in such an approach

to their Soviet era debt, but beyond that there are details that will need to be addressed.

The Administration does not consider this sort of financing as debt relief. Financially, Russia does not meet the normal requirements for debt relief. At the same time, Russia cannot afford to do everything we would like it to do. It has inherited a number of burdens, among them a vast and decaying collection of Soviet era weapons and production facilities. The unfinished work includes destruction of chemical weapons in compliance with international obligations, the shutdown of plutonium production facilities, and disposal of excess fissile material, and the dismantling of strategic launch systems. These tasks remain despite substantial past U.S. assistance.

While it is true that Russia's budget position has strengthened, it still faces great demands and serious social problems. Between 22 and 33 percent of the Russian people live in poverty. Life expectancy has declined over the last decade.

The Administration has agreed to consider this exceptional way of financing for Russia because of the unique burden that Russia bears from the Cold War. It is not in our interest that Russia should face alone the hard choice between meeting the basic needs of its population or eliminating chemical weapons or excess plutonium.

It really is only in Russia that we confront so starkly this combination of Cold War era debts and the proliferation threat. It is only in Russia that we see debt exchange for financing non-proliferation efforts as a plausible approach. It would use Soviet era debt to help Russia address Soviet era problems.

We appreciate greatly the Committee's interest in this issue, and we look forward to working with the Committee on some technical revisions of the legislation to make it even more useful for this purpose.

In closing, I would like to emphasize that this initiative is a work in progress, but it is a very innovative option that the Administration believes we would like to have available as we work with the Russian Federation on addressing these Soviet era threats to our mutual advantage. Thank you very much.

[The prepared statement of Mr. Larson follows:]

PREPARED STATEMENT OF THE HONORABLE ALAN P. LARSON, UNDER SECRETARY FOR ECONOMIC, BUSINESS, AND AGRICULTURAL AFFAIRS, U.S. DEPARTMENT OF STATE

I would like to thank Chairman Hyde and other distinguished committee members for the opportunity to testify on the G–8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction. My testimony will focus on one of the possible means of financing this important initiative—the waiver of U.S. collection of Russia's repayment on its Soviet-era debt to the U.S. in order to finance Russia's implementation of expanded non-proliferation programs.

Let me step back from the debt issue for a moment and underscore two very important reasons for expanding cooperation to promote non-proliferation. The first is the national security imperative of destroying or bringing under responsible control the materials and technologies that could let hostile powers threaten the United States with weapons of mass destruction. The attacks of September 11 have given us a glimpse of the terror that such weapons, in the wrong hands, could inflict on the American people, or on the people of any country.

The second reason is the new opportunity opened by the U.S.-Russia strategic relationship. Over the last year Russia has confirmed its position as a partner in the war against terror and is cooperating with the United States on many issues. In particular, the Russian leadership has made clear its interest in doing more, coop-

eratively, to eliminate or secure weapons of mass destruction and related material, equipment and technologies

One fruit of this new spirit is the G–8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction. This agreement between Russia and the other G8 countries was the most notable achievement of the G–8 Summit in Kananaskis. It will focus on non-proliferation, disarmament, counterterrorism and nuclear safety projects, initially in Russia. The U.S. played a leading role, but all of our G–8 partners—Russia, Germany, France, the United Kingdom, Italy, Japan, the European Union, and, of course, Canada—deserve great credit for seeing and grasping a historic opportunity.

The Global Partnership commits the G–8 to raise up to $20 billion over 10 years for cooperation projects to address non-proliferation, disarmament, counter-terrorism and nuclear safety issues. The United States has agreed to provide half of this sum; our partners will contribute a matching amount. This initiative will make possible substantially increased nonproliferation efforts, through new and expanded multilateral and bilateral projects.

The initiative also includes a commitment to a set of principles designed to prevent terrorists from gaining access to weapons or materials of mass destruction. And the G8 partners agreed on guidelines for new or expanded cooperation projects to provide for more effective implementation. Partners will coordinate their projects to obtain the broadest coverage of non-proliferation requirements, avoid gaps or overlap, and help resolve any implementation problems.

The initiative allows each partner the flexibility to finance and carry out projects in a manner consistent with its program priorities, national laws and budgetary procedures. Bilateral debt for program exchange is an option for financing projects under the Partnership. We do not know at this point whether others will use debt exchange or more conventional assistance or a mix of both. We do know that debt exchange will be difficult for some of our partners. The Administration will consult closely with Congress on the formulation of non-proliferation and threat reduction programs and projects and on the choice between debt or more traditional assistance as a funding vehicle.

The Administration's concept for how a debt option might work is straightforward. The United States would agree in advance to waive collection of a given amount of debt payments owed by the Russian government to the United States government on Russia's Soviet-era debt. As a consequence, Russia would be able to make expanded budgetary expenditures for agreed non-proliferation activities. The financial and budget mechanics would be worked out in negotiations with Russia, subject to the requirements of U.S. law. We know the Russian authorities are interested in applying such an approach to part or all of their Soviet-era debt to the United States. Beyond that, there are still many details that would need to be worked out. We need to determine under what conditions we could offer such an option to Russia. The Russians will need to decide whether such a deal would be advantageous for them, relative to other options.

I would like to highlight one point, that the Administration does not consider this kind of a financing vehicle as debt relief, per se. Financially, Russia does not require further debt relief. Since its financial crisis in 1998, Russia has adopted improved economic policies and has benefited from relatively high world oil prices. Although it remains a country with serious poverty and pressing needs, it can and is paying its bills.

At the same time, Russia cannot afford to do everything we would like it to do. In the wake of the breakup of the former Soviet Union, Russia chose to take over the assets and liabilities of the Soviet Union. This decision saddled Russia with a number of burdens, among them a vast and decaying collection of Soviet-era weapons and production facilities. In addition, Russia assumed the entire Soviet debt in exchange for title to all Soviet assets abroad. A decade later, these decisions and a changing global environment have left Russia with many responsibilities: to destroy chemical weapons in compliance with international obligations; to close down plutonium production facilities and dispose of excess fissile material; to dismantle old ballistic missile submarines and other strategic launch systems. It must secure remaining WMD or materials. These tasks remain despite U.S. assistance of $7 billion to Russia and other former Soviet states for these purposes.

While Russia's fiscal position has strengthened enormously over the past three years—it is now running budget surpluses—Russia is pursuing an ambitious set of structural reforms that will involve significant fiscal outlays over the medium term. The World Bank's new country assistance strategy records how costly and painful the transition from a command economy has been.

Between 22 and 33 percent of Russians live in poverty. The life expectancy of a man declined from 64 years to 59 over the past decade. The government must cope

with persistent financial demands to update its antiquated education and health systems. While Russia has been devoting its own resources to the destruction and control of dangerous materials, budget pressures have made it difficult to proceed with these tasks as fast as the Russian leadership and we believe is necessary.

The Administration has agreed to consider this exceptional financing option for Russia because of the unique burden Russia bears from the Cold War. It is not in our interest that Russia should face alone the harsh choice between the basic needs of its population or eliminating chemical weapons or excess plutonium. This is why we provide assistance, and this is why we would agree to allow Russia to use funds that it would otherwise pay us in order to achieve our mutual objectives.

Only in Russia do we confront so starkly the combination of Cold War debts and the proliferation threat. We see debt exchange for financing non-proliferation efforts as a possible approach unique to Russia. It would use Soviet-era debt to help Russia address Soviet-era problems. Under the G–8 Global Partnership, other types of financial assistance—notably provision of goods and services—can be made available to other countries of the former Soviet Union. The United States is committed to continuing and expanding our current non-proliferation programs in Ukraine, Kazakhstan, Uzbekistan and other former Soviet states, and we encourage our G–7 partners to expand their own efforts there.

Members of the committee understand the priority we accord to cooperative non-proliferation and threat reduction activities in Russia. We appreciate your willingness to hold this hearing on addressing those needs by facilitating debt exchange. I would like to describe more specifically some of the preliminary ideas we have on this issue. And we would be happy to work with Congress as the Administration moves forward with this initiative to shape the language of this bill, which does, in our view, need some technical revisions to make it more suitable for this purpose.

A debt exchange arrangement would be a contract between the United States and Russia. First, the contract would be based on a mutually agreed upon price for a clearly defined product, just as is the case with our current assistance programs. For instance, if the U.S. and Russia agreed that a specific project would cost $50 million over three years, then the U.S. would relieve Russia of the obligation to make $50 million of debt payments over three years—a dollar-for-dollar proposition. There would be an agreed timeline for delivery, with clear benchmarks for tracking specific projects. We would insist on effective monitoring and accountability, a key part of our DOD, DOE and State programs. The contract would include provisions for suspension, and even termination, of the debt exchange, in the event of non-performance. The Committee should note, however, that as provided under the Credit Reform Act, the Administration would request that Congress provide the costs of this contract at the outset of the program.

In closing, I would like to emphasize that this initiative is a work in progress. Many details remain. But it is an innovative option that the administration would like to have available for working with the Russian Federation on addressing Soviet-era threats to our mutual advantage.

Although much work is still necessary to develop the technical aspects of this proposal, I would be happy to answer any questions, to the best of my ability.

Mr. GILMAN [presiding]. Thank you, Mr. Secretary.

In light of the initiation of the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction announced in the June G–8 Summit, what changes or modifications should we be making in the respective versions of the Russian Federation Debt Reduction for Nonproliferation Act in the House and Senate?

Mr. LARSON. First of all, I do want to welcome this legislation. I think it is very important. We would like to work with the Committee on the details.

I think the biggest thing that I would mention in this hearing is our view that it would be advantageous in a piece of authorizing legislation not to have a dollar value ceiling on the extent to which we could use this option. We would like to be in a position to consider very carefully internally the trade-offs between waiving payment of debt and other means of financing, and we would like to be able to engage with the Russian Federation to examine what their preferred modalities would be. And so it would be good to

have some flexibility in terms of the size of the U.S. portion that ultimately might be financed through waiver of debt payments.

Mr. GILMAN. Thank you, Mr. Secretary. The 10+10 over 10 program endorsed at the recent G–8 meeting calls for the U.S. to spend $10 billion over the next 10 years on non-proliferation in the Russian Federation, to be matched by another $10 billion from our allies. How were those amounts determined? Is the money to be spent on existing programs or on new ones? And if money is spent on new programs, what areas are those expected to address that are not being adequately covered by our existing efforts?

Mr. LARSON. First of all, I think the two very important elements of this G–8 initiative are, first, the greatly increased recognition by the Russian Federation that cooperation in addressing these proliferation problems is something that is fundamentally in their interest. And the conversations that we have had with the Russian Federation during the months before the announcement of the G–8 initiative have been very encouraging. Obviously, we worked closely with the Russian Federation before the G–8 initiative, and I think we have detected a greatly enhanced interest and appreciation on their part of the stake they have in this.

Second, we did achieve in the months before the announcement of this initiative commitments that we had not been able to achieve before from other industrialized countries to join us in a burden-sharing effort. I do not think that anyone who was involved in this would feel that they were in a position to say that we know that $20 billion is exactly the right amount and that it is not going to perhaps require more. But we did feel it was very important to establish a basic burden sharing. We felt that with the support of the Congress we could count on continuing an effort that would amount to roughly $10 billion over 10 years. We felt it was important to get other countries who have an interest in this to come up with comparable amounts, and I think that really was the basis of the number that you referred to.

Mr. GILMAN. Thank you, Mr. Secretary. One more question. What are the relative costs and benefits of funding by either assistance or debt reduction? Are there any significant financial advantages of either one?

Mr. LARSON. I would like to start out with what is almost a basic truism. I think before getting into the details of the budget accounting of this it is important to recognize that if we are to forego payment of $50 million owed to the United States that that is a real cost. And the objective of this arrangement would be to ensure that the Russian Federation made additional expenditures on agreed programs of $50 million.

So I want to make very clear at the beginning that there is a real cost, that this is not something that is free. And I think it is important to look at it as something where the real cost is the dollar value of the payments that are foregone.

It is true that in under credit reform when we budget for these things, the rules the Congress has set forth instruct the executive branch to examine, first of all, the fact that there is a time value to money, so payments in the future, therefore, are worth less to us than payments today, and in any sort of debt repayment scenario there is always some chance that that payment will not be

made. And so those discount factors enter into the equation, and when we budget for waiving debt, the dollar value of the budget cost tends to be somewhat less than the sum of the payments foregone, and that is a factor that I am sure the Committee will want to consider. But I do not think anyone should focus excessively on that because the underlying fact is the basic trade-off here is that we are agreeing to forego payment of a certain amount of money if that same amount of money is devoted by the Russian Federation to agreed non-proliferation programs.

Mr. GILMAN. Thank you, Mr. Secretary. Mr. Schiff?

Mr. SCHIFF. Thank you, Mr. Chairman, and I agree certainly with the point you just made, Mr. Secretary, particularly since Russia would not otherwise qualify for debt relief, it makes sense not to discount the value of the debt reduction excessively.

I have really two questions. The first is that I know part of the concern with expanded funding of Nunn-Lugar in one form or another has been whether Russia is meeting its financial commitment to the program. Are they doing their share? The other part of the question is does this funding mechanism, in your view, have any particular strengths or weaknesses as a vehicle of getting Russia to meet its commitment to the program? The second question is does this program give us any additional leverage in our ability to deter Russia from exporting technologies to China, Iran, other places, given the fact that really this program is in our self-interest whether there is any Russian contribution or not? Do we have much leverage via this program?

The argument can be made in theory, maybe even in practice, that to the degree we are providing Russia financial support, we are enabling them economically to produce weapons and technology to export to places we do not want. Obviously, that is not how we would want them to be using our support. Does this give us any added leverage?

Mr. LARSON. First of all, I would like to stress that we would expect to apply to any programs done under a debt-waiver approach the same sort of rigorous controls in terms of oversight, monitoring, audits, and inspections that we do under our current threat-reduction programs. And while you would want to talk directly with the people in the Defense Department and the Energy Department who run those programs for an assessment of Russia's contribution, my sense is that we were somewhat disappointed with their performance before 2000 and that we have been pleased with very significant improvements in their performance and their commitment since then. So we have detected not only an improvement in their overall attitude but an improvement in their performance in working with us and meeting their contributions under the programs that we have had in place.

I think that the fact that the Russian Federation has been interested in debt exchange is something that could contribute to increasing even further this seriousness of purpose that they have been displaying. There is a political factor here. The Russian Federation has been concerned for some time that after the Cold War they accepted the obligation of repaying all of the debts of the former Soviet Union. They took over many of those assets, but as we have seen, the assets in many cases are liabilities. They are

these decaying and dangerous facilities that require expenditures to monitor and control and in some cases dismantle and destroy. So I think there is a benefit that they see in pairing up these two Cold War era problems, the debt burden that they inherited and these dangerous facilities that they have also inherited.

I think also the fact that this has become a multilateral program involving the other G–8 countries is something that helps us work more effectively with the Russian Federation on the concerns that we have over activities that could make international proliferation problems worse. We have now the Germans and the French and the British and the Canadians and the Japanese that are part of this framework, and the fact that it is a group effort means that there are other countries who can join us in raising these concerns with the Russian Federation. I think it provides a framework that does augur well for improving even further the cooperation.

Chairman HYDE [presiding]. The gentleman's time has virtually expired, not quite. I am informed that we expect the next vote around noonish. The Republicans are notified there is a Republican conference in 8C5 after the next vote, and that, of course, throws a monkey wrench into our schedule here. So with your indulgence, Ms. Davis and Mr. Pitts, we will forego your question period of the Under Secretary and thank him and try to get as far as we can with our next panel before we all have to dash off to a conference which may or may not be of transcendent importance. Thank you, Mr. Larson, very much.

Mr. LARSON. Thank you, Mr. Chairman.

Chairman HYDE. I would to welcome our third panel of witnesses. Dr. James Fuller, who is the Founding Director of the Pacific Northwest Center for Global Security at the Pacific Northwest National Laboratory, operated by Battelle for the U.S. Department of Energy. Dr. Fuller has served as technical adviser to both the Department of Energy and the Department of Defense in several capacities related to nuclear arms reductions, including the President's Committee on Fissile Material Control and Warhead Reduction Monitoring.

Our next witness is Charles Curtis, President and Chief Operating Officer of the Nuclear Threat Initiative. He previously served as Chief Operating Officer of the United Nations Foundation and, from 1994 to 1997, as the Under Secretary and, later, Deputy Secretary of the Department of Energy. Formerly, Mr. Curtis was a partner at the Washington law firms of Hogan & Hartson and Van Ness Feldman. He also served as Chairman of the Federal Regulatory Commission. Welcome, Mr. Curtis.

Finally, I would like to welcome my friend of many years' standing, Dr. Constantine Menges. Dr. Menges joined the Hudson Institute in 2000 as a Senior Fellow. He previously served as assistant to the President for National Security Affairs and as a national intelligence officer at the CIA. Dr. Menges also acted as Deputy Assistant Secretary for Education and as Assistant Director for Civil Rights in the former Department of Health, Education, and Welfare. From 1990 to 2000, Dr. Menges was a professor at George Washington University, where he directed the Program on Transitions to Democracy. We welcome you, Dr. Menges.

Please proceed with 5 minutes for your statement. We will proceed with the questions as the clock permits us. Thank you. We will open up with you, Dr. Fuller.

STATEMENT OF JAMES L. FULLER, Ph.D., DIRECTOR, DEFENSE NUCLEAR NONPROLIFERATION PROGRAMS, PACIFIC NORTHWEST NATIONAL LABORATORY

Mr. FULLER. Thank you, Mr. Chairman. Thank you very much for the introduction and the opportunity to comment on the use of Russian debt to enhance security. I will present a brief summary of my views from my prepared statement, the full text of which I respectfully submit for the record.

From my own perspective, there is no question that debt reduction for non-proliferation would advance U.S. proliferation prevention efforts. I wrote an article in *Arms Control Today* in February advocating this approach. I have given supportive presentations at the EC and elsewhere in Europe, and I was asked late last year by the Carnegie Endowment to participate in a Moscow dialogue on this subject.

What is needed for proliferation prevention efforts is more investment and involvement by our European and global friends, a much greater dimension of program sustainability in Russia facilitated by Russians, and additional investment by the United States in this critical security issue. What we are talking about is truly nothing short of a global proliferation prevention partnership addressing a problem which some in Congress have called the most urgent unmet national security threat to the United States.

Debt reduction for non-proliferation is an actionable idea to help make this all happen, and, very importantly, it is quite synergistic with President Bush's proposal as adopted by the G–8 for the Global Partnership, 10+10 over 10.

On the impact of debt reduction for non-proliferation on existing efforts, it is hard to gauge at this time in part, I believe, because that impact will depend on the manner in which any debt-swap program is implemented. My view is this: We should consider the $10 billion over 10 years commitment made by the United States as a U.S. funding floor since it is consistent with recent and near-term Administration budgets.

We should continue to give priority within this proposed $10 billion expenditure to the critical, more immediate security concerns such as accounting and protection of fissile materials and radiological dispersal device materials, and the continued production of weapons plutonium. And we should probably continue to work on such problems in the somewhat one-sided, service-for-fee, compliance manner that we have been using with Russia for the last several years. We do not want to negatively impact progress in these important areas.

We should allocate U.S. debt-for funds as incremental increases, in my opinion, over the $10 billion in a manner that further facilitates G–8 contributions and, as importantly, begins to actually develop a sustainable financial and programmatic proliferation prevention partnership with Russia.

I believe that there is enough flexibility in the Senate bill language to conduct implementation in the appropriate manner. I be-

lieve that a very good, visible way to facilitate the needed partnerships is to establish a Russian non-proliferation, ruble-denominated fund into which the Russian Federal Government would deposit appropriated monies in exchange for debt cancellation, based on bilateral financial arrangements with contributing G–8 and other nations. The charter of this fund could be made broad enough to accept ruble or hard currency aid from direct contributor deposits as well. This approach is quite analogous to the one the United States and the Paris Club used to establish the highly regarded Polish EcoFund in 1992.

A Russian non-proliferation fund has several advantages. These include: It would allow the G–8 contributors to pool resources to accomplish more. It would provide a mechanism for contributions from other national, multilateral, and even private commercial entities. It would allow Russia a major governance role in partnership with contributors. It would allow Russia to reduce the debt service burden on its budget and improve its credit-worthiness without further tapping into its central bank hard currency reserves. It could be used to provide loan guarantees or direct funding to help build a viable commercial security sector within the Russian Federation. And it could include formal roles for international nongovernmental organizations in supplementing resources and measuring and assuring project performance.

I respectfully suggest that the Committee consider the merits of a Russia non-proliferation fund within the context of any House and Senate Conference Committee discussions. In my view, a Russia non-proliferation fund would be effective in accommodating key objectives of President Bush's proposal and the G–8 Kananaskis Agreement. Senate bill language describing the Investment Agreement [section 318] and calling for the use of existing administrative mechanisms in subparagraph C might need to be changed in this regard, even though language in section 322 encourages the President to explore the possibilities associated with a unified fund.

The prospects and conditions for ensuring sufficient cooperation and participation by the Russian government are also strongly dependent on implementation. I believe that the Russians are less concerned about drawing down their central bank reserves than they are about projecting to the global financial community that they are in need of help servicing their debt. This is a delicate matter, and if all the United States is offering is a choice between a business-as-usual, $1 billion-a-year direct aid, and a smaller amount of direct aid with the difference being made up by a swap, then a U.S. debt-for initiative is dead on arrival, in my opinion.

The best way for the United States to help ensure Russian cooperation in this matter is to, one, earmark U.S. debt-for monies to be a significant addition to current and projected levels of U.S. direct appropriation; two, apply these monies in a manner that will help guarantee that the other G–8 countries meet their $10 billion over 10-year commitment; and, three, give the Russians a partnership role in governance of the programs in a way that acknowledges their global stature as well as their sovereignty over their national security and financial matters.

Finally, regarding the operational considerations and options, including participation by nongovernmental organizations, we at

Battelle have done quite a lot of work on this subject for the Nuclear Threat Initiative. The value of NGOs to a Global Partnership construct, such as I envision it, is one of administrative facilitation, trusted agent project accountancy, and perhaps even financial contribution, either in-kind or monetary. Battelle studied the construct of 10 different debt-swap and non-proliferation aid programs to reach some conclusions on the best operational model. And without going into detail because of time, we recommend undertaking an approach that has significant creditor and host government involvement along with stringent asset protection assurances similar to the Polish EcoFund model.

Thank you again for this opportunity, Mr. Chairman. I would be pleased to try to answer any questions.

[The prepared statement of Mr. Fuller follows:]

PREPARED STATEMENT OF JAMES L. FULLER, PH.D., DIRECTOR, DEFENSE NUCLEAR NONPROLIFERATION PROGRAMS, PACIFIC NORTHWEST NATIONAL LABORATORY

Thank you for the opportunity to comment on the use of Russian debt to enhance security. I will be presenting a brief summary of my views from my prepared statement, the full text of which I respectfully submit for the record.

My name is James Fuller and I work for Battelle Memorial Institute headquartered in Columbus, Ohio. I am a nuclear scientist, and have been a technical practitioner in the field of U.S.-Russia nonproliferation and arms control for more than 15 years. Battelle is a not-for-profit contract research and development organization that, among a broad variety of science and technology R&D efforts, has supported U.S. national security for decades as a contractor to virtually all elements of the U.S. national security community. Battelle also has a robust technology commercialization enterprise that works in synergy with our support for the U.S. Government. At the Pacific Northwest Division in Richland, Washington, where we operate the Pacific Northwest National Laboratory (PNNL) for the U.S. Department of Energy under contract DE–AC06–76RL01830, my job is to direct all of the laboratory's defense nuclear nonproliferation activities. That said, I wish to convey that the information I am providing here today reflects only my own personal views and does not necessarily represent those of any organization or other person for whom those of us at Battelle have provided support.

The Debt Reduction for Nonproliferation Act contained in S1803 is an innovative new approach in the prevention of proliferation. This is a good tool for President Bush and future Presidents to use to elicit additional participation by the other industrialized nations. It also could help to increase the investment in Russia proliferation prevention programs to a level more commensurate with those recommended by the bipartisan 2001 Energy Department Russia Task Force. I wish also to commend the wisdom used in drafting of the Senate bill, as evidenced by the fact that it received unanimous bipartisan support in Committee and on the Senate Floor. However, there have been some interesting new developments, so I am also very pleased to see the House giving it careful consideration.

We started thinking about the possibility of Russian debt swaps for nonproliferation in mid-1999 after a seminar at the PNNL Pacific Northwest Center for Global Security by a distinguished economics specialist from the Congressional Research Service, Dr. John Hardt, who came out to the Laboratory and talked to us about Russia's economic policy dilemma and U.S. interests.[1] The thought occurred to me that if the United States and other members of the Paris Club had been willing to forgive significant amounts of debt for emerging democracies such as Poland to help with environmental issues, surely it made sense to consider doing the same thing for the Russian Federation in relation to some of the under-funded cooperative efforts to limit the spread of chemical, biological, and nuclear weapons. Unfortunately this message was a tough sell until we de-focused from our specific ideas about how the funding might be utilized, and just concentrated on the merits of debt swaps, particularly from the perspective of their utility in the global arena for eliciting financial partnerships with the industrialized nations. In the interim, the London Club restructured Russian Federation commercial debt, forgiving about 52% without

[1] "Russia's Economic Policy Dilemma and U.S. Interests", Congressional Research Service Report RL–30266, July 23, 1999.

any "debt-for" provisions; also, the Federal Republic of Germany and the Russian Federation settled their GDR debt issue without any debt for nonproliferation provisions. I was very glad to hear about President Bush's G8 Global Partnership Initiative at Kananaskis, its 10+10 Over 10 provisions, and the fact it might include debt swaps as a component. An Italian colleague of mine from the NGO and academic community suggested just last week to me, as I prepared my testimony for this hearing, that swaps were the only way many on the European side were going to be able to live up to the commitments made at the G8 summit. I do not know if this is true, but if it is even close, it presents the United States with an opportunity to demonstrate leadership by passing this legislation and taking the necessary additional actions required to bring a Global Partnership to fruition.

The pros and cons of debt for nonproliferation can be broken down into two basic categories: financial and political. Back in 1999 before London Club restructuring and before the Russian economy had begun to rebound, good financial arguments could be made for the United States to consider restructuring of its Russian holdings in order to help offset the risk of Russian default. Today, that is not the case. Russia has good Central Bank hard currency reserves. Debt restructuring financial arguments today have to be more along the lines of helping our economy indirectly by strengthening the Russia economy, and by recognizing that there is a difference between Russian economic solvency and financial liquidity. While the Russian liquidity crisis seems to have been resolved for the time being, federal budget solvency issues are still a major concern due to the significant portion of the annual budget that must be earmarked for external debt servicing. This burden reduces the funds available for more discretionary programs such as proliferation prevention.

The political dimensions of debt for nonproliferation are embodied in the topics I was asked by Chairman Hyde to comment on today: the utility of this proposal for advancing U.S. nonproliferation programs in the Russian Federation, including its potential impact on the structure and effectiveness of those programs, the prospects and conditions for ensuring sufficient cooperation and participation by the Russian government, and operational considerations and options, including participation by non-governmental organizations.

From my own perspective, there is no question that debt reduction for nonproliferation would significantly advance U.S. proliferation prevention efforts. I wrote an article in *Arms Control Today* in February advocating this approach. I have given supportive presentations at the EC and elsewhere in Europe. I was asked late last year by the Carnegie Endowment for International Peace to participate in a Moscow Dialogue on this subject. What is needed for proliferation prevention efforts is more investment and involvement by our European and global friends, a much greater dimension of program sustainability in Russia facilitated by Russians, and additional investment by the United States. What we are talking about is nothing short of a global proliferation prevention partnership addressing a problem that the U.S. Congress has called "the most urgent unmet national security threat to the United States." Debt Reduction for Nonproliferation is an actionable idea to help make this all happen. And, very importantly, it is quite synergistic with President Bush's proposal adopted by the G8 at the recent Kananaskis Summit for a Global Partnership Against the Spread of Weapons and Materials of Mass Destruction, what is sometimes referred to as "10+10 over 10."

The impact of a debt reduction for nonproliferation program on existing efforts is hard to gauge at this time because in part that impact will depend on the manner in which any debt swap program is implemented. My view is this: we should consider the $10B over 10 years commitment made by the United States at Kananaskis as a U.S. funding floor since it is consistent with recent and near-term Administration budgets. We should continue to give priority within this proposed $10B expenditure to the critical, more immediate security concerns such as accounting and protection of fissile materials and radiological dispersal device materials, and the continued production of weapons plutonium. And we should probably continue to work on such problems in the somewhat one-sided, contractually forceful service-for-fee "compliance" manner that we have been using with Russia for the last several years. We do not want to negatively impact progress by changing the construct. We should allocate U.S. "debt-for" funds, for example as prescribed in S1803, as incremental increases over the $10B in a manner that further facilitates other G8 contributions, and, as importantly, begins to actually develop a sustainable financial and programmatic proliferation prevention partnership with Russia. In this manner we can best assure that the positive impact of debt reduction for nonproliferation will be truly significant.

I believe that there is enough flexibility in the Senate bill language to conduct implementation in a manner that would support G8 engagement and also build a sustained partnership with Russia in ways that are also within the spirit and intent

of the Kananaskis agreement. I believe that a very good, visible way to facilitate these partnerships is to establish a Russia Nonproliferation (ruble-denominated) Fund, into which the Russian Federal Government would deposit appropriated monies in exchange for debt cancellation, based on bilateral financial arrangements with contributing G8 and other nations. The charter of this fund could be made broad enough to accept ruble or hard currency aid from direct contributor deposits as well. This approach is quite analogous to one that the United States and the Paris Club used to establish the highly successful Polish EcoFund in 1992. A Russian Nonproliferation Fund has several concomitant advantages. These are:

- Allows G8 contributors to pool resources to accomplish more
- Provides a mechanism for contributions from other national, multilateral, and even private commercial entities
- Allows Russia a major governance role in partnership with contributors
- Allows Russia to reduce the debt service burden on its budget and improve its credit-worthiness without further tapping into its Central Bank hard currency reserves
- Could be used to provide loan guarantees or direct funding to help build a viable commercial security sector within the Russian Federation
- Could include formal roles for international non-governmental organizations in supplementing resources and measuring and assuring project performance.

I respectfully suggest that the Committee consider the merits of a Russia Nonproliferation Fund within the context of your preparations for any House and Senate Conference Committee discussions of debt reductions for nonproliferation. In my view, a Russia Nonproliferation Fund of the type I have described would be effective in accommodating key objectives of President Bush's proposal and the G8 Kananaskis agreement. Senate bill language describing the Investment Agreement (Section 318) and calling for the use of existing administrative mechanisms (subparagraph "c") might need to be changed in this regard even though language in Section 322 encourages the President to explore the possibilities associated with a "unified fund."

The prospects and conditions for ensuring sufficient cooperation and participation by the Russian government are also strongly dependent on the way in which debt reduction for nonproliferation is implemented. I am quite sure that the Russians are less concerned about drawing down their Central Bank Reserves than they are about projecting to the global financial community that they are in need of help in servicing their debt. This is a delicate matter, and if all the United States is offering is the choice between business-as-usual ($1B/year direct aid) and a smaller amount of direct aid with the difference being made up by a swap, then a debt-for initiative is dead-on-arrival, in my opinion. The best way for the United States to help ensure Russian cooperation in this matter is to: 1) earmark U.S. debt-for monies to be a significant addition to current and projected levels of U.S. direct appropriation, 2) apply these monies in a manner that will help guarantee that the other G8 countries meet their $10B/10 year commitment, and 3) give the Russians a partnership role in governance of the programs in a way that acknowledges their global stature, as well as their sovereignty over their national security and financial matters. This is what the Russia Nonproliferation Fund that I have advocated is designed to do.

Regarding the operational considerations and options, including participation by non-governmental organizations, Battelle has done quite a lot of work on this subject for the Nuclear Threat Initiative. The value of NGOs to a Global Partnership construct, such as I envision it, is one of administrative facilitation, trusted agent project accountancy, and perhaps even financial contribution, in-kind or monetary. Battelle studied the construct of ten different debt swap and nonproliferation aid programs to reach some conclusions on the best operational model. There has never been a debt swap devoted to WMD threat reduction per se, so there is no closely analogous model to consider. The four programs that received our most intense focus were USAID debt swap activities, the Polish EcoFund, the U.S.-Russia International Nuclear Safety Program, and the U.S.-Russia Cooperative Threat Reduction program. We recommend undertaking an approach that has significant creditor and host government involvement similar to the Polish EcoFund model.

Debt swap funds typically incorporate one-tiered or two-tiered management structures. Lessons learned from the significant body of knowledge on debt-for-nature swaps include the observation that to achieve the best conditions for success and to serve multiple obligations and purposes, a Russia Nonproliferation Fund must be based on a partnership where decision making is authentically shared amongst creditor and debtor stakeholders, where there is efficiency and effectiveness in management and operations, and where there is full accountability in fund allocations

and project performance. I support strong payment-for-performance provisions in any fund construct, and a clear up-front understanding that without measurable accomplishments coming from the partnership approach, these debt-for and other aid programs will cease and debt obligations will be reinstated. Given the extent and complexity of the proliferation prevention issues in Russia, we recommend a modified two-tiered structure consisting of an engaged stakeholder Board of Directors made up equally of creditor and Russian representatives, and an Implementation Team that could be heavily supported by NGOs. As I have stated, I believe that NGOs could play a significant role in the success of "10+10 over 10" that includes debt swap components.

Chairman HYDE. Thank you very much, Dr. Fuller. Well, they have called the vote on us, and then following that they have this conference. So I am going to ask Mr. Curtis and Dr. Menges if we adjourn until 1:30, would you be able to come back? We will try for 1:15, but it might be 1:30. Thank you very much. I appreciate your courtesy. We stand in recess until 1:30.

[Whereupon, at 12 p.m., a recess was taken until 1:54 p.m.]

Mr. ISSA [presiding]. Dr. Fuller, please.

Mr. FULLER. I concluded my remarks, Mr. Chairman.

Mr. ISSA. Okay. Then we will go through the rest of the remarks in the hopes that we do have people to ask better questions than I could conjure up. Thank you, Mr. Curtis.

STATEMENT OF CHARLES B. CURTIS, PRESIDENT, THE NUCLEAR THREAT INITIATIVE

Mr. CURTIS. It is a privilege to come before the Committee to talk about this issue of such vital interest to our national security, and I congratulate the Committee for holding these hearings.

I am the President of a charitable foundation called the Nuclear Threat Initiative, or sometimes referred to as NTI, a private organization that is dedicated to reducing the global threat from chemical, biological, and nuclear weapons. It is the premise of our initiative that there exists a gap between the threat and the response to that threat, the efforts taken by our government and other governments. The search for new and creative approaches aimed at closing this gap is what drives NTI's work in this field.

Our initiative, like the legislation before this Committee, both the Senate bill and the House bill, has been structured as a bipartisan initiative. It is Co-Chaired by former Senator Sam Nunn and CNN Founder Ted Turner and uniquely has two sitting U.S. senators on our board, Senator Lugar and Senator Domenici, and as you will recognize, Senator Lugar is a cosponsor of the Senate-passed bill.

But I appear before the Committee today not on behalf of Senator Lugar but on behalf of our board and its commitment to this important subject. The attacks of September 11 clearly demonstrate that the capacity of terrorists to inflict death and destruction is limited only by the power of their weapons, and their inclination to inflict death and destruction is similarly only limited.

The United States has a vital interest in working with other nations to secure and reduce weapons of mass destruction and their constituent materials around the globe. As the legislation before you makes clear, much of that work, which is urgent in nature, must be accomplished in Russia. The statements of the Chairman and other Committee Members at the beginning of this hearing show clearly that the Committee Members understand what is at

stake here and understand the potential that a debt exchange for non-proliferation investment in the Russian Federation has in addressing this problem and, importantly, in bringing additional resources to bear on it.

You have asked me to assess the prospects of ensuring sufficient cooperation and participation by the Russian government in a debt reduction for non-proliferation system. Here I would point to the remarkable breakthrough achieved at the recent G–8 Summit in Canada. Russia emerged from this summit as a full partner, as described by the G–8, in the newly announced Partnership Against the Spread of Weapons and Materials of Mass Destruction. In so doing, Russia pledged to abide by a series of guidelines that are designed to promote transparency and access to facilities involved in threat-reduction projects.

The G–8 guidelines are attached to my written statement. They require Russia and any recipient nation to take steps to ensure that assistance provided will be exempt from taxation and accept the need to have clearly defined milestones for each project with the option of terminating a project if the milestones are not met. Russia, along with the rest of the G–8, also agreed to assure appropriate privileges and immunities for donor government representatives and contractors working on cooperation projects.

Those of us with years of experience in overseeing cooperative threat-reduction projects in Russia know how important it is to deal up front with these delicate but essential issues. And I would suggest that Russia's commitments in Canada at the G–8 are a basis for a renewed commitment from Russia to these principles of transparency and accountability and that any exercise of debt exchange should hold Russia expressly to those renewed commitments.

Last year, NTI commissioned a study, conducted by specialists at Battelle and led by Jim Fuller, from whom the Committee has just received testimony. That study explored the concept of Russian debt for non-proliferation exchange, and we have made that study available to the Committee for your consideration. Its essential conclusion is that debt reduction for non-proliferation is both useful from a burden-sharing perspective and practical from an implementation standpoint.

It will be complicated, and I urge Members to give the Administration under your authority the opportunity to develop the operational details of the debt-reduction mechanism with maximum flexibility. You heard this morning from Under Secretary Larson asking for additional flexibility to that which is provided in the Senate bill, and I commend the Administration's position to you. We must remember we are addressing the nation's most serious national security threat, what the Congress itself has labeled "our greatest unmet danger." The Administration needs all the tools available or that can be made available in carrying out this important mission on behalf of the American people, and they need maximum flexibility to do so.

In anticipation of your questions, I would like to outline five operating principles, however, that I think could serve as a basis for an acceptable and workable debt-reduction mechanism. These are largely embedded in the legislation before you, but I have to con-

fess that you have to read the legislation pretty carefully to find them. One, debt agreements and conversion framework agreements should clearly define fund governance and asset protection measures. The agreements must also establish transparent systems of program and project management, and the fund must be fully auditable according to practices that have been refined over 10 years of experience in monitoring U.S.-Russia cooperative threat activities. As the Chairman's opening remarks indicated, and I would agree, that has not been a perfect record.

Two, there should be a mixed board of directors with members from donor nations as well as Russia to govern and oversee project selection and implementation criteria. Three, donors should be able to direct their contributions to specific classes of projects, for example, Scandinavian nations, if they are invited to participate as the Global Partnership expands, might be interested in elimination of general-purpose submarines which threaten the Barents Sea. Other nations might concentrate on the closer dangers of weapons and weapons materials security.

Four, there should be a debt-reinstatement provision that could be used for insurance in the event Russia failed to fulfill the terms spelled out in the implementing agreements, and a debt-reinstatement provision would also provide maximum incentive for Russia's leadership to overcome the inherent bureaucratic impediments to effective implementation of activities and operations in the Russian setting. And five, projects should be executed through contracts with qualified and experienced Western and Russian contractors and released only against work done. This has been an important instrument of cooperative threat reduction. It should be an important discipline on any program that develops under a debt swap.

Last November, President Bush declared that America's number one national security priority was to prevent terrorists and those who support them from acquiring weapons of mass destruction. It was no coincidence that he made this statement with President Putin at his side in Crawford, Texas. Russia is our natural partner in the struggle because Russia's cooperation is essential for any effective program.

We know that terrorist groups have been actively seeking weapons of mass destruction. We also know that Russia is home to vast stores of nuclear, chemical, and biological weapons, as well as people and materials that can produce them. And we know that we are a long way from adequately securing, consolidating, and reducing these weapons and materials. What we do not know is how much time we have to work in cooperation with Russia before the next act of terrorism takes place, an act that might very well involve a nuclear, chemical, biological, or radiological weapon.

Mr. Chairman, the President needs every arrow in the quiver that you can give him. This legislation will help get the job done, and I urge its prompt enactment.

[The prepared statement of Mr. Curtis follows:]

PREPARED STATEMENT OF CHARLES B. CURTIS, PRESIDENT, THE NUCLEAR THREAT INITIATIVE

Mr. Chairman and members of the Committee, it is a privilege to speak with you today about a matter of great importance to U.S. national security—the need for urgent measures to prevent terrorists from acquiring weapons of mass destruction. I

appear before you as the president of a charitable foundation known as NTI—the Nuclear Threat Initiative. Former Senator Sam Nunn joined Ted Turner last year to create NTI for the purpose of reducing the global dangers arising from nuclear, chemical and biological weapons. NTI's board of directors consists of highly regarded security experts from around the globe under the co-chairmanship of Sam Nunn and Ted Turner. I am proud to represent my fellow NTI board members at this important hearing.

NTI is built upon the premise that there exists a gap between the threats posed by weapons of mass destruction and efforts aimed at reducing these threats. The search for new and creative approaches aimed at closing this gap is what drives NTI's work in this field. We have developed considerable programmatic activity in Russia and the former Soviet Union due to the recognition that this region is crucial in efforts to prevent terrorists from obtaining weapons of mass destruction outright or the materials to make them.

Mr. Chairman, in your letter inviting me to testify today, you asked me to address the utility of proposals to use Russia's Soviet-era debt to fund strengthened nonproliferation programs in Russia. From the very outset of my testimony, I want to associate myself and NTI with the findings put forth in the Russian Federation Debt Reduction for Nonproliferation Act as part of S. 1803 and mirrored in H.R. 3836. The findings and purposes state the case for this legislation in cogent and compelling terms. Following in the tradition of the Nunn-Lugar program, S. 1803 enjoys a broad base of bipartisan support beginning with the bill's co-authors: Senators Biden and Lugar. It passed the Senate Foreign Relations Committee unanimously with the strong endorsement of Senator Helms. In a similar spirit of bipartisanship, Representatives McHugh and Schiff joined Representative Tauscher in introducing H.R. 3836 on March 4th of this year.

The disaster that our nation suffered on September 11 convincingly demonstrates that the capacity of terrorist groups to inflict death and destruction is limited only by the power of their weapons. The United States has a vital interest in working with other nations to secure and reduce weapons of mass destruction and their constituent materials around the globe. As the debt-swap legislation's findings make clear, much of that work—which is urgent in nature—must be accomplished in Russia. Tasks include eliminating chemical weapons, destroying or converting bio-weapons facilities, creating peaceful employment opportunities for weapons scientists, securing nuclear weapons and materials, and rendering nuclear or radiological materials useless to terrorists who are seeking so desperately to acquire them.

The burden presented by these tasks is too great for the United States to tackle alone; we need assistance from our Allies. Russia's long road to economic recovery coupled with its heavy debt-repayment obligations suggest that we are several years away—at best—from Russia assuming full responsibility for securing its own weapons and materials, yet that must clearly be the end point of our efforts. Because our friends in Europe hold significant amounts of Russian debt, a debt-swap mechanism as envisioned by this legislation presents a promising and creative supplemental avenue to explore in generating additional funding streams to help reduce Russia's proliferation vulnerabilities. Converting Russian debt into increased funding for nonproliferation efforts inside Russia would make a vital contribution to global security.

You also asked me to assess the prospects for ensuring sufficient cooperation and participation by the Russian government in a debt-reduction-for-nonproliferation system. Here I would point to the truly remarkable breakthrough achieved at the most recent G–8 summit in Canada. For the first time since the end of the Cold War, the world's leading economies and Russia went on record as recognizing the profound dangers we face around the world in the form of terrorists' determination to acquire weapons of mass destruction. Moreover, the G–8 has now pledged considerable resources—$20 billion over the next ten years—to keep the world's most dangerous groups from acquiring the world's most devastating weapons. We should take note of the fact that Russia emerged from this summit as a full partner in the newly announced G–8 Partnership Against the Spread of Weapons and Materials of Mass Destruction. In so doing, Russia has pledged to abide by a series of stringent guidelines that are designed to promote transparency and access to facilities involved in threat reduction projects. The guidelines crafted by the G–8, which are attached to my written statement, require that Russia take steps to ensure that assistance provided will be exempt from taxation and accept the need to have clearly defined milestones for each project with the option of terminating a project if the milestones are not met. Russia—along with the rest of the G–8—also agreed to assure appropriate privileges and immunities for donor government representatives and contractors working on cooperation projects. Those of us with years of experience in overseeing cooperative threat reduction projects in Russia know how important it is to deal up

front with these delicate, but essential issues in order to implement sustainable project activities in Russia.

President Bush and his Administration could use the legislation before you as a lever—a perhaps vital tool—to ensure that the G–8 meets its recently announced commitment to spend $20 billion over the next decade to secure vulnerable weapons and weapon materials in the former Soviet Union and elsewhere around the world. G–8 leaders specifically mention bilateral debt-for-program exchanges as a possible mechanism to use in meeting this pledge. While some member states may wish to make direct appropriations to support the G–8's Global Partnership, debt swap could play a key role in making sure that there is a sharing of the burden in meeting the global threats we face together in the form of catastrophic terrorism.

There is another element to consider in addressing the prospects of sufficient cooperation and participation by Russia in the G–8 Partnership. Converting Russian debt into increased resources for eliminating proliferation vulnerabilities should lead to greater Russian involvement in securing its own weapons and materials. This enhanced involvement is appropriate, necessary and essential to accelerate ongoing projects.

In 2001, NTI commissioned a study—conducted by specialists at Battelle—to address in detail the concept of a Russian debt-for-nonproliferation swap. This study, which we are making available to your committee, concludes that debt reduction for nonproliferation is both useful from a burden-sharing perspective and practical from an implementation standpoint. As the committee would expect, the development and implementation of a workable debt-swap mechanism will be complicated—but we think doable. I understand the committee's desire to know the details of how debt reduction would work in practice. However, I strongly urge the members to give the Administration—under your authority—the opportunity to develop the operational details of how debt reduction would be implemented. President Bush has a good team in place at the Treasury and State Departments—a team that can work in tandem to turn this concept into a successful policy initiative. To successfully engage Europe and others, however, the United States must lead in developing a working model. In this regard, the $300 million this legislation would authorize for debt reduction represents a suitable amount for use in demonstrating the basic elements of a debt-swap mechanism.

After reading the G–8 announcement launching the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction, I can see that the Administration is aware of the complications and is prepared to deal adequately with them. In addition, the Battelle report, which I mentioned earlier, provides several useful precedents to guide this work. We at NTI have given this matter a fair amount of thought and we and our consultants would be pleased to explore the underlying issues with the committee and its staff. We have already offered our services to the Administration and have met with financial experts in this country and abroad to explore the essential contours and conditions of a workable program.

Let me, in anticipation of your questions, outline briefly the scope of what may be an acceptable and workable mechanism in the form of a few basic operating principles. You might have your own list, but let me offer five at this time. *One*, debt agreements and conversion framework agreements should clearly define fund governance and asset protection measures. The agreements must also establish transparent systems of program and project management. *And* the fund must be fully auditable according to strict requirements that have been refined over ten years of experience in monitoring U.S.-Russian cooperative threat reduction activities. *Two*, there should be a mixed board of directors—with members from donor countries as well as Russia—to govern and oversee project selection and implementation criteria. *Three*, donors should be able to direct their contributions to specific classes of projects, for example: submarine elimination or weapons and materials security. *Four*, there should be a debt-reinstatement provision that could be used for insurance in the event—for whatever reason—that Russia did not fulfill the terms spelled out in the implementing agreements. *And five*, projects should be executed through contracts with qualified and experienced Western and Russian contractors. This last principle is essential for fund administration in terms of having sufficient assurances that monies will only be expended for work performed and in accordance with suitable, mutually accepted milestones. I would, of course, be pleased to entertain your questions on this framework in the course of this proceeding or at some later date.

President Bush said it best last November when he declared that America's number one national security priority was to prevent terrorists and those who support them from acquiring weapons of mass destruction. It was not a coincidence that he made this statement with President Putin of Russia at his side. Russia is our natural partner in this struggle. But it will take a global coalition—with joint leader-

ship from the United States and Russia—for us to prevail. Senator Richard Lugar—who is also a member of NTI's board of directors—and former Senator Sam Nunn called for the creation of a Global Coalition Against Catastrophic Terrorism at a conference of Russian and American legislators, officials and experts on these matters held in Moscow this past May. The goal of such a coalition would be to extend the global effort to combat terrorism in the wake of the September 11 attacks by preventing the quantum leap in destructive potential that would result if terrorists got access to weapons of mass destruction.

In closing I would like to leave you with the following thoughts. We *know* that terrorist groups have been actively seeking weapons of mass destruction. We also know that Russia is home to vast stores of nuclear, chemical and biological weapons as well as people and materials that can produce them. And we know that we are a long way from adequately securing, consolidating and reducing these weapons and materials. *What we do not know* is how much time we have to work in cooperation with Russia before the next act of terrorism takes place—an act that might very well involve a nuclear, chemical, biological or radiological weapon.

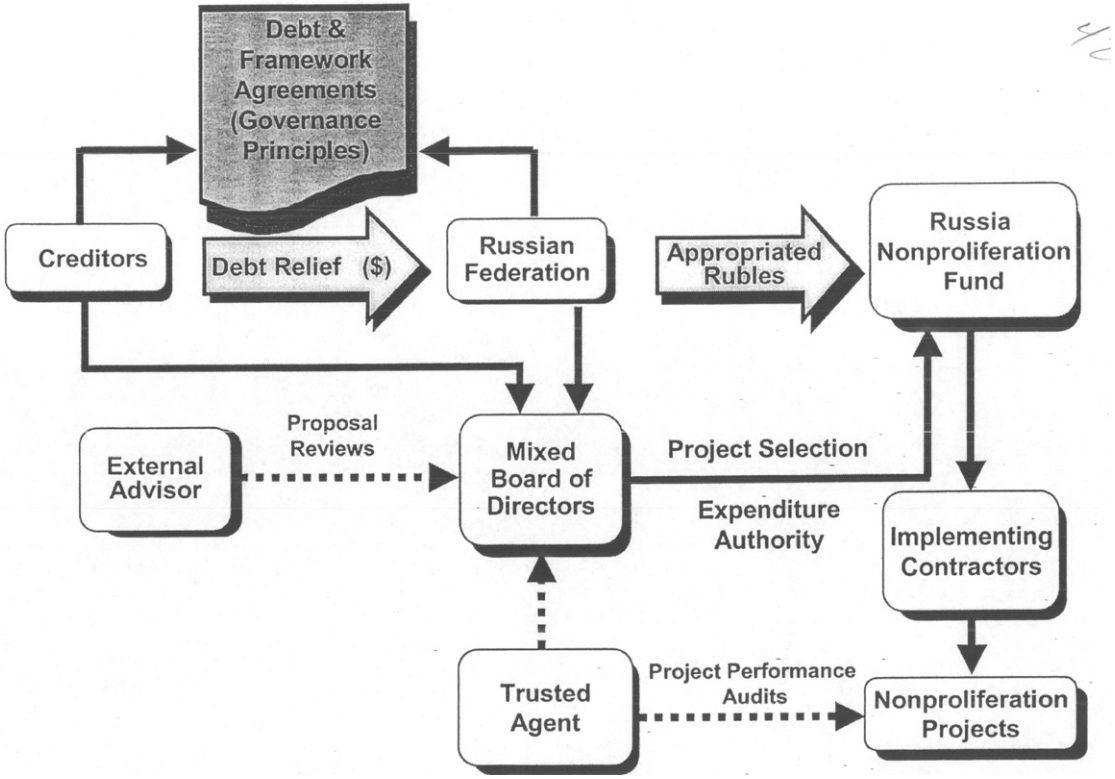
Today, we find ourselves in a new arms race—one that is unprecedented to our established way of thinking. We are racing to secure and reduce the weapons and materials that Russia inherited from the Soviet Union's vast arsenal at the same time that well financed terrorists with a fanatical hatred of the United States are racing to obtain them. The hardest step for groups to take in committing acts of catastrophic terrorism is to acquire the weapon or material to construct a weapon. Fortunately, this step is the easiest for us to prevent, at least in the case of nuclear and chemical weapons. But once weapons or their means are acquired, each subsequent step in the path toward catastrophic terrorism becomes easier for them and more difficult for us to block. U.S. homeland security, therefore, begins in the former Soviet Union and must extend throughout the globe wherever weapons and weapons materials reside. We need to bring more resources to bear in meeting this security imperative. It is worth giving the Bush Administration a tool such as this legislation to help generate the resources necessary to address this critical task.

Thank you, Mr. Chairman. I am prepared to answer your questions.

Operating Principles

- Fund governance and asset protection measures will be defined in debt agreements, conversion framework agreements, and transparent systems of program and project management
  - *Trusted agents* may prove useful in project assurance role
- Mixed Board of Directors will govern project selection and implementation criteria through "supermajorities" which assure that:
  - Majority of seats are held by Russian nationals
  - Creditor nations' interests are represented
- Donors can direct their contributions to specific classes of projects (e.g., submarine elimination, environmental remediation, weapons materials security)
- Release of resources from creditors will be incremental and contingent on appropriate Russian commitments
  - US debt conversions can be "scored" annually
- Projects will be executed through contracts with qualified and experienced Russian and Western firms

A Possible DfN Structure



G8 Information Centre

SOMMET KANANASKIS SUMMIT

CANADA 2002

Statement by G8 Leaders
The G8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction

Kananaskis, June 27, 2002

The attacks of September 11 demonstrated that terrorists are prepared to use any means to cause terror and inflict appalling casualties on innocent people. We commit ourselves to prevent terrorists, or those that harbour them, from acquiring or developing nuclear, chemical, radiological and biological weapons; missiles; and related materials, equipment and technology. We call on all countries to join us in adopting the set of non-proliferation principles we have announced today.

In a major initiative to implement those principles, we have also decided today to launch a new G8 Global Partnership against the Spread of Weapons and Materials of Mass Destruction. Under this initiative, we will support specific cooperation projects, initially in Russia, to address non-proliferation, disarmament, counter-terrorism and nuclear safety issues. Among our priority concerns are the destruction of chemical weapons, the dismantlement of decommissioned nuclear submarines, the disposition of fissile materials and the employment of former weapons scientists. We will commit to raise up to $20 billion to support such projects over the next ten years. A range of financing options, including the option of bilateral debt for program exchanges, will be available to countries that contribute to this Global Partnership. We have adopted a set of guidelines that will form the basis for the negotiation of specific agreements for new projects, that will apply with immediate effect, to ensure effective and efficient project development, coordination and implementation. We will review over the next year the applicability of the guidelines to existing projects.

Recognizing that this Global Partnership will enhance international security and safety, we invite other countries that are prepared to adopt its common principles and guidelines to enter into discussions with us on participating in and contributing to this initiative. We will review progress on this Global Partnership at our next Summit in 2003.

The G8 Global Partnership: Principles to prevent terrorists, or those that harbour them, from gaining access to weapons or

materials of mass destruction

The G8 calls on all countries to join them in commitment to the following six principles to prevent terrorists or those that harbour them from acquiring or developing nuclear, chemical, radiological and biological weapons; missiles; and related materials, equipment and technology.

1. Promote the adoption, universalization, full implementation and, where necessary, strengthening of multilateral treaties and other international instruments whose aim is to prevent the proliferation or illicit acquisition of such items; strengthen the institutions designed to implement these instruments.

2. Develop and maintain appropriate effective measures to account for and secure such items in production, use, storage and domestic and international transport; provide assistance to states lacking sufficient resources to account for and secure these items.

3. Develop and maintain appropriate effective physical protection measures applied to facilities which house such items, including defence in depth; provide assistance to states lacking sufficient resources to protect their facilities.

4. Develop and maintain effective border controls, law enforcement efforts and international cooperation to detect, deter and interdict in cases of illicit trafficking in such items, for example through installation of detection systems, training of customs and law enforcement personnel and cooperation in tracking these items; provide assistance to states lacking sufficient expertise or resources to strengthen their capacity to detect, deter and interdict in cases of illicit trafficking in these items.

5. Develop, review and maintain effective national export and transshipment controls over items on multilateral export control lists, as well as items that are not identified on such lists but which may nevertheless contribute to the development, production or use of nuclear, chemical and biological weapons and missiles, with particular consideration of end-user, catch-all and brokering aspects; provide assistance to states lacking the legal and regulatory infrastructure, implementation experience and/or resources to develop their export and transshipment control systems in this regard.

6. Adopt and strengthen efforts to manage and dispose of stocks of fissile materials designated as no longer required for defence purposes, eliminate all chemical weapons, and minimize holdings of dangerous biological pathogens and toxins, based on the recognition that the threat of terrorist acquisition is reduced as the overall quantity of such items is reduced.

The G8 Global Partnership: Guidelines for New or Expanded Cooperation Projects

The G8 will work in partnership, bilaterally and multilaterally, to develop, coordinate, implement and finance, according to their respective means, new or expanded cooperation projects to address (i) non-proliferation, (ii) disarmament, (iii) counter-terrorism and (iv) nuclear safety (including environmental) issues, with a view to enhancing strategic stability, consonant with our international security objectives and in support of the multilateral non-proliferation regimes. Each country has

primary responsibility for implementing its non-proliferation, disarmament, counter-terrorism and nuclear safety obligations and requirements and commits its full cooperation within the Partnership..

Cooperation projects under this initiative will be decided and implemented, taking into account international obligations and domestic laws of participating partners, within appropriate bilateral and multilateral legal frameworks that should, as necessary, include the following elements:

i. Mutually agreed effective monitoring, auditing and transparency measures and procedures will be required in order to ensure that cooperative activities meet agreed objectives (including irreversibility as necessary), to confirm work performance, to account for the funds expended and to provide for adequate access for donor representatives to work sites;

ii. The projects will be implemented in an environmentally sound manner and will maintain the highest appropriate level of safety;

iii. Clearly defined milestones will be developed for each project, including the option of suspending or terminating a project if the milestones are not met;

iv. The material, equipment, technology, services and expertise provided will be solely for peaceful purposes and, unless otherwise agreed, will be used only for the purposes of implementing the projects and will not be transferred. Adequate measures of physical protection will also be applied to prevent theft or sabotage;

v. All governments will take necessary steps to ensure that the support provided will be considered free technical assistance and will be exempt from taxes, duties, levies and other charges;

vi. Procurement of goods and services will be conducted in accordance with open international practices to the extent possible, consistent with national security requirements;

vii. All governments will take necessary steps to ensure that adequate liability protections from claims related to the cooperation will be provided for donor countries and their personnel and contractors;

viii. Appropriate privileges and immunities will be provided for government donor representatives working on cooperation projects; and

ix. Measures will be put in place to ensure effective protection of sensitive information and intellectual property.

Given the breadth and scope of the activities to be undertaken, the G8 will establish an appropriate mechanism for the annual review of progress under this initiative which may include consultations regarding priorities, identification of project gaps and potential overlap, and assessment of consistency of the cooperation projects with international security obligations and objectives. Specific bilateral and multilateral project implementation will be coordinated subject to arrangements appropriate to that project, including existing mechanisms.

For the purposes of these guidelines, the phrase "new or expanded cooperation projects" is defined as cooperation projects that will be initiated or enhanced on the basis of this Global Partnership. All

funds disbursed or released after its announcement would be included in the total of committed resources. A range of financing options, including the option of bilateral debt for program exchanges, will be available to countries that contribute to this Global Partnership.

The Global Partnership's initial geographic focus will be on projects in Russia, which maintains primary responsibility for implementing its obligations and requirements within the Partnership.

In addition, the G8 would be willing to enter into negotiations with any other recipient countries, including those of the Former Soviet Union, prepared to adopt the guidelines, for inclusion in the Partnership.

Recognizing that the Global Partnership is designed to enhance international security and safety, the G8 invites others to contribute to and join in this initiative.

With respect to nuclear safety and security, the partners agreed to establish a new G8 Nuclear Safety and Security Group by the time of our next Summit.

Source: Government of Canada, Kananaskis Summit

G8 CENTRE
TOP OF PAGE

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Mr. ISSA. Thank you. Dr. Menges, I appreciate your patience in this, and, again, hopefully we will give an opportunity to follow up in writing with additional questions if they do not get asked here today. Please, Doctor. There is a truism here which is no matter what you try to do, the first time you push the button it will not work.

STATEMENT OF CONSTANTINE MENGES, Ph.D., SENIOR FELLOW, HUDSON INSTITUTE

Mr. MENGES. Mr. Chairman, thank you very much. I am pleased to be here to discuss this very, very important issue, and I commend the Committee for its attention to this question, to the broader question of these weapons of mass destruction and ballistic missiles and to means of reducing the threat from them.

I have been asked to provide perspective on the international aspects of this issue and put the issues of weapons of mass destruction into context. I will not be commenting on the internal aspects of these systems inside Russia except to say that I do recall in one of my visits to Russia being in the Kremlin with an adviser to President Yeltsin in 1992 right at the start of the post-Soviet era, and this individual said to me that one of their greatest concerns is that they know they have so many chemical, biological, and nuclear weapons and facilities scattered all over the former Soviet republics, and they also know they do not have control over them or even a good inventory. So the problem was one that was recognized then, and I think the Congress is to be complimented because it was the initiative of the Congress with the cooperative threat reduction in 1991 that led to efforts to deal with this over the years.

Having said that, let me turn to the international and strategic aspects of this issue of Russian transfer of weapons of mass destruction and ballistic missiles to other states and other regimes. I begin my written testimony, and I have a brief summary of the testimony in a few pages, with a quote from President George Bush in which he tells us that, as we know, terrorist groups are part of the threat we are facing. They are seeking weapons of mass destruction. He also tells us that a number of state-sponsoring regimes are moving toward weapons of mass destruction, and we have to deal with both aspects of the problem, and he has been very clear and very forceful and very dramatic about that.

The third dimension, however, has not yet been publicly addressed, in my opinion, except perhaps here to a degree, but it has not generally been addressed by the Administration or by the public. The issue is that it is two powers, Russia and China, which the CIA in its bi-annual reports to Congress—unclassified that I as a citizen can read and classified reports that you also read—has identified year after year after year these two powers as those which are doing the most to help the state-sponsoring terrorist regimes develop weapons of mass destruction. They are a threat to us and themselves, those regimes are, and, of course, the threat that they would transfer these capabilities to terrorists. The two countries doing this are Russia and China. And this is something that has continued even after September 11, 2001, according to the latest CIA report.

You will find in my testimony a very brief, one-page chart in which I summarize and synthesize the CIA findings. Let me now just give you a brief sense for what the CIA says Russia is doing, and then I will return to the Russia-China issue. Iran, which the Department of State identifies as the most active state sponsor of terrorism, Russia is providing assistance in building its stocks of chemical weapons, and it supports development of biological weapons. Cuba also, in my judgment, is helping with biological weapons in Iran, another state sponsor of terror, and Russia is also helping with its nuclear weapons program.

Although Russia denies this, the Administration says, and I accept the view of the Administration, that what Russia is doing will contribute to Iran developing a nuclear weapon, and a Russian senior general has said Iran already has nuclear weapons. Russia is also helping actively with the development of Iran's medium-range ballistic missile as well as with its 9,200-mile, long-range ballistic missile. Just so we understand that, 9,200 miles. That reaches right here, right to this Committee room and, in fact, virtually all of the continental United States.

This is what Russia is doing today, according to the CIA. In North Korea, Russia is providing major assistance for North Korea in building its medium-range ballistic missile, which itself is the main missile shipped to other countries and the prototype for the further expansion. I gave Mr. Douglas a very good cut-away in full size from a *Washington Post* article of Iran's medium-range ballistic missile, which shows you the various parts provided by Russia, China, and North Korea to Iran. I think we should take this as a prototype of what is happening in the other state sponsors of terror regimes that are seeking ballistic missiles. I have also included a smaller version of that very interesting illustration in my testimony.

In Libya and Serbia under Milosevic, it is reported by the CIA as providing key elements of ballistic missile products. It is my judgment that Serbia was a conduit under the Milosevic regime for Russia. Serbia has no such capacity. Russia and Serbia have many ties covertly, and so it is my judgment. The CIA is not saying this. I am saying this. But I think that Serbia was a cut out for Libya in that respect. The CIA report also indicates Russia is considering assistance to Libya's civilian nuclear program, which also, the CIA says, could have military applications.

In Syria, which is a partner with Iran in major terrorist operations against Israel through Hamas, Hezbollah, Islamic Jihad. There are weapons being flown from Iran to Syria, off loaded, then on to the Iranian-supported terrorist groups in Lebanon and elsewhere. Syria is now being helped by Russia with chemical weapons sources and also its ballistic missile program.

Last, just as an illustration—we know the problem is serious, but I wanted to summarize this—in China the estimates are that Russia has sold China on the order of $18 billion worth of advanced weapons since the early '90s. An approximately equal amount is on order for the next few years. That is nearly $40 billion of advanced weapons. Russia is building up China's military capacities, with perhaps the most important aspect of that being the reports, not from CIA but from other sources, that Russia may have helped

China with its SS–18 multi-war head technology for China's ICBM, which increased in numbers, according to CIA reports, from two to 26 during the 1990's and which are going to be increasing by a factor of four in the next 10 years, according to CIA. So we might be seeing multiple war heads on roughly 90 Chinese ICBMs or perhaps 300 war heads facing us within the next eight to 10 years, according to estimates, all of this coming from Russia.

Now, to put this in further context, I would like to simply mention the importance of understanding that while Russia and the United States have important domains of cooperation and have reached important agreements on reducing strategic weapons, the agreements that were reached at the G–8 meeting and in the war on terrorism—that is very, very positive. I think they are very positive movements, at the same time Russia has signed two new alliance agreements with China, one, the Shanghai Cooperation Organization Agreement of June 2001, which brings together Russia, China, and four Central Asian states for a total of 1.5 billion people in that alliance system. Secondly, the Russia-China Bilateral Alliance signed in July 2001, which, in my view, has had the following effects, and I will be very brief. First, that the China-Russia alliance is one in which I believe both powers are seeking to have a two-level strategy toward the United States, at one level a strategy of normal and cooperative relations in order to maximize economic benefits from the United States and the West and to reduce possible threats.

At the same time, however, I think both powers have a discrete strategy at a second level of trying to counter the United States and the world, and to do that they are doing several things. One is the Russian buildup of Chinese military capabilities, all of which are aimed at U.S. forces in the Pacific. Secondly, joint Chinese-Russian opposition to missile defenses for U.S. allies and for the United States. Thirdly, joint Chinese-Russian political support for Iraq and a number of other terrorist-supporting states. It is especially regrettable that in the case of Iraq, despite its violation of U.N. Security Council regulations concerning the inspection and destruction of weapons of mass destruction there, China and Russia have supported Iraq versus U.S. and British efforts to enforce the U.N. Security Council resolutions.

And the fourth aspect of this shared relationship, I believe, has been this proliferation in which China and Russia together jointly. Not necessarily in total coordination, but in parallel, these nations are building up the military strength of these terrorist-supporting regimes as a way, I believe, of weakening the United States. I believe this has the following negative effects. First, that joint Russian-Chinese proliferation to state sponsors of terrorism first emboldens those regimes to sponsor terrorism because they believe that this joint Russian-Chinese sale of weapons of mass destruction and ballistic missile components and expertise means they are being supported by China and Russia, and they feel stronger as a result of that. Second, it risks those regimes acquiring the capabilities which can threaten our allies, our forces in the region, or directly our homeland. And third, I believe, and this I do not think has gotten much attention, that proliferation strengthens anti-U.S. and more hostile, hard-line elements inside the Russian govern-

ment and the Chinese government because they acquire a strong, vested economic interest in the hard currency cash proceeds from those proliferation sales, which the U.S. keeps trying to stop. It is part of strengthening, as I say, the anti-U.S. aspect of those regimes. I think China very much is trying to move Russia to its side. Now there is a tug of war going on, and Russia, in my view, is basically wanting to be in both camps.

To conclude, I believe the time has come for action on the question of Russian and Chinese proliferation, but let me focus on Russian proliferation. There has been much dialogue. Many promises have been made and broken. Many promises have been made, broken, and forgotten by Russia, and I believe now is the time for the United States to take action. I think that the general approach that is before you in the legislation is trying to provide incentives through debt reduction for the internal Russian territory control of these systems. It makes a great deal of sense and is very innovative and creative.

I would support it with one proviso, and I would agree with Mr. Curtis completely. There has to be the will and the clear determination to cut off the incentive if there is no compliance. If it is another case of promise, get your reward, and forget it, there is no reason why those who are making money from these operations should in any way be reined in by the Russian government. I believe the Russian and Chinese governments can stop these efforts to 90 percent or 95 percent if they decide to.

It is inconvenient politically to go against entrenched vested interests. Members of Congress understand that very well. This will not be done unless we have the will to, in fact, reduce the payment and end the incentive, and that is what has been missing in the cooperative threat-reduction program. There needs to be verification that is absolute, there needs to be real-time reporting, and there needs to be a cut-off; otherwise, there will not be compliance.

So I think the idea of incentives, when it comes to controlling these weapons inside Russia and ending Russian international transfers, which are not prohibited by agreements or law, makes sense. However, Russian international transfers of weapons of mass destruction, ballistic missile components and expertise, are prohibited because of their previous promises, because of joint agreements, or because of international regimes or laws that have been entered into. Then I think it is time to use sanctions or disincentives—economic disincentives.

I believe the principle should be that whatever it costs the United States and its allies to defend against the additional threats created, I think there should be an analytic project to assess that cost objectively in a way that can be presented to the Russians so they understand the rational basis for this. It should then be taken out of the bilateral and multilateral assistance provided to Russia so that if it is going to keep suboptimizing profits through these highly dangerous sales, that it will lose international and U.S. assistance it otherwise would have obtained. I believe that is essential, and that is the most important thing to be done.

Now, I have in my testimony a list of seven other things.

[The prepared statement of Mr. Menges follows:]

PREPARED STATEMENT OF CONSTANTINE MENGES, PH.D.,[1] SENIOR FELLOW, HUDSON INSTITUTE

RUSSIA, PROLIFERATION AND THE WAR ON TERRORISM

The evil that has formed against us has been termed the new totalitarian threat. The authors of terror are seeking nuclear, chemical, and biological weapons. Regimes that sponsor terror are developing these weapons and the missiles to deliver them. If these regimes and their terrorist allies were to perfect these capabilities, no inner voice of reason, no hint of conscience would prevent their use . . .

—PRESIDENT GEORGE W. BUSH, MAY 2002

Summary and overview

In July 2002 it is evident that the United States and its allies continue to face serious and continuing threats from a number of terrorist organizations and the regimes which have for years directly sponsored and supported this terrorism. Further, President Bush has warned that these state sponsors of terror are also themselves a threat because they are actively seeking to obtain nuclear, chemical, and biological weapons together with ballistic missiles.

The most active state sponsors of terror identified by the US government include: Iran, Iraq, North Korea and Libya. All of these dictatorial regimes had extremely close political and military relations with the former Soviet Union until its dissolution at the end of 1991. The post-Soviet regime of President Yeltsin initially moved away from the Soviet pattern of supporting these regimes but by the mid-1990s as communist China moved Russia first into strategic alignment and then toward a full bilateral alliance, signed in July 2001, both Russia and China have been the most active powers in transferring weapons of mass destruction and ballistic missile components and technology to these regimes. This according to the unclassified reports issued by CIA.

Repeated US protests have been met with denials or with promises that this would change in the future. However, the pattern of these actions by Russia and China continues despite several important agreements with Russia since the tragic terrorist attack of September 11, 2001. This continuing Russian proliferation should be seen in the strategic context of the new China-Russia alliance in which both powers seek to conduct a two-level relationship with the United States:

- maintain normal relations in order to obtain the maximum economic benefits;
- at the same time, discreetly opposing the US in order to reduce its global influence.[2]

In overview, the latest unclassified CIA report finds that Russia has done the following:

— *for Iran*, Russia provided assistance in building its large stocks of chemical weapons; for its development of biological weapons (to which Cuba has also contributed[3]); with its nuclear weapons program, as well as with its mid range ballistic missile (900 miles) and its planned ICBM, the 9200 mile Shahab 4/5.[4]

— *for North Korea*, Russia has provided major assistance in building its Nodong medium range ballistic missile (900 miles) and aid in building its 9200 mile intercontinental ballistic missile, the Taepodong.

— *for Libya*, Serbia under Milosevic was reported as a key supplier of ballistic missile related goods.[5] In my judgment, this means Russia was providing this assistance using Serbia as a conduit. The CIA report indicates Russia is discussing assistance to an ostensibly civilian nuclear program in Libya

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[1] Constantine C. Menges Ph.D., a Senior Fellow with the Hudson Institute, served as Special Assistant for National Security Affairs to the President and as National Intelligence Officer with the CIA. His forthcoming book is *2007: The Preventable War: The Strategic Challenge of Russia and China*. [Contact tel.#s 202/ 974–2410 or 202/ 223–7770]. The author thanks Mr. Marcus Sgro of the Hudson Institute for his excellent work in helping to prepare this testimony.

[2] See C. Menges, "Russia, China, and What's Really on the Table", *Washington Post*, July 29, 2001

[3] Nancy San Martin, "Cuba Has Sold to Iran Biotechnology That Can Be Used to Make Biochemical Arms, Scientist Says", *Miami Herald*, Washington, October 11, 2001

[4] CIA, *Foreign Missile Developments*, op. cit. and CIA, Unclassified Report, op. cit.

[5] Central Intelligence Agency, *Unclassified Report*, op. cit.

and notes that this could lead to "opportunities to pursue technologies that could be diverted for military purposes".[6]

— *for Syria*, the CIA report notes that Syria is critically dependent on foreign sources for its chemical weapons program. This could mean Russia. CIA states that Russia provides help for Syria's ballistic missile program and has also been cooperating with Syria on civil nuclear power—expertise that could assist a nuclear weapons program.[7]

— *For China*, estimates are the Russia sold about $18 billion worth of advanced weapons to China since 1994 and plans to sell about the same amount in the next several years.

It is suspected that during the 1990s missile designs and technology from Russia's SS–18 multiple warhead ICBM was transferred to China by Russia.[8] This would have been incorporated into China's ICBMs (DF–5/C–SS–4). It is important to note that in 1990 there were allegedly two of these missiles; now there are an estimated 26.[9] China's current ICBMs, targeted on the US, are undoubtedly more reliable and accurate due, among other factors, to this Russian assistance.

Russian and Chinese proliferation to state sponsors of terrorism poses several serious threats: 1/ it emboldens these regimes to sponsor terrorism because they view themselves as militarily aided by two powerful states; 2/ it risks these regimes acquiring capabilities that could inflict massive destruction on US allies and forces and in the near future on the US homeland; and,3/ it strengthens anti-US and more hostile elements within both Russia and China which profit directly from proliferation to countries which can pay with hard currency.

The time has come to move from dialogue to action on this issue. There are a number of steps the United States should take and among these the most important is to use the enormous economic leverage of the United States as a peaceful incentive or disincentive to persuade Russia (and China) to end their proliferation.

I/ US Purposes in Assisting post-Soviet Russia

Following the unraveling of the Soviet Union and the establishment of the Russian Federation in 1992, presidents and political leaders in both major parties in the United States have supported a large program of bilateral and multilateral assistance for Russia. The purposes have been to encourage a transition to ever more broad based and stable political democracy together with a market oriented economy and to assist Russia in controlling and reducing its large arsenal of strategic and tactical nuclear weapons, other weapons of mass destruction, and its ballistic missiles. These programs were seen by the leaders in the United States and Russia as being in the interests of both countries since a more democratic and market oriented Russia would more likely be peaceful internationally and provide for greater prosperity and well-being for its citizens.

From 1991 until the end of 2000, the United States has provided more than $35 billion in bilateral assistance to all 15 post-Soviet republics: $17 billion in direct funding together with an additional $18 billion in commercial financing and insurance. Russia has received more than $17 billion including $8 billion in direct funding and $9 billion in commercial financing and insurance.[10] This funding continues. At the same time, the United States has joined with the other major democracies to provide an estimated additional $120 billion in economic assistance through bilateral programs and international financial institutions.[11] Further, on several occasions the democracies have canceled or generously refinanced more than $40 billion of Russia's external debt. Therefore, we can estimate that as of this time total expenditures and grants by the United States and its democratic allies in assistance for Russia have been worth more than $150 billion dollars since the unraveling of the Soviet Union.

This is an important starting point for considering Russia's continuing transfer of components and expertise for weapons of mass destruction and the ballistic missiles to deliver them. It is often said that these highly dangerous transfers have occurred because Russia and various Russian weapons manufacturing organizations

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[6] Ibid.

[7] Central Intelligence Agency, *Unclassified Report*, op. cit.

[8] See Richard Fisher, "Foreign Arms Acquisition and PLA Modernization" in James Lilley and David Shambaugh, *China's Military Faces the Future* (AEI Press, 1999, 128–130

[9] Bill Gertz, "China Adds 6 ICBMs to its Arsenal, Plans 2 more before moving its only plant", *Washington Times*, July 21, 1998, A1

[10] *US Government Assistance to and Cooperative Activities with the Newly Independent States of the Former Soviet Union*, Department of State, January 2001

[11] Speaker's Advisory Group on Russia, Christopher Cox, Chairman, *Russia's Road to Corruption*, US House of Representatives, September 2000

need and want the funds they derive from these transfers. The question facing the current leadership of the United States is whether it is the national interest to continue the many forms of economic assistance for Russia even though its government either denies or fails to stop the proliferation.

II/ Background to Russia's Current Transfers of Weapons of Mass Destruction

It is a fact of international politics that virtually all the Soviet-linked anti-U.S. dictatorships of the Cold War era outside Europe survived during the 1990s. These include Iran, Iraq, Libya, Syria, North Korea, Cuba—all of which have been judged by the United States government to be states which support international terrorism. The Middle Eastern anti-US regimes, Iran, Iraq, Libya, Syria continue to seek to build weapons of mass destruction for possible use against the United States as well as against U.S. allies such as Israel and the Persian Gulf oil states.

These are the states which during the 1990s have been supported by Russia and China politically and with weapons transfers at ever increasing tempo. In congressionally-mandated public reports, the Director of Central Intelligence has indicated that Russia and China are the countries which provide the largest number of conventional weapons and most of the aid for weapons of mass destruction to these and other hostile regimes.

The Soviet purpose in working for 30 years with these regimes in the Middle East was essentially to use them and their hostility against Israel and its alliance with the United States as a means of helping radical pro-Soviet groups gain control of the Middle East oil wealth. This included unsuccessful attempts to overthrow the moderate Persian Gulf oil regimes—Saudi Arabia, Kuwait, United Arab Emirates. The Soviet view was that with Europe and Japan depending on these for about 70 percent of their energy supplies and radical pro-Soviet regimes in charge of those oil resources it would be possible to neutralize Europe and Japan denying them further supplies of Middle Eastern unless they left NATO and other alliances with the U.S.

In the 1990s, Russia and China sold weapons to the anti-U.S. regimes in the Middle East to earn hard currency, to support their own military producers, to establish closer relations and to build up these regimes as a means of counterbalancing the United States.

Years after the event, reports revealed that in 1995 Vice President Gore had entered into a secret agreement with Prime Minister Chernomyrdin of Russia that the United States would not implement sanctions required by the Gore-McCain Nonproliferation Act of 1992 if Russia promised to stop selling advanced conventional weapons to Iran. This surprising revelation led Senate Majority Leader Trent Lott and Senator Jesse Helms to write President Clinton on October 13, 2000 saying, "please assure us . . . the Vice President did not in effect sign a pledge with Victor Chernomyrdin in 1995 that committed your Administration to break U.S. law by dodging sanctions requirements."[12] In fact, Russia did not stop selling such weapons. Despite U.S. diplomatic protests, Russian weapons transfers continued into the years 2001 and 2002.

III/ The New China-Russia Alliance: Proliferation as a Key Aspect

On July 16, 2001, the Presidents of China and Russia signed a twenty year treaty of cooperation. This is one result of years of Chinese effort to move Russian presidents Yeltsin and Putin away from the United States. In 1950 a treaty between Communist China and the Soviet Union had produced a marked increase in the challenge posed by both powers; it was followed almost immediately by their support for North Korea's attack on South Korea. Then after a decade of ever more bitter disputes between Mao and Soviet ruler Khruschev, there was a sharp break and very hostile relations until a process of normalization began again in 1985. Given the political changes inside Russia since 1992,, China's economic opening, and events after September 11, 2001, the new alliance has been given very little attention, yet it is important to examine its implications for the future.

The expectation of President Jiang that the treaty would help move Russia away from the West has not yet been met. To the contrary, Russia has cooperated with the US in the first phase of the war on terrorism which also meets its strong interest in defeating armed Muslims inside Russia. Further, Presidents Bush and Putin have agreed on significant reductions in offensive strategic weapons and Russia was recently given a seat at the NATO table with full participation in the discussion of issues but no veto on actions.

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[12] As cited by Bill Gertz, op.cit., October 17, 2000.

Last year the Department of State minimized the implications of the China-Russia treaty stating, " it doesn't have mutual defense in it or anything like that".[13] That was incorrect : article 9 of the treaty explicitly states that if in the view of either China or Russia " a threat of aggression arises" the two sides will immediately consult on actions "to eliminate the emerging threat". China also officially stated that the treaty also calls for "joint attacks against invading forces"[14] which China defines to include any U.S.forces aiding Taiwan or contesting its claims in the South China Sea. A senior Chinese official said that the treaty omitted details on military cooperation "because we have ample agreements on that issue".[15]

Nor had the US taken much notice in June 2001 when China led the way in establishing the Shanghai Cooperation Organization, which President Jiang calls the "Shanghai Pact". This currently brings together China, Russia, and four Central Asian states for political, economic and military cooperation. Its most recent summit meeting , held on June 6–7, 2002 and hosted by President Putin , agreed that the current six countries with a population of 1.5 billion, should add additional members such as Iran and India,[16] with China also seeking to include Pakistan. Both Putin and senior Indian officials have expressed interest in India joining the Shanghai Pact;[17] that would bring this second China-Russia alliance to a membership including nearly 40% of the world's population, along with very large and powerful nuclear armed military forces.

At this time neither the China-Russia bilateral alliance nor the Shanghai Pact has taken on the aspects of an emerging ever more powerful political-military coalition which is seeking to move toward dominance. Yet there are a number of negative consequences which need to be understood.

The first has to do with the next phases in the war on terrorism. President Bush has been explicit that it is not only the terrorist organizations that must be countered but also the regimes which give them direct military, political, and other support. Yet a recent CIA report to the Congress reveals that, even after Sept.11,2001, China and Russia continue to be the leading suppliers of expertise and components for chemical, biological, nuclear weapons and ballistic missiles to many state sponsors of terrorism, including the very regimes designated by President Bush as the "Axis of Evil": Iraq, Iran and North Korea.[18] By helping to make these dangerous regimes more powerful, China and Russia are lessening the effectiveness of the war on terrorism by emboldening them as they aid terrorists. This increases the threats to the US and its allies from both the terrorists and their sponsoring regimes.

Further, while President Bush has made it evident that there must be a constructive change in the regimes of state sponsors of terror such as Iraq, China and Russia have both repeatedly declared that no action should be taken against Iraq or other regimes the US declares are sponsoring terrorism without the approval of the UN Security Council, where they both have a veto. Yet for years and continuing after 9/11, China and Russia both have provided political support to Saddam Hussein against US and British-led efforts to bring about Iraq's compliance with existing UN Security Council resolutions concerning the inspection, removal and destruction of weapons of mass destruction. China and Russia have also both strengthened their relations with Iran and North Korea despite the aggressive actions of those regimes—the US has concluded that Iran is the "most active" state sponsor of terrorism.

The China-Russia alliance has also had the negative effect of increasing the sales of advanced Russian weapons to China which in turn aims these at US Pacific forces. For example, Russia sells China its modern destroyers armed with sea-skimming cruise missiles designed to sink U.S. aircraft carriers. In June 2002 Russia

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[13] Barry Schweid, "Bush Administration Reaction to the Russia-China Treaty", *AP*, July 17, 2001

[14] Ibid.

[15] John Pomfret and Peter Baker, "China's Leader in Moscow to Sign Pact", *Washington Post*, July 15, 2001, A1

[16] "Russia: Putin considers possibility of enlarged Shanghai group", Moscow *Interfax* in English 7 Jun 02, AFS Number CEP20020607000232

[17] "Russia: Shanghai Cooperation Summit in Petersburg ends, final documents signed", *ITAR–TASS* in English, 7 Jun 02, AFS Number CEP20020607000142;

[18] Central Intelligence Agency, *Foreign Missile Developments and the Ballistic Missile Threat to 2015*, Summary of a National Intelligence Estimate released in January 2002;

Central Intelligence Agency, *Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, 1 January through 30 June 2001*, released January 30 2002

see also C. Menges and M. Sgro, *North Korea, Iran, and Iraq: Building Weapons of Mass Destruction and Ballistic Missiles*, Washington, DC: The Hudson Institute, 2002.

began discussions to sell eight more attack submarines to China.[19] This threatens U.S. security interests in the Pacific, home to such allies as Japan and South Korea. It is estimated that Russia will sell China $20 billion in such weapons systems in the next few years. In short, at the same time that President Putin is agreeing to significant strategic arms reductions with the United States, Russia is arming China and both are arming and supporting state sponsors of terrorism.

It is also reasonable for the United States to be concerned about the China-Russia strategic alignment because for the last four years , both have jointly condemned and opposed US efforts at national missile defense and any regional missile defense arrangements. This opposition has not prevented the Bush Administration from moving forward with a limited missile defense for the US but it may well prevent US allies from being willing to undertake regional missile defense.

Another domain of concern is that China will influence many in the Russian leadership to adopt its highly negative view of US actions in the world. Since 1990 China has defined the US as its "main enemy" even as it sends 40% of its exports to the US gaining China $513 billion in trade surplus with the US ($820 billion if the EU and Japan are included).[20] Even though the Clinton Administration unconditionally renewed China's lucrative mostly one-way trade access to the US each year during the 1990s, China continually stated that it viewed the US as seeking to dominate the entire world.

In December 1999, the Chinese Minister of Defense said regarding the United States that "war is inevitable; we cannot avoid it."[21] The official Chinese statement on National Defense issued in 2000 criticized the US for "neo-interventionism" and "neo-gunboat policy" done under the "pretexts of humanitarianism and human rights".[22] A Hong Kong newspaper reports that in April 2002, President Jiang told the Central Committee of the Chinese Communist Party that China does not fear "economic sanctions, blockades, or a nuclear attack launched by US hegemonism"[23] and in May 2002 a leading Chinese general and war planner said publicly that conflict with the U.S. was likely and that China would win.[24]

At the same time Chinese Vice President Hu Juntao was here in Washington,D.C. President Jiang made the first ever visit by a Chinese President to Iran and Libya. In Libya he visited the ruins of a building destroyed in the US bombings of 1986.[25] In Iran, Jiang visited the grave of Ayatollah Khomeni,[26] and in a meeting with Iranian Supreme Leader Ayatollah Khamenei and President Khatami he noted that "Iran and China have common stance toward the international developments [and] the US extortionist and hegemonic policies have faced global objection . . .".[27] Both China and Iran also stated their opposition to a US invasion of Iraq.[28]

At the same time, Chinese Prime Minister Zhu Rongji took a similar pro-PLO, anti-Israel position during his visit to the headquarters of the Arab League in Egypt. Soon after, China's ally, North Korea sold 24 medium range ballistic missiles to Egypt.[29]

One important domain where China and Russia differ is the recent military face-off between Pakistan and India. While the United States, the EU and Russia have been working to defuse the danger of a nuclear conflagration in the sub-continent, China, despite pro forma statements urging peace, continues to stoke the flames of

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[19] John Pomfret, "China to Buy 8 More Russian Submarines", *The Washington Post*, June 25, 2002; A15

[20] see Menges, *2007—The Preventable War*; op. cit.

[21] Chi Haotian, PRC Minister of Defense at a December 1999 Speech at the Chinese Military Command College, quoted in Hong Kong's *Cheng Ming*, January 4, 2000

[22] PRC Government White Paper, "China's National Defense in 2000", available online at *http://english.peoplesdaily.com.cn/features/Ndpaper/nd1.html*

[23] Speech by Jiang Zemin to the Politburo, quoted in Li Tzu-Ching, "Jiang Zemin's Eight Major Concerns", Hong Kong *Cheng Ming*, May 1, 2002, p. 14–15, AFS Number CPP20020502000052

[24] Chinese General Huang Bin in an Interview, "Peace Will Prevail Only When the Two Sides of the Taiwan Strait Are Reunified", Hong Kong *Ta Kung Pao*, May 13, 2002 AFS Number: CPP20020513000048

[25] Li Nien-ting, "'US Visit Show' Will Test Hu's Political Skills", Hong Kong *Sing Tao Jih Pao* 24 Apr 02 p a1; AFS Number CPP20020424000100

[26] "Chinese president pays tribute to Imam Khomeyni", Tehran IRNA, Apr 21, 2002, FBIS Transcribed Text—IAP20020421000040. IRNA is Iran's official state-run news agency.

[27] "Khamene'i tells PRC's Jiang of desire to expand ties, Lambasts US policies", Tehran IRNA, April 21, 2002; AFS Number IAP20020421000046.

[28] Tan Hongwei, "Jiang Zemin Says: China Hopes the Legacies of Gulf War Be Properly Resolved as Early as Possible", Beijing *Zhongguo Xinwen She* (China's official news service for overseas Chinese) April 20, 2002, FBIS Translated Text—CPP20020420000045

[29] Frank Gaffney, Jr. in statement before the House Armed Services Committee, May 23, 2002; later quoted in "Egypt purchased 24 N. Korean missiles, House panel told", *Geostrategy-direct.com*, June 4, 2002;

conflict. Since the current war crisis began in December 2001, China has sent its ally Pakistan major new shipments of combat aircraft, nuclear related and other weapons systems [30] and signed new agreements for military production and "defense cooperation".[31]

The China-Russia alliance indicates that both countries are pursuing a two-level strategy. They seek normal relations with the West in pursuit of significant economic benefits, while at the same time cooperating discreetly to challenge the ability of the U.S. to defend its allies and to reduce its influence in the world. The challenge before the Bush Administration is to craft a counterstrategy which includes both continued normal relations—though with greater realism—while initiating a second level of actions to reduce the harmful potential of the China-Russia alliance. A major step in this direction would be to use US economic leverage as a means of inducing both Russia and China to cease their proliferation.

IV/ Russian Proliferation

For more than a decade, there has been bipartisan agreement among US presidents and the political leadership in Congress that the US and its allies are gravely threatened by the continuing transfer of weapons of mass destruction and ballistic missiles to dangerous regimes such as those in North Korea, Iran, Iraq, and Libya, among others. Those dictatorships support international terrorism, threaten US regional allies, and year after year have demonstrated by their words and actions, that they intend to threaten and if possible harm the people of the United States.

In the mid-1990s, the US Congress decided that the Clinton Administration needed to act more effectively to stop proliferation and that this might occur if the intelligence agencies were required to provide biannual classified and unclassified reports to Congress on this major issue. As a result, the unclassified reports have become a means through which the legislature, citizens and experts could inform themselves about an activity that is largely conducted in secrecy, with some degree of deception and frequent denial.

In 1997 the US Congress established a bipartisan Commission chaired by the Honorable Donald Rumsfeld to examine the threat resulting from the spread of ballistic missiles. It had access to all available government information and produced both a classified and an unclassified report. As an example of the dangers deriving from this proliferation, the Rumsfeld Commission predicted in 1998 that "within five years" Iran could have an intercontinental range ballistic missile able to reach the U.S..[32] Informed experts believe Iran could have its own nuclear weapons within two years; if so Iran might then be in a position to launch or threaten a nuclear attack directly against the US as well as Israel. In December 2001 a senior Iranian cleric publicly threatened to "totally destroy" Israel when Iran has its own nuclear weapons.[33]

As already noted,the latest annual US Department of State report identifies Iran as "the most active" state supporter of terrorism in the world.[34] Starting in the early 1980s, Iran has provided training, weapons and other aid for Hezbollah and Hamas, terrorist organizations attacking Israel. This continuing Iranian indirect war of terrorism against Israel was again revealed in January 2002 when Israel captured fifty tons of weapons and explosives on a freighter, the *Karine A*. Its Palestinian captain admitted that the Palestinian Authority had obtained the weapons from Iran, and many of the weapons containers bore Iranian markings. These terrorist supplies included about 3,000 pounds of C–4 explosives, which could be used by suicide bombers against civilians.[35]

The unclassified government intelligence reports on proliferation conclude that Russia and China are the two countries that have been most consistently active in transferring weapons of mass destruction and ballistic missile components and expertise to hostile regimes.[36] The following table summarizes findings drawn from the most recent unclassified CIA report, released on January 30, 2002:

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[30] *The Australian*, January 14, 2002

[31] William C. Triplett, "Gen. Xiong pays a visit to Pakistan", *The Washington Times*, March 19, 2002,

[32] *Report of the Commission to Assess the Ballistic Missile Threat to the United States*, Executive Summary, Washington, DC July 15, 1998

[33] From FBIS, *World News Connection*, cited in Constantine Menges, "China, Russia, Iran and Our Next Move", *The Washington Times*, February 10, 2002

[34] *Patterns in Global Terrorism*, US Department of State, April 30, 2001

[35] Menges, "China, Russia, Iran", op. cit.

[36] Central Intelligence Agency, *Foreign Missile Developments*, op. cit., and *Unclassified Report*, op. cit.

North Korea, Iran and Iraq: Weapons of Mass Destruction and Ballistic Missiles*

Country	Type of Weapon	Model (Range in Miles)	Assistance from:		Numbers
			China	Russia	
North Korea	Chemical		1960s-?	USSR	large stocks *(a)*
	Biological		1960s-?	USSR	large stocks *(a)*
	Nuclear		Unknown	Unknown	1 to 5
	Ballistic Missile	Hwasong 5/6 (175–425) *(b)*	Yes	No	at least 500
		Nodong (900) *(c)*	Yes	Major	12–100
		Taepodong (9200) *(d)*	Yes	Yes	in development
Iran	Chemical		Yes	Yes	large stocks *(a)*
	Biological		Unknown	Yes	in development
	Nuclear		Yes	Yes	no, intends to develop
	Ballistic Missile	Shahab 1/2 (175–425) *(b)*	No	No	600+
		Shahab 3 (900) *(c)*	Major	Major	in development
		Shahab 4/5 (9200) *(d)*	Major	Major	in early development
Iraq	Chemical		Unknown	USSR	large stocks *(a)*
	Biological		Unknown	USSR	large stocks *(a)*
	Nuclear		Unknown	Unknown	in development
	Ballistic Missile	Al-Hussein (370) *(b)*	Attempted	Yes	Unknown
		Likely Taepodong *(d)*	No	no	Intends to buy upon
					end of UN sanctions

* Central Intelligence Agency, *Foreign Missile Developments*, op. cit., and *Unclassified Report*, op. cit.

(a) ''large stocks'' means that each nation keeps enough warheads of this kind to kill several hundred thousand civilians or soldiers

(b) These missiles are variants of the Soviet SCUD. Hwasong 5/6 are North Korean variants. Shahab-1/2 are the Iranian names for the Hwasong 5/6, which it purchased and produces. Al-Huissein is the Iraqi name for its own indigenous variant of the SCUD.

(c) The Nodong is designed to hit Japan, including the US bases there. The Shahab-3 is a modification of the Nodong intended to hit Israel and the Gulf States

(d) The Taepodong is under development, but the US government believes that the final version will be an intercontinental missle capable of hitting the United States.

The latest CIA report found that Russia had provided Iran with assistance in building its large stocks of chemical weapons; for its development of biological weapons (to which Cuba has also contributed[37]); with its nuclear weapons program, as well as with its mid range ballistic missile (900 miles) and its planned ICBM, the 9200 mile Shahab 4/5.[38]

Russia has provided substantial help for Iran's civil nuclear program. It is currently helping build two light-water nuclear plants at Bushehr. This ostensibly civil expertise and equipment can be used for nuclear bomb development. Starting in 1994, Russia began to sell a large number of weapons to Iran along with nuclear weapons-related equipment which reportedly led a 1999 US government analysis to

[37] Nancy San Martin, "Cuba Has Sold to Iran Biotechnology That Can Be Used to Make Biochemical Arms, Scientist Says", *Miami Herald*, Washington, October 11, 2001

[38] CIA, *Foreign Missile Developments*, op. cit. and CIA, *Unclassified Report*, op. cit.

conclude, "if not terminated, can only lead to Iran's acquisition of a nuclear weapons capability."[39]

The stated US government view is that Iran does not have nuclear weapons.[40] But this evaluation is challenged by a senior Russian military officer. Gen.Yuri Baluyevsky, First Deputy Chief of the Russian Armed Forces' General Staff said that "Iran does have nuclear weapons . . . Of course, these are non-strategic nuclear weapons. I mean these are not ICBMs with a range of more than 5,500 kilometers and more" said.[41] He goes on to deny any threat to the US only because those missiles are not capable of hitting the US.

Russian engineers continue assisting with the development of an Iranian missile capable of striking Israel and the US forces in the Middle East, the Shehab-3 (900 miles).This is illustrated by the chart on the following page which shows how Russia, China and North Korea are aiding Iran's missile program. Many Russian scientific firms have been assisting Iran's missile and nuclear programs, and have been training Iranian scientists despite repeated US protests and sanctions, most recently in May 2002.[42] Russia has also sold Iran many missile components.[43] In one case, the Russian Federal Security Bureau (successor to the KGB) was accused of sending Russian weapon scientists to Iran.[44]

On a related note, it is reported the Russia has sold Iran a missile defense system. The system is based on the S–300 missile,[45] which was a defense against the US Pershing missile of the 1980s. Some in the US intelligence community believe that the Russians use it not only as a tactical and theater missile defense, but also as a national missile defense system when combined with various radar systems.[46] Russia has been marketing this system aggressively in recent years.

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[39] Bill Gertz, "Letter Showed Gore Made Russian Deal," *Washington Times*, October 17, 2000, A–1.

[40] CIA, *Foreign Missile Developments*, op. cit.

[41] "A Russian general's statement about Iran's nukes fails to register with media", *Middle East Report*, as quoted in geostrategy-direct.com, May 28, 2002.

[42] State Department Daily Press Briefing, May 20, 2002, op. cit.

[43] The Center for Nonproliferation Studies has documented these Russian actions at http://cns.miis.edu/research/wmdme/russiran.htm.

[44] Gertz, Bill, "Russia Conspiring with Iran on Missiles", *The Washington Times*, February 23, 1998, pp. A1 &A18

[45] Demir and o'Sullivan, op cit.

[46] See the work of former DOD analyst William T Lee, *The ABM Treaty Charade: A Study in Elite Ilusion and Delusion*, 1997. See also Frank Gaffney, "With Friends Like These . . .", *Washington Times,* June 5, 2001, A17; and Kenneth Timmerman, "Missile Defense Deployed in Russia", *Insight*, April 30, 2001, pp. 14–33

The Washington Post
January 13, 2002, P. A18

THE MISSILE TRAIL

Seeking Superpower Know-How

A Story Of Iran's Quest for Power

A Scientist Details The Role of Russia

First of two articles

By Michael Dobbs
Washington Post Foreign Service

MOSCOW—The first time Vadim Vorobei went to Iran in 1996, he was amazed by the number of foreign missile scientists wandering openly through Tehran. For the most part, they were people like him: elderly representatives of the old Soviet technological elite impoverished by the collapse of communism and willing to sell their services to the highest bidder.

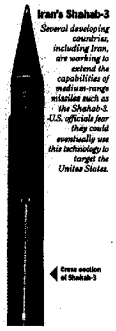
Although the Iranians made a show of keeping the scientists apart, said Vorobei, they frequently bumped into each other at hotels and restaurants. One day, he would spot a leading Russian missile guidance specialist; the next, a well-known missile engineer from Ukraine. All had been lured to Tehran on the pretext of giving lectures on rocket technology to Iranian university students.

From the U.S. government perspective, Vorobei and his friends are symbols of one of the most serious challenges of the post-Cold War era, the worldwide proliferation of ballistic missiles. In this view, Iran is a "rogue state" seeking weapons of mass destruction and sponsoring international terrorism. The prospect of such a country acquiring long-range missiles is the nightmare scenario underpinning President Bush's decision to push ahead with the deployment of a national missile defense system and withdraw from the 1972 Anti-Ballistic Missile Treaty with Russia.

Seated in his office at the Moscow Aviation Institute, one of several Russian institutions under U.S. sanctions for proliferating missile technology, Vorobei insists that American fears are exaggerated. He claims he and other Russian missile scientists were brought to Iran in part to demonstrate to the rest of the world that Iran was making rapid strides toward becoming a major missile power that would soon be able to target the United States. In fact, he insisted, Iran's capabilities remain much more modest than that.

"It was a huge mess," recalled Vorobei, a department head at the institute, the alma mater of many of Russia's leading missile engineers, describing what he said was a five-year collaboration with Iran,

See MISSILES, A18, Col. 1

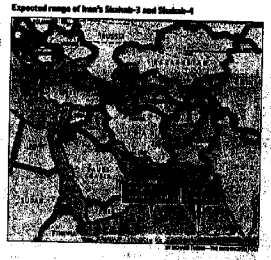


Several developing countries have active medium-range ballistic missile programs and may be developing longer-range missiles that could have the capability, years from now, of reaching the United States. The Bush administration has cited this threat as justification for developing the U.S. missile defense program.

Countries in potential conflict zones that are developing medium- and long-range missiles: Missile types in bold face have been test-fired; some others are still in the conceptual stages. Range depends on many factors, including warhead size.

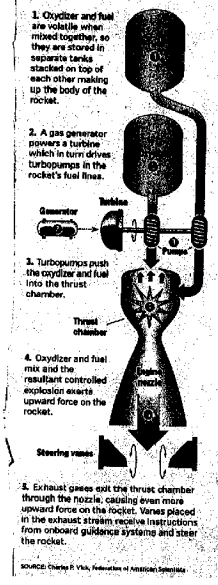
Country	Missile	Range (in km)
Iran	**Shahab-3**	800 to 900
	Shahab-4	1,100
	Shahab-5	2,500
	Shahab-6	3,500
North Korea	**No Dong**	800 to 900
	Taepodong-1	1,200
	Taepodong-2	2,000 or more
Pakistan	**Shaheen II**	800 to 900
	Shaheen II	1,300
India	**Agni II**	1,500
	Agni III	1,800
Iraq	Tammuz-1	1,200
	Tammuz-2	1,800
Israel	**Jericho 2**	2,400

Expected range of Iran's Shahab-3 and Shahab-4



HOW A ROCKET ENGINE WORKS

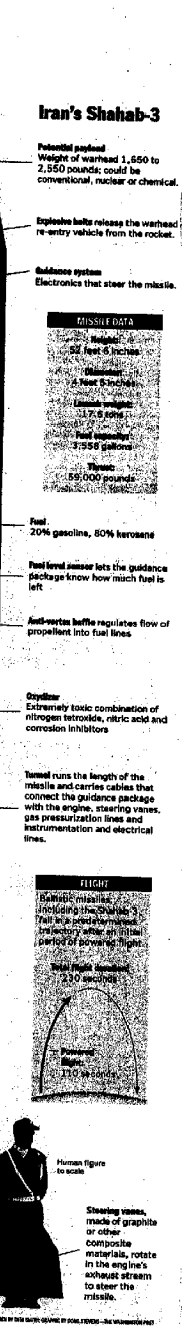
The basic principle of rocketry is Isaac Newton's Third Law of Motion: For every action [thrust] there is an equal and opposite reaction [lift]. One of the challenges in developing longer range missiles is developing an engine with sufficient thrust.



HELPING HANDS

Iran is suspected to have received parts and technical assistance in building the Shahab-3 from several nations.

- Warhead coated with protective materials made from special steel (RUSSIA)
- Gyroscope (CHINA)
- Telemetry systems (CHINA)
- Propellants (CHINA)
- Stainless steel shell (N. KOREA)
- Design assistance (CHINA, RUSSIA and N. KOREA)
- Design of wind tunnel for testing (RUSSIA)
- Engine components (N. KOREA)
- Steering vanes (RUSSIA)



SOURCE: Charles P. Vick, Federation of American Scientists

RESEARCH BY DEB CHOY; GRAPHIC BY DOUG STEVENS—THE WASHINGTON POST

Iraq

The Soviet Union provided major assistance in building Iraq's large stocks of biological and chemical weapons, as well as aid for its short range (370 miles) ballistic missile. The Soviet Union also had sold Iraq hundreds, perhaps almost 1000 SCUD missiles in the 1970s, according to an unconfirmed but credible report. It also helped Iraq produce its own SCUDs. The unclassified CIA reports provide no information concerning whether Russia has continued any of these programs overtly or covertly.

North Korea

The Soviet Union and China provided North Korea with major assistance when it began building its large stocks of chemical and biological weapons in the 1960s. The unclassified CIA report is silent on whether this assistance continues from either Russia or China. The latest unclassified CIA report does indicate that Russia has provided major assistance in building its Nodong medium range ballistic missile (900 miles) and aid in building its 9200 mile intercontinental ballistic missile, the Taepodong.[47]

A major Soviet missile producer guided the development of North Korea's medium range Nodong's missile during the Gorbachev and Yeltsin years.[48] Russian companies have also provided raw materials and advanced machine tools to assist with the Nodong.

North Korea has also allegedly attempted to smuggle Russian plutonium, and according to one source has successfully smuggled enough material to make 7 to 9 nuclear bombs.[49]

Libya

The unclassified CIA report lists Serbia under Milosevic as a key supplier of ballistic missile related goods to Libya.[50] In my judgment, this means Russia was providing this assistance using Serbia as a conduit. The CIA report indicates Russia is discussing assistance to a ostensibly civilian nuclear program in Libya and notes that this could lead to "opportunities to pursue technologies that could be diverted for military purposes" .[51] Russia is also Libya's main supplier of conventional armaments, including the Tu-22 bomber which the Russians use for nuclear weapons delivery.[52]

Syria

Beyond the tactical FROG missile (42 mile range) provided by the Soviets and the various SCUDs provided by North Korea, the Russians have sold many SS–21 short range missiles (72 miles) to Syria.[53]

In early 1995, Russian General Anatoly Kuntsevich, President Yeltsin's personal adviser on chemical disarmament and Russia's highest official authority on the subject, was suspected of smuggling nerve gas precursors to Syria and dismissed from his position.[54]

The CIA reports that Syria is critically dependent on foreign sources for its chemical weapons program—possibly Russia. Further, Russia provides help for its ballistic missile program. Russia has also been cooperating with Syria on civil nuclear power—expertise that could assist a nuclear weapons program.[55]

China

We have already discussed the ever-increasing sale of advanced Russian weapons to China. Estimates are that Russia has sold about $18 billion worth of weapons to China since 1994 and plans to sell about the same amount in the next several years.

It is suspected that during the 1990s missile designs and technology from Russia's SS–18 multiple warhead ICBM was transferred to China by Russia.[56] This would have been incorporated into China's ICBMs (DF–5/C–SS–4). It is important to note that in 1990 there were allegedly two of these missiles; now there are an estimated

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[47] CIA, *Foreign Missile Developments*, op. cit.

[48] Federation of American Scientists website, http://www.fas.org/nuke/guide/dprk/missile/nd-1.htm

[49] *Die Stern*, March 1993, cited in Larry Nickish, "North Korea's Nuclear Weapons Program", *Congressional Research Service Issue Brief for Congress*, Updated December 6, 2001

[50] Central Intelligence Agency, *Unclassified Report*, op. cit.

[51] Ibid.

[52] Ibid.

[53] Central Intelligence Agency, *Foreign Missile Developments*, op. cit.

[54] Federation of American Scientists Website, http://www.fas.org/nuke/guide/syria/index.html

[55] Central Intelligence Agency, *Unclassified Report*, op. cit.

[56] See Richard Fisher, "Foreign Arms Acquisition and PLA Modernization" in James Lilley and David Shambaugh, *China's Military Faces the Future* (AEI Press, 1999, 128–130

26.[57] China's current ICBMs, targeted on the US, are undoubtedly more reliable and accurate due, among other factors, to this Russian assistance.

Various Russian firms and intermediaries also transferred a large Transporter/Erector/Launcher vehicle to China.[58] This was used in one group of short range missiles and is the predecessor for the current vehicles which carry the Chinese short range missiles in Fujian targeting Taiwan and US/Japanese bases in Okinawa. China's doctrine for missile campaigns puts a key emphasis on the road-mobility and concealability of these missiles, which would be used to strike critical military targets in a future war.[59]

There is also a great concern that Russian scientists may be helping the Chinese improve their nuclear weapons. The 1999 Cox Report noted that, "After the fall of the Soviet Union, the PRC and Russian scientists became increasingly cooperative in civilian nuclear technology, and apparently, military technology".[60] More specifically, it is believed that Russian scientists are assisting with the miniaturization of nuclear weapons.[61] Miniaturized nuclear weapons would be more efficient; more accurate and more capable of evading missile defenses. There are also reports that the Chinese have been given access to China's satellite-guidance system, GLONASS, which is essential for a missile's precision targeting.

V/ Suggested Constructive US Actions

The US needs to be more effective in communicating how this proliferation of weapons of mass destruction might result in immense tragedy for countries near these hostile regimes such as those in Europe, South Korea, Israel and other friendly states in the Middle East as well as countries more distant such as the United States. In addition, the US should become more effective in preventing the theft and illegal export of its own advanced military or dual use technology, should move to reestablish effective international export controls to keep such technology from potentially hostile regimes and from proliferating states such as Russia and China, and should reduce its economic support for Russia until it halts this dangerous activity.

In terms of specific actions and steps to accomplish these purposes, the United States should allocate the skilled manpower and budget resources necessary to:

1. Maintain the integrity of and control over classified information within the US government and among all US contractors with sensitive military technology information;
2. Significantly improve and expand US counterintelligence operations in order to prevent, deter, and defeat Russian, Chinese and other espionage operations. From 1975 to 2000, more than 127 U.S. citizens were convicted for spying, most on behalf of the Soviet Union/Russia, some for China.[62] The repeated spy scandals of the 1990s and the compendium of information in the bipartisan report produced by the Select Committee chaired by Representative Christopher Cox on successful Chinese military espionage led the Congress to instruct President Clinton to improve U.S. security.[63] This resulted in Clinton signing a Presidential Decision Directive on Dec. 28, 2000 on "U.S. Counterintelligence Effectiveness-Counterintelligence for the 21st Century". Instead of the "piecemeal and parochial" approach in place up to then it urged, in the words of Sen. Richard Shelby, then Chairman of the Intelligence Committee in the U.S. Senate, a "more policy driven . . . proactive . . . approach to identifying . . . the information to be protected . . . enhanced information sharing between counterintelligence elements".[64] The administration of President Bush should make this a major priority.
3. Terminate all launches of US satellites on the rockets of Russia, China or any other foreign country except for close US allies. Such launches give a

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[57] Bill Gertz, "China Adds 6 ICBMs to its Arsenal, Plans 2 more before moving its only plant", *Washington Times*, July 21, 1998, A1

[58] Fishser, op. cit.

[59] Wang Houqing, Zhang Xingye, Huang Bin, Zhan Xuexi ed. *Zhanyi Xue* or *Operations* (PRC National Defense University Publishers, Beijing, May 2000), p. 175.

[60] *Report of the United States House of Representatives Select Committee on U.S. National Security and Military/Commercial Concerns with the People's Republic of China*, 1999; Chapter 2

[61] John Pomfret, "Russians Help China Modernize its Arsenal; New Military Ties Raise US Concerns", *Washington Post*, February 10, 2000, A17

[62] Sen. Richard Shelby, *Intelligence and Espionage in the 21st Century*, Washington D.C.: The Heritage Foundation, May 18, 2001, 1

[63] US House of Representatives, *Select Committee on National Security and Military/ Commercial Concerns from the People's Republic of China*, Washington D.C., May 25, 1999

[64] Ibid,6

country the experience, technology and additional financial resources to bring about important improvements in its military ballistic missile capabilities since the systems are so similar—this is fundamentally contrary to US national security interests. The EU is drafting a new code of conduct on missile proliferation to be introduced in 2002. While still urging advanced states to "exercise the necessary vigilance" when aiding other country's space launch programs, the new language would be more lenient than the current restriction under the MTCR (Missile Technology Control Regime) rules.[65]

4. Military exchanges with Russia and China should focus on building understanding and relationships among the participants and should help foreign military personnel understand the truth about US international purposes and activities. These should not involve the transfer of operational military skills from the United States to these countries.
5. The US must restore the full, objective functioning of the elements of the Department of Defense (such as the Defense Technology Security Administration [DTSA]) and the intelligence community responsible for the review of the potential military sensitivity of US defense technology exports.[66] The "export virtually everything" approach of the Clinton Administration resulted in pressures on and a weakening of these organizations. In the present and future they must be fully staffed by competent professionals who are able to provide independent analyses of the national security implications of possible military/dual use technology exports.
6. The United States should identify and expel all companies which function as fronts for any military or intelligence related entities in Russia, China or any other non-allied state.
7. Establish and restore an effective multilateral entity such as the Coordinating Committee on Trade with Communist Countries (COCOM) that for so many years served to prevent the US and its main allies from exporting military technologies to the former Soviet Union and its allied states. In 1999, the US Congress urged that this step be taken in view of the relative ineffectiveness of the existing multilateral organizations such as the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), and the Wassenar Arrangement of Conventional Arms and Dual-Use Goods and Technologies.[67] In April 2001 a bipartisan congressional study group, involving leading members of both the House and the Senate recommended improving the US export control process and also working to strengthen "multilateral export controls based on . . . enhanced defense cooperation with close allies and friends."[68] This provides a good basis for making rapid progress in this little known but very significant domain of international policy.
8. Last and perhaps most important-link current US economic benefits for Russia to its ending proliferation. Since years of requests to Russia to end this dangerous transfer of weapons of mass destruction and ballistic missile expertise and components have produced very few results, the time has come for the United States to inform Russia that US economic support for Russia will be reduced in direct proportion to the additional costs to the United States of defending its allies and people against the ever more serious threats resulting from these weapons in the arsenals of the hostile dictatorships. During the first year that would probably suggest a minimum reduction of 20% in direct bilateral assistance and perhaps comparable reductions in US support for international financial assistance and measures to relieve or stretch out payment of Russia's approximately $150 billion foreign debt.

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[65] Brooks Tigner, "EU Hopes Code of Conduct Will Cool Missile Proliferation," *Defense News*, July 9–15, 2001, pp. 1, 4. The US should resist such liberalization, but cannot effectively do so when violating the spirit of the rules itself by aiding China's missile program through satellite launchings.

[66] Reps.Dan Burton, Curt Weldon and Dana Rohrabacher wrote the Secretary of Defense in May 2001 to express their support for an effective DTSA, see Bill Gertz, Roman Scarborough, "Inside the Ring", *Washington Times*, June 15, 2001, A 12. The investigative reporter, Kenneth R. Timmerman, (*Selling Out America*, Ex Libris 2000, Chapter 8)wrote that a high technology area of California could be called "China's 22nd province" because there were hundreds of such front companies for the Chinese military and military production system with offices there, many listing no telephone numbers or having any of the facilities for normal business operations.

[67] CSIS, *Study Group on Enhancing Multilateral Export Controls for US National Security*, Washington, DC April 2001, 1

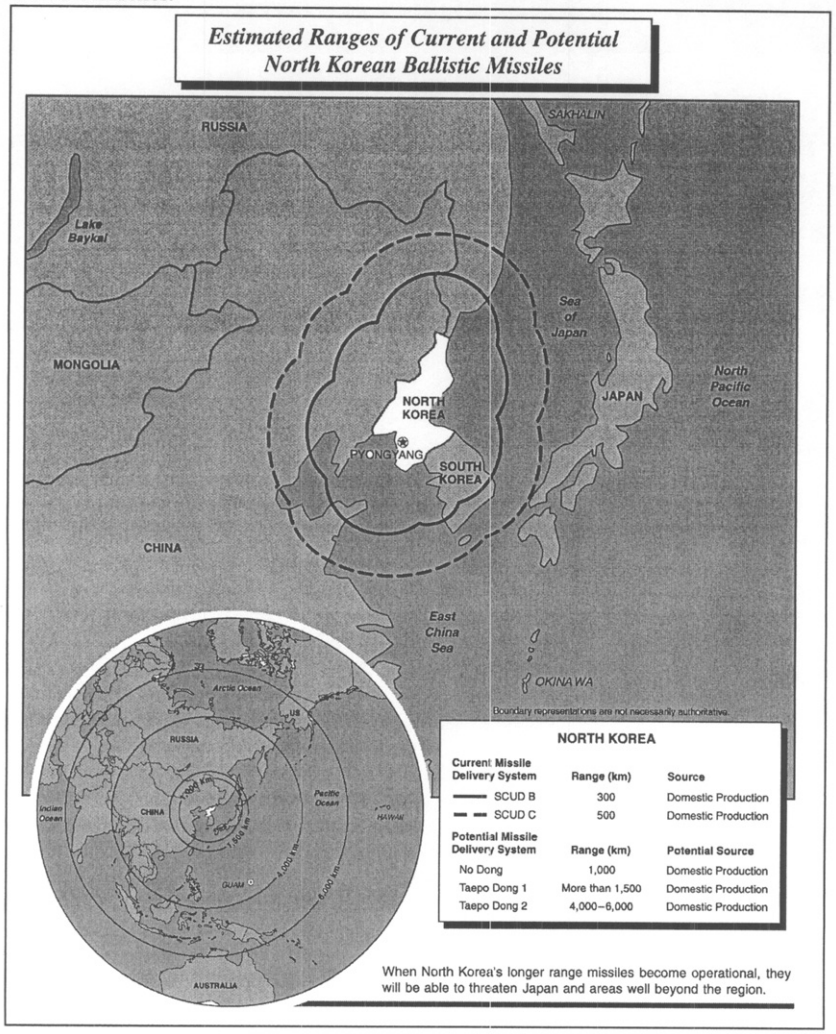
[68] Ibid.

An incentive approach might consider reducing some portion of Russia's international debt in return for verified cessation of proliferation of all components and expertise of all weapons of mass destruction and ballistic missiles.

In international politics, words and declarations alone often do not bring about improvements changes in the negative actions of foreign governments. It is time for the United States to act with seriousness of purpose to persuade Russia to completely terminate its continuing proliferation of components and expertise for weapons of mass destruction and ballistic missiles.

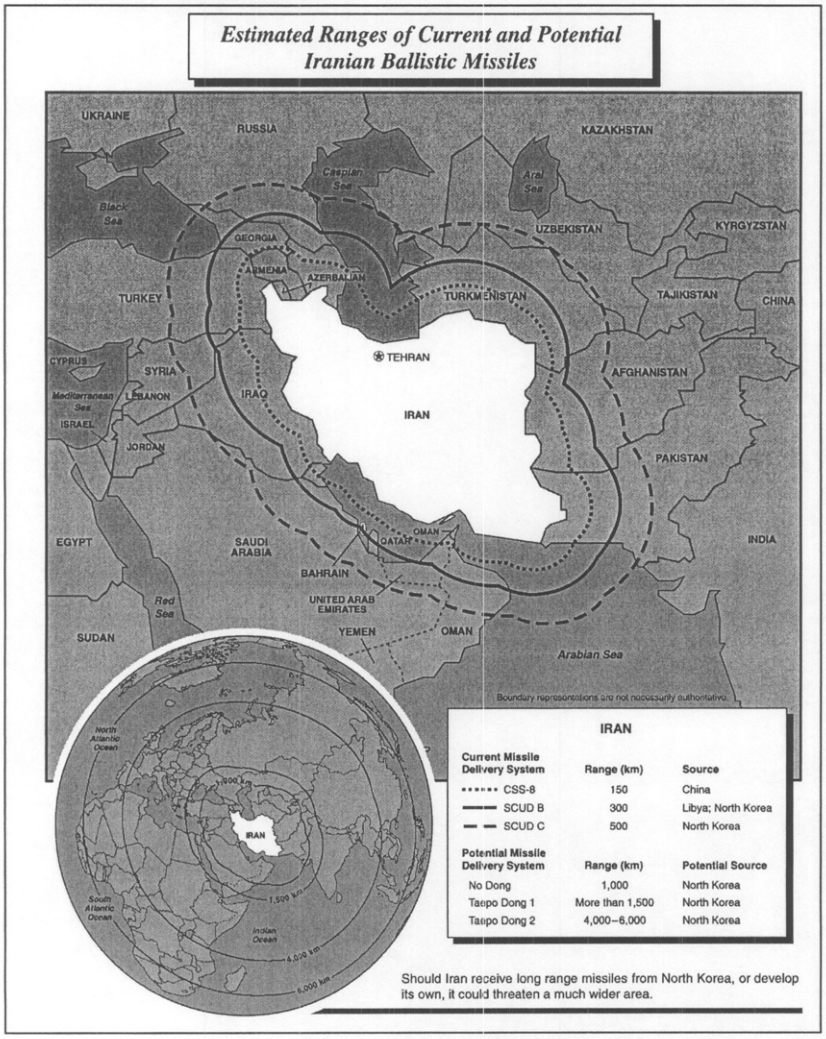
North Korea's Missiles and Their Targets

This chart is somewhat dated and does not include new information about North Korea's missiles.



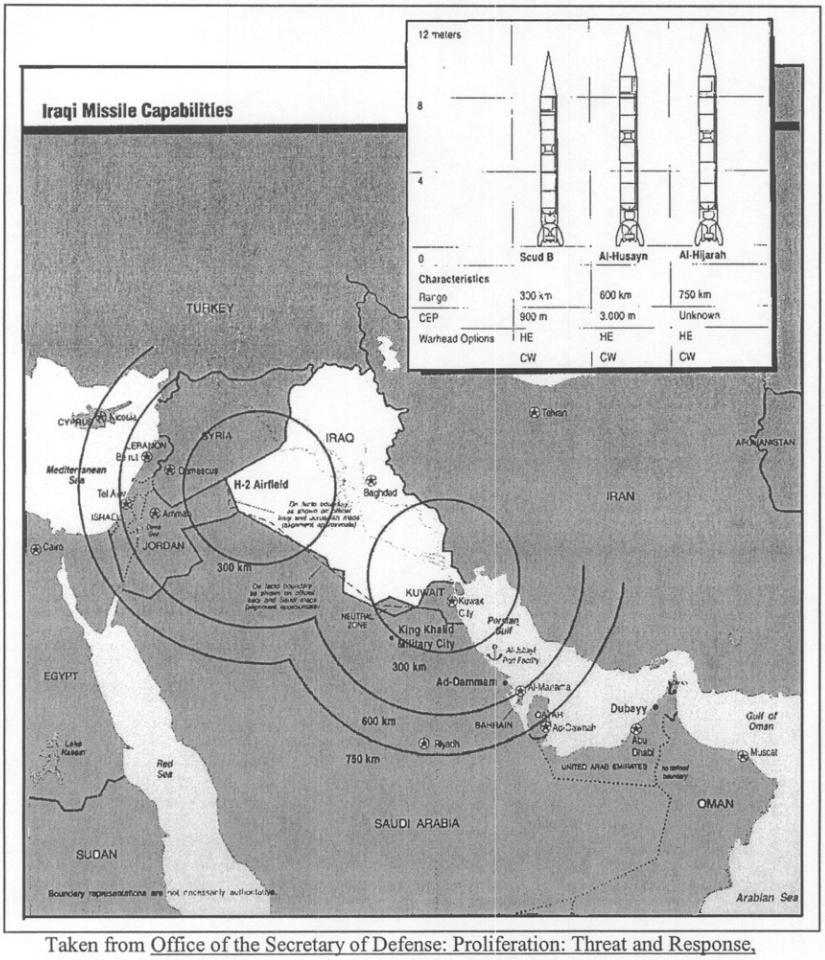
Taken from Office of the Secretary of Defense: Proliferation: Threat and Response, January 2001, p. 12

Iran's Missiles and Their Targets



Taken from Office of the Secretary of Defense: Proliferation: Threat and Response, January 2001, p. 37

Iraq's Missiles and Their Targets



Taken from Office of the Secretary of Defense: Proliferation: Threat and Response, January 2001, p. 41

Russian Conventional Weapons Sales—an Illustrative Overview

Country	Kilo Submarine	S–300 Air Defense System	Tu-22 Bomber	Su-27/30 Fighters	MiG–29 Fighter	T–72/ T–90 Tanks
State Sponsors of Terror						
North Korea					Yes	Yes
Iran	Three	Yes			Yes	Yes
Iraq					Yes	Yes
Libya			Yes		Yes	Yes
Others						
China	Four (Eight more to come)	Yes		Yes		Probable
India	Ten		Yes	Yes	Yes	Yes

Sources:
Jane's Fighting Ships, 2000–2001
Jane's All the World's Aircraft, 2000–2001
Jane's Armour and Artillery, 2000–2001

Mr. ISSA. And the good news is that those seven will be entered into the record.

Mr. MENGES. Thank you, Mr. Chairman.

Mr. ISSA. And I want to thank you all for your testimony. I think I have the privilege of being the first person to ask questions here today. I guess I have seen a common thread. We need to push for reduction. There are programs to carry out reduction, and yet I am going to focus, Doctor, on your testimony that no matter how much reduction there is, if the skill set to produce, the willingness to produce and sell continues, then we have, just to take an example that you went through that I deal with on a regular basis, we have a situation in which we have sanctions against Iran, we have sanctions against Syria and considering additional sanctions because of their ongoing threat to Israel and ultimately to the United States. But we are embracing Russia, who takes the oil money revenues and sells the weapons to Iran and the technology, which ends up in Syria, ends up at Hezbollah, Hamas, and ends up killing people, and we are not going to the furthest upstream point, the point at which if you stop that, then most of the rest becomes less effective. Is that a fair assessment of what you have just said?

Mr. MENGES. Yes. The problem has three parts. My view is they need to be dealt with through different means. So each of them needs to be dealt with, but we have been forgetting the third part, which is the Russia-China part. We need to deal with that, and that is why I am glad you and the Committee want to make some progress on that.

Mr. ISSA. In focusing, then, for our other two panelists, I certainly approve of the efforts you are proposing. I approve of continuing to find ways to rid the world of chemical, nuclear, and biological weapons. My question, I guess, is are we renting some safety, or are we buying permanent safety? If whole classes go away,

if, for example, Russia was willing to eliminate stockpiles of weapons-grade plutonium and not simply we will get rid of this, but we are going to keep this. We will let you pay to dismantle weapons that are going to become very dangerous because they are sitting around, they are old, they are aging, but we are not going to get rid of the core to make and/or sell more. I am going to ask the rhetorical question, are we really accomplishing anything other than, if you will, draining a certain amount of water out of a very large sea and saying we are drier? Mr. Curtis?

Mr. CURTIS. Let me answer your question what might sound somewhat indirectly. We have an urgent, unmet danger in Russia, and that is that its nuclear weapons are not confidently secure from diversion to the bad guys. The same is true of weapons materials. We have to upgrade the security of those systems, get an accountability of tactical weapons, which we have never had, by factors. We do not know how many they have, where they are, or in what secure circumstances they may be.

It is decidedly in the U.S. national security interest that we get security over weapons and weapons materials wherever they reside in the Russian Federation. This is not a matter of arms control or arms reduction or the like. Russia does not have the resources to get that job done fully or on the time scale that we need that job done. We know the terrorists are looking for this stuff. We know that they have vast reservoirs, as Dr. Menges has recounted. Right from the breakup of the Soviet Union, this has been an urgent problem. In the aftermath of 9/11, its urgency has taken on a new and important dimension.

We can fail not at all in getting those weapons and weapons materials secure because the consequence of failure is intolerable, and we are sitting in the town where the consequence of failure is most likely to be expressed. So that is in the U.S. national security interest, and I would say its paramount national security interest. It has nothing to do with foreign aid. It has nothing to do with making things easier for Russia in managing its economy.

The debt-swap mechanism, as an additional tool to the President, provides a means of addressing Russia's number one management problem in its economy, and that is managing its external debt, which is both large and has a peak in 2003 and 2004. You can usually incent good conduct by children and nations if you address their priorities. They are much more likely to address your priorities in exchange. I think the advantage of debt swap, particularly if the Administration, as it asked for today, has not a dollar-bounded authorization to explore this concept. The advantage of debt swap is it both has the opportunity to incent in very strong terms the conduct that we want from the Russian Federation, and it provides leverage within the political dynamic of the Russian Federation to get that good conduct. And that is what Dr. Menges was saying, and I agree entirely with his point on that.

The things that he outlined in his testimony should be of concern to every Member of this Committee. The question is whether you can legislate that good conduct in this bill at this time and make this instrument the means by some form of elaborated conditionality for bringing about that good conduct. I would much rather give this responsibility to the President with full flexibility and

hold the President to account. I know for a fact that this Administration is very, very concerned about the Russian-Iranian relationship, as was the past Administration. And I believe that this Administration will attend to that issue to the maximum practical extent consistent with protecting the national security interests of this country if you will give them the means to do so.

Mr. ISSA. Dr. Fuller, did you have anything to add to that?

Mr. FULLER. Yes. I would concur with Mr. Curtis's remarks, but I would probably say it a little differently. Even though the monies that we appropriate in the United States to provide support within the United States and in Russia to work on proliferation prevention problems are considered aid, from my perspective, as someone who works these programs in Russia, I do not think of them as aid. I think of them as something that we do to protect the security of our own kids and grandkids. And so to put conditions on that, in my mind, is counterproductive. These other issues are very important. They have to be dealt with. They are critical issues. But first and foremost, we are trying to secure the weapons of mass destruction (WMD) materials, as Charlie said, and so I agree with that.

The interesting thing about debt swap, and one of the core advantages of debt swap, is if there is a reluctance on the part of Russia for whatever reason, because of budgetary constraints, and these budgetary constraints by all accounts are real, to devote more time and effort and national focus and priority on proliferation prevention problems through providing them with the ability to service their debt in this way, outside of the Paris Club, outside of the rules and so forth that go along with central bank reserves in hard currency, the incentive to the Russians has to do with debt servicing and the health of their economy. This is a tool to help provide greater focus to proliferation prevention in Russia, and I think that is something that should not be overlooked when considering debt swaps.

Mr. ISSA. Thank you. I will close off my time for now on the first round by perhaps just saying something for the record, and that is that personally I can live with a certain amount of—some might call it extortion or bribery—finding ways to use money to encourage the behavior of Russia to make us safer. It is not a preference. It is not what you would like to do, but rather than be punitive by denying the dollars and live in a more dangerous world, I certainly think that dollars properly spent are a good investment.

My concern here today is that, to paraphrase Lenin, am I, in fact, delivering the rope that will hang us by providing funds and allowing a potentially very corrupt government, not any one person but the entity, to allow Cuba potentially, and I am always scared when I hear that because I am one of those people that is hopeful that Cuba will be leaving with the passing of Fidel Castro its past behind it. If it is not, that is a huge danger to us. Iran, a country we had great hope for that is now fading away. And certainly the terrorist groups like Hamas, Hezbollah, Islamic Jihad, the very concept that they would be supplied or that North Korea would be supplied technology by a country that remained viable to make those transfers somewhat because we were propping them up causes me to have to balance the two. I do not like doing that, but I think that is the role of this Committee is to decide whether more

money will make us safer or other actions that would lead to differing behavior would make us safer or a combination of the two. Hopefully, that is more than philosophy but rather food for thought for all of us. I know we will have you back.

I would like to turn to my colleague from California, Mr. Sherman, for his questions.

Mr. SHERMAN. Thank you. This may be the most important subject that we deal with in our foreign policy: One nuclear bomb will ruin your whole day. The first question I have is, to try to understand this from the perspective of the Russian people or Russian foreign policy-makers, do they resent our arguably bribing them into doing that which they should do, or do they have a practical view toward American aid?

Mr. MENGES. Undoubtedly, we all have different perspectives on that interesting question. Having studied the Soviet Union and Russia for many years and having been there quite a bit, I would say the Russian people, as people everywhere, would like to see these weapons secure and removed. They understand this is a danger to them, especially with the Islamic terrorist groups also attacking them and the experience that they have seen of the apartments in Moscow and our tragedy of September 11th. So I think the Russian people would like to see their government act sensibly.

Mr. SHERMAN. Everyone would like to see government in control. I am asking is the reaction toward American involvement here, is there a resentment that we are providing aid designed to achieve that noble goal?

Mr. MENGES. My sense would be that if our participation provides incentives for their government to do the right thing, they would welcome it. The people would welcome it. And I think in terms of the second part of your question, I would say that some parts of the government also would welcome it and think this is helpful. They can deal with the problem and have the resources to do it, and parts of the government that have a different view about the purposes of Russia and the Russian state, what it might do, might object to the interference because they think they are doing—for example, if you think of Primakov as Foreign Minister, as Prime Minister, as the head of the intelligence service, when he was in all of these roles from 1992 to 1999, Primakov really was just following on his entire career of working with these anti-U.S., radical Arab regimes, terrorist-supporting regimes. And so he and people like him would not want this because they would like to continue this. Then the pro-Chinese faction would want to continue this, again, as a way of weakening the U.S. in the world. The idea is to strengthen the enemies of the U.S. and thereby weaken the U.S., and there is a faction in the Russian government that would want that.

Mr. SHERMAN. I am surprised at the psychological flexibility of the Russian elites and the Russian people in going from a bipolar world to a unipolar world to have accepted that as graciously as most have. There has got to be a faction that I think you allude to that says we do not want a unipolar world. Let us throw monkey wrenches in wherever possible, whether it is heroin growers in Colombia or Pakistan or Afghanistan or Islamic terrorists or Chi-

nese—whoever is against America is our friend. Let us be part of an anti-American coalition.

There is a pro-American faction in Russia. We do not have to discuss them, but among those who would chafe at American hegemony, is there an understanding that nuclear weapons in the hands of Iran and Iraq are not something that a bright czar returned to life would recommend as in the interests of Russia? Is there an understanding that it is not just anti-American or anti-American-led world order, but it is also dangerous for Russia to see Iran or Iraq with nuclear weapons?

Mr. MENGES. Well, Mr. Sherman, in my testimony I included, as it is called, the footprints of the missiles, the medium range, the different sizes from Iran, where they can strike, how far they can strike, the maps that have been done by the Department of Defense, the unclassified maps, and, frankly, I think you are making a very important point. We should, I believe, do more to try to help the Russian leadership groups, all of them, and people understand how dangerous this might be. It does not take a large leap of imagination to know that if these missiles become operational and Islamic radical regimes have weapons of mass destruction, and who actually have a great deal of solidarity with many of the Islamic peoples inside Russia—there are more than 70 million out of the 160 million people are Islamic in Russia—and a great deal of solidarity with Chechnya, that this could be extremely dangerous.

Every time the People's Liberation Army colonels come to visit me in the guise of their various research institutes, and so forth, to talk about U.S.-Chinese relations I always say to them, I wonder if you are doing a good thing arming all of these Islamic radical states given what you are doing to Muslims. One day these weapons might come back to hurt you. I notice they all write very diligently when I say that. I think we can do more to help raise the consciousness.

Mr. SHERMAN. They did not notice? This is, like, news to them?

Mr. MENGES. Well, I think sometimes one can help raise the consciousness of this by being dramatic. I would say there is much that can be done by us to talk about it in a sensible way.

Mr. SHERMAN. I hope you will remind them that there were quite a number of Chinese-speaking individuals in the al Qaeda camps. These folks did not come from Pittsburgh. They also did not come from Cairo—Chinese is not a major language in Cairo.

So there is some understanding in Russia that maybe nuclear weapons in the hands of Cuba, for example, might pose exclusively a threat to the United States. Nuclear weapons in the hands of Iran or Iraq pose a more immediate threat to Russia. I should have been here for the hearing. How much money do Russians receive from the United States, all the institutes, all the governments, all the individuals, as part of our proliferation-control program on an annual basis? Mr. Curtis?

Mr. CURTIS. I think the figures in the present budget are about $1.2 billion. That covers the three major programs: cooperative threat reduction in the Department of Defense, the State Department's programs in the International Science and Technology Commission, and the Department of Energy programs on materials security and the nuclear cities.

Mr. SHERMAN. And what is the total amount that Russians, in and out of government, all institutes, et cetera, receive from Iran in return for their work on the nuclear power plant and all other economic relationships between Iran and Russia?

Mr. CURTIS. I do not think we have a good and firm picture of that. They are completing one reactor at Bushehr. There is a lot of talk of a second reactor, and the stuff that we are really concerned about involves other interactions in Iran that are neither admitted nor assigned a price. So I do not think I can give you a straight answer to that.

Mr. SHERMAN. Well, even if the Russians do not admit that they are selling something, if we know they are selling it, we can guess at what the price is. Giving your best guess as to world prices for those things, whether Russia admits it or not that they are, in fact, selling, what kind of money are we talking about?

Mr. CURTIS. We are talking certainly a comparable amount of money.

Mr. SHERMAN. I have heard amounts on the order of $3 billion.

Mr. CURTIS. Yes. I think that is right. Can I hazard a comment on your earlier?

Mr. SHERMAN. Okay. This is Russia saying that they are willing to build as many nuclear reactors as Iran wants. It is funny. I just came out of another hearing where we will be discussing, although it is not what the Administration wants to discuss, how American tax dollars are going to be going to the government in Tehran through the World Bank. I think there are those in the Administration that do not mind that at all as long as nobody talks about it.

Mr. CURTIS. Can I add a perspective on your first question that might be useful to you? I think we have to look back at what is really an extraordinary development in the post-Cold War period where the U.S. offered assistance to Russia addressing the tremendous vulnerabilities in this elaborate weapons complex. Not only was that assistance provided over a decade of Nunn-Lugar, Nunn-Lugar-Domenici and its progeny programs, but Russia provided access to its most sensitive military sites in the conduct of that program. What has happened today, however, is over time the security force concerns in Russia have increased, and the value of the economic assistance has not correspondingly increased.

Mr. SHERMAN. When you say the security concerns have increased, are you just saying that Russia finds itself in a more difficult geopolitical strategic——

Mr. CURTIS. No. They see this as an effort, to go back to your unipolar world, they see this as an effort to disarm Russia. Russia cannot define itself as a super power in conventional terms, but it can in nuclear weapons terms. And so there are forces within Russia that do not think this program is a good idea, period, and there are forces in Russia that believe that it is an extension of our intelligence services; and, therefore, they have rising concerns always that interfere with this program from time to time in getting these very serious security issues addressed.

So to some extent the political forces that you worried about are very actively engaged right now in Russia. And I think that we have seen, though, an important change. Putin has taken a risk. He has politically aligned himself with the West. The partnership

that he signed up to in the G–8 in Canada importantly addresses a full range of proliferation concerns, including the concern of the proliferation of missile technology. That is an important breakthrough, and if we can capitalize on that breakthrough, we can make this world safer.

Mr. SHERMAN. I will limit myself to one more question. The Chair has already been incredibly indulgent. Given the psychology in Russia and the natural reluctance to have the United States pawing over its most sensitive nuclear secrets, if we provided $2.4 billion instead of $1.2 billion, would we be more successful in assuring our constituents that these loose nukes have been locked down and are under the control of the Russia government for whatever purposes, hopefully none, the Russia government wants to use them?

Mr. CURTIS. It is not just the money. Engaging Russia as a full partner in a cooperative—I underscore that word—in a cooperative engagement to address its own proliferation vulnerabilities and to address global proliferation vulnerabilities, as the G–8 agreement does, will engage Russia on different terms that are important to breaking through those impediments. It is not just incenting with dollars. It is also addressing their most important concerns, and that is that they be seen as a full partner in these activities and that they be engaged in a way that helps carry out the programs to overcome the political concerns that exist within that society.

Mr. SHERMAN. If I could just wrap up my part in 30 seconds, you are absolutely right. It is not just how much money, although I assume you are saying more money would be helpful. It is the sociological sensitivity of those of you who are involved in dealing with the nuclear weapons side. And then I have to commend our Administration for the wisdom of treating Russia as a super power, as a co-equal, as often as it has. It has in the sense of a nuclear limitation agreement, which was an agreement between equals just as much as the agreements of the '70s and the '80s. Each and every time we can consult Russia, and if not always agree with Russia, at least treat it as a super power, we can not only help our relationships with the Russian people but ameliorate a worldwide feeling that the world is too unipolar. If we had to pick another pole, Moscow would not be a bad one, and we may be more powerful if we act less powerful. I now will turn it back to the Chairman.

Mr. ISSA. Thank you, Mr. Sherman. I will ask you to answer this question for the record. It is a whole new subject, and I think it is more than we can start on today. But as all of you are aware, Kazakhstan was the recipient of a great deal of nuclear waste, nuclear testing, and continues to be a site for a lot of the work that you are speaking of today. If you could give me your thoughts on sort of the do's and don't's. We have programs. We are developing reactors. We are doing a lot of work that may, in fact, benefit cleaning up the remnants that are there, but if you could give me any areas in which you think that this Committee should explore—we have codels going there with some frequency—changes in our behavior, additions, whether they are economic or in some other way, I would appreciate it because it is an area of particular interest to the Chair.

Additionally, I have been informed that a request has been placed by the Senate that they also be able to submit their statements for the record, specifically Senator Biden. Without objection I would ask that any Member of the Senate who wanted to submit a record on this hearing would be able to do so. Plus additionally, I would ask without objection that any Member of this Committee be able to submit additional questions, and with your indulgence, if you could follow up with answers, I would very much appreciate it. And as always, you may revise and extend your thoughts based on what transpired here today. And once again, thank you, and we stand adjourned.

[Whereupon, at 2:48 p.m., the Committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE JOSEPH R. BIDEN, JR., A U.S. SENATOR FROM THE STATE OF DELAWARE

Mr. Chairman, I appreciate the opportunity you have accorded Senator Lugar and me to address the Committee on International Relations on a subject that is both close to our hearts and critical to our nation's security. Reducing Russia's debt in exchange for concrete nonproliferation commitments is a new tool we can add to our kit in addressing the greatest threat facing the United States today: *the possibility that terrorist groups and rogue states will obtain weapons of mass destruction or the materials needed to make them.* As the President has said, we must do everything in our power to prevent this nightmare scenario from becoming reality. Before I get into the details of "debt-for-nonproliferation," let me quickly review the dimensions of the threat we face today.

Over the past two years, the Senate Foreign Relations Committee has held a series of hearings outlining the threat posed by weapons of mass destruction to U.S. national security. We have listened to witnesses testify on a broad array of threats, from a hypothetical smallpox attack on the United States to the potential dangers posed by "dirty bombs" and improvised nuclear devices.

In the course of these hearings, one simple fact has stood out. There are many sources for weapons of mass destruction, and it can take years to obtain or build them. But there's one place that has it all. That place is Russia. It's far from our only problem, but when we talk about confronting the nonproliferation challenge head on, we must begin with Russia.

When the Soviet Union collapsed, a massive military infrastructure geared toward a global confrontation lost its purpose overnight. Huge stockpiles of nuclear weapons and fissile materials, poisonous chemical munitions, and illegally-produced biological pathogens were no longer needed. As the culture of centralized control withered away in a newly democratic Russia, the security and safeguards for weapons storage facilities and laboratories began to weaken. Weapons scientists, who had devoted their careers to the Soviet state, were left adrift and forced to moonlight to make a living.

To the lasting credit of Senator Lugar and another distinguished American, Senator Sam Nunn, they immediately recognized the threat posed by a collapsing superpower with thousands of nuclear weapons. They led the way in establishing the Cooperative Threat Reduction program to help Russia and the other states of the former Soviet Union secure and destroy nuclear warheads, missile launchers, and other strategic delivery systems. Over the course of the past decade, the United States has expanded these programs, now administered by the Departments of Energy and State as well as the Pentagon, to secure fissile materials, help former weapons scientists find socially useful careers, and lay the groundwork for destruction of Russian chemical weapons.

In May, we celebrated the tenth anniversary of the Nunn-Lugar programs. That anniversary only reminds us that much remains to be done. Let's take a quick look at what still exists in Russia today, a decade after the Soviet Union fell:

- Approximately 1,000 metric tons of excess highly enriched uranium, enough to produce roughly 20,000 nuclear weapons;
- Approximately 160 metric tons of excess weapons grade plutonium, enough to make approximately 32,000 nuclear weapons;
- Approximately 40,000 metric tons of declared chemical weapons;
- According to a Carnegie Endowment study this year, a Population of 120,000 scientists and skilled personnel in the Russian nuclear cities where 58% of

those surveyed are forced to moonlight at second jobs and 14% have indicated a desire to work in another country.

In short, a great deal of work remains. A number of groups and blue-ribbon commissions, including the Department of Energy task force co-chaired by Howard Baker and Lloyd Cutler, have emphasized the need to do more and proposed detailed programs of action. But let's remember one thing: as we continue to deliberate, as we continue to hold up CTR funding over the certification waiver dispute, we are giving more time for our enemies to possibly infiltrate sensitive Russian sites and steal valuable fissile material, chemical weapons, or even tactical nuclear warheads.

How does debt-for-nonproliferation fit into this picture? In two ways—first, it provides a new funding stream to augment and expand existing threat reduction and nonproliferation programs in Russia. Second, it offers the Western democracies an opportunity to put up real money in return for real Russian action on nonproliferation concerns, notably including Russia's dangerous deals with Iran.

How would debt-for-nonproliferation work? The form is flexible, but the results are consistent. Creditor states can forgive Russian debt in exchange for Russian commitments to allocate the money saved into agreed nonproliferation projects at home. Institutions can be set up to ensure that Russia keeps its commitments. And the bilateral debt reduction agreements with Russia can incorporate penalty clauses for non-compliance.

The United States holds approximately $3.8 billion in official Russian debt, two-thirds of which dates from the Soviet era. The most long standing Russian debt on our books is the $640 million lend-lease debt obligation dating from World War 11. Overall, however, Russia owes roughly $40 billion in Soviet-era debt to the "Paris Club" of national governments. U.S. leadership on this issue can therefore leverage much larger reductions of Russian debt owed to our European allies; Italy, for example, holds $6.4 billion in official Russian debt and has expressed great interest in debt-for-nonproliferation.

As you know, Senator Lugar and I co-sponsored legislation last year to authorize the President to reduce Russia's Soviet-era debt to the United States in exchange for the investment of these proceeds in Russian nonproliferation projects. With the support of Senator Helms, we incorporated these provisions into the Security Assistance Act, which was passed by the Senate in December. The text of that bill was then used as the Senate vehicle for a conference with your committee on H.R. 1646, the Foreign Relations Authorization Act.

It should be noted that the legislative authority in our legislation will not suffice for debt reduction to move forward. Pursuant to the Federal Credit Reform Act, any debt, reduction must be preceded by an appropriation for the amount of expected payments to the U.S. Treasury that will be lost. Thus, our while legislation will *authorize* debt-for-nonproliferation, it will not give the President a blank check.

The particulars of the Biden-Lugar provision on debt-for-nonproliferation—which are very similar to H.R. 3836, the Russian Federation Debt Reduction for Nonproliferation Act of 2002, introduced by Representatives Tauscher, McHugh, and Schiff—are flexible and open to change. We have told the Administration that we want to work with it to provide whatever authorities will best enable the President to proceed with an effective debt-for-nonproliferation package, and I am confident that we can achieve this.

Let me suggest three broad principles, however, that we should remember as the United States moves forward on debt-for-nonproliferation:

1) Debt-for-nonproliferation represents a new funding source for nonproliferation programs in Russia, programs which *Congress and the Executive Branch already agree are in the U.S. national interest*. By providing the President the authority to negotiate these arrangements, we are not creating new programs or taking a new approach to Russia. Instead, we are building on the successes of the past decade, encouraging our European allies to play a greater role, and giving the Russian government a direct stake in the success of these programs.

2) In authorizing the President to move forward on debt for nonproliferation, *the Congress should lay out broad standards, especially regarding transparency and accountability, but leave to the Executive Branch the specific details*. We the Congress cannot and should not micromanage an initiative involving multiple nations and complicated financing arrangements. Circumstances will evolve rapidly, and we should give the President the type of flexibility he needs to successfully implement this initiative.

3) *Debt-for-nonproliferation should be an additive, not a replacement, source of funding for U.S. nonproliferation programs in the former Soviet Union*. Today, we spend approximately $1 billion on threat reduction programs in the former Soviet

Union. When we compare that funding to what we spend on other, less likely threats to the United States, it becomes clear that our threat reduction programs are woefully *underfunded*. We can't rob Peter to pay Paul here; debt for nonproliferation should deliver *new* funding to help address a threat of this magnitude. This will also help to preserve American leadership on nonproliferation and pressure our allies to contribute *their* fair share.

I was glad to see the United States demonstrate some real leadership at last month's G–8 summit. Under the so-called "Ten plus Ten over Ten" initiative, the United States agreed to commit $10 billion and our European allies and Japan will commit another $10 billion over the next ten years to help Russia secure and eliminate weapons of mass destruction. The G–8 specifically endorsed debt for nonproliferation as one tool nations can use in fulfilling this long-term commitment. Equally important, the G–8 partners agreed that individual nations could negotiate debt reductions with Russia on a bilateral basis and bypass the sometimes cumbersome Paris Club framework.

This is a good first step. Now comes the hard part—finding the money for specific projects. And that's where debt-for-nonproliferation can play an essential role. It permits Russia to invest rubles in the Russian economy, rather than spending much-needed foreign exchange on debt and interest payments. And it allows our European allies, to some of whom Russia owes significantly greater amounts of debt than to the United States, a chance to meet their Kananaskis summit commitments. This is especially true because in most creditor countries, debt reduction does not require new funding from domestic budgets.

Cutting off the access of terrorists and rogue states to materials for weapons of mass destruction is *our first line of defense in the war against catastrophic terrorism*. Devoting extra funds to this effort, whether through debt-for-nonproliferation or other funding mechanisms, can reap invaluable proceeds down the road. If we prevent terrorists or rogue states from obtaining just one nuclear weapon, we may also save the lives of hundreds of thousands of our own citizens.

Debt-for-nonproliferation has the potential to be a major contributor to our nonproliferation and antiterrorism efforts. I urge you to support it in conference on the Foreign Relations Authorization Act, and also in your consideration of H.R. 3836.

PREPARED STATEMENT OF THE HONORABLE RICHARD G. LUGAR, A U.S. SENATOR FROM THE STATE OF INDIANA

Thank you Mr. Chairman, Representative Lantos, members of the committee, I appreciate this opportunity to testify on this important non-proliferation policy issue.

I believe the threat posed by the proliferation of weapons of mass destruction is the number one national security threat facing the United States today. Clearly there are other sources of danger to the American people, but nothing would approximate the loss of life and economic impact of an attack utilizing a nuclear, chemical, or biological weapon. Consequently, in my opinion, there are no efforts more important to U.S. national security than those which address the threat posed by these hideous weapons.

I have dedicated much of the last decade to addressing the most likely source of weapons, materials, and expertise of mass destruction—the arsenals of the former Soviet Union. As a consequence of the collapse of the Soviet totalitarian command and control society, a vast potential supermarket of weapons and materials of mass destruction has become increasingly accessible. The disintegration of the Soviet Union and the subsequent decay of the custodial system guarding the Soviet nuclear, chemical, and biological legacy has eliminated this proliferation choke-point. States and even religious sects, organized crime, and terrorist organizations can now buy or steal what they previously had to produce on their own.

I believe we must attempt to deal with the threat posed by weapons of mass destruction at as great a distance from our borders as possible. In 1991 Congress led the way by creating the Nunn-Lugar Cooperative Threat Reduction Program to provide the Administration with the tools necessary to address WMD threats in the former Soviet Union. Over the last decade, these efforts have been expanded and refined to include partner programs at the Departments of Energy and State. Mr. Chairman, the time has come for Congress to provide the Executive Branch with another tool to address these threats.

"10 + 10 OVER 10":

On June 27 President Bush and other leaders of the G–8 agreed to a new Global Partnership to stop the spread of weapons, materials, and know how of mass de-

struction. This was a tremendous accomplishment that has not received the attention it deserves. The United States and its allies have agreed to expend at least $20 billion over the next ten years for non-proliferation and disarmament assistance to Russia and other states including former Soviet republics.

As important as the monetary commitment is to the effort, the diplomatic accomplishment President Bush achieved with President Putin is equally impressive. In the past Russian reluctance to provide other G–8 states with the same level of site access, tax exemptions and liability protection as that provided to Nunn-Lugar has been a major stumbling block. Russian intransigence has deterred many countries from contributing to non-proliferation and dismantlement efforts. But President Bush's persistent and steady leadership won a Russian commitment to extend Nunn-Lugar-like conditions across the full breadth of G–8 activities.

The Administration has won an important victory but the future is not assured. Many of our international partners will balk at the price of this proposal. They will find it difficult to increase non-proliferation funding in a period of stagnating domestic economies. Specifically, many of our NATO allies will complain that, at a time in which we are pushing them to improve strategic lift, precision weaponry, and command and control, they simply do not have the resources necessary to increase funding for non-proliferation activities too. Consequently, we must continue to seek new tools and methods to address non-proliferation challenges.

DEBT FOR NONPROLIFERATION SWAPS:

When President Putin visited the U.S. last year, he spoke of the increasing debt burden facing Russia. He expressed concerns that the servicing of its external debt will consume a large percentage of Russia's budget in the near future. Next year, when a considerable amount of debt comes due, there will be a dangerous risk of Russian default or of a crushing toll on economic reform. Russia has secured relief from the London Club of its commercial creditors, and it seeks similar relief from the Paris Club of state holders of its debt.

The burden is real and serves to undermine efforts at democratization and market reforms, objectives clearly in U.S. interests. But it also offers an opportunity to advance the cause of non-proliferation in Russia. Debt for non-proliferation swaps between Russia and holders of its state debt, including the United States, can lead to significantly increased Russian investment in non-proliferation programs.

In short, there is both good and bad news on the Russian debt front. First the bad news. While an improving Russian economy and rising oil prices may have alleviated the debt burden in the short term, the potential for the re-emergence of debt problems is real. But the good news is that there may be common ground for coping with non-proliferation and debt burdens of benefit to both sides.

My Senate colleague, Senator Joseph Biden, and I have offered legislation authorizing "debt for non-proliferation swaps" between Russia and the United States. Our bill owes much to the research and work of Dr. James Fuller and his staff at Pacific Northwest National Laboratory, and John Hardt, a Senior Specialist in Post Soviet Economics at the Congressional Research Service. I am pleased that Dr. Fuller will be testifying later this morning.

Mr. Chairman our legislation would permit U.S. forgiveness of bilateral debt in return for Russian commitments of resources to dismantlement and non-proliferation goals. Such swaps would relieve some Russian financial pressures and address American security concerns.

The most long-standing, deeply restructured Russian debt owed the United States is the $640 million, lend-lease debt obligation dating from World War II. The U.S. is a relatively small holder of official Russian debt, so we must work with our allies to underwrite a much larger program that would include Germany, Italy and France.

One of the particular benefits of debt swaps is that they can be structured to incorporate involvement of the debt holders in the selection and monitoring of projects to be funded and to minimize any taxation of the funds invested in those projects. This would provide potential partners with the means of increasing contributions to non-proliferation and disarmament goals while not increasing spending. It is another tool for states to have in their non-proliferation toolbox.

CONCLUSION:

It is in the national interest of both Russia and its debt holders that additional investments be made in downsizing its weapons, the safeguarding of sensitive materials, effective export controls, and locating socially useful careers for former weapons scientists. Several past "debt for environment swaps" (some of which Senator Biden and I have sponsored), in which debt was canceled in return for specified en-

vironmental protection efforts, have been highly successful. In Poland, for example, the "Polish Eco-Fund" now has nearly $500 million for environmental protection projects through 2010, resulting from debt swaps negotiated with several creditor countries—led by the United States—during the first Bush administration. The EcoFund's spending is audited and transparent, and the OECD has described it as a "model" for environmental financing throughout the former communist bloc.

A "debt for non-proliferation swap" program would not be a panacea by any means, but it could still make a real difference. If debt holders were to negotiate swaps involving even 10 percent of Russia's state-held debt, this could result in several billion dollars of additional Russian investment in activities that will make the world a safer place.

Our debt-for-non-proliferation legislation was included in the Senate version of the Security Assistance bill and is currently an item of discussion in the House-Senate conference on the State Department Authorization bill. The Administration has expressed strong interest in the debt for non-proliferation swap concept and specified its employment as one financing option in meeting obligations under the recently announced "10 + 10 Over 10" project addressing non-proliferation and dismantlement threats in the former Soviet Union . The official G–8 statement reinforced this concept stating that "a range of financing options, including the option of bilateral debt for program exchanges, will be available to countries that contribute to this Global Partnership."

I would urge the House to adopt this legislation and join with us in providing President Bush and his Administration with a new tool to confront the threats facing our country from weapons of mass destruction.

Thank you Mr. Chairman.

PREPARED STATEMENT OF THE HONORABLE CHRISTOPHER H. SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. Chairman, I would like to thank you for calling this important. Although the former Soviet Union collapsed over ten years ago, and our nation's relations with Russia have been generally friendly, Russia's vast array of nuclear weapons still pose a threat not only to our national security, but to their own people.

We know that Russia greatly struggles to properly maintain proper security and upkeep for their nuclear systems and that they have scarce resources to do so. During Yeltsin's rule, Russia's aging system once falsely identified a Norweigan weather satellite as a nuclear launch, nearly causing a counter-attack against the US and a nuclear catastrophe. Our intelligence community also has great concerns over the government maintaining total control over its nuclear technology and materials.

Another concern of mine has been the enormous biological weapons program built up by the Soviets over the years. It is far from clear that Russia has completely dismantled its offensive bioweapons programs. Nor is it clear whether Moscow even has enough operational control over its biological programs to enforce any decision to completely dismantle them.

Ensuring that Russia has the resources necessary to properly secure and maintain and dismantle their nuclear, chemical, and biological weapons arsenal is a critical matter that must remain central to our relationship with Russia. Granting Russia debt relief, as discussed at the recent G–8 summit, provides the U.S. with significant leverage that we ought to use to cajole the Russian civilian and military leadership to truly get a handle on their WMD programs.

I share your concern, Mr. Chairman, that America must be wary of giving debt relief to irresponsible governments who could waste the money their countries have saved through debt relief. If we are not careful, we could end up, hurting, rather than helping, the Russian people. Debt relief for Russia should be carefully monitored, with important policy milestones clearly marking each tranche of debt forgiveness we make.

Again, Mr. Chairman, I thank you for giving full consideration to this issue carefully and I look forward to hearing from our witnesses.

PREPARED STATEMENT OF THE HONORABLE EARL BLUMENAUER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. Chairman, I congratulate you and Mr. Lantos for bringing this vitally important issue before us today. In the wake of 9–11, we must pay greater attention to all forms of threats to our national security.

I believe that the Nunn-Lugar Cooperative Threat Reduction (CTR) Program is one of the most effective, and essential tools in our arsenal in its pursuit of pre-

venting weapons of mass destruction. While CTR programs have made significant progress over the last ten years, emergency security upgrades have been accomplished for only 40% of the weapons-usable nuclear material in Russia.

Earlier this year, the CIA concluded in a report to Congress that Russian nuclear security measures ". . . date from the Soviet era and are not designed to counter the pre-eminent threat faced today—an insider who attempts unauthorized actions . . . Weapons-grade and weapons-usable nuclear materials have been stolen from some Russian institutes."

The CIA does not know the extent or magnitude of such thefts. Nevertheless, officials there are concerned about the total amount of material that could have been diverted over the last 10years.

The security situation at Russian chemical and biological weapon and research facilities is even less certain. Scientists there produced thousands of tons of anthrax and hundreds of tons of smallpox and plague, among some 50 biological agents that were studied as weapons. Western television crews have shown vials of biological agents stuffed in coffee cans in padlocked refrigerators, in labs with rudimentary security.

In stark contrast to the huge budget increases for homeland security, the FY03 Bush Administration request for CTR efforts is essentially the same as what President Clinton requested (approximately $1 billion, compared to the $38 billion requested for homeland security).

I am pleased to be a cosponsor of Rep. Tauscher's debt-for-nonproliferation bill, which has been referred to our Committee. Efforts such as hers are the ones we should be focusing in our roles as defenders of the public security.