

“Overview of the Current Proliferation Environment”

13th International Export Control Conference

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Introduction

It is an honor to be invited to speak, for first time, at the International Export Control Conference. I hope it won't be the last time, though I guess that will depend on whether I can keep away from controversy yet also keep you awake.

The time slot I was asked to fill apparently used to be called the “threat briefing.” It was wise to change it. My institute, the IISS, similarly moved away from the “Threat” word, to focus instead on “Capabilities.” (In the titles, for example, of two recent Iran dossiers, on missiles and on nuclear, chemical and biological capabilities); or “challenges” (for example in the title of our 2011 dossier on North Korean security challenges).

I was asked to discuss the vulnerabilities in the nonproliferation system that enables the development of capabilities of concern and also to illustrate the need for partnership for nonproliferation to strengthen strategic trade controls systems around the world.

Positive developments

The good news is that the system is not broken. Proliferation is not the widespread problem that once was feared. It may sound counter-intuitive for somebody in the nonproliferation analysis business to say this. Our livelihoods

depend on there being a problem – and the bigger the problem is seen to be, the more that analysts like myself will be in demand to pontificate about it.

But the truth is that the number of proliferators is relatively small. The vast majority of nations are global good citizens that adhere to the rules in carrying out nonproliferation obligations. Contrary to JFK's warning 50 years ago, the number of nuclear-armed states isn't 20-30, but still in the single digits: 9. One more state, Iran, seems to be discreetly knocking at the door of the nuclear club, loudly proclaiming it doesn't want to be a member, but doing all it can to complete the membership requirements, short of building a bomb. If wisdom prevails on all sides, however, there is a good chance that Iran's fatwa against nuclear weapons will prevail in reality.

The number of known or suspected holders of chemical weapons has similarly been reduced to a single digit and the number continues to drop as declared stocks are eliminated. Confirmed evidence of biological weapons programs is very hard to come by, especially in the absence of a verification system for the Biological Weapons Convention. It is fair to say that the global norm against biological weapons has strengthened.

The global nonproliferation system has significantly improved over the past decade. UNSCR 1540 is perhaps the most important of these improvements because it plugged a gap in a system that was previously directed primarily at state actors. By addressing the transfer of sensitive technology and material to non-state actors, and by applying export-control requirements universally, the resolution filled two lacunae in the nonproliferation regime. You will hear more about this from the next speaker. Let it suffice for me to say that while implementation is

still too spotty, 1540 crucially established a new norm: that states are responsible for what leaves their borders.

The past decade has also seen several country-specific Security Council resolutions that created new international obligations regarding trade and other transactions with North Korea, Iran, Somalia and certain nongovernmental entities in Sudan. Implementation is again spotty, but the universal rules these resolutions create are powerful nonproliferation tools.

The UN General Assembly has also created new nonproliferation tools. In April 2005, it unanimously adopted the International Convention on Suppression of Acts of Nuclear Terrorism, which entered into force two years later. The convention established a legal framework for greater international cooperation in the investigation, extradition and prosecution of nuclear terrorists.

Various sets of ad hoc arrangements have similarly tightened the global nonproliferation regime. The Proliferation Security Initiative, the Global Initiative to Combat Nuclear Terrorism, and the strengthening of the various export control regimes are welcome developments.

A handful of countries that previously gave grounds for proliferation concern no longer are viewed as problematic. Several states that had weak or even nonexistent export control laws and that consequently were caught up in the nuclear black market enterprise led by A.Q. Khan have new laws in place and appear to be serious about implementation. The role that the US, Japan, the EU and others played in helping these countries develop their export control systems is a laudable example of the partnership theme of this conference.

The number of nations that have been categorized as countries of proliferation concern has shrunk over the past ten years. Iraq, Libya and Syria all once were pursuing nuclear weapons programs. Today none of them are. The case of Syria still poses a number of unanswered questions regarding the nuclear reactor that was destroyed in 2007. And Syria's stockpile of chemical weapons, the fourth largest in the world, presents particular concerns given the instability within the regime.

Syria's CW stockpile, by the way, was apparently produced with assistance from foreign sources, including precursor chemicals and key production equipment. So I wouldn't remove Syria from the list of problem countries. But at least it no longer has a nuclear weapons program, as far as one can tell.

Myanmar is another country that has been the focus of deep interest because of its apparent dabbling in nuclear technologies with weapons applications, its questionable import of machine tools with uncertain end use intentions, and its interactions with North Korea. Today, Myanmar appears to be coming in from the cold. One of the international pay-offs from its move toward democratization and national reconciliation may be a new posture of transparency about its nuclear program and a move away from its military partnership with North Korea.

The most notorious of the non-state actors have also been removed from the proliferation business. Abdul Qadeer Khan is still making waves in Islamabad by periodically giving untoward press interviews. His house arrest penalty for his proliferation activity is insufficient payment to society for the ills he caused, and it can hardly be a deterrent to any would-be imitators.

But at least Khan is no longer selling nuclear weapons-related merchandise and technology. For him, that ended around the end of 2003. Likewise for all 40 of his known global associates in Pakistan, Germany, Switzerland, Dubai, South Africa, Malaysia and elsewhere.

Lower-level suppliers in Khan's loosely organized network may still be lying low, or maybe even still operating in the margins. Decapitating the nodes of nonhierarchical networks does not necessarily eradicate the enterprise. But they are no longer connected to a global supply chain.

Most recently, three Swiss members of Khan's network – Urs, Marco, and Freidrich Tinner – appeared in court last week, charged with crimes against Switzerland's war materiel act for assisting Libya's nuclear weapons program. The Tinnners were expected to plead guilty in a plea deal in an expedited trial will avoid the need to publicly introduce embarrassing evidence.

A notorious black market merchant of small arms, Viktor Bout (pr Butt), has also been put out of business. His proven connection to arms sales that fuelled civil wars in Angola, Afghanistan, the Congo and elsewhere made Bout a symbol of the illicit global arms trade. Bout represented a new kind of transnational threat – criminals who control the sale, the transport and the financing of banned arms. After an arrest in Bangkok four years ago, he was extradited to the US and in a trial late last year was found guilty of all charges brought against him.

Lingering problems

Offsetting these positive developments, various forms of proliferation still present serious challenges to regional security and global order. The number of determined proliferators may have been narrowed to two, but those two – North Korea and Iran – seem determined to flout the UN Security Council mandates and have been repeatedly adopted in an attempt to quell their proliferation challenges.

Unfortunately, these countries continue to receive help from elsewhere. Their nuclear and missile programs are not self-sufficient, but they have made significant strides with foreign assistance.

A glaring example of the problem was apparent when six vehicles showed up at the end of a military parade in Pyongyang on April 15, transporting what appeared to be new intermediate-range ballistic missiles. The missiles themselves were mock-ups. They might represent prototypes of a real system under development, but the new missile has never been tested and is not seen to present an immediate threat. Thus, more attention was devoted to the 8-axel transporter-erector-launchers (TELs) that carried the mock-up missiles. Those of us in the nonproliferation business wondered where they came from, since North Korea cannot indigenously produce such sophisticated vehicles.

The probable answer was quickly supplied by various missile experts who noted the striking similarity between the vehicles on parade in Pyongyang and those produced in China by the Wanshan Special Vehicle Co., Ltd, which was established under a joint venture with the Minsk Automotive Factory. The Wanshan Special Vehicle Co. is a wholly-owned subsidiary of the state-run China Aerospace Science and Industry Corporation, which manufactures ballistic missiles for the Chinese military.

According to a knowledgeable journalist, the Wanshan Factory sold eight of the vehicles to North Korea in May 2011. North Korea is dependent on foreign suppliers for heavy-duty vehicle chassis and has been seeking over the past few years a road-mobile ballistic missile capability. The Chinese-supplied off-road TELs give North Korea a much more mobile capability. UNSCR 1718 (2006) explicitly prohibits transfer to North Korea of such vehicles. The Security Council Committee on the North Korea sanctions is reportedly investigating the issue.

No nation has accused the Chinese government of violating the sanctions resolution. China denies that it broke the sanctions. It should be noted that China's support for the sanctions resolutions against North Korea was crucial to strengthening the nonproliferation regime.

The Wanshan Factory denies that it has trade links with North Korea. It is possible that the sale was through an intermediary, hiding the end-user. The US government reportedly suspects that the Wanshan Factory did not sell North Korea an entire vehicle, but a chassis, and may have believed it was for civilian purposes.

The need for closer partnerships

I raise this issue not to point the finger at any country, but to illustrate the need for stronger partnerships between government and industry. Close communication with the central government might have alerted the Wanshan Factory of North Korea's pursuit of off-road heavy vehicles for its ballistic missiles. There are ways to check the end-user before the sale.

Several countries have good systems in place to alert industry to such risky business. The United Kingdom, for example, has an extensive outreach program to

industry that includes regular visits to exporters; development and publication of a code of conduct on effective export control compliance; a sophisticated website with several electronic tools for exporters; and publication of regulations, guidelines and other relevant information. The UK shares lists of suspect end-users with trusted exporters as well.

Industry outreach programs are also an effective way for governments to obtain tip-offs of clandestine nuclear procurement attempts from those most likely to come across it first. Such forms of industry partnership are even more useful when done on a multilateral basis. It is easier to connect the dots to ascertain patterns of proliferation activity when information is collected more widely.

The IAEA Safeguards Department began such an informational outreach effort to nuclear-related industries in 2005. The agency's approach is to ask selected nuclear-related industries to volunteer information on which goods are being sought in the international marketplace. These include the dual-use goods that are vital to sensitive parts of the nuclear fuel cycle and which may indicate a nuclear weapons program. The procurement outreach initiative is based on the premise that covert networks seeking nuclear-related goods and services on the open market are likely to leave visible traces. The initiative is in accordance with a 2005 General Conference resolution inviting all states to cooperate with agency efforts to verify and analyze information provided by member states related to nuclear supply and procurement.

Not all governments have been keen to cooperate with the IAEA in this effort. The vulnerabilities to be found in the global nonproliferation system stem, in part, from the fact that many governments are more concerned about what enters

their country than what leaves it. Stakeholders in many developing countries in particular do not see proliferation or WMD terrorism as a real threat to their own security. Trade controls have typically been focused on internal security and safety.

Too few regulations incorporate a nonproliferation viewpoint, encompassing export, re-export, transit and transshipment. Even fewer include equipment and expertise. Intangible technology transfers and brokering are usually interpreted as part of anti-terrorism regulations banning the aiding and abetting of terrorist acts. Control lists in some countries follow the same pattern: a focus on hazardous materials (health, safety and environmental concerns) and no coverage of dual-use equipment.

Meanwhile, legal advisers in some countries are uneasy with open-ended catch-all controls that are based upon the characteristics of the end-user, and believe that infringements of such controls are not constitutionally prosecutable.

Stronger partnerships of various forms can be an effective way of addressing these weaknesses. It is an appropriate theme for this conference. I am sorry I cannot be here for the Wednesday session on partnership initiatives from NGOs. My own institute, the IISS, is a founding member of a new initiative funded by the EU that last year established a network of European think tanks and academic institutions engaged in nonproliferation issues.

The IISS is also part of another partnership initiative in which we have joined a tender to assist the EU CBRN Risk Mitigation Centers of Excellence in developing and transferring best practices concerning inter-agency CBRN response.

Mostly, however, my institute engages in research and convening activities to analyze security problems and to search for solutions. I personally spend a lot of

time on North Korea and Iran. Were there time, I would tell you why I think the nuclear crises in both countries could explode this year – explode both politically and literally. Time permitting, I would also explain why containment and deterrence are the best options for dealing with these crises. A point I raise in every talk is that export controls are a key ingredient to a containment strategy. Those of you in the export control business are thus in the frontlines of preventing both of the worst outcomes of the Iran nuclear crisis: an Iran with nuclear weapons and a premature use of military force against Iran.

I hope that strengthened partnerships will be successful in further strengthening strategic trade controls. And I wish you all a productive conference.