

EMERGENCY REGARDING PROLIFERATION OF  
WEAPONS OF MASS DESTRUCTION

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MESSAGE

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

A 6-MONTH PERIODIC REPORT ON THE NATIONAL EMERGENCY  
WITH RESPECT TO THE PROLIFERATION OF WEAPONS OF MASS  
DESTRUCTION THAT WAS DECLARED IN EXECUTIVE ORDER  
12938 OF NOVEMBER 14, 1994, PURSUANT TO 50 U.S.C. 1703(c)  
AND 50 U.S.C. 1641(c)



JUNE 19, 2002.—Message and accompanying papers referred to the  
Committee on International Relations and ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE



*To the Congress of the United States:*

As required by section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), and section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), I transmit herewith a 6-month periodic report prepared by my Administration on the national emergency with respect to the proliferation of weapons of mass destruction that was declared in Executive Order 12938 of November 14, 1994.

GEORGE W. BUSH.

THE WHITE HOUSE, *June 18, 2002.*



REPORT TO CONGRESS ON THE EMERGENCY REGARDING  
PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

Weapons of mass destruction (WMD)—nuclear chemical, and biological weapons—and their missile delivery systems are among the top threats to U.S. security in the post-Cold War world. In the hands of countries like those on the U.S. list of terrorist-supporting states, these weapons would pose direct threats to the United States and its forces, friends, and allies. Some of these rogue states are already working on intercontinental-range missiles that would be able to deliver WMD against our territory directly.

This Administration has given high priority to dealing the threat of WMD and missile proliferation. The September 11 terrorist attacks in New York and Washington and subsequent anthrax crimes reinforce the importance of efforts to prevent the proliferation of these weapons, especially to terrorists and countries that harbor terrorists. This report describes WMD and missile nonproliferation measures undertaken by the United States between November 2001 and May 2002.

To address the dangers posed by the proliferation of WMD and their delivery systems, on November 14, 1994, former President Clinton issued Executive Order No. 12938, declaring a national emergency under the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.). Under section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)), the national emergency terminates on the anniversary date of its declaration unless, within the ninety-day period prior to each anniversary date, the President publishes a Continuation of Emergency Regarding Weapons of Mass Destruction in the Federal Register and transmits the notice to the Congress. The national emergency was extended on November 14, 1995; November 12, 1996; November 13, 1997; November 12, 1998; November 10, 1999; November 12, 2000; and November 9, 2001.

The following report is made pursuant to Section 204(c) of the International Emergency Economic Powers Act (50 U.S.C. 1703(c)) and Section 401(c) of the National Emergencies Act (50 U.S.C. 1641(c)). It reports actions taken and expenditures incurred pursuant to the emergency declaration during the period November 12, 2001 through May 15, 2002.

Additional information on nuclear, missile, and/or chemical and biological weapons (CBW) nonproliferation efforts may be found in the following reports: (a) the most recent annual Report on the Proliferation of Missiles and Essential Components of Nuclear, Biological and Chemical Weapons, provided to Congress pursuant to Section 1097 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102-190), also known as the "Nonproliferation Report;" (b) the most recent semi-annual Report to Congress on the Acquisition of Technology Relating to Weapons

of Mass Destruction and Advanced Conventional Munitions, provided to Congress pursuant to Section 721 of the Intelligence Authorization Act for Fiscal Year 1997; (c) the most recent annual report entitled “Adherence to and Compliance with Arms Control Agreements”, provided pursuant to section 403 of the Arms Control and Disarmament Act, 22 U.S.C. 2593a; (d) the most recent report on the Democratic People’s Republic of Korea, provided pursuant to Section 585 of the Foreign Operations, Export, Financing, and Related Programs Appropriations Act of 1997 (Public Law 104–208); (e) the most recent Report on Nuclear Nonproliferation Policy in South Asia, provided pursuant to Public Law 102–391, Section 585; (f) the most recent Report on Regional Nonproliferation in South Asia, submitted pursuant to Section 620F(c) of Foreign Assistance Act; (g) the most recent Nuclear Nonproliferation Report, known as the “Section 601 Report,” submitted pursuant to Section 601 of the Nuclear Nonproliferation Act of 1978 (Public Law 95–242), as amended by the Nuclear Proliferation Prevention Act of 1994; (h) the most recent semiannual report on Proliferation-Related Transfers to Iran, submitted pursuant to Iran Nonproliferation Act of 2000; (i) the most recent report on Iran-Iraq Arms Non-Proliferation Sanctions, submitted pursuant to the Iran-Iraq Non-Proliferation Act of 1992, sections 1604–1608; and (j) the most recent report on Libya sanctions, provided pursuant to Iran and Libya Sanctions Act of 1996 (ILSA), section 5(b).

#### NUCLEAR WEAPONS

*Nuclear Non-Proliferation Treaty:* The Treaty on the Non-Proliferation of Nuclear Weapons (NPT) is the cornerstone of the global effort to halt nuclear proliferation. The first meeting of the Preparatory Committee (PrepCom) for the 2005 NPT Review Conference (RevCon) took place April 8–19, 2002, at UN headquarters in New York. This meeting was preceded by extensive consultations among key NPT parties and the designated Chairman of the PrepCom, Ambassador Henrik Salander of Sweden.

The PrepCom completed its work successfully by issuing the Chairman’s report—a factual summary for transmission to PrepCom II, which will take place in Geneva from April 28–May 9, 2003, under the Chairmanship of Hungarian Ambassador Laszlo Molnar. The PrepCom also decided that PrepCom III and the 2005 NPT RevCon will be held in New York, and that representatives from the Nonaligned Movement (NAM) will chair PrepCom III and preside over the 2005 RevCon.

On substantive issues, the participants agreed that preserving and strengthening the NPT is vital to peace and security. They expressed strong support for International Atomic Energy Agency (IAEA) safeguards. Many nations cited September 11 as reinforcing the need to strengthen measures against terrorist acquisition of nuclear material. India and Pakistan were urged to exercise restraint and to join the NPT as non-nuclear-weapon states. Many states expressed concern about NPT compliance by Iraq and North Korea. Israel’s nuclear program was highlighted by other Middle East states. Some U.S. nuclear policies were criticized, but many states welcomed U.S.-Russian efforts to reduce nuclear weapons.

*International Atomic Energy Agency:* The International Atomic Energy Agency (IAEA), inter alia, verifies the compliance of non-nuclear weapons states (NNWS) with their NPT safeguards obligations. The IAEA safeguards system helps deter diversion of nuclear materials and provides the means to detect such diversions in a timely manner should any occur. During this reporting period, the United States continued to provide significant technical and financial resources to the IAEA to support its safeguards activities.

The discovery of Iraq's extensive covert nuclear activities led to strengthening the IAEA safeguards system's ability to detect undeclared nuclear material and activities. The United States and a large number of like-minded states negotiated in the mid-1990s substantial safeguards strengthening measures, including the use of environmental sampling techniques, expansion of the information on nuclear activities which states are required to declare, and expansion of IAEA access rights. Those measures requiring additional legal authority are embodied in a Model Additional Protocol, approved in 1997. With these tools, the IAEA's capability to address a state's undeclared nuclear activities has been substantially enhanced. This Protocol has now been signed by 61 states and has entered into force for 24 countries.

On May 9, 2002, the President submitted the U.S.-IAEA Additional Protocol to the Senate for advice and consent to ratification. In doing so, he emphasized that entry into force of the U.S.-IAEA Additional Protocol will bolster U.S. efforts to strengthen nuclear safeguards and promote the nonproliferation of nuclear weapons, which is a cornerstone of U.S. foreign and national security policy.

During the March 18–21, 2002 IAEA Board of Governors Meeting, the Director General presented his statement proposing Agency activities relevant to preventing acts of terrorism involving nuclear materials and other radioactive materials, with a view to strengthening the Agency's work in this area. The Board of Governors approved funding for such activities through voluntary contributions, as well as approved, in principle, the proposals advanced by the Director General for further enhancing nuclear security. A number of member states pledged specific sums of money in support of Agency activities, while others expressed hope to be able to provide financial and/or other support in the near future. Additionally, the Board also recognized that the IAEA's program for technical cooperation assistance could be important for implementing some of these activities. The Agency will report to the Board periodically on the progress made in implementing this proposal.

*Zangger Committee:* The purpose of the 35-nation NPT Exporters (Zangger) Committee (ZC) is to harmonize implementation of the NPT's requirement to apply IAEA safeguards to nuclear exports. Article III.2 of the Treaty requires parties to ensure that IAEA safeguards are applied to exports to non-nuclear weapon states of (a) source or special fissionable material, or (b) equipment or material especially designed or prepared for the processing, use, or production of special fissionable material. The ZC maintains and updates a list of equipment and materials that may only be exported if safeguards are applied to the recipient facility (called the "Trig-

ger List” because such exports trigger the requirement for safeguards).

All five of the nuclear weapon states are members of the ZC. However, China is the only ZC member that is not also a member of the Nuclear Suppliers Group (NSG), which requires full-scope safeguards (FSS) as a condition of nuclear supply to NNWS. China has not been willing to require FSS as a condition of nuclear supply in accordance with the NSG Guidelines—an important distinction from the ZC.

The ZC held three meetings on November 26, 2001, in Vienna. The first meeting was the Technology Holders Working Group, under the chairmanship of Sweden, which focused on adding plutonium isotope separation equipment to the Trigger List. At the ZC Plenary meeting that afternoon, the Working Group Chair reported that Technology Holders were closer to consensus on new language, but that some members needed more time for consideration of the proposal.

The second November 26 meeting was the Friends of the Chair to discuss; (1) outcomes of the 2000 NPT RevCon; (2) possible outreach activities with NPT Party non-members, including review of a UK non-paper on the subject; (3) review of ZC “understandings” (guidelines) to determine if updating is needed; and (4) actions that might be taken in preparation for 2002 or 2003 NPT PrepComs and recommendations that could be made to the 2005 NPT RevCon.

The ZC’s Austrian Chair outlined an ambitious program of possible future ZC activities, including serving as an NPT-wide technical resource, encouraging early ratification by states of the Additional Protocol to strengthen IAEA safeguards, and promoting outreach dialogue with non-member NPT Party states, particularly members of the NAM who have been critical of the nonproliferation regimes. The Chair also noted that in light of the events of September 11, the ZC should consider exploring new areas such as the combating of illicit trafficking.

The third November 26 meeting was the ZC Plenary that reviewed the Friends of the Chair discussion on outreach. There was strong support for the UK outreach paper, which outlined various options for promoting dialogue with NPT Party non-members. Most members, including the United States, supported pursuing several outreach approaches including ZC–NAM forums and roundtable discussions as well as ZC seminars and workshops for selected NAM countries. However, some members had reservations, suggesting that the ZC, as a technical body, needed to avoid political activities such as outreach programs. There was a general consensus that ZC outreach activities should be conducted on an informal basis and not duplicate NSG outreach activities nor involve non-NPT states such as India, Israel and Pakistan. Some members were concerned about limiting outreach dialogue to NPT Party critics of the nonproliferation regimes and suggested that it would be more useful to engage non-ZC NPT Party states supportive of nonproliferation regimes.

The United States reported that it was not prepared to join in a consensus in ZC membership for Belarus owing to concerns about certain of the GOB’s nonproliferation policies. The Russians questioned the U.S. position, given that Belarus was an NPT Party, a

member of the NSG, and had enacted the necessary export control legislation to accord with NSG and ZC Guidelines. The United States suggested that Belarus be encouraged to cease questionable supply activities.

*Nuclear Suppliers Group:* With 39 member states, the Nuclear Suppliers Group (NSG) is a widely accepted and effective export control arrangement, which contributes to the nonproliferation of nuclear weapons through implementation of guidelines for control of nuclear and nuclear-related exports. Members pursue the aims of the NSG through adherence to the Guidelines, which are adopted by consensus, and through exchanges of information on developments of nuclear proliferation concern.

The first set of NSG Guidelines (Part 1) governs exports of nuclear materials and equipment that require the application of IAEA safeguards at the recipient facility, FSS in the recipient state, commitments for no nuclear explosive use, and retransfer controls. The second set of NSG Guidelines (Part 2) governs exports of nuclear-related dual-use equipment and materials. The NSG Guidelines also control technology related to both nuclear and nuclear-related dual-use exports.

At the U.S.-hosted 2001 NSG Plenary meeting May 10–11, 2001 in Aspen, Colorado, the United States achieved its main objectives on restructuring the regime’s mechanisms and procedures and revising its Guidelines. Moreover, the Plenary strongly reaffirmed its support of full-scope IAEA safeguards as a condition of nuclear supply and rejected Russian proposals to broaden the safety exemption to the FSS policy and to confer “associate member” status on India, Israel and Pakistan to permit nuclear cooperation with those countries. However, the Plenary did agree to consider possibilities for an “intensified dialogue” with the three countries.

The Plenary also agreed to the establishment of a new Consultative Group (CG) which, under Plenary direction, will meet twice a year to deal with both Part 1 and 2 issues, including review of the Guidelines and control lists, procedures, information sharing, transparency and outreach activities. The CG also replaced the NSG Dual Use Regime (DUR), which previously had responsibility for coordination of dual-use control issues. The 2001 NSG Plenary also accepted the offer of the Czech Republic to chair the 2002 NSG Plenary, welcomed Slovenia to its first Plenary meeting, and authorized the United States as NSG Chair to continue contacts with Kazakhstan regarding possible future NSG membership. The Plenary took note of the concluding reports of Chairman of the DUR, the Information Sharing Working Group, and the Transparency Working Group. All of these groups will be replaced by the CG.

The Plenary also took note of the report on outreach activities with non-members by the outgoing French Chair, who reported contacts with China, Egypt, India and Iran. The Plenary authorized the U.S. Chair to continue coordination of outreach contacts with non-members.

The first meeting of the CG, held November 27–28, 2001, in Vienna under the chairmanship of France, was very productive. The CG discussed options for an intensified dialogue with India, Israel and Pakistan. The CG Chairman circulated in March 2002 a summary of Member Government areas of agreement and disagreement

on intensified dialogue. The May 2002 CG will seek to reach consensus on a recommendation to the 2003 Plenary to approve topics such as physical protection, export control, and enforcement for the intensified dialogue that the new Czech NSG Chair could pursue. Most Member Governments favor a dialogue with India, Israel and Pakistan but are concerned that it not be misinterpreted as undercutting fundamental NSG nonproliferation principles. In other business, the CG welcomed the offer of South Korea to host the 2003 NSG Plenary in Seoul, and endorsed a UK proposal to have the NSG sponsor a meeting of licensing and enforcement officials during the 2002 Plenary as part of the Information Exchange Meeting. The CG also welcomed a U.S. offer to draft a paper on possible changes to the Guidelines to incorporate anti-terrorism measures.

*South Asia Nuclear:* Since their May 1998 nuclear tests, India and Pakistan have openly pursued their respective nuclear weapon programs and have continued to increase their stockpiles of fissile material. Both maintain active ballistic missile programs and have flight-tested short- and medium-range ballistic missiles. Each could deploy nuclear weapons in a short period of time. The United States has raised its WMD and missile proliferation-related concerns with Indian and Pakistani officials on many occasions, calling on them to: maintain their nuclear testing moratoria; not assemble nuclear weapons; bring an early end to the production of fissile material; return any missiles deployed during the current crisis to pre-crisis status as soon as possible; limit flight-tests of ballistic missiles; resume their bilateral dialogue; bring their export controls in line with international standards; prevent and refrain from transfers of nuclear-, missile-, and CBW-related items to other countries; and help prevent proliferation globally.

Some progress has been achieved in bringing Indian and Pakistani export controls into closer conformity with international standards. In April 2000, India instituted new, more specific regulations on many categories of sensitive non-nuclear equipment and technology and has said that nuclear-related regulations will be forthcoming. In July 2001, Pakistan publicly announced regulations restricting nuclear exports and has indicated that further measures are being prepared. However, both countries' steps still fall short of international standards. We have proposed to both India and Pakistan technical cooperation activities designed to improve the effectiveness of their export controls, and encourage further steps to bring controls in line with international standards.

On September 22, 2001, President Bush waived Glenn Amendment sanctions that were imposed on India and Pakistan following their May 1998 nuclear tests. The President also waived sanctions imposed on Pakistan under the Ex-Im Bank Act and the Pressler and Symington Amendments. These steps do not signal a diminution of U.S. nonproliferation commitments, but rather a desire to engage India and Pakistan on our nonproliferation concerns in a less coercive atmosphere.

*U.S.-DPRK Agreed Framework:* In October 1994, the United States and the Democratic People's Republic of Korea (DPRK or North Korea) signed the Agreed Framework in an effort to resolve concerns about North Korea's nuclear program and bring the DPRK into compliance with its NPT commitments. As part of the

Agreed Framework, North Korea undertook to freeze and dismantle its graphite-moderated nuclear reactors and related facilities at Yongbyon and Taechon. It also undertook to remain party to the NPT and come into full compliance with its IAEA safeguards agreement including taking all steps deemed necessary by the IAEA when a significant portion of the light-water reactor is completed, but before delivery of key nuclear components. North Korea has yet to begin significant cooperation with the IAEA toward this end. The United States has called on North Korea to begin full cooperation so it can live up to its commitments in the Agreed Framework. Meanwhile, the United States assesses that the freeze at Yongbyon and Taechon, monitored by the IAEA, remains in place. The IAEA has maintained a continuous, presence in the DPRK since 1994.

Canning of all accessible spent fuel rods and rod fragments from the DPRK's 5-megawatt graphite-moderated nuclear reactor was completed in April 2000. The IAEA continues to monitor the canned fuel pending its ultimate removal from the DPRK once key nuclear components begin to be delivered. A U.S. spent fuel team periodically returns to the DPRK to continue maintenance operations and recondition leaking canisters.

Although the Agreed Framework creates a process for resolving the North Korean nuclear issue vis-à-vis the declared graphite-moderated reactors and related facilities, concern about the DPRK's nuclear intentions remains. The United States remains committed to the Agreed Framework, as long as the DPRK meets its obligations. However, we are concerned with North Korea's failure to take steps needed to achieve full cooperation with the IAEA, and to rectify its ongoing noncompliance with the NPT. Concern over this issue and others (lack of demonstrable steps to implement the North-South Joint Declaration on Denuclearization of the Korean Peninsula, and no reduction in the North Korean ballistic missile threat) led President Bush to waive the Congressional certification requirements for U.S. funding of heavy fuel oil for the Korean Peninsula Energy Development Organization (KEDO). Under the Agreed Framework, North Korea receives 500,000 tons of heavy fuel oil, purchased through KEDO.

In June 2001, President Bush announced that the Administration was prepared to undertake serious talks with the DPRK on a broad range of topics including improved implementation of the Agreed Framework relating to North Korea's nuclear activities; verifiable constraints on North Korea's missile programs and a ban on its missile exports; and a less threatening conventional force military posture. At the end of April, the DPRK informed the State Department that it was prepared to begin bilateral talks.

*Iran Nuclear:* Despite its status as an NPT party, Iran maintains an active nuclear weapons development program. Among the persistent indicators that Iran is pursuing a nuclear weapons development program is the fact that Iran is attempting to obtain capabilities to produce both highly enriched uranium and plutonium—the critical materials for a nuclear weapon. Neither of these capabilities is necessary to meet Iran's declared desire to have a civil nuclear power program to generate electricity, which is itself suspicious in light of Iran's abundant oil resources.

For the time being, Iran's nuclear program remains dependent on external sources of supply. The United States has played the leading role in developing and maintaining a broad international consensus against assisting Iran's foreign procurement efforts. We deny Iran access to U.S. nuclear technology and material, and all major Western suppliers have agreed not to provide nuclear technology to Iran. A number of supplier states have abandoned potentially lucrative sales to Iran's nuclear program. Russia remains the most significant exception to this virtual embargo on nuclear cooperation with Iran. The Administration is actively engaged with Russia in an attempt to resolve differences over the nature and scope of Russian cooperation with Iran's nuclear programs.

*Iraq Nuclear:* We believe that some nuclear activity has continued in Iraq since UN inspections stopped in December 1998. The acquisition of highly-enriched uranium or weapons-grade plutonium remains Iraq's biggest obstacle to a nuclear-weapons capability. We remain concerned that Iraq still seeks to acquire a nuclear weapons capability.

#### CHEMICAL AND BIOLOGICAL WEAPONS

*EPCI Regulations:* The export control regulations issued under the Expanded Proliferation Control Initiative (EPCI) remain fully in force and continue to be administered by the Department of Commerce, in a consultation with other agencies, in order to control the export of items with potential use in WMD or missile programs. In particular, EPCI is being applied to items with potential use in chemical or biological weapons or unmanned delivery systems for weapons of mass destruction.

*Chemical Weapons Convention (CWC):* Chemical weapons (CW) continue to pose a very serious threat to our security and that of our allies. On April 29, 1997, the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (known as the Chemical Weapons Convention or CWC) entered into force with 87 of the CWC's 165 States Signatories as original States Parties, including the United States, which ratified on April 25, 1997. As of the end of this reporting period, 145 countries have become States Parties.

The implementing body for the CWC—the Organization for the Prohibition of Chemical Weapons (OPCW)—carries out the verification provisions of the CWC, and presently has a staff of approximately 500 international civil servants, including about 200 inspectors trained and equipped to inspect military and industrial facilities throughout the world. To date, the OPCW has conducted over 1100 routine inspections at over 500 sites in some 50 countries. No challenge inspections have yet taken place. The OPCW maintains an inspector presence at operational CW destruction facilities. U.S. facilities have hosted approximately one-third of OPCW inspections and two-thirds of total inspection days (due to the significant level of CW destruction activity in the United States).

The United States is determined to seek full implementation and compliance with the concrete measures within the CWC. This includes accurate and complete declarations from all States Parties and compliance with the CWC's inspection provisions that provide

for access by international inspectors to declared and potentially undeclared facilities and locations. The United States is actively taking steps to strengthen the OPCW's ability to effectively implement the CWC, including recently securing a much-needed change in OPCW leadership.

We also are working to ensure that countries that refuse to join the CWC are increasingly isolated politically and denied access under the CWC's provisions to certain key chemicals from States Parties. The relevant treaty provisions are specifically designed to penalize countries that refuse to become party to the CWC.

*Biological Weapons Convention:* The United States agreed in 1994 to participate in an AD Hoc Group to negotiate a Protocol to the 1972 Biological Weapons Convention (BWC) that would "strengthen the effectiveness and improve the implementation of the Convention." On July 25, 2001, after a thorough United States Government policy review, the United States announced that the draft Protocol text was unacceptable and unfixable. At the Fifth BWC Review Conference last November, the Administration offered a number of other ideas and alternative approaches that would be effective in combating the threat of BW proliferation and in strengthening the BWC. When the Review Conference resumes in November 2002, the United States will seek agreement to these proposals, a number of which are already being implemented at national levels.

*Australia Group:* The United States continues to be a leading participant in the 33-member Australia Group (AG) chemical and biological weapons nonproliferation regime. At the most recent annual AG Plenary Session from October 1-4, 2001, the Group reaffirmed the members' continued collective belief in the AG's viability, importance and compatibility with the CWC and BWC. Responding to the terrorist events of September 11, AG participants agreed that strengthening the regime to better counter CBW proliferation and CBW terrorism should be a priority.

Participants agreed to several proposals aimed at plugging loopholes in current AG export controls; they also agreed that export controls, regional nonproliferation and countering CBW terrorism will be the main focus of the Group for the foreseeable future. These proposals were further developed at intersessional meetings in February and April 2002. Members also continued to agree that full adherence to the CWC and BWC by all governments will be a key to achieving a permanent global ban on chemical and biological weapons, and that all states adhering to these Conventions must take steps to ensure that their national activities support these goals. The Group welcomed Bulgaria as its newest member and reaffirmed its commitment to continue its active outreach program of briefings for non-AG countries, and to promote regional consultations on export controls and nonproliferation to further awareness and understanding of national policies in these areas.

*Sanctions/Interdiction:* During the last six months, we continued to examine closely intelligence and other information concerning trade in CBW-related material and technology. In May 2002, the United States imposed penalties on two Armenian and five Chinese entities, pursuant to the Iran Nonproliferation Act of 2000, for transferring AG-controlled items to Iran. Penalties imposed in Jan-

uary 2002 and June 2001, pursuant to the Iran Nonproliferation Act, on a total of four Chinese entities for their involvement in the transfer of AG-controlled items to Iran also remain in effect. The United States continues to cooperate with its AG partners and other countries in stopping shipments of proliferation concern.

*Country Issues:* Iran continues to seek precursors and production technology to augment its CW stockpile, and continues to actively pursue biological warfare capabilities. In the absence of UN inspections and monitoring, Iraq may be reconstituting its WMD programs. Syria and Libya continue to make some improvements to their CW infrastructure and both may be pursuing limited biological agent development. North Korea has a dedicated, national-level effort to achieve a BW capability and has developed and produced, and may have weaponized, BW agents. North Korea is also assessed to maintain a stockpile of CW agents. Sudan has received foreign assistance in the development of a CW program and may be actively pursuing more advanced capability, perhaps in cooperation with other state sponsors of terrorism.

#### MISSILES FOR DELIVERY OF WEAPONS OF MASS DESTRUCTION

The United States rigorously controls exports that could contribute to unmanned delivery systems for weapons of mass destruction, and monitors closely activities of potential missile proliferation concern. We also continue to implement U.S. missile sanctions laws. During the reporting period, no new missile sanctions were imposed. However, the United States imposed penalties on a number of entities, pursuant to the Iran Nonproliferation Act of 2000 (see below).

*Missile Technology Control Regime:* The Missile Technology Control Regime (MTCR) Partners continued to share information about proliferation problems with each other and with other potential supplier, consumer, and transshipment states. Partners also emphasized the need for implementing effective export control systems. This cooperation has resulted in the interdiction of missile-related materials intended for use in missile programs of concern.

As agreed to the September 2001 Ottawa Plenary, the MTCR Partners held a Reinforced Point of Contact (RPOC) meeting in Paris on April 25–26. The meeting focused on regional missile proliferation issues and resulted in a detailed and productive discussion of additional measures Partners could take to address the missile proliferation threat. The Partners also discussed ways to enhance outreach and transparency to non-members, the ongoing need to impede proliferation procurement efforts, and the importance of vigorous export control enforcement. The Partners will give further attention to these important topics at the September 2002 MTCR Plenary in Warsaw.

*International Code of Conduct Against Ballistic Missile Proliferation:* The United States was one of 78 countries that participated in a meeting hosted by France on February 7–8 on universalization of the draft International Code of Conduct Against Ballistic Missile Proliferation (ICOC). The meeting was an opportunity for participants to provide views on this important issue. However, no decisions were taken on next steps. The European Union has offered

to hold a follow-up meeting, and we expect France to announce soon plans for taking the ICOC process forward.

The ICOC is intended to create a widely-subscribed international predisposition against ballistic missile proliferation. It consists of a broad set of principles, general commitments, and modest confidence building measures. It is intended to be a voluntary political commitment, not a treaty, and will be open to all countries. The ICOC will supplement, not supplant, the important work of the MTCR.

*Sanctions:* In May, the United States imposed penalties on two Moldovan entities, pursuant to the Iran Nonproliferation Act of 2000, for the transfer of MTCR-controlled items to Iran. (NOTE: The United States also imposed penalties on three Chinese entities, pursuant to the Iran Nonproliferation Act of 2000 for engaging in conventional weapons-related cooperation with Iran. END NOTE.) No new missile sanctions, however, were imposed during the reporting period.

On November 2, 2001, in order to facilitate certain necessary cooperation with the Pakistani Ministry of Defense (MOD) in support of Operation Enduring Freedom, the United States waived certain missile sanctions imposed against the Pakistani MOD in November 2000 for transactions determined to be needed (1) to support Operation Enduring Freedom or (2) to permit sale or export to Pakistan of defense articles or defense services comparable to those delivery of which was blocked by the imposition of sanctions on May 30, 1998. On November 21, 2000, Category I missile sanctions were imposed on the Pakistani MOD and the Space and Upper Atmosphere Research Commission (SUPARCO) for their knowing engagement in missile proliferation activities with Chinese entities. Missile sanctions imposed against SUPARCO and another entity, NDC in September 2001, remain unchanged.

*South Asia Missile:* India has an extensive, largely indigenous ballistic missile development and production program. Nevertheless, India's ballistic missile programs have benefited from the acquisition of foreign equipment and technology, which it continues to seek. India conducted flight tests of a variety of missiles during the reporting period, including the sea-based Dhanush, a short-range version of the Agni, and the Brahmos cruise missile it jointly developed with Russia.

Pakistan has an active ballistic missile program and, during the last several years, has received considerable Chinese and North Korean assistance in these efforts. Continued development of nuclear-capable ballistic missiles by both countries raises the prospect that more sophisticated and possibly destabilizing capabilities will be fielded in the coming years. Such a race constitutes a threat to regional and international security.

*DPRK Missile:* Although the DPRK has maintained its September 1999, self-imposed, long-range missile flight test moratorium, it has, during the last several years, been extremely active in the research, development, testing, deployment and export of ballistic missiles and related equipment and technology. The DPRK also is working to increase the capability of its missile systems. During meetings with other international leaders in 2001, including Russian President Putin, PRC President Jiang Zemin, and

Swedish Prime Minister Persson, DPRK Chairman Kim Jong-Il reportedly stated North Korea's commitment to maintain its moratorium until 2003.

As noted above, pursuant to the Administration's North Korea policy review, on June 6, 2001, President Bush announced that the United States was prepared to undertake serious discussions with North Korea on a broad agenda, to include: improved implementation of the Agreed Framework relating to North Korea's nuclear activities; verifiable constraints on North Korea's missile programs and a ban on its missile exports; and a less threatening conventional military posture. On April 27, the DPRK informed the State Department that it was prepared to begin bilateral talks.

*Iran Missile:* Iran has substantial missile inventories and an indigenous ballistic missile production capability. In recent years, North Korean, Russian and Chinese entities have continued to supply Iran with a wide variety of missile-related goods, technology and expertise. In response to Iranian efforts to acquire sensitive items from Russian entities for use in Iran's missile and nuclear development programs, the United States has pursued a high-level dialogue with Russia aimed at funding ways to work together to cut off the flow of sensitive goods to Iran's ballistic missile development and nuclear weapon programs. Russia's government has created institutional foundations to implement its nonproliferation commitments and passed laws to punish wrongdoers. It also has passed new export control legislation and adopted implementing regulations to tighten government control over sensitive technologies and continued a dialogue with the United States aimed at strengthening export control practices at Russian aerospace firms. However while some progress has been made, we are concerned that Russian entities continue to supply missile technology and equipment to Iran.

*Other Countries:* Other countries in addition to the above are pursuing missile programs. Iraq retains a significant missile production capability, continues work on short-range ballistic missiles allowed by UNSCR 687, and may be expanding to longer-range systems. Technical experience gained in this pursuit will likely be applied to future longer-range missile development efforts. Libya's limited success with its indigenous missile production effort may renew its focus on purchasing a complete ballistic missile system. Syria continues to acquire missile-related equipment and materials, and has received considerable foreign production assistance.

#### VALUE OF NONPROLIFERATION EXPORT CONTROLS

U.S. national export controls—both those implemented pursuant to multilateral nonproliferation regimes and those implemented unilaterally—play an important part in impeding the proliferation of WMD and missiles. (As used here, "export controls" refer to requirements for case-by-case review of certain exports, or limitations on exports of particular items of proliferation concern to certain destinations, rather than broad embargoes or economic sanctions that also affect trade.)

As noted in this report, however, export controls are only one of a number of tools the United States uses to achieve its nonproliferation objectives. Global nonproliferation treaties and norms,

multilateral nonproliferation regimes, interdictions of shipments of proliferation concern, sanctions, export control assistance, redirection and elimination efforts, and robust U.S. military, intelligence, and diplomatic capabilities all work in conjunction with export controls as part of our overall nonproliferation strategy.

Export controls are a critical part of nonproliferation because every emerging WMD and missile program seeks equipment and technology from other countries. Proliferators look to other sources because needed items are unavailable within their country, because indigenously produced items are of substandard quality or insufficient quantity, and/or because imported items can be obtained more quickly and cheaply than domestically-produced ones.

It is important to note that proliferators seek for their WMD and missile programs both items on multilateral lists (like gyroscopes controlled on the MTCR Annex and nerve gas precursors on the AG list) and unlisted items (like lower-level machine tools and very basic chemicals). In addition, many of the items of interest to proliferators are inherently dual-use. For example, key precursors and technologies used in the production of fertilizers or pesticides also can be used to make missile propellant and chemical weapons; bio-production technology can be used to produce biological weapons.

The most obvious value of export controls is in impeding or denying proliferators access to key pieces of equipment or technology for use in their WMD and/or missile programs. In large part, U.S. national export controls—and similar controls of our partners in the AG, MTCR, and NSG—strive to deny proliferators access to the largest sources of the best equipment and technology. If denied, proliferators might then turn to non-regime suppliers to seek less capable items. Moreover, in many instances, U.S. and regime controls and associated efforts have forced proliferators to engage in complex clandestine procurements, taking time and money away from their WMD and missile programs.

U.S. national export controls and those of our regime partners also have played an important role in increasing over time the critical mass of countries applying nonproliferation export controls. For example: the seven-member MTCR of 1987 has grown to 33 member countries; the NSG adopted full-scope safeguards as a condition of supply and extended new controls to nuclear-related dual-use items; several non-member countries have committed unilaterally to apply export controls consistent with one or more of the regimes; and most of the members of the nonproliferation regimes have applied national “catch-all” controls similar to those under the U.S. Enhanced Proliferation Control Initiative. (Export controls normally are tied to a specific list of items, such as the MTCR Annex. “Catch-all” controls provide a legal basis to control exports of items not on a list, when it is believed that those items could be destined for WMD and/or missile programs.)

The United States maintains a global program to assist other countries’ efforts to strengthen their export control systems. Assistance is focused on helping weapons-source countries along potential smuggling routes to develop effective export control regimes, including effective capabilities to control illicit weapons trafficking across their borders; to establish the necessary legal and regulatory

basis for effective export controls; to improve licensing procedures and practices; to coordinate, train, and equip export enforcement agencies, including customs agents and border security and enforcement authorities; to develop and install automated information systems for licensing and enforcement; and to foster effective interaction between government and industry on export controls.

This program has placed some 19 advisors in countries around the world to coordinate export control/border security activities. The program continues to register successes: new cooperative relationships have been established with key transshipment states; a number of countries have adopted, or are adopting, export and transshipment control laws and regulations largely based on U.S. advice; the program has contributed to a significant strengthening of border security capabilities in former Soviet states, notably in Central Asia; and various countries' enforcement agencies have used U.S. equipment and training to interdict the movement of arms, related items and radioactive materials across borders.

Finally, export controls play an important role in enabling and enhancing legitimate trade. They provide a means to permit dual-use exports to proceed under circumstances where, without export control scrutiny, the only prudent course would be to prohibit them. They help build confidence between countries applying similar controls that, in turn, results in increased trade. Each of the nonproliferation regimes, for example, has a "no undercut" policy committing each member not to make an export that another has denied for nonproliferation reasons and notified to the rest—unless it first consults with the original denying country. Not only does this policy make it more difficult for proliferators to get items from regime members, it establishes a "level playing field" for exporters.

#### THREAT REDUCTION AND NONPROLIFERATION ASSISTANCE TO THE FORMER SOVIET STATES

The President has made clear repeatedly that his Administration is committed to strong, effective cooperation with Russia and the other former Soviet states to reduce weapons of mass destruction and prevent their proliferation. To ensure that the promise of these programs is fully realized, the Administration undertook in 2001 a detailed review of U.S. nonproliferation and threat reduction assistance to the Russian Federation. The review was completed in December 2001. It found that most U.S. programs in this area work well, are focused on priority tasks, and are well managed. The review further identified some programs for expansion and others for adjustment. In keeping with the President's commitment, and the results of the review, the President's FY2003 budget included historically high requests to the Congress for nonproliferation and threat reduction assistance to the former Soviet States.

## EXPENSES

Pursuant to Section 401(c) of the National Emergencies Act (50 U.S.C. 1641(c)), I report that there were no specific expenses directly attributable to the exercise of authorities conferred by the declaration of the national emergency in Executive Order 12938, as amended, during the period from November 12, 2001, through May 15, 2002.

