COUNTERING NUCLEAR PROLIFERATION

Statement by Arnold Kanter
Senior Fellow, Forum for International Policy
and
Principal, The Scowcroft Group

before the
Committee on Foreign Relations
United States Senate
March 10, 2004

Mr. Chairman and members of the Committee, I appreciate this opportunity to join Bill Perry and Ash Carter this morning to discuss "Nonproliferation and Arms Control: Strategic Choices." I also want to take this opportunity on behalf of Brent Scowcroft to express his regret that he is unavoidably out of town this week and therefore could not appear. Brent did ask me to convey his appreciation to the Chairman and the Committee for holding the hearings that are being launched today, and his conviction that they could not be more important or timely.

Ash Carter has provided a framework and approach for addressing the broad WMD problem. Building on some of the ideas that were sketched out in the New York *Times* op-ed that I co-authored with Ash, Bill, and Brent, I want to concentrate on one particular WMD problem: the proliferation of nuclear weapons and material that is among the most serious – and proximate – security risks we face, and that is surely the most serious proliferation risk that we confront. My main purpose today is to present a way of thinking about the problem of nuclear proliferation and to suggest some elements of a comprehensive strategy for addressing that nuclear threat.

As will quickly become apparent, I surely do not have all of the answers. Indeed, any such strategy would have to tackle a series of questions that do not have any easy – or, in some cases, even any good – answers. But in what I understand to be the spirit of these hearings, I hope I will be able to contribute to efforts to move the debate beyond familiar reiterations of how serious the nuclear proliferation threat is to an examination of strategic approaches and concrete measures to deal with it.

Let me begin by repeating what has already been said, but probably cannot be said often enough: there is no one right approach or single policy instrument that can solve the nuclear proliferation problem by itself, and the search for such a silver bullet will prove futile or worse. I believe that this is the overarching theme of President Bush's February 11 speech at NDU, which presented a series of seven measures that, taken together, constitute a good agenda for action. But let me quickly add two points. First, any set of measures is likely to be more effective if the constituent elements are fitted together to form a coherent, multi-faceted strategy. Second, because the nuclear proliferation threat is diverse rather than homogenous, the strategy to counter nuclear

proliferation should likewise be differentiated. Simply stated, we need a strategy that not only is multi-faceted, but also one whose respective elements are focused on particular parts of the overall threat.

A "Supply and Demand" Perspective on Nuclear Proliferation

Let me try to explain what I mean by delineating some categories of problems and policy responses. It is convenient – although hardly original – to think of the nuclear proliferation problem as a matter of "supply" and "demand."

On the "demand" side, I think it is useful to distinguish among three kinds of demand for policy purposes. One kind is the demand for a nuclear weapons capability *per se*. The source of this demand are the nuclear *weapon* wanna-bes, the bad guys whom we usually have foremost in our minds when we talk about the problem of nuclear proliferation. North Korea and, until recently, Libya would be good illustrations of this category. You would not have to be excessively suspicious about Iranian motives to put Tehran in this category as well.

It also is important to distinguish between two kinds of nuclear weapons wanna-bes i.e., states and non-state terrorists, because some policy instruments that are likely to be effective for one kind of nuclear weapon wanna-be are unlikely to be effective with respect to another. In particular, I believe that incentives can play a role in persuading nuclear weapon wanna-be states to abandon their nuclear ambitions, but I am deeply skeptical that they have much if any relevance to terrorists.

A second source of demand is for nuclear power generation to meet energy needs. These are the nuclear *power* wanna-bes who do not harbor any secret plans or ambitions to acquire nuclear weapons. Brazil might be a country you would put into this category.

Finally, there is an admittedly imprecise middle category of demand composed of those who are pursuing nuclear power capabilities not only to meet energy requirements, but also to create an option for nuclear weapons sometime in the future. If Iran is not a nuclear weapon wanna-be, then at a minimum, it surely falls into this category.

On the supply side, it also is useful to distinguish among three categories for policy purposes. One kind is the supply of nuclear weapons technology, equipment, and know-how. Put simply, this is about the intentional provision of a nuclear weapons capability, and – until recently – A. Q. Khan was its poster child. It also is the kind of "supply" problem that has been the major, if not predominant, focus of our nuclear non-proliferation efforts. The Proliferation Security Initiative is a recent and promising example of a policy instrument designed to address this particular supply problem.

A second kind of "supply" is represented by the stores of dispersed nuclear warheads, and the stockpiles of inadequately secured nuclear weapons material, much – but, it must be emphasized, not all – of which is concentrated in Russia. This is the "loose nukes" problem, one that the rise of global terrorism has turned into an all too

plausible nightmare. For nuclear weapon wanna-bes, access to the weapons themselves is a dream come true. But access to nuclear weapon material would be the next best thing. After all, the principal obstacle that nuclear weapon wanna-bes face – and toward which most of their efforts are directed – is acquiring or making the enriched uranium and plutonium needed for a weapon. Nunn-Lugar and related programs are designed to address this part of the supply problem.

A third kind of "supply" is the inadvertent but inescapable byproduct of civilian nuclear power programs, notably those activities related to the production, storage, and reprocessing of nuclear fuel. That is, those attributes that are intrinsic to a closed nuclear fuel cycle constitute an ongoing potential to produce material for nuclear weapons. (This is one reason why the recent North Korean proposal to preserve a civilian nuclear program – if it is serious rather than a negotiating ploy – is an utter non-starter.) This is an aspect of nuclear proliferation that we have recognized and worried about for some time, but are just beginning to address in ways that I think hold some promise of being effective. I will offer some specific suggestions in a moment.

The range of complementary, yet distinct, tasks that a comprehensive and coherent nuclear nonproliferation policy must accomplish correspond to these multiple sources of supply and demand. But reduced to their essence, these tasks are (1) to actively *frustrate* the ambitions of the nuclear weapon wanna-bes by denying them access to critical technology, equipment, and materials, (2) to construct a network of effective sanctions *and* powerful positive incentives that present nuclear weapon wanna-bes with an all but irresistible choice to abandon their nuclear ambitions, and (3) to put in place both incentives and barriers that effectively *discourage* not only nuclear power wanna-bes but also countries in the undecided middle category from seriously considering, much less pursuing, a nuclear weapons option.

Many of the elements of such a multi-faceted policy already are in place. Much of what remains to be done is to fill in some hard-to-fill-in blanks, ensure that both the right kind and enough resources are being devoted to the respective tasks and – very important – make sure that there is close coordination among the parts so that the result is a coherent whole. I do not pretend to have a complete blueprint or a detailed roadmap for reaching this goal. What follows are some illustrations and observations that I hope will contribute to the process.

Frustrating Nuclear Weapon Wanna-bes

Let me begin with the challenge of denying determined nuclear weapon wanna-bes access to the technology, equipment, material, and know-how they need to achieve their goal. Here – and being careful not to claim victory prematurely – I think we can point to some recent success stories such as A. Q. Khan, and Libya and, in a way, even Iran. Behind these well-publicized success stories are many more less visible and less grand, but still important, victories. There also are new tough-minded measures such as the Proliferation Security Initiative. We of course can and should always hope to do better, beginning with steadily improving intelligence and intelligence operations, and

making as determined an effort as possible to broaden and strengthen international cooperation. But on the whole, I believe that this part of strategy to counter nuclear proliferation not only has received the most attention, but also probably is the furthest advanced of any of the elements.

Looking ahead, I think that the Libyan case is particularly instructive in at least three respects:

- First, Libya is the most recent of several countries to provide grounds for optimism that even nuclear weapon wanna-bes can be persuaded to reverse course and abandon their nuclear weapons ambitions.

- Second, our apparent success in Libya seems to have based on a strategy that (a) made Libyan efforts to acquire a nuclear weapons capability so difficult and frustrating that it helped persuade Qadhafi that the attempt would ultimately prove futile, (b) imposed real and increasingly painful costs on Libya so long as it pursued its nuclear weapons ambitions, and (c) held out the credible prospect of tangible and meaningful benefits if Qadhafi turned away from the nuclear weapons path.

- Third, I would not be surprised if we learn that the supply side consists not only of shadowy figures and underground nuclear supermarkets, but also active roles by companies and individuals – if not governments – in Europe and other places that we count among our friends and allies.

For all these reasons, it strikes me that it would be worthwhile to study the Libyan case closely – in both its classified and unclassified aspects – to see the extent to which its lessons can be applied to other hard nuclear nonproliferation cases, perhaps starting with Iran.

Containing "Loose Nukes"

A great deal already has been spoken and written about the problem of "loose nukes," so I will confine myself to underscoring three points. First, all roads lead back to Russia when we are talking about combating the spread of nuclear weapons – not only, but especially, when talking about loose nukes – in the sense that no policy can hope to be successful if it does not succeed in Russia. As a corollary, no policy can succeed in Russia if we do not have a relationship with the Russians that encourages real cooperation on this issue, something that the Nunn-Lugar track record clearly indicates neither can be taken for granted nor achieved with money alone.

Second, adequate resources may not make all the difference, but inadequate resources are a virtual guarantee of failure. Money *is* central, but this is not just a matter of money. Nunn-Lugar needs to be treated consistently as a high priority by the Administration and the Congress, rather than as just another laudable program that receives intermittent attention and some share of discretionary resources.

Third, this is not just a problem with or in Russia. While it is true that in quantitative terms, most of the loose nuke problem is located in Russia, not all of it is. Furthermore, quantity is not an adequate yardstick because nuclear weapons have a quality all their own. Put differently, a little nuclear material can go a long way because even just one nuclear detonation or dirty bomb can ruin your whole day.

Two implications follow. One is that Nunn-Lugar and related programs need to be truly international in scope rather than FSU-centric both in concept and execution. In this regard, the successful effort to remove nuclear fuel from the research reactor in Belgrade was important both in its own right and as a model for similar actions in the future. It also could serve as a model for practical cooperation between the United States and Russia that could pay both nonproliferation and broader political benefits. The other implication is that efforts to deal with the loose nukes problem benefit immensely from being multilateral rather than unilateral. The G-8 Global Partnership, or "10+10 over 10," initiative is a good beginning at sharing responsibility for the loose nukes problem (but, as President Bush has proposed, the time has also come to broaden its scope beyond the countries of the former Soviet Union).

Moreover, the benefits of international cooperation obviously extend beyond the loose nukes problem. As the successes of the Proliferation Security Initiative and especially the breakthrough on Libya make clear, it is hard to imagine virtually any aspect of a nuclear nonproliferation policy that would not be more effective if it had the active cooperation of other governments. Indeed, it is easy to imagine many initiatives that could only be successful with such cooperation.

Building Walls between Nuclear Power and Nuclear Weapons

The final broad proliferation problem that I want to address is the one posed by nuclear power wanna-bes, and the challenge of encouraging safe civilian nuclear power to meet global energy needs while at the same time discouraging any temptation – now or in the future – to use such programs to create a nuclear weapons capability. As I noted above, the supply-demand nexus for civilian nuclear power to meet energy requirements poses intrinsic and serious nuclear proliferation risks. This is neither a new problem nor one that has been only recently identified. But in my opinion, it has not received the attention it warrants, particularly in the context of fashioning a comprehensive and coherent nuclear non-proliferation policy.

Let me be clear, this observation is not intended to be a criticism of, much less an attack on, the Nuclear Non-Proliferation Treaty. There is no silver bullet solution to the nuclear proliferation problem, and the NPT isn't one either. But it also is true that the Treaty is neither ineffective nor obsolete. As my colleagues and I argued in our New York *Times* December Op-Ed, if we did not have an NPT, we would almost surely want to invent it. At the same time, the Treaty is not sacrosanct. It certainly can be modernized and strengthened. In this respect, I believe that the Additional Protocol can make an important contribution, and I hope that the Senate acts favorably on it.

It likewise would be a mistake to regard the NPT as the last word on international regimes governing civilian nuclear power. Recall that the NPT explicitly allows nations that foreswear nuclear weapons to develop nuclear power for peaceful purposes. Specifically, under the terms of the NPT, non-nuclear weapon state signatories may build and operate nuclear reactors, and they are permitted to produce enriched uranium that fuels the reactors, to store the radioactive spent fuel from those reactors, and to reprocess that spent fuel. The only specific obligations are that the signatories declare these facilities to the International Atomic Energy Agency and allow the Agency to inspect them. (The Additional Protocol should help strengthen the IAEA's ability to exercise this authority.)

As we know, the problem is that this "closed fuel cycle" gives these countries an inherent and virtually inescapable capacity to produce the fissile material required for a nuclear weapon. Facilities used to produce enriched uranium for power reactors also can be used to produce highly enriched uranium – HEU – for weapons. Reprocessing spent fuel yields plutonium that can fashioned into nuclear weapons. As the cases of North Korea and – presumptively – Iran demonstrate, regimes that intend to violate the Treaty's ban on nuclear weapons can exploit this right to operate a nuclear power plant. While seeming to remain within the terms of the treaty, they can gather all the resources necessary to make nuclear weapons, and can even start to build weapons clandestinely. Then they can abrogate the Treaty and proceed to build a nuclear arsenal in the open.

Serious as this potential may be, the problem is broader than nuclear weapon wanna-bes using the NPT as cover and concealment as they pursue their ambitions. The right to have a closed fuel cycle also provides an attractive vehicle for countries that, for whatever reason, want to create and maintain the option to acquire nuclear weapons at some time in the future. Indeed, even the nuclear power wanna-bes who may not have any present intention or desire to create the option to become a nuclear weapons state nevertheless will have done so if they construct a closed fuel cycle.

In addressing this issue, one pitfall to be avoided is to let nuclear nonproliferation become the enemy of civilian nuclear power. That would be serious mistake on three counts. First, it is a fight that advocates of nuclear nonproliferation could easily lose. Second, nuclear power generation has a potentially important role to play in meeting global energy needs and addressing global warming concerns. We should be trying to develop and exploit that potential rather than cripple it. Third, posing the issue as nuclear nonproliferation versus nuclear power presents a false choice and poses a battle that need not be fought.

Instead, the United States should take the lead in building an international regime alongside the NPT that promotes civilian nuclear power but discourages or prohibits closed nuclear fuel cycles. Such a regime would consist of obligations both on the part of customers for civilian nuclear power and the suppliers of the required capabilities.

The additional obligations of the "customers" are simply stated: in addition to their NPT obligations, the customers would agree not to manufacture, store, or reprocess

nuclear fuel. They also would agree to inspections to confirm that they were living up to their undertakings.

Those countries that now sell peaceful nuclear technology in accordance with the NPT would take on both additional positive and negative obligations. First, they would agree to forego the sale or transfer of any equipment or technology designed for the enrichment or reprocessing of nuclear fuel to any country that did not already have a fully operational nuclear fuel cycle. They also would agree to provide technology, equipment, or fuel for nuclear reactors only to those countries that had renounced their right to enrich and reprocess nuclear fuel. Second, these suppliers would guarantee the reliable supply of nuclear fuel and the retrieval of spent fuel at competitive prices to those "customer countries" that agree to this new arrangement.

To enhance the attractiveness of such a bargain and make it all but economically irresistible (as well as help to distinguish between true nuclear power wanna-bes and those who harbor nuclear weapon ambitions), consideration should be given to providing these services not merely at competitive, but at deeply subsidized, prices. In this connection, John Deutch has calculated that such subsidies would be affordable, perhaps on order of 1-2 percent of the annual DoD budget. Moreover, there is every reason to believe that the United States would not have to foot the full bill, not least because those other countries that would be providing nuclear fuel services would have domestic political incentives to subsidize the cost of those services in order remain competitive in the global nuclear fuel industry.

Obviously, these are no more than the broadest outlines of such a regime, one that parallels some of the ideas President Bush presented in his February 11 speech at NDU. A large number of details would have to be filled in, such as the arrangements for an international consortium that would provide guaranteed fuel services at competitive or even subsidized prices (and, if subsidized, how the subsidies would be calculated and who would pay them). There also are a long list of hard questions to be addressed, ranging from how formal or informal such a regime should be, to whether sanctions should be applied to suppliers or customers who do not join in the new arrangements, to how to treat countries like Brazil that have nuclear supplier ambitions, to how to deal with countries like India and Pakistan that have demonstrated nuclear weapons capabilities but are outside the NPT. And even more than in the case of NPT itself, there will be those who will charge – with some justification – that any such international arrangement would be highly "discriminatory."

Even if all of the questions can be answered and the various problems and objections can be overcome, this new international regime would not be a cure-all. But I do believe that it could provide a key building block in a comprehensive nuclear nonproliferation strategy, while at the same time promoting the development of peaceful nuclear energy. That potential convinces me that an approach along these lines warrants serious consideration.

Thank you.