

Remarks by
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Thank you.

It is a real pleasure to be here today. I would like to extend my special appreciation to Vietnam for co-sponsoring this conference. This conference marks an important next step in our individual and joint efforts to implement and advance APEC Leaders' commitments. Two years ago in Bangkok, APEC's 21 economies acknowledged that prosperity and security are inseparable and made an unprecedented commitment to take all essential actions to eliminate the danger posed by the proliferation of weapons of mass destruction and their means of delivery. If we have essential actions to take, I am glad we can do some of that work together, here in Hawaii.

Last year in Santiago, APEC Ministers advanced this commitment and identified key elements for creating effective export control systems. Our Ministers did so because preventing the proliferation of weapons of mass destruction remains a primary security concern globally. While this has been a steady challenge for most of the past thirty years, the nonproliferation landscape has undergone some significant developments in the past year. Rarely does a day go by where WMD proliferation issues are not on the front pages of international newspapers and at the top of the U.S policy agenda. Fortunately, while the threat level has increased exponentially, so too has the level of worldwide responses.

Proliferation is not only a security issue, it is also an economic issue. Our economies are proud of our unhesitating and unrelenting dedication to economic growth and expanded trade. APEC's twenty-one members account for some forty percent of the Earth's population, nearly fifty percent of world trade, about sixty percent of global GDP, and, by some estimates, some seventy percent of international economic growth in recent years. We each recognize and value APEC economies' deep interdependence. These are the realities of the Asian-Pacific economy we have all worked so hard to build.

At its core, APEC is meant to foster the benefits of these realities to us all, while standing clearly and unambiguously against the barriers to our prosperity. But these barriers are not just economic.

Proliferation is a barrier to our security, but it is also a barrier to our trade, and it must be stopped. Proliferation distorts trade, increases the costs of doing business by increasing the risk that legitimate shipments could get

caught up in WMD-related trafficking, and provides the ingredients for WMD to terrorists and states of proliferation concern. And, due to this, trafficking a WMD-related shipment, hidden among legitimate commerce, could put at risk a ship, a port or - worse - our citizens. APEC stands against barriers to free and secure trade -- and proliferation must be no exception, even if nonproliferation is new to many of us.

We must not also forget the important role that the private sector plays both in APEC and in helping governments develop adequate, but cost effective, trade security practices. Initial costs are unavoidable, but by working together and utilizing new technologies, we can make our trade more secure while still facilitating trade and in some cases actually reducing costs in the long run.

I will focus my remarks today on how proliferation threatens both our security and our economies and on the recent developments and how effective export controls are helping to address the most serious proliferation challenges faced by the international community.

The Proliferation Threat:

Proliferation is not an imagined or hypothetical threat -- it is a matter of the historical record. One of our greatest successes also demonstrates one of our greatest vulnerabilities -- as we discovered and shuttered the proliferation network led by A.Q. Khan, we also realized how deeply one man who sees WMD as a commodity for the open market, available to the highest bidder, can threaten us.

Catastrophic terrorism and an international market for WMD. These two realities may not have yet intersected -- but the danger is clear and real. The A.Q. Khan network focused on selling its wares to states. But tomorrow, Al-Qaeda may attempt to be the highest bidder at the next proliferation network's WMD auction.

In the light of this clear threat, I believe that the greatest threat to global peace today is the spread of nuclear, chemical, and biological weapons -- and the possibility that regimes that acquire such weapons may use them as tools of coercion, intimidation, blackmail, or even actual attack, or may provide them to terrorists to do the same.

Until we respond with dedication and without reservation, this threat remains. And today, despite many of our best efforts, Asian trade routes are not yet immune to this trade -- in fact, many countries are finding now that the Asia-Pacific must be a central focus of the effort to stop WMD proliferation.

The United States and its allies and partners have adopted an approach to extend the frontlines in our nonproliferation strategy beyond the well-known states of proliferation concern -- such as North Korea and Iran -- to the trade routes and entities that are engaged in supplying the key material, technologies, equipment, and know-how.

There are constants in the proliferation threats facing the international community. First, North Korea has been in violation of the Nuclear Nonproliferation Treaty (NPT) since at least 1993. The United States believes that multilateral diplomacy, through the Six-Party talks, is the best way forward. The North's pursuit of nuclear weapons is not a bilateral problem between the United States and North Korea, but a problem of grave concern regionally and internationally.

Iran's pursuit of nuclear weapons capability poses a growing threat to international peace and security and is a challenge to the effectiveness of the global nonproliferation regime. The IAEA confirmed in 2003 that Iran was pursuing a systematic effort over two decades to hide secret nuclear activities, including uranium enrichment, undeclared plutonium separation, and other safeguards breaches using undeclared nuclear materials at undeclared facilities. In September 2005, the IAEA Board of Governors found Iran in noncompliance with its NPT safeguards obligations. This resolution was an important step forward, and gives Iran time to consider its options before facing the prospect of a report to the UN Security Council.

We urge Iran to abide by all of the terms of the September IAEA Board resolution and the Paris Agreement and return to the negotiating table with the EU3. We continue to support the EU3's diplomatic process. The August EU3 proposal -- which Iran rejected in harsh terms -- offered Iran significant benefits and incentives that would have improved the lives of the Iranian people. Especially given Iran's limited uranium reserves and Russia's commitment to provide fuel for Iran's only nuclear power reactor now under construction, Iran's claimed economic rationale for its nuclear fuel cycle activities make no sense. We hope that Iran's leadership will

understand that Iran's best course of action is to make a strategic decision to end its pursuit of sensitive nuclear fuel cycle technology like uranium enrichment.

In South Asia, we remain concerned by the continuing, albeit, slow motion, nuclear and missile arms race between India and Pakistan and the dangers posed by these weapons. We continue to encourage both India and Pakistan to exercise restraint, bring export controls in line with international standards, prevent onward proliferation, continue their nuclear testing moratorium, bring an early end to the production of fissile material for weapons, and reduce regional tension. While progress has been made and we applaud recent efforts aimed at rapprochement, risks remain.

Now for the brighter side, against these constant proliferation challenges are dramatic, positive developments that have taken place. The most significant action has been the revelation of the extensive nuclear network led by Pakistani scientist A.Q. Khan. Through this network, Khan and his associates provided one stop shopping for the specialized components necessary to develop a nuclear weapons program. The United States and others are working hard to ensure that the network is completely dismantled and cannot be reconstituted in the future. It is important that all countries with individuals and entities involved in the Khan network take steps to shut them down and prosecute wrong-doers. There is still more work to be done to understand the full extent of the Khan network, how it was able to operate successfully for so long, and whether other networks exist that could fill the void left by the Khan network's demise.

A second, equally dramatic development was the decision by Libyan leader Muammar Qaddafi to abandon weapons of mass destruction programs and to allow all sensitive WMD technology, materials, and equipment to be removed from Libya. Libya's decision –was certainly prompted in part by successful interdiction of the ship BBC China and of some of the items Libya sought illicitly. What we have since learned about the networks that supplied Libya's programs have knocked the legs out from under an especially insidious international black market in nuclear weapons.

The more we learn about how states like Libya and Iran have secretly pursued weapons of mass destruction programs while openly claiming to be in adherence with their international nonproliferation obligations, the more we should recognize that a successful nonproliferation regime requires

constant diligence against those whose activities would undermine it. The more we learn about how proliferators engage in the deadly trade of WMD technologies, the more it makes us think about ways our existing nonproliferation tools can be strengthened to keep pace with evolving proliferation activities.

Conventional arms too frequently appear to receive less attention, but they too are a serious concern. Arms races are inherently destabilizing, and preventing destabilizing accumulations must be one element of efforts to address tensions between neighbors, of whatever origin. And those seeking regional hegemony – the bullies of the world – seek weapons far beyond those needed for legitimate defense. They may seek the weapons or they may seek the dual-use technologies to produce their own. Either way, we must be cognizant of the threat and have the tools to prevent it. And the grey and black markets in small arms/light weapons facilitate civil wars, insurgencies, and the kind of murder and genocide we have seen in Darfur, as well as supplying weapons – including man-portable air defense systems, or MANPADS – for terrorists. The horrors experienced in many parts of Africa and elsewhere recently demonstrate why some of my colleagues refer to small arms and light weapons as the “weapons of actual destruction.”

Export Controls: The Constant Nonproliferation Tool

Since this conference is about international export control systems, I want to focus on the role of export controls as a frontline, constant nonproliferation tool. A good export control system proactively alerts industry to the dangers of inadvertently aiding WMD proliferation and conventional weapons programs. An export control program works with the private sector to prevent proliferation. When companies are misled by criminal or illicit brokers, or when companies attempt to subvert a country’s laws, export controls provide governments with the authority and capability to stop harmful and illicit exports, punish the violators, and expose proliferation networks.

The United States and many other economies have emphasized the importance of strong and effective laws and enforcement measures for many years in many fora – from domestic, to bilateral, to multilateral. The multilateral export control regimes -- the Nuclear Suppliers Group, Australia Group, the Missile Technology Control Regime, and Wassenaar Arrangement -- have been especially important in identifying key WMD,

missile, and advanced conventional weaponry and dual-use items that should be controlled. Regime members consult regularly on export control issues and the regimes' export control lists are constantly under review to ensure that they keep pace with technological advances and proliferation procurement efforts – including from a terrorism standpoint.

Bilateral and multilateral assistance efforts have been another major facet of export control efforts. Economies that have developed strong and effective export control programs have worked to foster adoption of similar laws in other economies, particularly on the part of key supplier and transshipment countries. For its part, the United States implements a robust assistance program coordinated through its Export Control and Related Border Security (EXBS) program. Through EXBS, we have over the past seven years spent \$240 million funding assistance and training in 41 nations around the world.

Significant steps have been taken to raise awareness about the importance of strong controls and in taking decisive action to put in place measures that keep deadly technologies out of the wrong hands. This past April -- with the unanimous passage of UN Security Council Resolution 1540 -- strong and effective controls has now been made a requirement and not an option for countries around the world. Under Resolution 1540, countries are required to put in place the legal and regulatory infrastructure to prevent the export of weapons of mass destruction and related materials, and technology, and to safely account for and control any materials that they may possess.

Resolution 1540 helps close an important gap and shines a global spotlight on the proliferators, like those involved in the Khan network. Resolution 1540 also reflects the awareness that no state will remain unaffected by WMD proliferation; none of us is stronger than the weakest link. The real impact of Resolution 1540 on global efforts to curtail WMD proliferation remains to be seen, as the first reports from UN member states about their existing capabilities are only now being received and assessed.

Conclusion:

Over the coming days, you will have the opportunity to discuss in detail some of the themes I have highlighted for you this morning. I hope my remarks have offered some “food for thought” for you to consider as the

conference continues. We all struggle with the challenge of staying one step ahead of the proliferators. But we know that the clear intent of terrorists and terrorist organizations is to acquire WMD. They also have a known disregard for innocent lives and this adds great urgency to an already grave security imperative.

The international community must be as creative, agile, and aggressive in preventing proliferation as those seeking this deadly capability. This is a race we cannot afford to lose. Success requires collaboration, a serious, long-term commitment, clear-eyed vigilance, and a multiplicity of tools to defeat this modern scourge. The United States looks forward to working with other economies in building a stronger, tighter, and more effective set of nonproliferation tools to keep the world's most dangerous technologies out of the hands of the world's most dangerous individuals.

Our trade -- the cornerstone of our prosperity -- makes us more vulnerable to those who would use openness of our trade against us by hiding transfers of WMD and related items alongside legitimate trade.

Lastly, I hope that this conference will allow us to share experiences and build common practices that we can all take to help implement APEC's Key Elements for Effective Export Controls Systems to protect both the security and prosperity of our region.

Thank you.