

APPENDIX VII
EXCERPTS FROM U.S. DEPARTMENT OF
STATE REPORT
ADHERENCE TO AND COMPLIANCE WITH
ARMS CONTROL, NONPROLIFERATION, AND
DISARMAMENT AGREEMENTS AND
COMMITMENTS

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The following excerpts from the Bureau of Verification and Compliance 2005 report describe China's adherence to and compliance with its arms control, nonproliferation, and disarmament agreements and commitments.

VI. Compliance of Other Nations (Including Successors to the Soviet Union) with Multilateral Agreements

A. *THE 1972 BIOLOGICAL AND TOXIN WEAPONS CONVENTION (BWC)*

CHINA

ISSUE.—The United States believes that China continues to maintain some elements of an offensive BW capability. The issue is whether this capability constitutes a violation of the BWC.

HISTORY OF COMPLIANCE EVALUATION.—The United States has assessed the People's Republic of China's compliance with the BWC as early as June 1992. At that time, the United States concluded that it was highly probable that China had not eliminated its BW program since becoming a State Party to the BWC in 1984. In the 1994 Report, we indicated that China's CBM-mandated declarations had not resolved U.S. concerns about this probable BW program, and reported that there were strong indications that China "probably maintains its offensive program." In the unclassified version of the June 2003 Report, the United States concluded more specifically that:

The United States believes that in the years after its accession to the BWC, China was not in compliance with its BWC obligations. China continues to maintain some elements of an offensive biological warfare program it is believed to have started in the 1950s.

DISCUSSION OF OBLIGATIONS.—China deposited its instrument of accession, and thereby became a State Party to the BWC on November 15, 1984. Since that point, China has been obligated to comply fully with the provisions of the Convention.

ACTIONS.—The United States believes that China began its offensive BW program in the 1950s and continued its program throughout the Cold War, even after China acceded to the BWC in 1984. Undoubtedly China perceived a threat from the BW programs of its neighbor, the Soviet Union. There are some reports that China may still retain elements of its biological warfare program. Such reports support the United States' continued belief that China has not abandoned its offensive BW program.

China has a number of civilian and military facilities that could be associated with an offensive BW program. For example:

- The Chinese Ministry of Defense's Academy of Military Medical Sciences (AMMS) Institute of Microbiology and Epidemiology (IME) in Beijing is acknowledged as a biodefense research facility.
- The Lanzhou Institute of Biological Products (LIBP) has been identified as a vaccine producer. We believe that LIBP has several BL-3 laboratories and dual use capabilities.

From 1993 to the present, military scientists have published in open literature the results of studies of aerosol stability of bacteria, models of infectious virus aerosols, and detection of aerosolized viruses using polymerase chain reaction technology. Such advanced biotechnology techniques could be applicable to the development of offensive BW agents and weapons.

Facilities in China that may have legitimate public health and commercial uses could also offer access to additional BW-enabling capabilities.

COMPLIANCE-RELATED DIALOGUE AND ANALYSIS.—U.S. concerns regarding China's BWC compliance are based on a number of indicators over a number of years. First, the United States believes that China possessed an offensive BW program prior to its accession to the BWC in 1984. Upon accession, China was obliged to eliminate its offensive program, but China never admitted this program and the United States believes that it maintained the program throughout most of the 1980s, at the very least.

Although China has submitted its voluntary annual BWC CBM data declarations every year—and did so again in 2002 and 2003—we assess that the information submitted therein continues to be inaccurate and misleading. BWC CBMs since 1991 have called on the States Parties to declare, among other things, their past offensive activities, which China has not done. On the contrary, China insists it never had such a program at all. In its October 17, 2002, announcement on the promulgation of “Regulations on Export Control of Dual-use Biological Agents and related Equipment and Technologies,” for instance, China stated that it “has always fulfilled earnestly its obligations under the Convention” and “has never developed, produced or stockpiled any biological weapons, and never assisted any country to acquire or develop these weapons.” These claims, we believe, are inaccurate.

China’s current research activities and dual-use capabilities raise the possibility that sophisticated BW work could be underway. For example, because of the possible offensive applications of aerosolization techniques, the United States’ concerns are underscored by publications indicating military involvement in such research.

FINDING.—The United States reaffirms its judgment that China maintains some elements of an offensive BW capability in violation of its BWC obligations. Despite China’s BWC CBM declarations to the contrary, indications suggest that China maintained an offensive BW program prior to acceding to the Convention in 1984.

D. THE CHEMICAL WEAPONS CONVENTION (CWC)

CHINA

ISSUE.—The issue is whether China maintains an active offensive CW research and development (R&D) program, has a CW production mobilization capability, and has made inaccurate declarations regarding its past transfer of chemical weapons and undeclared CW-related facilities.

HISTORY OF COMPLIANCE EVALUATION.—The Peoples Republic of China (PRC) submitted its initial declaration to the OPCW on time in 1997 but the United States was not initially given a complete copy of the Chinese declaration upon which to base a compliance judgment. As a result of a comprehensive review of the Chinese declaration, the United States entered into a dialogue with the Chinese in December 1998 highlighting our concerns about anomalies and shortcomings in its declaration. As noted in the CY1999 unclassified version of the NCR, the United States continued unsuccessfully to press China for a response to our concerns, stating that “until the United States received and evaluated the Chinese response, a compliance judgment is not possible.” The finding in the unclassified version of the June 2003 Report stated that:

The United States assesses that China maintains an active offensive R&D CW program, a possible undeclared CW stockpile, and CW-related facilities that were not declared. Such activities are inconsistent with the CWC.

DISCUSSION OF OBLIGATIONS.—China is an original State Party to the CWC, and submitted its initial declaration on time. In this initial declaration, China declared that it had eliminated facilities, stockpile and materials relating to CW. However, it said that it maintained a defensive research and development capability in accordance with the Convention. The Chinese chemical industry has the capability to produce many chemicals, some of which have been sought by states trying to develop a chemical warfare capability.

ACTIONS.—China continues to conduct CW research and development that has applications for either defensive or offensive purposes. China also has the capability to quickly mobilize its chemical industry to produce a wide variety of chemical agents.

COMPLIANCE-RELATED DIALOGUE AND ANALYSIS.—Since 1998, the United States and China have been in a dialogue regarding CWC compliance issues. The United States have discussed a number of these issues between experts, in written communiqués, and in the ongoing U.S.’ China Security dialogues. As a result of these contacts, we have improved our understanding of the Chinese initial declaration. That said, however, concerns remain and the dialogue continues.

FINDING.—The United States judges that China maintains a CW production mobilization capability, although there is insufficient information available to determine whether it maintains an active offensive CW research and development program. Moreover, in violation of its CWC obligations, China has not acknowledged past transfers of chemical weapons and it may not have declared the full extent of its CW-related facilities.

E. THE NUCLEAR NON-PROLIFERATION TREATY (NPT)
CHINA

ISSUE.—China’s nuclear-related interactions with other countries have raised concerns regarding China’s compliance with its NPT Article I obligation “not in any way to assist, encourage, or induce any non-nuclear-weapon State to manufacture or otherwise acquire nuclear weapons.”

HISTORY OF COMPLIANCE EVALUATION.—China has joined several international nuclear regimes and has promulgated comprehensive nuclear export controls over the past decade in an effort to bolster its credentials as a responsible international player. Beijing signed the Non-proliferation Treaty in 1992, joined the NPT Exporters (“Zangger”) Committee in 1997, and implemented dual-use

nuclear export controls based on the Nuclear Suppliers Group (NSG) control list in 1998. Nevertheless, until May 2004, China was the only NPT nuclear weapon state that had declined to join the NSG. It should be noted, however, that NSG membership is not required by the NPT. Since the Zangger Committee only requires item-specific safeguards; as opposed to the more stringent requirement of the NSG, which mandates full-scope safeguards, China was therefore technically in a position to sell controlled nuclear-related items to non-NPT members, as long as the items themselves went to a facility subject to safeguards. This technical difference made it possible for China to provide assistance to safeguarded facilities, in such countries as Pakistan, should it choose to do so. It appears that Chinese policies and nuclear export control systems contain all the necessary elements to enforce China's obligations under Article I of the NPT should China wish to. In the June 2003 Noncompliance Report, the United States concluded that:

While we continue to believe that Beijing is seriously prepared to implement its NPT obligations, and has taken steps to do so, given all the available information, the United States remains concerned about China's compliance with its nuclear nonproliferation commitments.

DISCUSSION OF OBLIGATIONS.—In early 1992, China acceded to the NPT. By joining the Treaty as a Nuclear-Weapon State Party, China became obligated under Article I of the Treaty not in any way to assist, encourage, or induce any NNWS to manufacture or otherwise acquire nuclear weapons or other nuclear explosive devices.

Under Article III, China also made a commitment to ensure the application of IAEA safeguards on exports to any NNWS of nuclear material and equipment especially designed or prepared for the processing, use, or production of special nuclear material. The NPT exporters' Zangger Committee has defined a "trigger list" of such equipment and material, and members have announced a common understanding on controlling listed items as a guideline for implementing this provision.

While China is a member of the Zangger Committee, until May 2004 it was the only nuclear weapons state that was not also a member of the Nuclear Suppliers Group (NSG), which requires full scope safeguards (i.e., IAEA safeguard on all nuclear material) in a recipient NNWS state as a condition of nuclear exports. At that time, China did, however, have export control laws that mirror the NSG guidelines during the reporting period. In addition, on May 11, 1996, China publicly pledged to the United States that it would not provide assistance to unsafeguarded nuclear facilities. China was accepted into the NSG in May 2004.

In a 1997 letter provided to the United States, the Chinese Vice Premier stated that "China consistently has opposed

the proliferation of weapons; does not advocate, encourage or engage in proliferation of nuclear weapons, nor assists other countries in developing nuclear weapons.”

ACTIONS.—As the United States has monitored China’s actions in relation to its obligations under the NPT, China’s interactions with two countries, in particular, have raised concerns. Most of the basis for these concerns cannot be discussed here, but it is worth noting that in February 2003, an anti-Iranian opposition group alleged publicly that Chinese experts were continuing to work at Iran’s Saghand uranium mine as supervisors.

In 2002 and 2003, foreign entities also continued their efforts to acquire nuclear-related materials and dual-use equipment from Chinese suppliers. Such contacts remain an intense concern of the United States.

COMPLIANCE-RELATED DIALOGUE AND ANALYSIS.—China’s compliance with its nuclear nonproliferation obligations has been the subject of considerable scrutiny. In the past, the United States has cited two key factors as being especially relevant to our judgment of China’s compliance with the NPT: (1) China’s May 11, 1996, public and private commitments not to provide assistance to unsafeguarded nuclear facilities; and (2) the establishment of a comprehensive national nuclear export control system. U.S. officials stressed that China’s May 11, 1996, commitments should also prohibit assistance to entities involved in the design or testing of the non-nuclear components of a nuclear device.

In laying out the principal elements of a comprehensive nuclear export control system, U.S. officials stressed a number of factors: that controls should apply to all private and public entities; that the control list should encompass all equipment, material and technology covered by the NSG, including dual-use items; that technology controls should extend to personnel as well as information; that some type of catch-all control should be part of the system; and that the controls should extend to nuclear weapons information and equipment.

It appears that Chinese policy and nuclear export control systems, adopted in the aftermath of the October 1997 U.S.-China Summit, contain all the elements necessary to permit China to implement its obligations under Article I of the NPT. This conclusion led President Clinton, on January 12, 1998, to send to Congress the certifications necessary to implement the 1985 U.S.-China peaceful nuclear cooperation agreement. Thereafter, members of Congress were briefed in closed session on the details of a few cases. On March 18, 1998, following a review of 30 days of continuous session of Congress, the conditions for the initiation of U.S. peaceful nuclear cooperation with China were met.

Chinese regulations in place cover both trigger list items (i.e., those items relevant to Article III of the NPT) and

nuclear dual-use items. China promulgated nuclear dual-use regulations by mid-1998. “Catch-all” control authority exists for Chinese government departments and the government has the authority to control items that may not be on control lists. The controls apply to technology in the form of exchanges of personnel, as well as to the transfer of written information and tangible items.

China’s export control system appears designed to ensure adequate review for those exports that come to the attention of Chinese export control authorities if these authorities choose to exercise this authority.

FINDING.—China has joined several international nuclear regimes and has promulgated comprehensive nuclear export controls over the past decade. Nevertheless, based upon all available information, the United States remains concerned about the effectiveness of Chinese nuclear export controls and China’s compliance with its NPT Article I nuclear nonproliferation commitments.

VII. COMPLIANCE OF OTHER NATIONS (INCLUDING SUCCESSORS TO THE SOVIET UNION) WITH THEIR INTERNATIONAL COMMITMENTS

A. MISSILE NONPROLIFERATION COMMITMENTS

CHINESE NONPROLIFERATION COMMITMENTS.—Intensive bilateral dialogue and high-level political efforts augmented by trade sanctions imposed in 1991-92, 1993-94, and since September 2001 have resulted in a variety of Chinese missile nonproliferation commitments.

China is not an MTCR partner. However, as described below, it has committed over the course of a number of years to abide by various missile nonproliferation commitments.

Noncompliance concerns emerged soon after China issued its first missile nonproliferation commitment in March 1992. Previously in June 1991, the United States imposed sanctions on two Chinese entities—China Great Wall Industry Corporation (CGWIC) and the China Precision Machinery Import/Export Corporation (CPMIEC)—in connection with the sale of M-11 missile-related equipment to Pakistan. In return for ending sanctions on these two entities, China provided a written commitment in March 1992 to then Secretary of State James Baker that it would abide by the original “guidelines and parameters” of the MTCR, which the United States publicly stated were applicable to both the M-9 (CSS-6) and M-11 (CSS-7) missiles. After issuing this commitment, Chinese entities transferred M-11 missiles to Pakistan. In response to U.S. complaints, China indicated that the M-11 missile was not covered by the MTCR and that it was fully complying with its 1992 pledge. In 1993, the United States imposed Category II sanctions on the Chinese Ministry of Aerospace Industry

and the Pakistani Ministry of Defense for their roles in the transfer. Some of the divisions of the Ministry of Aerospace Industry that were affected by the sanctions included: the China Precision Machinery Import-Export Corporation (CPMIEC), China Great Wall Industrial Corporation (CGWIC), China Aerospace Corporation (CASC), and the Chinese Academy of Space Technology (CAST).

In return for the lifting of the sanctions imposed in 1993, China pledged in October 1994 in a Joint Statement with the United States that it would not transfer ground-to-ground missiles “inherently capable of reaching a range of at least 300 km with a payload of at least 500 kilograms.” In the years following this commitment, Chinese entities continued to provide missile-related items and assistance to countries, including Iran and Pakistan. China declared in October 1996 that its previous commitments did not cover items contained on the MTCR Annex. However, following additional negotiations, in June 1998, China in a Joint Statement reaffirmed that its policy was “to prevent the export of equipment, materials, or technology that could in any way assist programs in India or Pakistan, for nuclear weapons or for ballistic missiles capable of delivering such weapons.” Nevertheless, despite these Chinese assurances, the United States continued to detect evidence of Chinese missile-related transfers.

In return for the waiving of sanctions on several companies, China in November 2000 issued a stronger commitment to missile nonproliferation, stating it would not assist “in any way, any country in the development of ballistic missiles that can be used to deliver nuclear weapons (i.e., missiles capable of delivering a payload of at least 500 kilograms to a distance of at least 300 kilometers).” The Chinese, however, continued to make no mention of preventing or restricting the proliferation of Category II missiles in their commitment. In addition, China agreed to enact and publish comprehensive missile-related export controls “at an early date.” China’s unilateral political commitment and the related discussions with the United States have been referred to as “the November 2000 Arrangement.”

Since China’s first commitment in March 1992 and until these negotiations stopped in November 2000, these successive cycles of bilateral compliance diplomacy have fallen into a common pattern. When U.S. intelligence detects evidence of missile-related transfers by Chinese entities to proliferant countries, China first either denies such transfers occurred or asserts that the transfers in question did not violate its commitments to the United States. Then, after protracted bilateral consultations, China issues another nonproliferation pledge and the United States waives sanctions, only to begin the cycle again.

Despite the November 2000 Arrangement, the United States continues to have similar concerns about Chinese compliance with and implementation of its missile non-proliferation commitments. Transfers that assist in the development of Category I missile programs in Iran and Pakistan continue. The continued proliferation of missile-related technology led the United States to impose sanctions in September 2001 on the China Metallurgical Equipment Corporation (CMEC/MECC). Since then, and as detailed in this report, numerous Chinese entities have continued to provide missile-related technology to nuclear-capable Category I ballistic missile programs.

In addition, China has interpreted and implemented its November 2000 political commitments in ways that have fallen short of establishing an effective missile non-proliferation system.

OTHER NONPROLIFERATION COMMITMENTS.—As part of its bilateral diplomatic consultations, the United States has sought nonproliferation commitments from both missile technology supplier states and recipient nations that are not members of the MTCR or the HCOC. Some countries have agreed to support common nonproliferation objectives by making a commitment to the United States not to acquire WMD-capable delivery systems for their military.

COUNTRY ASSESSMENTS

CHINA

ISSUE.—Proliferation of missile-related technology by Chinese entities continues and calls into question China's stated commitment to controlling missile proliferation.

HISTORY OF ADHERENCE EVALUATION.—Chinese compliance with its missile nonproliferation commitments was first assessed in the June 2003 (CY2001) NCR. In that Report, the United States concluded that:

[China's] actions call into serious question China's stated commitment to controlling missile proliferation. Chinese state-owned corporations have engaged in transfer activities with Pakistan, Iran, North Korea, and Libya that are clearly contrary to China's commitments to the United States.

COMMITMENTS UNDERTAKEN.—In return for the waiving of a number of sanctions required by U.S. law for past serious transfers by Chinese entities to the Iranian and Pakistani missile programs, including the transfer of a missile production facility to Pakistan, China in November 2000 issued a stronger commitment to missile non-proliferation stating it would not assist "in any way, any country in the development of ballistic missiles that can be used to deliver nuclear weapons (i.e., missiles capable of delivering a payload of at least 500 kilograms to a distance of at least 300 kilometers)." In addition, China agreed to

enact and publish comprehensive missile-related export controls “at an early date.” China’s unilateral political commitment and the related discussions with the United States have been referred to as “the November 2000 Arrangement.”

ACTIONS.—Despite China’s November 2000 Arrangement and the promulgation of export control regulations, China’s proliferation of missile-related technology continues and calls into question China’s stated commitment to controlling missile proliferation. These missile-related transfers continued in 2002 and 2003 to ballistic missile programs in Iran, Iraq, Libya, Pakistan, and North Korea. The United States has sanctioned several of the companies transferring these technologies.

Chinese entities continued to transfer missile-related goods and technical knowledge to countries such as Pakistan, Iran, Libya, and North Korea. These transfers continue to contribute the development of MTCR Category I ballistic missiles in these countries. In addition, Chinese entities provided dual-use missile-related items, raw materials, and assistance to Iran, Libya, and North Korea.

China’s implementation and enforcement of the missile export control regulations remain problematic. The Chinese Government has not established a system of end-use verification checks to ensure that items approved for transfer are not diverted. China must also ensure that “catch-all” controls are effectively implemented within China. Finally, China needs clearly to signal to all Chinese entities that it intends vigorously to enforce its export controls. Beijing has also not taken adequate steps under these new regulations to prevent sensitive transfers or prosecute violations, and China needs to publicize its efforts to enforce its export control regulations.

COMPLIANCE-RELATED DIALOGUE AND ANALYSIS.—Despite its November 2000 pledge, Chinese companies in 2002 and 2003 continued to supply technology and assistance to missile programs in various countries; this technology and assistance was of direct use to these programs. The United States has gone to considerable lengths to inform the Chinese Government about the proliferation activities of these entities. However, despite these efforts, the Chinese Government almost invariably denies that such activities are occurring, and Chinese entities and persons continue to proliferate missile technology.

FINDING.—The United States finds that items transferred by Chinese entities contributed to Category I missile programs contrary to the Chinese Government’s November 2000 missile nonproliferation commitments. The United States remains concerned and will continue to monitor this situation closely.