

**“CHINA’S PROLIFERATION TO NORTH KOREA AND IRAN, ITS ROLE IN ADDRESSING
THE NUCLEAR AND MISSILE SITUATIONS IN BOTH COUNTRIES”**

**PREPARED STATEMENT OF
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Mr. Chairman, distinguished members of the Commission, I thank you for the opportunity to speak on this topic. China’s proliferation activities and its policies toward Iran and North Korea are important to American interests and they have implications not only in the Asia-Pacific region but globally. I commend the Commission for its interest in this issue.

Two events occurred this past summer that give these issues particular salience: the July 4 North Korean missile tests and Hezbollah’s use of Chinese-designed C-802 “SILKWORM” anti-ship cruise missiles to strike an Israeli naval vessel off the coast of Lebanon on July 15. These two cases stand as examples of how China’s proliferation behavior past and present can come back to haunt it, even placing its own political interests in jeopardy. This would be a good time for Beijing to re-evaluate its relationships with both Pyongyang and Tehran, and indeed whether and how it does so will demonstrate the degree to which China has made the strategic choice to conduct itself, in Robert Zoellick’s famous words, as a “responsible stakeholder” in the international system. The question is whether China will equate its own interests with the interests of the international community. We believe it should, and that such a policy would accord with China’s own long-term best interests.

Non-Proliferation Policy and the U.S.-China Relationship

Mr. Chairman, the proliferation of weapons of mass destruction (WMD) and their delivery systems remains one of the foremost security concerns of the U.S. Government. We have long been concerned about the destabilizing effects of such proliferation, in classical geopolitical terms, especially if such weapons should fall in the hands of hostile regimes and/or terrorist groups. In his 2004 State of the Union Address, President Bush stated that, “America is committed to keeping the world’s most dangerous weapons out of the hands of the most dangerous regimes.” With this as a national priority, the United States has made working with China to improve its non-proliferation record an important dimension of both our non-proliferation policy and of our relationship with China.

Over the past several years, Beijing has improved its non-proliferation posture by committing to respect multilateral arms export control lists, promulgating export control laws and regulations, and strengthening its oversight mechanisms. The transparency of these actions has also improved, as evidenced by the discussion of China's policies and practices included in official white papers, such as the December 2004 *China's National Defense in 2004* and the September 2005 *China's Endeavors for Arms Control, Disarmament and Non-proliferation*. These commitments are steps in the right direction.

However, we continue to urge China to do more to curtail proliferation. We see in China a general willingness to transfer a wide variety of technologies to customers around the world – including to states of concern such as Iran, Sudan, Burma, Zimbabwe, Cuba, and Venezuela. These transfers can produce personal and institutional relationships between government or commercial entities such that the nature of the transactions could quickly migrate into more dangerous or disruptive technologies. Chinese entities, including state-owned enterprises, continue to supply items and technology useful in weapons of mass destruction, their means of delivery, and advanced conventional weapons programs of concern. In some of these cases, Chinese authorities declare that they have taken direct action against firms and tightened export controls to close loopholes, but these measures are uneven and the problematic activity continues.

On June 13, 2006, the United States imposed sanctions on four Chinese entities for providing support to Iran's ballistic missile program. The Chinese entities were designated pursuant Executive Order 13382 on Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters. These penalties blocked their property and interests in property within the United States or the possession or control of U.S. persons and prohibit U.S. persons from engaging in transactions with them. The entities designated were:

- Beijing Alite Technologies Company, Ltd. (ALCO): Over the past year, ALCO has continued efforts to provide Iranian missile organizations with missile-related and dual-use components;
- LIMMT Economic and Trade Company, Ltd.: Over the past year, LIMMT has continued to supply or attempt to supply Iran's military and missile organizations with controlled items;
- China Great Wall Industry Corporation (CGWIC): CGWIC provided goods to Iran's missile program; and
- China National Precision Machinery Import-Export Corporation (CPMIEC): CPMIEC, within the last two years, sold Iranian missile organizations goods that are controlled under the Missile Technology Control Regime (MTCR).

The U.S. Government designated these companies because it was determined that they provided, or attempted to provide, financial, material, technological or other support for, or goods or services in support of Iran's Aerospace Industries Organization (AIO), which plays a key role in Iran's missile program and has also been designated under E.O. 13382.

All of these firms also have been sanctioned pursuant to other U.S. legal authorities. Specifically, ALCO was sanctioned pursuant to the Iran Nonproliferation Act of 2000 in December 2004; LIMMT Economic and Trade Company, Ltd. was sanctioned pursuant to the Iran Nonproliferation Act of 2000 in September 2004; CGWIC was sanctioned pursuant to the Iran Nonproliferation Act of 2000 in September and December 2004; and CPMIEC was sanctioned pursuant to the Iran Nonproliferation Act of 2000 in May 2002, June 2003, and April 2004. This firm also was sanctioned pursuant to E.O. 12938, as amended, in July 2003.

There is a serious gap between China's export controls and the high standards of non-proliferation policy that we would like China to adhere to. The extent of Chinese officials' knowledge of, or acquiescence in, this gap is unknown and perhaps unknowable, given the immaturity of China's export control regime and the limitations of our knowledge of the decision-making structures that preside over and direct the transfer of technology and materials related to WMD and their delivery systems.

United States policy is to encourage China not only to take its proper place in the international system but to take on its appropriate share of international leadership, given its growing economic power. A commitment to peace and stability is an important component of that and, indeed, is the premise of the U.S.-China relationship. We take China at its word that it has an interest in stability, and it is our hope that China will come to the calculation that its best strategic interest lies in enforcing international non-proliferation norms. The fact remains, however, that Chinese entities today remain key sources of transfers of arms, WMD- and missile-related equipment and technologies including dual-use technology and related military capabilities to countries of concern. These transfers do considerable harm to regional stability.

The Cases of Iran and North Korea

China has a longstanding relationship with **Iran**, but has in recent years sought to strengthen its ties. Beijing's motivations to draw closer to Tehran include a desire: to build relations with a rising regional power; to secure access to natural resources, especially oil and natural gas; to develop market access for the export of consumer goods, including some with potential dual civilian and military uses, and military hardware; and, potentially, to develop cooperative measures to control China's restive (and predominantly Muslim) Uighur population. But especially in the proliferation area, China's actions seem to us dangerously short-sighted.

In addition to China's considerable conventional weapons transfers, we have long been concerned about China's assistance to sensitive Iranian programs, including ballistic missiles, nuclear, and chemical programs. In October 1997, China pledged not to engage in any new nuclear cooperation with Iran and to complete work on two remaining nuclear projects – a small-scale research reactor and a zirconium production facility – in a relatively short period of time. We have found cause to sanction several Chinese entities for export of chemical weapons-related chemicals and equipment to Iran.

Likewise, we remain concerned that Chinese entities have helped Iran move toward its goal of self-sufficiency in the production of ballistic missiles. For example, a Chinese firm continued to supply probably MTCR-controlled and dual-use items to an Iranian missile production organization through late-2005 and 2006 and has prepared other raw materials for shipment to Iran. In addition, a key serial proliferator with a location in Beijing has supported Iran's missile industry since at least 2004 by supplying materials and items deemed critical by Iran. Another Chinese firm shipped a consignment of aluminum alloy, suitable for missile airframe production, to Iran's ballistic missile program. A third-party broker coordinated the shipment to circumvent Chinese export controls and to avoid Western scrutiny.

Mr. Chairman, the dangers for the entire Middle East could not be higher. The Iranian regime poses a threat to the stability of the Middle East as it pursues regional hegemony, efforts to acquire nuclear weapons, and support for terrorism. The President has been clear that we cannot tolerate a nuclear-armed Iran, which could provide the fuse for further proliferation in the region. This represents a threat not only to U.S. interests and to the greater Middle East, but to Europe and Asia, including China. This is not consistent with China's natural interest in Middle East stability.

Tehran is the leading state sponsor of terrorism in the world. Its support for terrorist groups in the Middle East has continued to destabilize the region, as we have recently witnessed in its backing of Hezbollah in its disruption of the peace of Lebanon. Tehran is determined to block peace between Israel and the Palestinians and it continues to meddle dangerously in Iraq.

China suggested a willingness to confront the threat posed by Iran when it voted in favor of UN Security Council Resolution 1696 on July 31. This resolution gave Iran a deadline of August 31 to suspend all enrichment-related and reprocessing activities or face UN Security Council sanctions. Unfortunately, China has joined Russia in a reluctance to back up this vote with action. It remains a question why, given China's increasing dependence on foreign sources of energy, it would continue to shield a primary source of instability in the region.

China's ties to the Communist regime in **North Korea** date to the 1930s, when Kim Il Sung fought against the Japanese in Manchuria. Since that time, the relationship has been marked by alternating periods of close friendship and tension. The analogy that the two countries were "as close as lips and teeth" has often served more as prescription than description of their relationship. Over time, the relationship has shifted from one in which China played the role of older brother to one of equal partners as demonstrated by the North's public rebuff of Chinese overtures in July and China's recent expressions of disapproval of Pyongyang's provocative behaviors. Despite fluctuations in the China-North Korea relationship, Chinese entities historically were key sources of military and dual-use technology for Pyongyang. Into the 1990s, Chinese entities, for example, are known to have provided dual-use missile-related items, raw materials, and other forms of assistance to North Korea's ballistic missile programs.

China today remains the largest supplier of food and fuel to the North. It has quietly expanded this aid in recent years, in part to lessen the impact of international pressures on Pyongyang over its nuclear weapons programs. While publicly declaring a common interest with the United States and the international community to achieve a "nuclear weapons free-Korean Peninsula," China's primary interest appears to lie in preserving the stability and security of its northeast flanks where North Korea has long served as a buffer. We recognize and appreciate the important contributions China has made in recent years to organize and host the Six-Party Talks aimed at eliminating North Korean nuclear programs. Nevertheless, China, as the country with the most leverage over North Korea, can and should do more.

This summer's North Korean missile launches are a reminder to all nations of how the proliferation of nuclear weapons and their delivery systems poses a threat to international security and regional stability. The launches also demonstrate that China's past tolerance of North Korea's provocative behavior has indirectly eroded the very stability it claims to seek. Beijing's response to this event suggests it may be re-evaluating its relationship with North Korea. After its initial campaign to confine the United Nations Security Council response to a Presidential Statement of concern, Beijing subsequently joined the unanimous vote to adopt UNSC Resolution 1695 condemning the launches. China's decision to vote for this resolution is a positive development. We hope that it also indicates future Chinese efforts to join the world community's campaign against proliferation.

Mr. Chairman, in both cases – Iran and North Korea – the dangers to regional and global stability are increasing, and the time is right for Beijing to think hard about its relationships and its interests. We believe that China's approach for too long has been one of shielding these regimes from the consequences of their dangerous behavior. We welcome China's votes in support of UNSC Resolutions 1696 and 1695, but the true test of China's commitment to a peaceful solution of these issues through the United Nations is yet to come. If Tehran and Pyongyang choose not to comply with these resolutions, or

engage in further provocation, there must be consequences. The world community's failure to impose serious costs on law-breaking countries would only heighten risks dramatically in both cases. How would that serve Chinese interests?

Encouraging China's Restraint in Proliferation

As I have noted, China is taking steps to improve its export controls and reduce its transfers of sensitive technologies related to WMD and their delivery systems. China's desire to appear a responsible global actor, combined with international pressures, has probably contributed to this. At the same time, a growing recognition among China's leaders of the dangers of secondary proliferation and, in particular, the potential destructive effects of nuclear terrorism, may provide further motivation for restraint. But much remains to be done.

To improve its non-proliferation record, we urge China to address some important deficiencies – establishing, for example, criteria for approving/denying licenses, mechanisms for seeking out potential export control violators, and procedures for enforcing controls at the border. China's export control enforcement and detection capabilities are weak. Additional priority, resources, proactive and independent enforcement, rigorous implementation of catch-all provisions, and more investigations and prosecutions would demonstrate that China is serious about export control enforcement.

Mr. Chairman, the United States, its allies and friends, will continue to press China to make further progress on tightening its export control laws and regulations, removing the ambiguities and loopholes that have permitted Chinese entities to continue to transfer sensitive technologies. Continued proliferation to countries such as Iran and North Korea is a source of regional instability. It harms our bilateral relations already, and could do so even more in a regional crisis caused by these countries' provocation. None of this is in the U.S. interest, China's interest, or the world's.

Thank you.