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NATIONAL DEFENSE UNIVERSITY

NATIONAL WAR COLLEGE

COUNTERING CHINESE PROLIFERATION ACTIVITY

CORE COURSE 4 ESSAY

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STATEMENT OF ISSUE

Control of the proliferation of nuclear technology (including fissile material), chemical and biological weapons and their precursors, and ballistic missile delivery systems continues to be a priority for the Administration. While progress has been made with a number of key countries (e.g. Russia, Israel, South Africa, Argentina¹) to control the flow of technologies applicable to weapons of mass destruction (WMDs), concrete progress with China remains elusive. China continues to serve as the major source of proliferation concern for the United States. It is imperative that steps be taken to alter Chinese behavior since a failure to do so places in danger the whole of the Administration's nonproliferation policy. This paper analyzes Chinese behavior, the threat posed to U.S. interests, and proposes a series of short-term steps to move the situation beyond its current impasse and to bring Chinese comportment into line with prevailing world standards.

THE FOUNDATIONS OF CHINESE PROLIFERATION BEHAVIOR

China's proliferation behavior flows from several sources, some of which are policy-driven and some of which are system-driven. None of these sources is immutable, but each will take considerable effort to change.

Policy-Driven Sources

Policy-driven sources can be shoe-horned into three broad categories. First, the Chinese favor a liberal interpretation of both commitments they have undertaken and prevailing world standards on proliferation issues. Whether the issue is nuclear

¹ A shorthand summary is as follows: Russian agreement to reprocess weapons-grade fissile material for commercial use; Russian agreement to abide by the terms of the Missile Technology Control Regime (MTCR); Israeli agreement to observe MTCR Guidelines; South African adherence to the Nuclear Non-Proliferation Treaty (NPT) and abandonment of its MTCR-class missile program; Argentine adherence to the NPT and membership in the MTCR.

cooperation or the range of missiles, the Chinese hew to the letter of the law as they see it; they fail or choose not to see the impact of their transactions on the interests of others. For example, Chinese assistance to Iran's nuclear program is viewed by Beijing as benign because of Iranian assurances of peaceful intention within the scope of safeguards, and because any Iranian nuclear ambitions will be focused on the Middle East and have little impact on China. A more active Chinese calculation can be seen in their assistance to Pakistan's missile ambitions; a Pakistani capability to deliver nuclear weapons against India complicates India's strategic thinking, thereby lessening the threat posed to China by India.

The second policy-driven source of Chinese behavior derives from their reluctance to play by rules in whose formulation they had no hand. While it is true that the Chinese have come to accept some of these rules (witnessed by their NPT adherence and the treaty's obligations to safeguards), they continue, as set forth above, to apply them loosely. Chinese resistance to preexisting rules has been most pronounced with regard to chemical weapons precursors and missile technology. China has signed the Chemical Weapons Convention (which they helped negotiate) and is committed to its standards and inspection procedures when it comes into force in 1995. However, they balk at applying the interim controls advocated by the Australia Group since they are not a member and not party to the Group's discussions.

The Chinese voice the same complaint regarding the provisions of the Missile Technology Control Regime (MTCR). The Chinese are not members of the MTCR and are unlikely to become so because of the requirement of consensus for new members. Moreover, the complexity of the missile proliferation issue has meant that the MTCR's export guidelines and its list of controlled items has been subject to almost constant

amendment since the Regime's 1987 founding. To escape from sanctions imposed in 1990 by the Bush Administration for the transfer of missile technology to Pakistan, the Chinese agreed to observe the MTCR Guidelines. However, they have objected to U.S. insistence that they observe subsequent changes to the Guidelines on the grounds that the USG is constantly and unilaterally moving the goal posts for them. They continue to insist that their commitment extends only so far as the controls existing in the MTCR at the time of their agreement to observe such controls.

This situation creates some difficulty for the Administration in terms of U.S. law. The Administration is on relatively safe ground with chemical weapons proliferation since existing sanctions legislation applies only to countries recipient of chemical precursors and technology and not to the exporters. However, the situation with missile technology differs significantly. Not only does existing missile sanctions law affect both importers and exporters, the law uses the MTCR Guidelines as the yardstick to measure sanctionable activity. The State Department's Legal Adviser believes that the intent of Congress was to use whatever MTCR Guidelines are current when considering a sanctions determination; this creates a gap between Chinese and U.S. understanding of what constitutes sanctionable activity. Moreover, China has been singled out for special sanctions by the Congress.²

² The special sanctions, known as the Helms Amendment, derive from the limited approach of the Bush Administration in imposing sanctions on China in 1990. The law provided for sanctions against the specific entities involved in sanctionable activity (this was done), and broader sanctions in cases where it was impossible to identify such entities. Senator Helms wrote then-Secretary Baker in 1990 to argue that since China is a non-market economy with all economic activity under Beijing's direction, the sanctions should have been imposed on all Chinese entities, not merely the two which were in fact sanctioned. Subsequently, Senator Helms obtained Senate agreement in 1991 to an amendment to the sanctions law whereby countries with non-market economies (excepting former Warsaw Pact nations) would be subject to sanctions against all entities involved with electronics, space systems and equipment, and military aircraft.

The third policy-driven source of Chinese proliferation behavior is found in the deep Chinese resentment of the 1992 decision by the U.S. to sell advanced fighter aircraft to Taiwan. The Chinese view the American decision as a violation of the 1982 Shanghai Communique whereby the U.S. undertook to reduce and eventually eliminate arms sales to Taiwan, the whole process dependent on progress in the peaceful reunification of Taiwan with the mainland. The Chinese have made complaint about the aircraft sale a leitmotif in their discussions with us and have strongly hinted that their non-proliferation commitments have been nullified by the U.S. action. Though there has been no formal repudiation of either informal or treaty commitments, they Chinese may feel that they now have increased incentive to push the envelope of permissible activity into areas which cause the U.S. concern. That said, the possibility of coming into conflict with U.S. sanctions laws may be acting as brake on how far the Chinese are willing to go to express their displeasure.

System-Driven Sources

Systemic sources of proliferation behavior can be reduced to three areas. First of all, China's booming and export-driven economy is characterized by the lack of a centralized export control system within the governmental bureaucracy. U.S. officials were first told of a nascent system to control the export of goods of proliferation concern in April, 1989. However, attempts since that time to elicit information about the structure and procedures of this system have met with silence. There is a strong presumption that the system, assuming that it exists, has been resisted and perhaps rebuffed by China's independent military-industrial complex.

This complex forms the second system-driven source of Chinese proliferation

behavior. Since the middle 1980's the Chinese military has been under order to provide for a significant percentage of its needs from its own sources and initiatives. This has resulted in the growth of military industries operated outside the authority of the Ministry of Defense, and diversification by the military into areas not specifically military in content but of proliferation concern nonetheless, e.g. chemicals. The People's Liberation Army has sought to magnify its profitability by marketing its products overseas, becoming by some estimates China's third largest foreign exchange earner. Given the profitability involved, it is no surprise that the military would not be disposed to submit its dealings to an export screening process. This situation may be changing, however. Media reports reveal that the Communist Party Central Committee has decided to halt the production and business activities of the armed forces and to transfer these activities to civilian institutions.³ If borne out by events, this will be welcome news, but will not eliminate system-driven proliferation due to the nature of Chinese decision-making process.

This process forms the third system-driven source of proliferation behavior. Unlike in the U.S. where business generally has clear direction from the government on which trade practices are banned, China's system differs fundamentally. Chinese entities have free rein to develop markets and to negotiate, but not sign, contracts with foreign customers, to include items which are of proliferation concern. Such contracts when complete are referred to the Government and Party for final approval. Though this system has the benefit of assuring that sensitive sales receive high-level attention before culmination, two problems result. First, proliferant states which receive the attention of Chinese entities often lobby the Chinese government for approval of the sale. Secondly, the practice runs afoul of U.S. sanctions laws which view the

³ "CPC Reportedly to Prohibit Military Businesses", Hong Kong Tangtai, 15 Feb 1994: 14-15. Reported in EBIS, 7 Feb 1994.

negotiation of a contract for items of proliferation concern as seriously as the approval of such a sale. Thus the USG often is placed in the position of bringing to the attention of the Chinese Government activities of which they have no prior knowledge.

CHINESE PROLIFERATION AND U.S. INTERESTS

Chinese exports of sensitive technologies continue to pose threats to U.S. interests in two critical areas of the world, the Middle East and South Asia. The specific cases are as follows:

Pakistan

The two areas in which China has facilitated Pakistan's quest for weapons of mass destruction are the nuclear and the missile fields. Prior to China's 1987 accession to the NPT, it is believed that China's contributions to Pakistan's nuclear program were significant. Although China insists that nuclear cooperation with Pakistan now is subject to controls, this step is too late as Pakistan has acknowledged its capacity to go nuclear at a time of its choosing. More significant at present is China's assistance to Pakistan's missile program, particularly the provision of MTCR-class M-11 missiles. China's policy regarding the M-11 transfer twice has resulted in the imposition of sanctions against Beijing. China may hope to weather storms in its relationship with Washington in order to complete this sale. If completed, however, the sale would fuel the WMD race in South Asia and contribute to a further deterioration in the security environment in that part of the world.

Iran

China's assistance to Iran's efforts to develop weapons of mass destruction are concentrated in the nuclear and chemical fields. China insists that its nuclear cooperation with Iran is consistent with its NPT obligations, and that all such

assistance is subject to the safeguards of the International Atomic Energy Agency (IAEA). The Chinese have proven resistant to the argument that the Iraqi example proves that a state in general compliance with IAEA standards still can harbor a program to develop nuclear weapons. Similarly, China insists that its sales to Iran of dual-use precursor chemicals are subject to assurances against diversion to WMD use. In short, China has been unwilling to accept that its sales to Iran fuel Iran's ambitions to again become a power in the Persian Gulf region. China refuses to acknowledge that a strengthened Iran poses a threat to Gulf security and U.S. interests in that region on a level equal to or superior to that of Iraq.

Syria

China's support for Syria's WMD programs has been limited to one area, the proposed sale of M-9 missiles, which are captured by the performance parameters of the MTCR. This transfer has been in suspense since the sanctioning of China for its transfer of M-11 missile technology to Pakistan, but has not been canceled. While Syria has been able to build up its stock of SCUD-class missiles via imports from North Korea, acquisition of the M-9 would constitute a qualitative improvement in Syria's capability to threaten Israel with its chemical weapons stockpile. An alteration of the strategic balance between Israel and Syria would place in jeopardy the progress obtained so far in the Middle East Peace Process, and complicate efforts to bring about the reduction or elimination of weapons of mass destruction in the context of a general Middle East peace..

Algeria

In response to heavy U.S. criticism, China submitted its sale of a large capacity research reactor to Algeria to comprehensive IAEA safeguards. The Chinese did this after insisting that the requirement for safeguards did not fall within their interpretation

of their NPT obligations. Continuing Chinese cooperation with Algeria, even with IAEA safeguards in place, remains a concern. Should a fundamentalist government come to power in Algeria, continuing Chinese assistance to it, as well as to Iran, could set the stage for a nuclear weapons development program which would constitute a threat not only to the Middle East, but to the southern flank of NATO as well.

POLICY RECOMMENDATIONS

Given China's current status as a major contributor to the global proliferation problem and the prospects for growth in the Chinese economy, it is in the interests of the United States to work to bring Chinese behavior in line with, and the country's export controls up to, prevailing international standards. China's abiding interest in continued economic growth, combined with orchestrated pressure from her industrial trading partners, can be useful in persuading China to moderate and improve its performance. An effective policy can be constructed around the Administration's Nonproliferation and Export Control Policy announced on September 27, 1993 (see Tab). This document outlines basic policy and provides a sound framework for engaging the Chinese in the following areas.

Nuclear Issues

Chinese behavior can be harmonized with that of the U.S. by the following steps:

-- seeking Chinese agreement to support indefinite extension of the Nuclear Nonproliferation Treaty at the 1995 review conference. Lining up the primary nuclear powers on this issue will go far towards isolating states such as India who seek to undermine the NPT.

-- seek to involve China in the Administration's efforts to control the accumulation of fissile material resulting from civilian power generation and, where

provided for by treaty, the dismantlement of nuclear weapons. This effort would include Chinese participation in an international convention prohibiting production of highly-enriched uranium (HEU) and plutonium, their involvement in regional arrangements to restrain the production of fissile material, and exploring the purchase of Chinese HEU for conversion to conventional reactor fuel.

-- continue to work with China towards a resolution of the North Korea nuclear question. We should accommodate China's insistence on a non-confrontational stance (to include non-imposition of UN sanctions), but retain freedom of action should the Chinese approach prove fruitless.

-- encourage China join with the U.S. and Russia in a renewed approach to India to garner Indian acceptance of Five Power (U.S. , Russia, China, India, Pakistan) talks aimed at reducing the accumulation of WMD in South Asia.

Chemical Weapons

Because of the dual-use nature of most chemical weapon precursors, this area may prove the most vexing in securing Chinese cooperation. The fiasco of the "Yin He" affair earlier this year will complicate matters. Nonetheless, there are a number of steps which can be taken:

-- have the President direct the CIA's Nonproliferation Center to conduct a series of intelligence briefings for Chinese officials to inform them of the scope of the CW programs undertaken by their customers.

-- begin to seek consensus within the Australia Group in favor of Chinese membership and encourage dialogue on CW issues between China and other AG members.

-- propose the removal of China from the list of restricted destinations under the Enhanced Proliferation Controls Initiative (EPCI) in exchange for increased

cooperation in controlling shipments of controlled chemical precursors⁴ .

-- once the Chemical Weapons Convention (CWC) is in effect, selectively use the challenge inspection provisions of the convention in key proliferant countries to illustrate shortcomings in Chinese fulfillment of its CWC obligations.

Missile Technology

Imposing restraints on China's missile exports will provide the most visible sign of success in altering China's proliferation policies. Steps can be taken to involve China more in the global missile non-proliferation effort , as well as to provide them with incentives for such cooperation. Some possible steps are:

-- meet China's complaints about constantly changing control parameters in the MTCR by informing China of changes under consideration without indicating which MTCR member is proposing the change (usually the U.S.), and without conceding to China any notion of veto over such changes.

-- encourage other members of the MTCR to conduct a dialogue with China about its missile export policies.

-- consider offering China the status of "MTCR adherent" under the provision of U.S. law. This offer would insulate China from the effect of sanctions so long as Chinese export policies conformed to a specific rules of the road agreement to be negotiated.⁵ Such an offer could be made more attractive by offering China a deal similar to that offered to Russia on space launch access; an anticipated growth in the

⁴ The Enhanced Proliferation Controls Initiative (EPCI) was promulgated in 1990 as a unilateral supplement to multilateral efforts to stem chemical/biological weapons and ballistic missiles. EPCI provides for lists of country destinations to which shipments of chemical-related goods requires individual licenses even if such goods general are shipped under general license. A similar list exists for missile projects in certain countries.

⁵ U.S. law provides for such status as a means to encourage countries to adopt the standards of the MTCR in their export policies. The principal beneficiary of this provision so far has been Russia which is now insulated from sanctions so long as it does not proceed with exports similar to the proposed export of rocket engines to India which landed them in the sanctions soup in the first place.

market for low earth orbit satellites might make such an offer palatable to the U.S. launch industry.

General Considerations

In addition to the above recommendations focused on specific areas of proliferation concern, the USG should consider the following general steps to nudge China into line with world standards:

- refocus intelligence assets on Chinese activity to attempt to provide a clearer picture of Chinese intentions.

- offer China either unilaterally or in conjunction with the proliferation control organizations assistance in the creation of an effective centralized export control system. As China's regions gather increased power, a strong central system will be necessary to curb the tendency to export in violation of world standards or Beijing government policy.

- as a punitive, persuasive tool consideration should be given to according proliferation issues equal status with human rights as an element in USG deliberations on the extension of Most Favored Nation status to China.

Should these measures be adopted in whole or in part, they will, individually and collectively, give the USG added leverage in persuading China of the importance of adherence to prevailing and accepted world standards in the field of nonproliferation.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

September 27, 1993

FACT SHEET

NONPROLIFERATION AND EXPORT CONTROL POLICY

The President today established a framework for U.S. efforts to prevent the proliferation of weapons of mass destruction and the missiles that deliver them. He outlined three major principles to guide our nonproliferation and export control policy:

- Our national security requires us to accord higher priority to nonproliferation, and to make it an integral element of our relations with other countries.
- To strengthen U.S. economic growth, democratization abroad and international stability, we actively seek expanded trade and technology exchange with nations, including former adversaries, that abide by global nonproliferation norms.
- We need to build a new consensus -- embracing the Executive and Legislative branches, industry and public, and friends abroad -- to promote effective nonproliferation efforts and integrate our nonproliferation and economic goals.

The President reaffirmed U.S. support for a strong, effective nonproliferation regime that enjoys broad multilateral support and employs all of the means at our disposal to advance our objectives.

Key elements of the policy follow.

Fissile Material

The U.S. will undertake a comprehensive approach to the growing accumulation of fissile material from dismantled nuclear weapons and within civil nuclear programs. Under this approach, the U.S. will:

- Seek to eliminate where possible the accumulation of stockpiles of highly-enriched uranium or plutonium, and to ensure that where these materials already exist they

are subject to the highest standards of safety, security, and international accountability.

- Propose a multilateral convention prohibiting the production of highly-enriched uranium or plutonium for nuclear explosives purposes or outside of international safeguards.
- Encourage more restrictive regional arrangements to constrain fissile material production in regions of instability and high proliferation risk.
- Submit U.S. fissile material no longer needed for our deterrent to inspection by the International Atomic Energy Agency.
- Pursue the purchase of highly-enriched uranium from the former Soviet Union and other countries and its conversion to peaceful use as reactor fuel.
- Explore means to limit the stockpiling of plutonium from civil nuclear programs, and seek to minimize the civil use of highly-enriched uranium.
- Initiate a comprehensive review of long-term options for plutonium disposition, taking into account technical, nonproliferation, environmental, budgetary and economic considerations. Russia and other nations with relevant interests and experience will be invited to participate in this study.

The United States does not encourage the civil use of plutonium and, accordingly, does not itself engage in plutonium reprocessing for either nuclear power or nuclear explosive purposes. The United States, however, will maintain its existing commitments regarding the use of plutonium in civil nuclear programs in Western Europe and Japan.

Export Controls

To be truly effective, export controls should be applied uniformly by all suppliers. The United States will harmonize domestic and multilateral controls to the greatest extent possible. At the same time, the need to lead the international community or overriding national security or foreign policy interests may justify unilateral export controls in specific cases. We will review our unilateral dual-use export controls and policies, and eliminate them unless such controls are essential to national security and foreign policy interests.

Chemical and Biological Weapons

To help deter violations of the Biological Weapons Convention, we will promote new measures to provide increased transparency of activities and facilities that could have biological weapons applications. We call on all nations -- including our own -- to ratify the Chemical Weapons Convention quickly so that it may enter into force by January 13, 1995. We will work with others to support the international Organization for the Prohibition of Chemical Weapons created by the Convention.

Regional Nonproliferation Initiatives

Nonproliferation will receive greater priority in our diplomacy, and will be taken into account in our relations with countries around the world. We will make special efforts to address the proliferation threat in regions of tension such as the Korean peninsula, the Middle East and South Asia, including efforts to address the underlying motivations for weapons acquisition and to promote regional confidence-building steps.

In Korea, our goal remains a non-nuclear peninsula. We will make every effort to secure North Korea's full compliance with its nonproliferation commitments and effective implementation of the North-South denuclearization agreement.

In parallel with our efforts to obtain a secure, just, and lasting peace in the Middle East, we will promote dialogue and confidence-building steps to create the basis for a Middle East free of weapons of mass destruction. In the Persian Gulf, we will work with other suppliers to contain Iran's nuclear, missile, and CBW ambitions, while preventing reconstruction of Iraq's activities in these areas. In South Asia, we will encourage India and Pakistan to proceed with multilateral discussions of nonproliferation and security issues, with the goal of capping and eventually rolling back their nuclear and missile capabilities.

In developing our overall approach to Latin America and South Africa, we will take account of the significant nonproliferation progress made in these regions in recent years. We will intensify efforts to ensure that the former Soviet Union, Eastern Europe and China do not contribute to the spread of weapons of mass destruction and missiles.

Military Planning and Doctrine

We will give proliferation a higher profile in our intelligence collection and analysis and defense planning, and ensure that our own force structure and military planning address the potential

threat from weapons of mass destruction and missiles around the world.

Conventional Arms Transfers

We will actively seek greater transparency in the area of conventional arms transfers and promote regional confidence-building measures to encourage restraint on such transfers to regions of instability. The U.S. will undertake a comprehensive review of conventional arms transfer policy, taking into account national security, arms control, trade, budgetary and economic competitiveness considerations.

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