

SHOULD CHINA JOIN THE NUCLEAR SUPPLIERS GROUP?

HEARING BEFORE THE COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED EIGHTH CONGRESS

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SHOULD CHINA JOIN THE NUCLEAR SUPPLIERS GROUP?

TUESDAY, MAY 18, 2004

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Committee met, pursuant to call, at 10:35 a.m. in Room 2172, Rayburn House Office Building, Hon. Henry J. Hyde (Chairman of the Committee) presiding.

Chairman HYDE. The Committee will come to order. Good morning, and welcome to the Committee on International Relations hearing, "Should China Join the Nuclear Suppliers Group?"

Of the many sinister futures lying in wait for our country in the world, few equal in magnitude the threat posed by the continuing spread of nuclear weapons, be it the means to produce these weapons or the securing of a working device by theft or gift.

The basic equation is clear, even if its terms as yet remain uncertain: As the number of possessors of these weapons grows, so does the risk of their eventual use. While it may be possible to deter rational actors governing stable states, no such security is possible in countries where central control over these weapons and materials could dissolve in chaos or where religious or ideological fanatics might eagerly provide to their acolytes the instruments of our destruction. In the end, even those supposed rational actors may present us with a new and more deadly definition of that comforting term.

Among this Administration's most significant accomplishments, but one still denied wide recognition, is the dramatically energized and newly comprehensive approach to preventing the further proliferation of these weapons and their associated technologies.

To rectify the laxity of the past decades, an expanding strategy that seeks to address all levels and components of this threat has been launched and accorded the highest priority. Early successes include the Proliferation Security Initiative, the dismantling of Libya's WMD programs, and the disruption for the global nuclear black market, among many others. The groundwork for the next ambitious phase has already been laid with President Bush's recent speech outlining a broad agenda of new initiatives.

Despite the frequent parody of its supposed unilateralism and sidelining of the international community, from the outset, this Administration has consistently placed a heavy emphasis on enlisting the cooperation of all willing countries. The Proliferation Security Initiative is the most public of these endeavors, but many other initiatives are actively under way, such as a United Nations Security

Council resolution that is aimed at significantly curtailing the sale or transfer of weapons—usable materials and technology.

So much progress has been made quickly. So many problems have been tackled simultaneously. So much remains to be urgently addressed that it would be surprising indeed if perfection prevailed every act and decision. Given the rapid pace of change mandated by this new strategy, a useful contribution may be made by those with a broader perspective than is always available to those charged with the pressing responsibilities of operational decision making.

As one of the principal sinners in the spread of nuclear technology, China's public conversion to the gospel of nonproliferation is very good news, indeed. That is, if it is in fact a true conversion of the heart as well, with fidelity to the old gods definitely abandoned.

The Administration's support for China's application to the Nuclear Suppliers Group, the cooperative association of countries aimed at controlling the export of nuclear materials, equipment, and technology, is long-standing and is perhaps to be commended. But several questions regarding worry and discrepancies in China's intentions must be addressed before universal support can be forthcoming.

I will mention a few of these concerns but without any intention of presenting an exhaustive list. These include the declared intention of China to equip Pakistan, whose record regarding nonproliferation is unparalleled in its recklessness, with yet another power installation; the current extent of Beijing's cooperation to prevent Iran from acquiring nuclear weapons in light of its former assistance to Tehran for precisely that purpose; and how China's accession to the Nuclear Suppliers Group might hinder the work of that body.

To some, this may seem arcane concerns, locking the drama and urgency of an impending crisis. But given the stakes involved in this most fateful of subjects, no error is without potentially fatal consequences, and there can never be an excess of reassurance or faith in an unexamined confidence.

I am certain the Members of this Committee will add to this brief list, and I look forward to being persuaded that the Administration's policy in this regard remains as visionary and pragmatic as it has been in so many other areas of endeavor.

I now yield to my distinguished colleague, the Democratic Ranking Member, Mr. Lantos, for such remarks as he may choose to make.

[The prepared statement of Mr. Hyde follows:]

PREPARED STATEMENT OF THE HONORABLE HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS

Good morning, and welcome to the Committee on International Relations' hearing, "Should China Join the Nuclear Suppliers Group?"

Of the many sinister futures lying in wait for our country and the world, few equal in magnitude the threat posed by the continuing spread of nuclear weapons, be it the means to produce these weapons or the securing of a working device by theft or gift. The basic equation is clear, even if its terms as yet remain uncertain: As the number of possessors of these weapons grows, so does the risk of their eventual use. While it may be possible to deter rational actors governing stable states,

no such security is possible in countries where central control over these weapons and materials could dissolve in chaos or where religious or ideological fanatics might eagerly provide to their acolytes the instruments of our destruction. In the end, even those supposed "rational" actors may present us with a new and more deadly definition of that comforting term.

Among this Administration's most significant accomplishments, but one still denied wide recognition, is its dramatically energized and newly comprehensive approach to preventing the further proliferation of these weapons and their associated technologies. To rectify the inexcusable laxity of the past decades, an expanding strategy that seeks to address all levels and components of this threat has been launched and accorded the highest priority. Early successes include the Proliferation Security Initiative, the dismantling of Libya's WMD programs, and the disruption of the global nuclear black market, among many others. The groundwork for the next ambitious phase has already been laid with President Bush's recent speech outlining a broad agenda of new initiatives.

Despite the frequent parody of its supposed unilateralism and sidelining of the international community, from the outset, this Administration has consistently placed a heavy emphasis on enlisting the cooperation of all willing countries. The PSI is the most public of these endeavors, but many other initiatives are actively under way, such as a United Nations Security Council resolution that is aimed at significantly curtailing the sale or transfer of weapons-useable materials and technology.

As one of the principal sinners in the spread of nuclear technology, China's public conversion to the gospel of nonproliferation is very good news, indeed. That is, if it is in fact a true conversion of the heart as well, with fidelity to the old gods definitively abandoned. The Administration's support for China's application to the Nuclear Suppliers Group, the cooperative association of countries aimed at controlling the export of nuclear materials, equipment, and technology, is long-standing and is perhaps to be commended. But several questions regarding worrying discrepancies in China's intentions must be addressed before universal support can be forthcoming.

I will mention a few of these concerns but without any intention of presenting an exhaustive list. These include the declared intention of China to equip Pakistan, whose record regarding nonproliferation is unparalleled in its recklessness, with yet another nuclear power installation; the current extent of Beijing's cooperation to prevent Iran from acquiring nuclear weapons in the light of its former assistance to Tehran for precisely that purpose; and how China's accession to the Nuclear Suppliers Group might hinder the work of that body.

To some, these may seem arcane concerns, lacking the drama and urgency of an impending crisis. But given the stakes involved in this most fateful of subjects, no error is without potentially fatal consequences, and there can never be an excess of reassurance or faith in an unexamined confidence.

I am certain that the members of this Committee will add to this brief list. I look forward to being persuaded that the Administration's policy in this regard remains as visionary and as pragmatic as it has been in so many other areas of endeavor.

Mr. LANTOS. Thank you very much, Mr. Chairman.

Stopping the proliferation of weapons of mass destruction from China has been a top priority of the United States for many years during both Democratic and Republican Administrations. We have imposed tough sanctions on the Chinese to achieve our objectives, and we also have incentives to encourage responsible behavior on China's part.

Given the breadth of America's economic security and political interests related to China, both carrots and sticks must be part of a complex but firm policy to stop the flow of nuclear missiles and technology and weapons from China.

Mr. Chairman, I would like to commend you for calling today's hearing on one element of our nation's approach to the China proliferation threat: The recent decision by President Bush to support China's entry into the Nuclear Suppliers Group, the nonproliferation regime designed to control exports of nuclear materials, equipment and technology.

Mr. Chairman, I share your deep distrust of Chinese intentions related to the proliferation of weapons of mass destruction. I hope we can use today's hearing, however, to explore whether China's entry into the Nuclear Suppliers Group may just be the positive nonproliferation development that we have been seeking for nearly a decade with respect to China.

While China continues to allow the export of chemical and biological weapons, the Chinese Government has recently had a positive record on the spread of nuclear technology. China's participation in the Nuclear Suppliers Group may, therefore, be a good opportunity to test whether China can be a responsible player in international nonproliferation regimes.

If we are confident that China will firmly adhere to the rules and guidelines of the Nuclear Suppliers Group, our support for China's entry may further reduce the flow of nuclear technology to countries of concern. It may also foster more responsible behavior on the export of relevant items for chemical or biological weapons and ballistic missiles.

However, before I can fully endorse China's entry into the Nuclear Suppliers Group, I have some concerns which I hope can be addressed today by the Department of State. First, has the Administration received assurances from top Chinese leaders that China will play a positive and constructive role in the Nuclear Suppliers Group?

Congress must know whether China has committed to the further toughening of international controls on the exports of nuclear technology or whether it is likely to stall and delay further improvements to the regime.

Second, we need to be certain that the Chinese Government will fully comply with the Nuclear Suppliers Group tough requirements. As you know, Mr. Chairman, the Chinese Government seems to have insufficient control over Chinese firms trading in items of proliferation concern. There is little evidence that the Chinese Government has actively sought out and punished such proliferators.

As the price for American support for China's bid to join the Nuclear Suppliers Group, has our government insisted that China first demonstrate it has firm control over its nuclear related firms?

Parenthetically I might mention, Mr. Chairman, that during my last meeting with the Minister for Atomic Energy in Russia he emphasized, as most Russian officials do, that the government is fully committed to controlling the export of dangerous technology, but he claimed that they really do not have control of every firm. They certainly do not have control of university scientists who hire themselves out to Iran and there pursue weapons of mass destruction development.

We do not want to go through the same pattern in China. It is not enough for the Chinese Government to say they share our objective. They must provide us with foolproof evidence that every Chinese company, whether owned by private entities, the Chinese military or whatever organization, is fully under control of the central Government of China when it comes to the issue of nuclear proliferation.

Finally, Mr. Chairman, China, in joining the Nuclear Suppliers Group, with a contract in hand to provide a nuclear power reactor

to Pakistan, is a very serious issue. Is the Administration confident that this nuclear assistance to Pakistan does not cause a proliferation threat?

Since Islamabad does not allow international inspection of all of its nuclear activities, Nuclear Suppliers Group members are forbidden to engage in new nuclear cooperation with Pakistan. China's Pakistan contract will be grandfathered and exempt from that prohibition.

We must be leery of the Chinese fine print. Months and years from now we cannot allow additional Chinese cooperation with Pakistan or other countries to be justified as alleged "follow on contracts." I expect the United States to receive in writing specific and exclusive detail of the scope of this Pakistan contract and Chinese acknowledgement that past projects in other countries have been fully completed before admitting China to the Nuclear Suppliers Group.

Mr. Chairman, I believe my concerns regarding China's participation in the Nuclear Suppliers Group potentially can be addressed, but in dealing with China on nonproliferation matters we must proceed cautiously, and we must ensure that everything that is agreed to can be verified.

With that, I look forward to hearing from our witness, and I thank you, Mr. Chairman.

Chairman HYDE. Thank you, Mr. Lantos.

Mr. Berman? I am sorry. Mr. Ackerman, do you have an opening statement?

Mr. ACKERMAN. I do not, Mr. Chairman. I would like to associate myself with the remarks that both you and Mr. Lantos have made. I am a little skeptical also, agreeing with what you said, and look forward to hearing whether the Administration's policy with regard to this issue will be as visionary as it was in other areas.

Chairman HYDE. Thank you.

John Wolf was sworn in as Assistant Secretary of State for Nonproliferation on October 2, 2001. He entered duty as a Foreign Service office with the Department of State in 1970. Since then, he has served as Principal Deputy Assistant Secretary for International Organization Affairs, Ambassador to Malaysia, Ambassador to Asia-Pacific Economic Cooperation, and, from 1999 to 2000, as Special Adviser to the President and Secretary of State for Caspian Basin Energy Diplomacy.

Welcome, Ambassador Wolf. We are honored to have you appear before us today. We ask you to proceed with a 5-minute, give or take liberally construed, summary of your statement. Your full statement will be made a part of the record.

I understand, if I may mention, that you are going to be leaving government very shortly after 34 years of serving our country. I want to thank you on behalf of the Committee for that service and wish you well in your new capacity as head of the Eisenhower Fellowship Program, an excellent program for which Congress has long been in support.

With that remark, the floor is yours.

STATEMENT OF THE HONORABLE JOHN WOLF, ASSISTANT SECRETARY, BUREAU OF NONPROLIFERATION, U.S. DEPARTMENT OF STATE

Mr. WOLF. Thank you very much, Mr. Chairman, for the invitation to appear today, and thank you for including my prepared statement in the record.

I will give a brief summary that will focus on the status and overall direction of our relationship with China, our efforts to bring China into the international nuclear nonproliferation regime and the progress we have made and why we think it is now the appropriate time. I think in doing this, I will be able to answer at least most of the questions that you and Mr. Lantos just posed.

I want to thank you as well for the comments that you have made about the President's energized approach for combating proliferation. It has been an important objective of this Administration, and we think, consistent with the remarks that you have made, that we have made a good deal of progress.

Similarly with China, United States-China relations have improved enormously from a low point in April 2001, and our policy is to continue efforts in that direction. The President said at the Heritage Foundation in February that it is America's policy to integrate China into Asian and global institutions, and to do that we pursue a candid, a constructive and cooperative relationship with China in all spheres.

We have followed certain complementary and sometimes common policies with China, particularly in the war against terrorism. China supported U.N. resolutions in both Afghanistan and Iraq, and it has provided bilateral assistance to both countries, and it is playing a leading role in the six party talks on North Korea.

At the same time, I would be the first to admit that we have differences with China, and we speak candidly to them. We make clear our concerns about trade issues, human rights and non-proliferation, as well as our commitment to the Taiwan Relations Act. We have not hesitated to express our concerns when warranted, nor have we hesitated to enforce United States sanctions against Chinese entities engaged in proliferation activities. But, our policy is to integrate China into global institutions when China and only when China becomes eligible and meets the criteria for membership.

That brings me to the heart of today's subject, namely the Chinese application for membership in the Nuclear Suppliers Group. How did it come about, and why do we support Chinese membership. Well, we first raised this issue in 1995, and since 1997 the NSG has made China part of its official outreach program. At the 2003 NSG plenary in Busan, South Korea, the members agreed to consensus to pursue China's membership.

Over that same period of time, over those 9 years, China has taken steps indicating that it was increasingly serious about nuclear proliferation and that it was willing to work with others to that end. In September 1997, it promulgated nuclear export controls, and it based those controls on an itemized list that was substantively identical to the trigger list developed and used by the Nuclear Suppliers Group. At the October 1997 U.S.-China Summit,

China committed publicly not to provide any assistance to unsafeguarded nuclear facilities and nuclear explosion programs.

Third, it promised to promulgate and strengthen dual use controls by the middle of 1998, which it did, and those controls use a list substantively identical to the one used by the NSG. Fourth, it joined the Zangger Committee in 1997, and it has been a cooperative member there ever since.

In September 2003, we concluded arrangements with China on a system for obtaining reciprocal government to government assurances that nuclear technology transferred to other parties and items derived therefrom would not be transferred to a third country without the consent of the supplier state.

In December 2003, China issued a white paper setting forth its views and policies on nonproliferation. The paper is a useful and detailed statement on China's export controls, the use of catch-all control, the responsibility of Chinese agencies and some of the provisions of Chinese law as it applies to export activities.

In January of this year, Secretary Abraham and his counterpart at the China Atomic Energy Authority signed a statement of intent in Beijing pledging mutual cooperation and collaboration with the IAEA in the fields of export control, nuclear safeguards, physical protection and radioactive source security.

That understanding is already bearing fruit. My principal deputy, Susan Burk, is in China today leading export control talks that will get into the details of licensing, enforcement, outreach and identifying challenges in implementation. There will be a separate breakout session on the details of nuclear export controls. This is a first, and we are very pleased that that process has started.

That takes us to January 26, when China filed with the NSG Chairman its application to join the Nuclear Suppliers Group. China stated clearly it will act in accordance with the guidelines and control lists of the Nuclear Suppliers Group.

It wrote to the Director General of the IAEA to inform the agency that it was adhering to the Nuclear Suppliers Group guidelines; specifically that it agreed to apply the commitments of the NSG to its own export control policies, including requirements for IAEA safeguards, physical protection and transfer consent rights. It also supplied additional information on its intention to amend its national legislation to incorporate full scope safeguards as a condition of supply.

The NSG Chairman circulated the Chinese application to members the same day. He said he was reviewing the application and subsequently wrote requesting members' views by April 30 with a view to China's participation in the 2004 plenary in Sweden later this month.

Why did we respond positively? First, this is not a new issue. It dates back two Administrations. Second, we have been trying for over a decade to bring China into the international nuclear nonproliferation arena. Third, China has continued to take steps to control nuclear and dual use exports and to demonstrate its willingness to adopt to global norms.

We see broad scale cessation of nuclear cooperation with Iran and increasing cooperation with the United States in the areas of

export controls, safeguards and physical protection. That said, we still have concerns.

China needs to do a better job in identifying and denying risky exports, seeking out potential violators and stopping problematic exports at its borders. This week's nuclear export control talks are one way of getting progress in that area, and I might add, Mr. Chairman, and if after 9 years of discussing Chinese membership in the NSG we have suddenly changed our mind, I am not sure we would be having those export control talk this week.

In informing China that we supported NSG membership, we also made clear that we expected support from China for the President's proposals on limiting the spread of sensitive enrichment and re-processing technologies, as well as insisting on countries adhering to an additional protocol as a requirement of supply.

Mr. Chairman, you and Mr. Lantos have expressed a number of questions. In my prepared statement I dealt with several. In concluding my remarks, let me run through just a couple briefly.

First, will China be a spoiler inside the NSG? There are no certainties in diplomatic relations, but that has not been China's role in the Zangger Group for the past 7 years. Moreover, China's declared policies in its white paper suggests a confluence of views with the majority of NSG members on such issues as catch-all control. Also, we have heard twice from Chinese officials about the initiatives that the President put forward in his February 11 speech.

Will China play a role similar to that of Russia? Some may think so. I do not. It may be that Russia is trying to protect its nuclear supply relationships with Iran and India. That is not an issue for China.

Third, with regard to Chinese assistance to Pakistan, frankly Pakistan does not have full scope safeguards, and it does have a nuclear weapons program. The United States would prefer that no country provide Pakistan the benefits of peaceful nuclear cooperation, but the Chasma II plant will be under IAEA safeguards, and the NSG full scope safeguards provisions have always made allowance for the completion of agreements and contracts entered into before NSG membership.

Why not tie NSG membership to our broader proliferation concerns? Our answer is that a decade ago we set out to resolve concern about Chinese policies and practices with regard to nuclear proliferation. We set some goals. We tied them to implementation of the agreement for peaceful nuclear cooperation.

Tying NSG membership to a host of other issues at the last moment we do not believe would bring us progress on the other issues, but it could well cause the cessation of cooperation on nuclear issues that we care about and on which we are engaging even today.

That said, Mr. Chairman, we are not reticent about approaching China when we have information about prospective worrisome exports by China's entities, nor do we shy away from sanctioning those entities that violate United States laws related to proliferation.

As I said, we have been working on this for a long time. We wanted China in a multilateral nuclear export control forum then. We achieved Zangger membership first. Today it is the NSG where

the major nuclear export control issues are considered, and China, as a nuclear supplier, will have to face those issues head on. It is part of the global responsibility that China should take on.

The NSG is not a social club. Membership has responsibilities. Chinese membership in the NSG will mean that its evolving civil nuclear industry will have to follow the same rules that every other NSG member follows. We think it is important that China is official here not just from the United States, but from all of the members of the NSG, but we will continue to be active in our bilateral dialogue as well.

Mr. Chairman, I will stop here with my NSG remarks and answer any questions that you might have. I want to thank you, sir, for your kind remarks about me personally. It has been a pleasure in over 15 years and five separate assignments to work with the Members of this Committee on a variety of issues.

We have not always agreed, but the comments and the engagement have always been extremely constructive, and certainly in my position as Assistant Secretary for Nonproliferation you have provided us with generous support. My colleagues and I deeply appreciate that support, and I personally welcome the support that you have given to me over the course of my career.

I look forward to working with the Committee in this new incarnation as the President of the Eisenhower Fellowships, an organization which I believe provides genuine benefit, thus my willingness and my pleasure in accepting the offer. I hope the trustees concur tomorrow, but I am genuinely pleased, and I think it is an exciting new opportunity.

Thank you very much.

[The prepared statement of Mr. Wolf follows:]

PREPARED STATEMENT OF THE HONORABLE JOHN WOLF, ASSISTANT SECRETARY,
BUREAU OF NONPROLIFERATION, U.S. DEPARTMENT OF STATE

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before the Committee today. Mr. Chairman, your letter of May 14 noted that you wish to focus the hearing on the decision by the Administration to support the membership of the People's Republic of China in the Nuclear Suppliers Group (NSG). I'm happy to address that issue as well as other questions that you or the Committee members may have.

In my statement, I would like to address the status and overall direction of our relationship with China, our efforts to bring China into the international nuclear nonproliferation regime, the progress we have made in this area, and just how we came to see now as the appropriate time for China to join the NSG.

First, let me say a few words about our relationship with China. As the Secretary has often said, the relationship is as good—if not in many respects better—than it has been at any time in the past twenty-five years. We had a rough start at the beginning of this Administration when an American reconnaissance aircraft flying in international airspace was intercepted, damaged and forced to land on Hainan Island in April 2001. The United States and China worked through this difficult and sensitive issue with an eye toward finding ways in which we could enhance cooperation and minimize misunderstanding in the future. And for the most part, we have been remarkably successful.

There are multiple reasons for that. Obviously, Korea is an important part in the “cooperation” side of the equation. In a January article in *Foreign Affairs*, the Secretary wrote:

“ . . . we have worked to transform our common interests with China into solid and productive cooperation over the challenges posed by Pyongyang. . . . Our agenda is ambitious, but it is succeeding, as attested to by the six-party framework for talks over North Korea's nuclear program. . . . Beijing, as well as Washington, deserves credit for this achievement.”

But there is far more at stake in the U.S./China relationship than just the North Korea issue. China has emerged in the past decade as a country of major political and economic consequence. The President's National Security Strategy document from September 2002 stated that point succinctly, stating: "We welcome the emergence of a strong peaceful, and prosperous China." What we care about is how China will put its growing power to work. What choices will it make?

We need a candid, constructive and cooperative relationship with China as it rises to meet the challenges of global responsibility. And we measure that responsibility by China's tangible decisions and actions. Our countries pursue certain complementary—and sometimes common—policies, particularly in the global war against terrorism. China supported UN resolutions in both Afghanistan and Iraq and has donated \$150 million in bilateral assistance to Afghanistan and \$25 million in bilateral assistance to Iraq. It is forgiving some of the sovereign debt Iraq owes. And again I have to note the importance of the fact that we are working together to end North Korea's nuclear weapons program.

At the same time, I would be the first to admit that we have differences with China, and we need to speak candidly about them. We make clear our concerns about trade issues, human rights, and nonproliferation, as well as our commitment to the Taiwan Relations Act. We have not hesitated to express our concerns when warranted, or to enforce U.S. legal sanctions against Chinese entities engaged in proliferation activities. We have encouraged China to broaden its laws, commitments and export controls, and to take more vigorous action to enforce new restraints. But the fact that there are differences should not preclude cooperation where we agree. Particularly since the overall trend in the nuclear area is positive and much has been accomplished over the last decade.

But overall? U.S./China relations are on the upswing. Mr. Chairman, this Administration and this President are committed to working toward a relationship with China that enhances America's security and that of our allies and friends, especially those in the Asia-Pacific area. Indeed, the President has led the way. On December 9, 2003, on the occasion of the visit of Premier Wen, he stated:

"America and China share many common interests. We are working together in the war on terror. We are fighting to defeat a ruthless enemy of order and civilization. We are partners in diplomacy working to meet the dangers of the 21st century."

And at the Heritage Foundation on February 2 of this year, the President reaffirmed that.

". . . it is American policy to integrate China into Asian and global institutions. To do so, we pursue a candid, constructive and cooperative relationship with China in all spheres."

And that's our policy. To integrate China into global institutions—but only when China comes eligible and meets the criteria for membership. And that brings me to the heart of our subject today, namely the Chinese application for membership in the Nuclear Suppliers Group. How did that come about? And why do we support Chinese membership? To answer those questions I need to review just a bit of history.

We initialed an agreement for peaceful nuclear cooperation with China back in July 1985 and submitted it to Congress for the requisite period of Congressional review. The agreement entered into force in December of that year. However, exports under the agreement could not begin until the President made certain nonproliferation-related certifications set forth in a Congressional resolution of approval of the agreement. Those certifications were not made—for reasons that would have to be discussed in classified session.

By 1994, however, it began to appear that China was taking a more serious approach to nonproliferation issues—although there were still problems—and we suggested to the Chinese that implementation of the nuclear cooperation agreement might be possible under certain conditions and if China took certain steps. Negotiations began in earnest in the spring of 1995.

We asked China to join one of the two multilateral nuclear export control groups, the Nuclear Suppliers Group or the Zangger Committee. China chose to join the Zangger Committee for an obvious reason. China was supplying Pakistan with the Chasma nuclear power reactor. Chasma would be under IAEA safeguards, but Pakistan does not accept full-scope IAEA safeguards over its entire nuclear program. The NSG requires full-scope safeguards as a condition of nuclear supply. Zangger does not, because Zangger interprets the requirements of the Nuclear Nonproliferation Treaty, and the NPT does not require full-scope safeguards as a condition of supply. The point to note here is that we were suggesting Chinese membership in

the NSG over nine years ago. This is not an issue that just surfaced over the last six months.

What steps did China take at the time? First, China promulgated nuclear export controls in September 1997 and based those controls on an itemized list that was substantively identical to the trigger list developed and used by the NSG. Second, at the October 1997 U.S./China Summit, China committed publicly not to provide any assistance to unsafeguarded nuclear facilities and nuclear explosive programs. Third, China promised to promulgate strengthened dual-use controls by the middle of 1998, which it did. Those dual-use controls use a control list substantively identical to the one used by the NSG. Fourth, China did join the Zangger Committee in 1997 and has been a cooperative member ever since.

My Director of Nuclear Energy Affairs, Dick Stratford, was on the U.S. negotiating team at the time, and he tells a good story. The U.S. wanted to see dual-use export controls promulgated before the Summit. The Chinese said that was impossible because developing a dual-use control list was a complicated task and getting interagency approval was worse. Dick said, "Why would you reinvent the wheel? Here's the NSG dual-use list. It's been accepted by over 30 supplier countries. And because it's an IAEA publication, it's already translated into Chinese." The Chinese said they couldn't just copy slavishly what others had done. But, when the list was published the following spring, one could tell that the entries were the same as on the NSG list, right down to the indentations.

In the meantime, after 1997, we continued to think about Chinese membership in the NSG. The NSG made China part of its "outreach" efforts each year. When I was the NSG Chairman in the spring of 2002 my briefing paper noted that China had indicated informally that it might be interested in seeking NSG membership. When we reported on the Chair's outreach efforts to the Prague Plenary in May 2002, we noted that China had expressed interest in how the NSG handled existing contracts (the so-called "grandfather clause")—a clear signal that China was thinking about membership.

In 2003, some NSG members reported that their bilateral discussions with China indicated that a Chinese request for membership might come sooner than expected. That fact was discussed at the 2003 NSG Plenary in Busan, South Korea, and the Busan Plenary, by consensus, agreed to pursue China's membership over the next year. That agreement by the group may have influenced China's thinking about the timing of membership. In any event, Chinese officials in Vienna last fall were asking us questions on how the grandfather clause worked—a sure sign of serious intent.

Meanwhile, China continued to take additional steps indicating that it was increasingly serious about nuclear nonproliferation and that it was willing to work with others to that end.

First, in September of 2003, we concluded arrangements with China on a system for obtaining reciprocal government-to-government assurances that nuclear technology transferred to the other party, and items derived therefrom, would not be retransferred to a third country without the consent of the supplier state. That was a complex negotiation because it involved creating a mechanism whereby each foreign ministry would have a way of knowing precisely what technology was proposed to be transferred, to whom, and what had actually gone.

Second, in December 2003 China issued its "white paper" setting forth China's views and policies on nonproliferation. The white paper is a useful and detailed statement on Chinese export controls, the use of "catch-all" controls, the responsibilities of Chinese agencies, and some of the provisions of Chinese criminal law as it applies to export activities.

Third, DOE Secretary Abraham and his counterpart at the China Atomic Energy Authority signed a Statement of Intent in Beijing in January 2004 pledging mutual cooperation and collaboration with the International Atomic Energy Agency in the fields of export control, nuclear safeguards, physical protection and radioactive source security.

That understanding, by the way, is already bearing fruit. My Principal Deputy, Susan Burk, is in Beijing this week leading export control talks that will get into the details of licensing, enforcement, outreach, and identifying challenges in implementation. Those talks will also include interagency decision-making, identifying suspicious transfers, investigation and prosecution. There will be a separate breakout session on the details of nuclear export controls, including developments in the supplier regimes, dual-use licensing reviews, nuclear technology security, and intangible technology transfers.

And that takes us to January 26, 2004 when China filed with the NSG Chairman its application to join the NSG. In its letter of application, China stated clearly that it will act in accordance with the Guidelines and Control Lists of the NSG. On the

same day, China wrote to the IAEA Director General to inform the Agency that it was adhering to the Nuclear Suppliers Guidelines, specifically that:

“China will, once admitted into NSG, act in accordance with the NSG Guidelines (as contained in INFCIRC/254/Part 1 and Part 2, including Annexes, as amended) and duly exercise export control over nuclear and nuclear dual-use items.”

That means that China agrees to apply the commitments of the Nuclear Suppliers Guidelines to its own export control policies, including requirements for IAEA safeguards, physical protection, and retransfer consent rights.

China also supplied additional information on its intention to amend its national legislation to incorporate full-scope safeguards as a condition of nuclear supply (and in case of delay, to take administrative measures to the same effect, such as the issuance of a State Council decree).

The NSG Chairman circulated the Chinese application to members on January 27, noting that he was reviewing the application. On March 22, the Chairman wrote to NSG members stating that:

“It is the NSG Chair’s view, after evaluating the content of China’s export control legislation and other requirements for participation, that China has taken all the necessary steps for consideration for participation in the NSG.”

The Chairman requested that members provide their written responses on China’s application by April 30, “with a view to China’s participation in the 2004 NSG Plenary in Sweden.”

Thirty members have replied to the Chairman. As of midday Monday, Vienna time, the Chairman had received nine positive responses from South Korea, New Zealand, Switzerland, Ukraine, Kazakhstan, Latvia, Turkey, Russia and the United States. The issue is complicated by the fact that there are three other applications pending. Estonia, Lithuania, and Malta; and Russia has not been positive on the two Baltics. Because of the Russian hesitation on the Baltics, 21 EU countries have told the Chairman that they want to discuss all four applications at the Plenary. The Chairman has now proposed that all four applicants be invited to the Swedish Plenary as “observers” and the issue taken up there.

As I said, Mr. Chairman, the U.S. did reply positively on the issue of China’s admission to the NSG, for a number of reasons:

First, we raised NSG membership with China in 1995 as one of the steps we wanted China to take at the time—with Zangger Committee membership as an acceptable alternative. China chose Zangger for the reasons I mentioned.

Second, for over a decade, we have been trying to bring China into the international nuclear nonproliferation arena. As Secretary Powell has said, we welcome a global role for China.

Third, China has continued to take steps to control nuclear and dual-use exports and to demonstrate its willingness to adopt global norms. To that end, we can cite the adoption of nuclear and dual-use export controls, full-scope safeguards as a condition of supply, the broad-scale cessation of nuclear cooperation with Iran, the Chinese white paper on nonproliferation, and the increasing cooperation with the United States in the areas of export controls, safeguards, and physical protection.

In informing China of our support for membership, we also informed Chinese officials that we expect China’s support for the President’s initiatives involving the NSG, and specifically for the ban on the further transfer of enrichment and reprocessing technology, and for making the Additional Protocol a condition of supply for trigger list items by the end of 2005.

There are still problems that concern us. There are implementation issues. China needs to do a consistently better job in identifying and denying risky exports, seeking out potential violators, and stopping problematic exports at the border. This week’s nuclear export control talks in Beijing are one way of getting progress in these areas.

Mr. Chairman, among the questions that might be raised is whether China would prove to be a “spoiler” inside the NSG. There are no certainties in diplomatic relations, but certainly that has not been their role in Zangger for the last seven years. Moreover, their declared policies in their white paper suggest a confluence of views with the majority of NSG members on such issues as catch-all controls. Also, Chinese officials have commented positively on the initiatives that President Bush put forward in his February 11 speech. Generally, we see that China takes its responsibilities in international organizations seriously.

Do we think that China will play a role similar to that of Russia? Some might. But I don’t. Russia has posed some difficulties in the NSG on certain issues, probably driven in part by Russia’s interest in protecting its nuclear supply relationships

with India. That said, we do not foresee China posing the same difficulties regarding nuclear supply relationships, as this is not an issue for China. And China has stated that it will inform the NSG of the particulars about its supply of Chasma II to Pakistan—something which is not yet required by the Guidelines.

We have known for some time that China planned to supply Chasma II. But, although we would prefer that no such cooperation occur, Chasma II will be under IAEA safeguards and the NSG full-scope safeguards provisions have always made allowance for the completion of agreements and contracts entered into before membership.

Another question might have to do with our sanctioning of Chinese entities for various exports of concern, including as recently as April. When we see exports from time to time that concern us, we are sometimes able to use diplomatic channels to get China to stop the shipments. When shipments do occur in spite of laws prohibiting them and our considerable diplomatic efforts, we apply sanctions. The vast majority of sanctions cases deal with missile and chemical issues. But nuclear technology, services and materials are represented in the mix. And therefore we have to continue to call such instances to Chinese attention and to insist that Beijing take the necessary steps to stop such transfers.

If missile and chemical transfers are a major issue, some would ask why it might not seem prudent to tie Chinese admission to the NSG to across-the-board improvements in export behavior. The answer is that a decade ago we set out to resolve concerns about Chinese policies and practices with respect to nuclear nonproliferation. We set certain goals and tied them to implementation of the agreement for peaceful nuclear cooperation. China greatly desires to be a participating member of the international nuclear nonproliferation regime, and has continued to take steps to demonstrate its bona fides to that end. Tying NSG membership to a host of other issues at the last moment would not bring us progress on the other issues. It would only cause the cessation of cooperation on nuclear issues we care about and on which we are now engaging—even this week.

And lastly, did we favor NSG membership for China because we want China to buy U.S. nuclear power reactors? No. The Administration does favor the sale of U.S. products, including nuclear reactors and civilian nuclear power technology to China, and there are people whose job it is to urge the Chinese to buy American. Moreover, since the Chinese are interested in procuring nuclear power reactors from abroad, if they buy from the United States we would have substantial influence on how China manages its civilian nuclear program in such areas as nuclear safety. But, as I said, we set out a decade ago to influence and change the direction of Chinese policy and practices with respect to nuclear nonproliferation. We wanted China in a multilateral nuclear export control forum then and we achieved that with Zangger membership. But today, it's the NSG where the major nuclear export control issues are considered and China as a nuclear supplier should face those issues head-on. That is one of the global responsibilities it should take on. It also means that Chinese diplomats and export control officials would be exposed regularly to the nonproliferation views of 40 (and soon 43) other countries. That can only help.

Mr. Chairman, I'll stop here. I hope I've answered many of the questions you might have had and assuaged concerns about the merits of having China inside, not outside, the NSG. I'm at the Committee's disposal and would be happy to address any other questions or concerns.

Thank you.

Chairman HYDE. Thank you, Ambassador. Any support you get is more than well deserved.

Mr. Ackerman?

Mr. ACKERMAN. Thank you, Mr. Chairman.

Thank you, Ambassador, for your service, and thank you today for your testimony. As you say, it is not a social club. What does China get out of joining?

Mr. WOLF. By joining the Nuclear Suppliers Group, China is stepping up to a set of responsibilities that reflect and will incorporate the kind of position and the kind of position that China, a member of the P-5, aspires to have around the world. It exercises responsibilities in the international arena, and being part of the NSG enables it to continue to do that.

China has a nuclear weapons program. It has an evolving civil nuclear program. It will continue to be able to cooperate with other

NSG members in developing its civil nuclear program, but I think the most important thing for China will be that it will be part of a group that is the principal rule setter for international trade in nuclear technology.

Mr. ACKERMAN. So this is more like scoring brownie points in a sense?

Mr. WOLF. I think you have to ask China really why. We have a national interest in seeing China included in the Nuclear Suppliers Group. Our interest is in having China playing by the same set of rules that every other nuclear supplier plays by.

Mr. ACKERMAN. Our interest is putting limitations. How does that advance whatever their goals and objectives might be? Surely we have analyzed that.

Mr. WOLF. I cannot answer for China.

Mr. ACKERMAN. I would ask China, but they are not here today.

Mr. WOLF. I am not going to sit here and testify for China. What I am going to say is they have stated a policy that is a policy of responsibility. They have said they are prepared to engage in the Nuclear Suppliers Group in a positive sort of a way.

We are prepared. We have been working for a decade to try and encourage exactly that kind of responsibility in terms of specific countries and in terms of the broad nuclear trade that takes place around the world.

Mr. ACKERMAN. I was just curious as to whether or not we have analyzed their motivation.

In your view, does China perceive the proliferation of nuclear weapons technologies as a threat to themselves, and do they generally support the goals of nonproliferation regimes as a matter of their national policy?

Mr. WOLF. In my view, they would view the spread of nuclear weapons technology as a threat. I cannot answer for all the nonproliferation regimes in part because I am not convinced that they have exercised the kind of enforcement that would—in several of the regimes particularly related to the CWC and missiles that would show that they are fully committed. They state it.

They have improved their export controls. The export control legislation that they put forth in the fall of 2002 is really quite good, and it brings them up to the standard or to the level of the Australia Group and the MTCR, but the behavior of a number of Chinese entities would suggest that the signal in the Chinese marketplace is still not sufficiently clear about Chinese intention to enforce the export controls in those two areas. I think they have done a better job on the nuclear side.

Mr. ACKERMAN. If China, as you say, perceives the threat of nuclear proliferation as a threat to themselves, who do they see this threat coming from?

Mr. WOLF. Again, I would rather testify for this Administration and not for that. I would guess if I were China—

Mr. ACKERMAN. No, but this Administration should be analyzing the motivation of potential adversaries.

Mr. WOLF. Sure, and I think the answer, Mr. Ackerman, would be that if they saw the growth of nuclear weapons in their neighborhood that that would be of concern. We see a very positive Chinese engagement.

Mr. ACKERMAN. For instance, in the——

Mr. WOLF. If I could finish answering your question? We see China playing a very active role——

Mr. ACKERMAN. You can finish answering my questions by——

Mr. WOLF [continuing]. In North Korea in terms of achieving a nuclear free——

Mr. ACKERMAN. Do the Chinese see a threat from North Korea?

Mr. WOLF. They clearly see a nuclear armed Korean Peninsula as adding to the instability in their region, and they have played a very active role and a positive role in helping to move the six party talks forward.

Mr. ACKERMAN. I have one final question, Mr. Chairman.

Chairman HYDE. Surely.

Mr. ACKERMAN. Did we ask China to use their considerable influence to get Pakistan to improve its export controls?

Mr. WOLF. I do not think so. We have our own export control dialogue with Pakistan that is making some progress, and we have used a fairly intensive bilateral——

Mr. ACKERMAN. Would one not think it would be in our national interest for Pakistan to tighten up those controls, having seen what we have seen with their dealings with North Korea in specific, and others most likely, to use their desired membership and leverage that to place a condition that they do that?

Mr. WOLF. We have used the Nuclear Suppliers Group to have outreach to Pakistan, and as a member of the Nuclear Suppliers Group——

Mr. ACKERMAN. But we have some leverage over China. They want in, and why do we not just tell them that we would like a commitment from them that they help to put the reins on Pakistan?

I do not know that this thing has been thought out very well, Ambassador.

Mr. WOLF. I think, Mr. Ackerman, that you are perhaps suggesting that membership in the NSG gives us more leverage on more different issues than we do. This is clearly——

Mr. ACKERMAN. I am suggesting, Ambassador, that if someone wants something that we have the ability to grant then we should try to get something for that, especially if it is in the interest of security within the region and the world.

Mr. WOLF. I think it would be fair to say that we do discuss proliferation in the region and the things that we have seen. I am not sure that I would agree that NSG membership, holding that as a condition for achieving improved Pakistan export controls, I am not sure that I see that linkage as working very well.

As I said, we are working very hard directly with Pakistan. We have made a good deal of progress on a number of issues related to export control.

Mr. ACKERMAN. I understand that.

Mr. WOLF. There are other things that I have briefed to the Committee.

Mr. ACKERMAN. The whole rest of my question is we are not leveraging anything for the good of the international community and our own security.

Chairman HYDE. The gentleman's time has expired. We will have a second round.

Mr. Smith of Michigan?

Mr. SMITH OF MICHIGAN. Mr. Chairman, thank you very much. The pros and the cons. Do I understand there are 40 countries now signed into the NSG?

Mr. WOLF. Yes, I think that is correct.

Mr. SMITH OF MICHIGAN. If the United States were neutral, would they probably accept it the week after next or whenever the next meeting is?

Mr. WOLF. I believe so. I believe so.

Mr. SMITH OF MICHIGAN. You indicated, Ambassador, that China would be obligated to do these things, but look at our experience with Russia, who is also a member of NSG. Russia has violated some of the provisions, certainly some of the intent of NSG and some of their actions.

About enforcement or enforcement effort, either I do not understand it or it does not exist.

Mr. WOLF. The NSG is not a treaty group. It is a political—it is a group that comes together, and there are countries that give a political commitment to each other, but there are obviously differences in interpretations, and we have a different interpretation about Russian exports, for instance, than Russia does, but I will leave them to explain their own policy.

The NSG, though, creates a consensus on the kinds of controls that each country should legislate and enforce, and we believe there is a real utility to bringing in China, which has an evolved civil nuclear program. We believe, and we have believed for 10 years, that there is an advantage in bringing them into that group.

At the same time, we think it is important that they improve their export controls. One of the first set of discussions that I had when I took this job—

Mr. SMITH OF MICHIGAN. And you think the chances are as members they will be more apt to control their exports?

Mr. WOLF. I think it adds to the influence that can be brought to bear because it is not just the United States having a bilateral discussion with China there will now be several dozen other members who can also—

Mr. SMITH OF MICHIGAN. You know, I think I tend to agree that the chances are of them being a little more in compliance with restricting proliferation of either weapons of mass destruction or other weapons technology is probably maybe a little better if they are members of this group, but was it not just last April that we put sanctions on China because of their proliferation of weapons of mass destruction?

That raises the question of how much they want to cooperate in this effort. The decision to continue the Chasma agreement with Pakistan makes me a little suspicious that they are just, maybe flouting is not the correct word, but knowing that there is a grandfather clause before they are admitted they can do these things, and they do it just several weeks before the meeting of the NSG. It should make us a little suspicious.

Mr. WOLF. Let me be clear on the April cases. When you talk about the Iran Nonproliferation Act covers all of the export control

regimes, not just the Nuclear Suppliers Group list. Most of the sanctions that were imposed on Chinese entities related to things that were non-nuclear.

In the nuclear area, it is our impression, based on the information that we have, that they are addressing the kinds of concerns that we had. We have not seen the kinds of activity that worried us several years ago. That does not mean that it is not taking place. It is only that we have not seen it.

We always worry when there is a degree of exchange back and forth, for instance, between Chinese scientists and Pakistani scientists. It will happen because of the Chasma. It will happen because of the Chasma contract, and it will be important that China assure that no information that should not pass—it will be important that they make sure that no information has passed that should not pass.

Mr. SMITH OF MICHIGAN. But the nuclear reactor agreement of China and Pakistan, the Chasma agreement, would that not be allowed technically once they are members of NSG?

Mr. WOLF. It will be allowed because it is grandfathered.

Mr. SMITH OF MICHIGAN. No, no. No, no. I am saying would that kind of action several weeks before they are admitted to NSG, would that be allowed if it took place after their membership in NSG?

Mr. WOLF. If they had been a member of the NSG before they entered—

Mr. SMITH OF MICHIGAN. No, no. My question, maybe I am not saying it correctly. If Chasma were to happen after membership in NSG, would it be a violation of the NSG?

Mr. WOLF. No. No. The contract will be grandfathered. Once again, the Chasma II facility will be under IAEA safeguards.

Chairman HYDE. The gentleman's time has expired.

Ambassador Watson?

Ms. WATSON. Thank you so much, Mr. Chairman, and welcome, Ambassador Wolf.

In June 2002, you testified before the Senate Government Affairs Committee that there is a continuing gap between the commitments China has made and the implementation of these commitments. China still has not promulgated all the laws and regulations that would implement the nonproliferation policy that Chinese officials at every level say is China's policy. Is this still a valid statement, and would you clarify it?

Should the United States be promoting China's entrance into the Nuclear Suppliers Group, and why should we be? I join some of the earlier questions. What leverage would we have?

Mr. WOLF. Thank you, ma'am. The answer to your questions go in several different directions.

One, in terms of export controls, after June in the fall of 2002 China promulgated a wide ranging and much improved export controls set of laws and regulations they are still in the process of implementing. That is on the good side.

On the other side, we still do not believe that, broadly speaking, the enforcement of those rules and regulations has resulted in Chinese entities, that is the company in the street, believing that they

have to stop and so we still see proliferation, especially in the CW and missile area and related to Iran in particular.

Where we can, we have provided information to China in order to stop transactions. Where transactions have nonetheless taken place either because we were not able to provide information because of the sensitivity of sources and methods or because they did not take action, we have not hesitated to sanction those Chinese entities that violated United States proliferation laws. We continue to watch very closely.

On the other hand, it is also the President's policy to try to integrate China into the global system and into the major global institutions that are part of that system, and in that respect we believe that it is important to bring China into the NSG, but also to continue to hold it—to hold it accountable.

Ms. WATSON. Yes. Will they play fair? That is my question. You know, when you think of a nation that is 1.2 billion people and controlling nuclear weapons, they pretty much have control over that part of the world.

Let me extend my questioning onto another concern, and that is how are they helping us in North Korea? I am sure that negotiations are such that we want to keep them on the supportive side so that we can have them be kind of the watchdog in that area.

Can you let us know what is going on between the Chinese and North Korea, and will they play fair and follow their own rules?

Mr. WOLF. Answering the second question first, our experience with China in the Zangger Group, and the Zangger Group relates to the list that are directly part and that come directly under the nonproliferation treaty. It is less broad than the Nuclear Suppliers Group. Our experience with China is that they have been positive there, and our analysis of proliferation concerns suggests that China is trying to stop proliferation by its nuclear entities.

In terms of North Korea, it is my view, but I defer to Assistant Secretary Kelly or others who are most deeply involved. It is my view that China has played a very positive role both in terms of helping to pull together the six party talks and also using its special influence with North Korea to keep North Korea focused in the talks.

The talks themselves have not moved far along the path toward accomplishing complete, verifiable, irreversible dismantlement of North Korea's weapons program, weapons and program, but the talks are very important, and the fact that all of North Korea's neighbors, with China playing a major leading role. The fact that all of the neighbors are seeking a solution I think is very important in terms of keeping North Korea focused on the international interest in seeing a nuclear free Korean Peninsula.

I give them a great deal of credit for a very forward leaning approach to those six party talks. It is kind of uncharacteristic. China tends in many fora to be less visible. They have been quite visible in the six party talks.

Chairman HYDE. The gentlelady's time has expired.

Ms. WATSON. Thank you, Mr. Chairman.

Chairman HYDE. Mr. Ambassador, I understand some United States companies are interested in building civilian nuclear reac-

tors in China. Does our companies' interest play any role in our decision to bring into the NSG?

Mr. WOLF. No, Mr. Chairman, it did not. Having said that it did not, we are interested in promoting the sale of United States nuclear technology to the civil program in China coming in the context of the bilateral nuclear cooperation that we have that ensures that we will have a direct voice in how that technology is used or whether or not it could ever be transferred, and so in that respect we think that it is both good for the United States economy, but it is also good in terms of giving us influence in terms of an evolving civil nuclear program in China.

It is a program that is going to evolve. They will acquire technology from somewhere as well as develop it on their own. To the extent that United States technology provides the basis for that, it does give us the means to have a direct discussion with China on how that technology is used, and we think that that is valuable. To your question, the answer is no.

Chairman HYDE. Ambassador, is China providing any assistance to Iran's nuclear program?

Mr. WOLF. When we reached an agreement with China on that, there were two projects that were grandfathered from the agreement. I believe one of them was a mine, and I forget what the other one is. Those have been winding down rather slowly.

Other than that, it is not clear to us that there is ongoing Chinese activities. There was activity in the past that was worrisome. It is not clear that it continues.

Chairman HYDE. Thank you.

Mr. WOLF. I would have to go into restricted session if we were going to go much further on that.

Chairman HYDE. Okay. We will have a second round. Mr. Ackerman?

Mr. ACKERMAN. Thank you, Mr. Chairman.

Ambassador, you said that it was the President's policy to involve China in as many international organizations and relationships as possible, and I think that the stated goal of the President is appropriate and wise, and that is the course that we should be taking.

I am concerned, however, about how the Department is implementing those goals. If we could return to the question that one of our colleagues brought up on Chasma II? Going back to Chasma I, China built a nuclear plant in Pakistan. China now wants to build a second plant in Pakistan, and they say that they are grandfathered in, as you put it, because the contract was signed prior.

My question is have you seen the contract?

Mr. WOLF. I have not. I have not, but as part of the process that leads to China joining the NSG we were very specific to them—with them—in terms of a couple of things.

One, we indicated that we expected that they would support the President's initiatives related to curtailing the spread of reprocessing and enrichment technology, as well as the requirement for an additional protocol.

We also said that we expected China to provide prompt information on any ongoing support to foreign commercial nuclear programs that it wishes to grandfather. This would include informa-

tion about China's support for the Chasma II nuclear program, as well as any other support activities.

I am not aware that we have gotten a response, but, as you know, these conversations have only been on for the last couple of weeks.

Mr. ACKERMAN. I am just concerned about basing an important foreign policy on expectations and wishes because that is not a plan.

You have not seen the contract. Have we asked to see the contract?

Mr. WOLF. We have asked for prompt information.

Mr. ACKERMAN. Have we asked to see—

Mr. WOLF. I am not aware that we have asked for the contract.

Mr. ACKERMAN. Why would we allow them to build a nuclear plant in Pakistan, which plays fast and loose with nuclear technology as we have seen, and allow them to escape what we want to control by saying that they have a preexisting contract if we do not even ask to see the contract?

Mr. WOLF. Mr. Ackerman, we have asked for full information on China's—

Mr. ACKERMAN. There is a difference between asking for full information and asking for the contract. If they say they have a contract that is a legal document. Any 1st year law student doing due diligence would ask to see the contract.

By what right do you have to build this? This is one of the terms to get into the organization. If you are saying that you have a get out of jail free card, show it to us.

I do not know that you guys are on top of this situation. It is very disappointing.

Mr. WOLF. I think, Mr. Ackerman, that we are on top of it, and we have asked for full information.

Mr. ACKERMAN. Why do you not ask for the contract, Ambassador?

Mr. WOLF. I will take your comment. I do not know whether that is either possible—it is always possible. I do not know whether it is appropriate, but let us look at that issue.

Mr. ACKERMAN. If you want to come into my house and you say you have a warrant, show me the warrant.

Mr. WOLF. Mr. Ackerman, I think you are—

Mr. ACKERMAN. This is not a done deal.

Mr. WOLF [continuing]. Overestimating the ability of the United States to stop this transaction or even to look at—

Mr. ACKERMAN. I did not ask you to stop it.

Mr. WOLF. Or even look at what might be commercially sensitive information. I am not sure that if a third party asked us to see the contract of a Westinghouse contract with somebody else that Westinghouse would necessarily show that third party the details of the contract.

Mr. ACKERMAN. But if it was the price of admission of somewhere we wanted to get into, we might consider it, but you would not know the answer to that unless you asked.

Mr. WOLF. That is why we have asked.

Mr. ACKERMAN. The amazing thing here is that you have not asked to see the contract.

Mr. WOLF. Well, maybe we did not think about asking for the contract. What we thought about asking for was full information.

Mr. ACKERMAN. I am glad you answered that. I get the idea that maybe you should ask to see the contract because maybe they are not grandfathered in.

Chairman HYDE. The gentleman's time has expired.

Mr. WOLF. Thank you for your suggestion, and we will certainly take a look at it, but we will also seek information about the details of this contract.

Chairman HYDE. I want to thank you, Ambassador Wolf, for your testimony. It is very enlightening. I again wish you every good luck.

Mr. WOLF. Thank you very much, Mr. Chairman. As I said, we do not always agree, but it is always fun.

Chairman HYDE. That is true.

The Committee stands adjourned.

[Whereupon, at 11:30 a.m. the Committee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE NICK SMITH, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MICHIGAN

I want to thank Chairman Hyde for holding this hearing today. I have concerns about China entering the Nuclear Suppliers Group, it is important to take the opportunity to discuss these concerns. I look forward to hearing the position of the administration from our witness.

The Nuclear Suppliers Group (NSG) was created in 1974 after Pakistan tested a nuclear device. It is currently comprised of 40 countries that have agreed to participate in one of several nuclear export control regimes. These countries have committed to limiting the proliferation of nuclear technology and materials by restricting the countries and the materials that they supply. Like similar international agreements, the NSG has no enforcement mechanisms.

Since 1995, it has been United States policy that China should be part of the NSG. Secretary Powell restated our support for this position recently. There are several important arguments for this. First, China is a signatory as a nuclear power to the Nuclear Nonproliferation Treaty (NPT) and the Advanced Protocol. Under these, it has already made commitments to limit its nuclear exports. Inviting them into the NSG would simply recognize those policies. Second, membership would give us additional leverage over China on proliferation issues where they still exist. In essence, these arguments are for further normalizing relations with China and integrating it into the international order. They are a continuation of President Nixon's policies from the 1970s.

However, these arguments invite us to learn from our experiences with Russia's participation in the NSG. Russia is a participant in both the NSG and the NPT. However, it has a terrible proliferation record that this Committee has discussed on several occasions. How would China's membership in the NSG help us address our proliferation concerns with China where it has not with Russia? Or, alternatively, how has Russia's membership in the NSG helped us address its proliferation record?

However, there are important arguments against inviting China into the NSG. It could be viewed as whitewashing over behavior that is not consistent with the principles of the NSG. Just last week China announced a new reactor project, Chasma, in Pakistan. This took place less than three weeks before the next NSG meeting at which China could become a member. While the project could continue under the "grandfather" provisions of the NSG, it is disturbing that China would flout the principles of the NSG so close to entering. If China were to continue its behavior, it would be yet another example of China disregarding its international agreements. It is not clear that the right response to this is to enter into another international agreement.

Chasma is not the only active source of concern over Chinese proliferation. On April 1st of this year, we imposed additional sanctions on Chinese firms due to proliferation behavior related to either missile sales or WMD transfers. The State Department has not yet clarified its reasons for these sanctions. The 2003 World Wide Threat assessment included a statement about links between Chinese and Iran that were of concern. When this statement was made again this year, this language was dropped. What happened to those links? Some administration officials have also raised concerns about China's export controls. While laws are on the books, it is not clear if China is fully implementing them or even if it can. What are the administration's views on these and other proliferation issues related to China?

I would like to thank the chairman for holding this hearing to address these questions. The administration clearly believes that China's entrance into the NSG is im-

portant. However, it is not clear how the benefits of China's entrance balance against other concerns about Chinese behavior.

