

ARMING ROGUE REGIMES: THE ROLE OF OSCE PARTICIPATING STATES

HEARING BEFORE THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE ONE HUNDRED EIGHTH CONGRESS FIRST SESSION

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ARMING ROGUE REGIMES: THE ROLE OF OSCE PARTICIPATING STATES

THURSDAY, JUNE 5, 2003

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ARMING ROGUE REGIMES: THE ROLE OF OSCE PARTICIPATING STATES

JUNE 5, 2003

**COMMISSION ON SECURITY AND COOPERATION IN EUROPE
WASHINGTON, DC**

The Commission met in Room 334 Cannon House Office Building, Washington, DC, at 10:00 a.m., Hon. Christopher H. Smith, Chairman, Commission on Security and Cooperation in Europe, presiding.

Commissioners present: Hon. Christopher H. Smith, Chairman; Hon. Ben Nighthorse Campbell, Co-Chairman; Hon. Benjamin L. Cardin, Commissioner; Hon. Zach Wamp, Commissioner; and Hon. Joseph R. Pitts, Commissioner.

Witnesses present: Hon. John Robert Bolton, Under Secretary of State for Arms Control and International Security; Roman Kupchinsky, Editor and Senior Analyst, Crime and Corruption Watch, Radio Free Europe/Radio Liberty; Terrence Taylor, President and Executive Director International Institute for Strategic Studies-U.S.

HON. CHRISTOPHER H. SMITH, CO-CHAIRMAN, COMMISSION ON SECURITY AND COOPERATION IN EUROPE

Mr. SMITH. The hearing will come to order.

Today the Helsinki Commission focuses its attention on efforts to curb the spread of deadly weapons and related militarily significant technology and equipment to dangerous regimes around the world. Rather than focus on the efforts by these regimes to acquire the material, we want to examine the capacity and willingness of participating States in the OSCE to be their source.

A number of OSCE participating States possess, as we know, the technology and the ability to supply rogue regimes and even terrorist groups and combatants in regional conflicts with militarily significant equipment and know-how. The end of the Cold War left some of these states, especially those of the former Warsaw Pact, with huge stockpiles of military hardware, while economic downturns made their military industries and research institutes desperate for funds.

The United States has encouraged these countries to maintain tight control over these industries and institutes, and has invested in programs to deploy surplus equipment and convert the factories into industrial production. Still, several countries remain vulnerable to the lure of responding to the demand, even from rogue states and regimes, for weapons of mass destruction, delivery system, and small arms or light weapons.

Press reports of officials investigations have revealed that, to varying degrees, Russia, Ukraine, Belarus, Bulgaria, Bosnia, Moldova and Serbia and Montenegro, have supplied dangerous regimes and combatants with military equipment or militarily significant technology and resources. In some cases, these revelations were followed by the government efforts to stop the flow and deal with those responsible. In other cases, however, government officials have attempted to cover up and deny involvement in these deals.

We hope our witnesses today will shed some much-needed additional light on OSCE countries that have been supplying rogue regimes with the means to stir up mischief and, worse, to threaten international peace and U.S. national security.

First, we will be hearing from Hon. John Bolton, Under Secretary of State for Arms Control and International Security, who will present the views and concerns of the U.S. Government. Secretary Bolton has had a long career in public service in the Departments of State and Justice, as well as the Agency for International Development.

I remember well the opportunity that I had to work with Secretary Bolton when he served as Assistant Secretary for International Organization back in 1989 when I served as the congressional representative to the U.S. delegation at the United Nations, and many other instances of good, close cooperation and collaboration on important issues.

However, before going to our very distinguished Under Secretary, I would like to yield to the Co-Chairman of the Commission on Security and Cooperation in Europe, Ben Nighthorse Campbell.

**HON. BEN NIGHTHORSE CAMPBELL, CO-CHAIRMAN,
COMMISSION ON SECURITY AND COOPERATION IN EUROPE**

Sen. CAMPBELL. Thank you, Mr. Chairman.

Today's hearing provides an important, timely opportunity to shed light on the role some countries of the Organization for Security and Cooperation in Europe have played, and may be still playing, in arming rogue regimes. While the issue of such arms transfers has been raised in the context of other Commission hearings, the experts assembled today will be able to provide a comprehensive analysis of the topic with direct implications for the security interests of the United States. Additionally, the murky world of the arms brokers is linked to cooperation and international crime.

During my service on this Commission, I have repeatedly urged the State Department to raise the issue of corruption and international crime within the OSCE. While we have made some modest inroads, the scope of the threats requires much more attention.

At the time when the OSCE is assessing new threats to security, it would be foolhardy to overlook the multidimensional threats posed by corruption and international crime. The United States should take the lead in pressing the subject of this hearing at the first annual Security Review Conference to be convened in Vienna later this month. It is no coincidence that many countries to be discussed at today's hearings have fallen short of their commitments to build open and democratic societies.

At the extreme is Belarus, Europe's holdout dictatorship. The Belarus Democracy Act, which I was proud to sponsor in the Senate, is an attempt to support democracy, human rights and the rule of law in that country. As the Belarusian economy has spiraled downward, sales to

rogue states have likely taken on even greater importance, though the closed nature of the regime makes it very difficult for us to assess the scope fully.

In Ukraine, we have President Kuchma on tape authorizing a sale of sophisticated radars to Iraq. An isolated instance? Doubtful. Kuchma's reckless action renders him an unreliable partner and casts a shadow over relations with Ukraine as long as he is in power. I am particularly disturbed that some officials in Washington have been ready to gloss over the whole affair. What message does it send to others if the United States is prepared to let him off the hook on such a grave matter?

The role of the Russian Federation is of deep concern, given the evidence of past transfers as well as the potential for future deals. With arms merchants crisscrossing the country, it is hard to imagine that President Putin—a former KGB chief turned president—is not informed. It is also worth noting that revelations of illicit arms trading into Russia have failed to lead to one single conviction.

While some may claim the lack of technical know-how impedes their ability to track arms transfers, we must not lose sight of the important element of political will. We cannot afford to turn a blind eye with respect to the complicity of senior civilian and military leaders in transfers that violate international commitments that are otherwise detrimental to the security interests of the United States.

I look forward to this hearing, Mr. Chairman. Thank you.

Mr. SMITH. Thank you.
Commissioner Cardin?

**HON. BENJAMIN L. CARDIN, COMMISSIONER,
COMMISSION ON SECURITY AND COOPERATION IN EUROPE**

Mr. CARDIN. Thank you, Mr. Chairman.

Let me welcome Secretary Bolton here. It is a pleasure to have you before our Commission. Let me thank our leaders for convening this hearing. I think it is a very important subject.

As we assess the current status of the weapons of mass destruction being made available to rogue regimes, the membership in OSCE represents a major part of the world capacity of weapons of mass destruction. It seems to me that we have a particular responsibility in OSCE to make sure the weapons of mass destruction are not made available to rogue regimes.

I am interested at this hearing to find out the current status of that type of trafficking within OSCE, but also whether our commitments within OSCE are adequate to deal with this. Senator Campbell raised the issues of the upcoming meetings. I would be interested to know whether we should be pushing for additional safeguards or additional standards to make it clear of our commitments within OSCE as it relates to the disposition of weapons of mass destruction to rogue regimes or other states or other organizations.

Then how do we enforce that? How do we know that, in fact, these commitments are being carried out? Getting inspections in these countries is very difficult, and is that realistic or not?

So I think, Mr. Chairman, this is a very important hearing, as we start our responsibility to look at what is happening in OSCE, so that we can try to do our best to make sure that these terrorist organizations and rogue regimes do not get access to the weapons that are available in so many OSCE states.

Thank you, Mr. Chairman.
 Mr. SMITH. Commissioner Cardin, thank you very much.
 Commissioner Zach Wamp?

**HON. ZACH WAMP, COMMISSIONER,
 COMMISSION ON SECURITY AND COOPERATION IN EUROPE**

Mr. WAMP. Thank you, Mr. Chairman.

I, too, want to commend Secretary Bolton. I have been following closely his work and appreciate his candor, especially as we begin this hearing, because, much like our own families at home, if there is any conflict—and the world is a family—if there is any conflict in the family, I think it is much better for us to air out things and be honest about the conflicts as opposed to just glossing over and sweeping things under the rug and acting like they do not exist, and then you pay a far greater price later.

Secretary Bolton has been candid in the world community about who is doing what. I think we have to do that if we are going to be a world community and function as a family of peaceful countries in the world. We have to be honest about what is going on and not just ignore the facts or the truth, or we will pay a far greater price later.

So this is the tough work of freedom, but we have to be honest about these things. So I hope that this hearing will air out more facts that need to be put on the table, so that everybody can deal with the facts as opposed to just denying—just being in denial to the point that we cannot honestly communicate with each other in the world community.

So I think this hearing is important. The entire process is important. I look forward to the testimony.

Mr. SMITH. Thank you very much, Mr. Wamp.

Mr. Secretary, again, we are very pleased and honored to have you here, and deeply appreciate your good service to our country. Please proceed as you would like.

**HON. JOHN ROBERT BOLTON, UNDER SECRETARY OF STATE
 FOR ARMS CONTROL AND INTERNATIONAL SECURITY**

Sec. BOLTON. Thank you very much, Mr. Chairman, members of the Commission. It is a pleasure to be here. I appreciate your extending the invitation.

I do have a statement that I would like to provide for the record. With your permission, perhaps I can simply excerpt from it. Obviously, I would be pleased to come back to any of the specifics during the question period.

This question of the progress that OSCE member states have made in preventing the spread of weapons of mass destruction is one of our highest priorities in the administration, and something that I spend a considerable portion of my own time on, the secretary does and the president as well.

As several members of the Commission have said, the steps that OSCE members take on their commitments on nonproliferation are especially important, because of the economics, sophistication of many of them, and the role, in Cold War days, that the Warsaw Pact had in the production and sale of weapons of mass destruction, particularly into the Third World.

Now, over the past several years, the OSCE itself has made a number of significant declarations, which I lay out in the statement, that have been quite important. Nevertheless, as encouraging as these several OSCE declarations are, they are worth no more than the paper they are printed on if member States do not take the commitments spelled out within them seriously.

In this respect, I must report that the record is mixed. There have been some notable success stories, countries that, with U.S. assistance, have improved their export control systems. On the other hand, there have been instances of OSCE member States aiding rogue states and acquiring sensitive or dual-use materials that can be used toward nefarious ends.

In the area of strengthening export controls, which is putting reliance on the nation states to do much of the important work here themselves, our primary vehicle for assistance that many OSCE states have participated in is our export control and related border security assistance program. This program was created initially to help address the proliferation concerns primarily in the former Soviet states and neighboring countries in Central Europe, OSCE members.

However, in light of the global nature of the proliferation threat, we have expanded the program to include potential weapons-of-mass-destruction source countries in South Asia and key transit and transshipment countries around the world. We currently have active programs in 29 OSCE countries, each of which is covered by one of the 20 staff program advisers that we have serving overseas in U.S. embassies.

Although our program has produced many successes, a number of OSCE countries still need additional assistance to develop appropriate legal frameworks and increase enforcement capabilities to combat the transfers of sensitive goods and technologies.

Again, in the statement, I would lay out some of the specifics where we have had programs for some time that have done a lot, I think, to help countries developing this important infrastructure.

Currently we have an especially important initiative under way that implicates the OSCE countries. It is a worldwide initiative, but especially because of the technology available in these countries to deal with MANPADS, which are Man-Portable Air Defense Systems. This is the technology used some months ago against an Israeli airliner in Africa. Where we are concerned worldwide for airport security, but MANPADS would have been produced and fallen into the hands of terrorist groups could be a substantial threat to commercial air traffic, and obviously a grave risk to passenger airplanes.

Despite our export control efforts and the efforts of other like-minded governments as well, serious problems remain and threatening transfers continue to occur.

Mr. Chairman, as you know well, there is going to be relatively little I can say here in an unclassified setting about individual transfers, but I do want to address the concerns that you have country by country.

Of the 55 states participating in the OSCE, only a small number have been the source of the vast majority of the transfers we are talking about. Of that number, there are some with which we have made important progress, and some whose progress has been seriously disappointing.

Progress is particularly evident in many parts of Eastern Europe, and I would note particularly there Albania, the three Baltic countries, Bosnia, Bulgaria, Croatia, the Czech Republic, Poland, Romania, Serbia, Slovenia and Slovakia.

We have developed very successful partnerships with a number of these countries, so successful that some of them—and Poland comes particularly to mind—are on the verge of graduating from our assistance, demonstrating that we have real confidence in their export control system, both in its legal structures and in its enforcement capabilities.

In the case of Russia that you mentioned, Mr. Chairman, and others did as well, I personally have engaged senior officials in order to convince the Government of Russia of the need to play a responsible role in solving nonproliferation problems.

Russia is showing growing recognition of the seriousness of our concerns, particularly regarding Iran's developing nuclear capability. But we do remain concerned that the nuclear and missile programs of Iran and others continue to receive the benefits of Russian technology and expertise.

Iran, considered the most active state sponsor of terror, is known to be seeking dual-use materials, technology and expertise for its offensive biological and chemical weapons programs from entities in Russia as well as other countries. It is also seeking to upgrade its large ballistic missile force with the help of Russian, North Korean and Chinese firms.

We have imposed sanctions under various nonproliferation laws and other legal authorities on Russian entities for providing assistance to Iran and other state sponsors of terrorism.

Now, I should note that President Bush has put a very high priority on establishing what we have called a new strategic framework with Russia.

We have had success in a number of areas, working through our disagreements on the 1972 Anti-Ballistic Missile Treaty, from which the United States withdrew last year, and in the negotiation and ratification of the Treaty of Moscow, which will reduce our levels of strategically deployed offensive nuclear weapons, in which the two presidents just exchanged instruments of ratification of that treaty in St. Petersburg a few days ago, so that treaty has now come into place.

I think that in the conversations President Bush and President Putin have had on the subject of Iran, they have come closer and closer in the view that we share of the threat that Iran poses. Indeed, President Putin made significant commitments at the recent G-8 Summit in Evian about the Russian concern about the Iranian nuclear weapons program, and made a commitment to the other G-8 leaders that until the questions surrounding the Iranian nuclear program was resolved that Russia would not deliver fuel to the Bushehr reactor, which is a significant decision by Russia.

But our concerns are not just with Russia, and indeed not just with the former republics of the Soviet Union and the countries of Eastern Europe. Although Western European countries maintain rigorous and effective export controls on WMD and missile-related goods and materials, proliferators and associated networks nonetheless continue, successfully in many cases, to seek machine tools, spare parts for dual-use equipment, and widely available materials, scientific equipment and specialty metals from Western European countries.

Western European countries are also an important source for the proliferation of WMD-related information and training, and it is a subject of continuing discussion with these governments.

Now, I would list a number of specific countries, including Ukraine and the problem we had with the sale to Iraq of the Kolchuga passive detection system. Although we have not found that system in Iraq yet, there is no doubt that, as Senator Campbell said, that transaction was approved at the highest level in Ukraine.

I give examples of some concerns we have about transfers from Belarus and from Moldova. In the case of Moldova to Iran, which recently resulted in sanctions against both the Moldovan entities involved in that missile transaction and against the Iranians, as well.

Mr. Chairman, the events of September 11 changed the public understanding of the nature of the security threat we face and highlighted for all the potential threats from weapons of mass destruction in the hands of rogue states and terrorist organizations.

Nonetheless, the degree to which the international community has undertaken fundamentally to address the threats posed by proliferation of weapons of mass destruction and the means to deliver them remains uncertain.

The administration will adhere to the dictum that actions speak louder than words, and will not assume that a country's membership in multilateral regimes automatically constitutes an accurate reading of its intentions and commitment to enforce fully the requirements of these agreements and regimes.

The maintenance of a functioning multilateral system to curb proliferation will require responsible parties to demand full compliance and to advance credible enforcement responses when faced with violations of legal obligations.

If the international community is truly serious about these treaties, common agreement on enforcement mechanisms should cover a range of options, from diplomatic actions to multilateral sanctions, or as the president recently announced in Krakow, Poland, counterproliferation (inaudible) to prevent the international transfer of weapons of mass destruction and their technologies.

Sec. BOLTON. The United States will continue to exercise strong leadership in both bilateral and multilateral fora to stem the proliferation of weapons of mass destruction and the means to deliver them, including robust enforcement of U.S. nonproliferation laws.

As always, the United States will reserve its right to take whatever steps are necessary to protect and defend our interests, and eliminate the threats posed by those who seek to develop and use weapons of mass destruction.

Thank you very much, Mr. Chairman. I would be delighted to answer questions that you or members of the Commission may have. I want to thank you again for the opportunity to be here today.

Mr. SMITH. Mr. Secretary, thank you very much for your excellent testimony. I would like to begin with a first question.

I know that Chairman Nighthorse Campbell may have to leave. Would you want to begin first?

Sen. CAMPBELL. Well, we have some votes, but we are not quite sure when they said. Sometime after 10:00, a series of...

Mr. SMITH. Why do not you...

Sen. CAMPBELL. Well, just a few.

Under Secretary Bolton, you mentioned the mixed record of some participating States. Let me ask you just a few, maybe one with each of the countries I have listed here.

Radio Free Europe has reported on documents discovered in Baghdad in early April linking Belarus and Russian firms in Iraq. Is the United States reviewing those documents, and have there been any conclusions made from those documents that you can speak about?

Sec. BOLTON. Yes, Senator, I have seen those reports as well, and if I can answer that question a little bit generally because of the nature...

Sen. CAMPBELL. Please do.

Sec. BOLTON. ... of the information, but I think may be helpful to you.

One thing that is high on the list of priorities for the Iraq survey group, which is the interagency operation tasked with reviewing the information we find about Iraq's weapons of mass destruction, but also its links to terrorist networks and the human rights committed by Saddam Hussein's regime—one of the most important things that they're going to be doing besides the immediate search for weapons-of-mass destruction and production facilities and the like will be the review of exactly the kind of documents that you are talking about.

Our understanding is that, for whatever reason, Saddam Hussein's regime documented all of their transactions and the operations of their military and their secret police and intelligence services in great detail.

We expect to find, to the extent they haven't already been looted or burned by agents of Saddam's regime as they were being driven out of Baghdad, we are hoping to find a substantial amount of information that will tell us, how, over the past 12 years, Iraq has found ways to violate, found ways to evade the U.N. sanctions that were imposed even before the first Persian Gulf War.

We think that there is at least the possibility that those documents will tell us just the kind of story that you asked about: what countries the Iraqis went to, what firms within those countries, what individuals in government, what individuals in the private sector were dealing with them, where they got their supplies of weapons and weapons of mass destruction, what it may tell us about foreign officials that the Iraqis bought and sold. Also, not just what it will tell us about how Iraq maintained its weapons of mass destruction program, but the light it may shed on the entire underground of WMD procurement around the world, the false fronts, the financial foes and so on.

So, I think there is at least a chance we will learn a lot, not just about how Iraq kept its capacity up, but how other rogue states are doing the same thing. So I think you put your finger on a very important aspect of the work that the Iraq survey group...

Sen. CAMPBELL. Well, the short answer would be that you found some, but are still looking and expect to find more.

Sec. BOLTON. Yes, sir, that is exactly right.

Sen. CAMPBELL. Moving on to Ukraine, has the United States determined whether President Kuchma personally has benefited from armed sales detrimental to the security interests of the United States?

Sec. BOLTON. Senator, at this point, we do not have information that is dispositive on that point.

But obviously we are attentive to that question, as we are to the question that you raised earlier about corruption and criminal elements that tie in with these weapons of mass destruction networks.

I think that is something that is important. We are looking for it. Our ability to gather this information is far from perfect, but it is certainly a priority of collection, I do know that.

Sen. CAMPBELL. Some of us have concerns with respect to Bulgaria, which is slated to take over the Chairmanship of the OSCE in January. That country's record on arms transfers and the role of Bulgarian arms dealers is probably one of the poorest in Southeast Europe.

What do you anticipate, when they take over the Chairmanship, is there going to be political will from Sofia to tackle as an important issue?

Sec. BOLTON. Well, I think they have demonstrated, in the recent turnover in their ministry of defense there, an understanding of the nature of the problem and the willingness to deal with it.

I would have to say with Bulgaria, not untypical of some other Eastern European countries, you know, they were not dealt a very good hand with the breakup of the Warsaw Pact. Much of the munitions industry based in Bulgaria was not developed there by their choice, but was essentially imposed on them by the Soviet Union during the Warsaw Pact. When they broke free of Soviet domination, looking for sources of external earnings and hard currency, the only—not the only, but a principle source of that was this weapons industry.

I think they have made—and we have been assisting in that—work, in terms of destruction of some weapons that were left there from Warsaw Pact days and conversion of the industries and the development of export control systems, to try to move them away from that.

Their performance, I think, has been—their intentions, I think, are quite good. I think their performance, as you rightly say, has been mixed. But I have to say, it is something we continue to encourage them on, and recognizing they have got...

Sen. CAMPBELL. You mentioned the recent St. Petersburg agreement. I think many of us have had a pretty good feeling about how Russia makes commitments and then does not comply with the commitments, or they find a way around the commitments.

An example is, certainly, the failure to prosecute weapons dealers that we know that are there and that they know that are there too.

To what extent do you believe President Putin maintains control over the sales and distribution of weaponry to foreign countries? What role does the minister of defense play also in arms sales?

Sec. BOLTON. Well, the subject of Russian weapons sales, particularly those that implicate weapons of mass destruction, is something that we have paid particular attention to and have spoken to the Russians about at all levels, from the president on down, including to Defense Minister Sergei Ivanov.

The position that the Russians have taken with respect to many of the WMD transactions that we believe have occurred is that those transactions were not taken with government approval, that there are elements of their military-industrial complex that act on their own.

We have pressed the Government of Russia very intensively, particularly in the ballistic missile field, but also in the field of other advanced conventional weapons like MANPADS and other sophisticated conventional weapons systems, to monitor more carefully where these sales are made.

Principally, the Russians' problems have been in enforcement. I do specify some examples of that in the prepared testimony. Their legal framework, we think, is generally very good. However, in actual operation, it has not been as successful as we would like to see. So it remains something that we are continually working with the Russians about.

I think the fact is that elements of this military industrial complex have varying degrees of susceptibility to control from the center. Some, I think, are very susceptible to control, and I think in those cases President Putin is able to carry through. I think there are others in that complex system they have that are not as amenable to central control.

But just as we in this country have a system of export controls and we expect our private sector companies to abide by them—whether we have any control from Washington or not, we expect lawful behavior—that is the pattern that we are trying to get the Russians to accept, as well. It is a subject of continuing discussion.

Sen. CAMPBELL. Then that brings me to the final question, and that is, do you think that there is a further role for the OSCE to play, considering its security dimensions and its broad membership?

Sec. BOLTON. Senator, I think the role that the OSCE has played, by highlighting the standards that we expect, the behavior we expect from OSCE members, has been extremely important, and the information about the various programs that they have established—export control systems, border security systems, law enforcement systems, certainly in the area of weapons of mass destruction—I think, has been useful, and we see a role and hope that will continue.

I think it is worth exploring whether there is not more that the OSCE can do, certainly on the interrelationship between these WMD procurement networks and the organized criminal concerns that you have expressed.

I will undertake to follow that up myself as we prepare for this meeting coming up in the next few weeks.

Sen. CAMPBELL. Thank you.

Thank you, Mr. Chairman.

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

Let me, Mr. Secretary, ask you a couple of questions. First, on Russia, you mention that President Putin made some encouraging comments at the G-8 meeting. In your testimony you indicate that they seem to be getting it.

There was an article yesterday in the *Moscow Times* by an independent defense analyst. The headline was, "The U.S. Talking to the Wrong Guy." They make the point that Moscow has agreed to build a nuclear power station in Bushehr for more than \$800 million.

But the crux of this article goes to the fact, and I quote: "In the last year, the building of the Bushehr reactor has been legally taken over by one of Russia's oligarchs, and the nuclear power ministry is not in charge anymore. The Iranians are paying very generously in cash for the work that is to be done."

The article suggests that it is not the government that is in charge anymore, but the money interests in Russia. What is your take on that? Is this out of the hands of Putin and his public officials?

Sec. BOLTON. Well, I think there are two aspects to that, and one of them does go to the question of these pieces of the military industrial complex that are out operating on their own.

We believe that there are continued examples of Russian assistance to and cooperation with the Iranian nuclear weapons program—that is to say, with the clandestine Iranian effort to develop a weapons capability—that are not under the control of the ministry of atomic energy. That is something that, although the Russians assure they do not agree with, they do not authorize, they will not tolerate, we know is activity that continues.

Now, in the case specifically of Bushehr, the control over the uranium fuel rods contracted with the Iranians to go into the Bushehr reactor and actually make it operate, those remain under the control of MINATOM.

Although construction on the reactor complex itself has continued, we have been assured that there will be no delivery of these fuel rods—meaning that the reactor cannot start, and therefore the production of plutonium, which is the proliferation threat, would not begin—until the Iranians agree to return the spent fuel from the reactor to Russia. So that, in other words, they cannot accumulate spent fuel rods from which they could extract plutonium, as we have feared the North Koreans are doing at Yongbyon.

Now, what the Russians committed to at Evian, as Prime Minister Blair reported and as they have told us as well, is that concern about the Iranian nuclear weapons program has led them to further delays in the shipment of these fuel rods until the questions about Iran's nuclear weapons program are answered.

Now, I do not want to say the Russians are in the same place we are, because they are not. We believe the Iranians have a nuclear weapons programs. I do not think the Russians are prepared to go that far. However, they are prepared to say they have serious concerns and they want these questions answered.

If they withhold delivery of the fuel to Bushehr, I think that is a very positive sign, because ultimately, in my view, the Iranians cannot answer these questions in any way other than to admit that they have a clandestine weapons programs. That rather obvious violation of their commitments under the Nuclear Non-Proliferation Treaty, I hope, will be enough to convince the Russians not to deliver the fuel rods at all.

Mr. SMITH. I appreciate that. Let me ask you, if I could, on the issue of Serbia and Montenegro, you have pointed out that there has been some concrete progress, and pointing specifically to Yugo Import. Once that information broke, Belgrade was much more responsive in dealing with our concerns about their shipments of military hardware.

You also point out that there was a team of U.S. experts who visited Belgrade in late 2002 and that there has been a high-level Commission appointed. If you can give us, perhaps, an update on what our experts are doing in terms of follow-up.

Perhaps most importantly, what is that Commission doing, and does their own military industrial complex trump the government, or does the government really have control?

Sec. BOLTON. Well, I think this is a good example of the complexity of the work that is required in a country like Serbia and Montenegro to transform itself from the reliance that it had on sales, weapons sales, advanced conventional weapons sales and other things overseas. It requires both economic changes and the nature of the kind of economy they want to have to get it off of a weapons-export-dependent basis. It requires changes in the legal structure of the country to recognize that

some of these exports are very troubling internationally. It requires the creation of real enforcement authorities, honest to goodness law enforcement authorities, not secret police agencies.

The kind of advice that we have been providing since the fall of Milosevic has been, together with assistance on the economic policy reform front, is really under way. One would have to say, at this point, the ultimate outcome is obviously unknown, but that a lot of progress has been made. I think the political will to move in the right direction is there. I think it is incumbent on us to continue to try to work with them, and so far I think the cooperation has been good.

But I do not want to understate the amount of work that is required. We are talking about a very fundamental transformation in the way the state sees itself in Serbia and Montenegro and how the economy itself operates.

Mr. SMITH. Let me ask one final question regarding Lukashenka's regime in Belarus. Do you have any estimates as to how much money has gone into the pockets of Alexander Lukashenka? Does he undertake these illegal arms transfers for illogical reasons, or is it purely a way of enriching his government and, perhaps, even more so himself? Do we have an estimate of how much he has made?

Sec. BOLTON. I do not believe we have an estimate. But the question you pose is really a very important one I would have to say that the evidence is that in recent years this is not ideologically driven, this is financially driven. I think it ties in with the issue of corruption that we have talked about.

It is one reason, in the case of Belarus, we do not have any direct government-to-government programs at all, because we lack the confidence that we could maintain the financial integrity, even of assistance devoted to things like export controls and border security. It is a very discouraging situation.

Mr. SMITH. I appreciate that, Mr. Secretary.
Commissioner Cardin?

Mr. CARDIN. Thank you, Mr. Secretary.

I want to follow up on Belarus for a moment, but I am going to talk in a little bit broader focus.

Our Parliamentary Assembly group has been effective in putting a spotlight on countries that have had problems. We have probably spent more time on human rights than any of the other baskets I think we have effectively changed conduct in a lot of countries. The U.S. delegation, last year, took issue with Belarus being seated in the Parliamentary Assembly for several reasons, not the least of which is that we did not think it was a freely elected legislative body. You are correct, we do not have a good relationship with Belarus as far as contacts are concerned.

So I am curious as to what we can do to try to improve the circumstance? Belarus is trying to seek more international legitimacy. It seems to me that we can play an important role to point out that unless they cooperate with the OSCE commitments on nonproliferation, that we will take a very active role to make sure that does not happen.

It seems to me that we need to have a strategy.

You point out in your statement that the OSCE commitments are fine commitments, but they are only paper commitments, that they are not followed by the member States, and there is a limited amount of enforcement ability within OSCE to actually enforce the commitments that we have made.

So I am just interested whether you have some thoughts for us about how we could be more effective in our dealings with our fellow Parliamentarians on this issue, and whether there are other strategies that we could try to implement to get better enforcement on nonproliferation by some of these more difficult states.

Sec. BOLTON. Well, I think it could be a tremendous help in a variety of countries within the OSCE to know that members of the Commission such as yourselves, you are Members of Congress, reflecting the broad bipartisan views I think we all have on preventing the spread of weapons of mass destruction, help demonstrate that this is not just some bureaucratic priority that we at the State Department are following through on.

Generally, it is not a problem peculiar to the OSCE to say that, for a period of some years now, a number of these international treaties purporting to restrict the spread of weapons of mass destruction have been allowed to be violated without serious consequences for the violators. The Biological Weapons Convention, the Chemical Weapons Convention, or the Nuclear Non-Proliferation Treaty—all of which we are parties to, all of which we strongly support, and all of which are being violated by parties to those treaties. The violators are abetted in their violations by their efforts at procurement in other countries that are also parties to the treaties. Those countries undertook obligations not only not to have a biological or chemical or nuclear weapons program themselves, but also not to assist other countries to get such programs either.

Whether one wants to ascribe it to September 11 or to the general growing awareness that I think we all have about the threat posed to the United States and our friends and allies around the world by WMD proliferation, I think it is now time to say that we do take these commitments more seriously, and we want effective enforcement.

So the treaty and agreements are out there, the commitments the OSCE has made. As I say, it is not a problem peculiar to the OSCE, but one would have to say that heretofore, we have not viewed the OSCE as a possible vehicle to help get the kind of compliance we want.

That is why I think it is worth exploring, and I think the—as you say, it is been demonstrated in the field of human rights, when legislators are able to talk to their counterparts, to the press, to business leaders, to academic leaders, and the people understand how broadly this priority is shared, it does have a cumulative effect over time.

So I would be, I would be very receptive, I would say, to thinking about in countries where we still do have compliance problems, where our programs are not working effectively or where we are just not making any progress at all, to see if there is not some way we can work together on that to get this—to get to the end we are all trying to get to.

Mr. CARDIN. I think we are more effective when we work together, the State Department and the Commission.

I would encourage you also to help us to understand the key leveraging points for each of these different states. For each state it is different, what they are trying to accomplish internationally. For Belarus it is certainly a lot different from Russia.

So if you could help us in developing with our staff the strategies—because I think this is an issue that is very important to this Commission. We want to be helpful here. We want to use every opportunity we can. We do not want to have more Iraqs of the world. We want to try to do the best we can on nonproliferation.

So to the extent that you can help us so that we can use every opportunity we have—we will have an opportunity in Rotterdam, other meetings are taking place—so that we could underscore the importance of compliance with nonproliferation in order to get to the next step that state may be seeking.

Thank you very much, Mr. Chairman.

Sec. BOLTON. We need all the help we can get, so I will definitely plan to take you up on that. I think that could be very important.

Mr. SMITH. Thank you.

Commissioner Zach Wamp.

Mr. WAMP. Mr. Secretary, three fronts here. One, I represent the Y-12 National Security Complex in Oak Ridge, and we are very involved in nuclear nonproliferation activities with the former Soviet Union, and specifically relating to the uranium piece of these activities.

During the Iraqi conflict, though, there was a lot of noise about certain war-fighting technologies like GPS jammers and night-vision goggles, and the transfer of some of these technologies to our enemies. It ended up being a tempest in a teapot, it did not make that big a difference, I do not think, in the outcome of the conflict. But obviously we need to focus on weapons of mass destruction and nuclear materials and those kinds of transfers at this time.

Quickly, can you help us analyze the severity of the problem with the materials themselves leaving the former Soviet Union, specifically the nuclear threat as it relates to other transfer of technologies from our former enemies to our potentially future enemies?

But how secure are the nuclear elements from the traditional keepers of nuclear capabilities at this time?

Sec. BOLTON. There are basically two kinds of outward proliferation problems from Russia that we are concerned about.

The first we've talked about a little bit, is the direct transfer of technology, know-how, materials, for example, to Iran's nuclear weapons program or to Iran's ballistic missile program, as an example. That is something that we work with the Russians to try to deal with through export controls and the like.

The second area, and I think this is what you are really asking about, we have not covered yet, is the risk of the transfer of existing weapons or weapons components, weapons materials, from the enormous Soviet stockpiles that they still have. There are a variety of threats, particularly in the nuclear and chemical weapons areas.

The Russian Government believes that it has full and complete control over its nuclear weapons stockpiles. They assert, and we do not have any reasons to disagree, that they have never lost control of a nuclear weapon.

Where there is a lot less control and a much greater danger, as we have come to learn in the past couple of years, is from radiological sources that are not weapons-grade—that are not part of weapons systems, but that have radioactive materials distributed throughout society—power sources, radioactive materials used for medical purposes and things like that—that could fall into the hands of terrorists or rogue states to produce what we had now come to call a dirty bomb—not a bomb in the nuclear weapons sense we conventionally refer to, but a bomb, an explosive device that could spread radioactive material in an urban area.

So we have been working with the Russians, with the IAEA—Secretary of Energy Abraham has made this one of his priorities—to bring the broad range of radiological sources around the world under better control. It is something that I think truly is an international problem we have been working on.

But we have also had substantial work with the Russians in the field of what we called material control protection and accountability, to strengthen the security around sites where weapons-related assets are found.

We have also invested a substantial amount through the Cooperative Threat Reduction Program, the so-called Nunn-Lugar program and others, to destroy stocks of Soviet-era weapons and weapons systems, including the construction of facilities for the elimination, the rendering harmless of the nearly 40,000 tons of chemical agent that Russia currently possesses. It is an enormous stock of chemical agents that we obviously do not want to have fall into terrorist hands or others, and the best way to do that is to destroy it.

So, this is—and we have similar kinds of programs with other states of the former Soviet Union. It is something that President Bush made a major initiative at the G-8 summit last year in Kananaskis, Canada. Still, the United States has been spending a substantial amount of money. We currently—Congress currently appropriates about \$1 billion a year in this broad effort.

President Bush last year got the other G-8 leaders to agree to create a thing we call the global partnership to bring in other money, so it is not just American and Russian funds involved, but to get—initially we called this program “Ten Plus Ten Over Ten”—\$10 billion of U.S. money over 10 years, together with \$10 billion of European and Japanese money.

We are not quite at that second \$10 billion yet, but we are still working on it, because we think that the threat posed by the potential release of these weapons, or weapons assets, threatens everybody, not just us. So it would be useful to have others participate.

This year at Evian we had six new countries that joined the partnership—Norway, Poland, the Netherlands, Sweden, Finland and Switzerland—and they will also now be adding their contribution. So that work continues, and it is quite important for the reasons that you have stated.

Mr. WAMP. Number two, back to Ukraine. We got close to this, but I wanted to ask, out of Kiev, any concrete proof that, following the latest controversy there, working with us to ensure there is no transfer of technologies to rogue regimes out of Ukraine?

Sec. BOLTON. Well, I think certainly the Kolchuga incident got their attention in a major way I think the Government of Ukraine is still trying to deal with that.

We are working hard to make sure, number one, that additional transfers like that do not take place, and to say to the Government of Ukraine that as they desire to be brought closer to our Western security structures, that a fundamental prerequisite for that is to share our concern about these kinds of proliferation problems, among other things that the Commission deals with, such as human rights. But in my little area, what I worry about is the WMD aspect.

I think we have certainly made our point effectively, and we are engaged with them. We will have to see how it turns out.

Mr. WAMP. Final front here, you have made statements about Libya and chemical and biological potential capability. I just want you to give us a scorecard of Northern Africa right now and other countries. The attention is focused on Iraq and Iran and Syria, but what about Northern Africa, from the Sudan to Libya?

Sec. BOLTON. Well, Sudan has made substantial strides, we think, in getting beyond the chemical weapons program that it had some years ago.

As you know, Senator Danforth has been working with us to try to resolve the terrible military conflict between the north and south in that country that has claimed so many innocent lives, one of the worst civil wars in history, little noticed outside the Sudan I think that subject is under full and careful consideration constantly.

Libya is a much more serious problem. There is no doubt that since the suspension of U.N. sanctions, after they turned the two men accused of the bombing of PanAm Flight 103 over to the tribunal, since the suspension of the U.N. sanctions, Libya's efforts across the board to develop and enhance its programs in chemical, biological and nuclear weapons have increased. Freed from the sanctions, they have been much more successful, and they are very vigorously pursuing those three and ballistic missile delivery systems.

This is something that we have been in intense consultation with governments in Europe to try to bring to their attention the threat that Libya poses. It may seem self-evident to us that Libya is a lot closer to them than it is to the United States, and therefore, the threat posed by Libya with ballistic missile systems and even shorter medium-range systems and a capability of chemical, biological or nuclear weapons is much more directly threatening to them in the short term anyway than it is to us.

I think people are beginning to appreciate that threat now, and I think that one thing that we have tried to do in the wake of the conflict of Iraq is to bring to the attention of governments in Europe and, really, around the world why the proliferation of weapons of mass destruction should concern them just as much, in some cases if not more, than us.

But the Libya problem remains something that we need to do more work with governments in Europe on, and especially because many Libyan procurement efforts are directed at not just governments from Eastern and Central Europe but governments from Western Europe as well.

Mr. WAMP. Excellent.

Thank you, Mr. Chairman.

Mr. SMITH. Thank you, Mr. Wamp.

Mr. Secretary, just let me ask you one brief follow-up. You mentioned the "Ten-Plus-Ten." How much money has been secured from the E.U. and from Japan? If they have not been as forthcoming as we might have hoped, how has that impeded progress?

Sec. BOLTON. The total amount of pledges from the other G-7 countries—I am excluding Russia now—but the total amount from the other G-7 countries pledged to date is \$6 billion. So we are still \$4 billion short.

Now, the six additional countries whose participation in the global partnership was announced at Evian will certainly add to that total, we think at least a quarter of a billion right now. We are hoping that—I forgot to mention Poland, I am sorry, as one.

This is a really interesting story. Poland, from having been a country with enormous needs for export control systems, has now gotten to the point where it is prepared to provide assistance to Russia to solve some of these problems jointly.

However, we are still working on the other members of the G-7 to increase their pledges. You know, this year France was Chairman of the G-8. Next year, the United States is Chairman of the G-8. So I know already one of our tasks is to get the \$6 billion up to \$10 billion so that "Ten Plus Ten" does, in fact, become—we reach the objective that the leaders set at Kananaskis last year.

Mr. SMITH. Now, are the pledges being implemented? Are they coming forth?

Sec. BOLTON. Yes. I mean, one thing that was important was that some governments had run into difficulties inside Russia as to the transparency of the programs that are underway, access to destruction of nuclear submarines so that they could verify—their governments could verify to their Parliamentarians that their money was being spent for what the money had been provided for.

I think we have broken through much of the difficulties that they had encountered. Many governments said to us—Japan was a good example—"We haven't been able to spend the money that our diet has already authorized for us because of these problems in implementation in Russia. Until we can solve those problems, if we go back to the diet, they are going to say, 'Of course, we are not going to give you any more money. You cannot spend what we have already given you.'"

So our ability to take advantage of some things that the United States has learned under the Nunn-Lugar program and provide that to the other donor governments, I think, has helped I think that will increase the level of contributions from the others, at least I hope so.

Mr. SMITH. Mr. Secretary, thank you so much for your testimony, and your insights, which are always very well received by the Commission.

As was indicated by other fellow Commissioners, we do want to enhance our focus on this issue. Obviously, we will continue the human rights emphasis, which we have done for years, but it seems to me that this also needs a major push, particularly with our Parliamentarian contacts at the OSCE Parliamentary Assembly.

So your testimony is very timely and helpful. Anything else you want to add now or in the near future, please be sure to do so.

Sec. BOLTON. Well, I appreciate that I will take you up on the offer that Mr. Cardin and others have made here about this. I think this could be extremely important, and we need to do some more work on

this and think about it. Nevertheless, let us see what we can do, because I think that we all share the view that this is an important matter of threat to ourselves, our civilian populations, our friends and allies everywhere in the OSCE system. The more effective we can be and eliminate the problem, the better off we are all going to be.

Sen. CAMPBELL. Exactly. Thank you so much, Mr. Secretary.

Sec. BOLTON. Thank you, all. I appreciate it.

Sen. CAMPBELL. Appreciate it.

Sec. BOLTON. Thank you.

Mr. SMITH. I would like to welcome our second panel to the witness table. Beginning with Roman Kupchinsky, who is a senior analyst on organized crime and terrorism for Radio Liberty and editor of the weekly publication "Organized Crime and Terrorism Watch."

From 1990 to 2000, he was the director of the Ukrainian broadcast service of Radio Liberty. From 1980 to 1990, he was the president of Prolog Research Corporation in New York, where he served as an analyst and editor from 1970 to 1980.

In 1968 and 1969, Mr. Kupchinsky served with the U.S. Army in Vietnam. He was born in Vienna in Austria in 1944, immigrated to the United States in 1949, and graduated from Long Island University in Brooklyn, New York.

Terrence Taylor is president and the executive director of the International Institute for Strategic Studies [IISS] in the United States, and assistant director of the IISS. His expertise is in analysis, military technologies and developments in the armed forces worldwide, including weapons of mass destruction, arms control and nonproliferation treaties and agreements and the laws of armed conflict. He is also a regional expert on South Asia and on the Gulf.

Terrence Taylor was one of the Commissioners of the U.N. Special Commission on Iraq from 1993–1995, for which he also conducted missions as chief inspector from 1993–1997. He was a research fellow on the science program at the Center for International Security and Cooperation at Stanford University in 1993–1994, where he would carry out, among other subjects, studies on the implications for government and industry of the weapons of mass destruction treaties and agreements.

He has also carried out a great amount of consultancy work for the U.S. Department of Energy on verification technologies and for the International Committee for the Red Cross on the implementation and development on the laws of armed conflict.

Before joining the IISS, he worked as a political affairs officer at U.N. headquarters in the Department of Disarmament Affairs. That was from 1994–1995. Earlier, for the U.K. Ministry of Defense, as a member of the staff for the development of policy on arms control and non-proliferation issues on nuclear, biological and chemical weapons.

We are very happy to receive both of you very distinguished witnesses. If you would proceed, Roman, first. Then we will go to Terrence.

**ROMAN KUPCHINSKY, EDITOR AND SENIOR ANALYST,
CRIME AND CORRUPTION WATCH,
RADIO FREE EUROPE/RADIO LIBERTY**

Mr. KUPCHINSKY. Mr. Chairman, members of the Commission, ladies and gentlemen, in 1994, the director of the Bulgarian armed sales company, Kintex, was asked about revelations that his company had

sold huge amounts of weapons to Croatia in violation of the U.N.-imposed arms embargo. He replied, "I have no idea where the weapons went, and anyway it is not my problem."

A few years later, this same company was selling Hind helicopters to Iraq. One arms dealer who knew the intricacies of the Bulgarian market told *Forbes* magazine, "The Bulgarians do not give a hoot. They'll sell anything to anybody."

This is the attitude that prevailed in the former Soviet bloc after the fall of the Soviet Union. Unfortunately, this attitude persists.

When the covert (inaudible) sale to Iraq was being discussed in the office of the president of Ukraine and was being recorded at the same time, the main problem was to do it so that the Americans would not discover it. The crime lay in being exposed and not the sale itself.

Illegal sales of arms and munitions are a big business. It is a business that in 2002 grossed some \$8 billion in sales worldwide.

But the consequences of this business are impossible to judge in terms of dollars. It is a business that has enlisted into its ranks transnational criminal organizations. It is a business that stays afloat by spending huge amounts of money on bribes to government and military officials, without whose cooperation these arms merchants would be out of a job.

Today I would like to focus on the nexus between organized crime, illegal arms sales and the governments of both the supplying and purchasing countries. I do so intentionally, because were it not for this nexus, there would be far fewer crippled civilians and mass graves in West Africa or Croatia. Liberian President Charles Taylor needed weapons in order to destabilize his neighbors in West Africa. Liberia at the time was subject to a U.N.-imposed arms embargo. So he found transnational arms-smuggling gangs who obtained arms from stockpiles in Bulgaria, Russia and Ukraine, transported them on airplanes leased by Russian citizens from private airline companies in Ukraine and by a former KGB agent who created his own airline company for the purpose of smuggling the weapons to the real end users.

President Taylor of Liberia paid for the weapons in part with diamonds, conflict diamonds. Forged end-user certificates were shown to the sellers. Needless to say, everyone was getting a cut of the action. Only one person—and the only people punished for this operation were arrested by Belgian and Italian authorities.

Viktor Bout, one of the key arms dealers in this operation, is wanted today by Belgium and England on Interpol warrants. He is living in Moscow today, but the Russian authorities refuse to turn him over.

Last year the spokesman for the Russian Interpol was asked at a press conference in Moscow if he knew the whereabouts of Mr. Bout. He replied that he did not, and added with the full authority of his position that Bout was not in Russia. At exactly the same time, less than a mile away, Bout was giving a live interview in the studio of one of the largest Russian radio stations.

As we can see, people involved in the illegal arms business tend to have very high-level friends in Moscow. In the case made public last year, officials in the breakaway region of Moldova, known as Transdniestria, discovered 400 fake custom seals that were being used by arms dealers to transship arms from Belarus to the Middle East.

The arrested chief customs director turned out to be the son of the president of the self-proclaimed republic. Interestingly enough, the government in Minsk, in Belarus, has recognized the breakaway region as a legal state.

As to Moldova itself, in 1994 Moldova's defense ministry sold MiG-29 fighters, fighter aircraft and missile launchers to South Yemen, using the good offices of the Russian state arms company, Rosvooruzheniye. The deal was worth \$40 million.

In 2002, a scheme was discovered by a Moldovan paper whereby organized crime gangs were importing oil products from Belarus and using the proceeds to buy arms for Chechen fighters.

Today in Moldova there are 35 well-organized criminal clans that have close relations to Russian and Ukrainian organized crime groups. One of these clans has more than 1,200 members. Working closely with criminal groups in Transdnistria, these clans have recently embarked on drug smuggling as a new means of earning revenue. But the arms business is still the mainstay of criminality in Moldova.

This is particularly true in Bulgaria, where the arms industry employed more than 100,000 people in 1989. At its peak, the industry's annual production capacity was estimated to be as high as \$5 billion.

This industry, the arms industry, in Bulgaria earned 9 percent of the country's export earnings. The country's largest state-owned trading arms trading firm, Kintex, helped supply various terrorist groups during the Cold War, and it was feared that it would continue to do so after the fall of communism.

In the 1990s, Bulgaria became a marketplace for illegal arms dealers to purchase their wares. In 1992, the Bulgarian Government admitted that it had illegally sold more than \$15 million worth of weapons to Iraq on the basis of fake end-user certificates.

Forbes magazine estimated that the combined illegal sales of Kintex in 1992 were \$100 million. Such items as Hind helicopters, destined for Iraq and West Africa, were often purchased in Bulgaria and then flown to different locations by either the Bulgarian Government itself or by arms dealers of different nationalities.

In Croatia, a country where the U.N. arms embargo is being broken by many countries, a Croatian Serb general, Ivan Andabak, along with a number of other men, were arrested for the murder of Bosnia and Herzegovina Deputy Interior Minister Leutar, who was killed on March 16, 1999, by a bomb planted under his vehicle.

Andabak, the general, was tried *in absentia* and was declared innocent due to lack of evidence. However, in December 1999 a shipment of 600 kilos of cocaine sent from Ecuador was confiscated in the Port of Rijeka as a result of a report from the Vienna office of the DEA. The man behind this shipment turned out to be Andabak, who was arrested and eventually released on bail.

In September 2000, the International Criminal Tribunal for the Former Yugoslavia questioned Andabak for alleged involvement in supplying the Real IRA with weapons, including the rocket-propelled grenade fired at MI6 headquarters in London. Andabak is still at large.

As you can see, the links between organized crime, narcotics, and arms smuggling is a very strong one in the Balkans.

It therefore comes as no surprise that Bosnian and Serb companies were selling military items to Iraq and refurbishing Iraqi fighter aircraft. The middleman in these deals was the Yugoslav state arms trading company, Yugo Import.

Officials in Belgrade blamed the government of former President Slobodan Milosevic for arranging the sales to Iraq. But to their credit, they took the extraordinary measure of firing an assistant to the defense minister and the general manager of Yugo Imports for this affair. Only recently did a high-level official of the government resigned because of this scandal.

I would like to focus for a few seconds more on the question of arms sales to Iraq. As you know, these sales began as soon as sanctions against the Iraqi regime were imposed in 1990. While these sales did not determine the outcome of the war in Iraq, they were an indication of the porous nature of the sanctions imposed on that country by the international community, and the disregard shown by some states for decisions they themselves voted for.

First, let me say that the former regime of Saddam Hussein knew it could not rely on Arab support for its military effort. No Arab state was willing even to discuss arms sales with Iraq. Saddam had to turn to his old friends, the Russians, Belarusians, Ukrainians and Bulgarians.

In my written testimony, I have detailed some facts about suspected Belarusian arms sales to Iraq and their training of Iraqi military personnel. As with the case of Russia, these sales are often done with a wink and a nod from the government, which can then angrily deny all charges of wrongdoings.

What I believe was taking place when it came to Iraq was that an infrastructure of surrogate arms dealers came into being. Nobody was touching them, for they were doing that which many people in their governments wanted to do but could not do. They would sell weapons to Iraq to make money, first, and to satisfy their ideological hatred for the United States.

With Iraq not a customer anymore, the question remains: whom will they supply next? In my research, I have often wondered, what makes it so easy for the arms dealers to get away with it?

The answer I have come up with is that many people do not see arms smuggling as a major evil. The most popular post-Communist view thinks arms-smuggling is just another business. For example, if Russian soldiers can sell their weapons to Chechens—Chechen fighters, who in turn take these weapons and kill other Russians the next day—often civilians—and the sellers remain unpunished, then why should a person selling weapons to Iraq be punished?

The attitude many people have is that the seller does not pull the trigger, that the buyer pulls the trigger.

I firmly believe that many of the export controls in place in these countries will remain meaningless until this attitude, this psychology is dispelled in these transitional societies.

Thank you very much.

Mr. SMITH. Mr. Kupchinsky, thank you very much for your testimony.

Mr. Taylor, please proceed.

**TERRENCE TAYLOR, PRESIDENT AND EXECUTIVE DIRECTOR,
INTERNATIONAL INSTITUTE FOR STRATEGIC STUDIES-U.S.**

Mr. TAYLOR. Thank you very much.

I would like to thank the Commission for doing me the honor of asking me to appear before you. I have to confess that I was traveling while I was asked to come, so I apologize for not submitting in advance any written testimony. But I am delighted to have the opportunity and will follow up with documentation.

In looking at this problem, which I have looked at particularly over the past decade, there is a combination of legal regimes, politically binding arrangements that are absolutely dependent on each other. But a very important element that I think we have heard from previous testimony, too, is the activities of the private sector in this particular context, which is particularly challenging.

If we were to look at the weapons-of-mass-destruction areas—that's nuclear, biological and chemical weapons—it is clear to see why because of the dual-use nature of all the technologies involved, including the nuclear ones. So the involvement of the private sector is not surprising.

There are real difficulties, increasing difficulties, given the nature of the way that global trading is developing now in governments really getting a grip on the dissemination of materials and technologies to people that, of course, we do not wish they should possess them for obvious reasons. This is a particular challenge.

Now, the treaties themselves, the Nuclear Non-Proliferation Treaty, the Chemical Weapons Convention, the Biological Weapons Convention—the three principle treaties—are absolutely vital in setting the norms, and provide the legal framework to try to prevent the proliferation of weapons of resulting from these technologies.

The key, though, in this context—and this is where perhaps in some areas, including among the OSCE countries—is in the national implementation of implementing into national legislation, for example, commitments and legal obligations that governments have entered into under the Chemical Weapons Convention and the Biological Weapons Convention, for example. It is surprising when you see the patchy national legislation in relation to these treaties. Of course, that is not only confined to Central and Eastern Europe. You'd be surprised on some Western countries where this has been rather slow.

I think the OSCE, in the declaration of the 5th of December, 1994, specifically the Principles Governing Non-Proliferation of the Budapest Document "Towards A Genuine Partnership In A New Era." The Budapest Meeting, in the last paragraph of that declaration the OSCE countries all undertook to take all appropriate action to prevent, within their constitution and legislative means, their nationals from engaging in activities that do not conform to these principles concerning the non-proliferation war-types of weapons of mass destruction. That is to say, to make certain that the obligations under the treaty, such as the chemical and biological weapons conventions, apply to the citizens or people on their own territories, and it is not just a government-to-government arrangement.

I think more effort in that area, in the discussions with the OSCE, would be very important and very beneficial, but recognizing that, of course, we are here dealing with legal obligations, and we have also to do other things at the sharp ends of this issue.

If I may, just briefly, just touch on each of the three areas, not completely but some aspects of it, which I think should be important in the Commission's deliberations.

First, in the nuclear area, we are approaching—I think we are at the 50th anniversary of President Eisenhower's Atoms for Peace speech, where the promotion of nuclear technology for peaceful purposes was promoted, and shortly following that, in 1956, the International Atomic Energy Agency was set up with all its statutes and so on.

I think it is important to remember the limitations of the International Atomic Energy Agency, that it is a materials accounting organization. That is very important. It is required under the statutes and under the Nuclear Non-Proliferation Treaty, which came along later, to help prevent diversion of materials for use in nuclear weapons. It operates under a series, of course, of bilateral agreements, under a series of bilateral agreements with all the members of the Nuclear Non-Proliferation Treaty, and their activities have been enhanced somewhat.

But I think it has to be remembered, they are dealing with a diversion of materiel, and they are not dealing so much with nuclear weapons components and all these other aspects. So I think it is very important to keep in mind the limitations.

I do not want in any way to denigrate the vital and important work that the International Atomic Energy Agency and their personnel do. It is absolutely vital, and it would be a difficult place, a more dangerous place without them.

On the Chemical Weapons Convention side, here we have a new development. This is a treaty finally developed. It was a long negotiation. But finally came to the conclusion after the end of the Cold War. In 1993, it was finally signed. It has the most comprehensive compliance and verification system of any of the weapons of mass destruction treaties.

But again, I must caution, one must be aware of the limitations. This again relates to the private sector. We are talking about a chemical industry that is a multi-billion-dollar global market. One must be aware of the limitations there, and the vital importance of encouraging governments, OSCE governments, but governments around the world, to ensure national implementation in relation to the Chemical Weapons Convention.

The Biological Weapons Convention does not have a verification system. There are a number of political and technical reasons for that. In my personal view, as an inspector in Iraq and in other places, I do not think a verification system is practically possible that would deal with states determined to cheat under this system. Of course, I use the word "states" here, we are talking about governments that would do very little in relation to non-state groups and their activities.

Mr. TAYLOR. Again, we have a multi-million-dollar global industry. The private sector is at the leading edge of its determination of the technology I mean that in a positive sense. I think it brings enormous benefits around the world. That industry has to be safeguarded. But at the same time, there needs to be more awareness on the part of those in the private sector that are at the leading edge of the dissemination of these activities.

I can recall—as part of my work, we're promoting a charter for private industry for observance of national and international legislation in relation to the biotechnology and the security implications. I can re-

member talking to a CEO of a small biotechnology company in northern California—I would not name them for obvious reasons—doing work and with leading-edge work being done by contract in Bulgaria and in Ukraine.

That is a very good company. Everything is being observed properly and so on, but I am just picking just one company to show the nature of their industry and where it operates. Not everyone is, in the case of this CEO, is fully aware of the dangers involved in the dissemination of the technology. This particular individual is well-aware, so we feel comfortable in this regard. Nevertheless, I think it is an important example.

So those are just some remarks on the weapons-of-mass-destruction treaties. But of course some consideration of the delivery means in relation to this and missiles, combat aircraft and also we have to think about the unconventional delivery systems that might be used as well.

This is an area where there is not a global, legally binding regime. Of course we have the missile technology control regime, which Secretary Bolton referred to. That is very important, and compliance with those provisions, I think, are very important. But these are politically binding commitments.

The same would apply in combat aircraft and in other areas. Here, the high value of the arms trade is very important. If you were to take Russia as an example, which ranks, according to the estimates of my institution and *The Military Balance*, which examines the global industry—which, by the way, I think the congressional library has copies of this, but I will leave a copy in case you might like to refer to it. Nevertheless, in that book, you will see that Russia is now ranking third of global arms—exporters in the global arms trade, accounting for something just under 17 percent of the total global trade. I only mention that to perhaps reinforce a point made by the previous witness, Mr. Kupchinsky, because of the high value that trade and arms has within—in Russia, as one example. It is one of their major foreign-currency earners. It is very large, indeed, very diverse, includes trading supplies of spare parts, ammunition and so on. It is a very large industry.

It is hard to see how one can keep a handle on this in terms of the possible negative effects of this. But there are efforts, and the Organization for Security and Cooperation in Europe through for its foreign security cooperation is encouraging, for example, all members to commit themselves to making declarations to the U.N. register of conventional arms to increase transparency and visibility, which I think of itself, without ever stating its importance, it is important to increase transparency, particularly in the trade in the major weapons systems.

But coming to small arms, of course, it does not deal with that. But the forum for security cooperation within the OSCE, I think encouragingly, has developed a document on small arms and light weapons, which is again in the same spirit of the U.N. register of conventional arms, is encouraging transparency, and actually has in it a requirement—of course it is only politically binding—to report annually on sales of small arms.

But this only, of course, covers the government, the ones that the government knows about I suppose you could say, it increases visibility over the legal arms trade. But at least that will help, in some respects, in dealing with the illegal dimension of understanding it and its size and so on.

So, gentlemen, in summary, there are a lot of instruments in place, and it is absolutely essential to push for compliance with the existing commitments. It is hard to think of new legal regimes or politically binding regimes that one could add to the existing panoply.

But I think insistence on obligations—and I would refer particularly to the weapons-of-mass-destruction treaties—and encouraging the development and implementation of national legislation throughout all OSCE countries.

There can be advice given on this. I myself have been involved in giving advice to governments in this, not only in the OSCE, but countries like, for example, South Africa, which are for the first time introducing national legislation for the chemical weapons convention. This is just an example in that area.

There are areas in terms of compliance, which I think are of great concern I would personally pick out concerns in Russia about biological weapons. I do not think there has been anything like sufficient openness regarding the former, I hope, Soviet biological weapons capabilities.

A lot of work has been done through the Cooperative Threat Reduction Program and through the International Science and Technology Centers, which the United States, of course, is playing the major role, but in the latter case along with Japan and the European Union.

But I think money has been put into that and employing former weapons scientists and so on, but we have not received a concomitant degree of openness regarding the Russian biological weapons program, which, of course, we know includes weapons that have warheads with smallpox in them, for example I think that is an area of great concern.

The implementation of the trilateral agreement of 1992, Russia, U.K. and the United States, which was hoped would open up that program and make certain it was ended, still remains to be implemented.

Just a couple of more points. The private-sector responsibility is vital I think in dealings through the OSCE, I think, somehow the engagement and awareness of the private sector in today's global trading positions is absolutely vital. This may involve things such as charters, for example, which individual industries, like the biotechnology industry, could actually sponsor, led by perhaps companies in United States, U.K. and other leading European countries to promote good business ethical standards throughout the OSCE and, of course, in other parts of the world.

I am sure this Commission would not underestimate the impact of action through the OSCE. We have seen it in other areas, particularly in human rights, as has already been mentioned.

So while we have been mainly talking about pieces of paper, these pieces of paper do have power and influence I think it brings support to those who want reform and those who will be active in making it happen.

So I think the Commission's work is extremely important in encouraging that process, because there are people in all OSCE countries in Central and Eastern Europe who welcome this support so they can progress and make things happen. Thank you very much for listening to me.

Mr. SMITH. Thank you very much, Mr. Taylor, for your testimony and for your good work.

I would like to begin with a couple of questions.

First, with regards to your book, you indicate that Russia is the third leading arms exporter. Could you tell us who is first, second and fourth?

In doing so, does your analysis differentiate between arms trade for legitimate defensive purposes and that which goes to rogue states and nefarious purposes?

Mr. TAYLOR. Of course, first and second, first is the United States in the global industry. According to our estimates, and I am talking in 2001 dollars, the United States comprises 45.5 percent of the global industry. Second is United Kingdom with 18.8, and then Russia with 16.9. So that is the size of the industry.

But the point I was trying to make is that, in Russia as a component of their total industry and in terms of foreign-exchange earner, it is hugely important. That is the relevance. I think if you look at the United Kingdom and the United States, and that component of the total global trading would be much smaller. So I am simply illustrating that from that point of view.

The reports in this book comprised of primary open sources, but also other sources as well, and tries to reflect the global trading in all forms of weapons. It also includes non-state groups also in this book as well and some of their capabilities. But I have to say, the majority of what we report is the visible part of the trade and essentially the legal element of it.

Mr. SMITH. But do you devote any analysis to what the arms are used for? For example, an arms sale to Poland or some other country where democracy has taken root, obviously does not pose a threat as it would to a ...

Mr. TAYLOR. Absolutely.

Mr. SMITH. So do you do that kind of analysis?

Mr. TAYLOR. In fact, we do an analysis, and there is an analysis with each region and country-by-country of the impact of the transfers of weapons and the technologies that go along with them. We do focus on weapons of mass destruction, as well.

Mr. SMITH. I was the sponsor of the Admiral Nance-Meg Donovan Foreign Relations Act of 2001. We had in that bill, which was signed by President Clinton, a code of conduct for arms sales. Unfortunately, we could not get language that made it really stick with any U.S. administration.

But the idea was that we would not want to, in any way, empower or strengthen any organization or group or country I had at the top of my list—although it still remains a problem, it was more of a problem then—and that was our aiding and abetting the Suharto regime and the Kopassus and some of the others who were benefiting mightily from our efforts to enhance their capabilities in Indonesia, and there are many others. But the code of conduct is law, although it is not as strong as I would like it to be.

So I look forward to looking at your analysis, because—if I could have that book, and I will grab it before you leave—because I think it is very helpful to know to whom it is going and for what purposes. So I thank you for doing that fine work.

I do have a question for Mr. Kupchinsky. You noted in your testimony Charles Taylor. As we all know, he has recently been indicted by the Sierra Leone war crimes tribunal led very admirably and effectively by David Crane, chief prosecutor, whom many of our Commissioners and I have gotten to know and who cares deeply about the rule

of law. He has very much involved local prosecutors and jurists, and will leave, when he leaves Sierra Leone, an infrastructure for adjudicating cases that will hopefully long survive.

You mentioned that the Russian authorities refused to turn over Viktor Bout. Do you know who they are, and could we get some detailed information on that?

I would like to follow up on that very specific case and any other cases that you have. Obviously Charles Taylor and some others were absolute monsters in the way they mistreated people and killed and maimed.

Mr. KUPCHINSKY. Mr. Chairman, you're asking if I know where Mr. Bout is?

Mr. SMITH. You indicated that they actually knew at the time who the Russian authorities were that refused. At what level, how high of a level did it go?

Mr. KUPCHINSKY. I think it goes all the way to the top. I think the protection that Bout has in Russia is very high-level. Russian Interpol has not acted on warrants that have been given to them. The Russian Ministry of Internal Affairs, the MVD, has totally disregarded anything.

One problem, of course, with Russia is that, for example, there is no extradition treaty with the United States. Today you have in Russia, for example, a major criminal figure, Semion Mogilevich, who was indicted in a court in Philadelphia last month on fraud, on a financial scam, who is living peacefully in Moscow, Russia today. Nobody's bothering him. He is still involved in a major criminal enterprise at this time.

So anybody who has the proper money in Russia can buy himself freedom from prosecution. That is the unfortunate part of it.

Mr. SMITH. Earlier you might have heard my exchange with Secretary Bolton regarding who really is in control when it comes to the nuclear power plant deal or the provision of fuel to Iran.

The piece that was in the *Moscow Times* by Pavel Felgenauer, "U.S. Talking to the Wrong Guy," raised a very serious question about who—the power ministry, nuclear power ministry or this Russian oligarch—controls things?

Do you have any indication as to whether or not the oligarch or Putin is in charge here?

Mr. TAYLOR. Shall I go first?

Mr. SMITH. Yes, please.

Mr. TAYLOR. Well, of course, Russia is a much more pluralistic place now than it was even, you know, 5 or 6 years ago with competing centers of power and influence.

But I think regarding the particular issue you mentioned, like the supply to Iran, I think that is an area where President Putin could himself exercise authority, because essentially MINATOM are the suppliers. So I think the key there is, indeed, the president himself, and the higher reaches of government.

I think in other areas where this extremely high value in dollar terms of gaining returns from trading around the world in all sorts of other kinds of weapons systems, and, of course, one must not forget the dual-use technologies, as well, I think that is a much more difficult thing for the central government to keep a hand on.

My personal view, we have a major program from my institute in Russia and Eurasia, and inside Russia itself and out to the regions there has been an improvement over the past 5 years, a noticeable improvement over more legitimate conduct of business and control and so on.

Nevertheless, I do not want to overstate that. There still is a great deal of enterprising activities that are illegal, particularly to do with the smaller-scale weapons, and not so much with battle tanks and combat aircraft and so on, which are highly visible and therefore there is a certain amount of control.

However, the companies that are exporting these weapons, one has to remember that the Russian defense industry is almost entirely dependent on exports. It does not have a strong domestic base, unlike the United States, unlike the United Kingdom and other defense industries. That, of course, encourages legal observance and so on. When you have an industry that is entirely dependent, and the government at home is buying hardly anything of consequence, then it is export-led. I think that makes it a little bit more dangerous from the proliferation point of view.

Mr. SMITH. Let me ask you one final question before yielding to Mr. Cardin. In your testimony, Mr. Kupchinsky, you refer to the breakaway region of Moldova, Transdniestria, through which arms have been shipped from Belarus to the Middle East. You also note that the chief customs director of Transdniestria has also been implicated in arms dealing. Can you provide us some details on the role in illegal trade activities of Transdniestria?

Mr. KUPCHINSKY. The...

Mr. SMITH. Transdniestria, can you provide us any details about this role, of this arms flow to the Middle East?

Mr. KUPCHINSKY. I can certainly get you more information about this. I do not have it with me, but there have been a number of very excellent studies done about what is happening through Transdniestria that I could absolutely send you.

One thing I would like to just add to what Mr. Taylor was saying, the financial aspect of arms sales, one of the biggest industries in Russia today, which earned \$10 billion last year, was narcotics, illegal drugs.

When the money laundering legislation after September 11 took hold in Russia, the FATF regulations, money laundering became a much greater problem in Russia. The drug gangs, the dealers, now did not have a way of getting this \$10 billion out of Russia. What happened was that this money was being recycled back into Russia to bribe policemen, judges, politicians, and back into the illegal arms business.

The Chechens are very well supplied with arms. Where is this coming from? Most of it is coming from Russian army stocks, which are being sold. Much it is being supplied by organized crime gangs.

This is a problem where one feeds on the other. Illegal narcotics is coming in from where? From Afghanistan. Most of the heroin into Russia. It is almost impossible to stop the production of opium today in Afghanistan. The interim government does not control the country, especially the provinces where the opium poppy is grown.

Anybody today, in any country in the world, can order by the Internet, poppy seeds for the variety of poppies needed to produce opium. There are Web sites that tell you exactly how to go about producing heroin.

It is open, and nobody can stop it. We are fighting child pornography on the Web, so somebody should begin to look into how the Web is being used in the narcotics business as well.

Mr. CARDIN. Thank you, Mr. Chairman, and let me thank both of our witnesses. I find this very helpful.

Mr. Kupchinsky, you point out that we have an attitude problem. I am interested in the statement that you put in your written statement that the attitude many people have is that the seller does not pull the trigger. The buyer does. I would not want to test that here in the United States, either, on our arms in our streets. I think you raise a very legitimate problem. Mr. Taylor points out the first step to trying to deal with that, and that is transparency. Because I think if we knew more about what was really being transferred, that it would help deal with attitude in our community.

So I am just interested, Mr. Taylor, as to what recommendations you would have to make transparency laws more effectively internationally, dealing not only with the large sales but the smaller sales, both government and private sector. What do we need to do to improve our laws on transparency?

Mr. TAYLOR. Well, there is a very good existing framework there. There are very good, at least on paper, commitments in the OSCE, particularly through the forum on security cooperation.

But I think what needs to be done is to follow through on those commitments. That is, reporting to the U.N. Register of Conventional Arms is somewhat patchy and inconsistent.

I think insistence on meeting those obligations—the United States sets a good example by reporting, and so do other major European countries. Nevertheless, I think insistence on full compliance with that at least requires some public commitment, and has indeed. Already that register has revealed sales that were otherwise confidential, if I might put it that way, or trying to be kept secret.

Certain countries have had to change the legislation. I know United Kingdom, for example, had to change its legislation so that they could not have confidential contracts in relation to export of certain items that were covered by the U.N. Register of Conventional Arms.

I think on the bigger items like combat aircraft, artillery systems, and more than 100-millimeter caliber main battle tanks, armor combat vehicles, warships—these highly visible items are things that I think perhaps easier to get a handle on. But even there, as I was saying, compliance is a little patchy.

I think the difficult area—and most difficult area is, of course, on small arms and light weapons. There is a lot of effort within the United Nations to do with this, and I think a commendable effort already in the OSCE with this OSCE document on small arms and light weapons. It is a fine document with a fine reporting format and so on.

But I think insistence on compliance with this and thorough reporting and calling countries to account if they have not reported, instead of it being pushed into the pending file, I think might be, you know, would be very important.

It is hard to think of new declaratory items that are not already in place. So, it may seem perhaps not very imaginative, but I think compliance with the existing rules, I think would be—politically binding rules—would be a very important thing one could do at the moment.

Mr. CARDIN. Let me just ask another question, if I might, very quickly. That is, are there any classification of weapons so that we have a better grip on those weapons that are more likely to be components to weapons of mass destruction, or the preferred use by terrorists or gang groups so that we can try to—I mean, we are dealing with huge numbers. You are combining jet fighters with small arms.

Is there any way that we can get a handle on the size of the problem as it relates to the type of weapons that are more likely to end up in the rogue institutions for terrorist activities or for illegal type of actions?

Mr. TAYLOR. I think one has to distinguish between those weapons that might be used by states—by governments, those states we are concerned about, and those used by terrorists, because I think they are different aspects.

I think the weapons of mass destruction delivery vehicles, if you like, in a sense are highlighted in the U.N. Register of—although it is called—Conventional Arms. But these are the primary, in fact, the primary delivery means. That's—and they focused on, for example, missiles with a particular range and with a particular carrying capacity, and so on, as indeed the Missile Technology Control Regime has also done that.

But I do not think you will find a comprehensive document or some agreed document that classifies all those that should be of concern.

I think the difficulty is, even with states—and I will come to terrorist groups in a moment—is the dissemination of the technologies, the guidance systems, the gyroscopes, the chemicals, the biological materials, and so on, which are principally disseminated for dual-use purposes throughout the world by companies large and small. That is the most difficult area to focus on.

Regarding terrorists, I think we need to be careful about that because, clearly, there are unconventional means of delivery. Dealing with the major weapons systems and even, I think, the major treaties dealing with weapons and mass destruction cannot reach out to that part of the problem.

It then comes down to awareness. It comes down to intelligence—awareness in the private sector as well as the government sector. I cannot stress the importance, in my personal view, the importance of the private sector, particularly in relation to the activities of non-state groups. A responsible action on the part of biotechnology companies, chemical companies, and people who have all sorts of technologies that can be used in the manufacture and delivery of weapons of mass destruction.

I think there is a serious problem with regard to—perhaps in the biotechnology area as they were delivering extremely, immensely valuable humanitarian groups to the world, which indeed they are. It should not be restricted, so it requires a sensitive approach. I think the sledgehammer approach to restrictive legislation is not the way to go, but awareness is the way to go, so that these companies can continue to deliver the very good things they deliver, but be very careful and aware of who they are dealing with.

There isn't a silver bullet in dealing with this problem. But I think through the OSCE, through those direct contacts and the very elaborate structure, I think there is a way that one could reach out to these other areas that we should be concerned about.

Mr. CARDIN. Thank you.

Thank you, Mr. Chairman.

Mr. SMITH. Commissioner Joseph Pitts?

Mr. PITTS. Thank you, Mr. Chairman.

Thank you for your testimony, gentlemen.

Very quickly, which of our friends and allies in the OSCE do you think most closely share our concerns about potential proliferation of weapons of mass destruction? Are the governments, for instance, of Russia and France concerned about the implications of their business deals with rogue regimes? Could you elaborate?

Mr. TAYLOR. That is a very challenging and a very appropriate question to ask.

I think there are differing perceptions of the threat posed by the dissemination of these capabilities. That certainly was graphically illustrated in the case of Iraq, where I think it was essentially, but not exclusively, a difference in the risk assessment, if you like, about allowing, for example, Saddam Hussein and his regime to remain in place maybe with some additional inspections or whatever, but that wasn't the serious consequences envisaged in Resolution 1441, the Security Council resolution. So there is a difference in perception of how the risk is assessed.

However, apart from those individual issues—I think Iraq is a rather special issue, the Korean Peninsula is another one. But in the wider issues of preventing technologies getting into the hands of terrorists, I think there is a lot of common ground I would not distinguish between France and Russia and the United Kingdom on that front.

I think there is a lot of willingness to cooperate. I think that is evident on the terrorism side. I think the Russians themselves recognize the problem of these materials and technologies and capabilities getting into the wrong hands.

But I think the highly politically charged issues of Iraq on the one hand, which we have just experienced, I think, just heighten and exacerbate the divisions that do exist on the perceptions of risk in this regard.

But I think at the lower level, particularly in relation to terrorist groups, I think there is a lot of cooperation that can be built upon I think recent events, recent discussions between President Bush and President Putin, I think will greatly improve the situation in that regard.

But clearly, political divisions at the highest level only serve to undermine cooperation in relation to preventing the dissemination of weapons of mass destruction and technology into the wrong hands. So the sooner that these differences can be healed in some way, I think, the better.

Mr. PITTS. Thank you, Mr. Chairman.

Mr. SMITH. Unfortunately, we have a vote on the floor of the House. As a matter of fact, we have a series of votes. But I do want to thank our very distinguished witnesses.

We really are going to enhance what we do on this Commission. We have always raised arms control issues, but human rights have obviously been the main, central point. Your testimony will help us immensely in doing just that. So I want to thank you, and I look forward to working with you in the future..

The hearing is adjourned.

[Whereupon, at 11:57 a.m., the hearing was adjourned.]

**PREPARED STATEMENT OF
HON. JOHN ROBERT BOLTON, UNDER SECRETARY OF STATE
FOR ARMS CONTROL AND INTERNATIONAL SECURITY**

Mr. Chairman, members of the Commission, thank you for inviting me to appear before the Helsinki Commission to discuss the progress of OSCE member states in preventing the spread of weapons of mass destruction. OSCE member states have taken on special commitments to act together toward the goal of nonproliferation, and their compliance in this regard is of utmost importance to global security.

OSCE COMMITMENTS

A variety of useful OSCE statements and efforts of the Helsinki Commission can be highlighted that advance positive nonproliferation policies and efforts.

In 1992, members reiterated their commitment to the 'prevention of the proliferation of weapons of mass destruction and the control of missile technology' in the Prague Declaration on Non-Proliferation and Arms Transfers.

In 1994 in Budapest, the OSCE resolved to promote and strengthen multilateral regimes such as the BWC, the CWC, the NPT and the IAEA, and affirmed 'their commitment to prevent the proliferation of nuclear weapons; to prevent the acquisition, development, production, stockpiling, and use of chemical and biological weapons; to control the transfer of missiles capable of delivering weapons of mass destruction and their components and technology.'

And the 2002 Porto Charter on Preventing and Combating Terrorism reaffirmed the importance of arms control, disarmament and non-proliferation and noted member states' contribution to reducing the risk of terrorists gaining access to weapons and materials of mass destruction and their means of delivery.

As encouraging as these declarations are, they are worth no more than the paper they are printed on if member states do not take the commitments spelled out within them seriously. And in this respect, I must report that the record is mixed. There have been some notable success stories—countries that, with U.S. assistance, have improved their export control systems. On the other hand, there have been instances of OSCE member States aiding rogue states in acquiring sensitive or dual-use materials that can be used toward nefarious ends.

STRENGTHENING EXPORT CONTROLS

The United States' primary vehicle for export control assistance efforts, which has made significant progress toward meeting nonproliferation objectives for many of the OSCE participating States, is the State Department's Export Control and Related Border Security Assistance (EXBS) Program. The EXBS program was created to help address the proliferation concerns primarily in the former Soviet states and neighboring countries in Central Europe. But in light of the global nature of the proliferation threat, we have expanded the program to include potential WMD source countries in South Asia and key transit/transshipment countries in Europe, Asia, and the Middle East.

We currently have active programs in 29 OSCE countries, each of which is covered by one of the 20 EXBS program advisors serving overseas at U.S. Embassies. In a number of countries, officials trained by

the EXBS program or using EXBS program-provided equipment have seized sensitive goods or weapons components bound for programs of concern. U.S. export control assistance is largely responsible for over a dozen European and Eurasian countries adopting comprehensive export control laws that meet international standards. I should also mention that the Department of Defense has its Congressionally-mandated International Counterproliferation Program (ICP), which is coordinated with EXBS and focuses on counterproliferation training and equipment provision in the Former Soviet Union, Eastern and Central Europe, and the Baltics.

Although the EXBS program has produced many successes, a number of OSCE countries still need additional assistance to develop appropriate legal frameworks and increase enforcement capabilities to combat the transfers of sensitive goods and technologies. Among them:

Russia, Ukraine, and Kazakhstan have retained significant WMD materials and expertise from the Soviet era. The EXBS program continues to work with these countries to enhance enforcement capabilities and promote industry compliance with national laws.

Countries in Central Asia and the Caucasus are high-risk transit and smuggling routes from source countries. We continue to work with them to build effective legal control and enhance border control capabilities.

Certain Mediterranean countries handle a significant volume of transshipment trade that has not historically been subject to effective control.

The Balkan states are main transit routes from the countries of the former Soviet Union to Europe, and recent arms transfers have highlighted the critical need to strengthen their export control policies and procedures.

In a more narrow context, we have specific concerns about the proliferation of man-portable air defense systems (MANPADS) and have initiated a worldwide effort to dramatically reduce the risk of MANPADS falling into the hands of terrorists. This initiative was first presented to the G-8 and members of the Wassenaar Arrangement in January 2003. During the June 1-2 G-8 Summit all Partners agreed to: provide assistance and technical expertise for the destruction of excess MANPADS; adopt stringent national export controls on MANPADS and their essential components; ban transfers to non-state actors; exchange information on uncooperative countries and entities; and examine for new MANPADS the feasibility of adding specific technical performance or launch control features that preclude their unauthorized use. We have also presented this initiative at the ASEAN regional forum in March 2003. The OSCE offers a forum to bring the MANPADS initiative agreed by the G-8 Partners to all 55 OSCE countries.

CURBING ILLICIT TRANSFERS

Notwithstanding those efforts, and the efforts of like-minded governments, serious problems remain and threatening transfers continue to occur. Mr. Chairman, as you know well, there is going to be relatively little I can say here in an unclassified setting about individual transfers.

Of the 55 states participating in the OSCE, only a small number have been the source of the vast majority of the transfers we are talking about. And of that number, there are some with which we have made important progress. And some where progress has been seriously disappointing.

Progress is particularly evident in many parts of Eastern Europe. Since early 2001, coordinated diplomacy, information-sharing, and assistance to strengthen border security and export control mechanisms have led to significant strides in interdicting or preventing weapons transfers from Eastern Europe and the Balkans to Iraq and other rogue states. Our efforts with Albania, the Baltics, Bosnia, Bulgaria, Croatia, the Czech Republic, Poland, Romania, Serbia and Montenegro, Slovenia, and Slovakia have developed into effective partnerships, buttressed by cooperation from traditional allies such as the UK, Canada, Spain, Germany and Italy.

Serbia and Montenegro offers a specific case of very recent and concrete progress. As has been reported publicly, there is clear evidence that the Orao aviation firm, in cooperation with the firm Yugoimport, was involved in arms transfers and sensitive assistance to Iraq. Under sustained diplomatic pressure following the disclosures, Belgrade has agreed to cooperate fully and transparently in examining military links between Yugoslav defense-industrial entities and Iraq (and also with other countries of concern). The Government of Serbia and Montenegro dismissed the director of Yugoimport and a deputy Minister of Defense in October 2002. U.S. experts visited Belgrade in late 2002 to confer on nonproliferation and export controls. Belgrade also has appointed a high-level commission to review current laws regulating arms sales, explore converting military industrial production to peaceful uses, and scrutinize Serbia and Montenegro's military cooperation with other countries. We will continue to work with the government in Belgrade to assist in its implementation of these laws and help it abide by its commitments.

In the case of Russia, I personally have engaged senior officials in order to convince its government of the need to play a responsible role in solving nonproliferation problems. Russia is showing growing recognition of the seriousness of our concerns—particularly regarding Iran's developing nuclear capability. But we do remain concerned that the nuclear and missile programs of Iran, and others, continue to receive the benefits of Russian technology and expertise. Iran, considered the most active state sponsor of terror, is known to be seeking dual-use materials, technology and expertise for its offensive biological and chemical weapons programs from entities in Russia as well as other countries. It is also seeking to upgrade its large ballistic missile force with the help of Russian, North Korean and Chinese firms. We have imposed sanctions, under various nonproliferation laws and other legal authorities, on Russian entities for providing assistance to Iran and other state sponsors of terrorism.

On a more positive note, in 2002, we and the Russians agreed to a New Strategic Framework that covers the issues of strategic offensive and defensive systems, nonproliferation and counterproliferation. Within the last several years, Russia has adopted comprehensive export control legislation, incorporating advice from U.S. experts as well as criminal and civil penalties for export control violations. It is up to the Russians themselves, however, to demonstrate the will and the capability to fully enforce this law over a sustained period of time. That said, while there

are serious concerns that must be discussed and addressed regarding continued proliferation by some Russian entities, we continue to pursue robust relations with Russia, and view the context of our overall bilateral relationship as positive.

Although Western European countries maintain rigorous and effective export controls on WMD and missile-related goods and materials, proliferators and associated networks nonetheless continue to seek machine tools, spare parts for dual-use equipment, and widely available material, scientific equipment, and specialty metals. Western countries also are an important source for the proliferation of WMD-related information and training.

Regarding Ukraine, we have had serious discussions of, conducted a policy review in response to, and sent a joint US/UK team to Kiev to investigate, allegations of a possible transfer of the Kolchuga passive detection system to Iraq. Although the issue of whether a transfer took place was never resolved, the policy review concluded that continued engagement with Ukraine was in the interest of the United States, including engagement on proliferation issues. In the wake of the review, we shifted some FY03 assistance to Ukraine away from the central government and to programs that more directly promote democratic reform with special emphasis on media freedom, while preserving programs critical to U.S. national security, including nonproliferation assistance.

Belarus is one of the least responsive OSCE member states, and has done little to show it is serious about nonproliferation. We raised allegations of arms transfers by Belarus with that government in February 2002, reiterating the U.S. position that Belarus should not be in the business of selling arms to countries with histories of supporting terrorism or fomenting regional conflict. We stressed that, if Belarus genuinely wanted to improve its image and end its self-imposed isolation, it needed to make the right choices on these issues. We have no direct government-to-government assistance programs (aside from periodic exchanges) with the Government of Belarus.

One final example illustrates the difficulties between government will and the challenge posed by unscrupulous entities. The Government of Moldova has taken positive steps in the area of nonproliferation, although its legal and export control systems are still developing. At the same time, in May 2002, the United States imposed missile proliferation sanctions on two Moldovan entities, Cuanta S.A. and Computer & Comunicatii SRL, and a Moldovan national Mikhail Vladov, pursuant to the Iran Nonproliferation Act of 2000. The sanctions were imposed for the knowing involvement in the transfer of equipment and technology controlled under Category II of the Missile Technology Control Regime (MTCR) Annex, that contributed to MTCR-class (Category I) missile programs in Iran. These same transfers also required recent sanctions under the separate missile sanctions law.

CONCLUSION

Mr. Chairman, the events of September 11, 2001, changed the public understanding of the nature of the security threat we face, and highlighted for all the potential threats from weapons of mass destruction in the hands of rogue states and terrorist organizations.

Still, the degree to which the international community has undertaken to fundamentally address the threats posed by proliferation of WMD and the means to deliver them remains uncertain. The Administration will adhere to the dictum that actions speak louder than words, and will not assume that a country's membership in multilateral regimes automatically constitutes an accurate reading of its intentions and commitment to enforce fully the requirements of these agreements and regimes.

The maintenance of a functioning multilateral system to curb proliferation will require responsible parties to demand full compliance, and to advance credible enforcement responses when faced with violations of legal obligations. If the international community is truly serious about these treaties, common agreement on enforcement mechanisms should cover a range of options from diplomatic actions to, in some cases, multilateral sanctions.

The United States will continue to exercise strong leadership in both bilateral and multilateral fora to stem the proliferation of weapons of mass destruction and the means to deliver them, including robust enforcement of U.S. nonproliferation laws. As always, the United States will reserve its right to take whatever steps are necessary to protect and defend our interest and eliminate the threats posed by those who seek to develop and use weapons of mass destruction.

Thank you Mr. Chairman, and I am available to answer any questions you may have.

**PREPARED STATEMENT OF
ROMAN KUPCHINSKY, SENIOR ANALYST,
RADIO FREE EUROPE/RADIO LIBERTY**

ILLEGAL ARMS SALES FROM THE FORMER SOVIET BLOC

As the Soviet empire collapsed in 1989, huge stores of weapons and munitions—ranging from Kalashnikov automatic rifles to tanks, attack helicopters and fighter aircraft suddenly appeared on the world black market for arms. Without proper export controls and often unguarded, these weapons soon became valuable commodities in the hands of numerous arms dealers who rapidly found buyers for them in countries under international arms embargos. The illegal arms market is estimated to be some \$8 billion dollars last year, or about a quarter of all arms sales.

These weapons were often stockpiled by the military and police forces of former Soviet republics which found themselves in dire financial difficulties and when an opportunity arose to sell them, and with a substantial bribe as an added incentive, often did so. At that time many of the newly elected governments turned a blind eye to this activity while some government officials benefited from such sales.

One such country is Moldova. In a case made public last year, officials in the break-away region of Moldova known as Transdniestria, discovered 400 fake customs seals which were being used by arms dealers to trans-ship arms from Belarus to the Middle East. The arrested chief Customs director turned out to be the son of the president of the self-proclaimed republic. Interestingly enough, the government in Minsk has recognized the breakaway region as a legal state.

In Moldova itself, in 1994 the defense ministry sold MiG-29 fighter aircraft and missile launchers to South Yemen using the good offices of the Russian state arms company Rosvooruzheniye. The deal was worth \$40 million.

In 2002 a scheme was uncovered by a Moldovan newspaper whereby organized crime gangs were importing oil products from Belarus and using the proceeds to buy arms for Chechen fighters. The oil products were being resold through state companies to fake off-shore companies and the proceeds went to buy arms.

Today in Moldova there are 35 well organized criminal clans which have close relations to Ukrainian and Russian organized crime groups. One of these clans has over 1,200 members. Working closely with criminal groups in Transdniestria, these clans have recently embarked on drug smugglings as a new means of earning revenue. But the arms business is still the mainstay of criminality in Moldova.

This is particularly true in Bulgaria where the arms industry employed over 100,000 people in 1989. At its peak, the industry's annual production capacity was estimated to be as high as \$5 billion. This industry earned 9 percent of the country's export earnings. The country's largest state owned arms trading firm, Kintex had supplied various terrorist groups during the Cold War and there was fear that it would continue to do so after the fall of communism. In the 1990's Bulgaria became a market place for illegal arms dealers to purchase their wares. In 1992 the Bulgarian Government admitted that it had illegally sold more than \$15 million of weapons to Iraq on the basis of fake end user certificates. *Forbes* magazine estimated that the combined illegal sales of Kintex in 1992 were \$100 million. Such items as Hind helicopters

destined for Iraq and West Africa were often purchased in Bulgaria and then flown to different locations by either the Bulgarian Government itself or by arms dealers of different nationalities.

The director of Kintex at the time responded to allegations of illegal sales to Croatia by saying he had “no idea where the weapons went, and anyway it’s not my problem.”

In West Africa, especially in Liberia and the Ivory Coast, former citizens of the Soviet Union, aided by other arms dealers soon found buyers. The government of Liberian President Charles Taylor was one such client. Barred from purchasing arms by a United Nations imposed embargo, he and his son Chuck Jr. soon became major buyers of large quantities of small arms and even attack helicopters bought under false pretenses in Russia, Bulgaria, Belarus, Kyrgyzstan and Ukraine and paid for the goods in cash, and often in diamonds. These weapons were used by the Revolutionary United Front (RUF) forces in Sierra Leone to inflict a reign of terror against the civilian population during the war in that region.

Another target country for these post-Soviet weapons became the former Yugoslavia. Tons of small arms were smuggled to Croatia in 1992–1995 by these arms merchants, some of whom are presently on trial in Italy for this activity. Some of these arms eventually made their way into the hands of IRA operatives, others were resold to Albanian drug dealers.

Using fake End User Certificates and at times no certificates at all, these dealers were able to purchase large quantities of arms, transport them and avoid difficulties by giving bribes to a range of officials in the countries where these weapons were bought.

In addition to sales by individual arms merchants, there have been examples of rogue states, notably Iraq, officially and covertly trying to buy military equipment from governments and private companies in the former USSR. Some of these attempts were unsuccessful but there are a number of cases where the results were mixed.

RUSSIAN, BELARUSIAN ARMS SALES TO IRAQ

The recent revelations of sales by Russian companies of GPS jamming devices and other military equipment for the Iraqi regime are only the tip of the iceberg.

On 23 March 2003 U.S. State Department official Brenda Greenberg told CNN that senior U.S. officials had made a series of requests to Russian officials to halt the sale of anti-tank missiles and jamming equipment to the Iraqi military. Ms. Greenberg was quoted by the *Financial Times* on 24 March as telling CNN: “We thus have raised the issue with the Russian Government a number of times, including at senior levels and particularly in the last two weeks.”

According to the *Financial Times* U.S. intelligence discovered that “employees of Aviaconversia, the company reported to have been providing equipment to Baghdad, were still providing assistance in Iraq.”

The British *Guardian* reported on 24 March that Russian officials in Moscow and Washington had been given names, addresses, telephone numbers “and in some cases, shipping dates and ports of exit.”

The Associated Press on 24 March quoted a number of Russian officials, including the director of Aviaconversiya, Oleg Antonov, who denied the charges and said “we have never delivered anything to Iraq.” Yet Antonov himself admitted that he had 15 meetings with Iraqi representatives in Russia and in Iraq discussing these sales.

Reports that Russia has been selling arms to Iraq have surfaced a number of times in the past few months. On 23 February the *Sacramento Bee* ran a story that Russian-made S-300P missiles had been sold by a Russian-Belarusian company. On 8 February the *Financial Times* reported that Russian suppliers had attempted to sell Igla surface-to-air missiles: "where the ultimate destination of Iraq was concealed by using 'cover' purchasers in neighboring countries such as Syria."

Writing in the *Moscow Times* of 27 March, Pavel Felgenhauer, a Russian military specialist stated: "Andrei Kokoshin, who was in charge of arms export control inside the Defense Ministry for several years, is clearly guarded in the wording of his denial (of arms sales). Maybe this can be partially explained by the fact that in 1997 I told Kokoshin I had evidence Moscow was constantly and massively breaching the arms sanctions regime on Iraq. (In 1997 Kokoshin did not confirm, comment on or deny the allegations.)"

In September 1990, after Saddam Hussein's invasion of Kuwait, the Soviet Government issued executive order 1422 that banned all arms and military technology trade with Iraq "in accordance with the UN Security Council resolution." Some 80 percent of the hardware of the Iraqi military is Soviet-made. If sanctions had indeed been watertight since September 1990, today there would not be a single Iraqi jet or helicopter flying, tank rolling, or radar or SAM battery operating due to a lack of spare parts and adequate maintenance. Hussein's army and Republican Guard would long ago have disintegrated.

There have been large-scale breaches of the sanctions regime all these years. These violations are the main reason that today so much force is needed to dislodge Hussein."

Felgenhauer writes that in January 1997, he received reliable information that in 1995 and 1996 Iraq acquired 20 Mi-24 Hind attack helicopters in violation of the arms embargo. A Bulgarian trading company called Kintex apparently shipped the Hinds in containers into Iraq.

The author writes in the *Moscow Times* that: "The country of origin of the Hinds may have been Russia or Ukraine."

Robert Goldberg, a writer specializing in bioterrorism and medical innovation, provided the following information in the *Wall Street Journal* European edition on 27 March. "In 1999 Russia agreed to sell Saddam Hussein \$100 million worth of military hardware. The deal involved Ahmed Murtada Ahmed Khalil, the transport and communications minister, who ran the biological weapons program at the Salman Pak facility outside Baghdad, and who knew exactly what Iraq would need in order to rebuild its WMD program after the Gulf War."

THE BELARUS CONNECTION

According to *Jane's Intelligence Digest* from March 28, 2003 in January 2003, Lebanese intelligence officers were tipped off by their Western counterparts that a large consignment of innocently labeled cargo in Beirut airport which had arrived from Belarus in fact contained military equipment. The 12 tons of equipment discovered included 600 helmets, army uniforms, 240 wireless communication sets for tank crews and other military items which had arrived on board a flight from Minsk on 12 January (see JID 12 January 2003). Investigations revealed that the military equipment was destined for Iraq and was being shipped via Syrian middlemen. Belarusian officials denied that the material had

originated in Belarus but accepted that Minsk, just like Syria, could be a transit country for them. Lukashenka, Russia's closest ally in the CIS, described the Lebanese accusations as "thoughtless and senseless statements."

Jane's Intelligence Digest writes that "Between 1996-2000, Belarus ranked tenth in the world's arms exporters, not far behind Ukraine which was in seventh place, although Ukraine is a far larger and more populous state. Belarusian arms deals, in common with arms exports from Russia and Ukraine, are highly secret and the details are not open to public scrutiny. Funds earned from Belarusian arms exports go directly into secret funds controlled by the country's controversial president, Aleksandr Lukashenka. These accounts are handled internally by the presidential administration and are used to help prop up the authoritarian regime ruled over by the former Soviet-era collective farm director."

UKRAINE AND THE KOLCHUGA AFFAIR

The case of the alleged Ukrainian sale of the Kolchuga radar system to Iraq in 2000 is in a different category. In this case, the facts show that the President of Ukraine, Leonid Kuchma himself ordered a covert operation to sell the radars. This was not a decision by the Government of Ukraine, but by the President himself in league with the head of the security service and the head of the State arms sales company. President Kuchma denies selling these radar units and it has been impossible to track the matter down by a joint American-British commission sent to Ukraine last year to investigate this purported sale. Maybe they will be found in Iraq by the forces of the coalition fighting there now.

But the Kolchuga affair is only one of a number of allegations that Ukrainian arms made their way to Iraq. The activities of Ukrainian arms enterprises in Kharkiv and other cities were described in an excellent article in *Commentary* (July/August 2001) by Gary Milhollin and Kelly Motz which showed that Ukrainian involvement with the arms trade with Iraq goes back to 1993.

ORGANIZED CRIME, CORRUPTION AND ARMS SALES

One of the most persistent problems with such arms sales is that thus far, not one individual suspected of such activity from the former Soviet Union has been prosecuted in his or her country. All prosecutions to date have been in the West. To make matters worse, suspects wanted on Interpol arrest warrants for arms smuggling are today living peacefully in these countries. And while the security services know who the rogue arms merchants are and the names of officials who have received large bribes to facilitate their sales; it seems that they enjoy immunity from punishment.

It is apparent that the nexus of crime and government in these countries is what protects the arms dealers and other members of organized crime gangs from prosecution. A glaring example of this is that one of the men accused in Italy of complicity in arms sales to Croatia was elected a member of a regional council in Russia last year. In another incident which took place last year, the spokesperson for the Russian branch of Interpol was holding a press conference in Central Moscow where he was asked about the whereabouts of a known arms dealer, one Viktor Bout. He replied that Bout was not in Russia and he had no idea where he might be. At that exact moment, Bout was less than kilome-

ter away giving an interview for a large Russian radio station, Ekho Moskv. And despite letters from members of this Congress to Russian authorities to have Bout turned over to Belgium to stand trial, nothing has been done. Mr. Bout seems to have some very high level protection within the Russian Government and its law enforcement agencies.

In my research on illegal arms sales I have often come across one common thread linking the illegal sale of arms to official state sales—in both cases there seems to be a popular view that arms sales are not dangerous transactions. If a government can legally sell Kalashnikov's to some less than enlightened regime and at the end of the year brag to its citizens how much money the country made from these sales, then it is very difficult to convince its citizens that illegal sales are dangerous crimes. This prevailing view that arms sales are “soft crimes” is what needs to be combated in these countries.

If it is common practice for Russian army units in Chechnya is to sell automatic rifles to the rebels, and the next day these rifles are used to kill dozens of their fellow soldiers, and the sellers are not punished, then how can one expect any punishment for a dealer who sells rifles to Liberia or to Al-Qaeda?

It should be kept in mind that arms dealers are also members of transnational organized crime groups. Take for example the case of helicopter sales to Liberia in 2000. In this transaction there were Russians, Slovaks, Kyrgyz and Moldavians all working together. I would like to provide a few examples of the scope of these operations.

TRANSNATIONAL CRIMINAL GANGS AND ARMS DEALS

On 2 July 2000, the LOT helicopter repair plant at Trencin in Slovakia signed a contract with Kyrgyzstan's Ministry of Defense for the repair and refurbishment of two Mi-24 helicopter gunships belonging to Kyrgyzstan. The arrangements were made by the Kyrgyz Defense attaché in Moscow, a Major General Urazmatov. The first Mi-24 arrived in Slovakia in late June 2000 aboard an Il-76 (registration number TL-ACU) with the approval of the Slovak Defense Ministry. It was repaired and flew back to Kyrgyzstan. The second Mi-24 arrived in October 2000 and was to have been picked up by an Il-76 in February 2001. The transportation in both cases had been arranged through a private airline company, Centrafrican Airlines.

However, the Slovak authorities became suspicious. Their inquiries turned up some interesting facts. Kyrgyzstan's Ministry of Defense was not aware that any of its helicopters were to be repaired in Slovakia. In fact, the helicopters in question had been sold to an arms broker, Alexander Islamov. The repair contract in Trencin set up by Major General Urazmatov was thus concluded without the knowledge of the Ministry of Defense of Kyrgyzstan. The second Mi-24 was then grounded.

Soon after the grounding of that Mi-24, Peter Jusko, a Slovak businessman representing a company called Pecos, arrived in Trencin claiming the Mi-24 helicopter belonged to him. Jusko was already known to Slovak authorities as the director of an arms brokerage called Joy Slovakia. As a UN panel of experts later learned, one of the directors of Joy Slovakia was Alexander Islamov, the same person who had bought the helicopters from Kyrgyzstan. The UN also learned that Joy Slovakia had done business with the Slovak military in the past. The Slovak Defense Ministry had once sold them small arms destined for Guinea. The UN experts were even shown a copy of the End-User Certificate for

the deal with Guinea. But the arms were never delivered to Guinea—or even ordered by them. The End-User Certificate that Joy Slovakia had presented was a forgery. The weapons had been smuggled into Liberia.

The second Il-76 airplane, whose mission was to transport the now-grounded helicopter in Slovakia, had been registered in the Republic of Congo and in the Central African Republic. Requests for landing the Il-76 in Slovakia had come from the MoldTransavia Company in Moldova, owned by one Pavel Popov and the billing address for the airplane was in the United Arab Emirates. As it turned out, the Il-76 was owned by Victor Bout who was also the owner of Centrafrique Airlines—which shared a post-office box (P.O. Box 2190 in Ajman) in the United Arab Emirates with another Bout front, Transavia Travel Agency, and San Air General Trading, which is owned by one Sergey Denisenko. In March 2001, San Air and Centrafrique Airlines moved to new offices in the rebel-controlled Ajman Freezone and now are part of the entity known as CET Aviation Enterprise.

This Il-76 picked up the first helicopter that was repaired in Slovakia on 2 August 2000 and filed a flight plan back to Kyrgyzstan. However, it arrived in Kyrgyzstan from Tbilisi, Georgia only for a fuel stop on 22 August. It left immediately stating that it was heading for Conakry in Guinea. But flight-control logs show that it never went to Guinea; instead it landed at Roberts International Airport in Liberia on 23 August. All evidence points to the conclusion that it delivered the Mi-24 there.

MILOSEVIC AND ARMS

In 1994 President of the Federation of Yugoslavia, Slobodan Milosevic, set up a scheme. He would secretly use money collected by his customs service to pay the thugs who were committing genocide in his country and for the weapons needed for this “ethnic cleansing”. A series of cover companies were set up in Cyprus and the deals began. Among other items, military helicopters were purchased from the Ukrainian company UkrSpetzExport, and \$1.4 million was wired to their account. In February of that year, some \$500,000 was wired by Milosevic’s men from Nicosia Cyprus into the account of Aviatrend Company owned by a man living in Moscow named Valeriy Cherny which arranged for the transport of these helicopters and for arms. The Aviatrend name would resurface again over the years as a company heavily involved in smuggling guns to Africa. The helicopters purchased from Ukraine by Milosovic were used to gun down innocent civilians in the conflict in Yugoslavia. It is also true that at the time the helicopters were sold by the Ukrainians, there was no arms embargo on the former Yugoslavia. Nonetheless, there is a record of payment of \$100,000 into the Nauru bank account (account number 47069 of V.E.) for an unnamed Ukrainian official involved in the deal.

A full report on this was presented to the War Crimes Tribunal in the Hague last year by the prosecution.

EARLY RUSSIAN SALES

Leonid Leonidovich Lebedyev has three known private addresses in Moscow. He along with Mark Rafaylovich Garber are among the 31 founders of “Korporatsia Sintez” (KS) registered in Moscow and headed by one Tikhvatulin R.H. with headquarters in Moscow at Malaya Nikitskaya street 29, building 1. KS was involved mainly in the oil

business in Russia, but did not limit itself to this. KS actively bought into other energy companies in Russia and had extensive dealings with a company by the same name in Ukraine.

Lebedyev's Moscow based KS, through a series of agreements with the Russian State arms trading company, Rosvooruzhenye, sold the oil that Rosvooruzhenye received as barter payment for Russian military equipment it sold to Iran in the early 1990's. Sintez sold the Iranian oil but never paid the Russian Government for it and parked \$36 million in off-shore accounts in Jersey (U.K.). Part of this money was used for illegal arms trafficking to Croatia. The rest went into VAT scams based on fake oil exports from the Tyumen oil company through Zhukov's Sintez company in Odessa, Ukraine. According to Sources in Moscow, the president of Tyumen Oil Company at the time, used approximately \$100 million of Lebedyev's money and invested it in illegal businesses. Last year Mr. Lebedyev was elected to a local council in Russia and now enjoys immunity from prosecution. He is also a co-defendant at a trial currently taking place in Turin Italy where a number of arms traders are on trial. Unfortunately, Mr. Lebedyev has refused to participate in the trial.

HOW ARMS WERE SOLD TO CROATIA

At the time of the war in the Balkans in the early 1990's, the United Nations imposed an arms embargo on Croatia. This embargo however, was systematically broken by many states and arms traffickers, and few faced charges afterwards. At that time, in February 1992, Dmytro Streshinsky, a former citizen of Ukraine, arrived in Kyiv and asked a few old friends to set up a branch of his Panamanian registered company Global Technologies International in the capital of Ukraine. They willingly agreed and soon afterwards a subsidiary company, Global Technologies Ukraine, (GT Ukraine) was registered in Kyiv, Ukraine with Anatoliy Fedorenko, a former KGB officer according to some press reports, as president and Andriy Vazhnyk as his deputy. Streshinsky went right to business. First he contacted the State arms sales company, Progress (the predecessor of UkrSpetzExport) and made them an offer. He explained to them that he represented a 'wealthy client' one willing to pay cash on the line for weapons, all sorts of weapons. He would show the company a valid end-user certificate and they would get cash. At this time, the Ukrainian military was hurting badly. The fall of the USSR had left them almost penniless and they needed to pay their troops, not to mention have something left over to train them, feed them and house them. After some horse trading, they came up with a price, two prices in fact. One for the equipment Streshinsky wanted to buy. It was a rock bottom price. The other was a side payment to the military men who consented to do business with him, in other words a bribe. Originally they wanted \$385,000 but settled for \$200,000.

The first contract was signed for \$4.5 million. Streshinsky produced a Moroccan end user certificate and the arms were shipped to Casablanca. Yet some people had doubts about the final destination of these weapons, but nothing was ever mentioned and the shipment was forgotten.

The second deal was signed in October 1992. Streshinsky now had a reputation of a man who got things done. He paid on time and remained discreet. This contract was for \$3.85 million and the end user certificate named Egypt as the final destination. The export license was signed

by a cabinet minister while the head of then President Leonid Kravchuk's security detachment pushed it along by putting in a good word with the President about Dima. But the Ukrainian security service, the SBU was wary of the deal and on February 12, 1993, the head of the SBU, Yevhen Marchuk, sent a confidential letter to Kravchuk advising him not to allow the deal to go through. In the letter he wrote:

"I want to inform you of the actions and statements made by individual officials of the Ministry of Defense which can implicate you personally as well as discredit Ukrainian state policy. Furthermore, if a criminal case were to be started, their statements can serve as a basis to have you questioned as a witness during a trial. They concern two instructions given by you in response to the inquiries of the foreign company as to military-technical cooperation which were related to you personally by the president of the company, Mr. D. Streshinsky." The letter then stated:

"As is shown by available documentary materials and explanations by officials from the Ministry of Defense and the Ministry of Machine Construction of Ukraine, your instructions were interpreted as an order to act since the word "decide" was used. Without any evidence about the possible benefits of this [word illegible] to you on making the decision, orders were immediately issued to provide the foreign company with special products (the word "spezvyrobiv," was used to denote armaments and ammunition) which began with the phrase: "According to the decision made by the President of Ukraine—" Thus Minister Antonov granted permission to export special products without the prior review of this matter by a meeting of the State Experts-Technical Commission and in violation of a resolution of the Cabinet of Ministers of Ukraine No. 153 of 25 March 1992. Using as justification your instructions a shipment was prepared for delivery overseas. This shipment consisted of 6 million rounds of ammunition, 12 thousand artillery shells, 300 machine guns, and other arms which were not included in the contract or agreement and exceeded the limits specified on the end-user certificate. They were all delivered to the port of "Oktyabersk" without any export documentation and loaded onto containers of the foreign company. The value of this shipment was \$4 million."

Despite the warning to the President, the sale went ahead. The weapons were loaded onto the cargo ships "Island" and "Diana Delta" and they sailed for Egypt. This time the doubts became more serious, but still nobody took any action. Croatia, after all, was an unknown country and rumor had it that all kinds of governments were sending arms there, so two more shiploads would not make much of a difference.

But Streshinsky had gotten the word that he was not welcome in Ukraine anymore so in early 1994 Streshinsky went to Minsk, Belarus, where he signed a contract to buy more arms from the Belarus firm Belorusexport. The contract was signed on 25 January 1994 and he bought the arms he needed using a fake Nigerian end user certificate. The weapons were shipped overland to the Ukrainian port of Oktyabersk where they were loaded onto a tramp steamer called the "Jadran Express" on February 27th. By this time the Ukrainian Security Service (SBU) were following their every move. The ship then sailed stopping off at Izmir, Turkey, then Port Said and then headed back northeast to the Adriatic where it was seized in the channel of Otranto outside Venice on March 11, 1994. The Italian police knew that the "Jadran Express" was heading to Croatia from the moment it left the Ukrainian port.

Six years later the Italian police, working with the Ukrainian SBU, the British National Criminal Intelligence Service and other national police forces, broke the case of the Jadran Express, codenamed 'Vlada,' and arrested a number of arms traffickers in January 2000 for breaking that embargo.

In Croatia, the UN arms embargo was being broken by many countries. In 1999 a rouge Croatian Serb general, Ivan Andabak, along with a number of other men was arrested for the murder of Bosnia and Herzegovina Deputy Interior Minister Jozo Leutar who was killed on March 16, 1999 by a directional bomb with a remote control device which was planted under his vehicle.

The trial found Andabak, who was tried in absentia, innocent due to lack of evidence. However, in December 1999 a shipment of 600 kilos of cocaine sent from Ecuador was confiscated in the Port of Rijeka in December 1999 on a report from the Vienna office of the DEA. The man behind this shipment turned out to be Andabak who was arrested and eventually released on bail.

On September 24, 2000, the British newspaper *Observer* reported that the International Criminal Tribunal for the former Yugoslavia questioned General Ivan Andabak over his alleged involvement in supplying the Real IRA with weapons, including the rocket-propelled grenade fired at MI6 headquarters in London that month. Andabak is still at large.

As we can see, the links between organized crime, narcotics and arms smuggling is a strong one indeed in the Balkans. The recent assassination of Zoran Djindjic, the Prime Minister of Serbia has been tied to his efforts to control the drug traffic in the country. The police in a shoot out recently killed his suspected assassin, and now it might be even more difficult to ascertain the truth in this case.

It therefore is no wonder that Bosnian Serb companies were selling military items to Iraq and refurbishing Iraqi fighter aircraft. The middleman in these deals was the Yugoslav state arms trading company Jugoimport. Belgrade blamed the government of former Yugoslav President Slobodan Milosevic for arranging the sales to Iraq, but did go ahead and fire an assistant to the defense minister and the general manager of Jugoimport for their role in the affair.

SOME OBSERVATIONS

From these few examples, and there are numerous such cases, it is clear that many of the governments in the former USSR and Central Europe look upon such sales with a nod and a wink at best and are often complicit in the illegal sales themselves.

The reasons for the ease with which these sales have taken place are not difficult to find.

1. The vast scope of corruption in these countries. As an example; in Russia alone in 2002 the dollar value of bribes given to officials of different levels totaled some \$30 billion. It is important to remember that most often it is not the governments themselves which sell arms on the sly to rouge regimes, but individuals and organized crime groups. They succeed because of the high level corruption within the governments and the lack of sufficient controls on exports of arms.

2. Lack of punishment for arms dealers. This can be tied in with corruption and a government attitude of general protection for “our own people.”

What I believe was taking place when it came to Iraq was that an infrastructure of surrogate arms sellers came to be. Nobody was touching them for they were doing that, which many people in their governments wanted to, but could not do; sell weapons to Iraq or other anti-Western regimes in order to make money and satisfy their ideological hatred of America.

3. The relative ease with which end-user certificates can be forged. In most of the above examples, forged end user certificates were presented to companies and governments as proof that the sales were legitimate. That many of the governments involved did not bother to carefully check the authenticity of these certificates is a separate issue, but there is a need to establish a new international system of identifying the end user for arms sales.

In my research I have often wondered what makes it so easy for the arms dealers to get away with it. The answer I have been able to come up with is that many people do not see arms smuggling as a major evil. In the popular post communist view of things, this is seen as another business. If Russian soldiers can sell their weapons to Chechen fighters who turn around the next day and kill other Russian with these weapons and the sellers remain unpunished, why should a person selling weapons to Iraq be punished? The seller does not pull the trigger, the buyer does. I firmly believe that most of the export controls in place in these countries will remain meaningless until this myth is dispelled.

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