



Committee Reports

POLITICAL SUB-COMMITTEE ON TRANSATLANTIC RELATIONS

REPORT SHAPING THE TRANSATLANTIC SECURITY ARCHITECTURE: STRATEGIC MISSILE DEFENCE AND ESDP

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I. INTRODUCTION

1. Apart from the Balkans, two issues currently dominate the security agenda of the transatlantic alliance: ballistic missile defence and European Security and Defence Policy (ESDP). Though not directly linked to one another, the debates both influence each other and will considerably shape core areas of Alliance security.
 2. Under the Bush Administration, plans for developing and deploying a limited defence against weapons of mass destruction (WMD) mounted on ballistic missiles has gathered momentum. The debate about Missile Defence (MD) has significantly changed during the last year, owing to the new comprehensive approach to MD as well as to domestic political changes in the United States, namely the new majority in the Senate.
 3. The Bush Administration has declared the terminology coined under the previous Administration "National Missile Defence" (NMD) and "Theatre Missile Defence" (TMD) as "not helpful" and is pursuing a much more comprehensive approach to developing defences against ballistic missiles.
 4. This report follows the 2000 Sub-Committee report's focus on the emerging transatlantic debate. It provides an update on latest developments concerning the plans of the United States to develop and deploy long-range Ballistic Missile Defence (BMD) and possible implications for the Alliance. As in last year's report, the Rapporteur refers to key issues related to Missile Defence, including the perceived threats, Allied views on MD as well as implications of MD, for relations with Russia and China. Moreover, this year's report also addresses other, non-military, means to counter the threat originating from WMD proliferation. Moreover, the report briefly refers to the wider international context of MD, that is its possible implications for Arms Control, reflecting discussions Members of the Sub-Committee held during visits to Sweden as well as to Ottawa and New York this year.
 5. During the last two years, the Sub-Committee has also closely followed the development of the EU's plans to build a European Security and Defence Policy (ESDP). The second part of this paper very briefly summarises the latest progress made in this area, as well as the remaining challenges.
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II. STRATEGIC MISSILE DEFENCE

A. UPDATE

6. US Missile Defence initiatives and transatlantic debates over the issue date back to the 1960s ("Sentinel" and "Safeguard" systems) and reappeared in the 1980s ("Strategic Defence Initiative" - SDI). Their reinstatement on the agenda in the early 1990s is due to several factors. First, the possible missile and WMD threat from potentially hostile states, due to the spread of ballistic missile technology and the risk of WMD materials or know-how leaking from the former Soviet Union, became increasingly real. Second, the United States' technological advances in areas relevant for missile defence, notably computers, advanced-sensor and micro-thruster rocket technologies. Third, the significant improvement of its budgetary picture with, at that time, estimated annual surplus projections of approximately \$200 billion which would easily allow for spending some \$6 billion per year for nation-wide anti-missile defence.
7. Against this background and the increased political momentum in the United States, US President Clinton signed the National Missile Defence Act of 1999, stating that "it is the policy of the United States to deploy, as soon as technologically possible, an effective National Missile Defence system capable of defending the territory of the United States against limited ballistic missile attack." However, President Clinton tied a future deployment decision of a system to four criteria, namely to the threat assessment, to the technological feasibility, to the strategic environment (i.e. taking into account arms control and nuclear non-proliferation objectives), and to the costs. Following two consecutive test failures, President Clinton decided in early September 2000 to defer a decision to deploy a National Missile Defence (NMD) system. This decision was welcomed in the United States, as it leaves enough time to evaluate the technology and the design more carefully, and it was greeted with relief by America's allies, who had originally been sceptical of NMD.
8. During the 2000 election campaign then-governor George W. Bush had criticised the Clinton Administration's approach to missile defence as inadequate and identified the defence of "our people and Allies against missiles and terror" as one of the top security priorities for US security policy. After taking office, President Bush announced that he wants to accelerate the development and subsequent deployment of BMD. Moreover, he stated that missile defence must be designed to protect "all 50 states, our friends and Allies and deployed forces overseas". Thus the Bush Administration has announced its intention to expand the concept of the BMD architecture envisaged by the previous Administration in two important ways. First, the new concept foresees establishing a limited defence not only for the United States but also for its "friends and Allies". Second, the research, development and test programme has been redesigned to focus on a single integrated

BMD system - not a theatre defence or a national missile defence. The new system would rely not only on ground-based interceptors to intercept ballistic missiles in midcourse, but on a "multi-layered defence", that is, it will incorporate elements that would allow intercepting ballistic missiles in the boost (the first three to five minutes after launch of long-range, and the first one to two minutes for short-range missiles), mid-course (20 minutes after launch), and terminal phases (when the missile or its elements re-enter the atmosphere lasting between a few minutes to less than one) of flight. As General Ronald Kadish, Head of the Ballistic Missile Defence Organisation (BMDO), testified to the Senate Armed Services Committee on 12 July 2001, the Research, Development and Engineering programme of the BMDO is designed to develop effective systems over time and to deploy complementary sensors and weapons incrementally. The Bush Administration wants to expand greatly the testing it believes is needed. To that avail, it has established a "test bed", a collection of test ranges from Fort Greely and Kodiak Island in Alaska to Vandenberg Air Force Base in California, to Kwajalein Atoll on the Marshall Islands in the Pacific. A 14 July test involving a planned intercept of an intercontinental ballistic missile target has successfully completed. The next test is foreseen for autumn 2001.

9. Although the new Administration is seeking to build a more "robust" missile shield, it has not yet outlined precise details of its prospective MD architecture or any specific intentions to withdraw from the ABM treaty. As stated above, unlike the Clinton system which was based on ground-based systems only, a Bush system would include ground- and sea-based interceptor rockets and an airborne laser. The programme may also include a much wider range of technologies with, among others, space-based sensors that are banned under the Anti-Ballistic Missile (ABM) Treaty. Lieutenant General Kadish testified before the Senate Armed Services Committee on 12 July that the BMDO will deploy, over time, various combinations of sensors and weapons "rather than committing to a single architecture as we have done in the past". He stressed that he could not say what the missile defence system will look like in five, ten or fifteen years. "This system will take shape over time. We do not intend to lock ourselves into a highly stylised architecture based on either known technologies or hoped-for advances in technology that will take a decade or more to complete," he said. Senior Defense Department officials have stated that the newly restructured defence programme upon the premise that the United States will build the best missile defence possible "without the consideration of ABM compliance issues". There have been reports that the Bush Administration is exploring alternatives that would allow the quick deployment of a rudimentary MD system before the end of 2004. The Secretary of Defense Donald H. Rumsfeld has indicated, that such a system would not be fully tested and may not even be effective but would represent a step in the deployment of a layered defence system.
10. In addition to arms control issues and the possible implications for

the bilateral US-Russian relationship, cost and design factors currently shape the internal US debate on missile defence. As MD concepts have changed over time, there has never been a clear consensus about cost figures for development and deployment. Estimated costs of a "Clinton-style" long-range BMD, originally anticipated to reach \$ 9 billion to 11 billion, were eventually put as high as \$60 billion. A system as envisaged by President Bush could cost much more, and estimates of missile defence advocates mentioned the additional price tag could reach as much as \$8 billion to \$10 billion per year. According to the latest, but incomplete, estimate published by the BMDO, acquisition costs of the eight highest profile anti-missile systems would cost at least \$80 billion. President Bush had indicated earlier that he plans to increase US defence spending by approximately \$45 billion over a period of ten years. Of an overall defence budget request of \$328.9 billion for fiscal year 2002, the Bush Administration plans to spend \$8.3 billion for Missile Defence. This figure represents less than 2.5% of the overall defence budget and would be an increase of approximately 60% over the previous year, after inflation is taken into account.

11. Though the tone of the debate appears to have somewhat shifted under a new Senate majority, anti-ballistic missile defences enjoy strong, but not unanimous, support in the US Congress. The new majority in the US Senate has put a different emphasis on the MD debate in Congress. In early 2001, for example, US Senator Richard Lugar described the proliferation of WMD as the single greatest threat to US national security. The new Senate Majority Leader, Senator Tom Daschle, on the other hand, though acknowledging that he could "under the right circumstances" support a limited MD system, recently said that "National Missile Defence is the most expensive possible response to the least likely threat we face." Apart from supporters of arms control, some congressional policy-makers have raised the question as to whether too much emphasis on long-range missile defence could leave the military short of funds. In the first of a series of hearings on US national security issues by the Senate Foreign Relations Committee on 24 July 2001, Senators voiced broad, if qualified, support for the Bush Administration's goal of developing a missile defence system. However, Senators were critical of what some characterized as vagueness on the Administration's missile defence architecture, and Democratic Senators, in particular, expressed concerns over possibly huge expenditures on the programme in the face of the Administration's huge tax cut and competing priorities. In the House of Representatives, during a 19 July testimony from the Deputy Defense Secretary Paul Wolfowitz, and Air Force Lieutenant General Ronald Kadish, members of the Armed Services Committee praised the successful missile intercept test on 14 July, but also expressed criticism about what some consider insufficient information about the planned Bush Administration MD architecture.
12. The Bush Administration's approach to a comprehensive MD

architecture appears to have been influenced by the debate over the reliability of various systems under development. When the Clinton NMD system was discussed, some proponents of long-range BMD, among them senior US Navy officials, advocated an alternative sea-based programme. A 1999 Heritage Foundation report proposed a plan calling for deployment of long-range BMD aboard US Navy Aegis cruisers and destroyers, arguing that this would produce the most affordable global anti-missile protection in the shortest time. But proponents and critics of sea-based, long-range BMD differ over whether such a system would produce cost savings and could be deployed both easily and quickly.

13. Around mid-2000 an increasing number of analysts and critics of the Clinton Administration's NMD design had begun to argue that the US should concentrate on a boost phase defence. This, some maintained, would be the only way to protect against missile attacks because mid-course intercept could not distinguish between warheads and decoys. The interceptors could be deployed at sea, on land or in space provided, they were sufficiently close to a missile within the first few minutes of its launch. Critics of boost phase have pointed out the difficulty of responding instantaneously to the launch of an enemy missile, which would require to reliance on computers rather than human beings, to interpret events and initiate a conflict.

B. POSITIONS OF THE ALLIES

14. While a majority of US policy-makers and experts had accepted the conclusions of the so-called Rumsfeld Commission, published in 1998 (see the 2000 report of the Sub-Committee), their European counterparts were initially reluctant to do so. This was due to a number of factors, among others because America's allies were, and to some extent remain, concerned about a violation of the 1972 Anti-Ballistic Missile (ABM) treaty, and possibly negative consequences for relations with Russia and China, as well as arms control in general. Europeans were also afraid of possibly suffering from the consequences of a crisis between Moscow and Washington. Moreover, other concerns have been raised about BMD triggering an arms race, thus forcing the Allies to spend huge amounts of money on a system whose feasibility many doubted. More importantly, European Allies feared a possible decoupling of American security from European security by the creation of two different zones of security.
15. Following the decision by President Clinton to postpone a deployment decision, the transatlantic exchanges over the desirability and possible ramifications of missile defence have turned considerably conciliatory in tone. Attitudes toward BMD have been changing on both sides of the Atlantic. Speaking at an American Enterprise Institute forum in early March 2001, the NATO Secretary General, Lord Robertson, said that the Bush Administration moves to drop the "national" from national missile defence and to put missile defence into a larger strategy of nuclear

and WMD security have helped address European concerns. America's Allies, it seems, have accepted that the United States is most likely to press ahead with missile defence. Other reasons for changing views among the Allies include a perceived American determination to speed up development and deployment of long-range BMD. It appears that a number of European leaders are either supporting what could become a Global Missile Defence (GMD) or moving towards supporting it. There are signs that co-operation in the deployment of GMD could be feasible. Such a GMD system could combine long-range BMD and TMD systems that would defend the United States and its Allies, as well as US and allied forces deployed overseas, against attacks by ballistic missiles armed with nuclear, biological or chemical weapons. Thus, the United States and its allies have been moving away from possible confrontation over the development and deployment of a long-range missile defence shield in the last year.

16. Owing to their closer proximity to countries acquiring WMD-armed ballistic missiles, America's allies are expected to face the threat of limited attacks sooner than the United States. Most intelligence services share the assessments of the technological progress of these countries. However, differences remain over the intention of the regimes in question, as well as over the intensity of the discussion in Alliance member countries.
17. As to the United Kingdom, in a joint statement with President Bush during his visit to Washington, the Prime Minister, Tony Blair, endorsed US BMD plans, saying "we need to obstruct and deter these new threats with a strategy that encompasses both offensive and defensive weapons systems." However, he added later that until the US comes up with a specific project, the United Kingdom is not willing to develop a system. The former Foreign Secretary, Robin Cook, said the United States Administration's missile defence plans could deliver a "net gain" and indicated that the United Kingdom would help the United States if it decided to upgrade the American Fylingdales radar station. Though the former Conservative leader, William Hague, and some parliamentarians said they backed President Bush's plan for a more robust missile defence, a number of prominent Labour as well Conservative MPs expressed reservations about Mr. Blair's support for BMD. Admiral Sir Michael Boyce, Chief of British defence staff, cautioned that the project could have a damaging impact on the United Kingdom's military capabilities, saying that "there's no way we can pay for any missile defence technology from within the existing budget and carry on doing what we are doing at the moment."
18. In Germany, the main government party, the SPD, and the opposition have said that they support the idea of developing long-range missile defence. Chancellor Gerhard Schroeder, though previously critical of NMD, said in early March 2001 that Germany could participate in developing long-range missile defences. The German Foreign Minister, Joschka Fischer, said during a visit to Moscow that Germany stood by the United States on this issue. Germany, along with other European Allies, insists that, because of

their direct interest in the issue, MD deployment should not be decided without consultations with US Allies. Secondly, the arms control and non-proliferation regime should be reinforced, not dismantled. Finally, MD should not trigger new arms races, particularly between the United States and Russia, or between the United States and China. In July, though reiterating Germany's concern about spurring a new arms race, the newly-appointed German Ambassador to the United States, Wolfgang Ischinger, stated that "it is simply wrong to say that Germany is opposed as a matter of principle to missile defence."

19. Among the Allies, France has been among the most reluctant to support the US Administration's missile shield plan. "We do not deny the dangers of ballistic proliferation," said French President Jacques Chirac, "but we still have some reservations." President Chirac has also assailed the proposed US long-range BMD as "an invitation to proliferation". When the Sub-Committee visited Ottawa in June members were informed that most Foreign and Defence Ministry officials and members of parliament share European concerns about the possible negative ramifications of MD, but are waiting for more specific plans of the Bush Administration. However, Canada was "unalterably opposed" to the weaponisation of space, the Foreign Minister, John Manley, stated earlier this year.
20. Other European countries, namely Italy, Spain, Turkey, Poland, the Czech Republic and Hungary have expressed support for building a long-range missile shield. Poland's President Kwasniewski called Bush's plan "a visionary, courageous and logical idea". As for US Pacific Allies, Australia has warmly embraced the project and said it would allow the US to build radar installations linked to the system on its territory. The Japanese Foreign Minister, Makiko Tanaka, told the US Secretary of State, Colin Powell that Japan would support the plan, but some argue that the Japanese constitution would have to be amended in order to enable Japanese participation in the project. Moreover, Japan and South Korea are anxious that subscribing to the BMD project should not alienate China.

C. THEATRE MISSILE DEFENCES

21. A comprehensive MD architecture as envisaged by President Bush would also include TMD systems. The United States is conducting research in this field, as are several other countries.

1. NATO

22. Earlier this year NATO tasked two consortia with studying the technical feasibility, the cost and the time needed for setting up a TMD system meeting the needs of the Alliance. The two consortia are scheduled to conclude the study by the end of 2002. Thus, NATO could decide in 2004 on the possible development of an actual programme. with initial deployment contemplated around

2010. The overall costs of a TMD system are currently estimated to exceed \$2 billion.

23. The NATO TMD system will be an architecture of many smaller lower- and medium-tier systems, based upon existing TMD projects that are already under development. There is no NATO staff requirement for an upper-tier system: the NATO TMD system is expected to be based on lower- and medium-tier systems and have a range of approximately 3,000km. While it would be possible to use TMD to defend populations (for example, US PAC-2 TMD systems were used during the Gulf War to protect Israelis against Iraqi SCUD attacks), NATO TMD will primarily be designed to give deployed forces protection in theatre.

2. National Projects

24. Many NATO countries are already developing TMD systems. The United States is upgrading its lower-tier Patriot Advanced Capability system from the PAC-2 (used during the 1991 Gulf War) to the PAC-3. Germany and the Netherlands are considering buying PAC-3, while Greece may buy PAC-3 variants. The United States is the only NATO country developing upper-tier (longer/higher range) TMD systems. These include the Theatre High Altitude Area Defence (THAAD) and the Navy Theatre Wide, as well as "Boost Phase" technologies, which seek to intercept and destroy ballistic missiles shortly after launch.
25. France and Italy are developing the Sol-Air Moyenne Portée/Terre (SAM/T), a land-based, low-tier system, planned to come into service around the middle of this decade. Germany, Italy and the United States are involved in the Medium Extended Air Defence System (MEADS), a land-based medium-range TMD system, planned to come into service towards the end of this decade. The MEADS project encountered difficulties earlier due to disputes over cost as well as over the sharing technology between the US and its European Allies. The United Kingdom is not developing a TMD capability.

3. Russian TMD Proposal

26. On 20 February 2001, Russian President Vladimir Putin presented a joint TMD proposal to Secretary General Lord Robertson. The proposal outlined Russia's intention to work with NATO on the development of a transportable, limited TMD system that could be used against "unpredictable and hostile" states. The proposal includes close assessment of existing and future missile threats; averting such threats by joint political efforts; and deploying a mobile anti-missile force near a potential aggressor only as a last resort.

D. THREAT AND RESPONSE

27. In sheer numbers, the ballistic missile threat to the United States

and its Allies has decreased since the end of the Cold War, as Russia has dismantled many missiles from the former Soviet Union and Ukraine has completely disposed of them. Moreover, Argentina, Brazil, Egypt and South Africa abandoned space launch and missile programmes in the early 1990s. Nevertheless, in his testimony to the Senate Select Committee on Intelligence on 7 February 2001 on the "Worldwide Threat 2001: National Security in a Changing World" the CIA Director, George Tenet, described the threat to the US posed by Intercontinental Ballistic Missiles (ICBMs) as "continuing and growing". The focus was on three countries: North Korea, Iran and Iraq. The perceived growing threat is partly due to a shift in standards by which the US intelligence community assesses the threat. In 1999, the US intelligence community decided to substitute its best assessment of what was likely to happen with a worst-case scenario of what could theoretically happen. Moreover, the 1999 National Intelligence Estimate (NIE) made two other significant adjustments, namely to shift the focus on the whole United States territory, including Alaska and Hawaii, and by shortening the timeline from a focus on when a missile would first be deployed to when it would first be tested. As to the perceived threat, there are two main differences which have an impact on the transatlantic debate. Firstly, while there are no significant differences over the increasing ballistic missile or WMD capabilities, the Allies hold partially differing views on whether or not these states would have the intention to use them. Secondly, the impact of these assessments, or more precisely their interpretation on the political debate and the priorities, are very different from those in the United States. European debates about possible threats posed by "states of concern" tend to be more focused on the potential reactions of Russia and China towards the development and deployment of long-range missile defence.

28. Even though there is no common definition of what constitutes a "state of concern", the term is usually applied to Iraq, Iran, North Korea, Libya and sometimes Syria. Their apparent intentions to acquire the know-how to produce WMD, and the increasingly easy availability of technology constitute worrisome trends for the international security system. In 1980, the German Intelligence Agency (Bundesnachrichtendienst - BND) estimated that only three countries were trying to retrieve missile technology: Libya, Iraq and North Korea. By 2000, already nine countries are actively seeking to acquire missile technology. According to BND estimates, particularly Iraq and Iran are actively pursuing the acquisition of medium- and long-range missiles. When the Sub-Committee visited Brussels in October 2000, the head of NATO's WMD Centre, Mr Ted Whiteside, told members that more than 25 countries possess, or develop, chemical or biological weapons. The US Deputy Secretary of Defense, Paul Wolfowitz, told the US Senate Armed Services Committee this July that the number of states that possess ballistic missiles has increased from nine in

1972 to 28 in 2001.

1. Threat Assessment

29. A very brief overview of the current status of the so-called "states of concern", particularly regarding the development, production and proliferation of missile systems provides the following picture.

a. Iran

30. Today Iran is producing two surface-to-surface ballistic missiles, particularly the Shahab-1 (similar to the SCUD-B missile) with a range of 300km, and Shahab-2 (similar to the SCUD-C missile) with a range of 500km. Shahab-3, partially based on North Korean technology (No Dong) delivered by Russian companies, was tested in 1998 and can hit targets 1,300km away, including most of the Turkish territory. Iran is currently developing the Shahab-4 capable of hitting targets approximately 2,000km away, capable of reaching the eastern regions of Hungary and Poland, for example. This missile could be completed by 2005, and Iran might be able to test a nuclear capable Intercontinental Ballistic Missile (ICBM) around 2010, according to US Defence Intelligence Agency (DIA) estimates. Iran is also working on the development of solid-fuel booster rockets comparable to modern Western systems. According to the Director of the DCI Non-Proliferation Centre, Iran has continued to pursue further the development of nuclear, chemical and biological weapons with assistance from Russian companies. Though Iran declared some of its chemical stock under the Chemical Weapons Convention, it is believed to possess nerve, blister, choking and blood agents, according to recent unclassified American intelligence reports. Russia is also helping to develop a nuclear power plant in Iran.

b. Iraq

31. According to the DIA, Iraq possesses missiles with a range of 650km, capable of striking the south-eastern part of Turkey. The country is believed to have developed a missile with a range of up to 1,000km. Until the 1991 Gulf War, Iraq had two major missile programmes under way and possibly came close to developing a missile with a range of up to 3,000km. Despite Iraq's heavy investment in obtaining infrastructure to produce nuclear, chemical and biological weapons, many missile production facilities were destroyed by United Nations inspection teams before they departed in August 1998. Recently, however, the Iraqis have intensified efforts to rebuild facilities, with BND estimates suggesting pre-Gulf War levels obtained in only three to five years' time. The estimates also suggest the biological and chemical weapons programmes remain active, with potential for the production of medium-range missiles and WMD weapons in just a few years. Accordinglv. acquisitions both of components to build chemical

plants, and projects to produce the chemicals (and biological weapons) have increased significantly since 1999. Though weapons inspectors know that Iraq stockpiled anthrax, botulinum toxin and aflatoxin - a carcinogen - the country has failed to account for some 17 tons of growth medium for biological weapons. It is also believed that Iraq once experimented with the ebola virus and bubonic plague. Also, the involvement of Indian companies working jointly with the Iraqis in such programmes ranges as high as 80 chemical projects, 20 of which are related to weapon systems.

c. Libya

32. Libya has tried to develop surface-to-surface missiles since the late 1970s, but its attempts to develop ballistic missiles, namely the Al Fatah, were not successful. Libya does, however, co-operate with Iran on the development of missile technology, according to the BND. It possesses SCUD-B missiles with a range of 300km and has, according to the Korean Institute for Defence Analyses, bought 50 No Dong-1 missiles from North Korea with a range of up to 1,300km. Nonetheless, Libya has not signed the Chemical and Biological Weapons Conventions (CWC and BWC respectively); subsequently, it has attempted to develop chemical weapons since the late 1970s. Libya has produced small amounts of Sarin and Lost at a facility in Rabta; however, production was halted in early 1990. Libya is largely dependent on foreign suppliers for the development of its chemical, biological and nuclear capabilities. Since UN sanctions were lifted in April 1999, Libya has benefited from trade, mostly with Western Europe, for the expansion of its chemical weapons program. In early 2000, Tripoli and Moscow renewed talks on co-operation at the Tajura Nuclear Research Center for the development of a nuclear power reactor. The Allies feel threatened by such supposedly civil-sector projects because of their potential to become weapons-oriented. Since 1999, Libya has negotiated deals of more than \$100 million with Russian firms for conventional weapons and upgrades.

d. North Korea

33. The Democratic People's Republic of Korea (DPRK) produces SCUD-B and SCUD-C missiles and tested the No Dong in 1993. North Korea tested the Taepo Dong 1 in mid-1998. Development of the Taepo Dong 2, which could have a range of up to 5,000km, according to DIA even up to 7,000km, has been halted. North Korea is currently the only country selling complete missile systems as well as components. According to a report by the Korean Institute for Defence Analysis, the DPRK has exported at least 540 missiles to Libya, Iran and other Middle-Eastern countries since 1985. In addition, it sells know-how and training, and assists in the build-up of production facilities. For example, the DPRK helped Iran and Syria build up their missile production

facilities and also sells No Dong missiles to Pakistan.

2. Non-military responses to the threat

34. Building missile defences constitutes part of a possible answer to defend against threats emanating from "states of concern". However, there are also a number of non-military options in place which can be part of a much more comprehensive strategy. Existing options described in detail below can be divided into the following categories and applied either individually or in different combinations:
- Diplomacy via non-proliferation mechanisms
 - Economic co-operation
 - Export controls
 - Economic sanctions
- a. Diplomacy via non-proliferation mechanisms*
35. International diplomacy remains the primary tool to influence the behaviour of states. Bilateral and multilateral agreements include a wide range of areas, of which non-proliferation arrangements can constitute the most important parts. For example, NATO has made non-proliferation a top priority. At the December 2000 Ministerial in Brussels, NATO Defence Ministers iterated that the proliferation of nuclear, biological and chemical (NBC) weapons and their means of delivery continue to be a matter of serious concern for the Alliance. The declaration states that "the principal non-proliferation goal of the Alliance and its members is to prevent proliferation from occurring or, should it occur, to reverse it through diplomatic means." In the framework of the Permanent Joint Council (PJC) and the NATO-Ukraine Commission (NUC), NATO consults with Russia and Ukraine on proliferation-related matters and prepares discussions with partners under the EAPC/PfP framework, and with Mediterranean countries within the Mediterranean Dialogue. Moreover, several NATO member countries are also actively pursuing non- and counter-proliferation policies. Over the years, the United States has developed a comprehensive set of tools which have proven successful. At a 19 June 2001 Carnegie International Non-Proliferation Conference, the Chairman of the Senate Foreign Relations Committee, Joseph Biden, said that promoting the non-proliferation of WMDs works but that a successful approach depend upon persistence, often for several years or more, and nearly always requires positive incentives, not just sanctions.
36. Preventing the proliferation of WMD and missiles, as well as missile technology, is a top priority to contain existing and emerging threats, and has subsequently resulted in a number of international agreements, the most pertinent of which are briefly described below. The nuclear Non-Proliferation Treaty (NPT), which entered into force in 1970, had an original mandate for review conferences every five years. This, however, was extended indefinitely at the 1995 Review and Extension Conference. As of

January 2001, there were 187 parties to the NPT; out of the UN member signatories, only Cuba, India, Israel and Pakistan had not yet joined the treaty. The so-called "full-scope" safeguard agreements with the International Atomic Energy Organisation (IAEO) have been designed to provide for verification of treaty measures.

37. The Australian Group is an association of approximately 30 countries to agree on standardised parameters for the export control of chemicals, as well as chemical or biotechnological production facilities. The Biological Weapons Convention (BWC), dating back to April 1972, banned the development, production and storage of bacteriological (biological) and toxic weapons. The Chemical Weapons Convention (CWC) was set up as an additional measure to ban chemical weapons. It was signed by 169 countries and became effective on 29 April 1997. In 1987, the G-7 countries formed the Missile Technology Control Regime (MTCR) which established a system for the control of technology exports required for the development or production of missiles that can carry a payload of 500kg a range above 300km. The MTCR has expanded and today includes 32 countries. No missile programme is entirely indigenous, and though it was the former Soviet Union's export of SCUD missiles which raised concern about missile proliferation, Western countries also exported missile-related systems and technology before the creation of the MTCR. Missile-aspirant countries find it increasingly difficult to obtain technology controlled by the MTCR in the West, so they now largely look to Russia, China and North Korea. Though the MTCR has been successful in preventing the further spread of missiles and missile technology, the most difficult programmes remain, particularly those in India, Pakistan, Iran and North Korea. The 1994 Wassenaar Arrangement was established when the Co-ordinating Committee on Multilateral Export Control was terminated and co-ordinates export controls for dual use systems. Moreover, it covers tactical weapons not included in the MTCR but that share similar technology.

b. Economic co-operation

38. Economic incentives can be a valuable tool in restraining "states of concern". The 1994 Framework Agreement (FA) with North Korea provides an illustration of a partially successful mechanism where the country had promised to stop its nuclear programme in exchange for the delivery of civilian nuclear reactors. Subsequently, at an autumn 2000 meeting between the Clinton Administration and North Korean officials, an agreement was nearly documented. It was foreseen that North Korea would call off its missile programmes to the other "states of concern", programmes which generate revenue of approximately \$1 billion each year. Accordingly, the North Korean regime proposed not to produce, test or deploy missiles with a range of above 300 miles, thus also halting the sale of missiles, components, technology and

training. Despite making more progress than anticipated, the Clinton Administration was unable to reach an accord by the end of its term with the agreement verification still unresolved and discrepancies remaining regarding the value of the non-monetary aid North Korea should receive.

39. The new Bush Administration, however, considers that the DPRK did not abide by the 1994 agreement and has announced an extensive review of US policy on North Korea. Moreover, US defence officials have expressed concern about continued weapons acquisitions and military strengthening by North Korea that may have been made easier by aid from Western governments and the international community at large. After a meeting between President Bush and the South Korean President, Kim Dae Young, in March 2001, the US Secretary of State, Colin Powell, said that the United States had no plans to resume talks soon on ending the North Korean missile programme. However, President Bush announced in June 2001 that he was ready to resume talks and during his visit to South Korea in July 2001, the Secretary of State, Colin Powell, announced the United States' readiness to resume talks wherever and whenever the North chooses. Earlier in May 2001, a European Union delegation visited the DPRK and succeeded in attaining a pledge that the government would maintain a moratorium on missile testing until 2003. Robert Galluci, former chief US negotiator of the Framework Agreement (FA), earlier this year suggested a revision of the agreement so as to provide conventional rather than nuclear power facilities to the North Koreans. Kim Dae Young wants to continue his "sunshine" or engagement policy toward North Korea despite domestic criticism for an alleged lack of reciprocity from the North. While economic relations between the two Koreas are developing slowly and little progress has been made regarding mutual understandings, Kim Dae Young made an historic visit to the Pyongyang in June 2000, and South Korea continues to provide 70% of the funds for the FA, valued at \$4.6 billion.

c. Export controls

40. Export controls are usually applied by a sovereign state in response to unfavourable behaviour a particular country. In the United States, for example, such restrictions are placed on terrorist-supporting countries. Although there is no agreed definition of an export restriction for arms, and the term is used differently among national export control systems world-wide, a growing number of states have begun to co-operate in an effort to authorise specific transfers without a multilateral regime in place.
41. Since December 2000, the European Union and the United States have been working jointly to encourage all arms-exporting countries to adopt the principles and a degree of transparency applied to their exports. Both the EU and the United States maintain comprehensive arms-export control policies. The EU has expressed its determination to promote common, high-level

standards in this field with the adoption of the first set of common criteria for arms exports in 1991 and 1992 by the Luxembourg and Lisbon European Councils respectively. More recently, the EU has adopted the 1998 Code of Conduct for Arms Exports introducing a mechanism for notifications and consultations, the only one of its kind.

42. The United States has established numerous policies which range from the registration of manufacturers and exporters of defence articles and services subject to US jurisdiction, a case-by-case review of applications, and effective enforcement measures. Recently, an April 2001 report released by the US Congressional Study Group on Enhanced Multilateral Export Controls for US National Security, recommended three steps to establish a new and more effective framework for multilateral export controls listed below:

- In the short term, to work to improve the Wassenaar Arrangement and other multilateral arrangements, with the long term goal of merging them into a single, effective body;
- To develop a new supplemental framework for co-ordinating multilateral export controls based on "harmonising" participating countries' export control policies and improving defence co-operation with key allies and friendly nations; and
- The report also calls for necessary reforms in the US export control system. For example, a "balanced and updated" Export Administration Act should be passed as soon as possible.

43. Consequently, these measures significantly increase the level of transparency in arms exports and promote convergence of the national arms export policies, with hopes of encouraging others to follow suit.

d. Economic sanctions

44. According to UN records, the Security Council had only imposed sanction regimes on two occasions prior to 1990; namely on former Rhodesia and South Africa. However, in the post-Cold War era, 11 sanction resolutions have been authorised, of which eight remain in force. Few existing studies have focused on the efficacy of UN sanctions; instead, they have examined the totality of sanction regimes of which most have been imposed unilaterally. These studies have overwhelmingly argued against the efficacy of sanctions. While some critics suggest that the results are misleading because they focus on unilateral sanctions, there has been little quantitative work to demonstrate that multilateral sanctions are more effective. A major reason for the negative assessment of these studies is that often the only criterion considered is success in coercing target countries to change their behaviour. Other important consequences of economic sanctions, such as containment and deterrence, are often ignored.

45. Quantitative studies assessing the political usefulness of sanctions, as well as qualitative arguments revolving around the humanitarian costs of sanctions regimes, are equally discouraging. According to a 1998 study of the Washington-based Institute for International Economics (IIE), only 17% of US sanctions applied between 1973 and 1998 worked in achieving their set foreign policy goals. C. Fred Bergsten, Director of IIE, argues that unilaterally-imposed sanctions cannot be effective in the context of today's world economy where there are always alternative sources of export and import markets. Moreover, unilateral sanctions such as the Helms-Burton Act or the 1996 Iran-Libya Sanctions Act (ILSA) have also strained relations between the United States and its Allies. The ILSA, which penalizes foreign companies that invest heavily in Iran's and Libya's energy industry, was largely waived by the Clinton Administration after strong opposition from some European countries. In late July 2001, the US Senate and House of Representatives voted overwhelmingly to extend sanctions for another five years, despite the Bush Administration's efforts to limit the sanctions to two years to allow for more leeway in future dealings with the two countries.
46. Targeted sanctions against Iraq, stipulated by UN Security Council Resolution 1284 (UNSCR 1284), provide an embarrassingly clear example of multilateral failure. These sanctions were to be lifted when Iraq revealed that it had destroyed its existing missiles, as well as its ability to produce WMD systems. There is still no evidence, however, that Saddam Hussein's regime has met this requirement, and after UNSCOM weapons inspectors were expelled from Iraqi territory in 1999, the sanctions could no longer serve their purpose. Despite UNSCR 1284 and the eleven-year-old "oil-for-food" programme Saddam Hussein was able to manipulate the sanctions to maintain a hidden oil trade with Syria, Turkey, Jordan and Iran, generating an estimated \$1.5 billion - \$3 billion annually for the Iraqi regime. While Hussein's regime has been able to benefit from smuggling and making illegal surcharges, the sanctions have undoubtedly had a detrimental effect on Iraq's civilian population. Since 1991, Iraq's infant mortality rate has reportedly risen by 160%. Annual price rises by as much as 1000% for basic commodities have had dire consequences for the poor and virtually eliminated the middle class. When the sanctions regime was up for review in June 2001, the United States, though the Bush Administration had initially held a hard-line stance of pursuing stricter sanctions, and the United Kingdom proposed a different approach. They suggested "smart" sanctions that would serve to curtail Iraq's military capabilities and tighten its borders, while promoting commercial trade. But Russia vetoed this proposal in the Security Council because it threatened Russia's commercial relations with Iraq and because of the general fear aroused by Iraq's threat to stop oil sales altogether if "smart" sanctions were enforced. As this report is being drafted, Security Council members are scheduled to discuss in August 2001 Secretary General Kofi Annan's recommendations that the UN allow Iraq to use \$1.05

billion a year to pay for the upkeep of its oil industry. Currently, all Iraqi oil revenues are supposed to go into an escrow account controlled by the UN. The United States and the United Kingdom have already voiced concern that this "cash component" will be used by the Iraqi regime to build up its weapons program.

47. On the other hand, under the right circumstances, sanctions can assist in achieving the set goal. Multilaterally-imposed sanctions with relatively moderate goals are believed to have a greater chance of yielding results. Also, sanctions are more likely to work when imposed on regimes that are economically weak or politically unstable, and on those that are reliant on economic interdependence. The IIE study has also shown that sanctions, by their very nature, have been more successful in changing the behaviour of targeted states with a multiparty electoral system. In an authoritarian state like Iraq, the civilian population has little power to influence its government. Moreover, according to Senator Robert Torricelli, multilateral sanctions against Iraq were not limited or realistic. And though the United States and the United Kingdom plan to loosen their trade restrictions on civilian exports to Iraq despite their failed attempts to revamp the multilateral sanctions regime, these measures are likely to negatively affect the Iraqi population. Iraq - once a relatively advanced country - today has living standards on a par with Ethiopia's. Your Rapporteur holds the view that sanctions can be viable policy tool to rein "states of concern" and change their behaviour. However, in order to be effective, sanctions require complicated mechanisms and close co-operation by the international community. The Allies in particular should work closely together to develop sanctions that focus on the political leadership of a country while sparing its population.

E. THE INTERNATIONAL CONTEXT

48. US plans for the development and deployment of long-range BMD have become a central issue dividing the United States and Russia as well as China. The Bush Administration is trying to convince the Russian and Chinese governments that MD is not directed against them and has initiated a consultation and information process with both. Several high-level delegations, including the Secretary of Defense, Donald Rumsfeld, and the National Security Advisor, Condoleezza Rice, have visited Moscow and Beijing in 2001.

1. Strategic Missile Defence and Russia

49. Russian leaders fear that the envisioned missile defences are part of a conscious US strategy to maintain global strategic superiority. Russian officials, including the Foreign Minister, Igor Ivanov, argue that a US decision to deploy would destroy the foundation of the agreements comprising the modern architecture of international security. President Putin has also said that Russia was worried that "an uncontrolled arming of other countries would begin. and manv

of them would be close to us". They warned that Russia would no longer be bound by its obligations to reduce strategic armaments if the United States withdrew from the ABM treaty. Thus, the process of nuclear disarmament will inevitably be terminated, if not reversed, they add. Although President Putin did not reject US calls to consult Russia on the future of the ABM treaty, for example, he has warned of the severe consequences which a unilateral US decision to cancel the treaty would trigger. Doing so would cause Russia to react very harshly, forcing it to respond with neutralizing measures to ensure its own security and ultimately to consider withdrawal from all major existing arms control arrangements.

50. Earlier this year, the US Administration reportedly began reviewing its policy towards Russia. Views about the new Administration's approach to Russia appeared divided at the beginning of 2001. Some favour a continuation of a policy of engagement and co-operation with Russia, while others argue that an adjustment of the course towards Moscow would be necessary, partly to show Washington's disapproval of its opposition to American policy initiatives in missile defence and non-proliferation. Bilateral relations cooled early in the Bush Administration, and senior Bush Administration officials have been accused by the Russians of making "openly confrontational" statements by labelling Russia as an "active proliferator" of dangerous weapons technologies, including ballistic missile technology to Iran. European allies are generally more in favour of continued co-operation with Russia. From a Russian perspective, NATO's opening to the East, the 1999 Kosovo air campaign, and the Alliance's new Strategic Concept have increased concerns about Western intentions. Another factor in the bilateral US-Russian relations is China. When the Chinese President, Jiang Zemin, visited Moscow in mid-July this year to sign a new 20-year friendship treaty between the two nations, he and President Putin also signed a statement reaffirming their staunch opposition to the US Missile Defence plan and stressed their commitment to the ABM Treaty. Russia's reaction to Missile Defence may also be influenced by worries about China's reaction (or overreaction). However, bilateral US-Russian relations significantly improved after President Bush's 1 May address and the meetings between the two presidents in Ljubljana in May and Genoa in July this year. President Bush has repeatedly stressed that the United States no longer views Russia as an enemy and that he hopes the United States will be able to persuade Russia that it is in the interest of both nations to find ways to move beyond the ABM Treaty in a collaborative way and to develop a new strategic framework.
51. However, Russia has also signalled that it might be willing to find a compromise. Commenting on President Bush's May 1 address, the Russian Foreign Minister, Igor Ivanov, said that "Russia is ready for consultations." Russia has also admitted serious concerns about proliferation. More specifically, Russia has spoken of "states of concern" and about the dangerous leakage of missile technology and the threat to countries close to the "states of concern". This

might indicate the possibility of strengthening the non-proliferation regimes for weapons of mass destruction and their means of delivery. What is more, President Putin has initiated a debate about seeking deeper cuts into US and Russian strategic nuclear arsenals under the future START III treaty than envisaged earlier. At the G-8 meeting in Genoa in July this year, Presidents Bush and Putin agreed to couple cuts in nuclear arsenals with the development of missile defences and start intensive talks soon on US security proposals. In a joint statement they declared that they "already have strong and tangible points of agreement".

52. President Putin has proposed a pan-European non-strategic-missile defence system which targets short- and medium-range missiles instead of inter-continental weapons. The concept rests on a four-step process:
 - o evaluating any missile threats against European nations;
 - o developing a missile defence concept;
 - o determining development and deployment of anti-missile units;
 - o establishing a joint early-warning centre.
53. The Russians suggest that mobile batteries can be shifted to protect particular regions. The proposal envisions creating a single database with the characteristics of all known non-strategic ballistic missiles, opening a joint centre with the Europeans to share information from launch warning systems similar to one envisaged earlier with the United States, and testing new equipment using existing Russian facilities. A diagram included with the plan suggests a multi-layered shield, with one type of system targeting missiles at a height of 144km (89 miles), and smaller batteries within the larger umbrella aimed at enemy missiles at a height of 30km.
54. President Putin first proposed the alternative "non-strategic" missile defence proposal in June 2000. Such a theatre-based system could protect against ballistic missile attacks from "states of concern" without undermining existing disarmament pacts. The former Russian Defence Minister, Igor Sergeyev, provided Lord Robertson with a broad outline of the initiative during his visit to Moscow in February 2001.
55. The plan, however, offers little technical evaluation and no cost estimates, development timetables or organizational structures. Instead, it provides a theoretical framework for how a mobile European-based system might be developed using Russian technology. Implementation of the Russian concept might be feasible in the framework of a package deal that included a START III favourable to Russia and a revised ABM treaty that allowed for the kind of strategic defence that the United States deems necessary for its security.

2. China

56. Deployment of long-range missile defence is most likely to trigger Chinese counter-reaction. as it has voiced strong concerns about

United States plans. China fears that a national US missile defence shield would further strengthen what it perceives as US dominance in world affairs and particularly in the region. China is particularly sensitive in matters concerning Taiwan, and thus fears a US TMD system supplied to what it considers a renegade province. China appears set to counter a national BMD deployment by expanding and accelerating development of sophisticated intercontinental ballistic missiles (ICBMs). China announced earlier this year that it would increase defence spending by a record 17.7% this year as it overhauls its armed forces to adapt to "drastic changes" in the world's military situation.

57. It is unclear how rapid and how large an increase in its arsenal China will pursue. Currently, China has about 20 long-range ballistic missiles armed with nuclear warheads. Assuming China seeks to maintain its deterrent, estimates predict that by 2015, China is likely to have tens of missiles targeted against the US, having added a few tens of more survivable land- and sea-based mobile missiles with smaller nuclear warheads. The United States has signed a missile non-proliferation arrangement in November 2000, which commits China to not assisting other countries in developing nuclear-capable ballistic missiles in any way, and to put in place comprehensive missile-related export controls. But according to US government officials, China has failed to live up to the pledges. As a result, the United States is holding up the licensing of the sale of American communication satellites to China. During his visit to China at the end of July 2001, the Secretary of State, Colin Powell, raised the issue of Chinese missile technology transfers. China's reaction to an American MD system will depend on a number of variables, defined by a complex mixture of domestic politics and its foreign and trade interests. A number of analysts believe that because of its strong interest in membership of the World Trade Organization (WTO), in Western technology transfers, as well as indirect investment, China's leadership will be eager to cultivate American and Western goodwill. Bilateral US-Chinese relations will play a crucial role in determining how China will accommodate to the international security system. Relations were strained after the collision of a US reconnaissance plane and a Chinese fighter aircraft at the beginning of April this year. Earlier, during the 2000 Presidential election campaign, then Governor George W. Bush had called it a "strategic competitor". However, during his visit to China at the end of July 2001, US Secretary of State, Colin Powell, stressed that President Bush "wants to build constructive, forward-looking relations with China" and announced that the United States and China plan to broaden contacts on a full range of issues such as trade, proliferation, human rights and commerce. The Chinese government, though reiterating its position to BMD, said it was "ready to hear US views".

3. Taiwan

58. Taiwan announced in May 2000 that it would develop a missile defence system unilaterally to neutralize the only credible weapon Beijing wields to intimidate Taiwan, depending upon finances and technological progress. Despite refusing to embrace Beijing's "one-China" policy, President Chen Shui-bian has spoken of "continuity" to maintain Taiwan's autonomy until reunification with the mainland can be "peaceful and painless". To do so, however, requires engagement with Beijing so as to increase cross-Strait relations that would accelerate the mainland's socio-economic development and reform, and to avoid providing Beijing with an excuse for using military force against Taiwan. China's dramatic increase in military spending threatens to alter the existing military balance in the Taiwan Strait in 2005. Under the Taiwan Relations Act, the United States is obliged to sell the island enough arms to defend itself, and the US government has decided to sell advanced weapons, but no Aegis-class destroyers, to Taiwan.

4. India

59. Recently, India has increased its awareness of the US missile defence programme because its national interests, namely economic development and growth, could be at stake. Ironically, India has taken a sudden interest in arms control, particularly owing to the negative international reaction to its underground nuclear tests in 1998, which were followed by Pakistani tests. Also, China's increased strategic military capability would put pressure on India to do the same in order to maintain its minimum deterrence thus adding pressure for higher military spending. In early March 2001 India announced that its new Agni-2 ballistic missile, which can carry a one-ton nuclear warhead more than 2,500km, was ready for mass production. Though India had earlier supported Russian views on the possible negative repercussions of national missile defences, India welcomed the US missile shield project simultaneously, as relations between the US and India have been warming up with the Bush Administration's coming into office. The Indian Foreign Minister, Jaswant Singh, was quoted as saying that New Delhi and Washington "are endeavouring to work out together a totally new security regime which is for the entire globe". Describing itself as a "reluctant nuclear power", India has also indicated its interest in arms control and overall reduction of nuclear arsenals. The US is now considering lifting sanctions that were imposed on India and Pakistan in the aftermath of their nuclear tests in 1998.

5. Pakistan

60. For the most part, NMD has only indirect effects on Pakistan's national interests. However, China's strategic build-up in reaction to BMD would probably induce India to try to create an effective counter-force, which many fear would leave Pakistan with no choice but to increase its nuclear and missile capabilities. At the

same time, India's Prime Minister, Atal Bihari Vajpayee, and Pakistani President Pervez Musharaf recently agreed to hold a series of high-level talks and, if progress could be made on contentious issues like Kashmir, the arms race between India and Pakistan may be abated. Pakistan is committed to an ongoing security dialogue with India as a way of getting out of international isolation which has cut it off from economic assistance. Pakistan has been accused of providing support for a number of terrorist organisations including the Taliban.

F. STRATEGIC MISSILE DEFENCE, NUCLEAR WEAPONS AND ARMS CONTROL

61. The most likely, and most immediate, effect of building long-range missile defence would be on the ABM treaty. The treaty would allow TMD systems but would prohibit building a nation-wide missile shield. If the United States and Russia agreed on amending the ABM treaty, it could be maintained. However, it would fall if Russia refused adjustments and if the United States decided to build a long-range missile defence system. Senior US Administration officials, including the Secretary of Defense, Donald Rumsfeld, consider the ABM treaty a "relic". The Secretary of State, Colin Powell, stated that the United States might have to abrogate the ABM treaty. President Bush said on 23 August that the United States "will withdraw from the ABM treaty on our timetable", but added that he had "no specific timetable in mind".
62. Should the United States decide to withdraw from the ABM treaty, the timing and context could be of considerable importance for the impact on arms control. Mr. Powell said that, "it is not something that's going to happen tomorrow, and it's not something that's going to happen without full consultation with our friends and Allies and full consultation with the Russians. And beyond that, full consultation with other nations that have an interest in this in Asia, Japan, Korea, and China." It is unclear when a violation of the ABM treaty might occur. In a statement to Allies and Russia, the State Department has stated that the MD programme tests will come into conflict with the ABM treaty in months, not years. The Defense Secretary, Mr. Rumsfeld, told a Congressional Committee in an 11 July testimony that the Administration had no intention of violating the ABM treaty soon. US government legal experts and arms control advocates have offered different interpretations of how much construction would be allowed under the treaty.
63. In his 1 May speech President Bush said he is prepared to make deep cuts in America's nuclear arsenal, currently numbering approximately 7,000 strategic warheads. During the election campaign, President Bush had announced his willingness unilaterally to reduce the US arsenal below the 3,500 warheads allowed by the START II treaty. A review of the nuclear strategy has recently been announced. The future nuclear planning of the United States might include far fewer missiles and atomic warheads. and could also lower the level of preparedness as well as

the number of targets. Depending on how deep the cuts will be, the revision of the nuclear arsenal will have a likely impact on the structure of the US nuclear forces. It remains to be seen whether the concept of the so-called "triad" (the stationing of nuclear weapons on land-, air- and sea-based delivery platforms) will be kept.

64. Drastic reductions in the US nuclear arsenal can also help to dismiss or at least allay the concerns of BMD critics, in particular Russia and China, as well as of some allies. In fact, should the United States opt for a drastic reduction of its nuclear arsenal, Russia might follow, even without the ABM treaty in place. Russia's strategic arsenal appears much less determined by arms control and disarmament agreements, e.g. START, than by the declining Russian economy.
65. Although Senior State and Defence Department officials have expressed different views, the Bush Administration appears to put less emphasis on arms control than its predecessor and its Allies. The refusal to ratify the Comprehensive Nuclear Test-Ban Treaty (CTBT) and, most recently, the failure to pass a small arms convention as well as a verification protocol to the Biological Weapons Convention (BWC) in 2001 have been viewed with concern by America's Allies. However, it is still too early into the Bush Administration to tell which approach will prevail. It is conducting multiple reviews of arms control and non-proliferation policies, and will complete reviews on the biological weapons, nuclear testing and strategic nuclear agreements. In a 12 July speech at the National Press Club, National Security Advisor, Condoleezza Rice, said that "we need to protect today against threats through a comprehensive strategy that includes strengthened non-proliferation and counter-proliferation measures, as well as a new concept of deterrence that includes defenses and a small nuclear arsenal."
66. America's Allies are nonetheless concerned that the United States holds different views on arms control, as well as on multilateralism in general. Drawing from lessons learned historically, Europeans hold a strong conviction that their interests are best preserved by the development of rules to govern international behaviour. The United States also supports multilateralism where possible, but appears more ready to pursue its perceived interest unilaterally if necessary. This may be explained by historic, or possibly cultural, differences between the United States and its European Allies. Over the centuries, Europeans have learned to live with strategic vulnerability in a way that Americans never have.
67. Nevertheless, an abrogation of the ABM treaty could have significant implications on the whole system of nuclear arms control, as it is considered the basis on which the SALT and START Treaties are built. A unilateral deployment of a nationwide BMD without a carefully constructed sheath of diplomatic assurances is likely to make further co-operation on all aspects of non-proliferation much more difficult. The future arms control process faces a number of important challenges. Among the central

questions that need to be addressed are: Who are the players? What could be the organising principle? How should countries that do not comply with agreements be dealt with?

68. The ABM, as well as the SALT and START treaties are bilateral agreements between the United States and Russia. They were successful because only the United States and the Soviet Union had significant nuclear arsenals. In today's world, however, a number of countries have joined the "nuclear club". A reconsideration of the organising principle of arms control is especially important, as there is no longer any meaningful balance or symmetry between military capabilities. Cold War-style deterrence based on visible balance cannot work between highly asymmetrical or ad hoc opponents. This is why ballistic missile defences can increase security. However, introducing a new element - defence - into the equation is likely to trigger profound changes for the current arms control system. Your Rapporteur holds the view that arms control should remain a key component of the international security system of the future. As concluded at the 40th Rose-Roth seminar of the NATO PA in Slovenia in May 2000, negotiated bi- and multilateral agreements can 1) contain the extent of the threat (as in the case of the NPT); 2) actually eliminate major portions of the threat (as in the case of the INF and CFE treaties); 3) introduce elements of transparency in military plans and movements; and 4) build a framework of norms of international behaviour, putting moral pressure on states to conform, and legitimise a response in the event of treaty violation.
69. It is unclear how a future arms control regime could look, but the issue of compliance will be key. The 1990s have seen a number of "compliance crises", such as Iraq's violation of its NPT commitments, the North Korean violation of the safeguard agreements, with the International Atomic Energy Agency (IAEA), as well as the former Soviet Union's violation of the 1972 Biological and Toxin Weapons convention. None of these challenges have been fully resolved. This does not only pose serious problems about security, but it also undermines the international community's confidence in the efficacy of multilateral arms control instruments. Non-compliance will remain a crucial issue which the Allies and the international community will have to tackle.

III. ESDP AND TRANSATLANTIC SECURITY

A. GOALS

70. The European Union's European and Defence Policy (ESDP) is another key determinant for the transatlantic partnership. The logic of enhancing Europe's role as a security actor is clear. European

countries must demonstrate to the United States that they are willing and able to shoulder their fair share of the burden, commensurate with their economic strength. Similarly, ESDP represents an option for the times when the United States, or NATO as an organization, will not wish to get involved in each and every security crisis in or around Europe. If it works, ESDP is a process which will address European capabilities shortage as was so bluntly demonstrated during the Kosovo crisis; but if it fails, ESDP has a potential for undermining the transatlantic link. Whereas an effort of the EU member states to increase their share in their defence burden is a welcome development, there is some concern that ESDP is more about building new institutions to rival NATO, while few resources are being put toward developing the capabilities that would enable the Europeans to undertake missions on their own.

1. The Headline Goal

71. While they are not directly linked to one another, the EU's headline goal can be seen in relation to NATO's Defence Capabilities Initiative. The Headline Goal, endorsed at the EU's Helsinki Summit in December 1999, states that by the year 2003, the EU will be able to deploy a corps of three brigades (50,000-60,000) troops to maximum strength within 60 days and sustain this force for up to a year. This Rapid Reaction Force (RRF) will be used to fulfil the Petersberg tasks, ranging from humanitarian relief, search and rescue, peacekeeping and peace enforcement. These tasks are essentially "lower-end tasks". Of these, the EU will only be able to become involved in very low-end operations (disaster relief) in the near future. Later on it will be able to conduct larger missions such as peace enforcement. It will not be responsible for collective defence.
72. In order to have the right capabilities and assets for this range of tasks, the EU compiled a capability catalogue of all troops, equipment, etc. it would need to be able to undertake these missions. Nations were invited to make pledges towards the catalogue during the November 2000 Capabilities Pledging Conference. All EU members, with the exception of Denmark, pledged troops. All nations made pledges of equipment including aircraft, ships, support capabilities and land armaments. Other non-EU countries were invited to make pledges. The EU reported that this was a positive step in non-EU country relations with the EU, but that the capabilities offered by these countries, among them Turkey, should be an addition to the capabilities the EU has to develop.
73. The Capabilities Pledging Conference revealed a number of capability and asset shortfalls, notably in areas already highlighted through NATO's Defence Capabilities Conference (DCI) described below. These shortfalls will have to be met in order for the RRF to be fully operational by its deadline of 2003. The shortfalls, however, principally include strategic items such as surveillance.

satellites and large-transport vehicles. As these will take time to acquire, the RRF will have a staggered operational capability, performing lower-end missions (as explained above) in the first few years, leading up to the full range of missions in later years.

2. The Defence Capabilities Initiative (DCI)

74. The DCI was endorsed by NATO's Heads of State and government at the Washington Summit in 1999. It is an initiative which is designed to address capability shortfalls inside the Alliance, which were highlighted in previous defence reviews, but most clearly demonstrated through the Kosovo air campaign where NATO countries were not capable of maintaining full interoperability. Thus, the DCI is an initiative aimed at increasing the capabilities mainly of the European allies. The DCI can also be seen in relation to the NATO European Security and Defence Initiative (ESDI), which seeks to enhance the transatlantic link.
75. The DCI is a catalogue of 58 items subdivided into five headline categories. The 58 items are classified, but basically outline a key capability enhancement area. The five headline categories are: Deployability and Mobility (for example, air- and sea-lift capabilities); Sustainability and Logistics (logistic support such as food, shelter and equipment); Effective Engagement (development of adequate firepower); Survivability of Forces and Infrastructure (for example chemical, biological and nuclear attack); and Command and Control (C2) Information Systems (improving allied communications systems such as secure radios).
76. The DCI is said to be progressing well, although several items, notably Alliance Ground Surveillance (AGS), are being held up because of pending political decisions. That is to say the arguments for acquiring the equipment are not always defined in terms of military requirements, but political preference. The DCI is managed by the High-level Steering Group. This group is mandated to continue its work following the progress of the DCI until 2002, although some NATO officials believe that its work should continue longer to maintain the kind of political direction and momentum necessary to see that some items reach fruition.

B. FROM NICE TO GOTHENBURG: PROGRESS

77. Following the Nice Summit of 8 December 2000, several decisions were made in relation to the development of the Common Foreign and Security Policy (CFSP) and the nascent European Security and Defence Policy (ESDP). This included, among other things, the strengthening of military capabilities, civil crisis-management capabilities and provision for the transition of the interim European Union bodies into permanent structures.
78. During the Nice Summit, the member states signalled their determination to elaborate on the headline goal and to make the necessary efforts to improve their military capabilities in accordance with the goals established in Helsinki. in order to be

capable of carrying out in full the most demanding of the Petersberg tasks. In particular, this related to "availability, deployability, sustainability and interoperability". As for their collective goals, the member states agreed to pursue their efforts in the areas of command and control, intelligence and strategic air- and naval-transport capabilities.

79. The aim of the EU Review Mechanisms, as outlined in the "Presidency Report on the European Security and Defence Policy" submitted at the Nice conference, is to enable the EU to make progress towards the realisation of its headline goal commitments and to contribute to ensuring compatibility between the EU and other organisations' mechanisms, such as the NATO force planning and NATO Planning and Review Process for the Partnership for Peace.
80. The Committee for Civilian Aspects of Crisis Management established a four-step method through which phased targets can be met and maintained through voluntary contributions. These four steps are:
 - o preparation of generic planning scenarios and identification of the resultant missions;
 - o definition of the capabilities needed for the performance of the missions identified;
 - o call for contributions from member states and identification of the capabilities on offer;
 - o possible measures to ensure follow-up for concrete targets.
81. As regards strengthening the rule of law, particular attention has been paid to enhancing the effectiveness of police missions by parallel efforts to strengthen and restore local judicial and penal systems. In this framework, a database designed to record member states' ability to make available specialist judicial and penal staff has been compiled.
82. The development of civilian crisis management has received comparatively little attention when compared with the development of EU military capabilities, but during the Swedish presidency, this imbalance was significantly corrected. The EU continued to develop civilian capabilities in the four priority areas (established by the Feira European Council). These included police, strengthening of the rule of law, of civilian Administration and of civil protection. Of these four areas, the most developed is the intention to establish a Rapid Reaction Force of up to 5,000, 1,000 of whom would be deployable within 30 days. This force would either support local police officers, or replace them, depending on circumstances.
83. In response to the Nice European Council's request that the Swedish presidency specify requirements for the planning and conduct of European policing operations, the EU member states agreed on a Police Action Plan. Serving as an annex to the Presidency's report, the document identified six areas for the EU to develop:
 - o arrangements for planning and conduct of police operations at political-strategic level

- systems for command and control of police operations
 - a legal framework
 - arrangements to ensure interoperability
 - a programme of basic and specialized training
 - modalities for financing of EU police operations.
84. The Swedish presidency's report states that the development of EU civilian crisis management capabilities should enable the Europeans to respond more effectively to requests from organizations such as the UN or OSCE and develop autonomous capabilities to act. Special areas which received priority attention were: police, rule of law, civilian Administration and civil protection. Following on from the Gothenburg Agreement, the EU General Affairs Council held an initial discussion on potential conflict situations, as provided for by the "EU programme for the prevention of violent conflicts" adopted at the Summit.
85. While the areas of conflict prevention and civilian crisis management received considerable attention at the Gothenburg EU summit, important steps were also taken to improve the EU's ability to undertake crisis-related military operations and introduce a comprehensive Exercise Policy. The new Exercise Policy is designed to test the readiness of the EU forces to take on international crisis-management operations. The policy aims to ensure that command structures, capabilities, procedures and arrangements with NATO and other actors are adequate and efficient. These exercises will not involve troops; they will involve all levels of command structure. While some exercises will use NATO assets, others will not.
86. During the Swedish EU presidency, important steps have been taken to consolidate the ESDP process, and permanent structures, namely the Political and Security Committee (COPS, the former EU Council Political Committee - made permanent in January 2001), the EU Military Committee (EUMC - in April 2001), and the Military Staff (EUMS - declared permanent in June 2001) have been established. Advances have also been made generating dialogue and co-operation between the EU's nascent defence policy and NATO. The NAC and the COPS met for the first time on 5 February 2001. In May 2001 in Budapest, the NATO and EU Foreign Ministers came together, and the Military Committee of NATO and the Military Committee of the EU met for the first time in June 2001. It was furthermore agreed that such meetings will take place at the request of either party, and at least once during each rotating EU presidency. The Military Committee will report to the Political and Security Committee, and will generally act as a liaison between the military staff and the political committee.
87. One area of deadlock includes arrangements which will permit, in the EU's military crisis management, the consultation and participation of non-EU European NATO members and other countries which are candidates for accession to the EU. While the EU wishes to receive contributions from the non-EU European NATO members and other candidate countries, it states that this openness must respect the principle of the EU's decision-making

autonomy. Parties within NATO and the EU have found agreement on EU-assured use of NATO operational planning difficult without a conclusion on negotiations concerning participation in part of the ESDP decision-making process. Turkey in particular is opposed to the EU having automatic access to NATO assets and capabilities, and wants a say in all ESDP decisions - not only during crises, but also in peacetime. Ahead of the Budapest NATO Summit in May 2001, Turkey stressed that it wanted more consultations, and demanded the right to second officers to take part in all ESDP-related work in the EU's military staff as well as the full participation of non-EU European allies in exercises. While British and US diplomatic efforts appeared to blossom in late May 2001, in early June the Turkish General Staff rejected the compromise package, voicing concerns about the EU's assured access to NATO operational planning and about security pledges *vis-à-vis* Cyprus.

C. CHALLENGES

88. The Nice Summit produced only little on ESDP, rather it focused on the institutional framework and voting procedures for enlargement, as established in the Amsterdam Treaty. However, Nice revealed areas of deadlock in the realm of European security, particularly after the Capabilities Commitment Conference in November 2000. Consequently, certain challenges must be overcome in order for the ESDP to progress.
89. Capability Shortfalls: as a result of November's pledging conference, a number of capability and asset shortfalls have been highlighted among armed forces of the EU member countries. These shortfalls must be addressed before the EU is capable of performing all of the Petersberg missions. The pledging conference gave the opportunity for EU members to see what other countries had available, pin-point inconsistencies and begin an EU-wide method of co-operation to attain the right mix of capabilities and assets for the Rapid Reaction Force. It is generally accepted that a monitoring mechanism of some form should be established to provide feedback and progress on development of capabilities. The EU interim military staff has set in place a number of staggered goals as a guideline for procurement prioritisation. The next pledging conference is preliminarily scheduled for November 2001.
90. Addressing Consultation and Participation of Non-EU European Members: following the disbanding of the WEU, which allowed for an "innovative range of arrangements to enable broad participation in European defence matters", this set of arrangements are now obsolete. Arrangements set out at Nice intensified problems among three groupings of countries involved in the ESDP process: non-EU European NATO Allies, EU applicant countries and non-NATO EU members. The overlap in membership to the groupings that have arisen, has deepened certain sensitivities. Turkey is a case in point. Under the decision-making processes of the WEU, only a majority vote could prevent the

participation of another member in WEU missions. Under ESDP, one single vote can block the participation of other states. It is a concern of some non-EU European allies that a single vote within the EU could block their participation in an ESDP operation.

91. NATO-EU Consultation and Co-operation: closely linked to the above is the challenge of resolving problems related to NATO-EU consultation and co-operation. While the NAC and PSC met for the first time on 5 February 2001, representing a significant development in dialogue and co-operation, the two organisations are working on a basis of "nothing is agreed until everything is agreed." As this is the case, progress made in one area could be prevented by stagnation in another. It is conceivable that unless the Turkish question is resolved, progress in other areas of NATO-EU relations might be held up.

IV. CONCLUSIONS

92. Though not directly related to one another, ESDP and Missile Defence will have an impact on the future shape of the transatlantic partnership. Both issues are linked because of the probable budgetary implications and choices to be made and, more importantly, because of the possible psychological impact they could have if things go wrong. This is why close consultation and co-operation between the Allies is imperative
93. Concerning ESDP, the European countries today spend some 60% of what the United States spends on defence, but have about 50% more personnel in their armed forces. They also spend only one third of what the United States invests in Research and Development (R&D), and co-ordinate their national R&D programmes only to a limited extent. Not surprisingly, Europeans produce no more than 10% to 15% of the US power projection.
94. What is more, European defence spending is falling by 5% a year in constant dollar terms. If there is to be a credible and sustainable ability to act, the Europeans will need to fulfil the expectations created by the Headline Goal with real capabilities. In constant 1999 dollars, the 15 EU member states planned to spend \$147.6 billion on defence this year, against \$152.7 billion in 2000, \$165.2 billion in 1999, \$176.9 billion in 1998 and \$178.2 billion in 1997. Although there is some good news - defence budgets of Denmark, Greece, Hungary, Italy, Luxembourg, Norway, Poland, Portugal, Spain and Turkey are up for 2001, and France boosted its procurement budget to finance purchases of new equipment and increase spending in the space sector - European spending on new equipment is at its lowest in decades.
95. In the words of the NATO Secretary General Lord Robertson, in order for Europe to take greater responsibility in the field of security. Europe must now concentrate on closing the existing

transatlantic capability gap, and on avoiding the creation of a European credibility gap. In order not to jeopardize the transatlantic relationship, Europe must perform, and deliver on its promise. In June 2001, two years after DCI was established, an internal NATO review revealed that the organization is falling short of its goals. The review concluded that if the Alliance's current spending plans are carried out, it will fulfil less than half its "force goals". As the NATO Secretary General, Lord Robertson, noted, the half that will be fulfilled are "the easier ones".

96. As to missile defence, Europe has the option to co-operate with the United States in the development and deployment of what could eventually become a Global Missile Defence (GMD) system. The new US Administration should involve its allies early, often and sincerely in its deliberations. Your Rapporteur welcomes the fact that President Bush has followed up on the practice of the late Clinton Administration, and sent high-level delegations to Allied capitals this spring. This indicates that the US Administration is serious about informing and consulting its friends and allies about its strategic review and its Missile Defence plans. Though building long-range BMD is ultimately an American decision, its deployment without allied agreement might diminish the political legitimacy of the programme, deny the United States valuable resources (especially forward-based radar sites), and make it harder to persuade Russia and China to accept the inevitability of it. What is more, building a national long-range BMD without European support might leave Europe (and the US troops deployed there) vulnerable to missile attacks or threats, thereby possibly undermining the protection of the US homeland.
97. NATO kept a remarkable degree of consensus on nuclear weapons during the Cold War, even though it had to overcome serious spats over the modernisation of those weapons in the late 1970s and early 1980s. The end of the Soviet threat led to a radical reduction in the reliance on nuclear forces, and only little attention has been devoted to the role of nuclear forces recently. US plans to build a comprehensive missile defence system, comprising theatre and long-range elements, imply moving away from mutual deterrence towards relying on a mix of offensive and defensive weapons. A dedicated effort to develop missile defences is likely to succeed sooner or later and will have an impact on nuclear strategy, not only on that of the United States but also on that of NATO as a whole.
98. The United States, supported by its Allies, should pursue an agreement with Russia. President Bush's 1 May statement that he is willing to reach an agreement with Moscow and to significantly reduce the US nuclear arsenal is highly welcome. Moscow's proposal is a useful starting point on missile defence talks. The Allies should increase efforts to prevent Russia, China and other countries selling nuclear and missile technologies to third countries. Recently, Lord Robertson emphasized that there was a joint diagnosis of the disease between the United States and Russia, and even a developing common ground as a possible prescription

to rein in proliferation. Such a prescription requires effective political and diplomatic mechanisms to govern and legally strengthen global processes that create an international atmosphere of stability and predictability. Russia and the United States must concentrate on creating such mechanisms while it is still possible to prevent and neutralize new threats.

99. Building limited defences against attacks by ballistic missiles armed with WMD weapons could create a net gain in security. If a missile were to be launched against the United States or its Allies, it is better to possess imperfect defences than none at all. Though such defences may not alter the strategic calculations of the defender, they are bound to affect the calculus of the attacker. However, it would be fatal if a commitment to build these defences incidentally led to giving up more or less on efforts to curb proliferation. On the contrary, the most appropriate response to proliferation will require sustained proactive non- and counter-proliferation efforts by the Allies and the international community at large. It will require a combination of policies targeted to prevent countries from acquiring missiles (through export controls, arms control agreements and security alliances), to roll back missile programmes that already exist (through diplomatic dissuasion, by offering economic or other incentives and/or imposing sanctions), and to manage the consequences of missile proliferation (including deployment of defensive systems and possibly pre-emption). NATO's newly-created Weapons of Mass Destruction Centre can play an important role. Established in May 2000 as part of the Initiative on Weapons of Mass Destruction approved at the Washington Summit of April 1999, the WMD Centre promotes the co-ordinated understanding of WMD issues among NATO countries, including non-proliferation and arms control. It also supports defence efforts at preparedness for WMD risks and delivery through improved intelligence, information-sharing and military readiness.
100. Your Rapporteur is convinced that arms control still has an important role to play in the current and future security environment. The post-Cold War period has witnessed a progressive downgrading of the importance attached to arms control and disarmament. The international security system will not run on "autopilot"; no single power alone can guarantee global security. This is why arms control should continue to be a prime concern. Without the transatlantic partners' active co-operation, adjusting and re-invigorating international security arrangements will not be possible.
101. But experience has shown that non-military means can frustrate, delay and raise the costs of ballistic missile programmes by "states of concern" but may fall short of entirely preventing them. It could be that missile non-proliferation is now useful in buying time to pursue missile defence and increasing counter-proliferation capabilities. Missile defence and counter-proliferation capabilities could even reinforce diplomacy by rendering the missile programmes of proliferants less effective as weapons of

war and intimidation. Missile defences could help encourage proliferant countries to give up their missile programmes in exchange for the SLV programmes.

102. This is why the Allies, with the United States in the lead, should work together and, if possible, with Russia, to devise a strategy for deploying defences against small-scale missile attacks from third countries. Such a strategy will require that the Allies (and the Russians) accept the contributions active defence can make to their security, and that the United States accept that deployment can proceed only if it is embedded within a broader effort to curb and reverse weapon and missile proliferation and a vigorous attempt to reach agreement with Russia on modifying and updating existing arms control agreements to accommodate such a limited defence.

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