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Washington Post  
July 13, 2007  
Pg. 14

### **N. Korea Proposes Talks With U.S. Military**

SEOUL -- North Korea's military proposed Friday holding direct talks with U.S. forces, an unusual plea amid recent progress on the nuclear standoff between the two countries.

The North's Korean Peoples Army proposed the talks, also to be attended by a U.N. representative, "for the purpose of discussing the issues related to ensuring the peace and security on the Korean peninsula," the chief of the North Korean military's mission at the truce village of Panmunjom said in a statement carried by the official Korean Central News Agency.

"It is easy to miss a chance but difficult to get it," the North warned.

The request came amid a lengthy statement by the North criticizing Washington for stoking tension on the peninsula through the international standoff over Pyongyang's nuclear weapons program.

The military said that if U.S. pressure persists, implementing recent agreements on the nuclear issue would not be possible.

<http://www.washingtonpost.com/wp-dyn/content/article/2007/07/12/AR2007071202310.html>

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(Editor's Note: Executive Summary and hyperlink for referenced Senate staff report and hyperlink for referenced GAO report follows article.)

GovExec.com

## **Undercover officials get license to buy dirty bomb materials**

By Anika Gupta [agupta@govexec.com](mailto:agupta@govexec.com)

July 12, 2007

Undercover agents from the Government Accountability Office obtained a license to purchase enough radioactive materials to manufacture a dirty bomb, according to a staff report released Thursday by the Senate Homeland Security and Governmental Affairs Subcommittee on Investigations in conjunction with a hearing.

GAO's findings, published in separate testimony, exposed potentially serious vulnerabilities in the licensing process. In October 2006, GAO agents working at the request of the Senate subcommittee applied to the Nuclear Regulatory Commission for a license to purchase mechanical equipment that contained sealed amounts of radioactive materials. The agents filed the application in the name of a bogus business.

Radioactive materials play a key role in food processing, medical treatment and mining equipment. The particular materials the agency sought -- Cesium 137 and Americium 241 -- are both common in moisture and density gauges. Under current law, any company that wants to use devices with radioactive components must get a license either from NRC or from a regulatory body in an "agreement state" -- one that is compliant with NRC regulations and has the authority to grant radioactive material licenses.

NRC approved the bogus application within four weeks and mailed the license to the company. GAO reported that the agents who carried out the scheme "did not need to leave their office in Washington," except to post letters from another state, and they gathered necessary information about the application process from NRC's Web site.

GAO agents then illegally modified the license by authorizing the bogus company to purchase greater amounts of radioactive material than permitted by the original license.

When officials faxed the false license to two machinery suppliers, neither realized the license was forged, and both offered to sell the higher amount of radioactive material to the bogus business.

GAO officials said that with more time and money, they could have amassed enough radioactive material to threaten "permanent damage to a person who handled [it], or was otherwise in contact with [it], for some hours."

The International Atomic Energy Agency, the United Nations body that regulates global nuclear safety, categorized the equipment the GAO sought to purchase as Category 3. IAEA's categories for radioactive material run from 1-5, with 1 being the most likely to cause permanent injury and 5 being the least likely to do so.

According to IAEA guidelines, any explosive manufactured from the materials GAO sought would have been unlikely to permanently injure people in the immediate vicinity. But it could have caused temporary injuries or economic disruption, and would have needed to be cleaned up in accordance with international standards.

In early June, NRC temporarily suspended its licensing program in response to GAO's concerns. "Clearly, GAO's findings have brought into question the effectiveness of our [previous] guidance and are a cause for concern," said Edward McGaffigan Jr., NRC commissioner, in a statement. McGaffigan said NRC immediately changed its licensing procedure to require on-site inspections or in-office meetings with new materials license applicants.

The agency also plans to re-examine licenses already issued and implement new security measures in the licensing process, McGaffigan said.

GAO recommended stricter standards for examining NRC license applications, periodic reviews of application examiners and stronger measures to prevent counterfeit licenses.

Both GAO and NRC's inspector general previously had raised concerns about potential security gaps in NRC's licensing system.

If examiners had performed "even a minimal amount of screening," said GAO, "they would have developed serious doubts about our application."

The GAO agents withdrew their license application in Maryland, an agreement state, after an examiner insisted on a site visit prior to granting the license.

[http://govexec.com/story\\_page.cfm?articleid=37449&dcn=todaysnews](http://govexec.com/story_page.cfm?articleid=37449&dcn=todaysnews)

# **DIRTY BOMB VULNERABILITIES**

## **STAFF REPORT**

### **PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**

#### **UNITED STATES SENATE**

#### **RELEASED IN CONJUNCTION WITH THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**

#### **JULY 12, 2007 HEARING**

### **I. INTRODUCTION**

Since 2003, the U.S. Senate Permanent Subcommittee on Investigations (“PSI” or the “Subcommittee”) has engaged in a bipartisan investigation into U.S. government efforts to prevent a nuclear or radiological attack on U.S. interests. The Subcommittee’s efforts have included oversight investigations into U.S. port security and global supply chain security.<sup>1</sup> In addition, PSI has, with the assistance of the U.S. Government Accountability Office (the “GAO”), probed certain vulnerabilities in the U.S. government’s practices and procedures for issuing licenses to possess radiological materials.

This report is another component in that effort, examining certain vulnerabilities in U.S. regulation of radiological materials and whether America’s enemies could exploit those weaknesses to develop a so-called “dirty bomb.”<sup>2</sup> Finally, this report presents certain recommendations to remedy those vulnerabilities.

### **II. EXECUTIVE SUMMARY**

Dirty bombs pose an ongoing terrorist threat that the United States must be prepared to counter. The Executive Director of the 9/11 Commission stated in 2004 that Al Qaeda “remains interested in using a radiological dispersal device or ‘dirty bomb.’ ... Documents found in al Qaeda facilities contain accurate information on the usage and impact of such weapons.”<sup>3</sup> Similarly, in September 2006, then-leader of Al Qaeda in Iraq Abu Hamza al-Muhajir was reported to have called for “nuclear scientists and explosive experts” to help his terrorist group manufacture “unconventional weapons, whether biological or dirty, as they call them.”<sup>4</sup> Likewise, would-be terrorists arrested in London in August 2004 reportedly sought to construct “a crude radiological dirty bomb.”<sup>5</sup>

In light of this threat, regulation and tracking of radioactive materials have become more important than ever.<sup>6</sup> This report explores some fundamental gaps in the federal government’s regulation of radiological materials, in particular, vulnerabilities in the procedures employed by the U.S. Nuclear Regulatory Commission (the “NRC”) to administer licenses for such materials. These vulnerabilities were exposed when the GAO, at the request of this Subcommittee, conducted a clandestine operation to create a dummy corporation and obtain a valid NRC materials license to purchase certain nuclear materials. After a cursory review, the NRC issued the materials license to GAO’s dummy corporation in just 28 days.

Additional weaknesses were identified when the GAO was able to counterfeit the NRC license – using publicly available, off-the-shelf computer software – to remove restrictions on the quantity of radiological materials permitted under the license. GAO investigators then used the counterfeited licenses to execute contracts to buy enough radiological materials to meet the NRC’s definition of a “dangerous” quantity – enough to build a dirty bomb. Perhaps more importantly, investigators reported that they could have easily prolonged their effort, generating dozens of fake licenses, visiting multiple suppliers, and stockpiling significantly higher amounts of this (and potentially more radioactive) material. The GAO states that it could have purchased “substantially more radioactive source material,” possibly enough to reach the threshold of a “very dangerous” quantity. In other words, the modest amount of radiological materials that the GAO sought to purchase was but a demonstration amount, and it could have been considerably larger and considerably more dangerous.

The weaknesses in NRC licensing procedures are not new. In fact, as described in this report, several entities – including the GAO, the NRC Inspector General, and this Subcommittee – have recommended over the past four years that the NRC improve its licensing procedures to ensure that radiological materials will be used as intended. To its credit, the NRC has recently shown a willingness to strengthen its licensing process, including making changes in June 2007 as a response to the GAO’s latest clandestine operation. Those recently-adopted changes are reviewed below, along with several recommendations designed to improve NRC regulation even further.

Based upon its investigation, the Subcommittee staff makes the following recommendations:

- The NRC should reevaluate the apparent good-faith presumption that pervades its licensing process.
- The NRC should regulate Category 3 sources more stringently. Specifically, the NRC should (i) physically inspect applicants’ facilities *before* the issuance of a Category 3 materials license, and (ii) consider including Category 3 sources in the proposed National Source Tracking System.
- The NRC should act quickly to establish a web-based licensing system to ensure that source materials can be obtained only in authorized amounts by legitimate users.

These recommendations are designed to bolster the NRC's ability to prevent radiological materials from being acquired to create a dirty bomb.

1 The Subcommittee's investigation into these security matters has featured a series of hearings including a May 2005 hearing entitled "*The Container Security Initiative and The Customs-Trade Partnership Against Terrorism: Securing the Global Supply Chain or Trojan Horse?*" In March 2006, the Subcommittee held a two-part hearing called "*Neutralizing the Nuclear and Radiological Threat: Securing the Global Supply Chain: Parts One and Two.*" In conjunction with that hearing, the Subcommittee released a bipartisan report, entitled *An Assessment of U.S. Efforts to Secure the Global Supply Chain*, which provided a detailed assessment of numerous port security and global supply chain security programs. See

<http://www.hsgac.senate.gov/index.cfm?Fuseaction=Hearings.Detail&HearingID=336> and <http://www.hsgac.senate.gov/index.cfm?Fuseaction=Hearings.Detail&HearingID=335>.

2 The U.S. Nuclear Regulatory Commission defines a "dirty bomb" as follows: A "dirty bomb" is one type of a "radiological dispersal device" (RDD) that combines a conventional explosive, such as dynamite, with radioactive material. The terms dirty bomb and RDD are often used interchangeably in the media. Most RDDs would not release enough radiation to kill people or cause severe illness - the conventional explosive itself would be more harmful to individuals than the radioactive material. However, depending on the scenario, an RDD explosion could create fear and panic, contaminate property, and require potentially costly cleanup." See *NRC Fact Sheet on Dirty Bombs* at <http://www.nrc.gov/reading-rm/doc-collections/fact-sheets/dirty-bombs.html>. While the NRC states that a nuclear bomb would be a "Weapon of Mass Destruction," it indicates that a dirty bomb is a "Weapon of Mass Disruption," in which "contamination and anxiety are the terrorists' major objectives." See *id.*

3 See Staff Statement of Dr. Philip D. Zelikow, Executive Director of the National Commission on Terrorist Attacks Upon the United States, June 16, 2004.

4 See David Rising, Associated Press, "*Al Qaeda in Iraq Beckons Nuclear Scientists*," September 29, 2006 ("The fugitive terrorist chief said experts in the fields of 'chemistry, physics, electronics, media and all other sciences -- especially nuclear scientists and explosives experts' should join his group's jihad, or holy war, against the West. 'We are in dire need of you,' said the speaker. 'The field of jihad can satisfy your scientific ambitions, and the large American bases [in Iraq] are good places to test your unconventional weapons, whether biological or dirty, as they call them.'").

5 See Adam Zagorin and Elaine Shannon, Time Magazine, "*London's Dirty-Bomb Plot*," October 3, 2004, <http://www.time.com/time/magazine/article/0,9171,1101041011-708959,00.html>.

6 The term "radioactivity" denotes the spontaneous disintegration of an unstable atomic nucleus, resulting in the emission of helium nuclei (called alpha particles), electrons (called beta particles), and/or gamma rays (highenergy x-rays). See *NRC Glossary* at <http://www.nrc.gov/reading-rm/basic-ref/glossary>. . .

(For complete report, click on link below.)

<http://hsgac.senate.gov/files/REPORTDIRTYBOMBVULNERABILITESTFINAL.pdf>

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## **Nuclear Security: Actions Taken by NRC to Strengthen Its Licensing Process for Sealed Radioactive Sources Are Not Effective**

by Gregory D. Kutz and John W. Cooney of GAO's forensic audits and special investigations unit; and Gene Aloise of GAO's natural resources and environment team, before the Permanent Subcommittee on Investigations, Senate Committee on Homeland Security and Governmental Affairs.

GAO-07-1038T, July 12.

<http://www.gao.gov/cgi-bin/getrpt?GAO-07-1038T>

Highlights - <http://www.gao.gov/highlights/d071038thigh.pdf>

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Boston Globe  
July 14, 2007

### **N. Korea Prepares To Shut Down Reactor**

By Burt Herman, Associated Press

SEOUL -- North Korea seemed ready yesterday to take a first step toward scaling back its nuclear weapons program, perhaps this weekend, as UN inspectors prepared to monitor the shutdown of its sole operating atomic reactor.

The team from the International Atomic Energy Agency stopped in Beijing en route to the North. It was scheduled to arrive in Pyongyang today, just hours after a South Korean oil shipment was to enter a North Korean port -- a promised reward for the reactor shutdown pledge.

After years of tortuous negotiations and delays during which the North maintained that its nuclear program was needed for self-defense, the reclusive communist regime said last week that once it received the oil shipment, it would consider halting its reactor for the first time in five years. North Korea did not, however, give any timetable for starting the shutdown. The tanker was due to arrive this morning, and officials said it would take 48 hours to pump out its load of 6,200 tons of heavy fuel oil. But UN officials expressed optimism that North Korean officials were ready to go forward with the shutdown of the plutonium-producing reactor at Yongbyon, about 60 miles northeast of the capital.

"With the kind of help which we [have received] from the [North] in the past few weeks, we think we will do our job in a successful way," IAEA team chief Adel Tolba said in Beijing.

North Korea's military, meanwhile, proposed direct talks with the United States on forging a permanent peace on the Korean peninsula. The proposal was noteworthy because it appeared to go beyond simple administrative talks on the 1953 cease-fire that ended the Korean War.

State Department deputy spokesman Tom Casey suggested the idea was both premature and outside the framework for the nuclear talks already agreed on. "We have a channel and mechanism for discussing a variety of issues with North Korea through the six-party process," he said. North Korea agreed earlier this year to scrap its nuclear weapons program in exchange for economic aid and political concessions in a deal with the United States, China, Japan, South Korea, and Russia.

[http://www.boston.com/news/world/asia/articles/2007/07/14/n\\_korea\\_prepares\\_to\\_shut\\_down\\_reactor/](http://www.boston.com/news/world/asia/articles/2007/07/14/n_korea_prepares_to_shut_down_reactor/)

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Time

July 23, 2007

## **The Tony Soprano of North Korea**

By Bill Powell and Adam Zagorin

In the heart of Pyongyang stands a gray, six-story concrete building that is not unlike thousands of others in the dreary communist capital, except that this one is protected around the clock by uniformed soldiers. The building is known as Bureau 39, and it is the headquarters of a worldwide criminal enterprise that is owned, overseen and operated by the government of North Korea.

Through a state-owned conglomerate called Daesong, Bureau 39 oversees export businesses owned and run by the North Korean government--mainly textile and other light-manufacturing factories and some mines. But Bureau 39 also houses another, shadowy directorate that oversees illicit enterprises ranging from drug trafficking to money laundering, claim a dozen current and former government officials in the U.S. and East Asia as well as academic researchers and private-sector investigators interviewed by TIME. Those illegal activities earn, by some estimates--including one by the State Department's former point man on the issue--about \$1 billion a year for the senior Pyongyang leadership. How important is that business to the regime? Consider that in 2005, all of North Korea's legitimate exports totaled \$1.7 billion, according to a CIA estimate.

Sheena Chestnut, a researcher at Harvard University and the author of a forthcoming article in International Security on what she calls the "Sopranos State," says, "Although multiple entities within the North Korean system appear to participate in the organization and implementation of criminal activity, the coordination of the system--and financial control--appear to be exercised at the top by Bureau 39." Chestnut and diplomatic and intelligence sources in East Asia say Bureau 39 houses the personal financial advisers of North Korean dictator Kim Jong Il and his top deputies. "Some rich people use Goldman Sachs or UBS to manage their money," says a South Korean law-enforcement official. "Kim and his friends use Bureau 39." (Like many other people interviewed for this story, he would speak only on condition of anonymity.)

A TIME investigation found that Kim's criminal businesses not only stretch across Asia but also have managed to gain footholds in Russia, Europe and the U.S. Among the regime's illicit activities are the production and trafficking of opium and heroin to dealers around the world, the manufacture and sale of billions of counterfeit cigarettes and the production of tens of millions of dollars in forged U.S. currency sophisticated enough to evade detection by U.S. banks. In many cases, the transactions are conducted not by rogue gangsters but by North Korean government

officials, including members of the country's diplomatic corps stationed overseas. (North Korean government officials did not respond to numerous requests for comment for this article.)

The U.S. has tried to thwart North Korea's criminal activities for years. In 2005 Washington earned its biggest success when it managed to freeze \$25 million of the regime's funds in Banco Delta Asia, a bank in Chinese-controlled Macau, near Hong Kong. At least half that money had been generated from the North's Mafia-style businesses. But one month ago, the U.S. returned the money to its account holders, a diplomatic chip in what the U.S. and its partners in the six-party negotiations with North Korea believe is a more important game: getting Kim to give up his country's nuclear-weapons program. Shortly afterward, the North agreed to allow inspectors from the International Atomic Energy Agency to witness the shutdown of its plutonium reactor in Yongbyon. On June 21, U.S. diplomat Christopher Hill met with North Korean officials in Pyongyang--the highest-level visit to the North since 2000. The trip was a sign of the Bush Administration's drive to strike a disarmament deal with the Kim regime, which President Bush once named a member of the "axis of evil." The Administration is reportedly considering a formal end to the Korean War if the disarmament process succeeds. A former State Department official says Washington's policy toward Pyongyang is "speak softly--and hope for the best."

But even if Pyongyang agrees to disarm, there's little reason to believe that the regime will abandon its nefarious business dealings. By keeping Kim's top military and security officials happy, such lucrative enterprises help the dictator maintain his grip on power and resist pressure to open up the North's broken, Stalinist economy. David Asher, who led the State Department's delegation to the six-party talks from 2001 to 2005 and was the chief monitor of North Korea's illicit activities, says, "Given that North Korea and its élite need hard currency, we can expect them to continue criminal activity to earn that money. The major problems associated with it will almost certainly continue."

According to Asher, the big worry among U.S. and Asian intelligence officials is that "the [North]'s growing ties to organized-crime groups and illicit shipping networks could be used to facilitate weapons-of-mass-destruction shipments." Later this year, the U.S. is expected to go to trial in New Jersey on a case targeting alleged members of a Chinese organized-crime gang accused of moving counterfeit currency, illegal narcotics and contraband cigarettes from North Korea into the U.S.--in addition to at least \$1 million in illegal weapons such as pistols, machine guns and rocket launchers. The question that worries officials from Washington to Tokyo to Seoul is, Asher says, "What could be next?"

### **Bellflowers in bloom**

For most of the year, Kim In-Ho, 42, a defector from North Korea who now lives in Seoul, was an ordinary worker in a state-owned textile factory in Haesan City in Yangang province, not far from the border with China. Yet each summer, Kim and his colleagues left the looms and were sent to nearby farms to collect the year's harvest. It wasn't food they were gathering, he says, although North Korea has chronic food shortages, but "white bellflowers," or poppies, the vital feedstock for opium and heroin processing. North Korean poppies are the starting point of an elaborate chain of production whose result ends up on the streets of Russia, China and beyond.

In most countries, the narcotics business is conducted by private organizations in the shadows as corrupt officials look the other way in return for payments. In North Korea, the opposite is true. "The government not only knows about it--it organizes it," Kim says. "The money [from the sale of heroin abroad] goes to the government."

According to several defectors who say they were involved in the narcotics trade, government trucks transport the opium harvested in North Hamgyong province to a factory outside Pyongyang run by Raemong Pharmaceuticals, a government-owned firm. A North Korean defector who claims he was a key middleman in the narcotics business alleges that Raemong is mainly a normal drug company. But, he says, it also converts opium into heroin headed abroad.

North Korea has used several methods to get its drugs to market. According to Asher and other diplomats, those methods include having its diplomats carry drugs like crystal meth in their luggage as they head for overseas posts. (Asher says North Korea requires that its missions abroad be self-financing, meaning they need to earn enough money to stay afloat without help from Pyongyang.) In the case of heroin, say sources in law enforcement and intelligence, more traditional methods are typically used. Ships flying international flags head for nearby ports--in particular, Vladivostok in Russia's far east and Hong Kong--where organized-crime groups take over. A former senior law-enforcement source in Russia says the criminal groups "do business with agents of the North Korean government just as they would with any other criminal gang."

The North's neighbors are taking steps to root out the menace of North Korean drugs. In 2006 the Vice Minister for China's Public Security Bureau, Meng Hongwei, held a rare press conference to announce his "fierce determination" to combat North Korean drug rings operating in Jilin province in northeastern China. The North's drug dealings also extend to Japan, where in a four-year span, Japanese authorities seized 3,300 lbs. (1,500 kg) of crystal meth trafficked by North Korean gangs. And the Australian navy in 2003 boarded a North Korean vessel headed for the South Pacific and discovered it was packed with more than \$45 million worth of high-grade heroin.

Despite such measures, there is little evidence that North Korea has been deterred from the drug business, particularly as demand rises in Russia and China. An East Asian intelligence source estimates that the trade is still worth "several hundred million dollars a year to the regime."

### **Smokes and mirrors**

During the cold war, Subic Bay in the Philippines was a critical strategic base of the U.S. Navy. The Navy is long gone (the base closed in 1992), and Subic Bay's facilities are now used strictly for commercial purposes--including, according to a detailed private investigator's report produced for the international cigarette industry in 2005, the smuggling of contraband cigarettes from North Korea.

North Korea is not the only player in the game. (Until recently, China was by far the biggest source of phony brand-name cigarettes, industry executives say.) The private investigator's report for the cigarette industry found that 10 to 12 factories in North Korea produce a total of 41 billion contraband cigarettes a year, shipped out of the North on "deep-sea smuggling vessels." They are then off-loaded at sea to smaller, high-speed vessels that deliver the cigarettes to traffickers in East Asia. That allows the deep-sea smuggling ships to remain in international waters, beyond the reach of any country's law-enforcement authorities.

In late 2004, private investigators witnessed 6,000 master cases of cigarettes--each containing 10,000 smokes--being unloaded at Subic from a fishing vessel that routinely runs between Taiwan and North Korea. Since then, according to a North Korean defector intimately involved in the smuggling of phony cigarettes, "the business has only gotten bigger." This source, who did not want his name used for fear of reprisal in North Korea, where his immediate family lives, says export routes for contraband cigarettes--carrying popular name brands such as Marlboro, Benson & Hedges and Mild Seven, among others--are now multiple and varied.

North Korea's military- and internal-security services are "significant players" in the cigarette business, according to the source who used to be in the game. The North uses both homegrown and imported tobacco in these contraband businesses. A large source of phony cigarettes is the Dongyang Cigarette factory in Pyongyang, owned by a company called Kosanbong, which is controlled by North Korea's internal-security bureau, according to the 2005 private report and a defector interviewed by TIME. The North Koreans have been able to import equipment from Taiwan and mainland China to produce the cigarettes. Overall, the trade generates \$80 million to \$160 million in profit for the regime every year, the study claims. That cash is then spread among Pyongyang's elite to ensure loyalty to Kim, say multiple sources.

The illicit-cigarette business is a window into how North Korea arranges and moves its whole range of illegal products. The regime uses shipments of contraband cigarettes to export other goods, including narcotics and weapons. North Korea has successfully exported contraband cigarettes from its two major container ports using ships registered in other countries. Some of that material may have found its way to the U.S.--an indication of how easily weapons of mass destruction (WMD) from the North's arsenal could be smuggled to other countries if Kim were tempted to put them up for sale.

### **The case of the supernotes**

In late summer of 2005, federal agents involved in two elaborate undercover operations in California and New Jersey--code-named Royal Charm and Smoking Dragon--arrested several alleged members of Chinese organized-crime gangs known as triads. In addition to narcotics, phony brand-name cigarettes and bogus pharmaceuticals, the investigators found \$4 million worth of unusually well-produced counterfeit \$100 bills. "There's no way an ordinary bank teller in the United States, let alone overseas, is able to identify these notes [as forgeries]," says an American law-enforcement official. In the indictments that followed--the first trial is expected to start this summer--one of the people charged, Chao Tung Wu, a citizen of Taiwan, says the supernotes were produced by the "government of a country" identified in the indictment as "Country Two." That, sources in the U.S. and East Asia say, is North Korea. According to U.S. and South Korean intelligence reports, the North has been producing the counterfeit bills at least since 1994. The South Korean intelligence service two years ago said it could confirm production only until 1998, but at least twice in recent years, claim U.S. and South Korean sources, the U.S. has presented the South Korean government with supernotes said to have been produced in 2001 and 2003.

A 2006 State Department estimate puts the amount of counterfeit currency in circulation at \$45 million to \$48 million. Estimate is the key word. Of all the illicit businesses from which North Korea profits, counterfeiting is the one about which outsiders know the least. U.S. officials say they don't believe the North Koreans produced the equipment to print such high-quality counterfeit bills. If that's the case, where did they get it from? No U.S. agency interviewed for this story, including Treasury, State and the Secret Service, could say. U.S. sources also say they do not know where in North Korea the notes are produced.

It does seem likely, however, that Kim's government is running the scam. Harvard researcher Chestnut says that since 1994, there have been at least 13 incidents in which North Korean officials, diplomats or employees of government-owned companies have been implicated in carrying counterfeit currency abroad, mostly to embassies in Europe and elsewhere in Asia, from which the bills are sold and slipped into local circulation. Pyongyang last year

denied it had ever forged U.S. currency but said it would, in concert with other nations, continue its fight "against all sorts of illegal acts in the financial field."

Hill, the U.S.'s top negotiator with North Korea, says, "I don't think you can ask any government--not ours, not any other government--just to ignore these things and to pretend it's not going on. So we did need to take action." But it's unclear how far the U.S. intends to go. After the release of the \$25 million from the Macau bank, North Korea promised to use the money for humanitarian purposes. Now that it is back at the negotiating table, however, Pyongyang has less incentive to clean up its game--and every reason to bet that the world will tolerate its criminal enterprises in exchange for cooperation on the nuclear front. Skeptics of engagement with Kim say, given the nature of the regime, his commitment to any arms-control agreement is doubtful at best. "This is a government that has shown every willingness to sell anything to anybody," says former Pentagon official Dan Blumenthal. "Ultimately our security is at stake in terms of their willingness to possibly sell WMD."

So what can the U.S. and its allies do? As a start, Asher and others argue that Washington could lean more on China and South Korea to beef up their surveillance and interdiction of suspect ships coming out of North Korean ports--which over the long term could dissuade Kim & Co. from pursuing its Sopranos-state operations. But that would take time, and right now the U.S. appears focused on getting a nuclear deal out of Pyongyang, no matter what sort of activities it might have to overlook in the process. For Kim and his cronies in Bureau 39, that means business is only going to get better.

<http://www.time.com/time/magazine/article/0,9171,1642898,00.html>

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Los Angeles Times

July 14, 2007

## **Iran To Allow IAEA Access**

By Borzou Daragahi, Times Staff Writer

CAIRO — Iran's decision to grant international inspectors greater access to a major nuclear facility was greeted Friday with skepticism as well as cautious hope among nonproliferation experts.

Under an agreement announced Friday, the International Atomic Energy Agency again will be granted access to the heavy water reactor at Arak by the end of the month. The U.N. watchdog's inspectors were barred this year from the remote facility in the mountains of western Iran.

Iran is at loggerheads with the United States and the United Nations over its nuclear program. Iranian officials contend that their country is developing nuclear technology only to meet its growing domestic energy needs and for other peaceful purposes. But governments in the U.S., Europe and the Middle East fear that Iran is covertly building the infrastructure for the future production of atomic weapons and have imposed sanctions to pressure it to halt the activities.

Heavy water reactors such as the one at Arak produce isotopes that can be used in medicine and for other civilian purposes. But they also can produce plutonium, which can be used for the core of nuclear warheads.

The atomic agency also announced Friday that Iran had agreed on unspecified inspection "safeguards" for the nuclear fuel enrichment plant near Natanz and on a new roster of inspectors to enter the country.

The accord doesn't address Tehran's continued enrichment of uranium at Natanz, the main issue of contention with the international community and the reason the U.N. Security Council has imposed economic sanctions. A diplomat close to the inspection agency said the agreement might show a new willingness by the Iranians to be more transparent.

"It is not insignificant as long as the promises are kept," said the official, who spoke on condition of anonymity because he was not authorized to discuss the matter with the media.

"It does go to the heart of the agency's concerns with regard to the Iran file," he said. "The caveat, of course, is that what is promised is delivered."

Others complained that the latest deal not only didn't go far enough to allay international concerns about Tehran's nuclear program but also provided Iran with a convenient bargaining chip to try to ward off further sanctions.

"The worry was that this would be a way for Iran to delay the Security Council from meeting," said David Albright, president of the Institute for Science and International Security, a Washington think tank. "It holds out the hope that Iran will resolve the issue through the IAEA, to delay further action."

The agreement follows a meeting last month between IAEA Director General Mohamed ElBaradei and Ali Larijani, Iran's chief nuclear negotiator and a rival to conservative President Mahmoud Ahmadinejad. Since the president's election in 2005, observers say, Iran has taken a tougher line on the issue.



The latest deal could be a sign that the moderates are pushing back against hard-liners within Iran's ruling elite, said Leonard Spector, deputy director of the Center for Nonproliferation Studies at the Monterey Institute of International Studies.

"As soon as Ahmadinejad came in they began to restrict inspections to what was precisely required legally, then to trim down and argue over every issue," he said. "The fact that they now may be opening access and going back in a more positive direction could represent the beginning of a shift of policy."

The sprawling Arak site was one of two nuclear research areas whose existence was exposed in 2002 by an Iranian exile group.

Iran and the agency agreed to meet early next month to resolve questions regarding Tehran's past plutonium experiments, another contentious issue.

In a statement last month, the agency expressed frustration over its inability "to resolve outstanding issues relevant to the nature and scope of Iran's nuclear program" or confirm that Iran was not engaged in nuclear activities deemed illegal under the Nonproliferation Treaty, which Iran has signed.

<http://www.latimes.com/news/nationworld/world/la-fg-iran14jul14.1.2865509.story>

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Washington Post

July 15, 2007

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## **N. Korea Shuttters Nuclear Facility**

*Move Follows Delivery of Oil; U.N. Team to Verify Shutdown*

By Edward Cody, Washington Post Foreign Service

BEIJING, July 15 -- After four years of off-and-on negotiations, North Korea said it began closing down its main nuclear reactor Saturday, shortly after receiving a first boatload of fuel oil aid.

The closure, if confirmed by U.N. inspectors, would mark the first concrete step in a carefully orchestrated denuclearization schedule that was agreed on in February, with the ultimate goal of dismantling North Korea's nuclear weapons program in exchange for fuel and other economic aid, and increased diplomatic recognition. More broadly, it constituted the first on-the-ground accomplishment of six-nation negotiations that have been grinding away with little progress since 2003 under Chinese sponsorship. The talks -- including North and South Korea, Russia, Japan, the United States and China -- are likely to resume next week in Beijing to emphasize the parties' resolve to carry out the rest of the February agreement and eventually create a nuclear-free Korean Peninsula.

"We welcome this development and look forward to the verification and monitoring of this shutdown by the International Atomic Energy Agency team," said State Department spokesman Sean McCormack, referring to a 10-member team of U.N. inspectors who flew into North Korea earlier Saturday.

Assistant Secretary of State Christopher R. Hill, the chief U.S. negotiator, warned reporters in Japan, where he was visiting in anticipation of the new talks, that moving forward into further denuclearization would probably prove as difficult as the previous four years of discussions. Given the track record, which includes several North Korean walkouts and long standoffs, some Asian and U.S. analysts have questioned whether North Korea's leader, Kim Jong Il, has genuinely made the strategic decision to give up nuclear weapons after so many years devoted to developing them.

The next steps, as outlined in the accord, would be for North Korea to permanently disable the reactor, a plutonium facility at Yongbyon, 60 miles northeast of Pyongyang, the capital, and to reveal the full extent of the nuclear weapons, nuclear processing plants and stored nuclear material it has accumulated. That would include an accounting of any uranium enrichment efforts, which North Korea denies it has undertaken but which the Bush administration says have been part of the country's nuclear research.

Uranium aside, U.S. intelligence estimates have said North Korea has extracted enough plutonium from the Yongbyon facility to build as many as a dozen bombs, although it is not known how many weapons the reclusive Stalinist nation's military has put together. Last October, while the talks were again stalled, North Korea announced it had conducted its first underground nuclear test and henceforth should be considered a nuclear-armed state.

Kim's government has based much of its power on the military, and possession of nuclear weapons has been described in North Korean propaganda as a matter of national pride. But the thought of nuclear weapons in the hands of Kim and his aides has unsettled his Asian neighbors, including China. As a result, they have persisted in the six-party negotiations despite repeated delays and abrupt changes of position by North Korean diplomats.

North Korea's decision to go ahead with the Yongbyon closure, for instance, came only after nearly two years of wrangling over about \$25 million in North Korean accounts blocked in a Macau bank.

The funds were frozen because of U.S. Treasury Department allegations in September 2005 that they were tainted by money laundering and counterfeiting. After months of insisting the Treasury accusations were a law enforcement matter separate from the nuclear talks, the Bush administration switched positions and promised to get the money liberated, leading to February's milestone agreement. But several months more passed while Hill struggled to find a banking system that would handle the allegedly tainted money. Ultimately, the funds were transferred out of Macau via the Federal Reserve Bank of New York into the Russian banking system and, from there, transferred into North Korean accounts in a Russian trading bank near the border with North Korea.

Diplomats from the six nations have suggested that, should they be successful, the North Korean nuclear negotiations could eventually evolve into a permanent forum for East Asian security cooperation, bringing North Korea into a closer relationship with its neighbors. But as Hill did in Japan on Saturday, they acknowledge they have a long road ahead before anything like that is possible.

Saturday's announcement, while widely applauded, essentially returned the East Asian landscape to what it was in 2002, when operations had been suspended at the Yongbyon reactor under an earlier deal put together in 1994 under the Clinton administration.

U.S. diplomats said in 2002 that North Korean representatives acknowledged a secret uranium enrichment program -- something North Korea has steadfastly denied since then -- and the Bush administration stopped the oil shipments that were part of the 1994 deal. In return, North Korea expelled U.N. weapons inspectors, quit the nuclear Non-Proliferation Treaty and restarted operations at Yongbyon.

The North Korean government had made no formal announcement by early Sunday. But a diplomat at the North Korean U.N. mission, Kim Myon Gil, told the Associated Press that the reactor was shut down Saturday and its closure would soon be verified by the U.N. inspectors. The State Department said in Washington that it got official word from North Korea shortly after a South Korean ship pulled into Sonbong, a port in northeast North Korea, with a cargo of 6,200 tons of heavy fuel oil to power generators in the rickety North Korean electricity grid."

The delivery represented a down payment on a scheduled 50,000 tons of fuel oil aid in return for shutting down the reactor. In all, the February accord promised North Korea up to 1 million tons of oil and other economic aid as it takes further denuclearization steps over the months ahead.

The accord also held out the prospect of improved relations with the United States, which has long been a goal of North Korea. In signing the accord, for instance, the Bush administration undertook to review whether it could remove North Korea from the list of countries said to sponsor terrorism and to engage in diplomatic discussions aimed at dissipating the hostility that remains more than half a century after the Korean War.

<http://www.washingtonpost.com/wp-dyn/content/article/2007/07/14/AR2007071400293.html>

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New York Times

July 15, 2007

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## **North Koreans Say They've Shut Nuclear Reactor**

By David E. Sanger

North Korea told the United States yesterday that it had shut down its nuclear reactor at Yongbyon and readmitted a permanent international inspection team, completing its first step toward reversing a four-year-long confrontation with the United States during which the North has made fuel for a small but potent arsenal of nuclear weapons.

North Korea sent the announcement through the country's small mission to the United Nations at 9:30 a.m. yesterday, according to Christopher R. Hill, the assistant secretary of state who negotiated the accord to close the reactor that was agreed to in February. The reactor shutdown comes nine months after North Korea conducted a nuclear test, but it is unclear whether the country has mastered the ability to deliver or sell a working nuclear weapon.

The North Korean claim, which was carefully synchronized with the arrival of a first shipment of fuel oil from South Korea, can be easily verified by the 10-member inspection team from the International Atomic Energy Agency, though communications are slow from the bleak, heavily guarded nuclear site at Yongbyon, roughly 60 miles north of Pyongyang, North Korea's capital.

Loaded with equipment, the inspectors arrived there yesterday to begin supervising what is envisioned as a lengthy disarmament plan, and to rebuild a surveillance system that was dismantled when they were expelled four years ago. American spy satellites will also be able to detect whether the reactor core is cooling; confirmation could take several days.

The next critical steps required under the accord, Mr. Hill has said, could take until the end of the year. North Korea, in return for large shipments of additional fuel oil, is to permanently disable the reactor so that it can no longer

produce plutonium for additional nuclear weapons. Before it reaches that step North Korea is supposed to issue a complete declaration of all of its nuclear assets — including how many weapons it may have produced since it expelled inspectors in 2003.

“Declaration is one of the early next steps,” Mr. Hill said in Tokyo before the notification of the shutdown. “We would expect a comprehensive list, declaration, to be in a matter of several weeks, possibly a couple of months. We see it as coming before disabling of the facilities.”

He cautioned that the shutdown was “just the first step.” Verifying the declaration will be difficult, because for now the inspectors are limited to the Yongbyon complex.

Still, for President Bush the announcement is a rare diplomatic victory for an administration besieged on many fronts. In recent weeks the rising Congressional demands for a date to begin the withdrawal from Iraq, the struggle to keep Al Qaeda and the Taliban from expanding new footholds in Afghanistan and Pakistan, an expanding nuclear challenge from Iran and revived tensions with Moscow has created a sense in Washington and around the world that Mr. Bush is seriously weakened.

But the shutdown of the reactor and the return of the inspectors will allow Mr. Bush to argue that his five-year strategy of rejecting the North’s calls for bilateral talks and insisting on negotiations that included North Korea’s neighbors — China, Japan, South Korea and Russia — is finally bearing fruit.

Though critical and long-awaited, the reactor shutdown may also be the easiest achievement. It essentially restores the status quo that existed in 2002 — except that now North Korea is believed to have enough plutonium fuel for eight or more weapons, in addition to the one or two it is believed to have manufactured when Mr. Bush’s father was in office.

The challenge now, which experts believe will be far more difficult, is to convince North Korea to reveal and disgorge its arsenal. Almost all of that was produced starting in 2003, while the United States was distracted by the invasion of Iraq and its aftermath.

The February accord commits North Korea to eventually ridding itself of that fuel or the weapons it may have been turned into. But it sets no deadlines, and getting the North to take those steps will require a second negotiation.

“I could imagine that the next steps could extend beyond this administration,” William J. Perry, a former defense secretary under President Clinton, said in an interview in his office at Stanford University on Friday. “And the North Koreans will demand a pretty high price for that.”

North Korea meets its negotiating partners again in Beijing on July 18, and in a statement yesterday the State Department said that it planned to use the session “to make rapid progress in implementing the next phase set forth in the Feb. 13 agreement.”

The initial North Korean steps may also give some additional leverage in Washington to Mr. Hill and Secretary of State Condoleezza Rice as they try to reverse some of positions that the administration took in the first term, when some, including Vice President Dick Cheney, refused to negotiate with the country and looked for ways to speed the demise of Mr. Kim’s government.

Mr. Hill and Ms. Rice quietly dropped the American insistence that North Korea would not be rewarded for reversing the steps it took in 2003, when it expelled the inspectors, increased the production of bomb material and withdrew from the Nuclear Nonproliferation Treaty.

To lure Kim Jong-il, the North’s reclusive leader, to return to the status quo of 2002, Ms. Rice and Mr. Hill worked around Mr. Cheney to strike the February deal, which awarded the North large shipments of oil as it took the first steps to end its nuclear production capacity.

The United States also cleared the way for the return of \$25 million frozen in a Macao bank that the administration had said was largely North Korea’s ill-gotten gains from counterfeiting and arms sales. In the end, the only way to return the money involved sending it through the Federal Reserve, which played a crucial role in getting it back to the North Korean leadership. That process took months longer than expected, and North Korea refused to shut the reactor until it was completed.

The administration’s critics also noted that the February accord bore a strong resemblance to the 1994 accord between North Korea and the Clinton administration that Ms. Rice had denounced in Mr. Bush’s first term as an ill-conceived giveaway, and that hard-liners in the administration dismantled in 2003.

The divisions over North Korea policy ran so deep that some members of the Bush administration departed partly in protest. Among them was Robert G. Joseph, the assistant secretary of state for arms control and disarmament, who told Ms. Rice that he believed that the United States was helping to prop up a regime that Mr. Bush had called evil. Perhaps the most complex problem facing Mr. Hill and North Koreans in coming weeks will be to find a face-saving way for Mr. Kim to explain what he did with nuclear centrifuges and other equipment that North Korea is believed to have purchased from Abdul Qadeer Khan, the rogue Pakistani nuclear engineer.

In 2002 the United States, in a fiery meeting in Pyongyang, charged that North Korea was cheating on the 1994 accord made by the Clinton administration and had bought the equipment to start a second, secret, uranium-based

nuclear production line for nuclear arms. Late that year, American intelligence agencies said that by the middle of this decade, the North could be producing nuclear weapons from that equipment.

But the United States has never found a production plant. Earlier this year, the intelligence agencies admitted to Congress that they no longer had high confidence in their own assessment that the North had assembled the equipment or was trying to enrich uranium. After initially appearing to confirm that it was engaged in the program, the North has since denied it.

Mr. Hill has said that the North must simply explain where the equipment is now. He has quietly helped drive a discussion within the Bush administration over whether to offer to buy the centrifuges and other equipment back from North Korea.

Mr. Hill has also drawn up preliminary plans to open talks with the North over a formal treaty ending the Korean War. That has long been a demand of the North Koreans, and a treaty could begin to pave the way to lifting trade sanctions that the Bush administration has tried to tighten, in hopes of speeding the collapse of North Korea's government.

[http://www.nytimes.com/2007/07/15/world/asia/15nuke.html?\\_r=1&oref=slogin](http://www.nytimes.com/2007/07/15/world/asia/15nuke.html?_r=1&oref=slogin)

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New York Times

July 15, 2007

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## **Russia Suspends Arms Agreement Over U.S. Shield**

By Andrew E. Kramer and Thom Shanker

MOSCOW, July 14 — President Vladimir V. Putin, angered by American plans to deploy a missile shield in Eastern Europe, formally notified NATO governments on Saturday that Russia will suspend its obligations under the Conventional Forces in Europe Treaty, a key cold war-era arms limitation agreement.

The decision ratcheted up tensions over the missile shield plan, but also reflected a trend of rising anti-Americanism and deep suspicion toward the West here as Russia's March presidential elections approach.

Russia's suspension will take effect in 150 days, according to a copy of the president's decree posted on a Kremlin Web site. That delay leaves open the possibility of further negotiation on the 1990 treaty, which resulted in a huge wave of disarmament along the former East-West divide in Europe.

Despite a Foreign Ministry statement that Russia would reject any limitations on redeploying heavy weaponry on its Western border, the Kremlin's move is not expected to radically transform the security situation.

But the decision is a strong indicator that the smiles and warm embraces between Presidents Bush and Putin just a few weekends ago at the so-called lobster summit in Maine did little to soften the Kremlin's pique over proposals to build two American missile defense bases in former Soviet satellite states, Poland and the Czech Republic.

So on Saturday, Mr. Putin reached for a powerful diplomatic tool to fend off what he has described as American bullying and NATO and European encirclement, both economic and military, that the Kremlin believes encroaches into a Russian sphere of influence. White House officials expressed immediate disappointment after the announcement from Moscow, but pledged to continue to meet with their Russian counterparts to resolve the dispute. "We're disappointed Russia has suspended its participation for now, but we'll continue to have discussions with them in the coming months on the best way to proceed in this area, that is in the interest of all parties involved and provides for security in Europe," said Gordon D. Johndroe, the National Security Council spokesman.

Critics of the United States' handling of relations with Russia have warned that the Bush administration was creating an environment in which the Putin government, emboldened by a flood of oil dollars and seeking to re-establish its status in the world, could pick and choose among its treaty obligations. After all, the Bush administration has put less stock in official treaty relations than many predecessors. Under Mr. Bush, the United States pulled out of the Antiballistic Missile Treaty so it could pursue the goal of a global antimissile shield, the exact effort that has so angered Mr. Putin and his inner circle.

Indeed, the Saturday announcement from Moscow was not much of a surprise, given Mr. Putin's earlier warnings. Bush administration officials routinely point to other significant areas of cooperation — on halting nuclear proliferation, on battling terrorism and combating drug traffic — so White House officials reject assessments that relations with Russia are on the point of rupturing.

But while the Saturday announcement was, at least, unsettling to officials in Washington and in NATO capitals, senior policy analysts said it is likely only to strengthen the position of Mr. Putin's leadership clique among Russian voters in the spring elections. Anti-American posturing has played well with the public, and it is encouraged in the state news media and through such means as leaflets distributed by Kremlin-sponsored youth groups. One depicts American warplanes loading body bags at a Moscow airport, for example.

Mr. Putin's decree explained the decision to indefinitely suspend Russia's treaty obligations as caused by "extraordinary circumstances" that "affect the security of the Russian Federation and require immediate measures." A separate statement by the Foreign Ministry identified these circumstances as unrelated to the missile shield plans — though Mr. Putin has linked the issues in previous speeches. In the most notable case, during a state of the nation speech to Parliament on April 26, Mr. Putin threatened to suspend observance of the treaty in response to the United States' abrogation of the Antiballistic Missile Treaty and plans to deploy missile-shield elements in the Czech Republic and Poland.

Still, Mr. Putin's threat in April, and his execution of it on Saturday, left some arms-control experts scratching their heads because the conventional forces treaty has no formal provision for a signatory nation to suspend observance. A nation can withdraw from the treaty without violating its terms, but only after notifying the other signatory countries 150 days in advance.

The decree Mr. Putin signed on Saturday adhered to that time frame, but sought to apply it to suspension instead of withdrawal. The foreign ministry said this formulation complied with "international law."

The Kremlin on Saturday offered six reasons for suspending the treaty, many of which reflected a deep bitterness in Moscow about what is perceived here as a string of broken promises as NATO expanded into the former Warsaw Pact countries after the fall of communism.

They included a claim that NATO expansion into Eastern Europe had beefed up the alliance's military capabilities in violation of the treaty, a charge that NATO denied.

The statement said the new NATO member nations of Latvia, Lithuania and Estonia are not signatories of the treaty but have alliance weapons deployed on their territories. Russia maintains that NATO committed in 1999 to refrain from opening bases in new member countries, though now the United States is building facilities in Romania and Bulgaria. NATO says those are training sites.

Also, the statement noted that NATO governments have not ratified the 1999 amendments to the treaty, which Russia ratified in 2004. Western governments say they will not ratify them until Russia withdraws troops from the former Soviet republics of Georgia and Moldova.

In a statement, NATO said member countries would convene a task force on Monday to formulate a response. "NATO regrets this decision," James Appathurai, a NATO spokesman, said in a telephone interview. "The allies consider this treaty an important foundation of European security. This is a disappointing move in the wrong direction."

He said the treaty has no provision for suspension, only withdrawal. "Nobody is going to be splitting hairs here and requiring Russia withdraw," he added. He also denied that NATO's eastward expansion left the bloc in violation of the treaty. "All of this falls into a larger Russian concern of encirclement," he said.

The European Union called the treaty suspension "regrettable." Cristina Gallach, spokeswoman for the European Union's foreign policy chief, Javier Solana, said in a telephone interview: "We appeal to everyone to start talking. This treaty is fundamental for the stability and security of Europe."

In Germany, Foreign Minister Frank-Walter Steinmeier said Russia's decision "was a real cause of concern." Some members of Germany's governing coalition have repeatedly criticized the American missile shield plan, saying it could lead to just such a move by Russia.

A statement posted by Russia's Foreign Ministry said flatly that Russia would halt inspections allowed under the treaty and claim the right to redeploy heavy weaponry along its western and southern borders, but would do so only in response to any possible NATO redeployment. It also suggested that the suspension was Russia's first official rejection of the arms limitations treaties of the Soviet Union.

A deputy foreign minister, Sergei I. Kislyak, said Russia was not "shutting the door on dialogue" on the treaty, leaving open the possibility of a negotiated retreat from the position announced Saturday.

However, Russian commentators with ties to the Kremlin were quick to praise the suspension. "Today's decision is not propaganda," Gleb O. Pavlovsky, a Kremlin-linked political analyst, said in remarks carried by Interfax. It comes "against the backdrop of the world's rearmament near our borders," he said. "If today's message is ignored, the Intermediate-Range Nuclear Forces Treaty will be next."

*Andrew E. Kramer reported from Moscow, and Thom Shanker from Washington. Judy Dempsey contributed reporting from Berlin.*

<http://www.nytimes.com/2007/07/15/world/europe/15russia.html>

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# Russia Halts Participation In Arms Pact For Europe

## *Suspension Seen as Response To U.S. Missile Defense Plan*

By Peter Finn, Washington Post Foreign Service

MOSCOW, July 14 -- Russia on Saturday formally suspended its participation in a conventional arms treaty dating from the last years of the Cold War that limits NATO and Russian military deployments in Europe.

The Kremlin said in a statement that the 1990 pact was suspended "due to exceptional circumstances in relation to the treaty's content that affect the security of the Russian Federation and require immediate measures."

Russia previously had threatened the move because of its opposition to U.S. plans to deploy a missile defense system in Eastern Europe to ward off a potential threat from Iran. Russian officials regard the project as unnecessary because they believe that Iran is many years from developing long-range missiles. And, more critically, military officials here believe the system can -- and probably will -- be used by the United States to peer deep into Russian territory.

Suspension of the Conventional Forces in Europe Treaty will deepen the country's strained relations with its immediate neighbors in Eastern Europe. Russia can now move more tanks and other heavy weapons to its western borders, and officials in Poland, Estonia and other neighboring countries quickly said they deplored the suspension. But political and military analysts said major redeployments are unlikely. The suspension, they said, was both a symbolic expression of Russian anger over missile defense and a demonstration that the country has returned as an assertive power that must be reckoned with.

NATO called Russia's decision a "disappointing step in the wrong direction." "NATO considers this treaty to be an important cornerstone of European security," said James Appathurai, a spokesman for the alliance.

The White House expressed its disappointment with the Russians. But Gordon Johndroe, a spokesman for the National Security Council, said in a statement, "we'll continue to have discussions with them in the coming months on the best way to proceed in this area -- that is in the interest of all parties involved and provides for security in Europe."

Relations between the United States and Russia continue to slide despite a recent attempt at mitigating the tension when President Bush invited President Vladimir Putin to the summer home of Bush's parents in Kennebunkport, Maine.

Besides the missile defense system, the two countries disagree on the future status of the Serbian province of Kosovo and how severely the international community should react to Iran's nuclear program.

The Kremlin is also deeply hostile to the prospect of countries such as Georgia and Ukraine joining NATO following the accession of Baltic and Eastern European countries. Officials here describe NATO expansion as an aggressive encirclement of Russia and an attempt to isolate the country in its natural sphere of influence.

There is a widespread view here that the United States, which has consistently criticized the pace of Russia's democratic development under Putin, wants to undermine the country's newfound self-confidence in its status as a booming energy superpower. Putin's decision is likely to be viewed not just as a snub of the West, but as further proof that the Russian president has restored the country's ability to assert its independence.

In Russia, the move drew applause from across the political spectrum.

"Russia can't just twiddle its thumbs when it sees the Americans taking root in the Baltic and Caucasus countries and strengthening their positions in East European countries," Gennady Zyuganov, the leader of the Communist Party, told the Russian news agency Interfax. "When NATO's steam engine is directed toward us, we simply must respond."

Russia has long bridled at the failure of NATO countries, including the United States, to ratify amendments to the treaty made in 1999.

The amendments, however, required Russia to withdraw troops from Moldova and Georgia, and some NATO countries refuse to act until Russia withdraws its troops from those former Soviet republics.

Western countries also argued that Russian force levels in the restive republic of Chechnya have at times not been in compliance with the treaty. The amendments would have allowed Russia to bolster its forces in southern Russia but only in return for withdrawal from Georgia and Moldova.

Russia is drawing down its forces in Georgia but charges that NATO violates the treaty because of deployments in Eastern Europe. NATO officials reject that accusation.

In April, Putin pledged to suspend the treaty, arguing that Russia was threatened by U.S. plans to place a radar system and interceptor missiles in the Czech Republic and Poland. In his annual state of the nation address that month, Putin said NATO was "building up military bases on our borders, and, more than that, they are also planning to station elements of anti-missile defense systems."

Russian officials have noted that in 2001, the Bush administration unilaterally pulled out of the 1972 Anti-Ballistic Missile Treaty because it said the pact no longer served U.S. interests.

U.S. officials thought the threat of a Russian pullout from the conventional forces treaty had eased as the two countries continued to discuss a compromise on missile defense in Europe. Before the recent summit between Putin and Bush in Kennebunkport, the Kremlin informed the United States that despite Putin's April statement, it would admit inspectors under the treaty.

But Saturday, Russia said it would end the inspection of its military installations by NATO countries after a formal notification period of 150 days. The Russian Foreign Ministry said in a statement that the suspension "does not imply we are shutting the door to further dialogue."

"If today's message is ignored, the Intermediate-Range Nuclear Forces Treaty will be next," Gleb Pavlovsky, a Kremlin political consultant, said in an interview with Interfax. "A mad arms race in the Caucasus, Caspian and Black Sea regions is underway, and it is being maintained by European and non-European countries, none of them restricted by the" treaty.

<http://www.washingtonpost.com/wp-dyn/content/article/2007/07/14/AR2007071400286.html>

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Washington Post

July 17, 2007

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## **Bush Persists On Placement Of European Missile Defense**

### ***Polish President Asks U.S. for Security Help***

By Peter Baker, Washington Post Staff Writer

President Bush pushed forward yesterday with plans to deploy missile defense facilities in Eastern Europe in defiance of Russian objections, just days after Moscow announced that it will pull out of a major arms control treaty in what was widely seen as a retaliatory move.

Bush met with Polish President Lech Kaczynski at the White House to confer about the missile defense project, which would station 10 interceptor missiles on Polish soil and build a sophisticated radar station in the Czech Republic. Kaczynski vowed to move ahead with the system despite Russian threats to target missiles at Poland, but he asked Bush for security help.

"There's no better symbol of our desire to work for peace and security than working on a missile defense system . . . that would provide security for Europe from single- or dual-launched regimes that may emanate from parts of the world where leaders don't particularly care for our way of life and are in the process of trying to develop serious weapons of mass destruction," Bush told reporters in the Oval Office alongside Kaczynski.

Addressing Russian concerns, Kaczynski emphasized that the system is intended to give protection from rogue states, not Moscow's overwhelming nuclear arsenal. "It is aimed at defense of our democracies against the countries who might have, or already do have, nuclear weapons and weapons of mass destruction," he said.

Bush made no mention of Russian President Vladimir Putin's proposal this month to join together to build a missile defense system that would abandon plans for facilities in Poland and the Czech Republic but instead rely on a Russian radar system. Nor did he mention Russia's subsequent decision to suspend compliance with the Conventional Forces in Europe treaty, announced Saturday.

But Kaczynski said in a later interview with The Washington Post that the move was alarming and that he sought assistance from Bush to guard Poland against future threats. "It is not dangerous for the United States," Kaczynski said of the Russian move, "but it is very dangerous for Europe. It is why it has been done in this way."

Kaczynski, whose parliament must still approve the U.S. plan, noted that the missile defense system would not be useful against the shorter-range missiles that Moscow has threatened to deploy in the Russian region of Kaliningrad, next to Poland. "Poland must strengthen its security system," he said. He said he talked with Bush about ways to do that but would not comment on whether he sought sophisticated U.S. short-term missile defense batteries. "I wouldn't like to get into details about that."

<http://www.washingtonpost.com/wp-dyn/content/article/2007/07/16/AR2007071601873.html>

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New York Times

July 17, 2007

Pg. 3

## **U.N. Inspectors Confirm Shutdown Of North Korean Reactor**

By Choe Sang-Hun

SEOUL, South Korea, July 16 — United Nations inspectors have confirmed that North Korea has shut down its weapons-making nuclear reactor, the International Atomic Energy Agency, the United Nations' nuclear monitoring arm, said Monday. North Korea warned the United States, though, that the real bargaining over its nuclear disarmament had only begun.

The much delayed shutdown was brought about with a series of financial and diplomatic concessions.

The road ahead will not be easy, officials and experts said.

Six-nation talks are set to resume Wednesday in Beijing to try to persuade North Korea to start disabling the closed facilities and to disclose all its nuclear materials and facilities, in return for one million tons of heavy fuel oil and other economic aid and diplomatic incentives.

"I certainly have to anticipate there will be problems, because I never expected it would take until July to get this first step done," said Christopher R. Hill, an assistant secretary of state who is the American envoy to the talks, referring to North Korea's agreement in February to turn off the reactor by mid-April.

"It's a reminder of how difficult other steps will be," he said in Seoul, where he met with South Korean officials in preparation for the Beijing talks. "But I think we are off to a good start."

Mohamed ElBaradei, director general of the atomic energy agency, said Monday in Bangkok that his 10-member team of inspectors visiting the nuclear complex at Yongbyon had verified that the reactor had been switched off, as North Korea announced over the weekend.

"After tomorrow, we will be able to report, hopefully, that all of the five facilities have been shut down," he said. He was referring to five facilities that North Korea has agreed to shut down under the February agreement with the United States, South Korea, China and Russia in return for an initial shipment of 50,000 tons of fuel oil. They include a radiochemical laboratory that extracts plutonium from spent fuel rods from the five-megawatt reactor in Yongbyon, and two new, bigger reactors under construction nearby.

The Foreign Ministry said in a statement on Sunday that that outcome would depend on "what practical measures the U.S. and Japan, in particular, will take to roll back their hostile policies" toward North Korea.

North Korea said it had allowed the atomic energy agency's team in not to inspect its nuclear sites, but only to "verify and monitor" the shutdown. That restriction would not allow the agency to investigate independently how much plutonium and how many atomic weapons North Korea has produced at the Yongbyon complex and what it has done with the uranium-enrichment equipment that American officials say it bought from Pakistan.

"There will be a lot of difficulty over the highly enriched uranium issue," said Yoon Duk-min, a senior analyst at the Institute for Foreign Affairs and National Security in Seoul. "It is difficult to confirm whether North Korea has a uranium program unless it decides to be transparent."

"No one knows how many centrifuges they have built so far. They can hide them in an underground tunnel."

A nuclear bomb can be built with either plutonium or uranium. North Korea admits to extracting plutonium from its Yongbyon reactor, but American officials have said since 2002 that North Korea is running a clandestine uranium-enrichment program as well.

Even if North Korea disables its nuclear facilities, Mr. Yoon and other experts said, it will probably refuse to discuss giving up its nuclear arsenal during six-party talks. It is more likely to insist on separate talks with the United States on arms reduction, including the withdrawal of American troops from South Korea, they said.

<http://www.nytimes.com/2007/07/17/world/asia/17korea.html?ref=world>

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National Intelligence Estimate

## **The Terrorist Threat to the US Homeland**

Office of the Director of National Intelligence

July 2007

### **Key Judgments**

We judge the US Homeland will face a persistent and evolving terrorist threat over the next three years. The main threat comes from Islamic terrorist groups and cells, especially al-Qa'ida, driven by their undiminished intent to attack the Homeland and a continued effort by these terrorist groups to adapt and improve their capabilities.

We assess that greatly increased worldwide counterterrorism efforts over the past five years have constrained the ability of al-Qa'ida to attack the US Homeland again and have led terrorist groups to perceive the Homeland as a harder target to strike than on 9/11. These measures have helped disrupt known plots against the United States since 9/11.

- We are concerned, however, that this level of international cooperation may wane as 9/11 becomes a more distant memory and perceptions of the threat diverge.



Al-Qa'ida is and will remain the most serious terrorist threat to the Homeland, as its central leadership continues to plan high-impact plots, while pushing others in extremist Sunni communities to mimic its efforts and to supplement its capabilities. We assess the group has protected or regenerated key elements of its Homeland attack capability, including: a safehaven in the Pakistan Federally Administered Tribal Areas (FATA), operational lieutenants, and its top leadership. Although we have discovered only a handful of individuals in the United States with ties to al-Qa'ida senior leadership since 9/11, we judge that al-Qa'ida will intensify its efforts to put operatives here.

- As a result, we judge that the United States currently is in a heightened threat environment.

We assess that al-Qa'ida will continue to enhance its capabilities to attack the Homeland through greater cooperation with regional terrorist groups. Of note, we assess that al-Qa'ida will probably seek to leverage the contacts and capabilities of al-Qa'ida in Iraq (AQI), its most visible and capable affiliate and the only one known to have expressed a desire to attack the Homeland. In addition, we assess that its association with AQI helps al-Qa'ida to energize the broader Sunni extremist community, raise resources, and to recruit and indoctrinate operatives, including for Homeland attacks.

We assess that al-Qa'ida's Homeland plotting is likely to continue to focus on prominent political, economic, and infrastructure targets with the goal of producing mass casualties, visually dramatic destruction, significant economic aftershocks, and/or fear among the US population. The group is proficient with conventional small arms and improvised explosive devices, and is innovative in creating new capabilities and overcoming security obstacles.

- We assess that al-Qa'ida will continue to try to acquire and employ chemical, biological, radiological, or nuclear material in attacks and would not hesitate to use them if it develops what it deems is sufficient capability.

We assess Lebanese Hizballah, which has conducted anti-US attacks outside the United States in the past, may be more likely to consider attacking the Homeland over the next three years if it perceives the United States as posing a direct threat to the group or Iran.

We assess that the spread of radical—especially Salafi—Internet sites, increasingly aggressive anti-US rhetoric and actions, and the growing number of radical, self-generating cells in Western countries indicate that the radical and violent segment of the West's Muslim population is expanding, including in the United States. The arrest and prosecution by US law enforcement of a small number of violent Islamic extremists inside the United States—who are becoming more connected ideologically, virtually, and/or in a physical sense to the global extremist movement—points to the possibility that others may become sufficiently radicalized that they will view the use of violence here as legitimate. We assess that this internal Muslim terrorist threat is not likely to be as severe as it is in Europe, however.

We assess that other, non-Muslim terrorist groups—often referred to as “single-issue” groups by the FBI—probably will conduct attacks over the next three years given their violent histories, but we assess this violence is likely to be on a small scale.

We assess that globalization trends and recent technological advances will continue to enable even small numbers of alienated people to find and connect with one another, justify and intensify their anger, and mobilize resources to attack—all without requiring a centralized terrorist organization, training camp, or leader.

- The ability to detect broader and more diverse terrorist plotting in this environment will challenge current US defensive efforts and the tools we use to detect and disrupt plots. It will also require greater understanding of how suspect activities at the local level relate to strategic threat information and how best to identify indicators of terrorist activity in the midst of legitimate interactions.

(For complete report, please click on link below.)

[http://dni.gov/press\\_releases/20070717\\_release.pdf](http://dni.gov/press_releases/20070717_release.pdf)

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Los Angeles Times

July 18, 2007

## **Optimism On North Korea Talks**

*The shutdown of its nuclear reactor lifts hopes for six-nation negotiations, which resume today.*

By Mitchell Landsberg, Times Staff Writer

BEIJING — U.S. special envoy Christopher Hill is no cockeyed optimist, but he emerged from meetings with his North Korean counterpart Tuesday exuding something more than a hint of hope about denuclearization talks with the reclusive communist regime.

"I think we're all in the same ballpark," the assistant secretary of State told reporters after sitting down with North Korea's Kim Kye Gwan.

In some circumstances, that statement might not stand out for its wild-eyed ebullience, but the six-party talks with North Korea have been enough to deaden the expectations of even the most optimistic of participants.

The shutdown last week of North Korea's only nuclear reactor, at its Yongbyon facility, has lent an air of expectation to the latest round of talks, scheduled to begin today. But even that has been tempered by a realization that the shutdown was, at best, the beginning of what South Korean envoy Chun Yung-woo called "a very difficult and steep road ahead of us."

"I think the general atmosphere is pretty good," said Shi Yuanhua, deputy director of the Center for Korean Studies at Fudan University in Shanghai. But, he added, "Closing down the Yongbyon reactor is just the beginning of North Korea's denuclearization.... Will they reopen it again? The road is long and there are too many issues waiting to be solved."

Inspectors from the International Atomic Energy Agency, the United Nations' nuclear monitor, verified over the weekend that North Korea had shut down the reactor, which is believed to have produced enough plutonium to arm five to 12 nuclear warheads.

The agency confirmed today that remaining facilities at the complex also were shuttered: two dormant construction sites for larger reactors, along with facilities for making reactor fuel and harvesting plutonium for bombs.

The government in Pyongyang had agreed in February to shut down the reactor within 60 days, but delayed while it haggled successfully for a release of more than \$20 million in frozen bank assets that the United States regarded as illicit.

Hill has said the shutdown of the reactor is an important first step toward the goal of a nuclear-free North Korea. But analysts warn that it will have to be followed by a painstaking process of negotiation and verification that could take many years.

"Even if President Bush woke up and said, 'Holy mackerel, I'm going to do everything I can to solve this problem quickly,' it's still going to take years," said Jon B. Wolfsthal, a senior fellow who follows nuclear issues for the Center for Strategic and International Studies, a Washington-based think tank.

North Korea previously had shut the Yongbyon reactor as part of an agreement with the United States in 1994. But in 2002, it ejected U.N. inspectors, pulled out of the Nuclear Nonproliferation Treaty and restarted the reactor. Last October, it conducted an underground nuclear test.

The latest talks are expected to focus on how and when to disable the Yongbyon plant, and on North Korea giving an accounting of what other nuclear materials and equipment it has. In addition to whatever plutonium North Korea has managed to produce at Yongbyon, U.S. officials believe that it also has acquired highly enriched uranium — also capable of being used in nuclear bombs — and is likely to have hidden research facilities, weapons plants and other pieces of nuclear infrastructure.

Hill said Tuesday that he was hoping to accomplish this next set of goals by the end of this year, and move on in 2008 to eliminating whatever nuclear material and facilities Pyongyang has declared.

For its part, North Korea wants an end to U.S. sanctions and its designation by Washington as a country that supports terrorism. In addition, its negotiators will be trying to determine how much aid they can wring out of their negotiating partners, who also include China, South Korea, Japan and Russia.

One problem for the United States and the other participants is that there is plenty of wiggle room in the terms of the agreement signed in February, so North Korea could negotiate over, for instance, the definition of "disable."

"So, you know," said Wolfsthal, anticipating the North Korean argument, "if you want us to put a lock on the door, OK, we can do that pretty cheap. If you want us to pour concrete into the fuel channels, well, that's going to cost quite a lot."

*Gu Bo of The Times' Beijing Bureau contributed to this report, and Times wire services were used in compiling it.*  
<http://www.latimes.com/news/nationworld/world/la-fg-norkor18jul18,1,3892233.story?coll=la-headlines-world>

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