

**THE EUROPEAN NUCLEAR CITIES INITIATIVE (ENCI),
THE INTERNATIONAL WORKING GROUP
AND THE DEBT-FOR-SECURITY SWAP CONCEPT**

A View from Italy and the European Commission^(*)

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Preamble

The risks of proliferation of Weapons of Mass Destruction originate from illegal transfers of critical material (in particular nuclear material) as well as from transfer of technology and the possible migration of experts. Owing to the size of the defense effort of the former Soviet Union, the scientific/technological centers and among them, the so-called Russian Nuclear Cities (RNC's) deserve particular attention from any institution that is seriously concerned about proliferation. Indeed, since the military role of most of these centers was reduced to adjust to the defense needs of the Russian Federation, the International Community has a relevant problem to address concerning downsizing, stabilization and conversion of the scientific/technological centers and particularly of the RNCs. In this endeavor, cooperation with Russia in these matters is essential to achieve the common goal of preventing proliferation and stabilizing the situation of Russian scientific-technological centers

This paper is focusing on a major international task that has been addressed so far by various US-Russian cooperative threat reduction (CTR) initiatives, including the Nuclear Cities Initiative (NCI), by various international programs, such as the International Science and Technology Center (ISTC), the European Technical Assistance to CIS (TACIS), and other bilateral programs. Nevertheless there is a general feeling that an enhanced international cooperative effort is needed in these delicate matters to achieve a "critical mass" in contributing to address the problems of RNCs. Time alone will not suffice to eliminate the non-proliferation concerns, as RNCs are and will possibly remain powerful centers of military and nuclear experts, with consistent quantities of critical materials. It is therefore in everybody's interest to engage RNCs into developing healthy civil activities supporting an improvement of present living conditions and lowering personnel frustrations.

The "*European Nuclear Cities Initiative (ENCI)*" has been proposed with the aim of:

- Complementing existing similar initiatives of multilateral cooperation
- Enhancing the European involvement in the cooperation with Russia for preventing proliferation
- Easing the development of commercial activities involving RNCs
- Proposing some new approaches, methodology and instruments for the conversion of RNCs

To enforce ENCI and its coordination with the other international programs, the Italian authorities through the Ministry of Foreign Affairs and the European Commission, have been supportive of an institutional mechanism in the form of an "*International Working Group (IWG)*" to achieve the ENCI objectives. This new mechanism is intended to further coordinate the international non-proliferation efforts towards the RNCs.

A concrete help in support of accelerating conversion projects and downsizing processes of the Russian Nuclear Cities, creating new civil jobs for the excess workers, could be given by a "*Debt-for-Security Swap*"

In this paper, we review briefly:

1. Goals and Methods of ENCI
2. The Institution of an International Working Group (IWG) for ENCI
3. A proposed Debt-for-Security Swap initiative

Goals and methods of ENCI

The ENCI shares the same basic non-proliferation objectives of many international cooperation initiatives, like ISTC, US DOE-Russian bilateral programs (Nuclear Cities Initiative – NCI and Initiative for Proliferation Prevention – IPP), but concentrates its

activities mainly in two cities (Sarov and Snezhinsk) and deals primarily with S&T projects related to environmental and energy fields.

The main idea of ENCI is to develop projects with RNC's weapon scientists and technicians and promote their expertise to serve the need of western/European research centers, enterprises and organizations, helping the development of technologies and R&D on issues such as energy-efficiency, innovative energy technologies and environment/monitoring new technologies, rather than try to create commercial business.

The ENCI concept is based on the *demand-side approach* to meet both European industry/market needs and possibly local Russian demands that offer a perspective of sustainability. Conversion activities in RNCs which are fit to the market may include: energy efficiency, advanced low/zero carbon emission technologies, environmental clean-up, pipeline risk analysis software, new chemical materials, etc.

Sustainable business must follow market laws by allowing direct contact between providers and customers or between donors and beneficiaries. Here western non-governmental organizations, private sectors and enterprises may be involved.

ENCI must exploit and promote the most effective way to channel western market demand towards the vast potential of expertise and scientific/technical knowledge that exists in the nuclear cities, creating new civil jobs for the RNCs scientists and engineers. It should be better to avoid – if not explicitly needed by MINATOM and by western industry officials – community development and infrastructure improvement projects, since they do not lead directly to provide employment opportunities for excess weapon scientists and technicians. Local municipalities should take care of these tasks.

ENCI guidelines include:

1. To foster several “RNC’ small-size projects (SSPs)”, which may meet Russian market demands, or which may develop cost-competitive high-tech products. These products may use advanced Russian technologies/scientific practices and be directed towards western/European market niches (e.g. titanium products).
2. To organize and manage such RNC’ SSPs not as academic units, but rather as consulting/production units in strict coordination with (or under the direction of) the potential European users.
3. To design and implement a web-based, technology information and dissemination platform, that can be used by Russian Nuclear Cities as well as by European users, in order to:
 - a) Reciprocally learn about technology capabilities and needs;
 - b) Efficiently and securely negotiate Intellectual Property Rights (IPR) agreements;
 - c) Provide two-ways e-commerce services.

The main philosophy of ENCI is to positively engage RNCs excess weapon scientists, engineers and technicians in a constructive process of accelerating conversion towards civil sectors and help their efforts, but ENCI or other international programs cannot do it for them.

IWG

The IWG should provide a forum for discussions, for exchanging experiences and for establishing possible synergies and financing mechanisms that will result in a strategic coordination of the various RNCs international programs.

This institutional mechanism can assist all interested entities (European but also US, governmental and non-governmental entities, private sectors and enterprises, etc.) and help

coordinating other international cooperative efforts aimed at RNCs, facilitating initiatives across the borders to better achieve strategic non-proliferation and trade objectives.

The main objectives of this International Working Group should be:

1. To make a survey of the past and ongoing projects aimed at solving the problems of the Russian Nuclear Cities and, if necessary, to make suggestions for improving actions that can achieve the establishment of synergies among different programs and projects;
2. To work out, on the basis of any new proposed project, concrete and effective parameters, both in terms of technical matters and financing mechanisms, which in particular are focused on meeting commercial R&D demands.
3. To identify donors and financing mechanisms in order to support ENCI conversion projects and creation of new civilian jobs in the RNCs.

Participants of the International Forum on “Energy and Environmental Opportunities in the Russian State Research Centers and Nuclear Cities”, held at Como, Italy on April 9-10, 2001, have agreed to start the IWG for ENCI by establishing its General Secretariat at LNCV for the first two years. The first meeting of IWG is planned for 9-10 November 2001 at Como, Italy.

Debt-for-Security Swap

To meet the challenge of the unprecedented downsizing and conversion of the Russian Nuclear Weapons Complex currently requires investing substantial resources in order to create new civilian jobs for thousands of nuclear weapon scientists and technicians. MINATOM has estimated that the cost for job creation through the conversion of the ten Russian Nuclear Cities in about \$500 million.

This financial support can hardly originate from governmental and other non-governmental programs. A concrete support could be given by a “Debt-for-Security Swap”, modelled on the past “Debt-for-Environment Swaps”, in which a portion of Russia’s debt would be cancelled, in return for Russian agreement to pay a smaller amount into an auditable fund to finance agreed nuclear security initiatives, and in particular to be used to enhance accelerating conversion projects inside the Nuclear Cities. Indeed, a swap of a small percentage of the Russian bilateral foreign debts would provide billions of dollars to address the conversion and downsizing of the Russian Nuclear Closed Cities.

Russia suffers from large foreign debts. While the Soviet-era debts held by private banks have already been restructured, some restructuring of the government-held Soviet-era debts towards the Paris Club member States appears inevitable in view of the debt due in 2003. For instance, Germany and Italy are the largest debt-holders, with \$26.3 billion and \$6.4 billion respectively, out of a total \$71.5 billion debt.

Russian willingness to engage in such “Debt-for-Security Swap” arrangements should be informally explored for instance in the upcoming G8 summit in Genova. This would provide a basis for informal discussion, which, in turn, could provide a basis for subsequent negotiations toward a Paris Club agreement; to allow each member state to negotiate such debt swaps with Russia.

Italy has led the way among the EU countries in promoting action for the prevention of brain drains from the RNCs. It did so by proposing the establishment of the ENCI project and of the IWG coordination structure. A “Debt-for-Security Swap” could give the Italian and other EU Governments – holders of Russian official bilateral debts – an opportunity to play a leadership in the fight against proliferation. This “Debt-for Security-Swap” initiative could be appropriately called the “*Genova initiative*”.