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CONFERENCE REPORT ON H.R. 4577, DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES APPROPRIATIONS ACT, 2001

HON. JAMES M. TALENT

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Friday, December 15, 2000

Mr. TALENT. Mr. Speaker, I rise to include the following statement in the record to accompany H.R. 5663, the New Markets Venture Capital Program Act of 2000, as enacted by the Conference Report to accompany H.R. 4577. This legislation was originally Title IX of H.R. 5545, as enacted through the conference report accompanying H.R. 2614. Unfortunately, H.R. 2614 did not gain approval in the Senate. However, we were able to save the provisions of H.R. 5545 in H.R. 5663 and H.R. 5667, which were enacted as part of the Conference Report for H.R. 4577, the Consolidated Appropriations Act.

The summary I am inserting is almost identical to the language of the conference report filed with H.R. 5545. The bill language has not changed and neither has the intent of the House and Senate Small Business Committees concerning the New Markets Venture Capital Program Act of 2000. I submit this statement as a Joint Statement of the House Managers in order to provide assistance to the Small Business Administration in implementing this law.

The purpose of H.R. 5663 the "New Markets Venture Capital Program Act of 2000," is to promote economic development, wealth and job opportunities in low income (LI) areas by encouraging venture capital investments and offering technical assistance to small enterprises. The central goal of the legislation is to fulfill the unmet equity investment needs of small enterprises primarily located in LI areas.

The bill creates a developmental venture capital program by amending the Small Business Investment Act to authorize the U.S. Small Business Administration (SBA) to enter into participation agreements with 10 to 20 New Markets Venture Capital (NMVC) companies in a public/private partnership. It further authorizes SBA to guarantee debentures of NMVC companies to enable them to make venture capital investments in smaller enterprises in LI areas. And it authorizes SBA to make grants to NMVC companies, and to other entities, for the purpose of providing technical assistance to smaller enterprises that are financed, or expected to be financed, by such companies.

The Act will also enhance the ability of existing Small Business Investment Companies (SBICs) to invest in LI areas. It allows them to have access to the leverage capital authorized under the program, without entering into a participation agreement with SBA to act as an NMVC company.

Finally, the Act enhances the ability of existing Specialized Small Business Investment Companies (SSBICs) to invest in LI areas. It allows them to have access to the operational assistance grant funds authorized under the program, also without entering into a participation agreement with SBA to act as an NMVC company.

Despite our unprecedented economic prosperity, there remain places in America that have yet to reap the benefits of this prosperity. Although many Americans enjoy strong income and wage growth, millions in underserved areas still do not have access to jobs or entrepreneurial opportunities.

For example, between 1997 and 1998, the median income for the nation's households rose 3.5 percent in real terms. Yet 12.7 percent of Americans (34.5 million people) still live below the poverty level. These 34.5 million people live in the inner cities and rural areas of America, where jobs are scarce and there is little to attract would-be small business investors.

The overall poverty rate for the U.S. in 1998 was 12.7 percent, but the poverty rate among both African American and Latino populations was 26 percent—double the national average. In rural communities, poverty remains a persistent problem. Job growth is well below the national average, with unemployment hovering at or above 14%. Additionally, the unemployment levels in many urban communities range from 7.5% for African Americans to 6.4% for Hispanics. Both are nearly double the national average.

It is not enough to merely create jobs in these pockets of poverty. Rather, we must create a small business backbone, an economic infrastructure to enable these communities to develop their full potential and participate fully in the economic mainstream.

H.R. 5663 uses SBA resources targeted to corporations and small businesses that want to do business in the untapped markets of our underserved communities. It is a wise investment in the hopes of millions of families who are not sharing in the American Dream.

There is a pressing need for this legislation. There are virtually no institutional sources of equity capital in distressed communities. The national venture capital industry for community development comprises only 25 firms managing approximately $157 million. Only 14 of those are capitalized at $5 million or more—the absolute minimum for economic viability.

H.R. 5663 will tap unrealized resources in our nation, thus benefiting our economy as a whole. It will increase the attractiveness of investment in places with high unemployment and too few businesses. The more the business community

SECTION 1. SHORT TITLE.

SECTION 2. NEW MARKETS VENTURE CAPITAL PROGRAM

This Section amends Title III of the Small Business Investment Act of 1958 by adding new Sections 351 through 368 to establish the "New Markets Venture Capital Program."

H.R. 5663 will add the following new sections to the Small Business Investment Act:

Section 351. Definitions

Establishes definitions for developmental venture capital, New Markets Venture Capital Companies, low- or moderate-income geographic area, operational assistance, participation agreement, and Specialized Small Business Investment Companies as used in the legislation.

"Developmental venture capital" is defined as equity capital invested in small businesses, with a primary objective of fostering economic development in low income geographic areas. For the purposes of this Act, the Committee considers equity capital investments to mean stock of any class in a corporation, stock options, warrants, limited partnership interests, membership interests in a limited liability company, joint venture interests, or subordinated debt with equity features if such debt provides only for interest payments contingent upon earnings. Such investments must not require amortization. They may be guaranteed; but neither the Equity capital investment nor the guarantee may be secured.

A "New Markets Venture Capital Company" is defined as a company that has been approved by the Administration to operate under the New Markets Venture Capital Program, and has entered into a participation agreement with the Administration to make equity investments and provide technical assistance to small enterprises located in low- or moderate-income areas.

The term "low income geographic area" means a census tract, or the equivalent county division as defined in the Bureau of the Census for purposes of defining poverty areas, in which the poverty rate is not less than 20 percent. In those areas in a metropolitan area 50 percent or more of the households must have an income equal to less than 60 percent of the median income for the area. In rural areas the median household income for a tract must not exceed 80 percent of the statewide median household income. This definition also includes any area located

The term "low income individual" is included for the purpose of allowing waivers of the low income area requirement for areas of significant economic disadvantage that may not otherwise qualify. A low income individual is defined as someone whose income does not exceed 80 percent of the area median income in metropolitan areas, or 80 percent of either the area or statewide median income in rural areas.

The term "operational assistance" is defined as management, marketing, and other technical assistance that assists a small business concern with business development.

"Participation agreement" is defined as an agreement between the Administration and an NMVC Company detailing the company's operating plan and investment criteria; and requiring that investments be made in smaller enterprises as least 80 percent of which are located in low income geographic areas.

"Specialized Small Business Investment Company" means any small business investment company that was licensed under section 301(d) as in effect before September 30, 1996.

Section 352. Purposes

Describes the purposes of the Act, which are:

(1) to promote economic development and the creation of wealth and job opportunities in low- or moderate-income geographic areas and among individuals living in such areas by encouraging developmental venture capital investments in smaller enterprises primarily located in such areas; and

(2) to establish a developmental venture capital program, with the mission of addressing the unmet equity investment needs of small entrepreneurs located in low- or moderate-income areas; to be administered by the Small Business Administration; to enter into a participation agreement with NMVC companies; to guarantee debentures of NMVC companies to enable each such company to make developmental venture capital

investments in smaller enterprises in low- or moderate-income geographic areas; and to make grants to NMVC companies for the purpose of providing operational assistance to smaller enterprises financed, or expected to be financed, by such companies.

Section 353. Establishment

Authorizes the SBA to establish the NMVC Program, under which the SBA may form New Markets Venture Capital companies by entering into participation agreements with firms that are granted final approval under the requirements set forth in Section 354 and formed for the purposes outlined in Section 352.

This Section also authorizes SBA to guarantee the debentures issued by the NMVC Companies as provided in Section 355; and to make operational assistance grants to NMVC Companies and other entities in accordance with Section 358.

Section 354. Selection of the New Markets Venture Capital Companies

Establishes the criteria to be followed by SBA in selecting the NMVC Companies. This section provides for specific selection criteria to be developed by the SBA—based on the criteria enumerated in this legislation—and designed to ensure that a variety of investment models are chosen and that appropriate public policy goals are addressed. Geographic dispersion must also be taken into account in the selection process.

H.R. 5663 requires Program participants to satisfy the following application requirements:

(1) Each NMVC must be a newly formed, for-profit entity with at least $5 million of contributed capital or binding capital commitments from non-Federal investors, and with the primary objective of economic development in low- or moderate-income geographic areas.

(2) Each NMVC's management team must be experienced in some form of community development or venture capital financing.

(3) Each NMVC must concentrate its activities on serving its investment areas, and submit a proposal that will expand economic opportunities and address the unmet capital needs within the investment areas.

(4) Each applicant must submit a strong proposal to provide operational assistance, including the possible use of outside, licensed professionals.

(5) Each NMVC must have binding commitments (in cash or in-kind) for operational assistance and overhead, payable or available over a multi-year period not to exceed 10 years, in an amount equal to 30% of its committed and contributed capital. These commitments may be from any non-SBA source and the cash portion may be invested in an annuity payable semi-annually over a multi-year period not to exceed 10 years.

The Committee is well aware that it will be difficult for some NMVCs to raise their entire operational assistance match during the application stage. Those NMVCs that are unable to raise the required match, but have submitted a reasonable plan to the Administrator to meet the requirement, may be granted a conditional approval from the Administrator and be allowed to draw one dollar of federal matching funds for every dollar of private funds raised provided that (for the purpose of final approval) they raise at least 20 percent of the required matching funds, and have at least 20 percent of the match on hand when applying for additional grant funds.

The Committee believes that it is important to give NMVCs the flexibility to obtain the required private operational assistance funds, however, from a safety and soundness standpoint, federal assistance funds should not be placed at greater risk than private assistance funds.

This conditional approval shall be made with the expectation that the required capital funding commitments will be obtained within two years of the conditional approval.

The bill also authorizes SBA to select firms that have experience with investing in enterprises located in low income areas to participate as NMVCs. SBA will enter into an agreement with each NMVC setting forth the specific terms of that firm's participation in the program. Each agreement will be tailored to the particular NMVC's operations and will be based on the NMVC's own proposal, submitted as part of the NMVC's application form. The agreement will require that investments be made by the NMVC in smaller enterprises, at least 80% of which are located in low income geographic areas.

In order for an investment to be counted toward the 80% goal under H.R. 5663, the investment must be made in a small business concern located in an LI area. This ensures that the New Markets Venture Capital Company Program will focus investment capital where it is most needed, rather than duplicating existing SBA programs.

The Committee believes that the targeting of low-income communities is the most important element of H.R. 5663. If Congress and the Administration are serious about helping our nation's low-income cities, towns, and rural areas we should demonstrate our commitment by ensuring that this bill is focused on these areas. The Committee has accomplished this by requiring that 80% of all investment will concentrate on those needing this help the most.

By clearly focusing this legislation on the communities that need assistance the most, the Committee has maximized the impact of this program. It is also the Committee's view that by investing the majority of funds in low income communities, we will not only provide the benefit of increased opportunities for working families, but H.R. 4530 will also provide the benefit of improving the physical community. This double benefit ensures that the resources spent under H.R. 4530 will provide the maximum economic impact on the low- or moderate-income communities to which this bill is targeted.

The Committee recognizes that the legislation may offer some benefits to working families located outside of the LMI areas as defined by the legislation. To address this concern, up to 20% of a New Markets Venture Capital Company's investments are permitted in those businesses that are in need of equity investment, but fall outside the LMI areas as defined by the legislation. However, it is the

Section 355. Debentures

Authorizes SBA to guarantee debentures issued by NMVC companies. The terms of the guaranteed debentures issued under this section may not exceed 15 years and the maximum total guarantee for any NMVC company shall not exceed 150 percent of a company's private capital.

Section 356. Issuance and Guarantee of Trust Certificates

Authorizes SBA to issue and guarantee trust certificates representing ownership of all or part of the debentures issued by an NMVC company and guaranteed by the Administration. Each guarantee issued under this section is limited to the amount of the principal and interest on the guaranteed debentures that compose the trust or pool of certificates.

This section grants SBA subrogation and ownership rights over the trust certificates guaranteed under this section, but prohibits SBA from collecting a fee for any guarantee of a trust certificate issued under this section. Finally, this section allows SBA to contract with an agent to carry out the polling and central registration functions for the trust certificates issued.

Section 357. Fees

Authorizes SBA to charge such fees as it deems appropriate with respect to any guarantee or grant issued to an NMVC company. This authorization is subject to the prohibition contained in Section 356 that prohibits SBA from collecting a fee for any guarantee of a trust certificate issued under the section.

Section 358. Operational Assistant Grants

Authorizes SBA to make operational assistance grants to new Markets Venture Capital Companies established under the legislation and to certain Specialized Small Business Investment Companies.

Each NMVC is eligible for one or more grants, on a matching basis, in an amount equal to the amount the NMVC makes available for operational assistance. The operational assistance grant will be made available to the NMVC semi-annually over a multi-year period not to exceed 10 years. SBA is also authorized to provide supplemental grants to NMVCs.

This section of the bill also allows Specialized Small Business Investment Companies (''SSBICs'') access to the operational assistance grants funds authorized under the program without entering into a participation agreement with SBA to act

This section of the bill explicitly prohibits NMVCs and SSBICs from using operational assistance grants, both the federal contribution and the match, to supplement their own bottom line. This prohibition includes items that are not aimed at directly benefiting the small enterprises, such as, but not limited to—the purchase of furniture, office supplies, physical improvements to the NMVCs' or SSBICs' places of business, and marketing services. The Committee included this limitation to ensure that the investments made through this program will be for the benefit of small businesses located in LMI areas, which is the intent of the legislation.

It is the Committee's view that this provision does allow for operational assistance funds under the legislation to be used for salaries of those NMVC or SSBIC employees that are providing direct technical assistance to the small enterprise. NMVCs and SSBICs that use their own staff to provide the necessary direct assistance to smaller enterprises may be reimbursed for the direct cost of staff out of grant funds, but only to the extent such costs are allocable to the operational assistance.

This section also requires the NMVC companies to document in their operation plan the extent to which they intend to use licensed professionals (e.g., licensed attorneys and Certified Public Accountants) when providing technical assistance that requires such expertise. This ensures that the NMVC companies will provide the best assistance possible to the small business concerns. It is not meant to be constructed as requirement that licensed professionals are sole persons to provide such assistance, but their use is encouraged in highly technical situations.

Evidence presented to the Congress by the community development venture capital advocates indicates that providing technical assistance to a small business dramatically increases that business' chance of success. The Congress wishes to ensure that all small businesses receiving technical assistance under this program will receive the best technical assistance available. We believe this will further increase the businesses' chances of success.

Section 359. Bank Participation

Allows any national bank, and any member bank of the Federal Reserve System to invest in an NMVC company formed under this legislation so long as the investment would not exceed 5 percent of the capital and surplus of the bank.

Banks that are not members of the Federal Reserve System are allowed to invest in an NMVC company formed under this legislation so long as such investment is allowed under applicable State law, and so long as the investment would not exceed 5 percent of the capital and surplus of the bank.

Section 360. Federal Financing Bank

Establishes that Section 318 of the Small Business Investment Act does not apply to any NMVC company created under this legislation.

Section 361. Reporting Requirements

Establishes reporting requirements for the NMVC companies.

Specifically, the NMVC companies are required to provide to SBA such information as the Administration requires, including: information related to the measurement criteria that the NMVC proposed in its program application; and, for each case in which the NMVC makes an investment or a grant to a business located outside of an LMI area, a report on the number and percentage of employees of the business who reside in an LMI area.

Section 362. Examinations

Requires that each NMVC company shall be subjected to examinations made at the direction of the Investment Division of SBA. This section allows for examinations to be conducted with the assistance of a private sector entity that has both the necessary qualifications and expertise.

It is the intent of the Committee that the oversight of the NMVC program be modeled after that developed for the SBIC program and administered by SBA's Investment Division. Oversight should include a close working relationship between SBA analysts and NMVC management teams, detailed reporting requirements, frequent on-site examinations to evaluate performance and conformance with the operating plan, and careful analysis of the firm's economic impact.

Section 363. Injunctions and Other Orders

Grants SBA the power of injunction over NMVC companies and the authority to act as a trustee or receiver of a company if appointed by a court.

This section of the legislation closely tracks the existing injunction provision (Section 311) of the Small Business Investment Act of 1958. Again, it is the Committee's intent that oversight of the NMVC program be modeled after that developed for the SBIC program and administered by SBA's Investment Division. This oversight should include a close working relationship between SBA analysts and NMVC management teams, detailed reporting requirements, frequent on-site examination to evaluate performance and conformance with the operating plan, and careful analysis of the firm's economic impact.

Section 364. Additional Penalties for Noncompliance

Grants SBA or the Attorney General the authority to file a cause of action against an NMVC company for noncompliance. Should a court find that a company violated or failed to comply with provisions of this legislation or other provisions of the Small Business Investment Act of 1958, this section grants SBA the authority to void the participation agreement between the company and the SBA.

Section 365. Unlawful Acts and Omissions; Breach of Fiduciary Duty

Defines what is to be considered as a violation of this legislation, who is considered to have a fiduciary duty, and who is ineligible to serve as an officer, director, or employee of any NMVC company because of unlawful acts.

This section of the legislation closely tracks the unlawful acts provision (Section 314) of the Small Business Investment Act of 1958. It is the Committee's intent to grant SBA the same authority over NMVC companies that it has over Small Business Investment Companies with respect to unlawful acts and the breach of fiduciary responsibility.

Section 366. Removal or Suspension of Directors or Officers

Grants SBA the authority to use the procedures set forth in Section 313 of the Small Business Investment Act of 1958 to remove or suspend any director or officer of any NMVC company.

Section 367. Regulations

Authorizes the Small Business Administration to issue such regulations as it deems necessary to carry out the provisions of the legislation.

Section 368. Authorization of Appropriations

Authorizes appropriations for the Program for Fiscal Years 2001 through 2006. This section authorizes such subsidy budget authority as necessary to guarantee $150,000,000 of debentures and $30,000,000 to make operational assistance grants.

The Committee estimates that the Program will only require a one-time appropriation of $45 million—$15 million for loan guarantees and $30 million for operational assistance grants. This $15 million will allow SBA to back $150 million in loans to small business in low- or moderate-income areas.

Section 368(c). Conforming Amendment

Makes a conforming change to the Small Business Investment Act of 1958 to account for the changes made by this legislation.

Section 368(d). Calculation of Maximum Amount of SBIC Leverage

Allows Small Business Investment Companies (''SBICs'') to obtain additional access to leverage outside the statutory caps. The exemption of the SBICs, however, is limited only to investments they make in LMI areas.

This section provides that investments made in LMI areas will not apply against the leverage cap of the individual SBIC as long as the total amount invested through the program does not exceed 50% of the SBIC's paid-in capital.

Section 368(e). Bankruptcy Exemption

Adds NMVC companies to the list of entities that may not be considered a debtor under a Title 11 bankruptcy proceeding.

Section 368(f). Federal Savings Associations

Amends the ''Home Owners Loan Act'' to allow federal savings associations to invest in an NMVC company formed under this legislation so long as the investment would not exceed 5 percent of the capital and surplus of the savings association.

Section 102. BusinessLINC Grants and Cooperative Agreements.

H.R. 5663, also contains section 102 which establishes the BusinessLINC program, designed to promote business growth in inner cities and economically distressed rural areas by matching large and small firms into business-to-business partnering and mentoring relationships. BusinessLINC would accomplish this by providing seed funding to third party entities such as local Chambers of Commerce to promote such relationships. In addition to seed funding, such entities will also receive funds for technical assistance programs to small businesses to supplement the mentor-protege relationships established as a result of BusinessLINC.

BusinessLINC helps businesses by providing online information and a database of companies that are interested in mentor-protege programs.

Grants may be made to a coalition/combination of private and public entities only if the coalition/combination provides an amount, either in kind or in cash, equal to the grant amount for the purposes above.

Despite the unprecedented economic prosperity we are experiencing in this country, there are several areas of the country that have still not achieved parity. These areas are primarily inner cities, rural areas, and Native American communities. BusinessLINC will enable business opportunities for small businesses who would otherwise have no access to outside larger markets. While these small businesses have strong potential, they are located in communities where corporate America would not necessarily look. BusinessLINC will break that barrier. When the BusinessLINC model has been applied in the past, small businesses have seen growth as much as 45 percent. With this assistance, the local community will be charting its own path to recovery. The ''LINC'' in BusinessLINC stands for ''Learning, Information, Networking and Collaboration.''

Section 102 adds a new paragraph (n) ''BusinessLINC Grants and Cooperative agreements.'' to section 8 of the Small Business Act.

Paragraph (1) allows the Administrator to make grants or enter into cooperative agreements with any coalition/combination of private and/or public entities to (a) promote business-to-business relationships between large and small businesses and (b) to provide online information and a database of companies that are interested in mentor-protege programs.

It is the opinion of the Committee that private and/or public entities eligible for grants should be limited to chambers of commerce and other not-for-profit business organizations. The Committee intend that grant money be provided to large businesses. Further, if a grant is made to a combination of entities, one entity must take a lead position.

It is further the opinion of the Committee that promotion of business-to-business relationships between large and small businesses referenced in paragraph (a) above should include the facilitation of such relationships as mentor-protege, prime/subcontractor, and teaming.

The Committee intends that an element to be considered by the Administrator when evaluating a grant proposal, shall be the training of small businesses or ''proteges.'' An additional evaluation element intended by the Committee shall be measurable goals to be achieved through the business-to-business partnerships.

The Committee further intends that the online database referenced in paragraph (b) above, should make use of the SBA's current PRO-Net database to the greatest extent practicable. The Committee is concerned that online privacy issues should also be addressed by the SBA in the implementation of the databases. Further, it is the Committee's opinion that the databases should be vigilantly maintained by the SBA to ensure that only firms eligible to be mentors should be included in the mentor database, and only those firms eligible to serve as intermediaries should be included in the intermediary database.

Paragraph (2) specifies that the Administrator may make grants as long as the coalition/combination of public and/or private entities provides an amount, either in kind or in cash, equal to the grant amount for the purposes delineated in paragraph (1) above.

The Committee is well aware that it may be difficult for some entities to raise their entire match during the application stage. Those entities that are unable to raise the required match, but have submitted to the Administrator a reasonable plan to meet the requirement, may be granted a conditional approval from the Administrator and be allowed to draw one dollar of federal matching funds for every dollar of private funds raised. This conditional approval shall be made with the expectation that the required funding commitments will be obtained within two years of the conditional approval.

The Committee believes that it is important to give entities the flexibility to obtain the required private operational assistance funds, however, from a safety and soundness standpoint, federal funds should not be placed at greater risk than private capital.

Paragraph (3) specifies the authorization for the program for fiscal years 2001 through 2003. This amount shall be $6,600,000 for each of the three fiscal years.

TRIBUTE TO MR. J. KEYS WRIGHT OF TRINITY, AL

HON. ROBERT E. (BUD) CRAMER, JR.

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Friday, December 15, 2000

Mr. CRAMER. Mr. Speaker, today I pay tribute to Mr. J. Keys Wright of Trinity, Alabama. He has captured so poignantly the troubles we face today with explosions of ethnic cleansing and civil warfare across the globe.

Mr. Wright, an established poet in my district, wrote this poem "Sons" in January of 1995. It is especially appropriate to be heard now as we begin this new millennium and we are still plagued with daily new reports tallying the murders and assaults caused by hatred and misunderstanding. I would like for his words of wisdom to be printed, therefore, I submit the following into the CONGRESSIONAL RECORD for others to see and learn.

"Sons"

Sons of Mother Russia, Loyal
Chechens, Brothers of Israel,
Muslim, Christian, Irishman,
Briton, Children of One God.
Run Don't Walk Away from
There, Leave these Fields of Death, Murder No One Else.
Kill no Other Mother's Child
Born of Love and Passion,
Killed by Hate and Greed, To Satisfy an Ambitious Lie.
Fight No More My Brothers,
Our Children, Brothers of My
Soul, Leave Their Killing to Them.
Their Hearts have Drawn and
Withered, Their Minds are Dark
And God, These Ones without A Soul.
Sons of Mother Russia, Loyal
Chechens, Brothers of Israel,
Muslims, Christian, Irishman,
Briton, Children of One God.

NUCLEAR AGE PEACE FOUNDATION

HON. LOIS CAPPS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, December 15, 2000

Mrs. CAPPS. Mr. Speaker, today I bring to the attention of my colleagues, a thoughtful article by David Kreiger which appeared in The Santa Barbara Independent, entitled "An Open Letter to the Next U.S. President: Abolish Nuclear Weapons." I submit the following article into the CONGRESSIONAL RECORD.

[From the Santa Barbara Independent, Oct. 12, 2000]

AN OPEN LETTER TO THE NEXT U.S. PRESIDENT: ABOLISH NUCLEAR WEAPONS

(By David Krieger)

The city of Hiroshima's Peace Declaration on August 6, 2000, stated, "If we had only one pencil we would continue to write first of the sanctity of human life and then of the need to abolish nuclear weapons." The citizens of Hiroshima have horrendous first-hand knowledge of the devastation of nuclear weapons. They become the unwitting ambassadors of the Nuclear Age.

If we wish to prevent Hiroshima's past from becoming our future, there must be leadership to reduce nuclear dangers by vigorous efforts leading to the total elimination of all nuclear weapons from Earth. This will not happen without U.S. leadership, and therefore your leadership, Mr. President, will be essential.

Also in the Peace Declaration of Hiroshima is this promise: "Hiroshima wishes to make a new start as a model city demonstrating the use of science and technology for human purposes. We will create a future in which Hiroshima itself is the embodiment of those 'human purposes.' We will create a 21st century in which Hiroshima's very existence formulates the substance of peace. Such a future would exemplify a genuine reconciliation between humankind and the science and technology that have endangered our continued survival."

With this promise and commitment, Hiroshima challenges not only itself, but all humanity to do more to achieve a "reconciliation between humankind and science and technology." The place where this challenge must begin is with the threat posed by nuclear weapons.

At the 2000 Non-Proliferation Treaty Review Conference, the U.S. and the other nuclear weapons states made an "unequivocal undertaking . . . to accomplish the total elimination of their nuclear arsenals." This commitment is consistent with the obligation in Article VI of the Non-Proliferation Treaty, and with the interpretation of that obligation as set forth unanimously by the International Court of Justice in its landmark 1996 opinion on the illegality of nuclear weapons.

In addition to moral and legal obligations to eliminate nuclear weapons, it is also in our security interests. Nuclear weapons are the greatest threat to the existence of our nation and, for that matter, the rest of the world. The American people and all people would be safer in a world without nuclear weapons. The first step toward achieving such a world is publicly recognizing that it would be in our interest to do so. That would be a big step forward, one that no U.S. president has yet taken.

In the post-Cold War period, U.S. policy on nuclear weapons has been to maintain a two-tier structure of nuclear "haves" and "have-nots." We have moved slowly on nuclear arms reductions and have attempted (unsuccessfully) to prevent nuclear proliferation. We have not given up our own reliance on nuclear weapons, and we have resisted any attempts by NATO members to re-examine NATO nuclear policy.

One of the early decisions you will be asked to make, Mr. President, is on the deployment of a National Missile Defense. While this resurrection of the discredited "Star Wars" system will never be able to actually protect Americans, it will anger the Russians and Chinese, undermine existing arms control agreements, and most likely prevent future progress toward a nuclear weapons-free world. The Russians have stated clearly that if we proceed with deploying a National Missile Defense, they will withdraw from the START II Treaty and the Comprehensive Test Ban Treaty. This would be a major setback in U.S.-Russian relations at a time when Russia has every reason to work cooperatively with us for nuclear arms reductions.

In fact, Russian President Putin has offered to reduce to 1,500 the number of strategic nuclear weapons in START III. Well-informed Russians say that he is prepared to reduce Russia's nuclear arsenal to under 1,000 strategic weapons as a next step. We have turned down this proposal and told the Russian government that we are only prepared to reduce our nuclear arsenal to 2,000–2,500 strategic weapons in START III. This is hard to understand because reductions in nuclear weapons arsenals, particularly the Russian nuclear arsenal, would have such clear security benefits to the United States.

The Chinese currently have some 20 nuclear weapons capable of reaching U.S. territory. If we deploy a National Missile Defense, China has forewarned us that they will expand their nuclear capabilities. This would be easy for them to do, and it will certainly have adverse consequences for U.S.-Chinese relations. Additionally, it could trigger new nuclear arms races in Asia between China and India, and India and Pakistan.

North Korea has already indicated its willingness to cease development of its long-range missile program in exchange for the development assistance that they badly need. We should pursue similar policies with Iraq, Iran, and other potential enemies. We should vigorously pursue diplomacy that seeks to turn potential enemies into friends.

Rather than proceeding with deployment of a National Missile Defense, we should accept President Putin's offer and proceed with negotiations for START III nuclear arms reductions to some 1,000 to 1,500 strategic nuclear weapons on each side. Simultaneously, we should provide leadership for multinational negotiations among all nuclear weapons states for a Comprehensive Treaty to Eliminate Nuclear Weapons. This would be a demonstration of the "good faith" called for in the Non-Proliferation Treaty.