



International Atomic Energy Agency

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by

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The States Party to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) are meeting at a time when the multilateral nuclear non-proliferation and nuclear disarmament process is facing critical challenges both from within the system as well as from outside. Ensuring effective verification of non-proliferation undertakings under the Treaty is key to meeting many of those challenges.

The purpose of this Preparatory Committee session is to consider developments affecting the operation and purpose of the NPT, to continue the work begun last year for the review in 2005 of the implementation of the Treaty, and to consider a preliminary assessment of the achievements since 2000. The basis for this review is the provisions of the Treaty itself, the package of decisions adopted in 1995, and the final document agreed in 2000. In this context, the report of the International Atomic Energy Agency (IAEA) today focuses mainly on the safeguards activities of the IAEA relevant to the implementation of the NPT, and touches briefly on the Agency's nuclear safety and security, and technical co-operation programmes. In separate presentations next week, the Agency will describe in greater detail its nuclear safety and security activities and its technical co-operation programme.

Nuclear Verification

The Agency's Director General recently noted that the nuclear arms control regime is being challenged and is clearly under stress. The challenges include: the effort to verify Iraq's nuclear capabilities; DPRK's defiance of its NPT safeguards obligations; failure of some countries to conclude and bring into force NPT safeguards agreements; slow progress on the conclusion and entry into force of additional protocols; and stagnation on moving towards nuclear disarmament and towards universality. For the nuclear arms control regime to maintain its integrity, progress must occur on all these fronts.

Strengthened Safeguards

In the 2000 Final Document, States Party rightly recognized that Agency safeguards are the fundamental pillar of the nuclear non-proliferation regime and play an indispensable role in the implementation of the Treaty, helping to create an environment conducive to nuclear disarmament and to nuclear cooperation. The document also reaffirms that the IAEA is the competent authority responsible for verifying and assuring compliance with States'

obligations under Article III.1 of the Treaty. States Party expressed their conviction that nothing should be done to undermine the authority of the IAEA and urged the Agency to continue implementing strengthened safeguards measures as broadly as possible, calling upon all States Party to give their full and continuing support to the Agency's safeguards system.

Forty-seven NPT States Parties have yet to conclude and bring into force the required comprehensive safeguards agreements pursuant to the Treaty. The IAEA once again urges these States Parties to conclude and bring into force the required safeguards agreements without further delay; and recommends that every effort be made to accomplish this objective prior to the opening of the 2005 NPT Review Conference or even earlier.

Beginning in the 1970s, and for the following 25 years, the Agency's main verification activities were focussed on verifying that States had not diverted any of their "declared" nuclear material for non-peaceful purposes. However, events in the early 1990s – in particular the discovery that Iraq pursued a clandestine programme to develop nuclear weapons – underscored the importance of strengthening the Agency's capability to detect undeclared nuclear material and activities, as well.

Thereupon the international community made a concerted effort in the IAEA to identify and implement measures to strengthen the safeguards system, both measures that could be introduced under existing legal authority and measures that were incorporated into a model protocol additional to comprehensive safeguards agreements, approved by the IAEA Board of Governors in 1997.

The strengthening measures include increased access to and evaluation of information, increased inspector access to nuclear-related locations, the use of advanced technology in safeguards and the review and strengthening of safeguards approaches, where needed. Today, I would like to highlight these accomplishments.

Information Evaluation

One of the most fundamental changes in IAEA safeguards implementation is the expanding role of information evaluation. For non-nuclear-weapon States with comprehensive safeguards agreements, the Agency mainly seeks to determine whether any declared nuclear material has been diverted to non-peaceful purposes. In addition to applying quantitative criteria for the verification of declared nuclear material, the Agency has developed the capability and infrastructure for evaluating information from a wide range of sources including reports and declarations filed by States pursuant to their NPT safeguards agreements, the results of Agency verification activities (such as on-site inspections) and information from open and other sources. The information technology infrastructure has grown and new sources of information are being integrated with our other verification data. Improving the effectiveness of this integration will be a key achievement of the re-engineering of our safeguards information systems, which is currently underway.

To conduct thorough State evaluations the Agency requires access to more information. Some States have voluntarily supplied information requested by the Agency, whereas others have voluntarily undertaken to provide information periodically, such as comprehensive reporting on exports and imports of nuclear material and exports of sensitive equipment and non-nuclear material. Such information is extremely useful for providing transparency in the nuclear programmes of States and in assessing the consistency of information declared by them. However, none of these is a substitute for the broader information supplied by States with additional protocols in force.

Increased Inspector Access

Under comprehensive safeguards agreements without additional protocols, inspectors have access only to specified “strategic points” within declared nuclear facilities. Nonetheless, wherever possible, the implementation of inspections has been strengthened. Unannounced and short notice inspections are examples of such initiatives.

The Agency also has strengthened its implementation of Design Information Verification. (DIV) States have been asked, for example, to provide design information for new facilities at an early stage. In addition, the IAEA has implemented procedures to conduct DIV activities regularly throughout the life of a facility to ensure that the safeguards approach remains valid.

Additional protocols in force give the Agency the right to conduct complementary access to nuclear-related locations on short notice. This greater access, in combination with access to information, allows the Agency to provide credible assurance of the absence of undeclared nuclear material and activities.

In some cases, State authorities have voluntarily allowed the Agency to visit nuclear related installations, beyond those required by the State’s safeguards agreement. Such visits provide greater transparency with regard to a State’s nuclear programme and improve the confidence in the safeguards conclusions drawn by the Agency.

Advanced Safeguards Technology

Environmental sampling was introduced in the early 1990s as a powerful new tool for detecting indications of undeclared nuclear activities. It is being implemented as a strengthening measure under the authority of comprehensive safeguards agreements and has also proven to be a powerful tool when used during complementary access under additional protocols.

The use of unattended monitoring systems reduces the need for human presence to conduct safeguards activities in the field. Such systems are now being implemented, and safeguards at the Rokkasho Reprocessing Plant in Japan will rely heavily on that technology to reduce the need for inspector presence inside the facility.

Remote transmission of verification data is also being implemented at several facilities worldwide in combination with unannounced or short notice inspections. Although the technology has led to savings in in-field verification activities, it must be noted that the cost effectiveness of implementing remote monitoring in additional facilities depends upon a variety of factors, including equipment and communications costs. Efforts are being made to further reduce these costs, e.g., by transmitting encrypted data over the Internet where possible.

Strengthened Safeguards Approaches

In addition to facility level safeguards approaches, under constant review by the Agency, efforts have focussed increasingly on State-level safeguards approaches, particularly for States with additional protocols in force. This gives the Agency the flexibility to deploy its efforts on the areas of greatest safeguards significance.

In addition, the Agency has recently revisited its safeguards approach to natural uranium conversion facilities. As part of this effort, the Agency has evaluated the advances in fuel fabrication and enrichment technologies and has updated on that basis the types of material subject to further safeguards procedures.

Integrated Safeguards

The Agency's aim is to achieve the optimum combination of all safeguards measures available under comprehensive safeguards agreements and additional protocols, in order to achieve maximum effectiveness and efficiency within available resources. This optimum combination is known as "integrated safeguards". Integrated safeguards when implemented fully will usher in a smart, information driven, non-discriminatory system that is designed to draw comprehensive conclusions regarding compliance by a State with its non-proliferation obligations.

Present Situation

Given the preceding description, what is the present situation regarding strengthened Agency safeguards? As previously explained, the Agency has introduced several measures to strengthen safeguards under comprehensive safeguards agreements. But unless a State has an additional protocol in force, the Agency will not be able to draw conclusions on the absence of undeclared nuclear material and activities for the State as a whole. The number of States that have ratified additional protocols is below what was expected in 1997. In the last five years, although 72 States have signed additional protocols with the IAEA, these have entered into force for only 32 States. There still remain 18 NPT States with significant nuclear activities, in some cases including activities dealing with sensitive technologies, that have not even signed an additional protocol. With the help of some Member States, among which Japan and the United States of America have taken a leading role, the Agency is extending its outreach efforts to encourage States to sign and ratify their additional protocol and to explain and provide assistance, where possible, on the steps needed to implement them. Last week in Vienna the IAEA Secretariat presented an updated Action Plan for implementing its outreach strategy.

Even for States with comprehensive safeguards agreements and additional protocols in force, there are limitations with regard to information and locations accessible to IAEA inspectors. Moreover, even if the information is available, the process of analyzing information with a view to drawing conclusions is time consuming. Transparency on the part of the State saves time and resources and bolsters confidence in the IAEA's results.

Financial Impact

The changes that have just been highlighted have come at a cost. The strengthening of safeguards has in many cases demanded more resources from the Agency's Department of Safeguards. There has been a significant increase in workload due to implementation of information-driven strengthened safeguards. This increase comes in addition to an increasing workload due to new facilities and changing conditions such as the increasing need to safeguard the transfer of spent fuel to dry storage.

The Agency has continued its efforts to introduce cost savings, in particular through the development and progressive introduction of optimized or integrated safeguards approaches for specific States. In countries with comprehensive safeguards agreements and additional protocols in force for which conclusions of non-diversion of nuclear material and the absence of undeclared nuclear material and activities have been drawn, it is possible to reduce verification activities on declared nuclear material. Integrated safeguards in certain facility types in Canada, the European Union and Japan would lead to anticipated savings of about 500 person-days of inspection, equivalent to savings of about 7 person-years.

However, the savings already achieved as well as any further savings from integrated safeguards may be insufficient to offset the increased requirements, particularly for human resources. Until now, the IAEA has managed to secure most of the needed additional

resources for purchasing equipment and for contracts through increased extrabudgetary funding, which has exceeded in 2002 the level of 20% of the regular budget. This situation is not sustainable, it has been repeatedly criticized by Member States, as well as external consultants. It should be clear that extrabudgetary funding cannot help alleviate the Agency's need for more regular staff such as inspectors. A concerted effort is now underway to secure an increased regular budget for the next funding cycle (2004-2005) sufficient to cover the Agency's requirements and reduce its excessive dependency on extra-budgetary resources from a small number of donor States. It is not clear yet whether this effort will be successful. It cannot be over-emphasized that Agency safeguards activities are mandatory. The IAEA does not consider it an option to reduce its safeguards effectiveness in order to cut costs. The risk is real that the ability of the Agency to discover in time evidence of a covert nuclear weapons programme will erode unless the Agency receives the necessary resources. After 15 years of a zero real growth (ZRG) policy, it is therefore urgent to increase the safeguards regular budget - by some \$20 million annually in order to implement the measures needed to keep pace with safeguards challenges.

Democratic People's Republic of Korea

Let me now turn to the situation in the Democratic People's Republic of Korea. First, the Agency has never been able to provide assurances about the correctness and completeness of the initial declaration of the DPRK pursuant to its NPT Safeguards Agreement, which entered into force in 1992. Since 1 April 1993, the DPRK has been found in non-compliance with its obligations under its safeguards agreement. Second, at the request of the UN Security Council, the Agency monitored between November 1994 and December 2002 the "freeze" of DPRK's graphite moderated reactor and related facilities, and until the end of last December maintained a continuous inspector presence at the Nyongbyong site.

On 12 December 2002, the DPRK notified the Agency that it was lifting the "freeze" and resuming nuclear power generation operations. Subsequently it impeded or removed the seals and cameras installed for verification purposes. On 31 December, Agency inspectors left the DPRK at the country's demand. These actions on the part of the DPRK constitute further non-compliance by the DPRK with its NPT safeguards agreement.

On 6 January 2003, the IAEA Board of Governors called upon the DPRK to cooperate urgently and fully with the Agency to re-establish the required containment and surveillance measures at its nuclear facilities and the full implementation of all the required safeguards measures at all times including the return of IAEA inspectors, to provide clarification regarding its reported uranium enrichment programme and to enable the Agency to verify that all nuclear material in the DPRK is declared and is subject to safeguards.

On 10 January 2003, the DPRK Government informed the Agency of its withdrawal from the NPT effective 11 January 2003. The IAEA Board of Governors, on 12 February, confirmed that the Agency's NPT safeguards agreement remains binding and in force, declared that the DPRK is in further non-compliance with its safeguards agreement, called upon the DPRK to remedy urgently its non-compliance by taking all steps deemed necessary by the Agency, and decided to report the DPRK's non-compliance and the Agency's inability to verify non-diversion of nuclear material subject to safeguards to all Members of the Agency and to the Security Council and General Assembly of the United Nations.

As will be clear, the Agency is at present not in a position to conclude that nuclear material in the DPRK has not been diverted to non-peaceful uses.

As the NPT safeguards agreement remains in force as long as the DPRK is a party to the NPT, the Agency would be interested in any collective view of the NPT parties about the DPRK membership status. Delegations should be aware that if the NPT safeguards agreement would cease to be in force, a more limited safeguards agreement (not covering any of the facilities that were subject to the freeze) would become operational again.

We hope that even at this stage agreement can be reached by which the DPRK will remain, or come back as a party to the NPT, and that the IAEA will be able to resume its inspections.

Iraq

In Iraq, from December 1998 until November 2002, the Agency was not in a position to implement its Security Council mandated activities. During this period, the Agency's activities were limited to physical inventory verification pursuant to the NPT safeguards agreement of the nuclear material placed under safeguards near the Tuwaitha Nuclear Research Centre. However, in September 2002, after a series of talks, Iraq decided to unconditionally allow the return of United Nations and Agency weapons inspectors. Subsequently, in November 2002, the Security Council adopted Resolution 1441 (2002), under which the inspections resumed. NPT related activities were subsumed again under that broader Security Council mandate.

In response to advice from the United States Government received on the night of 16-17 March 2003, and following consultation with the UN Secretary General and the United Nations Monitoring and Verification Commission (UNMOVIC), the Director General decided on the withdrawal for security reasons of Agency inspectors from Iraq. By the time inspectors left Iraq on 18 March, no evidence of ongoing prohibited nuclear or nuclear-related activities had been detected at the locations inspected. However, no firm conclusions could be drawn pending the completion of ongoing verification activities.

The Director General has reiterated that the IAEA mandate in Iraq remains valid and has not changed, and that the IAEA is the sole body with legal authority to verify Iraq's nuclear disarmament. The Agency continues to stand ready to resume its Security Council and NPT mandated verification activities in Iraq, as well as other projects, when circumstances permit.

Trilateral Initiative

Step 8 of the "practical steps" contained in the 2000 NPT Final Document referred to the completion and implementation of the Trilateral Initiative between the IAEA, Russian Federation and the United States of America. On 16 September 2002, Russian Minister Alexander Rumyantsev, U.S. Secretary of Energy Spencer Abraham and IAEA Director General Mohamed ElBaradei agreed that the initial task entrusted to the Initiative in 1996 was concluded and that the technologies developed could be used by the IAEA to verify *any* classified form of plutonium without revealing nuclear weapons information.

Under the Trilateral Initiative, a model legal framework has been agreed which is now available to be used in new verification agreements between the IAEA and the Russian Federation or the United States. A new mandate for follow-up work is anticipated. It is expected that it will call for the Agency to carry out the verification requirements set forth in the Plutonium Management and Disposition Agreement signed by the two States in the summer of 2000, and to continue research and development into the practical aspects of

verifying plutonium in the form of nuclear weapon components or other forms having classified properties. The Agency stands ready to consider any new disarmament related verification tasks as and when required to do so.

Nuclear Safety and Security

In light of the attention given to nuclear safety in the 2000 Final Document, I would now like to make a few brief points on nuclear safety and security. However, a later IAEA presentation will go into these matters as well. The IAEA Statute makes clear the Agency's obligation to establish safety standards and to provide for the application of those safety standards to its own activities and to Agency assisted activities. The 2000 NPT Final Document encouraged the efforts of the IAEA in the promotion of nuclear safety in all its aspects and encouraged all NPT States Parties to take appropriate national, regional and international steps to enhance and foster a nuclear safety culture.

The Agency promotes a global safety regime that can support national safety infrastructures, which in turn support local safety measures. The main elements of this regime are legally binding intergovernmental agreements, internationally agreed safety standards and measures to provide for their application, supported by mechanisms for the global exchange of safety knowledge and experience.

Safety of nuclear installations

The 2000 Final Document welcomed the entry into force of the Convention on Nuclear Safety and the first Review Meeting of Contracting Parties to the Convention. The second Review Meeting in 2002 reaffirmed the progress being made worldwide in achieving and maintaining high levels of safety at nuclear power plants. One of the important areas highlighted was safety culture. An Agency conference on the topic held in Rio de Janeiro last December confirmed that there is a common understanding of safety culture as a mature concept, and that there is now a body of experience in the world that can form the basis for further advances.

Safety of transport of radioactive material

The safe transport of radioactive material was highlighted at the 2000 NPT Conference. In 2002, the Agency finalized a set of amendments to its Regulations for the Safe Transport of Radioactive Material for publication in 2003, and secured the incorporation of these changes in the 2003 version of the UN Model Regulations. The Agency's appraisal service TransSAS visited Brazil and the United Kingdom during 2002, and several other missions are scheduled for this and next year. The Agency is also organizing a conference on the safety of transport of radioactive material in Vienna in July to promote an international technical dialogue.

Protection against nuclear terrorism

In March 2002, the IAEA Board of Governors approved in principle the Agency's concrete plan of action for protection against nuclear terrorism, which covers eight areas: physical protection of nuclear material and nuclear facilities; detection of malicious activities (such as illicit trafficking) involving nuclear and other radioactive materials; strengthening of State systems for nuclear material accountancy and control; security of radioactive sources; the assessment of safety and security related vulnerabilities at nuclear facilities; response to malicious acts or threats thereof; the adherence to international agreements and guidelines;

and enhancement of programme co-ordination and information management for nuclear security related matters. Of the US\$ 12.2 million pledged by IAEA Member States, some US\$ 8.84 million has been received in the newly established Nuclear Security Fund and the planned activities are being implemented.

Technical Co-operation

Article IV of the NPT refers to the inalienable right of all Parties to the Treaty to develop research, production and use of nuclear energy for peaceful purposes. Promoting the scientific, technological and regulatory capabilities of developing countries through technology transfer and capacity building is among the main tasks of the Agency's technical co-operation programme, with special emphasis given to technical co-operation among developing countries. We appreciate that the 2000 Final Document "commend(ed) the Agency for its efforts to enhance the effectiveness and efficiency of the Agency's Technical Cooperation Programme". A detailed presentation will be made next week about this programme.

The Agency's programmes in the field of nuclear sciences and applications continue to serve basic human needs, and to provide nuclear and isotopic techniques to promote economic development in a clean and safe environment.

Conclusion

The past year has been exceptionally challenging for the Agency especially in the field of verification. There are many challenges and problems facing the Agency as well as NPT States Parties. These include the need to strengthen a safeguards regime that is currently under stress; to create a credible funding base for the Agency's safeguards system; to establish a strengthened nuclear security framework; to upgrade nuclear safety around the world; and to reinvigorate the nuclear disarmament process including real progress in nuclear weapon dismantlement.

In conclusion, as stated by the IAEA Director General, "impartial and independent verification is at the core of international efforts over the last 30 years to underpin the non-proliferation of nuclear weapons. The world has learned over three decades that only through impartial, international inspections can credibility be generated".

Thank you.