

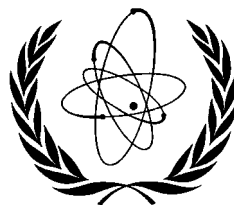
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STATEMENT BY THE DIRECTOR GENERAL

INTRODUCTORY STATEMENT TO THE
BOARD OF GOVERNORS

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INTERNATIONAL ATOMIC ENERGY AGENCY

INTRODUCTORY STATEMENT TO THE BOARD OF GOVERNORS

Our agenda for this meeting is centred on the report of the Technical Assistance and Cooperation Committee (TACC) and issues related to nuclear verification. I will discuss each of these topics and a number of other issues of interest to the Board.

TECHNICAL COOPERATION PROGRAMME

The TACC recommended that the Board approve the Agency's proposed technical cooperation (TC) programme for 2005–2006. The focus of TC planning and management continues to be the achievement of meaningful and sustained benefits to recipient Member States, in which country programme frameworks are used to ensure that our programmes are in line with national needs and priorities. Based on the recommendations of recent reviews, we are embarking on a change initiative to enhance TC processes and procedures and ensure the efficient delivery of a high quality programme.

I would call for renewed attention to the shared responsibility for TC funding. It is essential that all Member States, both donors and recipients, pay their share in a predictable and assured manner.

VERIFICATION OF NUCLEAR NON-PROLIFERATION

Status of Comprehensive Safeguards Agreements and Additional Protocols

The Agency's role as an independent, objective verification body remains central to the effectiveness of the nuclear non-proliferation regime. However, as you are aware, the extent of the Agency's authority remains uneven from country to country. Currently, 42 States party to the Nuclear Non-Proliferation Treaty (NPT) have yet to fulfil their legal obligations to bring NPT safeguards agreements with the Agency into force. For those countries, we cannot provide any assurance. And more than seven years after the Model Additional Protocol was approved by the Board, additional protocols are being applied in only 63 States. For countries in which an additional protocol is not being implemented, our ability to provide credible assurances about the absence of undeclared nuclear material and activities is limited.

Review of the Safeguards Programme and Criteria

You have before you a report summarizing the outcome of two reviews covering the effectiveness of safeguards implementation and the safeguards criteria, respectively — reviews that I initiated last year in response to a proposal by the Board's working group on the 2004–2005 programme and budget.

The first review, by an independent panel, evaluated the progress and impact to date of implementing safeguards strengthening measures. The panel found that the Secretariat has generally done well in implementing these measures, particularly given the resource constraints under which we have been working. The panel also concluded that our ability to provide credible assurance regarding the absence of undeclared nuclear material, as well as ongoing assurance regarding the non-diversion of declared nuclear material, has significantly improved over the last five years.

The second review, carried out by the Standing Advisory Group on Safeguards Implementation (SAGSI), addressed the role, structure and content of the Agency's safeguards criteria. SAGSI found that the safeguards criteria were basically sound, but identified areas for improvement in effectiveness and efficiency — noting that, in a number of cases, changes it endorses are already under way.

Both SAGSI and the external panel concluded that wider implementation of integrated safeguards should be a priority, as this will provide the best opportunity for improved efficiency and effectiveness, particularly in States with large nuclear programmes. The Secretariat shares this view, and is devoting considerable effort to developing integrated safeguards approaches — which, while designed to achieve efficiency gains, continue to be driven by the need to maximize effectiveness. I should stress, however, that only where both safeguards agreements and additional protocols are being applied, and when the necessary conditions are met, can we move towards implementing integrated safeguards.

Implementation of the NPT Safeguards Agreement in the Republic of Korea

You have before you a report on the Agency's efforts to verify the implementation of safeguards in the Republic of Korea (ROK). The report, which is based on our verification efforts to date, describes a number of occasions on which the ROK conducted experiments and activities involving uranium conversion, uranium enrichment and

plutonium separation which it failed to report to the Agency in accordance with its obligations under its safeguards agreement.

Since August, when the ROK began providing information to the Agency on its previously undeclared nuclear experiments — in connection with its declarations pursuant to its additional protocol — the ROK has actively cooperated with the Agency in providing timely information and access to personnel and locations, and has permitted the collection of environmental and other samples for Agency analysis and assessment. The ROK has also taken corrective actions, where appropriate, by providing relevant inventory change reports.

As the report states, the quantities of nuclear material involved have not been significant. Nonetheless, given the nature of the activities, the failure of the ROK to report these activities in accordance with its safeguards agreement is — as I said to the Board in September — a matter of serious concern. However, based on the information provided by the ROK and the verification activities carried out by the Agency to date, there is no indication that these undeclared experiments have continued.

The Agency will continue to verify the correctness and completeness of the ROK's declarations, made pursuant to its safeguards agreement and additional protocol, and I will continue to report to the Board as appropriate.

In this context, I should point out that developments both in the ROK and elsewhere are demonstrating the effectiveness of the tools of strengthened safeguards and the additional protocol. As a result, cases are surfacing, and will likely continue to surface, in which the Agency finds that States have not in the past fulfilled all of their reporting obligations. Most of these cases are failures that can normally be dealt with in the Agency's annual Safeguards Implementation Report. Should there be cases, however, where our experts assess that proliferation concerns exist or concealment is involved, such cases will be brought to the attention of the Board.

Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran

You have before you a comprehensive report on the Agency's efforts to date to verify the implementation of safeguards in the Islamic Republic of Iran. The report covers both Iran's compliance with its NPT safeguards obligations and its voluntary suspension of enrichment related and reprocessing activities.

As you can see from the report, the Agency has gained a broad understanding of Iran's past undeclared nuclear programme. This has not been an easy task, particularly in the initial phase, when the Agency's verification work was constrained by Iran's policy of concealment, misleading information and delays in access to nuclear material and facilities. Since December 2003, however, Iran has facilitated in a timely manner Agency access under its safeguards agreement and additional protocol to nuclear material and facilities, as well as other locations in the country, and has permitted the Agency to take environmental samples as requested.

There remain two important issues, concerning Iran's past undeclared programme, that are relevant to the Agency's ability to provide assurance that there are no undeclared enrichment activities in Iran: the origin of the low enriched and high enriched uranium particle contamination found at various locations in Iran; and the extent of Iran's efforts to import, manufacture and use centrifuges of both the P-1 and P-2 designs. We have been making progress on both issues.

With respect to the origin of the contamination, the Agency has asked to be allowed to take samples from the centrifuges and centrifuge components at relevant locations in the State from which most of the imported components originated, so that the Agency may independently analyse the samples. Such independent sampling and analysis may enable the Agency to confirm the actual source of contamination and the correctness of statements made by Iran. I should mention that we have recently reached an agreement with the country in question on the basic modalities for such sampling.

With respect to the second issue, further investigation is required of the clandestine supply network in order for the Agency to be able to corroborate the information that Iran has provided, and to conclude its assessment on the extent of Iran's centrifuge enrichment programme.

As stated in the report, while we have reached the conclusion that all declared nuclear material in Iran has been accounted for, and therefore such material is not diverted to prohibited activities, the Agency is not yet in a position to conclude that there are no undeclared nuclear materials or activities in Iran. The process of drawing such a conclusion, after an Additional Protocol is in force, is normally a time consuming process. However, in view of the past undeclared nature of significant aspects of Iran's nuclear programme, and its past pattern of concealment, this conclusion can be expected to take longer than in

normal circumstances. A confidence deficit has been created, and confidence needs to be restored. Iran's active cooperation and full transparency is therefore indispensable.

As stated in the report, in a letter dated 14 November 2004, Iran notified the Secretariat that it had decided to continue and extend its voluntary suspension to include all enrichment related and reprocessing activities.

With the exception I will mention shortly, the Agency has been able to complete its verification of Iran's suspension of its enrichment related and reprocessing activities. This includes: the Agency's application of containment and surveillance measures to the uranium hexafluoride (UF_6) production process; our verification of the suspension of centrifuge component production at declared production locations; and our placement of associated essential equipment under Agency containment and surveillance measures.

In its 14 November letter, Iran also informed the Agency that the in-process inventory of the Uranium Conversion Facility would be brought to a safe, secure, and stable state, not beyond uranium tetrafluoride (UF_4), in coordination with the Agency. As nuclear material continues to become available from Iran's clean-out operations, it will be verified and sealed by the Agency. This process is expected to take one month and will be followed by a physical inventory verification. I should note that, from the time of the last meeting of the Board until Iran's decision to proceed with full suspension took effect, 3.5 tonnes of UF_6 have been produced and a number of new centrifuge rotors have been assembled. The UF_6 material has been placed under Agency containment and surveillance measures.

Regarding the Agency's monitoring of centrifuge components: in letters dated 21 and 24 November 2004, Iran stated that "all essential components of centrifuges as defined by the Agency will be placed under IAEA seals not later than 24 November 2004." This has been done. However, Iran stated that it "will use up to 20 sets of [centrifuge] components for R&D purposes and provide the Agency with access when requested. The Agency will be provided with ID numbers of those components." Iran also stated that "AEOI (the Atomic Energy Organization of Iran) is not intending to use nuclear materials in any of the tests associated with the said R&D." The Secretariat is still in discussion with the Iranian authorities on this request for exemption, and I will update you on any new developments.

I will continue to report to the Board, as appropriate, on both Iran's implementation of its NPT safeguards obligations and its voluntary suspension of enrichment related and reprocessing activities.

Implementation of Safeguards in the DPRK

As you are aware, the Agency has not performed any verification activities in the Democratic People's Republic of Korea (DPRK) since December 2002, and therefore cannot provide any assurance regarding the non-diversion of nuclear material. It is my hope that the six-party talks will, inter alia, lead to the return of the DPRK to the non-proliferation regime, and that the Agency will be provided with the required authority to provide credible, comprehensive assurances regarding the nuclear programme in the DPRK.

OTHER ITEMS OF INTEREST

Draft Programme and Budget for 2006–2007

The draft programme and budget for 2006–2007 was issued this morning. One major change for this forthcoming biennium, of course, is that the budget estimates are for the first time expressed in euros, the currency in which the majority of our expenditures under the regular budget are incurred.

The figures for the major programmes adhere to those given in the 'Package Proposal' that was agreed by the Board in July last year. Because of the increased security threat to the United Nations and its system of organizations, it has, however, been necessary to seek additional funds to cover the recurrent costs of the security enhancement measures for the Vienna International Centre.

CONCLUSION

The Agency continues to assume growing responsibilities in nearly all areas of its work. While dealing with a broad range of issues this year, the value of a close partnership between the Secretariat and its Member States has been repeatedly demonstrated. I trust this relationship will continue to be strong, and that your support will continue to be forthcoming.