

IAEA Board of Governors

Record of the 1188<sup>th</sup> Meeting  
GOV/OR.1188

Report of the Programme and Budget Committee

# Board of Governors

**GOV/OR.1188**

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## Record of the 1188<sup>th</sup> Meeting

*Held at Headquarters, Vienna, on Thursday, 14 June 2007, at 10.20 a.m.*

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<sup>1</sup> GOV/2007/33.



## Attendance

(The list below gives the name of the senior member of each delegation who attended the meeting, as well as that of any other member whose statement is summarized in this record.)

Mr. PETRIČ		Chairman (Slovenia)
Mr. CURIA	_____	Argentina
Mr. SHANNON		Australia
Mr. STELZER		Austria
Mr. MACKAY		Belarus
Mr. BAZOBERRY		Bolivia
Mr. VALLIM GUERREIRO		Brazil
Ms. GERVAIS-VIDRICAIRE		Canada
Mr. SKOKNIC		Chile
Mr. TANG Guoqiang	}	China
Mr. LI Sen		
Mr. ARÉVALO YÉPES		Colombia
Mr. PRAH		Croatia
Ms. GOICOCHEA ESTENOZ		Cuba
Mr. RAMZY	}	Egypt
Mr. KHALIL		
Mr. KEBEDE		Ethiopia
Ms. KAUPPI		Finland
Mr. DENIAU		France
Mr. GOTTWALD		Germany
Ms. BALANOU		Greece
Mr. SHARMA		India
Mr. WIBOWO		Indonesia
Mr. AMANO		Japan
Mr. PARK II		Korea, Republic of
Mr. ALOBIDI		Libyan Arab Jamahiriya
Mr. ZNIBER		Morocco
Mr. OSAISAI		Nigeria
Mr. JOHANSEN		Norway
Mr. SHAHBAZ		Pakistan
Mr. BERDENNIKOV		Russian Federation
Mr. BERTONCELJ		Slovenia
Mr. MINTY		South Africa
Mr. LUNDBORG		Sweden
Mr. OTHMAN		Syrian Arab Republic
Mr. ARTHAKAIVALVATEE		Thailand
Mr. MACGREGOR	}	United Kingdom of Great Britain and Northern Ireland
Mr. DRAPER		
Mr. SCHULTE		United States of America
Mr. ELBARADEI	_____	Director General
Mr. ANING		Secretary of the Board

**Representatives of the following Member States also attended the meeting:**

Afghanistan, Albania, Algeria, Angola, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Burkina Faso, Costa Rica, Czech Republic, Denmark, Estonia, Guatemala, Holy See, Islamic Republic of Iran, Iraq, Ireland, Israel, Italy, Jordan, Kuwait, Lebanon, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Namibia, New Zealand, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Saudi Arabia, Serbia, Slovakia, Spain, Sri Lanka, Sudan, Switzerland, The Former Yugoslav Republic of Macedonia, Tunisia, Turkey, Ukraine, Uruguay, Bolivarian Republic of Venezuela, Yemen.

**Abbreviations used in this record:**

Assistance Convention	Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency
Early Notification Convention	Convention on Early Notification of a Nuclear Accident
EFTA	European Free Trade Association
EU	European Union
G8	Group of Eight
GNEP	Global Nuclear Energy Partnership
GRULAC	Latin American and Caribbean Group
HEU	high-enriched uranium
IPSAS	International Public Sector Accounting Standards
LEU	low-enriched uranium
NAM	Non-Aligned Movement
NPCs	national participation costs
NPT	Treaty on the Non-Proliferation of Nuclear Weapons
R&D	research and development
TCF	Technical Cooperation Fund
Tlatelolco Treaty	Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean

\* Speakers under Rule 50 of the Provisional Rules of Procedure are indicated by an asterisk.

## 6. Nuclear verification

### (e) **Implementation of the NPT safeguards agreement and relevant provisions of Security Council resolutions 1737 (2006) and 1747 (2007) in the Islamic Republic of Iran** (continued) (GOV/2007/22)

1. Mr. WIBOWO (Indonesia) thanked the Director General for his dedication and tireless efforts over the preceding four years aimed at finding a peaceful solution to the Iranian nuclear issue.
2. His country was encouraged to note that there had been no diversion of declared nuclear material and no indication of ongoing reprocessing activities at the inspected facilities. However, it regretted the fact that the Director General remained unable to provide assurances regarding the exclusively peaceful nature of Iran's nuclear programme owing to lack of progress on the Agency's verification missions caused by a series of obstacles.
3. There was no doubt that cooperation from Iran was essential for a successful resolution of issues. Therefore, Indonesia called on that country to cooperate fully and constructively with the Director General, and on all parties concerned to commit themselves to resolving the Iranian nuclear issue only through diplomacy and peaceful means, regardless of how long that took and how difficult it might be.
4. Ms. MACMILLAN (New Zealand)\* expressed concern regarding the situation described in the Director General's report. Her country was disappointed that Iran had once again chosen not to comply with the provisions of United Nations Security Council and Agency resolutions, and in particular Security Council resolutions 1737 (2006) and 1747 (2007), had failed to suspend enrichment and had continued to develop its enrichment capacity. Those were lost opportunities to address constructively the concerns of the international community.
5. New Zealand fully supported Security Council resolutions 1737 and 1747. Like all Member States, it was bound by Security Council resolutions and took the issue very seriously. Member States could not pick and choose which obligations they were bound by and she called upon Iran to comply fully with its obligations.
6. Her country supported the Agency and its efforts to verify the nature of Iran's nuclear programme. There were a number of outstanding issues on which Iran had not responded to the Agency's requests for information. Furthermore, Iran had not agreed to any of the transparency measures required by the Board which were essential for the clarification of certain aspects of the scope and nature of its nuclear programme. New Zealand was gravely concerned to learn that the Agency's understanding and knowledge of certain aspects of Iran's nuclear programme, rather than improving, had deteriorated.
7. It was also of considerable concern to her country that Iran had chosen unilaterally to suspend implementation of the modified Code 3.1, which had been approved by the Board and accepted in 2003, and had reverted to the earlier 1976 version of the Code. It noted the Agency's view that agreed Subsidiary Arrangements could not be modified unilaterally. In that context, the further decision to restrict access to the IR-40 reactor at Arak, upon which design information had already been provided to the Agency, was troubling, and her country agreed with the Director General that the Agency had a continuing right to verify design information provided to it regardless of the stage of

construction of, or the presence of nuclear material at a facility. She urged Iran to reconsider those two decisions.

8. In conclusion, she called upon Iran to cooperate fully with the Agency. By complying with its obligations under the relevant Security Council and Agency resolutions, and allowing the Agency unrestricted access in its efforts to ascertain the nature of its nuclear programme, Iran would enable the international community to gain confidence in its intentions. It remained New Zealand's strong preference that a peaceful, negotiated solution to the matter be found. Iran should do its part to promote that outcome.

9. Ms. GARCÍA DE PÉREZ (Bolivarian Republic of Venezuela) said that her country firmly supported all efforts conducive to achieving an effective safeguards and verification system that would secure the peaceful use of nuclear energy for future generations.

10. In his introductory statement, the Director General had said that, as confirmed in previous reports, there had been no diversion of nuclear material in Iran and that, in his view, dialogue and diplomacy were the only way to achieve a negotiated solution to a conflict. In her country's opinion, moving beyond the framework of the Agency had created tensions and raised obstacles to the solution of the problem.

11. The Director's General's report also indicated where the Agency had not been able to make any progress. That was not surprising. Iran itself had periodically informed the international community of the actions it was taking in full exercise of its right to the peaceful use of nuclear energy. Its peaceful nuclear activities were consistent with the provisions of the NPT, which instrument guaranteed the sovereign right of States Party to develop their nuclear industry for peaceful purposes without discrimination.

12. In the case under discussion, severe measures were being applied in a less than balanced manner by comparison with other cases, which led to disillusionment in the just and equitable application of a legal regime that had to be applied to all in the same manner, especially to nuclear powers.

13. For example, Iran, was repeatedly being urged to accede to the additional protocol, but those urging it to do so seemed oblivious of the fact that it had demonstrated its collaboration and had declared its willingness to seek solutions to outstanding issues, requesting only that no unfair conditions be imposed that would run counter to its constitution and its political, economic and social priorities. The efforts made by Iran to seek greater cooperation should be given due consideration, so that the Agency could carry out the work expected of it without being subjected to pressures from any country.

14. There was still time to proceed justly and impartially and there was still room for hope. Venezuela had confidence in the effectiveness of the legal instruments that had been devised, and in the bodies that had been created for their application and implementation. It wished to see the Iranian nuclear issue discussed within the framework of the Agency, which was the competent body in that field. It noted the negotiations that were under way between Iran and the European Union. Those negotiations should be conducted on the basis of equality, with no preconditions that might hinder agreement among the parties. Finally, consistent with its staunch defence of the principles enshrined in the NPT, Venezuela upheld the sovereign right of all peoples to develop their nuclear industries for peaceful purposes.

15. Mr. SOLTANIEH (Islamic Republic of Iran)\* said that, once again, the Director General had confirmed in his report that the Agency had been able to verify the non-diversion of declared nuclear material in Iran. Furthermore, in his introductory remarks at the current series of meetings he had confirmed that Iran continued to provide the Agency with access to its nuclear material and facilities,

including the enrichment facility at Natanz, in accordance with its safeguards agreement, and that the Agency had been able to verify that no declared nuclear material in Iran had been diverted.

16. The Agency had reconfirmed that fact on several occasions over the preceding four years and had thus fulfilled its statutory mandate. There was therefore no justification for the issue to remain on the Board's agenda. Furthermore, in the Safeguards Implementation Report every year, Iran had been among those Member States concerning which the Secretariat had been able to conclude that declared nuclear material remained in peaceful activities.

17. Recently, a number of countries had taken issue with the Director General with respect to his statement concerning the latest status of uranium enrichment technological capabilities and the need for a peaceful resolution of the Iranian nuclear issue through dialogue and negotiation. Such undue interference in a purely technical matter based on political motivations would certainly endanger the credibility and statutory functions of the Secretariat, and was in clear violation of Article VII.F of the Agency's Statute.

18. Referring to so-called past undeclared activities was misleading, since Iran did not have any legal obligation to declare the construction of facilities before introducing nuclear material into them. All past nuclear activities which were declarable in accordance with the Statute and Iran's comprehensive safeguards agreement had been declared. None of them were considered in the Statute or the NPT as prohibited activities.

19. The Agency had repeatedly stated that assessing the absence of undeclared nuclear material and activities in Member States was a time-consuming process. As the Safeguards Implementation Report for 2006 (GOV/2007/21) indicated, more than 120 countries, including more than 10 industrial Member States which were advanced in nuclear technology, had not received a certificate of absence of undeclared nuclear material and activities, so highlighting Iran's case in that respect was not justified at all.

20. Scientific and technological achievements, including nuclear technology, were the common heritage of humanity and should be used for peace, health and prosperity throughout the world. While Iran opposed weapons of mass destruction on legal as well as religious principles, it would pursue all kinds of peaceful technologies for the sake of the prosperity of its people, in accordance with its inalienable rights which were recognized by international law, including the IAEA Statute and the NPT.

21. In spite of the very severe restrictions which had been imposed on his country for at least three decades, which had left it with no option but to be self-sufficient in its perfectly legal and exclusively peaceful nuclear activities, it had now mastered uranium enrichment technology for fuel production. That was a reality which the international community had to accept. All enrichment activities had been and still were under Agency full-scope safeguards with inspectors almost continuously present.

22. Iran was committed to its NPT safeguards agreement, to the application of safeguards on all enrichment activities whether on a pilot scale or on an industrial scale, and to all nuclear material — in particular produced UF<sub>6</sub> and enriched material — being kept under seals and 24-hour camera surveillance.

23. In spite of the adoption of unjustified and legally baseless resolutions by the United Nations Security Council, which had forced the Government of Iran to react in fulfilment of Iranian law, the country had continued to honour its NPT obligations and act in accordance with its safeguards agreement. As a major step, and to demonstrate its continued cooperation with the Agency, it had even agreed to unannounced inspections in the enrichment facility, a move which, as reported by the Director General, had been implemented. As the Director General had reconfirmed in his latest report,



there were no reprocessing activities in Iran, so the request by the United Nations Security Council in its legally flawed resolutions for the suspension of such activities made no sense.

24. Furthermore, the Iranian nuclear issue should be dealt with only within the framework of the Agency, as the sole pertinent technical international organization. The involvement of the United Nations Security Council in a purely technical matter had not led to a resolution of the issue but had further complicated the situation. As it had always declared, Iran was fully prepared to dispel ambiguities, if there were any, regarding its nuclear activities. His country was of the belief that the right course of action in resolving nuclear issues was through dialogue and negotiation without preconditions. If there was a real and sincere political will, negotiations between Iran and the parties concerned could lead to a tangible result and ultimately a peaceful resolution of the issue.

25. Turning to a number of questions raised during the discussions, he said that a critical review of the developments over the preceding four years was essential for an in-depth understanding of the root cause of the crisis and of the existing stalemate. It was ironic that, on one hand, the three European Union countries — France, Germany and the United Kingdom — were pushing for more sanctions against Iran and, on the other hand, they were expecting that country to extend its cooperation. The three EU countries had been creating a serious confidence deficit for almost four years. They were assumed to be playing an intermediary role aimed at resolving the issue by preventing the adoption of resolutions and an escalation of the situation. Surprisingly, however, they had been in the vanguard of those intent on confronting Iran by proposing tough resolutions in the Board. The more Iran cooperated, the tougher the resolutions became. The obsolete policy of carrot and stick was being pursued throughout.

26. It should be recalled that the main issue triggering the crisis had been HEU and LEU contamination in Natanz. Iran had decided to cooperate fully and beyond its legal obligations, even voluntarily suspending enrichment activities to give the Agency's Secretariat, and particularly its inspectors, the opportunity and time to carry out their technical job and find the reasons for the contamination. After highly intensive inspections, the Director General had reported to the Board in June 2004 that the source of the contamination was outside Iran and that it was not the result of enrichment activities in the country, confirming Iran's own claims in that regard. It was to be expected that the issue would then immediately be removed from the Board's agenda. However, that had not happened owing to political motivations, the aim being to find a pretext to work on initiatives to increase further the intrusiveness of Agency safeguards and turn them into legally binding instruments that went beyond the limits of the Statute, jeopardizing the national security and sovereignty of developing Member States.

27. Before every Board meeting, the United States of America had levelled allegations regarding nuclear activities at military sites in Iran, but all such allegations had been proved baseless following thorough inspections and sampling. Member States had been faced with an avalanche of biased information from Western media, and the main issue of contamination had been overshadowed.

28. During negotiations in Tehran, France, Germany and the United Kingdom had begun by asking Iran to refrain from feeding UF<sub>6</sub> into centrifuge machines. Then, step by step at meetings of the Board, they had called in resolutions for Iran to suspend the assembly and then the manufacture of components, then uranium conversion, and finally R&D. That was the historic turning point at which Iran had come to the conclusion that the aim of the United States of America and the three EU countries was the cessation of all peaceful nuclear activities in the country and not temporary suspension to resolve a few issues.

29. It was regrettable that, over the preceding four years, Western countries, and especially the United States of America, France, Germany, the United Kingdom, Australia, Canada and Japan, had

never been fair, honest and balanced in the way they had reflected the reports of the Director General. They always highlighted the point that the Agency had not completed its investigations. They had never admitted the most important point, namely that there was no evidence of diversion of nuclear material to prohibited purposes and that all nuclear material had been accounted for. Three years previously, they had declared that, if Iran implemented the additional protocol, it would give credible assurance that its activities were peaceful, but when that instrument had been implemented on a voluntary basis, and prior to ratification, they had then claimed that Iran had to go further, even beyond the additional protocol.

30. He had to inform the Board frankly that any action by the United Nations Security Council would meet with a prompt reaction on the part of his country under legislation passed by its parliament. The Government of Iran had shown the utmost flexibility in limiting reactions and undertaking measures within its comprehensive safeguards agreement, but it had to be recognized that those options had been exhausted. Thus, those who claimed that they had the political will to prevent further deterioration of the situation and confrontation, and who advocated a peaceful resolution of the issue, should immediately halt the involvement of the United Nations Security Council in a delicate technical issue that fell within the competence of the Agency.

31. Western countries, and especially the European Union, should remedy the past confidence deficit. Iran was fully prepared to cooperate with all, including the Secretariat, in removing ambiguities, if there were any, and in providing assurances of the non-diversion of its nuclear activities to prohibited purposes; but his country would definitely not stop its legitimate peaceful activities, including uranium enrichment.

32. The CHAIRMAN, summing up the discussion, said that the Board had taken note with appreciation of the Director General's report on the implementation of the NPT safeguards agreement and related provisions of Security Council resolutions 1737 (2006) and 1747 (2007) in the Islamic Republic of Iran contained in document GOV/2007/22. The Board had commended the Director General and the Secretariat for their professional and impartial work on that issue.

33. Several members had expressed regret that no progress had been made towards clarifying outstanding questions relating to the scope and nature of Iran's nuclear programme and had expressed concern that, contrary to the resolutions of the Board and the United Nations Security Council, Iran had not provided the Agency with access to relevant locations, information and individuals, and the transparency measures needed to clarify those issues, and had further restricted its cooperation with the Agency. They had supported the Director General's assessment that the Agency would remain unable to make further progress in its efforts to verify the absence of undeclared nuclear material and activities in Iran unless that country addressed the long outstanding verification issues, implemented the additional protocol and provided the required transparency. They had also expressed concern that the Agency's level of knowledge of certain aspects of Iran's nuclear activities had deteriorated owing to the fact that, for over a year, the Agency had not been receiving information that Iran used to provide, including under the additional protocol.

34. Several members had expressed their concern about Iran's decision not to approve the designation of 10 inspectors and to object to the continued designation of an additional 38 inspectors, and had called on Iran to reconsider its decision.

35. Several members had deplored the fact that Iran had not complied with the obligations established by the United Nations Security Council in resolutions 1696 (2006), 1737 (2006) and 1747 (2007) related to the suspension of all enrichment-related and reprocessing activities and work on all heavy water-related projects, and that Iran instead had continued its enrichment activities on an even larger scale.

36. Several members had underlined that Iran had to provide the Agency with full transparency and implement fully the measures called for by the Board and the United Nations Security Council in order to establish the necessary confidence in the exclusively peaceful nature of its nuclear programme. In that regard, they had deplored Iran's announcement regarding the suspension of the modified Code 3.1 of the Subsidiary Arrangements, and had underlined that Subsidiary Arrangements could not be suspended or amended unilaterally. They had called on Iran to reconsider its decision.

37. Members had reaffirmed the basic and inalienable right of all Member States to develop nuclear energy for peaceful purposes in conformity with their respective legal obligations. Some had emphasized the distinction between voluntary confidence-building measures and legally binding safeguards obligations.

38. Several members had noted the assessment of the Secretariat that all declared nuclear material in Iran had been accounted for, while recognizing that the Agency's work on verifying the completeness of Iran's declarations was ongoing. Several members had encouraged Iran urgently to continue cooperating actively and fully with the Agency within its mandate to help resolve outstanding issues.

39. Several members had also noted that Iran had agreed to a modified safeguards approach for the fuel enrichment plant in Natanz, which included a combination of, inter alia, unannounced inspections and containment and surveillance measures, and that the first unannounced inspection had already been conducted.

40. They had also reiterated their support for the establishment of a nuclear-weapon-free zone in the Middle East region. They had stated that any attack or threat of attack against peaceful nuclear facilities would pose a great danger and constitute a grave violation of international law.

41. Several members had emphasized that the Agency was the sole competent authority for nuclear verification in connection with the NPT and that the Agency should continue its work to resolve the Iranian nuclear issue. Several members had expressed their rejection of any undue pressure on or interference in the Agency's activities, especially its verification activities, which could jeopardize its efficiency and credibility. The continued need for negotiation and dialogue among all parties covering all relevant issues had been emphasized as the way to reach a long-term solution of the Iranian nuclear issue. The package proposal of the six countries, with the support of the EU High Representative, and the response thereto had been noted in that regard.

42. The Board had requested the Director General to continue to keep it informed of developments as appropriate.

43. He asked if his summing-up was acceptable.

44. The Chairman's summing-up was accepted.

45. The CHAIRMAN said that there had been requests to make public the report of the Director General contained in document GOV/2007/22. He asked if that was agreeable to the Board.

46. It was so decided.

## **7. Designation of members to serve on the Board in 2007–2008** (GOV/2007/23)

47. The CHAIRMAN said that, in accordance with Article VI of the Statute, he had prepared a list of members for designation to serve on the Board in 2007–2008. The members on the list were: Argentina, Australia, Canada, China, France, Germany, India, Italy, Japan, the Russian Federation, South Africa, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

48. He took it that the Board wished to designate the members on the list he had read out to serve on the Board in 2007–2008.

49. It was so decided.

50. The CHAIRMAN took it that the Board wished to communicate its decision to the General Conference as indicated in document GOV/2007/23.

51. It was so agreed.

## **8. Provisional agenda for the fifty-first (2007) regular session of the General Conference** (GOV/2007/24)

52. The CHAIRMAN said that, under Rule 11 of the Rules of Procedure of the General Conference, the provisional agenda for the regular session of the General Conference was drawn up by the Director General in consultation with the Board. The provisional agenda for the forthcoming session of the General Conference was contained in document GOV/2007/24. Its adoption was ultimately a matter for the General Conference itself, which usually acted on the recommendation of the General Committee of the Conference. Some items, as well as annotations, might need to be updated before the agenda was finally issued. The provisional agenda should be circulated no later than 90 days in advance of the session, i.e. by 18 June 2007.

53. He took it that the Board wished to take note of the draft provisional agenda for the fifty-first (2007) regular session of the General Conference contained in document GOV/2007/24.

54. It was so decided.

## **9. Representation of other organizations at the fifty-first (2007) regular session of the General Conference** (GOV/2007/17)

55. The CHAIRMAN took it that the Board wished to invite the intergovernmental organizations listed in paragraphs 2 and 3 and the non-governmental organizations listed in paragraph 6 of document GOV/2007/17 to be represented at the fifty-first (2007) regular session of the General Conference.

56. It was so decided.

## **5. Report of the Programme and Budget Committee** (GOV/2007/20)

57. The CHAIRMAN recalled that the Programme and Budget Committee had been unable to make a recommendation on the Agency's programme and budget for 2008–2009. An open-ended working group had accordingly been established, chaired by one of the Board's Vice-Chairmen, Mr. Skoknic of Chile. Several meetings had been held and additional information posted on the Board's website for the attention of Member States.

58. Mr. SKOKNIC (Chile), reporting on the deliberations of the open-ended working group, said that it had held two informal consultative meetings and three plenary meetings. Its discussions had resulted in the publication of documents 2007/Note 26, 2007/Note 29 and 2007/Note 31, the latter summarizing the outcome of the group's deliberations. In view of suggestions made by Member States, and bearing in mind the need to maintain a balance among the three statutory pillars of the Agency's activities, especially with regard to technical cooperation and verification, a number of proposals had been put forward including reductions, moving investments to extrabudgetary resources or simply spreading some expenditures over longer periods. The table on page 1 of document 2007/Note 31 detailed those proposals which yielded a reduction of €10.5 million in the budget originally proposed in document GOV/2007/1.

59. The table on page 2 of the document for the 2008 budget showed an increase of 4.8% over 2007, after making the aforementioned adjustments. Of that, 2.8% were for the price adjustment for inflation, leaving a real increase of 2% which, in monetary terms, amounted to about €6 million.

60. From the point of view of assessed contributions, the situation represented an improvement for Member States since, applying the 2005 cash surplus which amounted to €6.7 million, it would result in a reduction of each Member State's assessment.

61. However, the group had not reached consensus on whether or not to recommend the adjustments in question to the Board. He thanked all Member States for their assistance in the work, and the Secretariat for its professionalism, dedication and patience in answering questions and preparing background documents.

62. The CHAIRMAN thanked the Chairman of the open-ended working group for his persistent efforts to resolve the issue.

63. Mr. ELDIN ELAMIN (Sudan)\*, speaking on behalf of the Group of 77 and China, expressed regret that no consensus had been reached on the programme and budget for 2008–2009. The Group hoped that the deliberations of the open-ended working group would facilitate the early adoption of the programme and budget. It appreciated the efforts of the Secretariat in presenting various scenarios to address the concerns expressed and requests made by Member States.

64. The Group's two main concerns remained, on the one hand, to preserve the Agency's competence in all its statutory activities and, on the other hand, to ensure a balance between verification and promotional activities, particularly the technical cooperation programme.

65. The Group recalled the proposals it had conveyed to the Secretariat and the Chairman of the Board through its letter of 25 May 2007, and in particular the following: based on the package proposal adopted in 2003, any increase in the Regular Budget should be matched to a corresponding increase in TCF resources; the vulnerability of the TCF should be addressed as called for by General Conference resolution GC(50)/RES/12, which requested the Secretariat to explore all means to ensure that resources for the technical cooperation programme were sufficient, assured and predictable, and to report to the Board on its findings; deshielding should be deferred for the time being.

66. Consideration of those measures was crucial to agreement on the programme and budget for 2008–2009.

67. Ms. ASHIPALA-MUSAVYI (Namibia)\*, speaking on behalf of the African Group, expressed regret at the lack of consensus on the draft programme and budget for 2008–2009. She thanked the Chairman of the open-ended working group for his personal efforts. The African Group still hoped that consensus could be reached within the group. It fully agreed with the Group of 77 and China on the need to preserve the Agency's competence in all its statutory activities, and to ensure a balance between verification and promotional activities, in particular the technical cooperation programme. The African Group was strongly of the view that all three pillars of the Agency's activities were integral parts of the organization's mission and that one could not be funded to the detriment of another. She called on the Secretariat to give due consideration to the views expressed by the Group of 77 and China in its letter of 25 May 2007 in the ongoing consultations.

68. Mr. HIGUERAS RAMOS (Peru)\*, speaking on behalf of GRULAC, expressed deep concern at the failure to reach agreement on the draft programme and budget, even after lengthy consultations. The Group was confident that the consultations would continue and would yield the desired positive results. He thanked the Chairman of the open-ended working group for his excellent conduct of the group's deliberations, and the Secretariat for the options it had put forward.

69. Mr. OTHMAN (Syrian Arab Republic) thanked the Secretariat and the Chairman of the open-ended working group for their efforts to achieve consensus on the Agency's budget for 2008–2009.

70. His country supported the Agency's activities because it believed it played an essential role in building and maintaining the potential of developing countries to apply nuclear energy peacefully for their economic and social development. A balance had to be maintained among the three pillars of the Agency's activities when planning, funding and implementing the Agency's programme. The Agency should be provided with the resources it needed to carry out its tasks in an efficient, effective, competent and independent manner. It should constantly strive to expand its activities and improve its performance in carrying them out.

71. The proposals put forward by the Group of 77 and China in its letter of 25 May 2007 to the Agency were of great importance, in particular with regard to the need to address the vulnerability of the TCF owing to the voluntary nature of its funding. In resolution GC(50)/RES/12, the General

Conference had urged the Agency to consider ways and means of ensuring that the Fund's resources were sufficient, assured and predictable.

72. During the May 2007 meetings of the Programme and Budget Committee, his delegation had expressed support for the budget proposal contained in document GOV/2007/1, in particular, the proposed Regular Budget for recurrent activities, and had suggested that the essential investments should be prioritized based on their impact on the implementation of the Agency's programmes, and that they should be spread over more than two years.

73. The Secretariat had made tireless efforts to reduce the level of resources needed to fund essential investments through a number of measures, such as cancelling the purchase of some equipment, postponing or spreading investment over a number of years, and through savings in programmes. The €1.9 million proposed reduction in the Regular Budget by increasing the lapse factor for Professional staff was a source of concern, as it might adversely affect the quality of implementation and performance of some of the Agency's programmes. On the other hand, safeguards implementation activities received the lion's share of the budget, even though it was the developed countries that possessed the majority of nuclear facilities.

74. Given the international trend towards greater reliance on nuclear technology as a source of energy, the Agency's activities in the verification and safeguards field were on the increase, hence the urgent need to develop a mechanism whereby the countries possessing the nuclear facilities where safeguards were implemented would contribute to the costs of safeguards implementation in a similar manner to NPCs for technical cooperation projects.

75. Mr. JOHANSEN (Norway) thanked the Secretariat for being flexible and providing clear and well structured documentation for the discussions, and Chairman of the open-ended working group for his professional conduct of its proceedings.

76. Member States gave the Agency new assignments but were reluctant to provide adequate resources. That paradox had to be faced up to sooner rather than later. It was the responsibility of Member States to provide sufficient political and financial support to allow the Agency to fulfil all parts of its threefold statutory mandate. At the same time, ways to streamline the Agency should be continuously explored as part of best administrative and management practice.

77. Norway recognized the need for essential one-time investments and agreed with the Agency's original outline of its needs in that regard given in document GOV/2007/1. Savings could be made in the Regular Budget, most notably in Major Programmes 4 and 5, and the need to budget for activities which were far from certain to be carried out was questionable.

78. His country had difficulties with possible cuts in the Incident and Emergency Centre under Major Programme 3. It was essential to secure sufficient and predictable funding for safety, and emergency preparedness was a vital part of the Agency's safety activities. The Agency had reduced the essential investments for the Incident and Emergency Centre from €500 000 to €270 000, but Norway would like to see the original amount restored.

79. Norway had no problem with waiving financial rule 7.03 to permit retention of the 2005 cash surplus to cover parts of the expenditure required for essential investments. Combined with the proposal to use the lapse factor, that might facilitate a compromise solution. The danger was that the lapse factor would create unnecessary budget discussions in the Secretariat, if the Board and the General Conference did not make it clear that it should be applied equally across all programmes.

80. In conclusion, he expressed the hope that the Board would be able to forward a consolidated and sound recommendation to the General Conference regarding the Agency's budget for 2008–2009, and

encouraged all parties to show the necessary flexibility to facilitate a reasonable solution which did not compromise the Agency's continued delivery of quality services in all three pillars of its activities.

81. Ms. GOICOCHEA ESTENOZ (Cuba) thanked the Chairman of the open-ended working group for his efforts and the Secretariat for the extensive support it had provided in putting forward scenarios that might attract a consensus.

82. The Board's discussion of the budget was of the utmost importance, since it revolved around the granting of the resources needed by the Agency to fulfil its statutory functions. It seemed illogical that Member States should give unlimited political support to the Agency yet be reluctant to provide the financial resources required for its activities. Efforts could always be made to achieve greater efficiency and avoid duplication in activities, but it was not always possible to do more with less.

83. She expressed serious reservations about the proposals for radical reductions in resources, including the growth rate of 2.8% which was not really growth but an adjustment for inflation. Recosting should be carried out with a view to taking into account exchange rates as well as the inflation factor. The proposals before the Board were unacceptable. Some would result in the postponement of activities, which was also unacceptable. The situation amounted to burying one's head in the sand, seeking to avoid a reality that could not be ignored forever. The impact that the lapse factor might have on activities like technical cooperation was a source of concern, as was the impact that reductions might have on electronic equipment for conference services. The quality of services provided to delegations was important, yet the proposals seemed in some instances to imply cuts in such services.

84. Her delegation would participate intensively in the negotiations that seemed necessary on the proposals contained in document 2007/Note 31 and deeply regretted the fact that it had been impossible so far to achieve consensus. The budget, to be approved, should clearly delineate the resources approved for essential investments in such a way that the amounts in question were not incorporated in the base budget, because that would introduce a distortion when future budgets were discussed.

85. She called on all those committed to the Agency to show real political will and to give the Agency the resources it needed to carry out the activities mandated.

86. Mr. ARÉVALO YÉPES (Colombia) said that his delegation had participated in the group's deliberations in a positive spirit. It recognized how important it was for the Agency to have the resources it needed to fulfil its mandate in all three pillars of its activities. Colombia had met its financial commitments to the organization both with respect to the Regular Budget and for technical cooperation.

87. However, it was necessary to take into account the capacity of developing countries to pay. At the meetings of the Programme and Budget Committee, his delegation had expressed concern at the proposed increase in the budget for essential investments, in particular for safeguards, and it had drawn attention to the need for a proper balance between the Agency's statutory activities.

88. Future trends in nuclear power would have an impact on the Agency's verification work and that in turn would have an impact on the budget. All Member States should look at ways and means of financing safeguards in the long term, while ensuring that the Agency continued to be the sole verification authority.

89. He urged all Member States to show greater flexibility so that the Agency could continue its valuable work in the future.



90. Mr. BAZOBERRY (Bolivia) said that the additional proposals submitted by the Secretariat for the 2008–2009 budget involved major reductions in costs associated with newly hired staff and essential investments. In that connection, he stressed the need to maintain high quality standards in the laboratories where important work was being carried out in support of the Millennium Development Goals. His country hoped that the overall reductions amounting to €10.5 million would not have major repercussions on the Agency's programmes. Consensus agreement was needed on ways of maintaining an appropriate balance between promotional and other statutory activities of the Agency, in line with the 2003 budget package proposal agreement. The Agency played a vital role in not only the non-proliferation of nuclear weapons but also the non-proliferation of poverty.

91. Mr. AMANO (Japan) said that, although consensus on the budget had not been reached, the Board was heading in the right direction. Discussions on the budget should continue and it was to be hoped that an agreement could be reached as soon as possible. Japan was prepared to continue working with the Chairman of the Board, the Chairman of the working group, the Secretariat and all other Member States in order to find a solution acceptable to all.

92. Mr. LI Sen (China) commended the Secretariat's effort to maintain zero growth in the Regular Budget. It also noted the Secretariat's recommendation on essential investment requirements. Given its increasing workload and tasks, it was necessary to step up the Agency's capacity building. The working group was moving in the right direction. China encouraged the Secretariat to continue its consultations with Member States in order to seek wider understanding and support and propose solutions acceptable to all parties. It was to be hoped that the Agency's programme and budget would fully reflect the demands of the Member States and, in particular, the need to maintain a proper balance between the Agency's promotional and other statutory activities.

93. Mr. MINTY (South Africa) reiterated the view expressed by his delegation at the March 2007 meetings of the Board that it was necessary to consider and respond appropriately to challenges impeding the Agency's ability to meet its responsibilities.

94. South Africa was seriously concerned about the manner in which discussions on the 2008–2009 budget had unfolded. If Member States forced the Secretariat to reduce the budget further, the Agency's ability to fulfil its safeguards and verification mandate and to implement its core activities to promote the peaceful use of nuclear science and technology might well be severely restricted.

95. South Africa had many demands on its resources. However, when it looked at international organizations and assessed strategic, developmental, security and safety considerations, the Agency was without doubt at the top of its list, since it played a critical role in promoting world peace and security, and development. If budget cuts continued, they would eventually undermine the Agency's effectiveness and reputation. Some Member States were even suggesting that agreed financial commitments, legally pledged to be paid by a specified date, should now be stretched out over longer periods, even though they would have to be met at some time in the future and there was no point in delaying payment. There was a danger of creating a beggar Agency. That would place undue pressure on the organization's staff as well.

96. South Africa was not suggesting that costs did not need to be reviewed, duplication prevented or money saved where possible. Indeed, that was absolutely essential and should be an ongoing process. However, Member States should not cripple the Agency or increase its dependence on ad hoc extrabudgetary resources and support, the extent of which was probably already too high.

97. Those Member States that had suggested that the Board meet again in July had failed to explain what new information or facts would come to the Board's attention in the interim. South African regulations would not allow his delegation to authorize fruitless or wasteful expenditure, and thus it

could not endorse the proposal to hold special Board meetings like the one suggested which would create a serious precedent and jeopardize the Agency's efficiency and integrity.

98. It was very regrettable that no agreement had been reached on the proposal for the draft programme and budget for 2008–2009. The Agency had to have adequate resources at its disposal to fulfil its statutory mandate, and maintain its independence. South Africa appealed to all Board members to commit themselves to a positive consideration of the Agency's draft programme and budget for 2008–2009 and to accept the draft budget figures proposed by the Secretariat in document Note/2007/31 as soon as possible, preferably at the current meeting.

99. The increase in the number of Agency members, especially from developing nations, and the resulting demand for assistance and cooperation, as well as the anticipated expanded use of nuclear power and concomitant need for verification activities, would make it increasingly difficult to achieve zero real growth.

100. The Agency also needed to implement the investments it regarded as crucial for its effective functioning. It was regrettable that the Board had had to engage in a debate on that issue. The Board should not take the short-sighted decision of delaying those investments, as ultimately they would enhance the Agency's ability to implement its statutory mandate.

101. South Africa had greatly benefited from the Agency's technical cooperation programme and assigned high priority to sustainable development as a contribution to achieving the Millennium Development Goals. It called upon Member States to pay their voluntary contributions to the TCF in full and on time to ensure full implementation of the Agency's programmes and encouraged the Secretariat to explore ways and means of ensuring that resources for the TCF were predictable, assured and sufficient.

102. His delegation recommended for approval by the General Conference a target figure of US \$80 million for voluntary contributions for 2008 to the TCF; the Working Capital Fund should be kept at the level of €15 210 000.

103. South Africa reiterated its support for the valuable work of the Agency as the sole legitimate authority for conducting safeguards and verification. Member States needed to find a balance between the problems of financial constraints and the need to ensure that the Agency was able to fulfil its mandate.

104. Mr. KHALIL (Egypt) said he supported all efforts aimed at enhancing the Agency's role and providing it with the resources it needed to fulfil its mandate, the scope of which was expanding day by day with increasing global reliance on nuclear technology for sustainable energy and a variety of peaceful applications, and the growing demands on the Agency in the area of non-proliferation.

105. It was essential to take into consideration all the points raised in the statement made on behalf of the Group of 77 and China, and in that Group's letter of 25 May 2007, in order to maintain a balance between the three pillars of the Agency's activities and a more stable and predictable flow of funds to the TCF.

106. He noted that verification and safety and security accounted for about 48% of the Agency's budget, and that expenditure on essential investments during the coming biennium would exacerbate the existing imbalance. He requested the Secretariat to clarify how the funds requested for safeguards investments were distributed, in order to have the requisite transparency in all areas.

107. Egypt was disappointed at the failure to reach agreement on the draft programme and budget and would actively participate in any consultations aimed at achieving a consensus. He urged all

Member States, especially donor countries, to be flexible and realistic so that negotiations could be concluded as soon as possible.

108. The DIRECTOR GENERAL said that, although he usually refrained from intervening in the Board's discussion of the budget, he wished under the circumstances to share with it some ideas and concerns. Needless to say, he was deeply distressed that the Board had been unable to reach agreement on the budget. That did not augur well for the Agency, either in terms of its functioning or its credibility.

109. The budget was essentially a political statement. The question was what kind of Agency Member States wished to have. They could have a mediocre Agency or they could have an Agency capable of performing the functions assigned to it, functions that were crucial to development and security, and indeed to survival.

110. He and his colleagues had nothing personal to gain from advocating an increase in the budget. Not a single penny of the increase would go to any of the staff, whose remuneration would remain exactly the same irrespective of whether there was a zero growth budget, a 5% increase or a 10% increase. However, he and his colleagues could not tell Member States that the Agency was able to fulfil its functions if, in fact, it was not. The Agency could only do what Member States were able to finance.

111. The External Auditor had given the Agency an absolutely clean bill of health. The high-level panel of the former United Nations Secretary General had singled out the Agency as an extraordinary bargain. The United States Office of Management and Budget had singled out the Agency as providing 100% value for money. Yet the organization's ability to carry out its essential functions was being eroded.

112. For instance, the safeguards function was being eroded over time. The Agency was currently unable consistently to perform environmental sampling analysis itself owing, in part, to the unreliability of an instrument that was 28 years old. It had to rely on a small number of external laboratories, which called into question the independence of the verification system.

113. In the case of safety, the Emergency Response Centre was far from adequate to meet the demands placed on the Agency under the Early Notification and Assistance Conventions. If an accident were to happen tomorrow, the Agency would be hard pressed to carry out core functions.

114. In the nuclear security area, which world leaders agreed was a number one priority, the External Auditor had mentioned the Agency's continued reliance on extrabudgetary contributions for 90% of security funding; contributions that were heavily conditioned and highly unpredictable.

115. In the Department of Nuclear Safety, that had been created after Chernobyl, 45% of the staff were still financed from extrabudgetary funds, which meant that the Agency had little say in their selection, undermining the concept of geographical distribution embedded in the Statute.

116. Both, the External Auditor and the Internal Auditor had come to the conclusion that the Agency would be unable to continue to be efficient or effective without integrating its information systems, and introducing an Agency-wide system for programme support.

117. Member States were faced with a fundamental choice. They had to decide whether the Agency was going to be demand-driven or whether it was going to work on the basis of so-called zero real growth. If the Secretariat knew in advance that there was a ceiling on funds, regardless of priorities, then it would be able to state clearly that it was in a position to discharge only some tasks and not others. The concept of zero real growth ran counter to the whole concept of an Agency that was

increasingly being asked to do more and to carry out activities critical to development and international peace and security.

118. With regard to the question of balance, equal priority should be given to all activities. So much humanitarian work was needed in developing countries. The Agency could continue to do as much as it was currently doing, or it could do much more. However, in the verification area it had no option. If a country requested verification, the Agency was obliged to provide it under its Statute. Verification, however, was very expensive. If a facility was going to cost \$17 million in terms of safeguards equipment, that could not be found through so-called efficiency gains. The Secretariat took its verification responsibilities very seriously but it was unable to fulfil those responsibilities adequately without the necessary funds.

119. Balance did not mean dollar for dollar, i.e. the same budget for verification as for development activities. Balance meant giving equal priority to all the Agency's activities. For instance, if the Agency were required in the future to verify new arms control agreements, it might have a very large verification budget. Whether Member States wished to have another system for financing verification, or whether they wished to review the whole funding of the Agency, was something they had to decide. His concern was the increasing erosion of the Agency's ability to perform its functions.

120. It was not a matter of half a million dollars or a million dollars, but what kind of Agency Member States wished to have and what kind of programme they wanted it to deliver. He appreciated the fact that many Member States faced financial constraints at home, but they all had to determine priorities, deciding how much should be spent on health, culture or defence. Equally, each had to set priorities with respect to how much should be spent on international organizations.

121. Moreover, there were so-called major donors and small donors, but every Member State contributed according to its capacity to pay.

122. The proposed budget did not by any stretch of the imagination meet the Agency's basic and essential requirements. The decision lay with the Board, but he wanted to make the implications clear because he did not wish in the future to see a clandestine nuclear weapons programme in some place, or a safety accident in another, that the Agency had failed to pre-empt because it did not take the measures that were needed, as had been seen in the case of the weapons programme in Iraq and in the case of Chernobyl, both of which problems had cost billions of dollars to solve.

123. Mr. AYOUB (Iraq)\*, referring to the Director General's comment on the billions of dollars that had been spent on the disarmament programme in Iraq, said that the funds in question had been Iraqi funds drawn from an account established by the United Nations under the Oil for Food programme. The account still existed and was being used to meet the expenses of experts working in Iraq.

124. The DIRECTOR GENERAL said that his point was that investing properly in preventive action would have saved a great deal of money, irrespective of its source.

125. The CHAIRMAN said that, since the report of the Programme and Budget Committee comprehensively covered the main issues, he did not propose to sum up the discussion.

126. With regard to Annex 1 to the Committee's report, he took it that the Board wished to transmit the Agency's Accounts for 2006 to the General Conference, together with the draft resolution set out at the beginning of document GOV/2007/13.

127. It was so decided.

128. The CHAIRMAN said he took it that the Board took note of the information contained in document GOV/INF/2007/3, the Mid-Term Progress Report for 2006–2007, and the information contained in document GOV/INF/2007/4, the 2006 Programme Evaluation Report.

129. It was so decided.

130. The CHAIRMAN, turning to Annex 2 of the Committee's report on the Agency's draft programme and budget for 2008–2009, noted that the Board was not yet in a position to recommend to the General Conference a budget for 2008. In the circumstances, he asked the Vice-Chairman, Ambassador Skoknic of Chile, to continue his consultations with a view to arriving at a consensus on that matter as quickly as possible.

131. With regard to the Technical Cooperation Fund for 2008, he said he took it that the Board recommended to the General Conference a target for voluntary contributions for 2008 of \$80 000 000, as indicated in draft resolution B on page 58 of document GOV/2007/1.

132. It was so decided.

133. With regard to the Working Capital Fund in 2008, the CHAIRMAN said he took it that the Board recommended to the General Conference that it keep the Working Capital Fund at the level of €15 210 000, equivalent to \$18 million, as indicated in draft resolution C on page 58 of document GOV/2007/1.

134. It was so decided.

135. With regard to Annex 3 on the proposed adoption of IPSAS by the Agency, the CHAIRMAN said he took it that the Board approved, subject to the approval of the Agency's budget, the adoption of IPSAS by the Agency.

136. It was so decided.

137. With regard to Annex 4 on the appointment of the External Auditor for 2008–2009, the CHAIRMAN said he took it that the Board recommended to the General Conference the appointment of the Vice-President of the German Supreme Audit Institution to audit the Agency's accounts for the financial years 2008–2009.

138. It was so decided.

## **10. Any other business**

139. Mr. GOTTWALD (Germany) speaking on behalf of the European Union, the candidate countries Croatia, the Former Yugoslav Republic of Macedonia and Turkey, the countries of the Stabilization and Association Process and potential candidates Albania, Bosnia and Herzegovina, Montenegro and Serbia, the EFTA countries Iceland and Norway, members of the European Economic Area, and Moldova and Ukraine, said that a multilateral approach to the nuclear fuel cycle was a challenging objective with roots in the Agency's founding documents. Multilateral approaches to the nuclear fuel cycle could contribute towards addressing current concerns. For that reason, the EU welcomed the report contained in document GOV/INF/2007/11 and would follow attentively and take part actively in future discussions on that issue.

140. The EU had submitted to the Secretariat a non-paper on the nuclear fuel cycle containing, inter alia, a set of criteria against which proposals could be assessed, which had been annexed to the report. It was of great importance not only to raise awareness of the issue, but also to build consensus. The Secretariat's report provided a good basis for further discussion, and his country was looking forward to a results-oriented exchange of views.

141. Mr. HIGUERAS RAMOS (Peru)\*, speaking on behalf of GRULAC, said that the issue of a multilateral mechanism for access to nuclear fuel was of singular importance. Nevertheless, any such initiative had to respect the inalienable right of States that were in compliance with their international obligations to the peaceful uses of nuclear energy, including all stages of the fuel cycle as recognized in Article IV of the NPT. It was important to maintain a balance between the three pillars of the NPT: non-proliferation, disarmament and cooperation on the peaceful uses of nuclear energy. GRULAC countries had signed the Tlatelolco Treaty, undertaking to keep their territories forever free from nuclear weapons. That commitment had made the region the world's only densely populated nuclear-weapon-free zone.

142. Mr. DRAPER (United Kingdom) informed the Board that a major consultation exercise had commenced in the preceding month on the future of nuclear power as part of the energy mix in his country, following the publication of a White Paper on energy setting out the commitment to two long-term energy challenges: tackling climate change and securing energy supplies. The exercise would continue until October.

143. The United Kingdom welcomed the circulation of the Director General's paper on options for assurance of supply of nuclear fuel contained in document GOV/INF/2007/11 and looked forward to a substantive discussion on the subject at future Board meetings.

144. At a time of much interest in the possible world-wide expansion of nuclear power generation, his country was conscious that utility companies would want as much assurance as possible of the security of their long-term fuel supplies before they embarked on substantial capital investment in nuclear power stations. The subject of assurance of supply was therefore of widespread interest, and not just within government circles. Dialogue involving all interested parties was needed so that, when the time came for substantive discussions in the Board, Member States would have had the opportunity to receive informed comment. The Director General's paper provided a very useful summary of the ideas currently in circulation and the underlying issues. For its part, the United Kingdom had already made the material in Annex 12 available to the public. With a view to stimulating dialogue, he encouraged the Agency to make the paper publicly available.

145. Mr. SCHULTE (United States of America) said that his country agreed with the Director General that the increase in global energy demand was driving an expected expansion in the use of nuclear energy, which meant an increase in demand for fuel cycle services and in potential proliferation risks. The Director General had correctly pointed out that the convergence of those trends clearly pointed to the need for the development of a new, multilateral framework for the nuclear fuel cycle. The United States therefore welcomed the Director General's report on reliable access to nuclear fuel. In the preceding week, the G8, in considering the Director General's suggestions, had agreed that it would be guided by the criteria of added value to the non-proliferation regime, confidence in the reliability of supply assurances, compatibility with Article IV of the NPT and the need to avoid any unnecessary interference or disturbance in the functioning of existing commercial markets.

146. The United States strongly supported the establishment of a mechanism at the Agency for reliable access to nuclear fuel. Such a mechanism would not affect rights of States and would provide them with a range of reasonable options. Participation would be voluntary. The mechanism would help

countries make peaceful use of nuclear technology, while encouraging States to choose to rely on international markets rather than acquiring sensitive technologies.

147. The United States was actively contributing to the diversity of options. It was moving forward with the establishment of a reserve of LEU and was currently evaluating commercial bids for downblending the 17.4 metric tons of surplus HEU and storage of the resulting LEU. The reserve was expected to begin operation in 2009.

148. The United States looked forward to working with Member States and the Secretariat, on the basis of the Secretariat's paper, with the objective of taking the first concrete steps towards putting in place a fuel supply mechanism in the near future.

149. Those proposals dealt with the front end of the nuclear fuel cycle. The United States was also working on the back end. The GNEP proposed to establish comprehensive, reliable fuel services that provided both assured supply and disposal of spent fuel, relying on new technologies to help meet the challenge of waste management. The United States had hosted a GNEP ministerial meeting in Washington on 21 May with senior representatives from China, France, Japan and Russia, the Agency having taken part as an observer. The ministers had discussed a vision for nuclear energy cooperation that would ensure the safe and secure expansion of nuclear energy while discouraging the spread of sensitive technologies. A joint statement had been issued outlining the convergence of views on the GNEP. The ministers aimed to expand the partnership and planned to hold a follow-up meeting later in the year.

150. Mr. PARK II (Republic of Korea) commended the Secretariat for its comprehensive and informative report on options for assurance of supply of nuclear fuel, which would serve as a useful basis for future deliberations in the Board. As a major user of nuclear energy, the Republic of Korea was ready and willing to participate in, and make a positive contribution to, discussions on the issue in the Board and elsewhere.

151. Mr. KHALIL (Egypt) concurred with the view put forward by the Group of 77 and China to the effect that the legal, economic and political aspects of the initiatives contained in document GOV/INF/2007/11 needed to be addressed before they were submitted to the Board. All the initiatives had been put forward by developed countries that were producers of nuclear fuel and had fuel enrichment capabilities, and there was no reference to the views of recipient countries, although it was they that were supposed to benefit from the mechanism.

152. Any such initiative should take into account the rights of all States to acquire the knowledge and technology they needed to develop peaceful nuclear capabilities in an independent manner, so long as they complied with the NPT and the comprehensive safeguards regime. He called on States that were interested in developing such initiatives to refrain from attaching preconditions to them that were unrelated to the NPT. In that context, he expressed reservations regarding the reference in the document to making application of the additional protocol a prerequisite for benefiting from the mechanism. He noted with surprise that neither the initiatives nor the Secretariat's document had proposed criteria to ensure that States which were not party to the NPT would not benefit from the proposed mechanisms. His country feared that such initiatives would perpetuate the monopoly of uranium enrichment technology by a limited number of countries and hoped that all concerned would seek to prevent such a result.

153. It was important to analyse the political and legal implications of the initiatives, taking into account the views and interests of all States — and not just those represented on the Board — in a balanced way.

154. Commercial and economic obstacles relating to the cost of nuclear fuel should be addressed so that any action taken resulted in a balanced mechanism that met the needs of countries seeking to use nuclear energy for peaceful purposes and did not serve as another means of promoting discrimination between Member States.

155. The DIRECTOR GENERAL explained that document GOV/INF/2007/11 had not been submitted for discussion at the current series of meetings of the Board. As indicated by its symbol, it was intended solely for information. However, it dealt with a matter that the Board had been discussing for 30 years, namely ensuring that every country had an assured supply of nuclear fuel. It was part of a package whereby all activities related to enrichment and reprocessing, including existing facilities, would eventually be placed under multinational control. Such a system would be based as a matter of principle on equity and inclusiveness. It would also bolster the non-proliferation regime.

156. There was nothing in the document to the effect that application of the additional protocol would be a precondition for benefiting from the mechanism. It was for the Board to decide what kind of criteria it wished to apply. The Secretariat had been asked some time ago to compile proposals, but none had been received from recipient countries. He was convinced of the need for a system whereby all countries would have assured access to reactor and fuel cycle technology. There was no intention to consolidate the distinction between suppliers and recipients.

157. He urged Board members to read the document carefully. It dealt with a complicated issue that should be discussed at future Board meetings.

158. Ms. GOICOCHEA ESTENOZ (Cuba), speaking on behalf of the Vienna Chapter of NAM, said that document GOV/INF/2007/11 addressed an important topic that required careful and in-depth study. NAM considered that it should not be published for the time being but should continue to have restricted status.

159. Mr. AMANO (Japan) recalled that his country had put forward a concept for an IAEA standby arrangements system for the assurance of nuclear fuel supply at the fiftieth regular session of the General Conference. Under that system, interested Member States would be required to register their nuclear fuel cycle capacity with the Agency. During discussions of a supply mechanism within a committee set up by the Japanese Government, the following considerations had been highlighted: priority should be given to the market mechanism; the supply mechanism should be considered as a minimum safety net; it should not impose a burden on the private sector; and it should be established as a neutral entity and should be invoked autonomously. Furthermore, the mechanism should be established as a virtual nuclear fuel supply arrangement allowing Member States to participate according to their capacity, and should cover all important activities at the front end of the nuclear fuel cycle. Some issues required further clarification, such as the legal arrangements for establishing links between the Agency, recipient countries and suppliers, as well as liability issues. Japan trusted that those issues would be given further consideration by the Agency.

160. With respect to the statement by the United States on the GNEP, he said that, in recent years, the importance of nuclear energy had been reaffirmed owing to the need to ensure energy security and address global climate change. Japan considered that nuclear energy should be promoted only when conditions were fully met to ensure nuclear non-proliferation, nuclear safety and nuclear security. Accordingly, it attached high value to the GNEP, which sought to promote the expansion of nuclear energy while ensuring non-proliferation, and had been making a positive contribution to its realization. As many States as possible should benefit from nuclear energy, and his country stood ready to contribute to that end through new frameworks and technology development for advanced nuclear energy.



161. Mr. STELZER (Austria) said that a comprehensive multilateral approach to the nuclear fuel cycle could make a significant contribution to international peace and security. The Austrian Foreign Minister had tabled a food-for-thought paper at the meeting of the NPT Preparatory Committee in 2007 which had been submitted to the Agency and was attached as Annex 15 to document GOV/INF/2007/11. The proposal envisaged two parallel tracks, namely an increase in transparency and multilateral approaches for sensitive technologies, in particular enrichment and reprocessing.

162. While Austria's position on nuclear energy remained unchanged, it recognized the growing need for energy, especially in the developing world. It was, however, important to ensure that any increase in the use of nuclear energy did not lead to greater insecurity and mistrust in the world, and Austria looked forward to further discussion of multilateral approaches with other delegations at an appropriate time.

163. Mr. GOTTWALD (Germany), referring to the statement made by the representative of Cuba, expressed disappointment at NAM's objection to the publication of the report. It was to be hoped that the concerns of NAM could be overcome in the course of further discussions.

164. He drew attention to the report on nuclear safety and security from the recent G8 summit that specifically endorsed the Agency's Incident and Emergency Centre and its work, underlining the trust the G8 placed in the Agency's work.

165. Ms. GOICOCHEA ESTENOZ (Cuba), responding to the comment made by the representative of Germany, pointed out that she had not spoken on the substance of the matter but had indicated that the subject should be studied further in view of its importance. Document GOV/2007/INF/11 should therefore remain an information document for Member States and should not be made public at the current juncture. That position was without prejudice to any position that NAM might adopt on the substance of the issue at an appropriate time.

166. Mr. SOLTANIEH (Islamic Republic of Iran)\* said that the issue of assurance of supply was a complex one with technical, legal, commercial, economic and strategic implications. Although the topic had been discussed frequently over the preceding three years, no tangible result had ever been arrived at. Some progress had been made, but there was still no hope of a definite achievement, as many Member States remained sceptical. The intention and objectives of the proponents of the issue remained ambiguous and questionable.

167. There was serious concern over hidden and transparent measures aimed at depriving other countries of nuclear fuel production capability and its related technology. It was being said that having nuclear fuel cycle capabilities would be tantamount to having the capability for diversion from peaceful purposes and that therefore, with the exception of a few countries, including the nuclear-weapon States and those that had rejected the NPT, States should accept a denial of their inalienable rights. The developing countries should not disregard the fact that developed countries were seeking to create a monopoly on a strategic and critical commodity. That monopoly should not be accepted. Restricting or prohibiting Member States from exercising their inalienable right to develop and pursue peaceful nuclear activities, including fuel cycle activities, was not acceptable.

168. He recalled the special event on assurances of supply and non-proliferation that had been held during the preceding session of the General Conference in 2006. During the discussions at that event, many participants had emphasized the importance of clarifying that mechanisms for assurance of supply were not intended to alter the right of any State to take its own decision on nuclear fuel cycle choices. It had also been pointed out that many important issues related to assurance mechanisms required due consideration. Member States had also expressed differing points of view on the recommendations of the expert group on multilateral nuclear approaches.

169. Any multilateral approach to the nuclear fuel cycle would, in Iran's view, have a serious impact on the inalienable right of Member States to research, develop, produce and use nuclear energy for peaceful purposes, particularly with regard to the fuel cycle. Any proposals presented in the Agency should be consistent with the Agency's Statute and in accordance with Article IV of the NPT. Any decision on the matter should be taken on the basis of consensus, in view of its impact on Member States. There was no legally binding instrument on assurances of supply and, in view of the complexity of the subject, it would not be appropriate to make public documentation on that issue — including document GOV/INF/2007/11 — until all the technical, legal and security-related aspects of the recommendations made had been extensively discussed.

170. Mr. RAMZY (Egypt) said that, as his assignment in Vienna was nearing an end, he wished to share some personal reflections on his experience over the preceding four years.

171. In his diplomatic career, he had been guided by a motto from Jean-Jacques Rousseau to the effect that the strong are never strong enough always to be the master unless they turn might into right and obedience into duty. Over the years, he had become increasingly convinced that multilateral diplomacy was the best means to turn might into right and obedience into duty. It was only through mutual respect and close cooperation that it was possible to identify collectively what was right and to assume the duties and obligations that sustained a just and equitable international system.

172. Over the preceding four years, multilateralism had been questioned on the one hand and, on the other, the non-proliferation and disarmament regime had been placed under severe stress. His experience had further reinforced his conviction that non-proliferation and disarmament could only proceed hand in hand, and had made his commitment to multilateralism even stronger. The shift away from multilateralism had not resulted in better security. On the contrary, it had created a situation in which the mighty always considered themselves right — a state of affairs that was not sustainable. The argument was being put forward more and more often that international humanitarian and human rights law should be the guiding force in the evolution of the international system. While he had no difficulty in principle in agreeing with that view, international humanitarian and human rights law should be applied in a uniform manner to all States and to all fields of human endeavour. They should not be used selectively to undermine the sovereignty of States, nor should they be invoked to justify solutions that were politically expedient. He quoted from an article by Dr. Mary Kaldor of the London School of Economics published in the magazine *'The Nation'* on 10 October 2006:

“There is a need for a new approach to nuclear weapons based on international humanitarian and human rights law, and on the protection of individual human beings rather than states. Nuclear weapons are clearly terror weapons. The threat or use of nuclear weapons would be a crime against humanity. In a recent legal opinion on the replacement of the British Trident nuclear system, two eminent international lawyers argued that the use of nuclear weapons would infringe the “intransgressible” requirement in international customary law that a distinction be drawn between combatants and non-combatants. If we are moving toward a world based on multilateral arrangements among States and the strengthening of international law, especially as it affects individuals, then there is something very peculiar about hiving off the nuclear weapons debate into a different state-bound arena.”

173. Unfortunately, the trend appeared to be going in the opposite direction. The Stockholm International Peace Research Institute had recently warned that the risk of nuclear war might grow in decades to come as the nuclear club expanded and the world's top nuclear powers developed new missiles and smaller warheads with smaller yields. That worrisome state of affairs came at a time when the responsibilities of nuclear-weapon States were being played down and new obligations were being placed on non-nuclear-weapon States. If that trend went unchecked, it could not but undermine

the delicate balance of the NPT. The recent past had clearly shown that there could be no effective non-proliferation without a serious and progressive move towards real disarmament.

174. The Agency was the custodian of the NPT and the main player fostering cooperation among States in the field of the peaceful uses of nuclear technology. While he had witnessed its accomplishments in the fields of non-proliferation, safety, security and technical cooperation, he had also seen it come under severe strain from without as well as from within. On the outside, parallel quasi-multilateral structures had been set up, ostensibly to reinforce the non-proliferation functions of the Agency. However, by virtue of their limited membership they could only weaken the Agency's role in the long run. Internally, certain actions undertaken ran counter to the principle of the independence of the Agency, as manifested in the pressure put on the Regular Budget, the growing emphasis on extrabudgetary resources, the attempts to micromanage the work of the Secretariat, and attempts to avoid working through established decision-making mechanisms.

175. He could not believe that it was anyone's intention to compromise the independence of the Agency. Nor was it in anyone's interest to weaken the Agency's role. Member States had a collective interest in reinforcing the Agency's independence and integrity so that it could discharge its mandate in a balanced and effective manner, particularly when new and increasing demands were being placed on its services in all three main areas of its work. Through collective efforts, it had been possible not only to overcome the crisis in funding technical cooperation activities, but also to achieve an unprecedented rate of attainment. That experience had proven that Member States could work together for the common good, and he hoped that it would prove the rule rather than the exception for the future.

176. In conclusion, he said he felt greatly privileged to have represented his country at the Agency. He was honoured to have been associated with the Agency when it had received the Nobel Peace Prize for its contribution to international peace and security, and felt particularly proud because the Agency had received that recognition when it was headed by a fellow Egyptian.

## – Tributes

177. The CHAIRMAN bade farewell to colleagues who were due to leave Vienna shortly or had already departed: the Governors from Egypt and Greece, Mr Ramzy and Mr Sotiropoulos, and the Resident Representative of El Salvador, Mr Larios López. He wished them well in their future endeavours.

**The meeting rose at 1.35 p.m.**