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SPEECHES

Remarks by Ambassador Gregory L. Schulte

U.S. Permanent Representative to the International Atomic Energy Agency and the United Nations in Vienna

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Promoting Nuclear Rights

While Confronting Nuclear Risks

Mexico and the United States are serving together on the Board of Governors of the International Atomic Energy Agency in Vienna. This gives our countries special responsibility for overseeing a UN organization that plays an important global role in promoting the peaceful use of nuclear energy while protecting against the risks of nuclear proliferation and nuclear terrorism.

In addition to your country's membership on the IAEA Board, we are honored that your former President Ernesto Zedillo is leading a Council of Eminent Persons for IAEA's Project 20/20. The 20/20 project is considering how to prepare this important Agency for the challenges of the upcoming decades.

Today I would like to discuss two subjects on the IAEA's agenda where close cooperation between our governments can help achieve success:

- first, pursuing the benefits of nuclear energy while reducing the risk of proliferating nuclear weapons;
- second, preventing the acquisition of nuclear weapons by the regime in Iran, whose leaders are already a source of terrorism and instability in one of the world's most dangerous regions.

Pursuing the Benefits of Nuclear Energy while Reducing the Proliferation Risks

More and more countries are looking at nuclear energy as a way to power growth and development while protecting the environment and preserving or diversifying energy supplies. The IAEA projects that from 178 to 357 new reactors will be built worldwide by 2030 and the electricity generated by nuclear power will increase by 25 to 95 percent. In the United States, the Nuclear Regulatory Commission has received its first license applications for new nuclear power plants in nearly 30 years.

The United States is a strong supporter of nuclear energy. We support the pursuit of nuclear energy by

countries that are committed to observing international obligations and international standards regulating safety, security, and nonproliferation.

Fortunately the intentions of most countries are entirely peaceful.

Unfortunately there are exceptions, and the same technology to produce low-enriched uranium for fuel in nuclear power reactors can also be used to produce highly-enriched uranium for nuclear weapons.

Like Mexico, most countries that have nuclear power do not enrich uranium to produce the fuel for their reactors. Building uranium enrichment facilities is costly and time-consuming -- not a sound economic choice for most. Advanced countries with sophisticated nuclear energy programs enjoy the benefits of nuclear power without enriching uranium. They rely on the commercial market, which is diversified and reliable.

South Korea is a good example. It has 20 nuclear power reactors with six more under construction. Thirty six percent of its electricity comes from nuclear power. It obtains all of its fuel from abroad-- and has saved considerable investment by doing so.

To give countries interested in nuclear power additional confidence in the commercial market, the IAEA Director General has proposed backing up the market with international assurances of fuel supply. In June of last year, Dr. ElBaradei produced a report describing a multilateral framework for assuring the supply of nuclear fuel. This framework can accommodate a variety of concepts, from backup supply arrangements run by the IAEA to actual "banks" of low enriched uranium under IAEA or national control. Participation in these fuel supply assurances would be a voluntary decision on the part of sovereign governments.

No country would give up rights or accept new obligations. The mechanism would be carefully designed to avoid disrupting what is already a diverse and competitive market. Instead the goal is to help countries gain access to nuclear power while providing a viable and economically-sound alternative to acquiring sensitive technologies that can be misused to build nuclear weapons.

Three concepts are closest to fruition.

- First, Russia is now negotiating with the IAEA to make two reactor loads of low enriched uranium available to the Agency as a nuclear fuel bank.
- Second, the United States has joined with Norway and the Nuclear Threat Initiative, a nongovernmental organization based in the US, in contributing funds toward an IAEA fuel bank.
- Third, our Department of Energy is down-blending 17 metric tons of highly enriched uranium from our military stockpile to low enriched uranium suitable for reactor fuel. This will be placed in a national reserve available to support fuel supply assurances.

The IAEA has been considering multilateral arrangements for fuel supply assurances since its inception fifty years ago. We now see the need and the opportunity to move from fifty years of consideration to considered decisions. We hope that Mexico-- as an important member of the IAEA Board and as a country with nuclear power that relies on the commercial market --will be ready to support these decisions to advance our common interest in nonproliferation while helping countries benefit from nuclear power.

Looking beyond today's technologies and concepts, the United States launched the Global Nuclear Energy Partnership, or GNEP. GNEP is exploring future technologies and concepts that would reshape the nuclear fuel cycle to make it more resistant to proliferation while reducing waste destined for long-term storage. GNEP is also working on infrastructure requirements and new reactor designs with a special emphasis on the needs of developing countries. The 21 partner countries in GNEP come from all parts of the world and all stages of nuclear development.

Mexico is presently an observer in GNEP. We hope that Mexico will become a full partner so that your country can share experiences with others while helping to shape the future of nuclear energy.

Protecting the Nuclear Nonproliferation Treaty

Like most countries in the world, Mexico and the United States are signatories of the Treaty on the Nonproliferation of Nuclear Weapons, or NPT. This important treaty recognizes the right of all states to benefit from nuclear technology for peaceful purposes.

But the Treaty's fundamental purpose is to limit the destabilizing spread of nuclear weapons. It thus imposes important obligations. These include not diverting peaceful activities to the development of nuclear weapons and safeguarding nuclear material in peaceful use under careful watch of IAEA inspectors.

The NPT has made our world safer by limiting the spread of nuclear weapons and helping to create the conditions for the United States, Russia, and the other recognized nuclear weapon states to make drastic reductions in their nuclear stockpiles. But this Treaty of importance to so many is threatened by the noncompliance of a few. It is threatened in particular by the noncompliance of Iran and North Korea, which have violated the Treaty's safeguards obligations and abused the Treaty's purpose by pursuing military capabilities under the guise of peaceful pursuits.

The risks of nuclear proliferation may seem distant here in Mexico City. After all, hardened proliferators like Iran and North Korea are continents away. Yet both of our countries have an enormous stake in the NPT and the broader nonproliferation regime.

The spread of nuclear weapons, particularly to states whose leaders threaten their neighbors and support terrorism, increases the danger that nuclear weapons will be used once again with horrendous effect. The spread of nuclear weapons also increases the danger of their falling into the hands of suicidal terrorists who would not hesitate to kill tens of thousands of innocent people in Mexico City, New York, or another of our world's great cities.

Even if nuclear war were confined to the Middle East, or terrorists detonated a nuclear device many time zones away, the effects on humanity and our own prosperity and security would be devastating.

The Proliferation Threat Posed by Iran

Iran is a case in point. The nuclear pursuits of its leaders threaten peace and security in the region as well as the global nonproliferation regime. Iran's leaders talk loudly about NPT rights but blatantly ignore NPT obligations. Iran has violated the NPT, abused the NPT, and threatens to shred the NPT by precipitating a cascade of proliferation in one of the world's most dangerous regions.

The U.S. Intelligence Community judges, with high confidence, that Iran was working until late 2003 on the design and weaponization of a nuclear device. This was no hobby shop activity or academic pursuit. This was a concerted, covert program, conducted by military entities, under the direction of Iran's senior leaders.

Our Intelligence Community assesses that Iran's leaders quietly halted this work, when Iran's nuclear activities were coming under increasing international scrutiny and pressure. But this is work that Iran's leaders could readily restart, just as they have defiantly pursued other sensitive nuclear activities despite UN requirements to suspend them. And just as the IAEA did not detect these activities before they were halted, there is no assurance that the IAEA would detect their resumption, particularly since Iran continues to deny the full access and information the inspectors require to do their job.

Nuclear weapons can be fashioned from highly-enriched uranium or plutonium. Iran is developing the capability to produce each. Iran started this work covertly and in violation of IAEA safeguards obligations. Iran now continues this work in violation of multiple Security Council resolutions.

Iran has progressed furthest in developing its capability for uranium enrichment. Today Iran has 3,000 centrifuges for uranium enrichment in underground bunkers at Natanz, and President Ahmadinejad just announced plans to install 6,000 more. These centrifuges are based on designs from the A.Q. Kahn network, an international black market that sold nuclear weapons technology to countries like North Korea and Libya when it had a nuclear weapons program. Iran is still learning how to operate these centrifuges and is working

on more advanced models. Once Iran masters this technology, centrifuges could be readily replicated at a covert facility to produce highly enriched uranium for nuclear weapons.

Our Intelligence Community assesses that Iran is from two to seven years from being able to produce enough highly-enriched uranium for a nuclear weapon.

Iran claims that it is developing an enrichment capability to produce nuclear fuel for power reactors. But there is one major problem with this story: Iran has no functioning power reactors. The one reactor under construction, at Bushehr, has recently received the necessary fuel from Russia as part of a ten-year contract that can be extended for the lifetime of the reactor.

Iran also claims that uranium enrichment is part of its quest for energy self-sufficiency. But this story is also problematic: Iran does not have sufficient uranium deposits to produce fuel for even a small number of reactors -- though it does have enough for a sizeable stockpile of nuclear weapons.

We do not dispute Iran's right to civil nuclear energy. But let's not forget that Iran is the world's fourth largest producer of oil. At 2006 rates of production, Iran's oil reserves would last 98 years even if no new oil is found.

The world is right to be alarmed about Iran's rush to enrich uranium for reactors it does not have, for an energy gap that does not exist, and for a goal of self-sufficiency that it cannot reach.

The production of weapons-grade uranium or plutonium and the ability to weaponize it are two basic parts of a nuclear weapons program. The third is an effective means for delivery.

Iran has deployed and regularly exercises the Shahab-3 ballistic missile, which has a range of 1300 kilometers. This missile regularly features in Iranian military parades, draped with a banner proclaiming "Death to Israel". Iran also claims to have a new missile with a range of 2000 kilometers and to be developing a missile of even longer range. The Shahab-3 could strike Israel and most of the Middle East, and the longer-range missiles could reach deeper into Europe, Africa, and Russia.

A nuclear-armed Iran would pose a grave threat in the Middle East and beyond. Iran remains the world's most significant state sponsor of terrorism. Iran provides aid to Palestinian terrorist groups, Lebanese Hizballah, Iraq-based militants, and Taliban fighters in Afghanistan. Iran's leaders oppose Middle East peace. Rather than supporting a two-state solution to the Arab-Israeli conflict, President Ahmadinejad calls for the elimination of one of those states. Iran's leaders harbor ambitions of regional hegemony, much to the consternation of other Gulf countries.

Armed with nuclear weapons, Iran's leaders could become even more dangerous. Even if deterred from actually using nuclear weapons, their mere possession could embolden Iran's leaders to use terrorism and insurgency more aggressively to spread their malign influence and promote regional instability.

Moreover, Iran's continued pursuit of nuclear weapon capabilities increases the danger that other countries in the Middle East will seek similar capabilities or that nuclear weapons will end up in the hands of terrorists.

The Middle East is dangerous enough without a nuclear arms race or nuclear terrorism.

Our Role at the IAEA

The IAEA Board will meet next month to consider the next report by Director General Mohammed ElBaradei. The Director General's last report described some progress in clarifying Iran's past nuclear activities. This was encouraging, though the information provided by Iran was long overdue and is still to be verified.

However, Dr. ElBaradei also reported outstanding questions about serious indications that Iran has engaged in studies and engineering work on nuclear weaponization. He and his chief inspector described a troubling mosaic of nuclear weapon-related activities. These included:

- designs for a uranium conversion process different from Iran's declared activities;
- a document describing how to cast and machine uranium metal into hemispheres described by the IAEA as "components of a nuclear weapon";
- development of a special detonator and the ability to fire multiple detonators simultaneously which is a key requirement for the functioning of a nuclear weapon
- schematics describing how to modify a re-entry vehicle for the Shahab-3 missile in a way that the IAEA judges is "quite likely to be able to accommodate a nuclear device;"
- an arrangement for testing an explosive device in a 400-meter shaft with a firing capability ten kilometers away.

Now, I am not an engineer. But I suspect that technicians don't need to shelter themselves ten kilometers away to test conventional explosives. Instead, as the Director General reported, these various activities are "relevant to nuclear weapon research and development." The overall effort described by the Secretariat -- involving personnel and institutes throughout Iran -- strongly suggests an organized program conducted at the direction of Iran's leadership.

The Director General's report is entirely consistent with our own National Intelligence Estimate.

After a detailed technical briefing on this subject, Iran's ambassador shot up like a Shahab-3 missile and dismissed the IAEA's information as "baseless allegations." But the chief IAEA inspector calmly and methodically explained why he cannot accept this conclusion. He explained how the IAEA had assembled this information over many years and from multiple sources including its own investigations. He explained the linkages between the activities and why they are consistent with research and development of nuclear weapons. He explained that the IAEA cannot give Iran a clean bill of health until these activities are fully explained and Iran gives the Agency sufficient transparency to verify they have stopped.

Dr. ElBaradei declared this "a serious matter," and Board members backed his intention to investigate it fully.

Last month the IAEA Secretariat announced Iran's agreement to a "process" to discuss weaponization. That process began last week when the chief inspector went to Tehran to ask for explanations. A "process" is nice - - but the Board wants results. When the Board meets next month, we will be looking to see whether Iran has fully disclosed its past nuclear activities and is allowing IAEA inspectors to verify they have stopped. We will not be satisfied with Iran's usual ploy: last-minute token cooperation, without full disclosure of past and current activities, and without full compliance with Security Council requirements.

Our Dual-Track Strategy Toward Peaceful Resolution

The technical verification role of the IAEA is part of a broader dual-track strategy aimed at allowing Iran civil nuclear energy while giving the world concrete assurances of peaceful intent. This dual-track strategy has been endorsed by the UN Security and was reaffirmed two months ago by Foreign Ministers of the so-called "P5+1" --China, France, Russia, United Kingdom and United States plus Germany.

The first track of the strategy is a negotiating track. In June 2006, the Foreign Ministers of the six countries made an important and generous offer to Iran. The 2006 offer contains substantial opportunities for political, security and economic benefits. The offer would help Iran attain what its leaders claim they want from their nuclear program:

- international recognition;
- economic benefit;
- advanced technology;

- and a new source of electricity with a guaranteed supply of fuel.

Last Friday, the Foreign Ministers of the six countries reviewed and updated the June 2006 offer. They are transmitting that offer privately to the government of Iran. In announcing the new approach, the British Foreign Secretary said: "We very much hope that [Iran's leaders] will recognize the seriousness and sincerity with which we've approached this issue and that they will respond in a timely manner to the suggestions that we are making."

The second track of the dual-track strategy involves diplomatic pressure and targeted sanctions to convince Iran's leaders to choose serious negotiation over continued defiance. On March 3, the UN Security Council reinforced this track by adopting Resolution 1803 with a third set of binding sanctions on Iran. These sanctions are targeted on Iran's proliferation-sensitive nuclear activities as well as their production of ballistic missiles. They are targeted on the material and technology needed for these activities and on the individuals, organizations, and banks involved.

The Security Council has reaffirmed its intention to suspend these sanctions as soon as Iran fully and verifiably suspends its uranium enrichment activities to allow for negotiation toward an early and mutually acceptable outcome.

- Suspension remains important because producing the fissile material is the most technically-challenging and time-consuming part of a nuclear weapons program, and Iran has already conducted significant work on how to weaponize the material into a bomb.
- Suspension remains important because there is no obvious civil requirement for Iran's enrichment activities, and the IAEA Board and UN Security Council have lost confidence that the intent of these activities is entirely peaceful.
- Suspension is important to keep Iran's leaders from repeating their past ploy of using negotiations to provide cover for continued work on nuclear weapons technologies.

The goal of the sanctions is not to penalize the Iranian people. The goal is to change the strategic calculus of their leaders. Thus far Iran's leaders have chosen to remain defiant rather than to seize the opportunity for negotiation. We will only succeed in convincing them to choose negotiation over defiance by sustaining our strategy, fully implementing Security Council resolutions, and sending a collective message, in words and deeds, that is clear and consistent.

This is not a time for complacency.

This is not a time for business as usual.

This is a time to signal clearly to Iran's leaders that the world will not tolerate their continued violation of Security Council resolutions-- but that a much better future exists. If we are to succeed in our collective diplomacy, Iran's leaders must hear this message from every country, regardless of their region, regardless of their alignment.

The Need for Close Cooperation

The United States values its close relationship with Mexico. Working together, we can better confront common challenges both in the Americas and beyond.

- Together we can shape the future of nuclear energy through the Global Nuclear Energy Partnership.
- Together we can help new countries access nuclear energy with reduced risk of proliferation by establishing IAEA mechanisms for reliable access to nuclear fuel.
- Together we can reduce and secure nuclear material that terrorists could fashion into a nuclear weapon or

dirty bomb.

- Together we can work toward peaceful resolution of Iran's nuclear violations by mobilizing countries across the world in support of our collective diplomatic effort.

President Bush recently spoke of the "enduring and close partnership between our two countries." This partnership can help build a future of prosperity and opportunity for people on both sides of our border. This partnership can also help make the world safer and better on a more global scale.

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