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**COMMUNICATION RECEIVED FROM THE
PERMANENT MISSION OF AUSTRALIA ON BEHALF OF
THE MEMBER STATES OF THE NUCLEAR SUPPLIERS GROUP**

1. The Director General has received a letter dated 13 August 1997 from the Permanent Mission of Australia to the Agency on behalf of the Member States of the "Nuclear Suppliers Group (NSG)"^{2/}. Attached to this letter was a paper entitled "The Nuclear Suppliers Group: Its origins, role and activities"
2. The purpose of the letter and the attached paper is to provide detailed background to the origins of guidelines that govern the export of items exclusively for nuclear use and the export of nuclear related dual-use items and technologies. These guidelines were published by the Agency in documents INFCIRC/254/Rev.3/Part 1 and INFCIRC/254/Rev.2/Part 2/Mod.1.
3. In the light of the wish expressed at the end of the letter, the texts of the paper and of its annexes are attached hereto.

^{2/} A list of Member States of the NSG is contained in Annex 1 of the attachment.

The Nuclear Suppliers Group: Its origins, role and activities

Overview

1. The Nuclear Suppliers Group (NSG) is a group of nuclear supplier countries which seeks to contribute to the non-proliferation of nuclear weapons through the implementation of two sets of guidelines for nuclear exports and nuclear related exports. Thirty-four countries are currently members of the NSG. These countries pursue the aims of the NSG through adherence to the Guidelines which are adopted by consensus and through an exchange of information, notably on developments of nuclear proliferation concern.
2. The first set of NSG guidelines governs the export of items that are exclusively for nuclear use. These include: (i) nuclear material; (ii) nuclear reactors and equipment therefor; (iii) non-nuclear material for reactors; (iv) plant and equipment for the reprocessing, enrichment and conversion of nuclear material and for fuel fabrication and heavy water production; and (v) technology associated with each of the above items.
3. The second set of guidelines governs the export of nuclear related dual-use items and technologies—that is, items that can make a significant contribution to an unsafeguarded nuclear fuel cycle or nuclear explosive activity, but which have non-nuclear uses as well, for example in industry.
4. The NSG guidelines are consistent with, and complement the various international, legally-binding instruments in the field of nuclear non-proliferation. These include the Treaty on the Nonproliferation of Nuclear Weapons (the NPT), and the Treaty for the Prohibition of Nuclear Weapons in Latin America (Treaty of Tlatelolco), the South Pacific Nuclear Free Zone Treaty (Treaty of Rarotonga), the African Nuclear-Weapon-Free Zone Treaty (Treaty of Pelindaba) and the Treaty on the Southeast Asia Nuclear Weapon-Free Zone (Treaty of Bangkok).
5. The Guidelines aim to ensure that nuclear trade for peaceful purposes does not contribute to the proliferation of nuclear weapons or other nuclear explosive devices without hindering international trade and cooperation in the nuclear field. The Guidelines facilitate the development of trade in this area by providing the means whereby obligations to facilitate peaceful nuclear cooperation can be implemented in a manner consistent with international nuclear non-proliferation norms. The NSG urges all states to adhere to the Guidelines.
6. The commitment of NSG members to rigorous conditions of supply, in the context of the further development of the applications of nuclear energy for peaceful purposes, makes the NSG a central element of the international nuclear non-proliferation regime.

Background to present paper

7. The purpose of this paper is to contribute to a broader understanding of the NSG and its activities as part of an overall effort to promote dialogue and cooperation between NSG members and non-members of the NSG. This document provides information on actions taken by NSG members to give effect to their commitment to improve transparency in nuclear related export controls and to cooperate more closely with non-NSG states to achieve this objective. In so doing, it aims to encourage wider adherence to the Guidelines.

8. The paper's purpose is therefore consistent with The Decision on Principles and Objectives for Nuclear Non-proliferation and Disarmament, agreed at the Nuclear Non-Proliferation Treaty Review and Extension Conference, in May 1995 where Paragraph 17 of that document states that "transparency in nuclear related export controls should be promoted within the framework of dialogue and cooperation among all interested States Party to the Treaty". In this connection NSG members also take into account Paragraph 16 of the 1995 NPT Review and Extension Conference decision which calls for preferential treatment to be accorded to non-nuclear weapon states party to the Treaty in the promotion of peaceful uses of nuclear energy, taking the needs of developing countries particularly into account.

Section I traces the origins and development of the NSG.

Section II describes the structure and current activities of the NSG.

Section III describes the achievements of the NSG to date.

Section IV reports on efforts by the NSG to promote openness and transparency.

I. Origins and development of the NSG

Export Controls

9. From the beginning of international cooperation in the peaceful uses of nuclear energy, supplier countries have recognised the responsibility to ensure that such cooperation does not contribute to the proliferation of nuclear weapons. Shortly after entry into force of the NPT in 1970, multilateral consultations on nuclear export controls led to the establishment of two separate mechanisms for dealing with nuclear exports: the Zangger Committee (in 1971) and what has become known as the Nuclear Suppliers' Group (NSG, in 1975). Between 1978 and 1991, the NSG was not active, even though its Guidelines were in place. The Zangger Committee continued to meet on a regular basis during this period to review and amend the list of items subject to export controls, the so-called "trigger list".

Zangger Committee

10. The Zangger Committee had its origins in 1971 when major nuclear suppliers regularly involved in nuclear trade came together to reach common understandings on how to implement Article III.2^{1/} of the NPT with a view to facilitating consistent interpretation of the obligations arising from that Article. In 1974 the Zangger Committee published a "Trigger List", that is, items which would "trigger" a requirement for safeguards and guidelines ("common understandings") governing the export of those items to non-nuclear weapon states (NNWS) that are not party to the NPT. These Guidelines establish three conditions for the supply: a non-explosive use assurance, an IAEA safeguards requirement, and a re-transfer provision which required the receiving state to apply the same conditions when re-exporting these items. The trigger list and the Guidelines are published as IAEA document INFCIRC/209 as amended.

The NSG

11. The NSG was created following the explosion in 1974 of a nuclear device by a non-nuclear weapon state, which demonstrated that nuclear technology transferred for peaceful purposes could be misused. It was thus felt that conditions of nuclear supply might need to be adapted so as to better ensure that nuclear cooperation could be pursued without contributing to the risk of nuclear proliferation. This event brought together the major suppliers of nuclear material, non-nuclear material for reactors, equipment and technology who were members of the Zangger Committee as well as states who were not parties to the NPT.

12. The NSG, taking into account the work already done by the Zangger Committee, agreed on a set of guidelines incorporating a trigger list. These were published in 1978 as IAEA Document INFCIRC/254 (subsequently amended), to apply to nuclear transfers for peaceful purposes to help ensure that such transfers would not be diverted to unsafeguarded nuclear fuel cycle or nuclear explosive activities. There is a requirement for formal government assurances from recipients to this effect. The Guidelines also adopted a requirement for physical protection measures, agreement to exercise particular caution in the transfer of sensitive facilities, technology and weapons-useable materials, and strengthened re-transfer provisions. In doing so, the Guidelines recognised the fact that there is a class of technologies and materials which are particularly sensitive because they can lead directly

^{1/} Article III.2 of the NPT states that:

"Each State Party to the treaty undertakes not to provide:

(a) source or special fissionable material, or

(b) equipment of material especially designed or prepared for the processing, use or production of special fissionable material, to any non-nuclear-weapon State for peaceful purposes, unless the source or special fissionable material shall be subject to safeguards required by this Article."

to the creation of weapons usable material. The implementation of effective physical protection measures is also critical. This can help prevent the theft and illicit transfer of nuclear material.

13. At the 1990 NPT Review Conference, a number of recommendations were made by the committee reviewing the implementation of Article III which had a significant impact on the NSG's activities in the 1990s. These included the following:

- that NPT parties consider further improvements in measures to prevent the diversion of nuclear technology for nuclear weapons;
- that states engage in consultations to ensure appropriate coordination of their controls on the exports of items, such as tritium, not identified in Article III.2 but still relevant to nuclear weapons proliferation and therefore to the NPT as a whole;
- that nuclear supplier states require, as a necessary condition for the transfer of relevant nuclear supplies to non-nuclear weapon states, the acceptance of IAEA Safeguards on all their current and future nuclear activities (i.e. fullscope safeguards, or comprehensive safeguards).

14. Shortly thereafter, it became apparent that export control provisions then in force had not prevented Iraq, a party to the NPT, from pursuing a clandestine nuclear weapons program, which later prompted UN Security Council action. A large part of Iraq's effort had been the acquisition of dual-use items not covered by the Guidelines and then building its own trigger list items. This gave major impetus to the NSG's development of its dual-use guidelines. In doing so, the NSG demonstrated its commitment to nuclear non-proliferation by ensuring that items like those used by Iraq would from now on be controlled to ensure their non-explosive use. These items would, however, continue to be available for peaceful nuclear activities subject to IAEA safeguards, as well as for other industrial activities where they would not contribute to nuclear proliferation.

15. Following these developments the NSG decided in 1992:

- to establish guidelines for transfers of nuclear-related dual-use equipment, material and technology (items which have both nuclear and non-nuclear applications) which could make a significant contribution to an unsafeguarded nuclear fuel cycle or nuclear explosive activity. These dual-use guidelines were published as part 2 of INFCIRC/254;
- to establish a framework for consultation on the dual-use guidelines, for the exchange of information on their implementation and on procurement activities of potential proliferation concern;

- to establish procedures for exchanging notifications which have been issued as a result of national decisions not to authorise transfers of dual-use equipment or technology, and to ensure that members do not approve transfers of such items without first consulting with the state that issued the notification;
- to make a fullscope safeguards agreement with the IAEA a condition for the future supply of trigger list items to any non-nuclear weapons state. This decision ensured that only NPT parties and other states with fullscope safeguards agreements could benefit from nuclear transfers.

16. The endorsement at the 1995 NPT Review and Extension Conference (NPTREC) of the fullscope safeguards policy already adopted by the NSG in 1992 clearly reflects the conviction of the international community that this nuclear supply policy is a vital element to promote shared nuclear non-proliferation commitments and obligations. Specifically, Paragraph 12 of the Decision on "Principles and Objectives for Nuclear Non-proliferation and Disarmament" at the 1995 NPTREC states that fullscope safeguards and international legally binding commitments not to acquire nuclear weapons or other nuclear explosive devices should be a condition for granting licences for trigger list items under new supply arrangements with non nuclear-weapon states.

The NSG, the Zangger Committee, and the NPT

17. The Zangger Committee's provisions are closely tied to Article III.2 of the NPT. In contrast to the Zangger Committee, NSG members are not all parties to the NPT, but they all adhere to instruments which contain equally binding commitments. The NSG guidelines are designed to strengthen implementation of the strong non-proliferation undertakings contained in those legal instruments.

18. The NSG and the Zangger Committee differ in the scope of their trigger lists of especially designed or prepared items (EDP) and in the export conditions for items on those lists. Concerning the scope of those lists, the Zangger list is restricted to items falling under Article III.2 of the NPT. On export conditions for the items on the "Trigger Lists", the NSG has a formal fullscope safeguards requirement as a condition of supply. However, all members of the NSG and of the Zangger Committee apply fullscope safeguards as a condition of supply for trigger list items to NNWS.

19. The NSG arrangement covering exports of dual-use items is a major difference between the NSG and the Zangger Committee. As dual-use items cannot be defined as EDP equipment, they fall outside the Zangger Committee's mandate. As noted above, the control of Dual-Use items has been recognized as making an important contribution to nuclear non-proliferation.

20. The NSG guidelines apply to transfers to all NNWS. The Zangger Committee memoranda only apply to transfers to NNWS not party to the NPT, as compliance with NPT obligations fulfills the criteria of the Zangger Committee understandings. In 1994 the NSG also strengthened its retransfer provisions to require government-to-government assurances to support the stipulation that a supplier's consent be obtained for the re-transfer of trigger list items from any state which does not require fullscope safeguards as a condition of supply. At the same time, the NSG also adopted the so-called non-proliferation principle whereby a supplier, notwithstanding other provisions in the Guidelines, should authorise a transfer only when satisfied that the transfer would not contribute to the proliferation of nuclear weapons. The non-proliferation principle seeks to cover the rare, but important cases where adherence to the NPT or to a Nuclear Weapon Free Zone Treaty may not by itself be a guarantee that a state will consistently share the objectives of the Treaty or that it will remain in compliance with its Treaty obligations.

21. Despite these differences between the two regimes it is important to keep in mind that they serve the same objective and are equally valid instruments of nuclear non-proliferation efforts. There is close cooperation between the NSG and the Zangger Committee on the review and amendment of the trigger lists.

II. Structure and current activities of the NSG

Membership

22. From the initial publication of INFCIRC/254 in 1978 to now, membership has increased steadily. Most recently, Argentina, South Africa, New Zealand, the Republic of Korea, Ukraine and Brazil have become members of the NSG. (See full list of members in Annex 1).

23. Factors taken into account for membership include the following:

- the ability to supply items (including items in transit) covered by the annexes to Parts 1 and 2 of the NSG guidelines;
- adherence to the Guidelines and action in accordance with them;
- enforcement of a legally based domestic export control system which gives effect to the commitment to act in accordance with the Guidelines;
- adherence to one or more of the NPT, the Treaties of Pelindaba, Rarotonga, Tlatelolco, Bangkok or an equivalent international nuclear non-proliferation agreement, full compliance with the obligations of such agreement(s);
- support of international efforts towards non-proliferation of weapons of mass destruction and of their delivery vehicles.

Organisation of work

24. The NSG works on the basis of consensus. Overall responsibility for activities lies with the member states who meet once a year in a plenary session.

25. A rotating chairmanship has overall responsibility for coordination of work and outreach activities. To date the chairmanship has rotated annually from one Plenary session to the next. Previous chairs are the Netherlands, Poland, Switzerland, Spain and Finland. Argentina chaired the NSG in 1996, Canada in 1997 and the United Kingdom will chair in 1998.

26. The Plenary can decide to set up technical working groups on matters such as the review of the Guidelines, the Annexes, the procedural arrangements, on information sharing, and transparency activities. The Plenary can also mandate the chair to conduct outreach activities with specific countries. The aim of the outreach activities is to promote adherence to the NSG guidelines.

27. Typically, the agenda of the plenary meeting focuses on reports from working groups that may be operating or may have concluded their work since previous plenaries as well as on reports from the previous NSG Chair on outreach activities. Time is also allotted to review items of interests such as trends in nuclear proliferation and developments since the previous plenary meeting.

28. In addition to the Plenary meeting, the NSG has two other standing bodies which report to the Plenary. These are the Dual-Use consultations and the Joint Information Exchange (JIE) with chairs which also rotate annually. The Dual-Use consultations take place at least once a year. They review the implementation of the dual-use guidelines and the items listed in Part 2 of INFCIRC/254. The JIE immediately precedes the Plenary and provides another opportunity for members to share information and developments of relevance to the objectives and content of the Guidelines.

29. NSG members review the Guidelines in INFCIRC/254 from time to time to ensure that they are up to date to meet evolving nuclear proliferation challenges. The IAEA is notified of agreed amendments to parts 1 and 2 of the Guidelines and their associated lists and re-issues INFCIRC/254 accordingly. Such amendments can be additions, deletions or corrections.

30. The Permanent Mission of Japan in Vienna, acting as a Point of Contact, carries out a practical support function. It receives and distributes NSG documents, notifies meeting schedules, and provides practical assistance to the NSG Chair, the Dual-Use and JIE chairs and the various Working Group chairs established by the Plenary.

How the Guidelines work

31. The Guidelines introduce a degree of order and predictability among the suppliers and ensure harmonised standards and harmonised interpretation of suppliers' undertakings. This is designed to ensure that the normal process of commercial competition will not lead to outcomes that further the proliferation of nuclear weapons. Consultations among partners are also designed to ensure that any possible impediments to international nuclear trade and cooperation are kept to a minimum.

32. The NSG guidelines are implemented by each NSG member in accordance with its national laws and practices. Decisions on export applications are taken at the national level in accordance with national export licensing requirements. This is the prerogative and right of all states for all export decisions in any field of commercial activity and is also in line with the text of Article III.2 of the NPT, which refers to "each State Party", and thus emphasises the sovereign obligation of any party to the Treaty to exercise proper export controls. NSG members meet regularly to exchange information on issues of nuclear proliferation concern and how these impact on national export control policy and practice. However it is important to remember that the NSG does not have a mechanism for limiting supply, or the coordination of marketing arrangements and does not take decisions on licence applications as a group.

33. The requirement that no transfer of trigger list items to NNWS take place unless the recipient state has full scope safeguards on all its nuclear activities is particularly pertinent because it establishes a uniform standard of supply which is based on the IAEA's international verification system. Strengthened safeguards under the IAEA's Program 93 plus 2 should improve considerably the Agency's ability to exercise its verification role.

34. Contacts and briefings take place with non-participating countries: in addition to the outreach activities conducted with potential members, the group conducts briefings of non-members, with a view to increasing the understanding of and adherence to the Guidelines. States can choose to adhere to the Guidelines without being obliged to join the NSG.

III. Achievements of the NSG to date

35. The NSG guidelines have significantly strengthened international solidarity in the field of transfers of nuclear material. NSG undertakings reflect the non-proliferation and peaceful nuclear cooperation objectives which NSG members share with all NPT parties and parties to other international legally binding non-proliferation commitments. Controls on the transfer of listed items and technologies provide essential support for the implementation of these treaties and for the continuation and development of peaceful nuclear cooperation, thus also facilitating the utilisation of nuclear energy in developing countries.

36. Contrary to fears that the NSG guidelines act as an impediment to the transfer of nuclear materials and equipment, they have in fact facilitated the development of such trade. For some time now, supply arrangements have incorporated NSG commitments. Such arrangements are designed to expedite transfers and trade. The NSG commitments, when woven into the supply arrangements with a basis in respective national laws, provide governments with legitimate and defensible arguments that such arrangements diminish proliferation risk. In this manner, non-proliferation and trade purposes mutually reinforce one another.

37. The NSG guidelines are applied both to members and non-members of the NSG. Most NSG members do not possess a self-sufficient fuel cycle and are major importers of nuclear items. Accordingly, they are required to provide the same assurances for nuclear transfers as non-members of the NSG in accordance with the Guidelines.

38. As practised by NSG members, export controls operate on the basis that cooperation is the principle and restrictions are the exception. Few NPT parties have been refused controlled items: this has occurred when a supplier had good reason to believe that the item in question could contribute to nuclear proliferation. Almost all rejections by NSG members of applications for export licences have concerned states with unsafeguarded nuclear programs.

39. For a comparison of numbers of licences issued and number of denials during a specific period of time, see Annex 3.

40. There is close interdependence between the controls in Part 1 of the Guidelines and the effective implementation of comprehensive IAEA safeguards. The NSG supports fully international efforts to strengthen safeguards to detect undeclared activities as well as to monitor declared nuclear activities to ensure that they continue to meet vital nuclear non-proliferation requirements and to provide the assurances needed for the continuation of international nuclear trade.

IV. NSG action to promote openness and transparency

41. The NSG is aware that non-members have in the past expressed concern about the lack of transparency in the NSG's proceedings. Non-members have not been part of the decision-making process in the establishment of the Guidelines. Concerns have therefore been expressed that the NSG has sought to deprive states of the benefits of nuclear technology or imposed requirements on non-members which have been made without their participation.

42. NSG members understand the reasons for these concerns but state emphatically that the objectives of the NSG have consistently been to fulfil their obligations as suppliers to support nuclear non-proliferation and, in doing so, to facilitate peaceful nuclear cooperation. The growing and diverse membership of the NSG demonstrates that it is not a closed shop. It is also the case that a large part of the Guidelines were agreed in 1978 and have been accepted by all current NSG members, although most were not at that time members of the group, and thus were not involved in the drafting process.

43. The NSG has consistently promoted openness and greater understanding of its aims, as well as adherence to its guidelines and is prepared to support efforts by states to adhere to and implement the Guidelines. In response to the interest shown by individual states and groups of states a series of contacts have taken place to inform them about the NSG's activities and to encourage them to adhere to the Guidelines. These contacts have been organised through special missions to these countries by successive chairmen and representatives of NSG member states as well as during NSG seminars specially convened for this purpose (in 1994 and 1995).

44. The NSG welcomes the call in Paragraph 17 of the "Principles and Objectives for Nuclear Non-proliferation and Disarmament" adopted at the NPT Review and Extension Conference for more openness and transparency, and responded substantively to the call at its Buenos Aires plenary meeting on 25-26 April 1996 by establishing a working group to consider how to promote openness and transparency through further dialogue and cooperation with non-member countries.

45. This is additional to the ongoing NSG outreach program and regular contacts with specific countries to inform them about NSG practices and to promote adherence to the Guidelines.

46. As a first step, NSG member States have strengthened their dialogue with non-members of the NSG through contacts which took place in margins of the 1996 IAEA General Conference. This dialogue continues in capitals and on other occasions such as regular nuclear and security policy dialogues, as well as during multilateral meetings which deal with these issues. This paper is a further practical contribution to this process.

47. The NSG is organising a seminar on the role of export controls in nuclear non-proliferation on 7-8 October 1997 in Vienna, immediately following the forty-first session of the IAEA General Conference. Given the importance of including all actual and potential supplier countries and the wish for a genuine, open and all-inclusive dialogue, it was decided to invite all states to the seminar, whether parties to the NPT or not. Governmental representatives, international organisations involved with the issues and some academic and industry specialists on the subject will be invited.

48. The international seminar is designed to be a further, but not final step in promoting the goals of transparency within a framework of dialogue and cooperation on the role of

export controls in nuclear non-proliferation and in the promotion of nuclear trade for peaceful purposes.

49. NSG members will also explore other means of cooperating more closely with non-member states to promote understanding of the Guidelines as well as adherence and implementation.

Conclusions

50. In its future activities, the NSG will continue to be guided by the objectives of supporting nuclear non-proliferation and facilitating the peaceful applications of nuclear energy.

51. With regard to the future development of the Guidelines, NSG members will continue to harmonise their national export control policies in a transparent manner. In this way they will continue to contribute to nuclear non-proliferation and at the same time support the development of nuclear trade and cooperation and help sustain genuine commercial competition between suppliers.

52. Universal transparency of the NSG Guidelines and the Annexes will continue through their publication as IAEA Information Circulars.

53. The NSG remains open to admitting further supplier countries in order to strengthen international non-proliferation efforts, as already illustrated by its broadening membership in all regions of the world.

54. The NSG is committed to the further promotion of openness and transparency in its practices and policy.

ANNEXES:

1. List of Participants in the NSG (Member States and the Permanent Observer).
2. Documents on NSG activities:

NSG Guidelines: reproduced in INFCIRC/254, Parts 1 and 2 as modified and amended.
3. License approvals and denials.

NSG MEMBER STATES

(As of September 1997)

ARGENTINA

AUSTRALIA

AUSTRIA

BELGIUM

BRAZIL

BULGARIA

CANADA

CZECH REPUBLIC

DENMARK

FINLAND

FRANCE

GERMANY

GREECE

HUNGARY

IRELAND

ITALY

JAPAN

REPUBLIC OF KOREA

LUXEMBOURG

NETHERLANDS

NEW ZEALAND

NORWAY

POLAND

PORTUGAL

ROMANIA

RUSSIAN FEDERATION

SLOVAKIA

SOUTH AFRICA

SPAIN

SWEDEN

SWITZERLAND

UKRAINE

UNITED KINGDOM

UNITED STATES

EUROPEAN COMMISSION
(Observer)

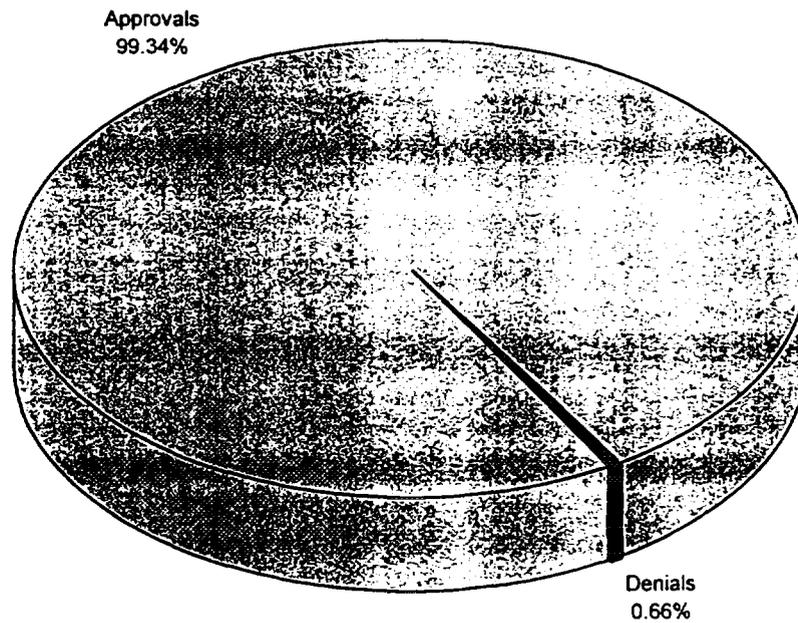
DOCUMENTS ON NSG ACTIVITIES

NSG GUIDELINES:

reproduced in INFCIRC/254, Parts 1 and 2 as modified and amended

**Nuclear Suppliers Group
Nuclear Export License Approvals and Denials**

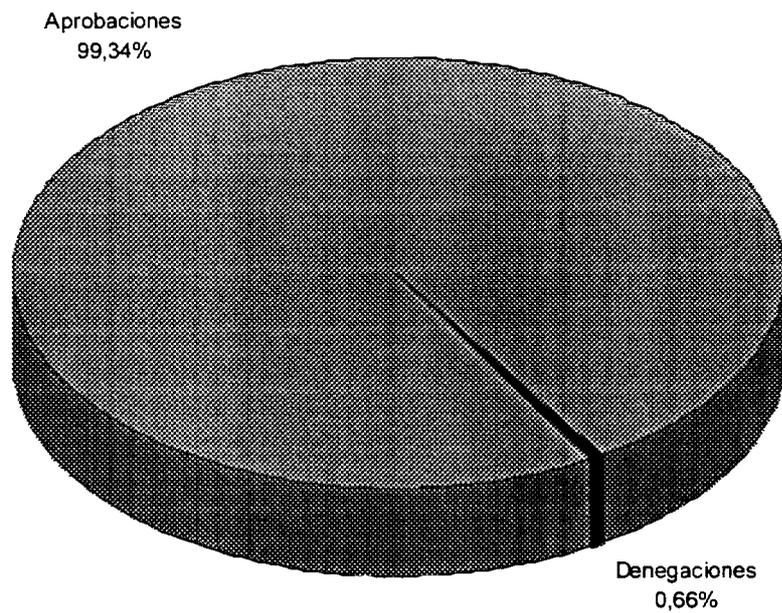
1993 - 1996



Based on statistics compiled as of 4 September 1997 from 31 out of 34 NSG Member States.

**Grupo de Suministradores Nucleares
Aprobaciones y denegaciones de licencias
de exportaciones nucleares**

1993 - 1996



Basado en estadísticas recopiladas en 4 de septiembre de 1997 de 31 de los 34 Estados Miembros del GSN.