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THE HON ALEXANDER DOWNER MP

MINISTER FOR FOREIGN AFFAIRS
PARLIAMENT HOUSE
CANBERRA ACT 2600

10 SEP 2007

The Hon Dr Andrew Southcott MP
Chair
Joint Standing Committee on Treaties
Parliament House
CANBERRA ACT 2600

Dear Dr Southcott

I refer to Report 81 of the Joint Standing Committee on Treaties which was presented to Parliament on 6 December 2006. The Report considered two treaty actions tabled on 8 August 2006.

I enclose for your information the Government response to Report 81. The response will be tabled in Parliament as soon as practicable.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alexander Downer', written in a cursive style.

Alexander Downer

Government Response to
Report 81
of the
Joint Standing Committee on Treaties

Government Response to Report 81 of the Joint Standing Committee on Treaties

The Government thanks the Committee for its consideration of the treaties tabled, and gives the following responses to the Committee's recommendations:

Agreement between the Government of Australia and the Government of the People's Republic of China on the Transfer of Nuclear Material and Agreement between the Government of Australia and the Government of the People's Republic of China for Cooperation in the Peaceful Uses of Nuclear Energy

Recommendation 1

1. The Committee recommends that the Australian Government provide funding for intensive research and development in the area of energy generation using thorium reactors with the purpose of comparing its waste and energy generation capacity to conventional nuclear reactors.

On 28 April 2007 the Prime Minister announced that the government will be implementing a strategy to increase uranium exports and to prepare for a possible expansion of the nuclear industry. The strategy includes a firm commitment to Australia's participation in the Generation IV advanced nuclear research program. The Government notes that a number of thorium reactor research projects have been conducted in several countries, but none of these projects has yet been brought successfully to mature commercialisation. The thorium fuel cycle seems unlikely to be competitive against the uranium fuel cycle in the foreseeable future and the thorium fuel cycle is not included in the suite of reactor technologies under consideration by the Generation IV reactor research program. The level of funding required for a national thorium power reactor R&D program would be very substantial, and this funding would have to be re-directed from other areas. For these reasons, the Government has no plans to fund intensive R&D in thorium power reactors.

Recommendation 2

2. The Committee recommends that the Australian Government through its membership of the International Atomic Energy Agency (IAEA) calls for an urgent review of the IAEA's funding requirements and that Australia sets a lead by increasing its voluntary contributions and lobbies other governments to do likewise

The Government notes that the IAEA's regular budget is agreed by IAEA Member States on a biennial basis and reviewed annually to assess the Agency's funding requirements. Australia supported the decision by the IAEA General Conference in September 2003 to increase the IAEA's safeguards budget by approximately twenty per cent. Australia was one of the first countries to provide support to the IAEA's Nuclear Security Fund, and made further contributions totalling approximately

\$560 000 in 2006-07. Australia consistently pays its annual share of the IAEA's voluntary Technical Cooperation Fund. Through its participation in the IAEA's Programme and Budget Committee (a sub-committee of the Board of Governors), Australia plays an active role in reviewing the status of the IAEA's budgeting and expenditure processes. As a leading advocate of IAEA safeguards as an essential element of the nuclear non-proliferation regime, the Government will continue to monitor the IAEA's funding requirements to carry out its mandated activities. Further, during 2005-06 additional contributions in the form of research, assistance and consultancy services were made through the Australian Safeguards Support Program (ASSP) to the value of \$457 146. ASSP has been in existence for 26 years and is on-going.

Recommendation 3

3. The Committee recommends that the Australian Government lobbies the IAEA and the five declared nuclear weapons states under the NPT to make the safeguarding of all conversion facilities mandatory.

The Government does not accept this recommendation. Uranium conversion is not a primary point of proliferation concern, even less so in respect of nuclear-weapon states (NWS). The IAEA has not made safeguarding of conversion facilities in NWS a priority. Safeguarding of conversion facilities in NWS would not be an effective use of limited international safeguards resources. The safeguards resource requirements would be substantial since most conversion facilities do not incorporate design features to facilitate application of safeguards.

Recommendation 4

4. The Committee recommends that the Australian Government increases funding allocated to the Australian Safeguards and Non-Proliferation Office's safeguards support and international outreach programs to ensure that effective safeguards are being applied in regard to the treaties.

In 2006 the Australian Safeguards and Non-Proliferation Office (ASNO) received supplementary funding of \$1.4 million for a four year program dealing with nuclear security and counter-terrorism activities.

International outreach programs conducted by ASNO involve a number of countries, including China. Chinese officials regularly take part in ASNO's training activities and have been invited to take part in an ASNO initiative to develop a regional safeguards association.

Recommendation 5

5. The Committee recommends that the Australian Government continue its dialogue with the Chinese Government about governance and transparency issues with a view to the Australian Government offering practical support where appropriate.

The Government regularly discusses governance and transparency issues with the Chinese Government. Issues of press freedom raised in evidence to the inquiry, together with other human rights concerns that touch on issues of transparency and governance, are a regular subject of discussion in our annual human rights dialogue with China. These issues are also raised regularly in high-level meetings. Realistic about the capacity of dialogue alone to effect change, the Government recognises also the importance of developing and implementing practical measures to assist China to improve its governance regime, including corporate governance. Australia's current Development Cooperation Program in China is focused on efforts to improve governance and transparency in China, with a governance program worth \$20.3 million between 2004 and 2010.

Recommendations 6 and 7

6. The Committee supports the *Agreement between the Government of Australia and the Government of the People's Republic of China on the Transfer of Nuclear Material* and recommends that binding treaty action be taken.
7. The Committee supports the *Agreement between the Government of Australia and the Government of the People's Republic of China for Cooperation in the Peaceful Uses of Nuclear Energy* and recommends that binding treaty action be taken.

The Government is pleased to advise binding treaty action was completed on 4 January 2007. These two Agreements came into force on 3 February 2007.