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THE FINANCING OF SAFEGUARDS

Report by the Board of Governors

1. In June 1989, the Board of Governors reviewed the arrangements for the financing of safeguards pursuant to resolution GC(XXX)/RES/462 adopted by the General Conference in 1986. It requested the Director General to transmit to the General Conference, for its consideration and adoption, the following text of a draft resolution concerning arrangements for the assessment of Members' contributions towards the safeguards component of the Agency's Regular Budgets for each of the years 1990, 1991 and 1992.

2. The summary records of the Board's discussion on the financing of safeguards in June 1989 are contained in the Annex to the present document.

Draft resolution

**ARRANGEMENTS FOR THE ASSESSMENT OF MEMBERS' CONTRIBUTIONS
TOWARDS THE SAFEGUARDS COMPONENT OF THE AGENCY'S REGULAR BUDGET
FOR EACH OF THE YEARS 1990, 1991 AND 1992**

The General Conference,

(a) Recalling its resolutions embodying principles for the assessment of Members' contributions towards the safeguards component of the Agency's Regular Budget^{1/} and operative paragraph 2 of resolution GC(XXX)/RES/462,

(b) Having considered the Board's recommendation in document GC(XXXIII)/... concerning the arrangements for the assessment of Members' contributions towards the safeguards component of the Agency's Regular Budget for each of the years 1990, 1991 and 1992,

(c) Believing that the amendments now being approved to the existing arrangements should not prejudice whatever may be decided in the future, and

(d) Taking note of the Board's intention to continue its efforts to arrive at long-term arrangements based on clearly defined elements for the financing of safeguards,

^{1/} GC(III)/RES/50, as amended by GC(XXI)/RES/351, GC(XV)/RES/283, GC(XX)/RES/341, GC(XXIV)/RES/376, GC(XXVII)/RES/416, GC(XXVIII)/RES/433, GC(XXIX)/RES/449 and GC(XXX)/RES/462.

1. Decides that the arrangements for the assessment of Members' contributions towards the safeguards component of the Agency's Regular Budget which it approved in 1983 by resolution GC(XXVII)/RES/416 to supplement those contained in resolutions GC(LII)/RES/50 and GC(XXI)/RES/351 and which were extended to be applicable for 1985 and 1986 (by resolution GC(XXVIII)/RES/433 adopted in 1984) and for 1987, 1988 and 1989 (by resolution GC(XXX)/RES/462 adopted in 1986) shall continue to be applicable for 1990, 1991 and 1992 with the following amendments:

- (i) The contribution of each Member included in 1989 in the list of Member States qualifying to receive partial relief in respect of their assessments for the safeguards component of the Regular Budget^{*/} shall be increased by percentages equal to the price increase percentages on which the Regular Budget for each of the years 1990, 1991 and 1992 is based.

[Amendment to sub-paragraph 3(a) of resolution GC(XXVII)/RES/416]

- (ii) In the case of admission of a new Member of the Agency which is to be included in the list referred to in sub-paragraph (i) above, that Member shall contribute, in the year its membership becomes effective, and where applicable in succeeding years, an amount, or amounts, equal to what it would have had to contribute in 1989 (if it had been a Member) increased in accordance with the provisions set out in sub-paragraph (i) above.

[Amendment to sub-paragraph 3(c)(i) of resolution GC(XXVII)/RES/416]

2. These arrangements shall be reviewed by the Board in 1992 at the latest.

^{*/} See Table 2 of the Appendix to document GC(XXXII)/843.

A N N E X

Summary records of the discussion on the item
"The financing of safeguards"
at meetings of the Board of Governors
held in June 1989

RECORD OF THE 710th MEETING (held on 13 June 1989, a.m.)

THE FINANCING OF SAFEGUARDS (GC(XXX)/RES/462)

103. The CHAIRMAN said that the present item was before the Board pursuant to the 1986 General Conference resolution GC(XXX)/RES/462, in which the Conference had extended the then existing arrangements for the assessment of Members' contributions towards the safeguards component of the Agency's Regular Budget a second time, the extended arrangement to be applicable until and including the year 1989, and the Board being requested to review those arrangements and make a recommendation to the Conference, at its regular session in 1989 at the latest, on the arrangements to be applicable thereafter.

104. In accordance with a request made by the Board at its post-General Conference meeting in September 1988, he had held extensive consultations on the matter, assisted by a small but representative Group of Friends. A slight but significant change to the present arrangements had been agreed upon for a period of three years starting in 1990 and ending in 1992, at the end of which period the Board would have to review the financing arrangements, including the present change, and, it was hoped, would agree on stable and long-term arrangements for financing the Agency's safeguards activities in the light of the situation at that time. The proposed change, which involved an increase in the contributions of the group of shielded Member States to take account of price increases, was set forth in a draft resolution which he had circulated. The draft had been the subject of consultations and, if approved by the Board, would be submitted for adoption by the General Conference. He hoped that the Board would accept the proposed change by consensus.

105. Mr. SITZLACK (German Democratic Republic) welcomed the consensus achieved in the Chairman's consultations; however, efforts to find a solution

to the long-standing problem of financing safeguards should be continued during the period until 1992 with the aim of establishing sound and clearly defined long-term arrangements.

106. Mr. BAER (Switzerland) said that he was somewhat disappointed with the Chairman's proposal and regretted that the Board had not faced up to its responsibilities in the past three years. In prolonging the 1986 status quo, it had merely satisfied its conscience for another three years. Now it was being offered a minimalist proposal to deal with a dual problem: the apportionment of safeguards financing and zero real growth. There was every reason to be discouraged. Since 1984 the Board had been unable to find a lasting solution, yet the Agency's strength and reputation depended to a large extent on the quality of its safeguards to ensure the peaceful use of nuclear energy. In a world where some were saying that the safeguards system was not effective, the Agency had a duty to offer the best system possible. But quality had its price.

107. The somewhat simplistic budgetary approach of zero growth was of course a good administrative tool to force an organization to rationalize its operations, but once it interfered with the Agency's statutory obligations, it was no longer acceptable. It was no secret that the safeguards operational budget would have to grow, because the quantity of material to be safeguarded was increasing; indeed, an increase of some 39% was forecast for the period 1989 to 1994. Since safeguarding that material was a statutory obligation of the Agency, the Secretariat had provided for a 23% increase in the safeguards budget for the period 1990 to 1995, which covered precisely the three years for which it was now proposed to maintain the status quo. In his delegation's view, it was essential to consider a more selective application of zero growth. Safeguards financing must be assured. There was no point in expressing satisfaction at the Agency's growing role in the world while denying it the means to perform that role.

108. Regarding the apportionment of finance, since safeguards affected all Members without exception, his delegation considered that the proposal was not acceptable for the long term. The Board had discussed a number of possibilities since 1984 - such as the Venezuelan and United States proposals

of 1984, the joint Belgian and Spanish proposal of 1985 and the Indonesian proposal of 1986 - but although there had been no success so far, it was essential to pursue efforts and discussions if a solution was to be found.

109. Extending the status quo for three years would have an adverse effect on such efforts. The problem was not primarily a financial one - although it involved finance - it was above all a political question. He urged the Board to show political vision, to give the Secretariat firm and clear instructions and to envisage a lasting and pragmatic solution to the problem of safeguards financing. Ad hoc temporary solutions were no longer acceptable. Time was short and the false feeling of security given by a three-year agreement would only slow down efforts to find a solution acceptable to all Member States.

110. In the present situation his delegation was prepared to support the Chairman's proposal for one year, but it would be a serious mistake to apply it for three years.

111. Mr. MORALES PEDRAZA (Cuba) said that in view of the deteriorating economic situation of many Member States, particularly developing countries, it would be difficult to find a formula that would provide a lasting solution to the problem of financing safeguards and take into account the interests of all Member States. However, the group of States convened by the Chairman of the Board had proposed a slight change in the existing system in order to take account of inflation which his delegation could accept as an interim solution until 1992. His delegation could also accept the draft resolution circulated by the Secretariat, as it embodied the basic ideas put forward by his country during the group's discussions.

112. Mr. SOUZA FONTES ARRUDA (Brazil) said that, despite its strict adherence to the principle of zero real growth, his delegation would not oppose the emerging consensus on the proposed new formula. He hoped that the same spirit of compromise would prevail in respect of the safeguards budget for the biennium 1990-91, so that the substantial increase anticipated by the Secretariat in that area would not be achieved at the expense of the Agency's operational activities. In that connection, his delegation wished to be associated with the statement made by the Governor from Egypt on behalf of the Group of 77 at the previous meeting.

113. Mr. TILEMAN (Australia) supported the - albeit modest - results reported by the Chairman and also the draft resolution. Much work remained to be done to find a longer-term and more equitable system, and it would be useful to discuss principles to underpin such an arrangement. The main elements of the draft principles circulated by the Governor from Cuba seemed to offer a useful basis for further discussion, but the issue was complex and unlikely to be settled quickly and would need to gain consensus support.

114. Mr. TETENYI (Hungary) supported the proposed draft resolution for the General Conference. His country - except for a short period - had always enjoyed the status of a shielded country, and it believed that only an objective and dramatic change in the Agency's financial needs could force its Members to alter the present pattern of financing. Should such dramatic change occur any solution of the financial problems must strengthen the existing non-proliferation regime. Should such change not occur, it would be better to keep the current delicate balance of the budget despite obvious internal contradictions. It should be noted that the proposed minor changes did in fact break existing practice. However, his delegation supported them in the belief that they might make Members think more seriously about the principles which would best serve the Agency's political and financial interests.

115. Mr. KAZUHARA (Japan) supported the draft resolution submitted by the Chairman as an important - though not adequate - step towards improving the current situation regarding the financing of safeguards. The Agency's safeguards system was the mainstay of the Agency's regime for ensuring global non-proliferation and the world-wide peaceful use of nuclear energy. It should be supported by all Member States which expected the Agency to discharge that important function, and consequently all Member States should contribute to safeguards expenses on a fair basis.

116. Mr. LOOSCH (Federal Republic of Germany) said that, despite its somewhat modest nature and its failure to provide a long-term solution, the proposal was a valuable step in the right direction and a move towards aligning the responsibility of all Member States for proper safeguards and their financial contribution towards making such safeguards possible in a

world of expanding use of nuclear energy. He supported the proposals circulated by the Chairman and looked forward to early progress in the Board's further deliberations pursuant to preambular paragraph (d) of the proposed draft resolution.

117. Mr. von BULOW (Denmark) said that while his delegation was prepared to support an agreement on the lines proposed, which would assure continuity in the financing of the Agency's safeguards, it would greatly have preferred the adoption of a viable long-term solution rather than the present temporary one. It therefore hoped that the Board would continue its efforts to find long-term arrangements based on clearly-defined elements for the financing of safeguards. Such arrangements should maintain the principle of universality or collective responsibility, and should reflect the fact that safeguards were in the interests of all Member States, whether or not they used nuclear energy in their electricity production.

118. Mr. KENNEDY (United States of America), while welcoming the proposed interim safeguards financing formula, regretted that a consensus on a long-term solution could not be reached at present. The Agency's safeguards systems provided an indispensable basis for world-wide nuclear commerce and, more importantly, was a vital contributor to international security. It was one of the world community's most concrete and important confidence-building measures. All States benefited from such enhanced confidence and all States therefore should share in supporting it.

119. A long-term safeguards financing arrangement should reflect the following principles: all Members would benefit from the international security provided by safeguards and should therefore make a real contribution to their cost; the formula for apportioning safeguards costs should be based on the real capacity of Member States to pay and not on politically motivated criteria irrelevant to Members' circumstances; and the safeguards financing formula should include dynamic factors that provided for a long-term solution to the problem without repeated consideration by the Board.

120. In the absence of consensus on a long-term solution, his delegation supported the proposed interim arrangements for the period 1990-92, but urged

that during that period efforts should be directed towards reaching a consensus on a comprehensive long-term solution based on criteria defined by the United Nations General Assembly. He noted that the draft resolution did indeed refer to the Board's intention to continue its efforts to reach a long-term solution for safeguards financing, and trusted that the Chairman would continue his consultations to that end. He hoped that a long-term solution would be reached and could go into effect in 1993.

121. Mr. MANOUAN (Côte d'Ivoire) said that his country would of course have preferred no increase in the contributions of developing Member States which were facing growing economic difficulties. Nevertheless, he would not oppose the consensus reached in the consultations, which entailed an increase in the safeguards budget based on an annual inflation rate of 3.7%. He hoped that a lasting solution would be found as soon as possible for the financing of safeguards beyond the year 1992.

122. Mr. GUYER (Argentina) said that the Board had examined a number of proposals, all designed to provide a fairer distribution of the costs of safeguards, it being considered given that the system operated for the benefit of all. But if that were so, why should the users of the safeguards system bear most of the cost? That might sound logical, but it must be viewed in the context of the users' real possibilities and real needs. After all, both the United Nations and the Agency recognized not only the legal equality of States ("one country one vote"), but also their economic inequality, since in both organizations contributions to the budget were based on the ability to pay, and not on the extent to which the organizations' services were utilized.

123. It was also very much worth looking into whether the services to be paid for were the ones that were really needed. The Agency's safeguards system was based on document (INFCIRC/66/Rev.2), and its fundamental purpose was to promote international co-operation and trade in the nuclear field. It was a specific system designed to give a supplier the assurance that the services or goods provided were not being used for undesirable purposes by the recipient. But a "full-scope" system designed to verify the fulfilment of binding commitments, with regard to the non-proliferation of nuclear weapons

(under the NPT, or the Tlatelolco and Rarotonga Treaties) did not necessarily have to follow the INFCIRC/66/Rev.2 model. Indeed, there were reasons for not doing so.

124. First, from the point of view of non-proliferation of nuclear weapons, the only significant materials for direct use in the manufacture of such weapons were separated plutonium and highly-enriched uranium in significant quantities. The isotopic concentration of those materials and the concept of significant quantities must be subject to realistic, not theoretical, assessment.

125. Secondly, those being the only direct-use materials, only those facilities in which they could be produced, separated and processed, were of primary interest for a full-scope safeguards system: reprocessing, enrichment and fabrication plants in which really significant quantities of those materials were used.

126. Thirdly, it followed that spent fuel could not be considered as a direct-use material for the manufacture of nuclear weapons, since it must first be processed in one of the plants just referred to, in order to separate the plutonium. There was thus no real justification for immense efforts by the Department of Safeguards to check hundreds of nuclear reactors and thousands of tons of spent fuel in countries where a full-scope safeguards system was applicable. An annual audit of accountable materials should be sufficient, with inspection in the event of any serious discrepancies.

127. Fourthly, the number of reprocessing, enrichment and fabrication facilities was very small, and the Secretariat knew where they were and who were the operators, even where they were not covered by safeguards. If there were any such facilities that were not known, it was unlikely that any existing or future safeguards system could provide information about them.

128. Fifthly, one of the consequences of setting up a new full-scope safeguards system, as suggested, could be the establishment of commitments between States operating such facilities and the Agency in order to ensure that the final destination of the product of those facilities was known, particularly in the case of international transfers. Such commitments could

provide a basis for an international agreement separating the military and civil fuel cycles which would not require the duplication of existing dual-use facilities.

129. Lastly, if a full-scope safeguards system were set up which was practical and effective at a reasonable cost, covering the real requirements for the service, perhaps States whose binding commitments did not oblige them to use the system might consider such benefits attractive enough to make them join the system voluntarily.

130. To find a logical solution to the problem of safeguards financing it would also be necessary to solve the other problems whose connection with it seemed to have been overlooked. Unless those problems were tackled with realism, the Agency would continue to invent empirical solutions, all equally valid but all equally unsatisfactory. Despite the foregoing considerations, however, his delegation was prepared to support the compromise formula proposed in the draft resolution distributed by the Secretariat.

RECORD OF THE 711th MEETING (held on 13 June 1989, p.m.)

THE FINANCING OF SAFEGUARDS (GC(XXX)/RES/462) (resumed)

27. Mr. ZHOU (China) said that his delegation would not oppose the suggested arrangements for financing safeguards, but wished to emphasize two points.

28. First, the arrangements would impose a heavier burden on China, since its regular contribution to the safeguards budget would increase more rapidly, so that in a few years' time the "shielding" it currently enjoyed would be valueless and its ability to pay would be compromised.

29. Secondly, the arrangements were provisional and would be applied for only three years, which was why his delegation was not opposing them. The Board would have to find a lasting solution to the problem as soon as possible, as indicated in the draft resolution.

30. Mr. ERRERA (France) said that safeguards were one of the Agency's essential tasks, a fundamental element of confidence in international nuclear relations, and one of the conditions for the security of those relations and the acceptability of nuclear energy. To that extent they were an activity carried out for the benefit of every country, whether it had a nuclear power programme or not. Since safeguards were the concern of everyone, all Member States should share in their financing, in proportions to be determined.

31. The procedures and methods used in fixing contributions must respect United Nations rules, which meant, in particular, that economic criteria should be applied to the exclusion of all other criteria, especially political ones. From that point of view the Chairman's proposal that the level of contributions, which had hitherto been frozen, should be raised in proportion to inflation would seem to be a move towards opening up the system, and his delegation supported it. It was understood that the arrangements would be reviewed at the end of the proposed three-year period. They represented a modest advance, but efforts would have to go further to achieve a lasting solution.

32. Mr. PEREZ PITA (Spain) also thanked the Chairman for his efforts, which had resulted in a temporary solution capable of meeting the Board's approval. His delegation was prepared to approve the proposed formula for apportioning the costs of safeguards and the accompanying preamble. It was understood that the solution was only a provisional one, pending the outcome of efforts to arrive at a long-term solution, as indicated in the preamble.

33. The present situation was unsatisfactory, and although the proposed solution was an improvement, it still had considerable shortcomings. There was no point, therefore, in waiting until 1992 to seek a lasting compromise: efforts to that end should be started as soon as the relevant resolution had been adopted by the General Conference. He suggested that a working group should be set up to study the question immediately after the coming session of the General Conference.

34. Mr. TIMERBAEV (Union of Soviet Socialist Republics) said that since the proper functioning of the safeguards system benefited all countries,

it was logical that all Agency Member States should share in its financing. The solution to the problem must therefore be fair and acceptable to all States. It must also be a lasting one. His delegation was ready to make a constructive contribution to the achievement of such a solution, but realized that it would be difficult at the present juncture to find a method acceptable to all. It therefore expressed its gratitude to the Chairman and his Group of Friends for their initial modest result, which had enabled some progress to be made towards applying the principle of participation by all Member States in the financing of safeguards.

35. Mr. HASHIMI (Pakistan) said that his delegation fully supported the proposed draft resolution.

36. Mr. CLARK (United Kingdom) said that it was essential that the application of safeguards should benefit all Member States, whether they had nuclear programmes or not. By becoming Members of the Agency, States demonstrated their attachment to the principles of non-proliferation and the peaceful uses of nuclear energy. Those were common interests and it was only natural that they should all share the costs of safeguards, bearing in mind the recognized principle of capacity to pay.

37. The proposals contained in the draft resolution submitted by the Chairman upheld that principle. They would do little to remedy the inconsistencies in the present system, but they went in the right direction and his delegation was prepared to accept them. It also considered that it was reasonable to apply them for a period of three years, despite the arguments advanced by the Governor from Switzerland who would, he hoped, reconsider his position. The United Kingdom therefore supported the draft resolution.

38. Mr. HIREMATH (India) paid a tribute to the Chairman for the patience and perseverance with which he had pursued the efforts of his predecessors to devise an equitable formula for the financing of safeguards. If the Board was still far from a solution that was fully acceptable to all Members of the Agency, it was because of the deep divisions that still existed among them in their perceptions of the role and value of safeguards as at present implemented.

39. The number of nuclear Powers had risen progressively from one in 1945 to five - the five permanent members of the Security Council. They had wanted to prevent other countries from joining them, and it was in that situation that the Non-Proliferation Treaty had been adopted. It was a compliment to the persuasive skills of the Depositary Powers that so many countries had signed and even ratified the Treaty, in the hope, no doubt, that doing so would make the planet safe from nuclear annihilation. Meanwhile, the proliferation of nuclear weapons had gone on unabated until even those that possessed such weapons had come to realize that nuclear deterrence might not be the best way to save the world. That was the message of the Geneva, Reykjavik, Washington and Moscow summits.

40. It was in that context that India viewed with grave apprehension the incessant growth of the safeguards budget, which had risen from US \$1.2 million in 1970 to \$51 278 000 in 1989. It had been argued, of course, that the Agency could not be faulted on that because it had acted strictly according to its Statute, which stipulated, inter alia, in Article III.A.5, that it was authorized to apply safeguards, at the request of a party to any bilateral or multilateral arrangement, to any of that State's activities in the field of atomic energy. The real question was whether that authority should have been used in the way it had been, whether new responsibilities should have been assumed on the basis of what some regarded as subjective concepts relating to "inspection goals" and "levels of assurance", and whether anything was to be gained by the application of purely symbolic safeguards in nuclear-weapon States to any of their peaceful nuclear installations, which moreover could be withdrawn at will from the Agency's purview.

41. He had often heard it said that safeguards were an assurance of good intentions to the rest of the world. That might be so, but they were mainly an assurance by the wrong parties. Safeguards might therefore be regarded, at best, as good in themselves, but that was all that could be said for them.

42. In the theology that had evolved over the years about safeguards, it had often been argued that all Members of the Agency had a joint responsibility for their efficient and effective operation and that,

accordingly, they must contribute towards the expenses incurred. In India's considered opinion, that could, at the most, be understood to mean that each Member State should make some contribution towards the financing of the Agency's safeguards programme. But the basic determining factor in apportioning such contributions must continue to be the real capacity of a Member State to pay. It was for that reason that the Group of 77 had for so many years endorsed the Venezuelan proposal to freeze the contributions of the "shielded" countries at the 1971 level.

43. The plea for dynamism in the financing arrangement had, in his delegation's opinion, been well met by the proposal which Belgium had made in September 1985, with the support of Spain, in the sense that it had provided for increased contributions by the "unshielded" Members adequate to cover inflation and expanded programmes. However, that dynamic proposal had also not been acceptable to certain countries.

44. For all those reasons the Board had not been able to find an equitable solution to the financing of safeguards. But at a time when developed Member States of the Agency, for reasons of their own, had been urging a zero growth budget, the developing Member States must insist, with even greater justification, that there should be zero growth in their contributions to the Agency's safeguards expenditure.

45. Accordingly, he was happy to support the modest proposal made by the Chairman, which did not alter the basic mechanism already established for the financing of safeguards, the "shielded" countries agreeing to pay additional amounts based only on the inflation factor applied to the Regular Budget in each of the coming three years. He hoped that the same spirit of understanding would prevail when the Board reviewed the question again and that the views he had expressed would be fully taken into account at that time.

46. Mr. CUEVAS CANCINO (Mexico) said that in his Government's opinion, the safeguards system was of primary importance for the promotion of international peace and security, and it was also indispensable to international co-operation in the peaceful uses of nuclear energy. If, therefore, Mexico was opposed to an increase in the safeguards budget, it was not because of safeguards themselves but because of the way in which the increase was made.

47. His delegation commended the Chairman on the compromise he had achieved. The time allowed by that compromise should be used to seek a solution which, if not permanent, would at least reveal the direction in which the Agency's safeguards system was moving.

48. Mention had been made of States' responsibility and support had been expressed for the purely financial criteria drawn up by the United Nations, which was essentially a political organization. The Agency rightly regarded itself as a separate body. Many of the criteria it applied did not correspond precisely to those applied in New York and it would be unfair to impose criteria that were not appropriate to the development of nuclear energy.

49. His delegation considered that the period of three years should be used to rationalize safeguards costs. As some speakers had emphasized, there were fundamental differences on that subject which should not persist. The comprehensive study that the Department of Safeguards had been asked to carry out might be a first step towards a solution. His delegation had heard with great satisfaction the statement made that morning by the Governor from Argentina, explaining the significance of safeguards from the technical point of view. As a Latin American country, Mexico had noted with particular gratification the progress made by a fellow country and the prudent nature of the statement.

50. Mexico had on a number of occasions stressed that the application of safeguards could not be viewed out of the national context. In the particular case of Mexico, four inspections a year seemed somewhat excessive, given that the country had only two research reactors and one power reactor, and bearing in mind its role in the establishment of a nuclear-free zone in Latin America.

51. With regard to the voluntary submission offers made by nuclear-weapon States, it should not be forgotten that the object of safeguards was to ensure that nuclear material was not used for nuclear weapons. In that context, there seemed little sense in applying them in such countries. His delegation's main concern was that if civilian nuclear facilities in nuclear-weapon States were placed under safeguards, the cost of safeguards would greatly increase. Hence the question was whether that would really contribute to non-proliferation. Obviously, the answer was no.

52. The problem of safeguards financing must come to be viewed in an entirely different way. Current arrangements should be changed only after thorough analysis of all the relevant factors, especially political ones, on an equitable basis, taking account of States' real capacity to pay and, of course, of their nuclear capacity and their level of development. In particular, if the principle of zero growth of the Regular Budget was maintained, it must be applied in the same way to all programmes, including safeguards. If the safeguards budget had to be significantly increased because the Agency assumed responsibility for inspecting new facilities, extrabudgetary resources must be found, or at least any increases in the Regular Budget must be apportioned equitably among promotional and safeguards activities.

53. It was his duty to stress that, if the principle of zero growth continued to be applied, his delegation would oppose, by all means at its disposal, an increase in the safeguards budget at the expense of other activities.

54. Mr. LASERNA-PINZON (Colombia) supported the formula proposed by the Chairman, for which a consensus seemed to be emerging, even though it would remain in force for only three years. After that, a new equitable formula for safeguards financing would have to be found which would take account of Member States' capacity to pay.

55. Mr. ALER (Sweden)[*] said that the proposed agreement represented only a temporary solution for the financing of what Sweden regarded as the Agency's most important function politically. His country shared the view that Agency safeguards were to the benefit of the whole of mankind and that all Members should contribute to their financing. At the same time, it had been agreed that a number of Members should be "shielded" in respect of their contributions to safeguards financing.

[*] Member States not members of the Board of Governors are indicated by an asterisk.

56. It was inevitable that safeguards costs would increase in the coming years. Existing commitments would mean an increase of 20-30% during the period 1991-95. In addition, as the Director General had pointed out in his opening statement, a large majority of Member States had urged the Agency to extend the application of safeguards to additional civil facilities in nuclear-weapon States as and when the Agency's resources permitted. That could be seen from the final document of the Third NPT Review Conference in 1985. The recommendations in that document for continued pursuit of the principle of universal application of Agency safeguards to all peaceful nuclear activities in all States would certainly be put forward again at the Fourth NPT Review Conference in 1990. Furthermore, Sweden had proposed that any transfer of nuclear weapons material to peaceful uses that followed upon nuclear disarmament measures should be verified through the application of Agency safeguards.

57. The problem of safeguards financing during the 1990s would require new and imaginative solutions. The agreement just reached provided a period of a few years which must be used to seek a long-term arrangement. The Board must tackle the task without delay, and his delegation suggested that the consultations which would be held should be open not only to all Members of the Board, but also to other Members of the Agency with special interest in the matter.

58. Mr. TALIANI (Italy)[*] expressed appreciation of the Chairman's efforts to achieve a consensus on a revised formula for financing safeguards. Although the results might seem modest, he welcomed the attitude of the "shielded" States, which continued to recognize that safeguards were the joint responsibility of all Members of the Agency.

59. It was essential at all costs to maintain and even strengthen the Agency's safeguards, whether within the framework of the NPT or not. The service thus rendered by the Agency to the international community could not be overestimated. It was also essential that safeguards financing should not reduce the resources available for other activities such as technical assistance, nuclear safety, waste storage and so forth. The very interesting

ideas put forward by Sweden, like the proposals submitted by Belgium and Spain in 1985, deserved serious consideration. Also, the list of "shielded" countries should be carefully reviewed.

60. Meanwhile, another question which related to safeguards financing and was of great concern to Italy, namely, how contributions should be apportioned among the 36 "non-shielded" Members, must be tackled without delay.

Obviously, the primary responsibility for the Agency's action, in particular the financial implications of such action, lay with the Board. The fact that certain Members had permanent seats on the Board did not absolve them from the responsibility which devolved upon them as permanent Members and by reason of their level of development. Italy considered that an agreement on that question should be reached as soon as possible; it should be based essentially on the following principles: since safeguards were the common concern of the entire international community, contributions must be proportionate to Member States' capacity to pay, and account should be taken of the particular responsibilities of certain members of the Board.

61. For those reasons Italy would prefer the present system of safeguards financing to be maintained for a further year, with the changes proposed by the Chairman, the contributions of the 36 "non-shielded" Member States to be reviewed immediately after the General Conference. The Italian delegation had the intention to refine its ideas with a view to submitting a detailed proposal under the appropriate agenda item at the coming session of the General Conference.

62. His purpose was not to criticize the results of the Chairman's efforts, which were perfectly acceptable but did not go far enough to deal with the real problem. It had to be admitted that the Board had not effectively carried out the responsibilities entrusted to it by the General Conference in resolution GC(XXX)/RES/462. Unfortunately, it was sometimes forgotten that there were Member States with particular interests whose views were not adequately taken into account in the decision-making processes of the Agency; that was a matter of concern to his Government.

63. Mr. de la BARRE D'ERQUELINNES (Belgium)[*] said that his country greatly appreciated the Chairman's efforts to advance the delicate problem of safeguards financing. In particular, he welcomed with satisfaction the fact that the "shielded" Members had accepted a slight increase in their financial effort for that purpose. Nevertheless, he recalled that the proposal Belgium had submitted in 1985 on safeguards financing was still valid and should be discussed at a later stage. Belgium had some sympathy for the proposal by Switzerland to limit the agreement to one year.

64. Mr. ALVAREZ (Venezuela)[*] associated himself with the statement made the previous day by the representative of Egypt on behalf of the Group of 77 and expressed concern about the increase in resources for the Department of Safeguards. That Department did not seem to be keeping to zero growth, and that was causing problems because of the Agency's financial difficulties and the budgetary austerity imposed on many developing countries, including Venezuela.

65. The Government of Venezuela had always seen technical co-operation as one of the Agency's priority activities, since it was a basic instrument for bridging the technological gap which separated the developing countries from the industrialized countries, a gap which was the cause of imbalances, poverty, and social or political conflicts.

66. Although his delegation recognized the importance of safeguards for the peaceful uses of nuclear energy, it nevertheless believed that the Agency should review the financing of safeguards in the light of economic realities and the interests of developing countries. The latter could not accept a substantial increase in their contributions when their nuclear capabilities did not justify it and when their economic position was not such as to enable them to take on new financial obligations.

67. Also, his delegation had on several occasions declared its opposition to the use of financial resources from other sectors for the financing of safeguards. Nevertheless, in accordance with its policy of support for the Agency's work, it had stated in the Group of 77 that it was in favour of the idea that inflation rates for the years 1990, 1991 and 1992 respectively

should be taken into account in the current arrangements for the financing of safeguards, on the understanding that that would be a temporary and not a long-term solution

68. Mr. BAER (Switzerland) said that the reason for his country's strong opposition to the proposal under consideration was that it feared that leaving the arrangements unchanged for a period of three years might lull Members into a false sense of security for the first two years. It would have been preferable to decide on a period of one year, which could be extended in case of difficulties, since the many problems raised by Governors in the course of the discussion should not be underestimated.

69. His delegation could not support the proposed draft resolution, which it feared might have the same results as resolution GC(XXX)/RES/462. However, it would not oppose a consensus on the matter. He urged that the next Chairman of the Board, whoever he might be, should tackle the problem promptly and energetically.

70. The CHAIRMAN assumed that the Board wished: to recommend the proposed change in the present safeguards financing arrangements, and accordingly to submit to the General Conference the draft report and draft resolution under consideration; to continue - as foreseen in the draft resolution - its efforts to arrive at long-term arrangements for the financing of safeguards; and to invite the next Chairman of the Board to initiate those efforts in 1990.

71. It was so decided.