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THE FINANCING OF SAFEGUARDS

Report by the Board of Governors

In February, June and September 1986, the Board of Governors reviewed the arrangements for the financing of safeguards pursuant to a resolution adopted by the General Conference in 1985.[1] In September, it requested the Director General to transmit to the General Conference, for its consideration, 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 the years 1987, 1988 and 1989.

[1] See the operative paragraph of General Conference resolution GC(XXIX)/RES/449.

Draft resolution

ARRANGEMENTS FOR THE ASSESSMENT OF MEMBERS' CONTRIBUTIONS TOWARDS
THE SAFEGUARDS COMPONENT OF THE AGENCY'S REGULAR BUDGET

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[*] and the operative paragraph of resolution GC(XXIX)/RES/449, and
- (b) Having considered the Board's recommendation in document GC(XXX)/786 to continue with the current arrangements for a further three years,

1. Decides that the arrangements for the assessment of Members' contributions towards the safeguards component of the Agency's Regular Budget which it approved by resolution GC(XXVII)/RES/416 to supplement those contained in resolutions GC(III)/RES/50 and GC(XXI)/RES/351 and which, pursuant to General Conference resolution GC(XXVIII)RES/433, continued to be applicable for 1985 and 1986 shall continue further to be applicable for 1987, 1988 and 1989; and
2. Further decides that the Board shall review these arrangements, initiating appropriate consultations immediately after the end of the thirtieth regular session of the General Conference, and make a recommendation to the General Conference at its regular session in 1989 at the latest on arrangements to be applicable thereafter.

[*] 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 and GC(XXVIII)/RES/433.

ANNEX

Summary records of the discussion on the item
"The financing of safeguards"
at meetings of the Board of Governors
held in February, June and September 1986

RECORD OF THE 645th MEETING (held on 18 February 1986)

STATEMENT BY THE DIRECTOR GENERAL

15. Another area where agreement between Governments had remained elusive was the financing of safeguards. The Secretariat could only assist by calculating the figures which various formulae would yield. Given the basic consensus which existed about the Agency's operation of safeguards, agreement on the financing formula ought not to be unattainable.

RECORD OF THE 647th MEETING (held on 19 February 1986)

(b) THE FINANCING OF SAFEGUARDS (GC(XXIX)/RES/449, GOV/2181, GOV/2182, GOV/2222 and Add.1)

18. The CHAIRMAN, recalling the request made to the Board by the General Conference in its resolution GC(XXIX)/RES/449, said that she had held intensive consultations on the subject over a period of several weeks with all Governors on an individual basis. Those consultations had been based primarily on proposals submitted by Venezuela (GOV/2181), by the United States of America (GOV/2182) and by Belgium with Spain as co-sponsor (GOV/2222 and Add.1).

19. The consultations had, as always, taken place in a friendly and constructive atmosphere, with all Members acknowledging the need to arrive at a mutually acceptable and lasting solution as early as possible. However, for well-known reasons, no agreement had as yet been reached on any of the proposed formulas. Although there had been no change of position among Governors since the matter had last been discussed by the Board, she sincerely hoped that a single formula would be found as an expression of the political will of Member States. She would, of course, be happy to continue with her consultations, if the Board so desired, in an attempt to find a common basis or a mechanism. She was confident that all Governors would co-operate with her in her endeavour during the period between the current and the following session of the Board, bearing in mind that the existing arrangements would expire at the end of the year.

20. Mr. TOERNUDD (Finland) said that Agency safeguards served the interests not only of its Member States, but of mankind as a whole in its efforts to halt the arms race. They should not therefore be seen as something imposed by certain States on others, but a system which was accepted and operated by all to increase their own security. For that reason, all Member States should in principle share the costs of safeguards in proportion to their capacity to pay, although countries with low per capita national incomes might be given some relief through the financing by the richer countries alone of a certain part of the safeguards budget. However, he was unable to accept the idea of freezing the contribution of any country at a specific level.

21. In the present-day world, the large-scale use of nuclear energy for peaceful purposes was inconceivable without Agency safeguards, which were essential both for international nuclear trade and for the public acceptance of nuclear energy. Furthermore, safeguards had become so inseparably associated with nuclear facilities that safeguards costs should properly be regarded as part of nuclear fuel cycle costs. Thus, the question of safeguards financing had both a disarmament aspect, reflecting the fact that safeguards benefited all countries, and an industrial aspect, in that the costs were a direct consequence of the operation of nuclear facilities.

22. His Government intended to adopt a flexible approach to the proposals on safeguards financing, but it would recommend that in attempting to find a cost-sharing formula not only the disarmament aspect but also the industrial aspect be taken into consideration.

23. Mr. GOMAA (Egypt) reiterated his country's view that safeguards were a pillar of the non-proliferation regime, which played an important role in promoting the peaceful uses of nuclear energy, and that a solution must therefore be found to the problem of safeguards financing within the Agency. A number of proposals on the subject had been discussed by the Board over the years without receiving general approval; the arrangements established in 1980 through resolution GC(XXIV)/RES/376 had been extended several times and were to expire at the end of the current year.

24. Although Egypt held that all countries should in principle share in the costs of safeguards in proportion to their real ability to pay, the considerations on which the special system of financing safeguards had been based in 1971 were still valid, especially in view of the economic difficulties faced by the developing countries - which constituted a majority of the Agency's Member States.

25. It was therefore necessary to pursue consultations with a view to arriving at a solution acceptable to all, and his delegation was willing to participate therein. If such a solution could not be found by the time set by the General Conference in resolution GC(XXIX)/RES/449, it would perhaps be best to continue the present arrangements either as a short-term measure or until such time as conditions were favourable for replacing them by new arrangements.

26. Mr. SEMENOV (Union of Soviet Socialist Republics) emphasized that verification of the peaceful uses of nuclear energy was a most important statutory function of the Agency and that countries could not fruitfully co-operate in those uses unless there were reliable guarantees that international collaboration in the nuclear field would not lead to a proliferation of nuclear weapons. For that reason, an overall enhancement of the effectiveness and reliability of the Agency's safeguards system was in the interests of all Member States, regardless of their nuclear or industrial status. The Soviet Union considered that the Agency should have the necessary physical, financial and manpower resources for the purpose and therefore hoped the issue of safeguards financing would be resolved soon. Since all Member States benefited from the effective functioning of the safeguards system, it was only logical that they should all contribute to the costs.

27. It was imperative to find a solution which was both fair and acceptable to all and which the Board could adopt by consensus. It should be a long-term solution so that the matter did not have to be discussed again and again, to the detriment of efforts to solve many practical problems connected with the Agency's activities. In that context, the formula put forward by the United States seemed to enjoy wide support and could form the basis of such a lasting solution. If, in order to expedite the process of consultation, the Chairman wished to set up a small group, his delegation would be willing to co-operate and to contribute constructively to finding a solution.

28. Mr. KHAN (Pakistan) said that the question of apportioning safeguards expenses in an equitable manner among Member States had been under discussion for many years. The formula currently being applied had been approved in 1971 and revised in 1976. It was based on the realization that many developing countries had very limited nuclear programmes and also a limited capacity to pay for safeguards and should not be excessively burdened with safeguards expenses. The principles underlying that formula remained valid: safeguards expenses should therefore be borne primarily by countries with greater financial resources and large nuclear power programmes. However, the formula agreed in 1971 could not be applied indefinitely, and a long-term solution was required. Pakistan believed that, in recognition of their general support for the principle of safeguards, all Member States should make a contribution towards the costs of safeguards - even if only a symbolic one. His Government would be prepared to continue with the present arrangements for a limited period, until a consensus was achieved on a long-term solution. Finally, he wished to thank the Chairman for her efforts to achieve a solution through discussions with Board Members.

29. Mr. HAVEL (Czechoslovakia) said that his country's consistent support for Agency safeguards was demonstrated not only by its contributions to the Agency's budget, but also, in particular, by its continuous political efforts in favour of nuclear non-proliferation.

30. Czechoslovakia had been one of the first Agency Member States to sign and ratify the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and to sign a safeguards agreement with the Agency. It supported safeguards in more than one way: in addition to lending political support, it was in favour of

all measures to improve the technical aspects and effectiveness of safeguards, including the solution of the long-standing problem of apportioning safeguards costs. Such a solution would not, however, be easy to find. All Member States had an interest in an effective safeguards system, since it created an atmosphere of mutual trust between countries and strengthened the non-proliferation regime. It was therefore logical that all should contribute to the financing of safeguards. In order to be accepted as a solution to the problem, a proposal would have to obtain general support and to represent a long-term method, valid for perhaps the next ten years, of determining contributions for safeguards. The present arrangement whereby Member States were divided into groups for purposes of the determination of contributions should be maintained in the new system as well.

31. Mr. NOE (Italy) said that since, despite the laudable efforts of the Chairman, no agreement had yet been reached on the financing of safeguards, Italy was prepared to continue with the present arrangements for a limited period; that period should be as short as possible, however, because the matter was a particularly important one. His delegation had considerable sympathy with the solution proposed by Belgium and Spain, which was a simple one and could break the existing stalemate in the Board.

32. Mr. SOWINSKI (Poland) said that his country would continue to co-operate in further improving Agency safeguards, although it was currently facing severe economic difficulties. He welcomed the fact that, as indicated by the Director General, part of the additional resources required for safeguards could be found by increasing efficiency and by limiting expenditure on activities of lower priority. The Secretariat should prepare a report identifying both the areas in which safeguards expenses could be offset against savings and the extent to which additional resources would be needed to meet them.

33. He supported the formula for the financing of safeguards proposed by the delegation of the United States of America.

34. The CHAIRMAN said that the representative of Belgium had asked to be allowed to address the Board on the present item under Rule 50 of the Rules of Procedure. If there were no objections, she would give him the floor.

35. Mr. HAUSTRATE (Belgium) said that his Government, while appreciating the efforts being made by the Chairman in connection with the financing of safeguards, wished the Board to consider the draft resolution set forth in document GOV/2222. The formula proposed therein, which it was intended should remain in force for five years from 1987, was based on the principle of dividing States into three categories for the purposes of safeguards financing. The first category comprised those which had no nuclear facilities but wished to pay for reasons of principle. The second consisted of States with nuclear facilities or complete fuel cycles under safeguards, which would pay a full contribution to safeguards expenses. The third category covered countries which had both civilian and military nuclear facilities and which had made the symbolic gesture of placing certain facilities under safeguards; the nuclear programmes of those States could not properly be said to be under safeguards.

36. Until a rationalization of the safeguards system had made it possible to reduce the burden to countries which bore a particularly large proportion of safeguards costs, and until comprehensive safeguards had begun to be applied at the civilian nuclear facilities of all countries, the present disparity between certain categories of State would increase and become more and more unacceptable. The formula presented in document GOV/2222 - which was being co-sponsored by Spain - had been worked out for that reason. Many other delegations had privately expressed their sympathy for it even though they might be unable to support it officially.

37. Mr. DOUDOUMIS (Greece) thanked the Chairman for her efforts to reach a solution to the problem of the financing of safeguards. Greece supported the draft resolution submitted by Belgium, which also contained elements proposed by the delegation of Venezuela in document GOV/2181; in particular, his delegation was in favour of a freeze on the contributions currently being paid and approved of taking the level of development of peaceful nuclear facilities into account as a criterion in determining the level of contributions.

38. All Agency Member States had an interest in maintaining their right to monitor the safeguards budget; nevertheless, they should demonstrate their support of the safeguards system as a whole by continuing to pay either symbolic or substantial contributions to that budget.

39. Mr. LOOSCH (Federal Republic of Germany) said that the best course to follow might be for the Chairman to continue her consultations not only on a bilateral basis but perhaps also with an informal group; if so required, his delegation would be pleased to provide assistance in that connection. The General Conference had given the Board a period of grace until its 1986 regular session, and a consensus would therefore be needed by June, when the Board would have to approve any solution to be submitted to the General Conference.

40. No new elements had emerged in recent years, and it was now necessary to find a long-term solution which obviated the need for reopening the discussion every year or two. Such a long-term solution would need to take into account two aspects: Member States had a joint responsibility for safeguards under the Statute, but some relief needed to be given to those whose financial capacity was limited.

41. However, since the solution would need to be a long-term one, it would have to contain certain dynamic elements. A long-term solution was incompatible with a freeze - which by definition was a short-term arrangement - and account would need to be taken of possible developments in the future. Such elements were contained in the United States proposal presented in document GOV/2182, the main outlines of which had found considerable support among Board Members. If at all possible, the Board should not content itself with extending the present arrangements on an ad hoc basis but should do all it could to reach an equitable long-term solution.

42. Mr. HIREMATH (India), after thanking the Chairman for her efforts to find a solution to the problem of safeguards financing, said that his delegation would co-operate fully with a view to arriving at a reasonable and equitable consensus, if possible by the time the Board met in June.

43. The CHAIRMAN said that the representative of Venezuela had requested permission to address the Board on the present item under Rule 50 of the Rules of Procedure. If there were no objections, she would ask the representative of Venezuela to take the floor.

44. Ms. MIRALLES (Venezuela) thanked the Board for permitting her to speak and expressed her delegation's appreciation of the way in which the Chairman had conducted consultations on the topic under consideration. That topic was a very complex one, and a decision to change the formula for distributing safeguards costs should be taken only after due consideration and on the basis of principles which should be balanced and should in no way place a burden on developing countries. Venezuela was aware of the importance of the safeguards system and of the need to maintain and strengthen it. However, due consideration should be given to the nuclear development of various countries and to their economic capacity, so that no disproportionate increase in costs had to be borne by developing countries.

45. Her delegation's position continued to be as set forth in document GOV/2181, although it remained willing to participate in any discussion aimed at a realistic and equitable decision.

46. Mr. HOEHNE (German Democratic Republic), after commending the Chairman on her efforts, said it was widely accepted that the non-proliferation of nuclear weapons and Agency safeguards were of great importance for international security, as had been emphasized in the Final Declaration of the Third NPT Review Conference. The creation of an atmosphere of mutual confidence throughout the world was in the interests of all States; all should therefore contribute their share to the financing of safeguards.

47. Among the various proposals put forward with a view to solving the problem, the formula suggested by the United States delegation, which appeared to command wide support within the Board, might represent a reasonable basis on which to elaborate long-term arrangements for the financing of safeguards.

48. The CHAIRMAN said that, in the light of the statements made by Governors and by the representatives of Belgium and Venezuela, she assumed that the Board wished her to continue with her informal consultations on the matter under discussion until June and to report again to the Board at that time. The Board could then decide what recommendations to make to the General Conference at its thirtieth regular session in September. The item "The financing of safeguards" would accordingly be placed on the provisional agenda for the Board's meetings in June.

49. It was so decided.

RECORD OF THE 655th MEETING (held on 13 June 1986)

THE FINANCING OF SAFEGUARDS (GC(XXIX)/RES/449)

98. The CHAIRMAN said that the question of the financing of safeguards had been on the Board's agenda for some years. The General Conference in 1985, in its resolution GC(XXIX)/RES/449, had requested the Board to continue its review of the present arrangements, and accordingly she had held extensive consultations with Governors and other interested representatives almost continuously since the end of that year. After reporting to the Board in February, she had called together a small group of senior representatives, acting purely in their personal capacities, with a view to looking at the matter afresh, and as a result certain conclusions concerning revised arrangements for the financing of safeguards had been reached which, if accepted, might well enable the Board to break the present deadlock and avoid the perpetuation of the present arrangements, which were due to expire formally at the end of 1986. The proposed revised arrangements represented a compromise between various specific proposals on the financing of safeguards which had been before the Board for some time and in respect of which there was as yet no consensus.

99. It had been her intention to discuss those proposed revised arrangements informally with Board Members immediately after the Administrative and Budgetary Committee had concluded its meetings, but other events had supervened. Nevertheless, she had been able to hold consultations on them during the past two weeks. She had received some encouraging preliminary responses, but some Governors wanted more time to study the proposals with regard both to the underlying principles and to their impact on the contributions of particular Member States, so it appeared unlikely that a decision could be taken on the present occasion.

100. The DIRECTOR GENERAL said that, although the existing arrangements for the financing of safeguards would expire at the end of the year, an agreement between Governments on revised arrangements continued to elude them, even though the sums involved were quite small. He regretted that situation because it was in the interest of international organizations that items

should not remain on the agenda year after year. Noting the personal initiative taken by the Chairman on the matter with the co-operation of a few senior representatives, he hoped that the proposed revised arrangements would be acceptable to the Board, if not at the present series of meetings at least by the September session.

101. Mr. SHASH (Egypt) said it was gratifying that a need for an independent system for financing safeguards was being felt within the Agency. The matter had been the subject of a number of proposals over several years, but agreement had not been reached on a specific formula. The system currently being applied had thus remained in force since 1971. However, in resolution GC(XXIX)/RES/449 the General Conference had asked the Board to submit a recommendation on arrangements to be applicable after 1986; the Chairman had engaged in intensive consultations during which various ideas had been put forward, and it appeared that a formula might now be gaining acceptance. All those ideas should be examined closely in the hope that the Board would be able to approve a definitive formula for the financing of safeguards.

102. Mr. TSUKADA (Japan) said that the financing of safeguards was a complicated and difficult issue which the Board had been discussing for a relatively long time. Although a new formula acceptable to all Board Members had not yet been found, his delegation appreciated the Chairman's new proposals and hoped that her consultations would be continued assiduously with a view to achieving a viable solution before the Board met in September.

103. Mr. SEMENOV (Union of Soviet Socialist Republics) said that verifying the use of nuclear energy exclusively for peaceful purposes was one of the Agency's most important statutory functions, without which the threat of nuclear proliferation could not be eliminated and States could not co-operate fruitfully in the peaceful uses of nuclear energy. The Soviet Union was therefore in favour of the Agency having the resources in terms of equipment, funds and staff needed for the purpose.

104. It was necessary to agree as soon as possible on a formula for the financing of safeguards. Since an effective and reliable safeguards system was in the interests of all Member States, it was logical that all should

contribute financially to it. The formula agreed on should thus be both just and acceptable to all States, so that it could be approved by consensus in the Board. It should be a long-term solution in order to obviate the need for returning to the question again and again, to the detriment of many other aspects of the Agency's work. His delegation was willing to make a constructive contribution to the solution of the problem during the consultations which were to be held, preferably with the assistance of a contact group under the guidance of the Chairman, who had made considerable efforts to find a formula which was acceptable to all. There were grounds for believing that a solution could be found by the thirtieth session of the General Conference in September.

105. Mr. LOOSCH (Federal Republic of Germany), thanking the Chairman for her efforts to find a generally acceptable formula, welcomed the fact that a measure of progress had been achieved in the past few weeks and that the Chairman intended to continue with intensive consultations until the next meetings of the Board.

106. In the autumn of 1984, the General Conference had given the Board two years to find a definitive solution. In his delegation's view such a solution should meet three main criteria: first, it should emphasize the joint responsibility of all Member States for the proper functioning of Agency safeguards; secondly, it should provide for some relief for Member States which were not able to pay their full share; and thirdly, it should settle the issue on a permanent or, failing that, a long-term basis in such a way as to provide for dynamic adaptation to the economic situation in Member States benefiting from relief. The two-year period would end in September, so the Board must do all it could to carry the Chairman's informal consultations to the point where a draft resolution could be recommended to the General Conference by the Board in September. In that connection, his delegation still considered that the proposal submitted by the United States in document GOV/2182 best met the three criteria he had mentioned.

107. The CHAIRMAN said that the representative of Belgium had asked for permission to address the Board in accordance with Rule 50 of its Provisional Rules of Procedure; if there were no objections, she would give him the floor.

108. Mr. HAUSTRATE (Belgium) appreciated the efforts made by the Chairman to find a solution to the problem of financing safeguards, but wished to point out that the situation had not changed since his delegation had submitted the draft resolution contained in document GOV/2222. Thus, tables 5 and 6 of the Safeguards Implementation Report for 1985 (document GOV/2243) showed a 16% increase in significant quantities of safeguarded nuclear material for non-nuclear-weapon States, as opposed to 13% for nuclear-weapon States. In addition, paragraph 104 of that document indicated that the application of safeguards in nuclear-weapon States remained very disappointing. Despite the fact that the number of facilities under safeguards in nuclear-weapon States was small and that only one of the safeguarded facilities was a sensitive one, the inspection goal had been attained in only one nuclear-weapon State; that State was therefore to be congratulated.

109. The particularly heavy burden on non-nuclear-weapon States resulting from the application of safeguards and the very small proportion of civil facilities under safeguards in nuclear-weapon States fully justified Belgium's position on safeguards financing. Until a rationalization of the safeguards system led to a reduction in the costs of safeguards implementation for countries which had to bear an exceptionally heavy financial burden in connection with the implementation of safeguards in their territories, and until a comprehensive safeguards system for the civil nuclear facilities of all countries had come into being, the gap between the two categories of State would only widen and become more and more unacceptable. The proposal in document GOV/2222 thus remained highly relevant. It had been co-sponsored by Spain and was being supported by Italy and Greece; moreover, many delegations were sympathetic towards it even if they were not able to support it formally.

110. Mr. NANOS (Greece) supported the statement by the representative of Belgium and congratulated the Chairman on her efforts to solve the problem of the financing of safeguards. Greece was not opposed to an increase in the safeguards budget, because safeguards were one of the most important activities of the Agency and one on which its very credibility depended. The Belgian proposal for the distribution of safeguards costs was a realistic one

and represented the consolidation of a system which had already proven itself in the past. Nevertheless, his delegation would not oppose a compromise formula if an acceptable one were to emerge from the consultations being held by the Chairman; any such formula should, however, take into account the positive aspects of the three drafts which had already been put forward.

111. Mr. KHAN (Pakistan) said it was most unfortunate that the matter had been under discussion for so many years without a consensus having been achieved. He hoped that efforts to reach agreement would continue, so that the Board would be able to decide on a permanent mechanism for financing safeguards in September.

112. The CHAIRMAN took it that the Board wished to revert to the item in September when, in the light of further consultations to be held by herself, it would be in a position to decide on the nature of the recommendation which it was obliged to make to the General Conference. She personally commended to the Board the proposed revised arrangements which she had mentioned in her introductory statement, and she hoped that it would be possible to reach agreement on them in the intervening period. She asked whether the Board wished to place an item entitled "The financing of safeguards" on the agenda for its September meetings.

113. It was so agreed.

PROVISIONAL RECORD OF THE 659th MEETING (held on 23 September 1986)

THE FINANCING OF SAFEGUARDS (GC(XXIX)/RES/449)

1. The CHAIRMAN recalled that, when reporting on the matter in June, she had referred to certain conclusions reached concerning revised arrangements for the financing of safeguards which, if they were accepted, might enable the Board to avoid the perpetuation of the present arrangements, which were due to expire formally at the end of 1986.

2. In her consultations since June, she had had encouraging responses from many Board Members, who had reiterated the importance they attached to the matter and their wish to arrive at a mutually acceptable and lasting

solution. Nevertheless, the general wish seemed to be that the matter should continue to be studied in the light of the conclusions which she had just mentioned.

3. In the circumstances, it appeared that no particular formula for the financing of safeguards would receive support at present, and thus no recommendation on the matter could be made to the General Conference at its forthcoming session. She personally regretted that very much, especially as, for most countries, the sums involved in a departure from the present arrangements would be extremely small; also, the encouraging responses of which she had just spoken had led her to hope that the Board might agree on revised arrangements and so break the existing deadlock.

4. In view of the fact that the current procedures for the assessment of Members' contributions to the safeguards component of the Agency's Regular Budget would expire at the end of 1986, she proposed that the Board suggest to the General Conference that the arrangements applicable at present should continue for a further three years and that the Conference should request the Board to continue, immediately after the end of the Conference's forthcoming session, with its review of the present arrangements and to submit to the Conference not later than 1989 a recommendation on the arrangements to be applicable thereafter.

5. She noted that she had circulated among Board Members a draft report[*] along those lines containing a draft resolution for consideration by the General Conference.

6. She asked the Board whether, pursuant to Rule 50 of its Provisional Rules of Procedure, it wished to permit the representative of Belgium to address it.

7. It was so decided.

8. Mr. BARRE d'ERQUELLINES (Belgium), recalling that Belgium was the author of one of the three proposals before the Board relating to efforts to find a durable solution to the question of the financing of safeguards, said that that proposal was based on the fact that there was an ever-increasing imbalance in the financing of safeguards.

[*] Subsequently issued as document GC(XXX)/786.

9. The formula currently being applied was unsatisfactory both for his Government and for others, and Belgium would have much preferred it to be extended for only one or, as a maximum, two years. The extension for three years of a provisional solution could only distract the attention of the Board from the need to find a lasting one.

10. Mr. NOE (Italy) said that two years should be enough time to find a better solution than the formula currently applied for the financing of safeguards and that an extension of three years would be excessive.

11. Mr. SHASH (Egypt) said that, despite the efforts of the Chairman to find a solution in consultation with Board Members, it was obvious that more time was needed to solve the difficult problem of the financing of safeguards and, until new arrangements were agreed upon, it would be advisable to retain the formula currently applied. Experience of previous years had shown that that formula was acceptable.

12. Mr. TOERNUDD (Finland) said that all States Members of the Agency should participate in the financing of safeguards and that in principle their contributions should be in proportion to their capacity to pay. His Government was prepared to accept that Member States with small national incomes might be given some relief, but would find it difficult to approve a formula which artificially froze contributions at a specific level and did not take into account changes in the financial capacities of States.

13. It was regrettable that the consultations initiated by the Chairman with a view to finding a new solution, and during which encouraging progress had been made, nevertheless had not resulted in a consensus. Further efforts on the same basis should be undertaken in the near future.

14. Mr. SCHEEL (German Democratic Republic) said that the formula proposed by the Chairman in consultations with Board Members could have represented a reasonable basis for the long-term financing of safeguards. However, since no consensus had been achieved on that formula, he supported the proposal that the present arrangements be extended for a further three years.

15. Mr. GIGNAC (Canada) regretted that the Chairman's efforts to find a consensus had not been successful, since he considered the formula she had put forward to be acceptable as a means of sharing safeguards expenses. Since he believed that, with a measure of goodwill, agreement on the matter would be possible in the relatively near future, he recommended that the current arrangements be extended for not more than two years.

16. Mr. LOOSCH (Federal Republic of Germany) thanked the Chairman for her efforts to find a more permanent formula for the financing of safeguards, which ought to be based on the two principles of common responsibility for their financing and of relief for countries unable to pay a large contribution. It was unfortunate that her efforts had not been successful, and he was in favour of transmitting to the General Conference the draft report and draft resolution to which she had referred. However, he would prefer the second operative paragraph of that draft resolution to be so clarified as clearly to mean that efforts to find a new solution should continue immediately; in that case three whole years might not be necessary for a permanent solution to be achieved. He therefore proposed that the word "at" in the second last line of that paragraph should be replaced by "not later than".

17. Mr. CAO GUISHENG (China) said that, although he appreciated the efforts of the Chairman to seek a new formula for the financing of safeguards, he felt it appropriate to extend the present arrangements for another three years so that a new procedure could be found. During that period the Board could continue to look for a solution acceptable to all. His delegation intended to work to that end in a spirit of co-operation.

18. Mr. HIREMATH (India), applauding the efforts of the Chairman in the previous months to find a consensus on the long-standing problem of the financing of safeguards, said that he had hoped that the proposal she had put forward would have been acceptable and that further discussion would have been unnecessary.

19. That had, however, not been possible and he wished to point out a number of facts. First, the increase in safeguards costs had not been commensurate with increases in expenses resulting from general world

inflation. Secondly, most safeguards activities took place in a relatively small number of countries. He did not wish at that time to question the desirability of all Member States contributing to safeguards; in fact, India made a considerable contribution itself. However, it should be borne in mind that certain developing countries bore a heavy burden of debt, and the time was perhaps not ripe to alter the system for financing safeguards.

20. India would have benefited from the implementation of the proposal put forward by the Chairman, since its own contribution to safeguards would have decreased by some 30-35%. However, many other developing countries, especially those in Latin America which had particular problems of indebtedness, would have seen their safeguards contributions increase.

21. It was obvious that no consensus was emerging on any of the three proposals which had been before the Board for some time, despite the efforts of the present Chairman and her predecessor. Clearly, the task of the Chairman's successor would also be a difficult one, and a three-year extension of the current arrangements represented the minimum time necessary.

22. Mr. KELSO (Australia) said that he was deeply disappointed that the Chairman's valiant efforts to find an equitable solution for the sharing of safeguards costs had not resulted in a consensus. He pointed out that the amounts involved were trifling and that in any case it was very important for all countries to support safeguards, even if they had debt problems.

23. Mr. ERRERA (France) said that any system for the financing of safeguards should be in keeping with the principle of universality, since the safeguards system was an essential factor in maintaining the confidence of the international community; all countries should therefore contribute to the extent that their financial situation permitted. It was regrettable that the efforts of the Chairman to find a solution had not received a consensus, and he approved the proposal to extend the current arrangements by three years, which represented a reasonable amount of time for alternative arrangements to be agreed on.

24. Mr. HAVEL (Czechoslovakia), thanking the Chairman for her efforts, said that the extension of the current system for the financing of safeguards for three years with a view to agreeing on a new system would be acceptable.

25. Mr. MATSUDA (Japan) appreciated the vigorous efforts of the Chairman to break the impasse on the issue under discussion and regretted that it had nevertheless been impossible for Board Members to agree among themselves.

26. Japan believed that the Agency's safeguards system was essential for bringing about a climate of confidence, which was necessary if the peaceful uses of nuclear energy were to be promoted. It benefited all nations committed to nuclear non-proliferation, and all Member States should therefore share its costs to the extent that their ability to contribute permitted.

27. Accordingly, the present formula for financing safeguards should be reviewed, and a new and permanent formula which ensured a more equitable sharing of the burden among Member States should be agreed upon as soon as possible.

28. Notwithstanding that basic position, Japan accepted that it was not immediately possible to find a new formula acceptable to all countries and that the present system of financing should continue to be applied for the time being.

29. Mr. DIDIER (Brazil), associating himself with the statement by the Governor from India, thanked him for the understanding he had shown for the financial situation of certain countries in Latin America. He fully supported the extension of the present system until the end of 1989.

30. Mr. CUEVAS CANCINO (Mexico), speaking on behalf of the Group of 77, said that the Group had appreciated the efforts of the Chairman to find a solution to the problem but that most of its members had considered that the present crisis facing them would make it very difficult for them to accept an increase in their contributions to safeguards, which would result for most of them if the formula put forward by the Chairman were applied. The Group of 77 agreed that the topic should not be a perpetual burden on the Board, but nevertheless considered that the present arrangements should be extended not by two years but by three.

31. The CHAIRMAN appealed to members for their co-operation so as to enable the Board to decide on the nature of its recommendation to the General Conference, as it was required to do. She therefore asked them whether they would agree to extend the present arrangements for a further three years on the understanding that consultations would start immediately with a view to arriving at a mutually acceptable formula. If it were agreeable to the Board, the draft resolution to which she had referred in her introductory statement would be amended in line with the suggestion by the Governor from the Federal Republic of Germany.

32. It was so agreed.

