

May 29, 1961

Memorandum from Deputy Chair, South African Atomic Energy Board, T. E. W. Schumann Regarding 2 June 1961 Paris Meeting on Bilateral Safeguards

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Summary:

Memorandum discussing the impact on South Africa of new safeguards applied by the International Atomic Energy Agency to the sale and transfer of nuclear materials.

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Atomic Energy Board,
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29th May, 1961.

The Secretary for External Affairs,
PRETORIA.

MEETING OF SAFEGUARDS AND BILATERALS
PARIS 12th JUNE, 1961

With reference to your minute 137/14 of 19th

May, 1961 I wish to comment as follows:-

A. Common front on Bilateral Safeguards

You will recall that at the Cape Town meeting of the "Safeguards Committee", the consensus of opinion was that the insistence on the application of safeguards by the Ottawa powers, was not entirely altruistic and dis-advantageous to the other powers, but that the application of safeguards by the Ottawa powers, by "steering the line", was at a distinct disadvantage vis-a-vis those countries which had bilateral agreements. The opinion was further voiced that somehow or other it should be brought to the notice of those powers that South Africa could not indefinitely hold the line; some arrangement should therefore be arrived at whereby South Africa could compete on an equal footing with the other suppliers. There are obviously only two courses open:-

1. the application of safeguards by the I.A.E.A. to all transactions in materials and equipment in terms of which such safeguards are applicable in terms of the principles accepted at the 4th General Conference of the I.A.E.A., irrespective of the fact as to whether there exists a bilateral agreement between the seller and the purchaser or not; or
2. the U.K. and Canada agree to allow South Africa to sell her material through an agent in one of those countries, thus bringing the transaction under the provisions of a bilateral agreement which may exist between one of the countries mentioned and the purchaser; (Note recent sale through Davison Chemicals to the Japanese Fuel Corporation).

Of the two courses my Board would prefer the first as it would be simpler and would, as you rightly point out, enhance the prestige of the Agency. My Board therefore supports the approach as suggested by you.

4. Measures to Promote Stability within Industries affected by Safeguards.

The Board has referred the question of "an agreement on quotas" to the industry and I quote for your information the producers views on this matter:-

"In the view of the producers in South Africa, which it should be stressed have knit themselves into a strong body operating uniformly - a condition which it is understood does not apply to the producers in other countries, who compete one with another - it is surprising that the move for an agreement on quotas should have emanated from the Australians, whose producers are believed to be the least competitive from a cost/price standpoint. The South African producers, who are the most competitive in this respect, therefore cannot acquiesce in the Australians' obtaining, under an agreement on quotas negotiated at this stage, a benefit which from the competitive standpoint they would not be entitled to have.

This does not mean that the South African producers at some later stage will not participate in an agreement on quotas, but they view with alarm the possibility of an attempt by the least competitive of producers now to endeavour to obtain such an agreement, for in the absence of any other basis the division of quotas between the producing countries is likely to be determined on an unrealistic basis of capacity to produce rather than on the relative competitive positions from a cost/price standpoint.

The South African producers, who consider themselves to be in a very competitive position, are firmly of the view that it is too soon now to accept any restrictions on the sales of uranium, and they do not wish at this stage to be involved in any discussions on the question of the establishment of quotas. They would prefer to wait until the force of their bargaining position is more fully appreciated by the producers in the other countries involved, and wish to stress that they might be prejudiced by any attempt at the forthcoming meeting on Safeguards and Bilaterals in Paris to obtain agreement among producers on quotas. In fact, they are alarmed at the possibility that the Australians may try and force such an agreement by threats that they will not co-operate in a common front on the matter of safeguards.

Mr. Sole refers to the suggestion emanating from Dr. A.J.R. van Rijn, then Minister of Mines, made during his visit to the United States and the Continent in 1957, that the uranium producers should come together and form some kind of central selling organization. In actual fact, nothing came of that suggestion, and while it was true that at that time the South African producers might have supported such a proposal, the position to-day is vastly different from that in 1957."

The position as stated by industry is correct and their views have my full support.

Registration of bilateral transfer with the I.A.E.A.
Establishment of I.A.E.A. as central registry of
international transfers for peaceful purposes of
uranium and other items subject to safeguards.

The Board is still of opinion that the registration of the sales of nuclear materials would cause commercial difficulties in a competitive market, since information supplied could not remain confidential. Furthermore, as you are aware, South Africa is committed to supply uranium primarily for defence purposes, and registration of only that which is sold for peaceful purposes would provoke criticism.

The Board has serious doubts as to the usefulness of the proposed registration system and is therefore in agreement with Mr. Cole, that it must be examined very critically from the point of view whether it will serve any real practical purpose. It may be added that the proposed register could only be of use as and when safeguards are universally accepted and applied by all members of the Agency.

D. Attachment of Safeguards to Specialised Equipment and Non-Nuclear Materials.

In view of the Board's views on the practicability of the application of safeguards to nuclear materials, it would be illogical to support its application to non-nuclear materials.

E. Future Considerations.

The Board has no comments to offer on this item and has no additional items which it would wish to suggest for inclusion in the Agenda.

(Sgd.) T. Schumann.

T.E.W. Schumann
 DEPUTY CHAIRMAN :
 ATOMIC ENERGY BOARD.

They
 know
 people
 use it
 for
 Defense