

May 26, 1948

**Memorandum from J.K Gustafson to C.L. Wilson
Regarding Gustafson's Conversation with Anton
Gray**

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Summary:

Memo from J. K. Gustafson to Carroll L. Wilson, both of the US Atomic Energy Commission, regarding a conversation Anton Gray had with General Smuts, the fourth prime minister of South Africa, about South Africa's uranium development and its effect on relations with the US and the UK.

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No. 1 of 11
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In Authority of the U.S. Atomic Energy Commission
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Approved by: *[Signature]* Date: *2/11/50*

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General Manager
J. K. Shackleton, Director
Division of New Materials
CONVERSION SITE AFRICAN OILS CORPORATION SOUTH AFRICA

ORNSLA 100-100-100-100

On May 23 Arthur Grey, telephoned me from New York and described to me his recent conversations in South Africa and London concerning South African uranium. An effort was made in the conversation not to bring within the name of persons, places or things. Following is a brief summary of his statements to me:

When Arthur was arrived in South Africa, General Smuts asked to see him. Grey stated that he was in South Africa in an entirely unofficial capacity and that he could not speak for anyone but himself. Smuts said, conversely, he wanted to get Grey's personal opinion. Smuts was angry and asked Grey why he (Smuts) had been accused of bad faith in the matter of providing the development of uranium. Grey said that he did not know what Smuts was talking about and had never heard of any such accusations. He stated moreover that impressions in the United States concerning South African activities were based principally upon his reports, and he certainly did not report any such thing. He said that he did report that the investigations in South Africa were on too small a scale to achieve the kind of results that would be wanted, but there was no indication of bad faith. At this point, Smuts smiled, and the following discussions were on a very friendly plane.

The following questions were the ones that Smuts was most anxious to have answered:

- 1) To South African uranium major enough to affect the economy of the country?
Grey replied that he thought it was. (Gold production has been dropping off in South Africa due to shortage of labor and to a lesser extent to increased costs. Grey said he thought uranium might make up the deficieny in income caused by decreased gold production.)
- 2) What is the relationship concerning uranium between the U.S.A. and U.K.A?
Grey responded that the relationship concerning uranium between the U.S.A. and U.K.A. is very close. (The Americans are our friends now, and I don't foresee for the time being they won't be.)

Grey replied that it was a working partnership. Smuts asked when it was decided that the effort that the Americans are our friends now, and I don't foresee for the time being they won't be.

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South Africa

May 26, 1948

O. L. Wilson

J. K. Gustafson

CONVERSATION WITH ANTON GRAY CONCERNING SOUTH AFRICA

- Q) Will the U.S.A. and U.K. guarantee that it will take South African uranium production at a reasonable price?

Gray said that he felt sure this was the case.

In discussing the work needed to be done in South Africa to determine more accurately tonnage, grade and price, Smuts asked Gray what he thought out to be done. Gray replied that he would spend half a million dollars on engineering study. Smuts asked whether he thought it could be done for that. Gray said, "without trying to get into a detailed estimate, yes". Smuts then turned to an assistant and said "Let's do it, let's go".

Gray got the impression that Smuts would have been willing to do business then and there.

Gray got the impression in South Africa that the South Africans do not like Bain, Gaudin or Storke. They have the impression that Gaudin has been trying to make a job for himself. They resent being told what to do by Storke. Gray said he was certain that they do not want to send any more big samples of ore to MIT for research purposes. The only basis on which he believes they will countenance further research in the U.S.A. is at their request and under their direction.

Gray mentioned that he was also called into the later discussions in London between Schonland and the U.K. representatives. Schonland asked in the conference what the relationship is between the U.K. and U.S.A. on uranium. He stated that he was going to the U.S. with the firm understanding that a real partnership exists. It is Gray's impression that the present administration in South Africa has clearly cast its lot with the British Commonwealth and that it will deal with the U.S.A. only because of such a partnership.

According to Gray, Schonland is an idealist, a scientist and a strong Nationalist. He is resentful of any hint of foreign interference and is touchy on this subject. He is not a dealer or a trader. He will ease to the United States expecting some kind of guarantee or assurance that the U.S.A. and U.K. will take South African uranium at a fair price. Gray states that Schonland will not be the administrator of the South African uranium program, but that a different kind of person, a trained operator and administrator will be chosen.

TOP SECRET

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~~TOP SECRET~~

CONFIDENTIAL

- 3 -

May 26, 1948

C. L. Wilson
J. K. Gustafson

CONVERSATION WITH ANTON GRAY CONCERNING SOUTH AFRICA

Gray thought it psychologically unwise to put a ceiling on the amount of uranium that the U.S.A. and U.K. would guarantee to take and recommended rather that a minimum guaranteed amount be set. (I personally question this judgment.)

Gray promised to be present next month when Schonland is here.

J. K. Gustafson

- CV 1 - Wilson
- 2 - Wells
- 3 - Gullion

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