

September 2, 1949

Memorandum of Conversation Regarding Eximbank Loan to South Africa

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Summary:

Assistant Secretary of State Thorp, Arneson, and Wendel discuss a potential Eximbank loan to South Africa, noting that though the loan application should be considered separate from US uranium purchases, South Africa was due to become the main source of uranium in the US after the Congo's supply was depleted.

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Exhibition Loan to South Africa

Headbank Secretary (20)
Mr. H. Gordon Armeson (17/2)
Mr. Clarence A. Smedal (10/2)

R - Mr. Thompson #1
R - Mr. Shalins #1
R - Mr. Tuckerman #1
ADD - Mr. John Hall #6

September 2,
1949
J. H. Smedal
1 - Mr. Armeson
1 - Mr. Smedal
1 - Mr. Tuckerman
1 - Mr. Hall
1 - Mr. Thompson

On August 20, 1949, at their request, Mr. Armeson and Mr. Smedal called on Mr. Thompson to bring his up to date on the relationship of the U.S. Government's interest in South African uranium to the pending application of South Africa for a \$100 million Exhibition Loan.

Mr. Armeson reviewed the position taken last spring by his office after consultation with the Atomic Energy Commission when mention of uranium was made by certain South Africans during the course of preliminary discussions regarding a loan (which at that time appeared destined to be used to correct some of payments difficulties). The position was taken that the loan application should be considered on its economic merits since uranium was a subject rarely involved to the problem at point. On the other hand, in view of the increase of our uranium desiderium, it was considered highly desirable that assistance favorable to successful conclusion of the uranium negotiations would be maintained between South Africa and ourselves, and this point of view was conveyed to the Board of the Exhibition.

Mr. Armeson said that as a result of recent developments the potential uranium supply of South Africa loomed even more important to the U.S. atomic energy program, particularly in view of a contemplated expansion of production. He expressed that South Africa might eventually become the main source of U.S. uranium after exhaustion of the Belgian Congo deposits.

It has not been learned, Mr. Armeson continued, that Fretore affecting the loan are somewhat different than they were six months ago. According to information received, the Exhibition is favorably disposed to grant a partial-
loan to the South Africans with that portion to be subscribed by private

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banking interests to be backed by a gold deposit. The South Africans, however, presumably as a matter of pride, have been reluctant to accept a loan involving this condition.

Mr. Inneson remarked that he understood that if a \$50 million dollar EXIM credit were made available to the South Africans the bulk of it would likely be used to pay for equipment now on order in the United States for the improvement of the harbor and railway facilities of South Africa. Should this be accurate, there might be a definite advantage from the standpoint of expediting production and delivery of uranium through the granting of the loan since considerable equipment must be transported to construct the new uranium processing facilities in South Africa and within several years there will be a movement of a considerable tonnage of uranium-bearing materials to port.

Mr. Thorp reviewed the negotiations of the last several months with the South Africans noting particularly that South Africa has had a tendency to squander her financial resources on imported consumer goods and that although measures have been taken to curb these practices, the situation is still not entirely satisfactory. He pointed out that in addition to drawing down internal assets there had also been a large influx into South Africa of flight capital from the U.K. which was now largely depleted. It was Mr. Thorp's opinion that the South Africans might not necessarily require the loan at this time and that if they did it was theirs for the taking and that requirement of a gold deposit is not a too onerous condition. He said he appreciated having the uranium matter brought up to date and would, of course, keep it in mind.

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