

through the Export-Import Bank at interest rates up to 4 percent. The United States will also supply up to 30,000 kg. of uranium 235 at prevailing domestic prices. The current value would be \$480 million. Repayment is being deferred until 1973, at which time the principal will be repaid in ten equal annual instalments. In addition, there is to be a joint research programme for a period of ten years, with each of the two parties meeting 50 percent of the costs. For the first five years it has been agreed that each party will contribute \$50 million.

(b) The United Kingdom has accredited its representative to ECSC to Euratom also and is negotiating a technical agreement with Euratom providing for co-operation between institutions and individual concerns. While important political considerations impel the United Kingdom into entering such an agreement, its main purpose would seem to be commercial: to ensure that Britain's access to the European market and to the technological advances which Euratom may make are not blocked by the development of an exclusive association between the United States and Euratom.

[PIÈCE JOINTE 3/ENCLOSURE 3]

Annexe B

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CONFIDENTIAL

SAFEGUARDS AGAINST DIVERSION OF NUCLEAR MATERIALS TO MILITARY USES

The bilateral agreements for co-operation in the peaceful uses of atomic energy which the United States, the United Kingdom and Canada conclude with other countries include provision for the application of safeguards against diversion of nuclear materials to military uses. The United States has already carried out several inspections under the terms of its agreements and discussions are proceeding among officials of the three countries (and of Australia and South Africa) on the possibility of developing a common international safeguards system, perhaps through the International Atomic Energy Agency.

2. The essence of safeguards, as they have so far been conceived, is that they should be applied by the country supplying materials, or by some third party, *and not* by the country receiving materials. The U.S.A.-Euratom agreements involve a marked departure since they concede the principle of "self-inspection" to Euratom: the Community will establish and implement its own safeguards system.

3. In practical terms, this arrangement probably offers sufficient guarantees that materials supplied to Euratom countries will not be misused, particularly as the United States is to assist Euratom in the establishment of its system, details of which are laid down in the U.S.A.-Euratom agreements, and has also retained certain rights of verification. However, the *de jure* situation is less satisfactory since, having conceded self-inspection to one group of nations, it may prove difficult to maintain the principle of "external" inspection for others.

4. In view of the precedent which has been established, Euratom would be most unlikely to agree to safeguards provisions, in any Canada-Euratom agreement which may be negotiated, more restrictive than those it has negotiated with the United States. We might perhaps aim for a more definite understanding with Euratom that, if an international system is developed through IAEA, responsibility for safeguards should be transferred to the latter but it may well prove impossible to reach agreement even to this.