

over the next decade or so. However, it is not certain that Canada will have access to this market simply by virtue of the bilateral agreements which we may have concluded individually with the various countries concerned. Section VI of the Euratom Treaty grants the Euratom Supply Agency exclusive rights in respect of the option and supply of nuclear materials and the exclusive right to conclude agreements or conventions relating to the supply of such materials (Article 64). Since there is an exceptions procedure (Articles 73 and 74), which may in practice limit these apparently wide powers of the Supply Agency, it is difficult to say at this stage how these provisions of the Treaty will work out in practice. It is, however, at least possible that some form of agreement between Canada and Euratom may be a precondition for the supply of Canadian nuclear materials to Euratom member countries.

3. Such an agreement would not necessarily entail any substantial degree of co-operation with Euratom, but there would seem to be positive advantages in embarking on a policy of atomic energy co-operation with that body:

(a) For a number of years, during the initial stages of Euratom's power development programme, the market offered for uranium will be quite limited. The opportunities for the sale of Canadian uranium will be further restricted by the fact that two Euratom countries are substantial producers of uranium and by the likelihood that the United States and the United Kingdom agreements with Euratom will give American and British firms a commercial advantage in the Euratom market. The establishment of a form of co-operation between Canada and Euratom which would provide our uranium producers with an entree to the Euratom market might, therefore, be a significant factor in preserving part of this market for Canadian uranium;

(b) Co-operation with Euratom might also take a form which would provide Canada with an opportunity to develop reactor technology at a faster pace than is now envisaged by providing us with access to European technological resources. If the effect of such co-operation were to interest European countries in the specifically Canadian type of reactor (CANDU) this might have the added advantage of creating a market in Europe for fuel elements of a kind for which we would be the natural source of supply and also for reactor components;

(c) Euratom represents a significant step towards European integration and it is in Canada's interest to lend support to this political concept particularly in view of the reserved attitude which we have been forced to take towards the "European Economic Community."

4. Before proceeding to consider the type of co-operation which might be envisaged with Euratom, it might be useful to review the terms of the agreements now proposed between Euratom and the United States and United Kingdom respectively:

(a) The United States is offering financial and technological assistance to Euratom for a joint programme for a total electrical output of 1,000 mw. The estimated capital cost is \$350 million, of which the United States will provide \$135 million on a long-term loan 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; interest is payable at 4 percent (we are not sure whether these payments are also deferred or if payment is to begin at once). 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.