

1977, with Sweden. However, Canada's major uranium customers, Japan and the European Economic Community, as well as Switzerland, had not accepted the conditions of the 1974 policy. The Government had already extended by a year the "grace period" it had allowed for renegotiation of the safeguards agreements. When new agreements still had not been concluded by the end of 1976, however, the Government decided to suspend, as of January 1, 1977, shipments of uranium to Japan, the EEC and Switzerland until such time as these purchasers accepted the 1974 requirements. In the absence of an upgraded safeguards agreement with the United States, shipments of uranium to that country for use in U.S. reactors were also subjected to restraints. In total, shipments worth approximately \$300 million were stopped, thereby demonstrating that Canada was prepared to pay a commercial price to secure compliance with its enhanced safeguards policy.

Canadian nuclear negotiators had their hands full throughout 1977 as they sought to secure acceptance of Canadian safeguards policy while minimizing any "spillover" of resentment at the embargo into other aspects of Canada's relations. In the U.S.A., the new Carter Administration had formulated a nuclear-safeguards policy very similar to Canada's and there were therefore no substantive differences with that country. In mid-November, pending the definition of new U.S. policy by Congress, Canada and the United States reached an interim agreement that fully met the 1974 policy requirements. Restraints on the shipment of Canadian uranium to the U.S. were removed at that time.

The EEC and Japan were the principal targets of Canadian diplomatic efforts, and during 1977 several rounds of negotiations were held with each of these important nuclear partners. The essential problem with the EEC was its great reluctance to accept Canada's right of prior consent to reprocessing of Canadian origin material. Though Canada had indicated that it was not opposed in principle to reprocessing, the Community considered that such a requirement would give Canada a veto over the right of member states to determine their energy policies and would seriously impair the Community's efforts to achieve as great a degree of energy self-sufficiency as possible.

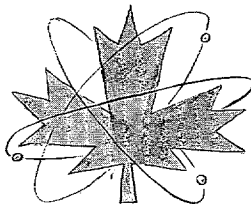
Japan strongly resisted the acceptance of a system of double controls resulting from the fact that most Canadian uranium destined for Japan was first enriched in the United States, which therefore subjected the enriched uranium to U.S. safeguards in

addition to those imposed by Canada. Japan argued that Canada should accept U.S. control as fully meeting Canadian policy. However, the new Canadian policy made clear that Canadian control had to apply to all material of Canadian origin even if others attached their own safeguards requirements to the same material.

Discussions by Prime Minister Trudeau and Mr Jamieson with EEC and Japanese political leaders at the Downing Street "economic summit" in May 1977 did not resolve the outstanding issues. At the suggestion of President Carter, the "summit" session did, however, agree to proceed with an International Nuclear-Fuel-Cycle Evaluation (INFCE). This study is to examine the issue of reprocessing and the safeguards implications of the plutonium economy, the fundamental issue between Canada and the EEC. Negotiations between Mr Jamieson and his Japanese and EEC counterparts continued through June and July.

### Compromise

Elements of a compromise with the EEC on reprocessing were identified in the July discussions between Prime Minister Trudeau and West German Chancellor Helmut Schmidt. It was agreed that, in the light of the "summit" decision to consider the whole question of reprocessing in the INFCE and of EEC willingness to consult with Canada before reprocessing Canadian material, deliveries of sufficient amounts of Canadian uranium to meet current Community needs during the period of INFCE could be resumed if all other issues still outstanding in the negotiations were resolved. These included coverage of Canadian nuclear technology and the particular problems of deliveries of Canadian uranium to France, which was not an NPT signatory and had not at that time agreed to have IAEA safeguards apply to its civilian nuclear cycle.



In late November and early December, Mr Jamieson and Energy, Mines and Resources Minister Gillespie and their negotiating team worked out an agreement with EEC Energy Commissioner Brunner that fully met the 1974 policy requirements. Under the agreement, the EEC gave Canada a binding assurance with respect to the