

# Canada and the uranium cartel

by Larry Stewart

The Supreme Court of Canada's unanimous judgment on March 18, 1980, not to release secret documents requested by the Gulf Oil Corporation of Pittsburgh once again thrust Canada's role in an international uranium cartel to national attention.

One of the most interesting aspects of the cartel was the fact that it was created, operated, dismantled and continues to be shrouded in near-absolute secrecy.

The complete story of the uranium cartel remains untold largely because of the refusals by both the Liberal and Conservative parties of Canada to release documents on the subject considered crucial in current billion dollar uranium litigation involving both Canadian and American corporations. These refusals by both governments have challenged the integrity of the Canadian government and the fundamental Canadian right of freedom of information. In considering the present controversy over the release of these classified documents describing the operation of the cartel, it is necessary to examine why the formation and operation of the cartel were guarded with such secrecy.

In early 1972, Australia, France, South Africa, Canada and Rio Tinto Zinc of Britain formed an international cartel to control the world price and supply of uranium through a complex scheme of price-fixing, bid-rigging and the allocation of markets. Specifically, the corporations involved from Canada included: Rio Algom Ltd.; Gulf Minerals Canada Ltd., (GMCL) a Canadian subsidiary of the Gulf Oil Corporation; Uranerz Canada Ltd., (UCL), a West German Company involved in a joint venture development with GMCL at Rabbit Lake, Saskatchewan; Denison Mines Ltd; Eldorado Nuclear and Uranium Canada, both crown corporations. France was represented by Uranex, which acts as a marketing agency for French uranium companies, while South Africa voiced its opinion through the Nuclear Fuels Corporation which is a marketing body in that country. Australian companies included Queensland Mines Ltd.; Pancontinental Mining Ltd.; Peko-Wallsend Ltd.; Electrolytic Zinc and Ranger Mining Ltd.

## Canadian initiatives

Exploratory talks among the potential members, initiated most likely by Canada, began in February of 1972 in Paris and were designed to stabilize prices and eliminate "cut throat" competition within the industry. By June of 1972, after five months of sporadic negotiation,

in different locations around the world, the details of the arrangement were finalized in Johannesburg, South Africa, and the uranium cartel was formally established. The structure of the Société d'Etudes de Recherches d'Uranium, as the uranium cartel was referred to for the purposes of secrecy, consisted of an Operating and Policy Committee and a one-man Secretariat "buried" in the large headquarters of the French Commissariat à l'Energie Atomique (CEA) in Paris. The Secretariat reported to the Operating Committee which was composed of one representative and an alternate from each participating country. The main task of the Secretariat was to review all contracts to ensure compliance with the cartel's guidelines. The Operating Committee met on a bi-monthly basis to consider new business and to review the operation of the cartel. The higher-ranking Policy Committee met less frequently, considering more important matters such as pricing and market allocation policies.

The marketing arrangements, which excluded the markets of the United States and the participating nations, consisted of a quota system which divided the uncommitted world market among the members according to the production levels of each country. The cartel membership also devised an elaborate scheme of bid-rigging in order to create the illusion of competition in the world uranium market. Two bidders were selected by the Secretariat after conferring with members of the Operating Committee; one was to act as a lead bidder while the other would be a runner-up. The selection of a lead bidder was made among the five participating members according to the country which needed its quota filled to keep it at a uniform rate with the sales of the other producers. The producers also agreed that they would sell to middle-men engaged in the resale of uranium, such as Westinghouse and General Electric, at prices fifteen cents per pound of uranium higher than the already elevated price charged to the Japanese and then only if the end use of the material was known, to prevent these middle-men from

---

*Mr. Stewart is a Research Assistant at the Centre for International Relations, Queen's University. He is completing a study of Canada's response to international mineral cartels.*