

Brussels, 18 December 1981

Your Excellency,

I have the honour to acknowledge receipt of your letter of today's date which reads as follows:

"1. I have the honour to refer to the 16 January 1978 Exchange of Letters between the Government of Canada and the European Atomic Energy Community (Euratom) (hereinafter referred to as the Exchange of Letters) amending the Agreement between the Government of Canada and the European Atomic Energy Community for co-operation in the peaceful uses of atomic energy of 6 October 1959, (hereinafter referred to as the Agreement) particularly insofar as it relates to safeguards (followed by an additional exchange of letters). I specifically refer to paragraph (e) of the Exchange of Letters which states that:

"Material referred to in paragraph (c) shall be enriched beyond 20% or reprocessed and plutonium or uranium enriched beyond 20% shall be stored only according to conditions agreed upon in writing between the parties (see Annex C: Interim Arrangement concerning enrichment, reprocessing and subsequent storage of nuclear material within the Community and Canada)".

Paragraph (5) of Annex C states that the parties would commence negotiations as soon as possible after 31 December 1979, or the termination of the INFCE study, whichever was earlier, with a view to replacing the Interim Arrangement by other arrangements that would take into account, inter alia, any results of the INFCE studies in relation to the operations in question.

2. These negotiations have now been completed and I have the honour to propose that the guidelines set forth below should cover reprocessing and plutonium storage and use:
- (A) an effective commitment to non-proliferation should have been made and should continue to be maintained by the party envisaging reprocessing and plutonium storage and use;
  - (B) all nuclear material subject to a peaceful uses commitment in facilities involved in reprocessing and the storage and use of plutonium should be subject to IAEA safeguards;
  - (C) all nuclear material subject to a peaceful uses commitment in facilities involved in reprocessing and the subsequent storage and use activities, including related transport, should be subject to adequate physical protection measures;
  - (D) mutually satisfactory notification and material reporting procedures should be in place between the parties;
  - (E) a description of the current and planned nuclear energy programme including in particular a detailed description of the policy, legal and regulatory elements relevant to reprocessing and plutonium storage and use should be provided by the party envisaging such activities;