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December 11, 1958

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MEMORANDUM FOR:

Mr. Algie A. Wells, Director,
Division of International Affairs,
Atomic Energy Commission.

SUBJECT: Safeguards

Following our recent conversations, I want to provide you with our preliminary observations on the safeguards question. At the outset I should say that these observations are based on a careful review of the current status of the safeguards problem, including discussions with representatives of the various regional bureaus in the Department, inquiring into their appraisal of the likelihood of international acceptance of safeguards systems of varying intensity over atomic energy materials.

The memoranda reporting on the meeting in Ottawa on November 5 have been instructive. It seemed to me to be a particularly helpful analysis of the problems confronting us. Certainly the five nations there, with their common interest in the development of an international safeguards system and singleness of purpose as far as broad political objectives are concerned, are the most congenial group with which the problem could be reviewed. The other four are clearly looking to us to give them an early indication of our basic approach to a solution of the problem. The AEC announcement on November 24 with respect to procurement of uranium gives added urgency to the need to develop an agreed basic safeguards approach. This further indication of a shift from a seller's to a buyer's market is going to make it increasingly difficult for countries such as Australia, South Africa and Canada to agree to any international arrangement which can be attacked by mining interests as standing in the way of uranium sales.

It is also essential that the development of the safeguards approach by the supplier nations of the Western world be correlated with the effort now under way in the IAEA staff in Vienna. As we understand it, Roger Marshall Smith is now acquiring additional technical staff and, following development of basic concepts, will convene a panel of outside experts

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to assist in elaborating the Agency system. It would be desirable that the principles and methods finally agreed upon by the United States, Great Britain and Canada, as well as Australia and South Africa, be informally made available to the IAEA staff for their guidance. In providing the Agency with our views, we should of course avoid a situation wherein it would appear that the Western suppliers are attempting to impose their system outright upon the Agency and its membership.

In view of the pressures on our allies and the need of the IAEA to make progress in developing a simple and understandable rationale for its safeguard operations, I believe we must take an early decision as to our approach to implementing U.S. and IAEA safeguards rights. The principal alternatives are now fairly sharply defined: they are on the one hand systematic independent external accountability for nuclear materials, and on the other hand accountability by the user subject to audit and checks in the manner set forth in the Canadian paper. The financial and political implications of these alternatives can also now be generally foreseen.

In the light of the foregoing, it is our present view that a safeguards system resting on the principles set forth in the Canadian paper would be consistent with the main outline of NSC policy and with the Atomic Energy Act, adequately protect U.S. security and other interests in the disposition of nuclear material, and have the greatest likelihood of general support among the supplying nations. This approach would impose minimum and probably bearable economic costs and it would also minimize the adverse political aspects inherent in a more far-reaching system involving, for instance, the stationing at various facilities of permanent resident inspectors.

It would appear to me most helpful if the AEC could prepare as soon as possible an alternative safeguard analysis which could also be distributed to the other four countries, drawing on the principal elements of the Canadian paper, namely, placing primary responsibility on the receiving country subject to audit and spot checks, which in our view would be a system suitable for sponsorship by the IAEA.

I would be pleased to discuss this general problem with you whenever it is convenient to do so.

Cleared: *[Handwritten initials]* Mr. Cargo (in substance)

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SAE: JRSchaetzel: HOEkern: *[Handwritten initials]*

Philip J. Farley

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cc: IO-Mr. Cargo; Embassy Ottawa, Mr. Armstrong; Embassy London, Mr. Meyers; Embassy Paris, Mr. Isenbergh; Amembassy Brussels, Ambassador Butterworth and Dr. Bishop; Amembassy Vienna, Mr. Vedeler; FE-Howard Parsons; REA-Harry Turkel; RA-Mr. Fessenden; NR-Mr. Finch



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