

November 19, 1971

South African Nuclear Fuel Agreement

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Summary:

U.S. State Department memorandum weighing the arguments for and against renewing the agreement to sell uranium enrichment services to South Africa. The political fallout from engaging with the South African apartheid regime coupled with the fact that they had not signed the NPT were closely considered.

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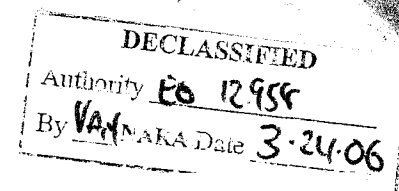
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MEMORANDUM

NATIONAL SECURITY COUNCIL INFORMATION/34738CONFIDENTIAL

November 19, 1971

MEMORANDUM FOR:

DR. KISSINGER

FROM:

MICHAEL A. GUHIN

THRU:

JOHN B. WALSH

SUBJECT:

Proposed Nuclear Fuel Agreement
with South Africa

Ted Curran (State Secretariat) has written you regarding State/AEC plans to begin negotiations with South Africa on a 30-year agreement to sell nuclear fuel enrichment services for two power reactors in South Africa: one to be completed in 1978, the other several years later (Tab A).

We already provide relatively small amounts of enriched uranium for a South African research reactor. This agreement elicited only moderate domestic and international criticism when, in 1967, it was extended for ten years. The power agreement would involve about 20,000 kg. [We have agreements with about 19 countries to provide nuclear fuel for research and power reactors, ranging from 500 kg (Argentina) to 335,000 kg (Japan).]

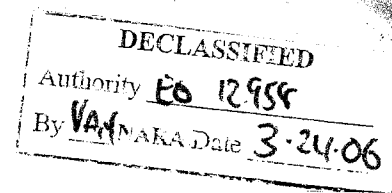
State notes several factors supporting an agreement with South Africa including (1) our announced policy that we are prepared to enter into new agreements; (2) our effort to establish the U.S. as a reliable supplier not overly susceptible to political considerations; (3) the foreign exchange benefit to the US of about \$250M over the 30 years; (4) South Africa's adherence to non-proliferation safeguards on its exports of uranium to other countries; (5) South Africa's acceptance of International Atomic Energy Agency safeguards; (6) the mutually beneficial cooperation between the US and South Africa in the nuclear energy field; and (7) the Joint Committee on Atomic Energy's informal indications of its support for such an agreement.

State also notes that if South Africa builds several more plants before the year 2000 as planned and uses US-type reactors, Ex-Im Bank policy guidelines toward South Africa may have to be reviewed. At present, however, indications are that South Africa considers financing no problem.

On the negative side, State notes that there is a likelihood of some adverse domestic and international criticism of an agreement with South Africa because of (1) its apartheid policy, (2) the possible military applications of the technology and materials involved, (3) the long-term nature of the commitment, and (4) the fact that South Africa has not signed the NPT.

We agree with State that the factors supporting such an agreement clearly outweigh the political disadvantages.

Marshall Wright concurs.



DEPARTMENT OF STATE

Washington, D.C. 20520

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November 15, 1971

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MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: Proposed Nuclear Fuel Agreement
with South Africa

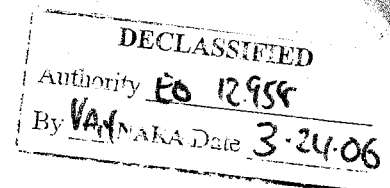
The South African Government has asked us to enter into an agreement to sell uranium enrichment services for their first two nuclear power generating stations. We plan to inform the South Africans that we are prepared to enter into negotiations toward such an agreement. Background information and an analysis of the pros and cons of the matter are contained in the attached memorandum.

Ted
for Theodore L. Eliot, Jr.
Executive Secretary

Attachment:

Background and Analysis

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CONFIDENTIALBACKGROUND AND ANALYSISBackground

South Africa proposes an agreement to cover the normal 30-year requirements for fuel enrichment services for one 500 megawatt nuclear power reactor to be started next year and completed in 1978, and a second, 800 megawatt, reactor to follow several years later. This follows the normal pattern of our nuclear cooperation programs with other countries.

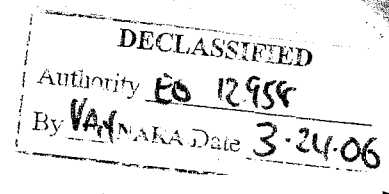
South Africa accepts International Atomic Energy Agency nonproliferation safeguards on materials and equipment received under the present agreement with the US against any possible diversion from civilian to military uses, and they have consistently been strong supporters of effective safeguards in the international nuclear community. However, they have not yet signed the NPT because of concern over protecting their secret technology for enriching uranium.

Earlier this year, the Under Secretaries' Committee examined the general question of extending U.S. commitments to enrich uranium fuel for foreign nuclear power reactors. The President approved the Committee's recommendation to continue this policy. Under White House instructions, the AEC on June 8 issued an announcement that the United States is "prepared to negotiate additional agreements" with other countries for the provision of uranium enrichment services.

The United States presently has a bilateral agreement with South Africa under which we provide relatively small amounts of enriched uranium for a South African research reactor. This agreement has elicited only a moderate amount of adverse domestic or international reaction, even when it was extended in 1967 for an additional ten years.

The United States has, or is negotiating, agreements to provide nuclear fuel to some 19 other countries for research and power reactors. The amount of fuel varies from 500 Kg in the case of Argentina to 122,300 Kg and 335,000 Kg in the cases of Sweden and Japan. Thus the proposed agreement with South Africa, for about 20,000 Kg is relatively small.

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CONFIDENTIALAnalysis

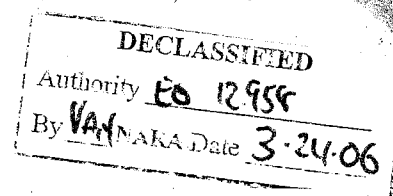
There are a number of factors which weigh in favor of negotiating the agreement proposed by South Africa:

1. Basic Uranium Supply Policy. To deny such services to South Africa would run counter to our announced general policy in the field, as approved by the White House, and would be distinctly discriminatory.

2. U.S. as Reliable Supplier. Our worldwide effort in the civil nuclear field has been to establish a credible position for the United States as a dependable supplier of nuclear fuel services. Unless there are overriding contrary considerations, we should avoid creating the impression that foreign governments cannot count upon us as reliable suppliers or that our civil nuclear cooperation arrangements are too susceptible to political considerations.

3. Dollar Earnings. The foreign exchange benefit of this agreement would be substantial. Income from enrichment services over the 30-year lifetime of the two initial reactors would run about \$250 million. Furthermore, the South Africans appear to have a strong preference for U.S. or U.S.-type reactors for their first two nuclear power stations. The total cost of these two plants would be approximately \$325 million, of which the U.S. would receive about half if an American supplier were selected. In addition, South Africa plans to build several more plants, to provide a nuclear-generating capacity of 20,000 megawatts by the end of the century. If U.S.-type reactors are used for the first plants, it will encourage South Africa to continue to use them in the additional plants, giving American firms increased opportunity to bid on them. (There is a possibility that existing guidelines on Ex-Im policy toward South Africa would not be broad enough to cover loan guarantees for transactions of this magnitude. If so, we might be faced with a policy decision on whether to adjust the guidelines. However, there are indications that the South Africans would not consider financing a problem.)

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4. Safeguards on Uranium Exports Outside of South Africa. Next to Canada and the United States, South Africa has the largest uranium reserves in the free world. South African policy calls for nonproliferation safeguards on all exports to countries other than the three Western nuclear weapons countries. This is a policy we can promote by maintaining cooperation with South Africa in civil nuclear matters.

5. IAEA Safeguards Within South Africa. As reassurance to other African states, it is desirable to continue the application of IAEA safeguards within South Africa. Such safeguards against diversion to military use would be an automatic concomitant of our agreement.

6. U.S. Influence in Scientific Community. The traditionally amicable relationships between American and South African authorities in the nuclear field (stemming originally from our reliance on South Africa for uranium when it was essential to our military nuclear program) represent a mutually beneficial area of cooperation. It is desirable to preserve this, both for itself and for its value as a positive element in U.S./South African relations.

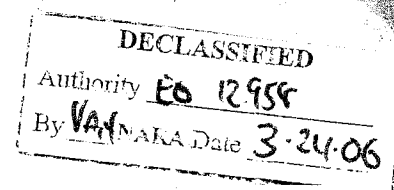
7. IAEA Relationships. South Africa has consistently behaved well in the international nuclear field. It plays an important and constructive role in the IAEA and is a close collaborator with our delegations on international nuclear matters.

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There are several arguments against proceeding with these negotiations.

1. Adverse Domestic Reactions. Any form of US/South African association or cooperation is more apt to come in for criticism, both in the Congress and outside it, than was the case in 1967. However, the Joint Committee on Atomic Energy has informally indicated its willingness to go along with the proposed agreement, and we would propose to seek further Congressional support as the negotiations proceed.

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CONFIDENTIAL2. Adverse International Reactions.

a. An agreement with South Africa in the nuclear field is likely to lead to suspicion, however unfounded, among black African countries that there is a possibility of military application of the technology involved. This could undercut our reputation for strict observance of the arms embargo and for limiting military cooperation with South Africa. The application of international safeguards by the IAEA, the membership of which includes almost all the African countries, may be slightly reassuring to the Africans but is not likely completely to allay their fears that we would be contributing to South Africa's military capability.

b. In contributing to an essential part of South Africa's industrialization, we will be open to charges that these transactions, as in the case of American investment there, are shoring up the South African economy and "supporting apartheid."

c. Such a potentially profitable agreement with South Africa might be taken as evidence that the United States is hypocritical in its dealing with South Africa and not sincere in its statements against racism. The lengthy term of the agreement means we will be subject to such charges for some time to come. It is unlikely that we will be able to write a general termination clause into the agreement.

d. South Africa has not signed the NPT. Our entering into a nuclear fuel agreement with a country which does not adhere to the NPT could cast doubts on our dedication to gaining wider adherence to the Treaty. However, we have this problem with other significant NPT holdouts (e.g. Israel, Brazil, India) with which we also have cooperation agreements. In addition, we would continue, during the negotiations for the agreements, to encourage South Africa to sign the Treaty, not as a specific precondition but as a means of removing one of the obstacles to the agreement. We would, in any event, be fulfilling our obligations under the NPT, since IAEA non-proliferation safeguards would apply under the proposed agreement.

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