

DCM-907

Office Memorandum • UNITED STATES GOVERNMENT

TO : THOSE LISTED BELOW

[REDACTED]

DATE: FEB 19 1957

FROM : J. A. Hall, Director
Division of International Affairs

*Original signed by
John A. Hall
Director*

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This document consists of 6 pages
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SUBJECT: IAEA - MATERIALS

SYMBOL: DIA:RLK

The United States participation in the International Atomic Energy Agency will involve the provision of materials and services. The terms applicable are a matter of agreement between Members and the Agency.

For the purpose of establishing the principles upon which such an agreement will be prepared, and for the purposes of discussion in the Preparatory Commission, should the occasion arise, the attachment is being circulated for comments. Upon receipt of comments, a paper will be submitted to the Commission so that the terms and conditions with respect to the Agency will be established as was done in the case of bilateral agreements.

The review of this memorandum should consider any additional points that ought to be covered. It should point out problems to be anticipated, but recognize that the concern here is with principles and not a formal agreement. It may be helpful to review the announcement of November 18, 1956, relating to bilaterals, since the points involved are similar and parallel.

It is requested that comments be provided by February 26:

ATTACHMENT:

Draft: Policy on Materials for IAEA

ADDRESSEES

- P.C. Fine, OA&P
- M.K. Kratzer, CA
- T.R. Jones, RES
- N.F. Sievering, RDD
- B. Menke, PROD

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James [unclear]

[REDACTED]

DRAFT
KIRK
2/15/57



POLICY ON MATERIALS FOR INTERNATIONAL ATOMIC ENERGY AGENCY

GENERAL

The quantities of materials made available should be on a net basis.

- a. This would allow for re-enriching which must be provided for. We can expect to be asked by the Agency to undertake this and, if re-processing in the cascade is involved, will have to indicate the quantity equivalents applicable.

It should be noted that the question of EFP vs. contained U²³⁵ as related to bilaterals will apply here as well.

- b. This also provides for processing losses which represents a political problem with respect to Agency material. While prices for forms other than UF₆ or for re-enriching can include a factor for processing losses, we have agreed to provide 5000 kg U²³⁵ which is subject to Agency accountability. Thus, we must (1) absorb the material losses, (2) submit to inspection, or (3) handle the matter on the basis of special processing contracts whereby the Agency agrees to receive a smaller quantity than it provided us for the purpose of processing.

*Should not
omit our
processing
accounting
records to
see amount
of loss to
special
contract
we have
furnished.*

*Not
use
any back
at prices which
reflect processing losses*

The last arrangement is the recommended one for both U²³⁵ transactions and for chemical reprocessing transactions. Since the U.S. is not receiving Agency assistance, it is not obliged to submit to inspection. While refusal to submit may create political difficulties, it is unrealistic to assume such inspection in the absence of a disarmament agreement involving such inspection.

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Date of Declassification 03/09/00

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U235

1. The price schedule should be the same as for bilateral arrangements. A lower price really represents only a financial donation and may be construed as a precedent. The Agency may have financing and pricing problems but the US cannot afford to subsidize it.

If \$50 Soviet U²³⁵ and \$16 USA material are received by the Agency and disbursed at an averaged price, this may help support the Soviet program but the only way to prevent this is for us to charge more than \$16 which is an unacceptable solution. The only buyers under such an arrangement would be countries not wanting to deal bilaterally with the U.S. or Soviet-bloc countries. The latter group represent a problem in any event for which control must rest in the Board of Governors.

With regard to price changes, Agency material should be handled on the same basis as bilateral supplies.

2. The material should be sold outright.

This may appear to be inconsistent with our bilateral program where a deferred-payment plan is offered but does not rule out similar assistance through the Export-Import Bank. The rights and control by the U.S. in re Agency projects is less than under bilateral agreements and a difference in terms and conditions therefore not unreasonable.

3. The assay should be limited to 20% except by separate arrangement.

This is consistent with our bilaterals. The desire for some highly enriched material must be anticipated and we can exercise some control by requiring such requests to be handled on a special basis rather than offering a bloc of high-assay material with the proviso that it

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be doled out in 6-kg lots for MTRs, or in smaller research quantities. A situation may arise where higher assays are desired for blending purposes (rather than actually re-enrich recovered material). This could be handled as a separate arrangement but should be recognized as a precedent in re the 20% limitation.

4. Material should be allocated by the Agency on a long-term basis.

This will avoid having the 5000 kg used only to fill reactors rather than also provide for pipelines and burn-up, which would lead to demands on us for necessary additional material. The Agency statute provides for annual notifications by members as to materials they will make available.

Aside from efforts within the Agency, the U.S. Agreement with the Agency should take this point into account and an appropriate formula will have to be developed.

PLUTONIUM (or U²³³)

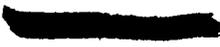
1. Unless the U.S. requests Agency assistance, we cannot get any of the by-produce plutonium (or U²³³). Consequently, we cannot extend our bilateral offer to purchase to Agency material.
2. We should express willingness to provide research quantities of plutonium, U²³³, as is done in bilaterals.

For this purpose, the bilateral buy-back prices could apply. In the domestic program, the sale of plutonium at schedule prices would occur only to the extent that such material had been purchased.* In view of (1) above, we would sell no plutonium to the Agency. Domestically, material is being made available by allocation and the price is being considered. The matter of price will probably not arise in

I don't think we can sell U²³³ into buy-back

* This concept is pertinent to the U.K. request to purchase plutonium.

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re the Agency for some time but we should anticipate it and a price on the order of \$100 indicated for the small quantities envisaged.

- 3. We should indicate that large quantities of plutonium for experimental purposes will not be available from us, if the question rises.

SOURCE MATERIALS

- 1. To date, the U.S. has not offered source materials to the Agency.

A number of points are relevant:

- a. We do not know whether our \$40 price will be difficult for other countries to meet.
- b. Other countries will have such materials to offer.
- c. We may, to provide such material, have to retain option material (under existing contracts) that the contracting countries might want to offer to the Agency.
- d. As a producer, the U.S. may be expected to make material available.
- e. In the interests of potential U.S. private sales, it may be desirable to indicate this by making some source material available at the outset.
- f. The first declaration of material availability will occur within three months after U.S. ratification.

*Should we offer processing of metal
 we may run into...
 of the...
 ...*

- 2. It appears desirable to declare that 500 tons uranium will be made available. This would provide for on the order of 75-100 MWE nuclear capacity.

as what?



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OTHER MATERIALS

With few exceptions, other materials of interest are available commercially. The notable exception is heavy water. While it is not necessary that declarations cover completely the materials to be made available, since case-by-case arrangements are possible, there are two reasons why we should consider such complete declarations:

1. We wish to influence others,
2. We have limitations that ought to be established.

A declaration that 200 tons of heavy water would be made available ought to serve the various interests on this point.

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J. A. Hall, Director
Division of International Affairs

P. C. Fine, Director
Office of Operations Analysis & Planning

February 27, 1957

Document No. TIDC/R5B 065-80

This document consists of 2 pages

No. 1 of 1 copies, Series A

POLICY ON MATERIALS FOR INTERNATIONAL ATOMIC ENERGY AGENCY

SYMBOL:OAO:TW:M-806

1. The Office of Operations Analysis & Planning agrees that the U-235 material should be made available on a net basis.
2. This Office agrees that the material should be sold.
3. The Plutonium section #1 and #2 are not clear to us.
4. With regard to the prices of materials provided to the Agency and of prices charged by the Agency, there is need for further clarification and discussion.
 - a. Should the 5,000 kg be made as a gift for political impact and to provide a revenue to the Agency?
 - b. If the material is made as a gift (or below U.S. price schedule), should the U.S. attempt to earmark the revenue (or excess of revenue over cost) resulting from the sale of the 5,000 kg for expenses involved in implementing safeguards, or for other uses desirable from the U.S. viewpoint?
 - c. Beyond the initial 5,000 kg, at what price should material be sold to IAEA?
 - d. What prices should IAEA pay countries other than U.S.?
 - e. If the price schedule for material sold by IAEA is to be the same as for U.S. bilateral arrangements, is this price schedule to include the costs of applying safeguards? The possibility of IAEA implementation of safeguards in connection with U.S. bilateral agreements and how the Agency will charge for these services could have a considerable effect on relative prices of materials acquired under bilateral arrangements and those acquired from the IAEA.
 - f. Should an Agency fund be established for the purpose of purchasing plutonium generated in Agency-sponsored projects for storage in Agency depots until such time as it can be resold as a fuel?

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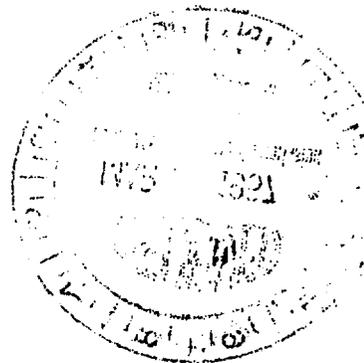
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g. A \$100/gram price for plutonium, even for small quantities, may create legal problems in the U.S. in connection with the determination of "fair prices" under Section 56 of the Atomic Energy Act, since U.S. plutonium may be priced lower.

h. Should the Agency serve as a middleman or take possession of uranium fuels? Can the Agency function efficiently by stocking materials in heavy demand?

5. Many administrative aspects of the Agency will have important policy implications. The paper does not discuss any of these. For example, are there any quantitative limitations on the materials the Agency can acquire? In what order or according to what principles is the Agency to allocate its purchases and sales?

cc: M. B. Kratzer
T. R. Jones
N. F. Sievering
B. Menke



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