DECLASSIFIED E.O. 11652 Sec. 3(E) and 5(D) or E NNDG # 740132

334 COMMITTEE OF THREE

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
NNFD Memo 2-21-75
By NARS, Date 6-18-75

Safe #463
drawer #3

TOP SECRET

SECRET

SECRET

Box 14338
53M45
DCR (OCR)

"Armorclad"
Made in U. S. A. T. M. Reg. U. S. Pat. Off.
U. S. Patents No. 1,370,424 -- 1,511,2[illegible] -- 1,544,818
British Patent No. 224,787

Guides and Folders

Remington Rand Inc.
BRANCHES EVERYWHERE

CAT. NO. 52551-P.4

Documents considered at Sept 8, 1947
Com. of Three Meeting

INTERNATIONAL CONTROL OF ATOMIC ENERGY

DOCUMENTS

under discussion
by

THE ATOMIC ENERGY COMMISSION
OF
THE UNITED NATIONS

June-September
1947

Compiled
by
THE UNITED STATES MISSION
TO THE UNITED NATIONS

SWNCC SECRETARIAT

State Member
Army Member
Navy Member
Ass't State Member
Ass't Army Member
Ass't Navy Member
Executive Secretary
Ass't Exec. Secretary
State Adm. Assistant
Army Adm. Assistant
Navy Adm. Assistant
File

INTERNATIONAL CONTROL OF ATOMIC ENERGY

D O C U M E N T S

UNDER DISCUSSION

BY

THE ATOMIC ENERGY COMMISSION

OF

THE UNITED NATIONS

June - September
1947

Compiled
by
the United States Mission
to the United Nations

OPERATIONAL AND DEVELOPMENTAL FUNCTIONS OF THE INTERNATIONAL AGENCY AND ITS RELATION TO PLANNING, CO-ORDINATION AND DIRECTION OF ATOMIC ACTIVITIES

FOREWORD

This document and the more specific documents which go with it were originally drafted by different groups appointed by the Chairman in order to provide a basis for discussion in Committee 2 of the agreed programme set out in document AEC/C.2/16. In their present form, they are the result of new drafts drawn up after the first discussion which took place in Committee 2. These drafts, entrusted to the Group Leader who acted as Rapporteur for each of the separate documents, were subsequently correlated by a group consisting of the five Rapporteurs.

An attempt has been made to embody in these new drafts the majority views expressed during the consideration of the original documents. Thus, the indivdual opinions of some of the authors of the original documents were incorporated when they seemed to correspond with the views of the majority of the Committee, but otherwise were eliminated from the new draft.

Nevertheless, since no vote was taken, the group of Rapporteurs were not always able to decide which were the views of the majority. Each member of the Committee, therefore, remains free to propose amendments reflecting his views, if he feels that they should be incorporated in these documents. Thus, the fact that a single text without comments has been submitted here does not mean that agreement was unanimous. The endeavour has been to produce a coherent series of documents which are consistent within themselves and which can serve as a basis of discussion at the second reading.

Those who assisted in the preparation of these papers acted as individuals and not as authorized representatives of States. It is understood that neither governments nor even individuals are at this stage committed to the proposals presented, and that judgment upon the contents of the papers will in no way be prejudiced by the fact that a particular person has been associated with the drafting of particular proposals.

I. INTRODUCTION

The first report "led to the conclusion that a single international control agency must be responsible for the system of safeguards and control". The Commission recognized at that time that it had "not discussed the general characteristics of such an agency or its exact powers in the way, for example, of development, research, or the international planning of atomic energy production. Nor has it considered how the various safeguards would be administered in practice as part of an overall system". Moreover, the Commission recognized that the findings (given in the first report) which represented safeguards against diversion of material at each stage taken separately "do not represent a plan for atomic energy control but only some of the elements which should be incorporated in any complete or effective plan".

Moving forward from this basis, the Atomic Energy Commission has now considered some of the broader aspects of the overall problem of the control of atomic energy so as to ensure its use for peaceful purposes only, and it has considered the inter-relation of various measures of safeguard required in the interests of international security to prevent nuclear fuel in "dangerous" quantities being accumulated or seized by any nation.

II. THE PROBLEM OF SECURITY

(a) The Purpose of Control - in studying the operational and developmental functions of the international agency and its relation to the planning, co-ordination and direction of the production of nuclear fuels and of the use of atomic energy for peaceful purposes, the establishment of security was deemed the paramount requirement to be fulfilled. An attempt was therefore made to state the principles of a system of operative control which would have the following objectives:

1. to give the international control agency the means of preventing preparation for atomic warfare,

2. to lessen the possibility of one nation or group of nations achieving potential supremacy in the field of atomic energy,

3. to give warning to complying States of any breach of the treaty, and

4. to dispel suspicions and false accusations.

In working out the application of these principles, it was found necessary to study additional considerations of security which were not within the scope of the first report and thus in some cases to provide for more comprehensive and stricter measures of control than those recommended in that report, in particular with regard to certain particular phases of the production or use of atomic energy.

(b) Additional Considerations of Security - These considerations may be summarized as follows: within the framework of the safeguards recommended in the first report, several policies were conceivable. On the one hand, the international control agency might have full powers to take any decisions relating to the planning, co-ordination, and direction of the development of atomic energy. On the other hand, the nations might be left free to develop their programmes of production of atomic energy for peaceful purposes (on condition that the precautionary measures provided for in the first report were applied to each operation). An intermediate solution between these two extremes might also be adopted.

It was considered that in choosing between these policies the elimination of national rivalries in the field of production, distribution, and stockpiling of nuclear fuels, and the determination of overall production rates are of paramount importance to security.

(c) Nature of the Dangers - The first report had already made it clear that nuclear fuels can easily be manufactured into weapons. It is recognized that the peaceful application of atomic energy in the future will require large-scale facilities for the production of nuclear fuel, facilities utilizing large quantities of nuclear fuel and reserve stockpiles of nuclear fuel. This will be true, to some extent, even before the utilization of atomic power. It is important to remember that at present the science and technique of the production of nuclear fuel is far in advance of that of its use for peaceful purposes, that is to say, it is possible

to produce nuclear fuels in quantities which far exceed the present needs of medicine, research and industry. Even now, reactors producing radio-active isotopes on a useful scale for application in research and industry may involve dangerous quantities of key substances or nuclear fuels. Development work in connection with power generation may also require a number of installations, each using dangerous quantities of material. The materials stocked in these installations could be readily utilized for military purposes. It is clear, therefore, that general security will depend largely upon the production rate of these substances, upon their distribution, and upon their location.

(d) Mining - Mining constitutes the first stage of production. If the right to decide upon the rate of extraction were left in the hands of individual nations, there would be a risk that one country might retain reserves of ore in its soil or might deliberately accumulate stockpiles, to the disadvantage of others; or that a single country would acquire dangerous quantities of source material by purchase.

(e) Processing and Utilization Facilities - It is essential to bring under international regulation decisions regarding the distribution, number, and type of facilities in which nuclear fuels are produced or utilized. A lack of balance in the location of these facilities would affect general security by introducing a corresponding lack of balance in military potentials.

(f) Dangers of Seizure - A still more immediate danger would result from the initial advantage which might be gained by a nation or a group of nations through seizure of production facilities or of stockpiles of these materials, particularly in the case of separated or purified nuclear fuel, since it would be possible to manufacture weapons from these materials with small facilities and slight additional effort. The seizure of stockpiles, production facilities and facilities utilizing nuclear fuel will always be a danger of such magnitude that seizure should be recognized by all nations to mean that a most serious violation of the treaty has taken place and that the nation is about to embark on atomic warfare. It is of vital importance that production facilities, facilities utilizing nuclear fuel and stockpiles should be distributed amongst nations in such a way as to minimize the military advantage that their seizure would provide for a nation which has agressive intentions. A well-planned distribution could not in itself prevent atomic war, but the objective should be to decrease the incentive for any one nation or group of nations to attempt to secure a military advantage by seizure. This problem will be examined more fully at a later stage.

(g) Conclusion - The dangers have, however, been recognized as sufficiently great to warrant the conclusion that, if the right to decide upon the number and size of such facilities and upon the size of the stockpiles of source material and nuclear fuel situated on their territory were left to nations, the control measures provided for in the first report would not, if applied alone, eliminate the possibility of one nation or group of nations achieving potential military supremacy, or, through seizure, actual military supremacy.

III. POWERS AND FUNCTIONS OF THE AGENCY

(a) Statement of proposals - The dangers attached to decisions regarding the matters covered in the preceding paragraph being acknowledged, it follows that the right to take these decisions cannot be left in the hands of nations. It is therefore proposed that:

1. in addition to its duties in regard to the management of facilities producing or utilizing nuclear fuels and to the application of measures for safeguarding these fuels as provided in the first report, the international control agency should have, under the conditions described below, the duty of implementing the terms of the treaty or convention in respect to the production, distribution, and stockpiling of nuclear fuels and the distribution and utilization of dangerous facilities utilizing or producing nuclear fuels and that

2. the agency should have, subject to the conditions described below, the duty of implementing the terms of the treaty or convention in respect to mining quotas and the transfer and processing of source material.

(b) Production policy - With regard to II a.(1) above, however, it is recommended that the agency should not be authorized to define the policy to be pursued in the production and use of atomic energy but that the principles governing this policy should be established by international agreement, and it should be the duty and responsibility of the agency to implement such an agreement. It was decided not to give the agency the right to decide this policy because the signatory nations would rightly require that policies which substantially affect world security should be defined in the treaty or convention. Perhaps the most striking example is provided by the production of nuclear fuel. If the agency were free to decide the rate of production of nuclear fuel and were to embark upon a policy of production exceeding recognized or actual beneficial uses, (See Specific Proposal XII of document AEC/C.2/39/Rev.2) the conditions of world security would be greatly affected. Moreover, the possible exercise of these powers might cause serious conflicts within the agency, since the establishment of quotas for distribution constitutes a most difficult task. The treaty or convention establishing the agency should lay down fairly strictly the general principles to be followed in deciding such questions and should even go so far, in certain cases, as to prescribe a numerical quota. Any modification of these principles should be subject to a revision procedure, the rules of which should be laid down in the treaty or convention. At the same time, sufficient freedom should be left to the agency to allow it to deal satisfactorily with the changes in conditions that are inevitable in such a rapidly developing field.

The object to be aimed at in the foregoing recommendations is to eliminate, as far as practicable, the possibility that a nation or group of nations might obtain potential military supremacy.

In considering what should be the initial mandate to be given to the agency, recognition was given to the conflict between the requirements of security and those of preparing for large-scale application of peaceful developments. It is recommended, therefore, that the disposition to be included initially in the treaty or convention should make it mandatory for the agency to keep the production of nuclear fuel in a form suitable for ready conversion to weapon use, at the minimum required for efficient operating procedures necessitated by actual beneficial uses, including research and development.

(c) Reactors - The above considerations, regarding the production and stockpiling of nuclear fuels, also apply to the utilization of nuclear fuels when dangerous facilities are involved. The agency should, therefore, have the duty of implementing the terms of the treaty or convention in respect to the type and location of reactors which fall in the category of dangerous facilities.

When the technique of the industrial utilization of atomic power is perfected, the international agency, within the limits imposed by security, should make power available on a fair and equitable basis to any nation which may require it.

In the determination of the type and location of facilities, the agency will have power to determine distribution by nations in accordance with quotas, provisions, and principles set up in the treaty or convention, whereas the location and type of any particular facility within a nation will be decided by the nation concerned in agreement with the agency. The agency's rights pertaining to determining location within a nation will be limited to such specific factors pertaining to international security as may be specified in the treaty or convention.

(d) Mining Policy - The agency should be prepared to provide the requirements for nuclear fuels. This is one of the considerations which should be taken into account in determining mining quotas. Here again, it is not thought that the agency should have an entirely free hand in the allocation of these quotas. It is not feasible to lay down a principle of strategic redistribution of thorium and uranium ores as they are found in nature. Hence, it is recommended that the treaty or convention should embody the principle that comparable national deposits throughout the world should be depleted proportionately.

(e) Dangerous Activities or Facilities are those which are of military significance in the production of atomic weapons. The word "dangerous" is used in the sense of potentially dangerous to world security. In determining from time to time what are dangerous activities and dangerous facilities, the international agency shall comply with provisions of the treaty or convention and shall take into account the quantity and quality of materials in each case, the possibility of diversion, the ease with which the materials can be used or converted to produce atomic weapons, the total supply and distribution of such materials in existence, the design and operating characteristics of the facilities involved, the ease of altering those facilities, possible combinations with other facilities, scientific and technical advances which have been made, and the degree to which the agency has achieved security in the control of atomic energy. All facilities not falling in the category of dangerous as defined above will be referred to in this text as non-dangerous.

(f) Research and Development - The foregoing consideration is one of the arguments in favour of giving the agency the power to conduct research and development work. Another argument is the necessity of knowing whether regeneration is possible, since this is a factor upon which the evaluation of world resources and, consequently, the whole field of peaceful application largely depend. It is also necessary that the agency should know to what extent the use of denatured fuels would affect the possibility of utilizing atomic energy, both from the economic and from the practical point of view. Although it is considered that most of the research and the facilities in which it is conducted will be classified as non-dangerous, it is essential that the agency should have scientific knowledge of all matters relating to atomic energy. These are merely examples of the arguments in support of the generally acknowledged thesis that the agency, in order to give security and to perform its task, must have full knowledge, not only of the results achieved, but also (since the subject is perpetually developing) of all innovations as they occur. It must be able to recognize all clandestine operations, even though these may be of a new and unfamiliar character.

It is considered, however, that it would be detrimental to all concerned (and to the agency itself) if private or national work on research and development should stop. The principle is, therefore, proposed that national research and development activities should be limited in scope only in so far as is necessary for reasons of security.

It is by no means considered that the agency should hamper individual or national research, but rather that its policy should be to encourage such research. It will appear that, in the field of useful application, there would be nothing in the proposals that would prevent work on problems of a national character. It is recommended, however, that nations or individuals should be forbidden to use nuclear fuel for the perfecting, production or assembly of any atomic weapon whatsoever, and should be forbidden to use dangerous quantities of nuclear fuel; all use of nuclear fuel in non-dangerous quantities should be subject to proper safeguards when necessary.

(g) Ownership - In the following documents, the expression "ownership by the international agency" is frequently used with reference to source materials, nuclear fuels, and dangerous facilities. It is important to understand the reasons which have led to the conclusion that "ownership" should be vested in the international agency in respect to materials and certain facilities and to understand thesense in which this expression is used.

The first report emphasized that the efficacy of control depended upon an application of measures of safeguard applied at each stage in the production and use of atomic energy, to prevent diversion, seizure, and clandestine use of fissile materials after their extraction. Further examination of the requirements of international security has established the necessity for international control and allocation of the quantities and locations of uranium and thorium which are to be separated from their place in nature, the time and place of the further processing and purification of source materials, and the size, use, and disposition of working stocks and stocks in transit. Without such comprehensive international control of the flow of source materials from the first point that they are capable of being diverted, there would be a serious risk of the diversion of source material or of the accumulation of stocks with a view to subsequent diversion or seizure. The basic policies and provisions governing the exercise of this international control and direction must be specified in the treaty or convention and implemented by the international agency. To administer these controls effectively, the international agency, acting as trustee for all the signatory nations jointly in accordance with the policies set forth in the treaty or convention, must be given indisputable control of the source materials promptly after their separation from their natural deposits.

If ownership of source material, after separation from its place of deposit in nature, were to remain with the nation, it might be left open to doubt as to whose decision would prevail in regard to the disposition of this material. International security requires that there be no doubt that, within the terms of the treaty or convention, the right of decision in these matters must lie with the international agency.

It has, therefore, been decided that ownership of source material must not be vested in the nation or any individual under the terms of the treaty or convention. No nation or person would, therefore, be able lawfully to possess or dispose of source material after it had been mined. The mere possession or movement of any such material without the consent of the agency would be unambiguous evidence of violation of the treaty or convention.

With regard to nuclear fuel and to facilities producing or utilizing nuclear fuel, it is porposed that, in the interests of international security, the treaty or convention and the agency in implementing the terms of the treaty or convention must determine the number of facilities to be established in each nation and the agency must manage their operation. On the other hand, since nuclear fuel and all such facilities would necessarily have to be located on some national territory, the question arises whether international security would permit that nations should have any proprietary rights or right of decision arising therefrom with regard to nuclear fuel or to the facilities located on their territory. If national or private ownership were permitted, it might be argued that the nations might lay a claim to source material, nuclear fuel or dangerous facilities located on their territory in such a way as to endanger international security. It was, therefore, concluded that it is necessary for the international agency to have, in addition to those duties of management as defined in the first report, the duty to make and to carry out decisions in implementation of the quotas, provisions, and principles set up in the treaty or convention, regarding the production, distribution, and stockpiling of nuclear fuel and the distribution and utilization of dangerous facilities involving nuclear fuel. This duty to make decisions will be exercised in accordance with the principles embodied in the treaty or convention. If national or private ownership were permitted, it would lead to controversy and make it impossible for the agency, in accordance with quotas, provisions, and principles set up in the treaty or convention, to exercise sufficient control to ensure security. It was, therefore, concluded that nations or persons should not own source material, nuclear fuel, and dangerous facilities.

If ownership of these materials and facilities is to be denied to nations or persons under the terms of the treaty or convention, it might seem to follow that such ownership must of necessity be attributed to the agency. On the other hand, the agency will be very closely controlled by the terms of the treaty or convention precisely in respect to those decisions which normally go with ownership; namely, the rights of disposition. This fact might be expressed by saying that the agency would hold all dangerous materials and facilities in trust for the signatory states and would be responsible for ensuring that the provisions of the treaty or convention in regard to their disposition are executed. It is in this sense that the phrase; "ownership by the agency", is to be understood in what follows. There can, of course, be no question that any nation or person has any right in any circumstances to dispose of or to possess these materials or facilities.

It will be seen from the papers which follow that ownership by the agency of source materials or nuclear fuels includes the exclusive right to move or lease the materials, the right to use and to produce energy from them, and the same rights for all products formed from them. Ownership also includes the principle that no disposition of material can be made without the permission of the agency. It is proposed that the agency should acquire ownership, for a price to be agreed, of source material from the time it is removed from its place of deposit in nature or, in case of source material containing other important constituents, from the time those constituents have been extracted. The agency will not be permitted to sell these materials but could lease them for authorized uses.

Likewise, ownership by the agency of dangerous facilities includes the right of the agency to make decisions regarding their allocation, construction, and operation, within the terms of the treaty or convention. The useful and non-dangerous products of these plants would be made available to the nations under fair and equitable arrangements. The location and type within a nation will be decided by agreement with the nation concerned. Ownership by the agency of

facilities within a nation includes rights of possession, operation, and disposition subject to the terms of the treaty or convention. The agency could not sell dangerous facilities. Ownership by the agency of a power plant would not include the right to shut down such a plant at will. Ownership does include the responsibility to operate facilities in such a way as not to endanger health and the responsibility for any damage.

While vesting ownership in the agency, in the sense of a trust exercised on behalf of signatory states jointly, in order that the agency should have the final right of decision in regard to the disposition of source materials, nuclear fuels, and the operation of dangerous facilities, it was also realized that the nations could not be expected to agree to give unlimited discretionary powers to an international agency. The following documents, therefore, set out in detail the provisions which are to govern the location, mining, production, distribution, and use of source material and nuclear fuel, as well as dangerous facilities. It would then be the duty and responsibility of the international agency to implement these provisions in accordance with the terms of the treaty or convention.

These documents, coupled with the first report, give an outline of the major provisions from the point of view of security that must be incorporated in a plan for the control of atomic energy. It is recognized, however, that the treaty or convention which would put such a system of control into effect cannot cover all the situations that might arise between the signatory states and the agency. It must be stated at this time that, whatever legal issues might arise in this connection, nations cannot have any proprietary rights or rights of decision arising therefrom over source materials, nuclear fuels, or dangerous facilities located within their territory.

(h) Clandestine activities - The study of the problem of security in the light of the additional considerations described at the beginning of this introduction does not affect the problem of the detection of clandestine activities. The measures provides for in the related documents, therefore, represent only an elaboration of those recommended in the first report. The purpose of these measures is to give the agency the duties and the powers in order to deter nations which might be tempted to conduct clandestine operations, to seek out and to detect such clandestine activities if a nation were to conduct them, and to dispel suspicions and false accusations.

It is obvious that no feeling of security could be established in the world if nations could reserve the right to prohibit access to certain parts of their territory. Nevertheless, it is also impracticable to subject the whole of the territories of the contracting nations to detailed inspection for, apart from the obvious political disadvantages, no international agency could ever be in a position to fulfil such a task. Thus, the exercise of the right, which the international agency must possess, of determining on the spot whether a nation is conducting clandestine preparations for atomic warfare, would be subject to various procedures, according to the nature of the territory or the building inspected, and these procedures would be designed to guarantee nations and individuals against abuses on the part of the agency and to conform, as far as possible, with national legal procedures.

It is recognized that these procedures will have to be considered from a juridical standpoint in order that they might be defined in legal terms capable of juridical interpretation, it being understood that the substance of the proposals should not be altered.

FUNCTIONS OF THE INTERNATIONAL AGENCY IN RELATION TO RESEARCH AND DEVELOPMENT ACTIVITIES

General Considerations

The First Report of the Atomic Energy Commission to the Security Council made the following recommendations with respect to research and development functions:

"The international control agency shall promote among all nations the exchange of basic scientific information on atomic energy for peaceful ends, and shall be responsible for preventing the use of atomic energy for destructive purposes, and for the control of atomic energy to the extent necessary to ensure its use for peaceful purposes.

"The international control agency should have positive research and developmental responsibilities in order to remain in the forefront of atomic knowledge so as to render the international control agency more effective in promoting the beneficial uses of atomic energy and in eliminating its destructive ones. The exclusive right to carry on atomic research for destructive purposes should be vested in the international control agency.

"Research in nuclear physics having a direct bearing on the use of atomic energy should be subject to appropriate safeguards established by the international control agency in accordance with the treaty or convention. Such safeguards should not interfere with the prosecution of pure scientific research, or the publication of its results, provided no dangerous use or purpose is involved."

We see no reason to modify these recommendations. The following paragraphs are chiefly concerned with interpreting them into practice.

In connection with research and development, the duties of the international control agency call for deep scientific knowledge on the part of its staff. To give security and to fulfil its other functions, it must have full knowledge not only of what has been achieved but also, since the subject is perpetually expanding, of innovations as they occur. It must be able to recognize clandestine operations even though these may be of a new and unfamiliar character. It is quite essential, therefore, to attract to the service a sufficient number of scientists and engineers of high class. Such men would not be attracted by mere police functions, but would be attracted if there were good opportunities for creative work. This means that the agency must possess its own establishments by means of which it may expect to keep in the forefront of knowledge.

Elimination of Secrecy

The final test of the value of the international agency is that it should prevent national rivalries in atomic energy which would lead towards war. National rivalries breed on secrecy. The success of the international agency will depend to a very large extent on its ability to open scientific knowledge in the field of atomic energy to the world, with a full, free, and constant exchange of scientific information. This should be done in such a way that the national advantage of each nation lies in taking part in this free exchange rather than in the attempt to withhold and keep secret its particular knowledge.

Thus, the elimination of the need for secrecy is one of the effective and necessary measures of control which must be exercised by the international agency in order to provide security against national rivalries. Since the agency will have complete control of all dangerous quantities of fissionable materials and of all dangerous activities, the agency can safely encourage research by national agencies, private institutions, and individual scientists. To this end, it should make available, under appropriate control, non-dangerous quantities of fissionable materials for research purposes. It should facilitate the pooling of all knowledge in the field of atomic energy derived from whatever source. It is, of course, clear that the disclosure of knowledge on atomic weapons by the agency at the proper stage in the transitional process does not mean that nations are permitted to conduct research on or development of such weapons.

Freedom of Research

It must be recognized that there is much work on atomic problems going on in universities and other institutions which is not dangerous, from the present point of view, and should be continued. National research and development activities should be limited in scope only insofar as is necessary for reasons of security.

There are no limitations on human thought, hence there can be no secrets as far as ideas are concerned. It is by control of the actual materials, not by the prohibition of research, that their misuse can be prevented; the strict control of all potentially dangerous materials must be the central objective of the agency. Once this is fully achieved, the futility of secrecy would be evident, and there could be full publication of research and full international collaboration among scientists.

As to freedom of experiment, research is usually carried out with quantities of material so small as to be of no danger. Such work should be actively encouraged by the agency, subject to control when necessary. Where very small quantities are involved, the agency may dispense with any controls it deems unnecessary. For some research, however, and particularly in the study of development projects, dangerous quantities of fissionable material may be needed. In these cases, the work would be undertaken by the agency itself. Cases might arise in which experimental work on power originally undertaken by a nation had reached a point where further development would require the use of nuclear fuel, or facilities capable of producing nuclear fuel or radioactive isotopes, in dangerous quantities. In such cases the agency would then take over the conduct of the work in co-operation with the nation. Since the project was presumably in the special interests of the individual nation, it would be natural that it should bear the principal part of the cost of this development.

The question of restriction on research connected with atomic weapons remains. There is no way of preventing thought about such matters, but once an effective system of control is established, there would be no justification for nations to carry on research in this field. On the other hand, the agency itself must be able to undertake such dangerous research when it sees fit, for it is possible that it may yield knowledge of value to science and peaceful activities which the agency could make freely available to all nations. Research in this field would assist the international agency in determining whether certain activities are safe or dangerous: in this connection, for example, the agency will be concerned with the evaluation of denaturants. Furthermore, methods of producing explosions of new kinds may be found, and it may be an important safeguard that these possibilities be investigated by the agency.

Types of Agency Laboratories

The following sketch may help in showing the characteristics of the laboratories which would probably be required by the agency to achieve its aims in research and development. While no one can accurately predict how many laboratories the agency would need, it is not thought that the number would be large.

The agency may be expected to need laboratories of two types, those for research and those for development. The research laboratories should have a character generally similar to university physics laboratories. The agency would probably find it desirable to contract much of this work out to other institutions, since a great deal of it would be similar to that practiced elsewhere. It would nonetheless require its own facilities for research in such subjects as nuclear physics, radiations of all types, ultra high-speed particles, the chemistry of new elements, the separation of isotopes, the use of tracer elements, the biological effects of radioactivity, and health hazards.

Just as the research laboratories would be similar to university laboratories, the agency's development laboratories would be similar to large industrial engineering laboratories. There would be laboratories for the study of ore extraction and refining, the design of reactors, methods of handling their intensely radioactive products and separating them chemically, the design of isotope separators, and the design of power plants.

Thus, by carrying on research and development activities in its own facilities, the agency would secure knowledge and experience necessary to the carrying out of its responsibilities. For example, such knowledge and experience would be essential to the agency in defining and re-defining the dividing line between safe and dangerous activities, designing facilities to minimize the possibilities of diversion, prescribing operating procedures to facilitate the supervision and inspection of safe activities or to improve efficiency of operations, and, in general, making necessary adaptations in established safeguards to meet changing conditions.

An agency with the functions that have been mentioned would be in a position to co-operate actively with research activities which are being carried on by individuals and nations and thereby to combine its duties of control with positive assistance. The personnel of the agency would be in constant touch with scientists throughout the world and would thus be informed of their general fields of endeavor.

The agency will require a central bureau of information keeping a record of all activities in the subject, both in its own and other laboratories. The bureau would be charged with the duty of disseminating this information to all participating nations. It would also keep a register of workers in the field of atomic energy.

Beneficial Uses

After the establishment of international control, important benefits will be available in the field of peaceful uses of atomic energy, such as tracers, radiations, and research reactors, to all participating nations. However, in the field of atomic power, much research and development remains to be done before practical benefits will accrue. Atomic power may well become useful for certain specialized purposes in a matter of some years, but it probably cannot become an important factor in the world's existing power resources for decades. By having the necessary

facilities, stocks of nuclear fuel, and the knowledge obtainable only through active leadership in the field, the international agency can hasten the development of atomic power on an efficient, economical basis to the benefit of all nations.

From the foregoing, it follows that the international control agency should have the powers and duties outlined below.

Specific Proposals

I. The international agency shall conduct, using its own personnel and its own facilities, all such research and development activities as may be necessary to the discharge of its duties of ensuring security and, generally, of preventing the destructive uses of atomic energy. It shall also conduct, using its own personnel and facilities, research and development related to the promotion of the beneficial uses of atomic energy. It shall, in the manner described in Specific Proposal VII, encourage research and development by nations and persons in these fields subject to the rights reserved, and the prohibitions stated, in Specific Proposals II and III, and subject to appropriate control over the materials involved.

II. The international agency shall have the exclusive right, using its own facilities and its own personnel, to conduct research on and development of atomic weapons; it shall be required to conduct such activities when it determines them to be necessary to the discharge of its purposes and duties. The following shall be prohibited to nations and persons:

(a) The use of nuclear fuel in atomic explosions or for the development, production, or assembly of any atomic weapon.
(b) The use of radioactive isotopes for the development of any atomic weapon.

III. Nations and persons shall be prohibited from engaging in experimental activities requiring the use of, or capable of producing, nuclear fuels or radioactive isotopes in such quantity or quality as the agency determines to be dangerous. In making these determinations, the agency shall take into account not only the quantity and quality of material but also the design and operating characteristics of the facilities involved, the ease of altering these facilities, and the effort and time required to convert such materials to destructive use.

IV. The international agency shall promote research and development on the production of power from atomic energy. Where experimental work on power undertaken by a nation reaches a point at which further development requires the use of nuclear fuel, or facilities capable of producing nuclear fuel or radioactive isotopesin quantity or quality determined by the agency to be dangerous, the agency itself shall take over the operation and management of such development in cooperation and agreement with the nation concerned, provided that the nation bears an equitable share of the cost and provided that the agency deems such work to be consistent with the general requirements of security and with the availability of technical personnel, nuclear fuel, and other necessary materials.

V. All facilities engaged in, or intended for, any of the research and development activities specified in Specific Proposals II and III above shall be disposed of by conversion to other uses or turned over to the international agency. (For timing and other related matters, see Item B.4, of document AEC/C.2/16,

"Examination of the stages by which transition will be accomplished from conditions of national control to the final conditions of predominantly international control.")

VI. The number and location of research and development facilities taken over by or established by the international agency shall be determined from time to time by the agency in agreement with the nation directly concerned.

VII. In encouraging nations and persons to initiate and conduct research and development as indicated in Specific Proposal I, the international agency may include among its measures of assistance the following: making available its own personnel for assistance or participation in such activities; permitting persons to conduct such activities in the facilities of the agency; entering into contracts and other arrangements, making available materials and facilities, and exercising its other powers in aid of such activities; allotting funds or granting loans to nations and persons in aid of such activities.

VIII. The international agency and participating nations shall be guided by the general principle that there should be no secrecy concerning scientific and technical information on atomic energy. (For timing and other related matters, see Item B.4 of document AEC/C.2/16).

In regard to research and development activities
(a) The agency shall take steps to keep itself informed of all such activities conducted by nations and persons and shall collect and analyze the results thereof.
(b) The agency shall publicize or otherwise make available to nations and persons all information relating to atomic energy and shall facilitate international co-operation among scientists in the field of atomic energy.
(c) Nations and persons shall have the obligation to maintain accurate records, permit the international agency to examine and make copies of such records, and file reports with and answer inquiries of the international agency.

IX. The international agency shall maintain a register of persons engaged in, or especially qualified to engage in, research or development activities in the field of atomic energy and shall keep itself informed as to their locations and work. Nations and persons shall co-operate in making such information available.

ANNEX

The following terms are used in the preceding sections with the meanings indicated below:

1. Atomic energy includes all forms of energy released in the course of, or as a result of, nuclear fission or of other nuclear transformation.

2. Atomic weapon includes any bomb or other object whatsoever which contains, or is designed to contain or utilize, nuclear fuel or radioactive isotopes and which, by explosion or other uncontrolled nuclear transformation of the nuclear fuel, or by radioactivity of the nuclear fuel or radioactive isotopes, is susceptible of use for purposes of mass destruction, mass injury, or mass poisoning. It includes also any part, device, or assembly especially designed for, or primarily useful in, such a bomb or object.

3. Facility includes any plant, building, establishment, laboratory, installation, equipment, and apparatus.

4. Key substance includes uranium, thorium, and any other element from which nuclear fuel can be produced, as may be determined by the international agency. Uranium is to be considered as a key substance when the ratio of U-235 to U-238 is equal to or less than the natural ratio.

5. Material includes any solid, liquid, or gaseous matter whether in compound, mixture, or any other form.

6. Nuclear fuel includes plutonium, U-233, U-235, uranium enriched in U-235, material containing the foregoing, and any other material which the international agency determines to be capable of releasing substantial quantities of atomic energy through nuclear chain reaction of the material; but it does not include key substances or source material.

7. Person includes any natural person (including, but not limited to, any private individual and any governmental or other official) and any juridical person (including, but not limited to, any private, educational, institutional, business, industrial, governmental, or other organization, corporation, establishment, or agency); but it does not include nations, and it does not include the international agency or its officials, employees, or agents when engaged in the authorized performance of their functions.

8. Radioactive isotope includes any radioactive material (except nuclear fuel) yielded in, or made radioactive by exposure to the radiation incident to, the processes of producing or utilizing nuclear fuel.

9. Source material includes any material containing one or more key substances in such concentration as the international agency may by regulation determine.

FUNCTIONS OF THE INTERNATIONAL AGENCY IN RELATION TO LOCATION AND MINING OF ORES

General Considerations

The First Report of the Atomic Energy Commission to the Security Council made the following findings in reference to safeguards concerning the location and mining of ores:

> "That effective control of atomic energy depends upon effective control of the production and use of uranium, thorium and their fissionable derivatives. Appropriate mechanisms of control to prevent their unauthorized diversion or clandestine production and use and to reduce the dangers of seizure - including one or more of the following types of safeguards: accounting, inspection, supervision, management, and licensing - must be applied through the various stages of the processes from the time the uranium and thorium ores are severed from the ground to the time they become nuclear fuel and are used. Ownership by the international control agency of mines and of ores still in the ground is not to be regarded as mandatory."

In further elaboration of the functions and powers of the international control agency with respect to the location and mining of ores, the following points must be considered.

Necessity of Control over Uranium and Thorium

As has been shown in Part IV of the First Report of the Atomic Energy Commission, two naturally occurring elements - uranium and thorium - play a unique role in the production of atomic energy. Uranium, and thorium in association with uranium, are the only raw materials from which the nuclear fuel required for the development of atomic energy can be obtained. On the other hand, the possibility, however remote, that other elements may in the future prove capable of maintaining a chain-reaction must be borne in mind, and the agency must be given sufficiently broad powers to cope with such a possibility should it arise.

The fact that, so far as is now known, uranium and thorium are unique in the field of atomic energy production presents the possibility of simplifying the problem of control of atomic energy. The guarantee that all uranium and thorium were being used only for peaceful purposes would lessen the danger of production of atomic weapons. It is evident, therefore, that effective international control of atomic energy, in order to prevent its use for destructive purposes, must begin with strict control over these two key substances. Without control over raw materials, any other controls that might be applied in the various processes of atomic energy production would be inadequate, because of the uncertainty as to whether or not the international agency had knowledge of the disposition of all raw material. Unless there is certainty on this point, no control system could inspire the confidence between nations that is required.

It is clear, therefore, that one of the first responsibilities that must be undertaken by the international agency in promoting security is to exercise strict control over the location and mining of uranium and thorium. To accomplish this, the agency must obtain full knowledge concerning the occurrence of these source

materials and, as their existence becomes known, have the full authority required to safeguard against misuse. The operations of the agency in this field involve many major problems - problems which may impinge on the sovereign rights of nations over their natural resources. Indeed, the measures of control required would be hard to accept but for the fact that failure to achieve security would have the gravest consequences to the peace and well-being of the world.

Knowledge of the occurrence of these source materials can be acquired only by a pooling of all available information with regard to national resources, supplemented by national surveys and world surveys by the international agency. The agency should continually strive to improve methods and techniques of locating deposits and of recovering low-grade ores (see document AEC/C.2/36/Rev.2). In connection with the control of mining and ore concentrating activities throughout the world, it would be necessary for the international agency to maintain laboratories where chemical or physical assays can be made in order to verify the material balances of individual mining and milling operations. These analytical facilities might be established in conjunction with research laboratories where the development of prospecting instruments and of concentration and chemical processing methods for new ores would also be carried on.

The agency must have unequivocal powers of survey with the right to use such methods as it finds necessary (see document AEC/C.2/61/Rev.1). While it should be understood that, in the carrying out of these important responsibilities, the agency will have every regard for the convenience of the national life, nevertheless it is clearly necessary to grant to the agency rights of unimpeded access and movement. In addition, participating nations should be obligated to facilitate the carrying on of such surveys; if the agency discovers occurrences of other materials, the national authorities concerned should be appropriately and promptly informed. This assistance might take the form of providing geologists and other technically trained people to work with agency personnel. Any hindrance to the agency's surveys must be recognized as a serious violation of the control system. Definite rights of unimpeded access and movement will also be required by the agency in carrying out its functions of detecting possible clandestine mining activities. The agency may be able to combine this function with the positive function of exploration in association with and assistance to the national authorities.

Until the international agency has extensive knowledge of world resources of uranium and thorium, it will not know the dimension of its problem. Nor will it have a rational basis on which to establish quotas and thereby promote security; this knowledge is necessary also for the efficient and economically sound development of atomic energy for peaceful purposes. The agency should, therefore, obtain a comprehensive picture of world resources of uranium and thorium as soon as possible.

Functions and Powers of the International Agency

The First Report of the Atomic Energy Commission has recorded the conclusion of the Scientific and Technical Committee that "a special significance must be attached to the devising of adequate safeguards against the diversion of raw materials, since none of the subsequent operations can proceed without uranium, or uranium and thorium".

The first report went on to state: "Adequate safeguards against diversion from declared mines and mills are possible by a system of inspection, including

guards, similar to normal managerial operating controls, provided that the inspectorate has unrestricted access to all equipment and operations and has facilities for independent weighing, assay, and analysis." Further examination of the problem has taken into account the functions of the agency with regard to the following factors: mining quotas, disposal, transportation, and processing of source material. If decisions on these points were left in the hands of individual nations, the following consequences might occur: reserves of ore might be retained in the ground or stockpiles accumulated by one nation to the disadvantage of others; one nation might accumulate dangerous quantities of source material by purchase; and source material might be processed without the knowledge of the agency. We have, therefore, concluded that the responsibility for decisions concerning mining quotas, transportation, and processing of source material must be assigned to the agency in accordance with the treaty or convention.

Further examination of the requirements of international security has established the necessity for international control and allocation of the quantities and locations of uranium and thorium which are to be separated from their place in nature, the time and place of the further processing and purification of source materials, and the size, use, and disposition of working stocks and stocks in transit. Without such comprehensive international control of the flow of source materials from the first point that they are capable of being diverted, there would be a serious risk of the diversion of source material or of the accumulation of stocks with a view to subsequent diversion or seizure. The basic policies and provisions governing the exercise of this international control and direction must be specified in the treaty or convention and implemented by the international agency. To administer these controls effectively, the international agency, acting as trustee for all the signatory nations jointly in accordance with the policies set forth in the treaty or convention, must be given indisputable control of the source materials promptly after their separation from their natural deposits.

If ownership of source material, after separation from its place of deposit in nature, were to remain with the nation, it might be left open to doubt as to whose decision would prevail in regard to the disposition of this material. International security requires that there be no doubt that, within the terms of the treaty or convention, the right of decision in these matters must lie with the international agency.

It has, therefore, been decided that ownership of source material must not be vested in the nation or any individual under the terms of the treaty or convention. No nation or person would, therefore, be able lawfully to possess or dispose of source material after it had been mined. The mere possession or movement of any such material without the consent of the agency would be unambiguous evidence of violation of the treaty or convention.

For these reasons, it follows that the concept of ownership as discussed in document AEC/C.2/44/Rev.2, must apply to all uranium and thorium from the time they are removed from their place of deposit in nature. In the case of operations involving other important constituents also the agency should take ownership as soon as these constituents have been extracted. In any case, nations will not dispose of any ore containing uranium or thorium in prescribed concentrations without the consent of the agency.

As stated above, the agency must be granted certain powers to regulate production, and these will necessarily limit the freedom with which the mines can be operated. Effective exploitation of the world's resources of uranium and thorium

requires that the agency should be empowered to establish world mining quotas. The agency must be empowered to establish national mining quotas and be able to prescribe rates of production determined by world needs against these quotas. The most equitable basis on which to establish such quotas would seem to be the principle that comparable national deposits throughout the world should be depleted proportionately. In the case of source material containing other important constituents, special consideration must be given in the assignment of mining quotas, in order to maintain control of uranium and thorium while permitting the production of the other important constituents.

The foregoing considerations do not require the ownership or management of mines by the international agency.

Mining of uranium and thorium without the permission of the agency would be of no legitimate use to any nation and would involve dangers to other nations. The agency must assign mining quotas and must know where and under what conditions these quotas are being fulfilled. It follows, therefore, that the mining of any deposits containing uranium or thorium will have to be covered by a licensing arrangement between the individual nations and the agency. The terms of such license should include the principles set forth in the specific proposals listed below, together with such special provisions as may be required in each particular case. In the event of any serious violation of the terms of the license, the agency must be empowered to take whatever action is necessary in the interests of maintaining security.

Security does not necessarily demand ownership by the agency of source materials still in the ground, provided that effective international control is maintained over the actual mining operations. Moreover, the agency would not normally have any reason to operate mines itself and should interfere as little as possible with normal national activities in this field. However, in special circumstances, there may well be advantages in permitting the agency, in agreement with the nation concerned and the owners, to acquire ownership or management of a mine.

The prices to be paid for ores and concentrates may be expected to change over a period of years. While pricing policy is an important economic consideration, the principle must be firmly established that the pricing mechanism can be permitted to operate only within the framework of established quotas. In all cases, the prices paid must be high enough to give fair and equitable compensation.

With the foregoing considerations in mind, the following specific proposals are put forward:

Specific Proposals

I. The international agency shall obtain and maintain:

(a) Information as complete and accurate as possible concerning world supplies of source material; and

(b) Effective control of source material whether in raw material, concentrated, or other form.

II. The international agency shall prescribe and publish from time to time the minimum concentrations of key substances present in any ores, metals, or other

materials which come within the definition of "source material", and also the minimum quantities of source material which are of significance in connection with the various aspects of control.

III. It shall be the duty of the agency to conduct, or to arrange with nations for the conduct of, surveys and explorations to discover and determine world supplies of source material. The treaty or convention shall provide that signatory states shall furnish reports to the international agency as to quantity, character, location, extent, mode of occurrence, and other information relevant to control of source material, and the agency shall analyze, co-ordinate and compile the information contained in such reports. The agency shall specify the times at which reports are to be rendered and the particulars of the information required. Nations shall undertake to furnish promptly such information as is requested. It shall be the duty of the agency to verify information which has been furnished. Subject to the limitations and procedure described in document AEC/C.2/61/Rev.1, the agency may conduct such inspections, surveys and explorations as it deems necessary for this purpose.

It shall be the duty of the agency and the nation to co-operate in the conduct of the required surveys and explorations for source material, and the agency shall provide such skilled personnel, material assistance, and liaison personnel as may be mutually agreed upon.

In addition, where the agency deems desirable, the agency shall conduct surveys in areas known or in the judgment of the agency deemed likely to contain source material, utilizing its own personnel and subject to limitations in document AEC/C.2/61/Rev.1. The following warrant and injunction procedures will apply concerning inspections, surveys, and explorations for source material.

(a) Areas known to contain source material

The agency shall conduct routine inspections and surveys of areas known to contain source material, and routine inspections of all mines in such areas. The agency shall not be required to obtain a warrant or other special authorization or special consent for these inspections or surveys. But the general limitations specified in Specific Proposal III of document AEC/C.2/61/Rev.1, and the requirement for notice to and liaison with the nation concerned specified in Specific Proposals IV and V of that paper, shall apply. In addition, the agency's conduct of aerial surveys shall be subject to the limitations and procedures specified in Specific Proposal XVI of that paper.

(b) Areas likely to contain source material

The same provisions as in (a) above shall apply in the case of inspections, ground surveys, and explorations in areas which, in the judgment of the agency, are likely to contain source material, except that the agency shall not conduct these as a matter of routine but only as it deems necessary or desirable and except that the agency shall be required to obtain a warrant or other special authorization or consent in the following cases:

1. Inspecting private facilities or dwellings, which are not open to the local population;

2. Conducting a ground survey of such private premises (as distinct from private lands in open country); or

3. Inspecting or surveying restricted areas containing military or other governmental installations when such areas are not known to contain any facilities or material relating to atomic energy.

The courts, bodies, or officials which would have jurisdiction to issue the required warrants, and the showing of reasonable cause which the agency would be required to make before being entitled to warrants, shall be specified in the treaty. (In this connection, see Specific Proposals IX, XI - XIV, and XVIII in document AEC/C.2/61/Rev.1, and the General Considerations introducing those proposals.) In addition, the agency's conduct of aerial surveys shall be subject to the limitations and procedures specified in Specific Proposal XVII of document AEC/C.2/61/Rev.1. A nation shall have the right to seek an injunction or stop order from an appropriate international body in the event the nation believes that the agency is proposing to conduct an inspection, survey, or exploration in an area not likely to contain source material.

IV. The international agency shall become the sole owner of all source material not containing other important constituents, from the time the source material is removed from its place of deposit in nature, and shall specify in each case the concentration at which it shall take possession.

V. In the case of source material containing other important constituents, the international agency shall assume ownership of the source material as soon as these constituents have been extracted. If the owning nation or person does not extract these constituents within a reasonable period of time, the agency shall have authority to assume ownership and take possession of the source material. In any case, nations will not dispose of or transfer any source materials without the consent of the agency.

VI. The international agency shall be authorized to purchase source material in place and land containing deposits thereof, in cases where such purchase is agreed to by the nation concerned and the agency. In such cases, the agency shall be authorized to dig, develop, and operate mines or arrange therefor.

VII. By agreement with the nation concerned, the agency shall be authorized to construct mills and establish dumps or to purchase, acquire, lease, develop, or operate, or contract or otherwise arrange for the development or operation of, source material mines, mills, and dumps.

VIII. In regard to the mines, mills, or dumps operated by the international agency, the agency shall:

(a) Institute accounting procedures and other safeguards for the control of source material;

(b) Prevent the waste of source material;

(c) Be authorized to sell other important constituents.

IX. Mines, mills, and dumps which handle or contain source material and which are operated by nations or persons shall be operated only under license from the international agency. Such licenses shall include the following provisions:

(a) The agency shall require reports from nations as to description, ownership, location, transfer, and use of such mines, mills and dumps.

(b) The agency shall make inspections and conduct accountings for materials including independent sampling, weighing, assaying, and analysis of material and tests of equipment, and shall maintain laboratories and technical personnel for these purposes.

(c) The agency shall maintain guards to prevent diversion of source material.

(d) The agency shall require operating procedures, schedules, and equipment necessary to ensure control, to facilitate accounting, and to prevent loss or waste of source material.

(e) The agency shall reserve the power to modify regulations and to suspend or revoke licenses in case of violation by the licensee. In case of refusal by the agency to grant a license applied for by a nation, or in case of suspension or revocation of a license granted, the applicant or licensee shall have the right of appeal to an international court and the agency shall have the right to maintain its control measures. (See Item A.3.(d), "Definitions of types of operating decisions subject to review and those not subject to review," of document AEC/C.2/16.)

X. The international agency shall assign annual quotas for the production of source material to nations in which deposits or dumps are located. These quotas shall be determined in accordance with the general principle to be given in the treaty or convention that comparable national deposits throughout the world should be depleted proportionately. The general procedure for assigning quotas shall be as follows:

(a) The agency shall estimate the reserves of source material contained in deposits and dumps throughout the world.

(b) The agency shall estimate the annual world needs for source material, taking into account its conservation for future uses.

(c) The agency shall determine from time to time the minimum concentration of source material which should be exploited, taking into account questions of economy and of strategic distribution. (See Item B.1, "Principles Governing Geographical Location of Dangerous Activities and Stockpiling", of document AEC/C.2/16.)

(d) The agency shall assign annual quotas to nations on the basis that the ratio of the quota of a nation to its currently exploitable reserves shall be approximately the same as the ratio of the annual world needs to the total currently exploitable world reserves.

(e) In assigning quotas, the agency shall specify the concentrations of key substances which it requires, as well as the total quantities.

(f) Nations shall be obligated to supply to the agency the annual quotas of source material assigned to them.

(g) Quotas may be exceeded only in cases where other important constituents are being extracted.

(h) Annual quotas shall be assigned to any deposits or dumps of source material owned by the agency on the basis that the ratio of the quota of

an individual deposit or dump to its currently exploitable reserves shall be approximately the same as the ratio of the annual world needs to the total currently exploitable world reserves.

(i) Annual quotas may be adjusted or averaged over a period of years by the agency to accord with practical mining considerations.

XI. The international agency shall compensate the owner of a source material mine for any losses suffered as a result of a shut-down or a change in operating policy required by the agency and expenses that may be incurred in maintaining the mine in safe condition for future operations. The amount of such compensation or maintenance shall be decided by negotiation by the owner, the nation in whose territory the mine is situated, and the international agency, or, in the event of failure to reach agreement, by arbitration or in the last instance by an international court.

XII. The international agency shall give fair and equitable compensation for source material determined by agreement with the nations concerned. The concentration of key substances in the source material shall be one of the elements determining the compensation. Should the agency acquire source material still containing other important constituents, the value of these constituents shall be taken into account in determining the compensation. If no agreement can be reached, the nature and amount of compensation shall be determined by arbitration or in the last instance by an international court. (For financial arrangements, see Item B.2 "Financial and budgetary organization" of document AEC/C.2/16.)

XIII. The international agency shall be authorized to make available source material in limited quantities to nations for use in research on, or development of, atomic energy (in accordance with document AEC/C.2/36/Rev.2) or for use outside the field of atomic energy subject to licensing, and accounting or inspection of such uses. (For the principles to govern the distribution of nuclear fuels, see document AEC/C.2/39/Rev.2).

XIV. The international agency shall have the following powers and duties in regard to the transportation of source material:

(a) The agency shall be authorized to arrange with the national authorities for the transportation of source material and for the construction and operation of means therefor.

(b) The agency shall inspect facilities for the transportation of source material, account for source material in transit, assign guards, and take, in concert with the national authorities, other appropriate protective measures to the extent necessary to prevent unlawful transportation of source material and to prevent loss or diversion of source material during transit.

XV. Nations and persons shall be prohibited from owning or possessing any mineral deposit known to contain a significant quantity of source material, or any source material mine, mill, or dump, without reports being made to the international agency.

XVI. Nations and persons shall be prohibited from operating any source material mine, mill, or dump, except as authorized by license or regulation of the international agency.

XVII. Nations and persons shall be prohibited from owning source material removed from its place of deposit in nature, except in the case of source material containing other important constituents (see Specific Proposal V above).

XVIII. Nations and persons shall be prohibited from possessing, storing, transporting, or using a significant quantity of source material removed from its place of deposit in nature, except as authorized by license or regulation of the international agency.

XIX. Nations and persons shall be prohibited from:

(a) Seizing, tampering with, or interfering with any source material deposit, mine, mill, or dump, or any significant quantity of source material;

(b) Obstructing the operation of any source material mine or mill;

(c) Damaging or destroying any source material deposit, mine, mill, or dump, unless so authorized or directed by the international agency.

XX. The international agency shall have the duty to seek out any clandestine activities which involve source material. To this end, the agency shall have the power to conduct ground, aerial, and other surveys, exploratory operations, accounting for materials, and inspections. These may be either of a routine character in the case of areas known to contain source materials, or of a special character when deemed necessary by the agency. (For rights of and limitations on the international agency and its personnel in carrying out such powers and duties, see document AEC/C.2/61/Rev.1).

XXI. The international agency and its personnel, officers, and agents, shall have, and nations shall be obligated to provide them with, unimpeded rights of ingress, egress, and access to the extent necessary to carry out the powers and duties of the agency specified in this paper. (For rights of and limitations on the international agency and its personnel in carrying out such powers and duties, see document AEC/C.2/61/Rev.1).

ANNEX

The following terms are used in the preceding sections with the meanings indicated below:

1. Source material mine includes any facility for the removal of source material from its place of deposit in nature.

2. Source material mill includes any facility for the concentration of key substances in source material by physical or mechanical means or methods, such as sorting, dressing, crushing, grinding, screening, shaking, grading, settling, flotation, use of concentration or jig tables, use of magnetic or electrostatic methods, etc.

3. Source material dump includes any stockpile, tailings, or other accumulation or collection of source material from a mine or mill.

4. Other important constituent of source material includes any commercially valuable constituent present in source material in a concentration that customarily justifies its extraction, but does not include constituents which are key substances or naturally occurring radioactive substance such as radium.

FUNCTIONS OF THE INTERNATIONAL AGENCY IN RELATION TO PROCESSING AND PURIFICATION OF SOURCE MATERIAL

General Considerations

The First Report of the Atomic Energy Commission to the Security Council states, in the Summary of Chapter 3 of Part V, the following findings in reference to the processing and purification of source material:

> "Adequate safeguards against diversion from declared refineries and chemical and metallurgical plants are possible by a system of inspection, including guards, similar to normal managerial operating controls, provided that the inspectorate has unrestricted access to all equipment and operations and has facilities for independent weighing, assay, and analysis and provided that it has the right to require the plant to be shut down for purposes of cleanup and accounting at appropriate times and to require efficient operating procedure.
>
> "At these stages, there is no fundamental difference between the processes for thorium and for uranium."

However, Part V of the first report also states:

> "The specific control measures mentioned in the findings are not meant to be definitive, but rather to be indicative of the various types of safeguards applicable at each stage." (Chapter 1)
>
> "In designing an effective and comprehensive system of control, attention must be given not only to the safeguards required at the several stages but also to the interrelation among those safeguards. Of particular importance in this connection is the scheduling of operations at successive stages in such a way that stocks of dangerous material are kept to a minimum." (Chapter 8)

In considering the co-ordination of safeguards, account must be taken both of the ownership of source material by the international control agency and of the findings of the first report on the production of nuclear fuel. If the international agency owns the source material from mines and mills and if the international agency manages isotope separation plants and all reactors involving or producing significant amounts of nuclear fuel, this would largely determine the arrangements for the processing of source material, which is the connecting link between these two stages.

Without complete control of the schedules of such processing operations, the agency would not be able to maintain its programme for the production of nuclear fuels or to prevent the accumulation of dangerous stocks of material. This is a matter which involves both the supply of materials from earlier stages and the need for the products at later stages. These various stages may be located in different nations. It is, therefore, clear that only the international agency can be in a position to have sufficient knowledge and authority to determine these schedules.

Furthermore, a nation would have little to gain by operating chemical or metallurgical plants for the processing of material owned by the international

agency and not necessarily intended for use in that nation. For example, uranium hexafluoride has no use except in isotope separation plants managed by the international agency. The situation is similar with regard to metallurgical plants producing uranium metal for use in nuclear reactors managed by the international agency. Such processing facilities are small and are not likely to constitute a significant factor in the national economy.

These considerations indicate the necessity for management of chemical and metallurgical plants by the international agency, and such management would also have important advantages from the technical point of view. The accounting for materials requires greater accuracy since danger resulting from diversion is more immediate than in previous stages. Any diverted material may be used directly to produce nuclear fuel in existing isotope separation plants and reactors.

In the case of refineries, the situation may be somewhat different. Refineries may be closely associated with mills operated by nations or persons. For practical reasons, it may be desirable to carry out further concentration of source material after milling in order to reduce its bulk for transport. Moreover, refineries may be primarily concerned with the extraction of other important constituents from source material. Finally, materials treated in refineries are not as far along in the process of producing atomic energy as the products from chemical and metallurgical plants, which are ready for immediate use in the production of nuclear fuels.

These various considerations have led to the specific proposals which follow. The proposals provide that refineries for the concentration of key substances in source material may be operated or licensed by the international agency, at its discretion. Refineries for the extraction of other important constituents from source material would normally be operated by nations or persons, under license by the agency. Chemical or metallurgical plants for treating key substances should be owned, operated, and managed by the agency.

Specific Proposals

I. The international agency shall require initial reports from nations and persons as to the location, description, and ownership of all source material refineries and chemical or metallurgical plants for treating key substances. The agency shall require additional reports from time to time in regard to the operation of any licensed facilities.

II. The international agency shall have the authority to determine, in each case, whether it shall own, operate, and manage any source material refinery or whether it shall license the operation of the refinery by a nation or person, with the exception of the refineries specified in Specific Proposal III below. In the event that the agency determines to license the operation of such a refinery, the agency shall have the following powers and duties, for which provisions shall be made in the license:

(a) The agency shall make inspections and conduct accountings for materials, including independent sampling, weighing, assaying, and analysis of materials and tests of equipment, and shall maintain independent laboratory facilities and technical personnel for these purposes.

(b) The agency shall maintain guards to prevent diversion of materials containing key substances.

(c) The agency shall require shut-downs or shall modify schedules for purposes of cleanup and accounting at appropriate times or in the event of significant accounting discrepancies.

(d) The agency shall require operating procedures and equipment to ensure necessary efficiency and complete control and to prevent loss or waste of key substances. In the case of refineries which may be built or modified for operation under license, the plans shall be approved by the agency.

(e) The agency shall have unrestricted access to all equipment and operations.

(f) The agency shall specify the operating schedules and shall make such changes in schedules as may be necessary for proper co-ordination with other activities of the agency.

(g) The agency shall specify the concentration of key substances desired and shall take immediate possession of refined materials as produced.

(h) The agency shall reserve the power to modify the provisions of the license and to revoke the license, taking over the ownership, operation, and management of the refinery, with due compensation to the owner. (For questions of appeal see Item A.3 (d), "Definition of types of operating decisions subject to review and those not subject to review," of document AEC/C.2/16).

III. Refineries customarily engaged in the processing of source material for the purpose of extracting other important constituents will normally be owned, operated, and managed by nations or persons, and, in that event, shall be granted licenses by the agency for this purpose. The agency shall require, however, that the other important constituents leaving the refinery contain neither significant percentages nor significant total amounts of key substances. In cases where licenses are granted, the agency shall have the following powers and duties for which provisions shall be made in the license. It will be understood that the stringency required in the application of these provisions may be found by the agency to depend on whether key substances are removed in the form of concentrates during processing or whether the key substances appear in the waste or tailings of the process.

(a) The agency may set a reasonable time limit for the extraction of the other important constituents, in order to meet established quotas for the production of key substances (see document AEC/C.2/37/Rev.2) or to prevent dangerous accumulations of source material (See Item B.1 "Principles Governing Geographical Location of Dangerous Activities and Stockpiling", of document AEC/C.2/16).

(b) The agency shall make inspections and conduct accountings for key substances, including independent sampling, weighing, assaying, and analysis of material and tests of equipment, and shall maintain independent laboratory facilities and technical personnel for these purposes.

(c) The agency shall maintain guards to prevent diversion of source material.

(d) The agency shall be authorized to require shut-downs or other suitable measures for purposes of cleanup and accounting at appropriate times, and shall be required to do so in the event of significant accounting discrepancies.

(e) The agency shall require operating procedures and equipment necessary to ensure control of key substances and to prevent their loss or waste.

(f) The agency shall assume ownership of all the source material as soon as the other important constituents have been extracted and shall immediately take possession of concentrates of key substances or of wastes or tailings which contain key substances in concentrations exceeding limits to be specified by the agency.

(g) The agency shall reserve the power to modify regulations and to suspend or revoke licenses in case of violation by the licensee. In case of suspension or revocation of a license, the agency shall have the right to maintain its control measures. (For questions of appeal, see Item A.3 (d) of document AEC/C.2/16.)

IV. The international agency shall be authorized to process source material containing other important constituents in cases where this is agreed to by the agency and the nation concerned. In such cases, the agency shall be authorized to return to the original owner any other important constituents which are extracted, upon payment of the costs of processing, or to market such by-products by agreement with with owner. The agency shall also be authorized to process source material containing other important constituents in cases where the owner has not extracted these constituents within the reasonable time limit specified in Specific Proposal III (a) above.

V. The international agency shall own, operate, and manage all chemical and metallurgical plants for treating key substances. The agency shall be authorized to purchase or construct, or arrange for the construction of, any such plants. In regard to these facilities and to any source material refineries which it operates, the agency shall:

(a) institute and maintain accounting procedures and other safeguards for the control of source material;

(b) prevent the waste of source material;

(c) engage in research and process development designed to improve recoveries of key substances;

(d) take all necessary measures to protect its workers from hazards in connection with the handling of radioactive or toxic substances;

(e) have the authority to sell other important constituents and naturally occurring radioactive substances other than key substances.

VI. Stocks of refined source material and treated key substances shall be kept as low as is consistent with efficient operating procedures. The distribution of such stocks and the location of the facilities producing them shall be determined in accordance with the principles to be considered under Item B.1, "Principles Governing Geographical Location of Dangerous Activities and Stockpiling," of document AEC/C.2/16.

VII. During and after processing and purification of source material, the international agency shall retain all its powers and duties, including those regarding ownership and transportation of source material, which are specified in document AEC/C.2/37/Rev.2.

VIII. The financial arrangements between the agency and nations or persons in connection with licenses or purchases specified in this paper shall be fair and equitable. (See Item B.2 "Financial and Budgetary Organization", of document AEC/C.2/16.)

IX. Nations and persons shall be prohibited from owning, possessing, operating, or managing any source material refinery without a license from the international agency.

X. Nations and persons shall be prohibited from owning, possessing, operating, or managing any chemical or metallurgical plant for treating key substances.

XI. In regard to source material refineries and chemical or metallurgical plants for treating key substances, nations and persons shall be prohibited from:

(a) tampering with, interfering with, obstructing the operation of or seizing of any such facilities;

(b) damaging or destroying any such facilities, except as authorized or directed by the international agency.

XII. The international agency shall have the duty to seek out any clandestine activities involving source material refineries or chemical or metallurgical plants for treating key substances. To this end, the agency shall have the power to conduct accountings for materials and inspections and take other necessary measures. (For rights of and limitations on the international agency and its personnel in carrying out such powers and duties, see document AEC/C.2/61/Rev.1).

XIII. The international agency and its duly authorized personnel and agents shall have, and nations shall be obligated to provide them with, unimpeded ingress, egress, and access to the extent necessary to carry out the powers and duties of the agency specified in this paper. (For rights of and limitations on the international agency and its personnel in carrying out such powers and duties, see document AEC/C.2/61/Rev.1).

ANNEX

The following terms are used in the preceding sections with the meanings indicated below (for other terms, see Annexes to the papers on "Research and Development" and "Location and Mining of Ores"):

1. Source material refinery includes any facility for the concentration of key substances in source material or the extraction of other important constituents from source material by chemical means or methods, such as smelting, roasting, leaching, dissolving, precipitating, etc.

2. Chemical and metallurgical plants for treating key substances include any facilities for the transformation of key substances from one chemical compound to another, the production and fabrication of key substances in the form of metals, and the removal of impurities from such compounds or metals. Examples are chemical plants which transform uranium oxide to uranium hexafluoride and metallurgical plants which make pure uranium metal.

FUNCTIONS OF THE INTERNATIONAL AGENCY IN RELATION TO STOCKPILING, PRODUCTION, AND DISTRIBUTION OF NUCLEAR FUELS AND THE DESIGN, CONSTRUCTION, AND OPERATION OF ISOTOPE SEPARATION PLANTS AND OF NUCLEAR REACTORS

General Considerations

The First Report of the Atomic Energy Commission to the Security Council concluded that, from the point of view of safeguards, the international agency should manage isotope separation plants, nuclear reactors (in many cases), chemical extraction plants, and the preparation, storage, and shipment of high-grade nuclear fuels. That report did not include consideration, however, of the effects on world security of the possible policies for the production of nuclear fuel, nor did it propose whether such policies should be decided by individual nations or by the international agency. These are matters which now need to be taken into account and decided.

It is recognized that the fields of peaceful application of atomic energy in the future will require large-scale facilities for the production of nuclear fuel facilities utilizing large quantities of nuclear fuel, and reserve stockpiles of nuclear fuel. This will be true to some extent even before the utilization of atomic power. For example, certain reactors necessary to produce radioactive isotopes on a useful scale for application in research and industry may involve dangerous quantities of key substances or nuclear fuel. Development work in connection with power generation may also require a number of installations each using dangerous quantities of material. These facilities could be readily utilized for military purposes unless effectively controlled by an international agency. These facts will become even more significant when atomic power becomes a large factor in the world's power resources. Consequently, the control of production, distribution and stockpiling of nuclear fuels will be a major task confronting the international agency. Sure means of control to prevent the diversion or clandestine production of key substances and of nuclear fuel are absolutely necessary in the interests of security.

It is also essential that the advantage which might be gained by a nation or a group of nations through seizure of production facilities or of stockpiles of materials be minimized, particularly in the case of separated or purified nuclear fuel because of the small facilities and slight additional effort necessary to produce weapons from such material. The seizure of stockpiles, production facilities, and facilities utilizing nuclear fuel will always be a danger of such magnitude that seizure should be recognized by all nations to mean that a most serious violation of the treaty has taken place and that the nation is about to embark on atomic warfare. Further study of violation of the treaty by seizure and other violations will be given in Item B.3, "Prohibitions and Enforcements", of document AEC/C.2/16. It is vital that production facilities, facilities utilizing nuclear fuel, and stockpiles be distributed in such a way as to minimize the possibility that seizure would provide an aggressor with a military advantage. Such a distribution cannot in itself prevent an atomic war, but the objective should be to decrease the incentive for any one nation or group of nations to attempt to secure a military advantage by seizure. The problem of the determining of the most satisfactory distribution of dangerous facilities and stockpiles will be examined more fully under Item B.1, "Principles Governing Geographical Location

of Dangerous Activities and Stockpiling", of document AEC/C.2/16, but some of the general principles are of importance to this paper in order that the functions of the agency may be determined more completely. In this connection, the major questions to be considered are the total amount of nuclear fuel to be stockpiled, the relation between the reserves for present and future needs, and how the maintenance of these reserves can be reconciled with security.

One difficulty lies in the fact that there is conflict between the requirements of security and those of large-scale development and use of atomic energy for peaceful purposes. If there is a prohibition against stockpiling any nuclear fuel, it might mean that instead of providing the control "to the extent necessary to ensure the use of atomic energy only for peaceful purposes,"* the development and use of atomic energy for peaceful purposes might be delayed or hindered. There would thus be grounds for legitimate complaint against a prohibition of stockpiling. On the other hand, if large quantities of nuclear fuel are produced over and beyond that necessary for actual needs, there will have to be, throughout the world, stockpiles of material which could be readily used for a very large number of bombs. This would hardly be consistent with security.

In attempting to reconcile these two divergent factors, we are faced with difficulties due to lack of knowledge and technical uncertainties. It is not known how effective the denaturing of nuclear fuel might be from the point of view of security nor how seriously the use of denatured fuel would affect the economic and practical feasibility of the use of atomic energy. Moreover, it is not known when atomic power may become a considerable factor in the world's power resources nor how large a factor it may become.

Basic information is lacking also on a most important aspect of the operation of atomic power plants and the production of nuclear fuels. "This is a question of whether or not enough additional fuel can be made in a power reactor to replace the original supply of nuclear fuel being consumed. If not, the world's supply of nuclear fuels is measured by the amount of U-235 present in nature extended a few-fold by such additional quantities of Pu-239 or U-233 as are generated in the consumption of U-235. On the other hand, if the regeneration of nuclear fuels can fully replace the original materials, then all the U-238, 140 times as plentiful as U-235, and also the world's supply of thorium, which is more plentiful than uranium, constitute potential nuclear fuels."** The uncertainty and lack of information regarding regeneration and other unsolved technical difficulties make it very important that the international agency conduct research and development in this field in order that the place of atomic power in the world's economy may be accurately determined.

In regard to the specific proposal for future production and stockpiling of nuclear fuels, it appears that at this time policy should be dictated primarily by security considerations. The production and stockpiling of denatured materials should be permitted if such denaturing were found to be effective. However, nuclear fuel in a form suitable for ready conversion to weapon use should not be produced in quantity beyond that required for actual beneficial purposes. This restriction should be a provision of the treaty or convention and should remain in effect until new technical findings and considerations of security warrant revising this provision. It was decided that production and stockpiling should be restricted in this way, because it was believed that the nations concerned

---

* Resolution of General Assembly, 24 January 1946.

** Report of Scientific and Technical Committee, 27 September 1946.

could not be expected to agree on a provision that would permit substantial alterations in the conditions of world security. When a relaxation of this policy appears to be desirable, nations should have the opportunity to judge the appropriate changes and their effect on security. Modifications of this policy, therefore, should require amendment of the treaty or convention in accordance with the terms thereof. The disposition of existing stockpiles and the transition from the initial to the eventual distribution should be considered under Item B.4, "Examination of the stages by which transition will be accomplished from conditions of national control to the final conditions of predominantly international control," of document AEC/C.2/16.

In view of the foregoing considerations, it has become evident to us that it is necessary for the international agency to have, in addition to its duty of management, the duty to make and to carry out decisions in implementation of quotas, provisions, and principles contained in the treaty or convention regarding the production, distribution, and stockpiling of nuclear fuel and the distribution and utilization of dangerous facilities involving nuclear fuel.

The owner of a facility or activity customarily has the right to make such decisions. If national or private ownership were permitted, it would lead to controversy and make it impossible for the agency, in accordance with quotas, provisions and principles set up in the treaty or convention to exercise sufficient control to ensure security. For these reasons, and for the reasons given in document AEC/C.2/44/Rev.2 it was, therefore, concluded that nations or persons should not own and the international agency should own nuclear fuel or dangerous facilities involving nuclear fuel, in the sense in which ownership is defined in document AEC/C.2/44/Rev.2.

All activities which can be classified as non-dangerous should be permitted to nations subject to the licensing and regulation required by considerations of security. The dividing line between dangerous and non-dangerous activities will change from time to time. Many factors will be involved, and these factors will vary from one installation to another. It is necessary, therefore, that the international agency, in determining what is dangerous and what is non-dangerous, take into account the progress of the art. In the expectation that future developments will affect the specific terms of licensing arrangements for the use of nuclear fuel and key substances in non-dangerous pursuits, only the general nature of the provisions of such licenses can be indicated at this time.

It is believed that the adoption of the principle of ownership, operation, and management of dangerous facilities involving nuclear fuel, together with the licensing and regulation of non-dangerous activities, will bring the benefits of atomic energy to all nations and at the same time ensure reasonable security against atomic war, and particularly provide a warning of any preparations for a surprise atomic war. When and if the time comes that atomic energy can be used to produce power on an economical basis, the international agency should, subject to the requirements of security, make such power available at the request of any nation ready to enter into appropriate agreements. The type of plant and its location would be fixed by the agency in co-operation and agreement with the nation concerned. In this way all nations could enjoy the benefits of atomic energy, and interference with the economic affairs of any nation could be minimized; in fact, positive advantages would arise from the co-operative development of atomic energy and the pooling of information, facilities, and personnel.

Specific Proposals

I. The international control agency shall own all nuclear fuel.

II. The international agency shall have the exclusive right to own, operate and manage dangerous facilities capable of producing nuclear fuel, dangerous facilities capable of utilizing nuclear fuel for the production of power or radio-isotopes, dangerous facilities utilizing nuclear fuel for other beneficial purposes, and dangerous facilities handling or processing nuclear fuel. In regard to all such facilities, the international agency shall:

(a) Institute and maintain the best possible accounting procedures, an effective system of continuous guarding, and all other measures required for complete control of nuclear fuel and of key substances;

(b) Conserve nuclear fuel and key substances;

(c) Take all necessary measures of protection against hazards in connection with the handling of radioactive or toxic substances;

(d) Engage in continuing research and development for the purpose of improving the recovery and conservation of nuclear fuel and of key substances, the accuracy of accounting, the effectiveness of controls, and the measures of protection against hazards.

III. All dangerous facilities as listed in Specific Proposal II above shall be disposed of, converted to non-dangerous uses, or turned over to the international agency in accordance with the terms of the treaty or convention and the directions of the agency. This subject will be covered in a subsequent paper. (See Item B.4 of document AEC/C.2/16).

IV. The international agency shall have the authority to design and construct, or arrange for the construction of, dangerous facilities as listed in Specific Proposal II above. The agency shall also have the authority to design, construct (or arrange for the construction of), and to own, operate, and manage non-dangerous facilities involving nuclear fuel.

V. It shall be lawful, however, for nations subject to effective control (licensing, supervision, and/or inspection) by the international agency to own and operate non-dangerous facilities using or capable of producing non-dangerous quantities of nuclear fuel.

VI. The international agency shall have the power and authority to adapt its controls to changing conditions and it will make every effort to widen the activities involving nuclear fuels and key substances permitted nations as conditions warrant.

VII. The international agency shall, as world security is assured, be guided by the general principle that nuclear fuel is intended for beneficial use, and shall encourage and assist nations in developing peacetime uses of atomic energy. To achieve this objective, it will license, make regulations, contract with nations, and utilize its own personnel for the purpose of providing beneficial uses.

VIII. The international agency shall lease nuclear fuel and key substances, and shall license facilities for the utilization of nuclear fuel and of key substances, provided that no dangerous activity or facility is involved and subject to the provisions listed below. The agency, in administering these provisions, should take into account the quantity and quality of nuclear fuel and the nature of the facilities involved in each particular case. Where the total quantities of nuclear fuel are very small, the agency may dispense with any of these provisions it deems unnecessary. The provisions are as follows:

(a) The design of licensed facilities involving the use of nuclear fuel and of key substances shall be subject to approval by the agency, and the agency may require modifications to the extent necessary to ensure effective control.

(b) The agency shall make certain that nuclear fuel provided under lease or produced under license is not used by any nation or person in the development of an atomic explosion or an atomic weapon.

(c) The agency shall require operating procedures and equipment necessary to prevent diversion, waste, or unnecessary loss of nuclear fuel and of key substances.

(d) The licensee shall keep complete and accurate records concerning the operation of the facility, the consumption of key substances, and the consumption or production of nuclear fuel and shall make reports to the agency, periodically or as requested.

(e) The possession of nuclear fuel and of key substances shall not be transferred without the consent of the agency.

(f) The disposition of any nuclear fuel produced in a licensed facility shall be determined by the agency.

(g) The agency shall make inspections of licensed facilities if and when it deems necessary in order to ensure compliance with all provisions of the license, either during or after construction, and shall have unrestricted access to all materials, equipment, operations, and records.

(h) The agency shall maintain guards to prevent diversion of nuclear fuel and of key substances from licensed facilities, wherever and whenever it deems necessary to ensure effective control.

(i) The agency shall reserve the power to modify the provisions of the lease or license and, in case of violation, to suspend or revoke the lease or license and take possession of the nuclear fuel involved. If such a suspension or revocation should take place, the agency shall have the right to maintain its control measures over any facilities involved. (For appeal and review, see Item A.3(d), "Definition of types of operating decisions subject to review and those not subject to review", of document AEC/C.2/16).

IX. In general, the international agency shall provide beneficial uses of atomic energy on a self-supporting basis. (See Item B.2 "Financial and Budgetary Organization", of document AEC/C.2/16).

X. Nuclear fuels shall be transported or transferred only by or with the authority of the international agency. The agency shall have the following powers and duties in regard to the transportation of nuclear fuel:

(a) During transportation, nuclear fuel shall remain in the possession and custody of duly authorized personnel of the agency.

(b) The agency shall be authorized to arrange with the national authorities for the transportation of nuclear fuel.

(c) Where security requires, the agency shall be authorized to transport nuclear fuel in its own vehicles over established transportation lines, subject to proper notification to the nations concerned.

(d) The agency shall inspect facilities for the transportation of nuclear fuel, strictly account for nuclear fuel in transit, assign armed guards, and take, in concert with the national authorities, other appropriate protective measures to the extent necessary to prevent unlawful transportation of nuclear fuel, to prevent loss or diversion of nuclear fuel during transit, and to protect against hazards including health hazards.

XI. The international agency shall distribute its production facilities and other facilities containing dangerous stocks of nuclear fuel, key substances and source material and its stockpiles of nuclear fuel, key substances, and source material in accordance with the quotas, provisions and principles set up in the treaty or convention governing geographical location of dangerous activities and stockpiling. (See Item B.1 of document AEC/C.2/16). Some of the principles and considerations are listed here in order that the functions of the agency in this regard may be more completely determined. They are:

(a) A distribution is necessary which will avoid the possibility of nations achieving a military advantage by seizure of existing stockpiles and facilities within or adjacent to their territories. Location of ores, refineries and facilities necessary for production, location of stockpiles of nuclear fuel and of source material, and location of facilities utilizing nuclear fuel or key substances, are factors that must be considered in determining a distribution which would minimize the effects of seizure.

(b) The nation or group of nations benefited by any facility shall make compensation to the agency for the benefits sufficient to cover costs.

(c) Dangerous facilities shall be provided for nations only as world conditions of security warrant and where economic justification exists.

(d) The transition between the initial and eventual distribution of facilities, source material, and nuclear fuel will be in accordance with the stages and principles prescribed by treaty or convention. (See Item B.4 of document AEC/C.2/16).

XII. The international agency shall keep the production of nuclear fuel in a form suitable for ready conversion to weapon use at the minimum required for efficient operating procedures necessitated by actual beneficial uses including research and development. The agency shall not be authorized to increase existing stocks of nuclear fuel for any contemplated requirement except where it is necessary to produce nuclear fuel for use in facilities whose location, design, construction, and financing have been definitely decided by the agency and the nation concerned.

XIII. In order to carry out the provisions of Specific Proposals XI and XII and other functions, the international agency shall have the duty to ensure proper determination of the type and location of all dangerous facilities and shall control by license or otherwise the type and location of non-dangerous facilities involving nuclear fuel and key substances when it deems necessary. In the determination of the type and location of facilities, the agency will have power to determine distribution by nations in accordance with quotas, provisions and principles set up in the treaty or convention, whereas the location and type of any particular facility within a nation will be decided by the nation concerned in agreement with the agency. The agency's rights pertaining to determining location within a nation will be limited to specific factors pertaining to international security as may be specified in the treaty or convention.

XIV. Nations shall report to the international agency the desire or intention to build or modify any isotope separation plant, reactor, or related chemical plant. The international agency shall have the right to check the design of any proposed isotope separation unit, nuclear reactor, related chemical plant, or modification thereto, in order that the agency can determine whether the facility falls in a dangerous category, and suggest such changes in design, size or location as may be necessary to make it fall in the non-dangerous category. If such facilities fall in the dangerous category, in accordance with Specific Proposal II, only the international agency shall have the right to proceed with construction and operation. If these facilities fall in the non-dangerous category, in accordance with Specific Proposal VII, it shall be lawful for the nation to continue with construction and operation subject to effective control (licensing, supervision, and/or inspection) by the international agency.

XV. The international agency shall have the authority to require periodic reports from nations regarding the production, shipment, location, and use of specialized equipment and supplies directly related to the production and use of atomic energy, such as mass spectrometers, diffusion barriers, gas centrifuges, electromagnetic isotope separation units, very pure graphite in large amounts, heavy water, and beryllium or beryllium compounds in large amounts. In addition the agency shall have authority to require reports as specified of certain distinctive facilities and construction projects having features of size and design, or construction or operation, which in combination with their location and/or production or consumption of heat or electricity, are peculiarly comparable to those of known atomic facilities of dangerous character.

XVI. All nuclear fuel produced in non-dangerous isotope separation units, reactors, and related chemical plants shall be reported to the international agency. Such nuclear fuel, in accordance with Specific Proposal I, will be owned by the international agency. The international agency shall prescribe the distribution of nuclear fuel so produced, and shall, where proper, reimburse the nation concerned.

XVII. The international agency periodically shall report to the Security Council (or such organs as may be designated by the treaty or convention in accordance with Item A.3, "Organization and Administration of the International Agency", of document AEC/C.2/16) the status of all source material, nuclear fuel, and facilities utilizing or capable of producing key substances or nuclear fuels. These reports will include complete data and plans on the production and consumption of key substances and nuclear fuels; the distribution of all source material and nuclear fuel, including the amount and distribution of nuclear fuel in stockpiles; and the distribution and status of both non-dangerous and dangerous facilities utilizing or capable of producing key substances or nuclear fuel.

XVIII. Nations and persons shall be prohibited from owning any nuclear fuel. However, the international agency may authorize nations to use or produce nuclear fuel in non-dangerous activities.

XIX. Nations and persons shall be prohibited from owning, operating, or managing any dangerous facility or engaging in any dangerous activity involving nuclear fuel.

XX. Nations and persons shall be prohibited from producing, possessing, transferring, storing, transporting, handling, or using nuclear fuel, except as authorized by lease, license, or regulation of the international agency.

XXI. Nations and persons shall be prohibited from:

(a) Seizing or tampering with nuclear fuel or any facility involving nuclear fuel;

(b) Obstructing or interfering with the operation of any facility or activity involving nuclear fuel;

(c) Damaging or destroying any nuclear fuel or facility involving nuclear fuel, unless so authorized or directed by the international agency.

XXII. The international agency shall have the duty to seek out any clandestine activities or facilities involving nuclear fuel. To this end, the agency shall have the power to require reports on relevant matters, to conduct ground, aerial, and other surveys, and to make direct inspections, all subject to appropriate limitations. (For rights of and limitations on the international agency and its personnel in carrying out such powers and duties, see document AEC/C.2/61/Rev.1).

XXIII. The international agency and its duly authorized personnel and agents shall have, and nations shall be obligated to provide them with, definite rights of unimpeded ingress, egress, and access to the extent necessary to carry out the powers and duties of the agency specified in this paper. (See document AEC/C.2/61/Rev.1).

ANNEX

The following terms are used in the preceding sections with the meanings indicated below:

1. Dangerous activities or facilities are those which are of military significance in the production of atomic weapons. The word "dangerous" is used in the sense of potentially dangerous to world security. In determining from time to time what are dangerous activities and dangerous facilities, the international agency shall comply with provisions of the treaty or convention and shall take into account the quantity and quality of materials in each case, the possibility of diversion, the ease with which the materials can be used or converted to produce atomic weapons, the total supply and distribution of such materials in existence, the design and operating characteristics of the facilities involved, the ease of altering those facilities, possible combinations with other facilities, scientific and technical advances which have been made, and the degree to which the agency has achieved security in the control of atomic energy. All facilities not falling in the category of dangerous as defined above will be referred to in this text as non-dangerous.

2. Isotope separation unit includes any facility for the separation of isotopes or for changing the relative concentration of isotopes by any means or method. Examples of such methods are electromagnetic separation, gaseous diffusion, thermal diffusion, centrifuging, chemical exchange, electrolysis, and fractional distillation.

3. Nuclear reactor includes any facility capable of a self-sustaining nuclear chain reaction.

4. Related chemical plant includes any facility for use in conjunction with, but not necessarily in proximity to, a nuclear reactor for the purpose of extracting or recovering any nuclear fuel produced or contained in material which has been placed in or around the reactor during its operation.

5. Facilities involving nuclear fuel include any facilities containing, producing, or capable of producing nuclear fuel, such as isotope separation units, nuclear reactors, related chemical plants, or any other facilities for the separation, production, extraction, processing, treatment, fabrication, handling, or storage of nuclear fuel.

RIGHTS OF AND LIMITATIONS ON THE INTERNATIONAL AGENCY IN RELATION TO INSPECTIONS, SURVEYS, and EXPLORATIONS

General Considerations

The First Report of the Atomic Energy Commission to the Security Council contains an introductory analysis of some of the questions which are involved in this paper, and also some detailed findings which were said to be indicative rather than definitive but which, nevertheless, are relevant to, and have been considered in the formulation of, the specific proposals made in this paper. (Part V of the first report). In addition, the first report recommended that the treaty or convention for the international control of atomic energy should include provisions:

> "Affording the duly accredited representatives of the international control agency unimpeded rights of ingress, egress, and access for the performance of their inspections and other duties into, from, and within the territory of every participating nation, unhindered by national or local authorities." (Part III, Recommendation 3.(b), of the first report.)

This recommendation likewise has been taken into account in the present paper.

The first report recognized, however, that although the agency's powers of inspection would need to be very wide if the system were to be effective and security achieved, they nevertheless should not be unlimited; and that reasonable and proper use of the powers granted would be necessary to avoid undue interference with activities unrelated to atomic energy. It assumed throughout that some restraints against possible abuses by the agency would need to be provided. It indicated what might be the general character of such restraints and it stated that particular restraints should be provided against misuse or disclosure of information secured by the agency since

> "...it seems inevitable that any system of inspection adequate to insure the detection of clandestine activities will result in knowledge and inspection of activities unrelated to atomic energy." (Part V, Chapter 6 of the first report).

The report did not specify what these, or other, particular restraints should be. Nor did it purport to specify all the various objects of the searches to be conducted by the agency.

These latter have now been stated comprehensively in certain of the specific proposals contained in documents AEC/C.2/37/Rev.2, AEC/C.2/38/Rev.2, and AEC/C.2/39/Rev.2, dealing with the functions of the agency in relation, respectively, to the location and mining of ores, to the processing and purification of source material, and to the stockpiling, production and distribution of nuclear fuels. In accordance with the various references to this document which were made in those specific proposals, the detailed rights and limitations which should apply to each of the various types of searches which have been proposed must now be considered.

Consistently with the first report, the proposed searches fall into the following three categories:

1. inspections of declared activities (including mines, facilities, and materials) to assure their use only for peaceful purposes and to prevent illicit diversions of materials;

2. geological and mineralogical ground surveys and explorations, and geological aerial surveys, carrying out the agency's duty to obtain and maintain accurate and, so far as possible, complete information concerning world supplies of source material; and

3. inspections, ground surveys, and aerial surveys to detect clandestine activities which might be conducted, or secret mines, facilities, or materials which might be possessed, in violation of the treaty.

All these categories have a common thread in that each involves necessary concessions in the traditional jurisdiction of nations. But these concessions differ in extent. For reasons which will be indicated, they are broader in Category 2 than in Category 1, and they are even more so in Category 3. Correspondingly, the detailed rights and limitations which should apply to each category present questions which differ in degree.

1. INSPECTION OF DECLARED ACTIVITIES

The questions are least difficult in this category. The inspections, in most instances, will be governed by the agreed terms of a license, lease, or other contract concluded with the agency. In the exceptional instances, the activities at least would have been reported to the agency by the nation concerned as required by the treaty or convention. In no case within Category 1, therefore, would the agency have occasion to conduct any inspection in the nature of an exploratory search. The activities subject to inspection would be known in advance. Their particular locations would be the only areas necessary to visit. Since these areas would be a small fraction of the total territory of any nation, these inspections would involve no possibility of undue interference with national life in fields unrelated to atomic energy.

Additional reasons why the political problems raised by inspections of declared activities are considered to be less formidable than those raised under Category 2 or 3 are: (a) that since such inspections will be conducted as a matter of routine duty, they would not be likely to involve imputations of bad faith comparable to those which might be provoked in the case of surveys or inspections conducted under Category 2 or 3 on suspicion of violation of the treaty or convention; and (b) that since most declared activities will be subject to other controls under the treaty or convention, the objections to the inspections would be alleviated still further.

2. SURVEYS AND EXPLORATIONS FOR SOURCE MATERIAL

It shall be the duty of the agency to conduct or to arrange with nations for the conduct of surveys and explorations to discover and determine world supplies of source materials. The surveys and explorations in this category have been discussed in document AEC/C.2/37/Rev.2, and particularly in Specific Proposal III of that document. It has been proposed there that the agency should be authorized to conduct surveys not only in areas known to contain source material, but also in areas which in the judgment of the agency are likely to contain source material and in areas where it may be necessary for the agency's personnel to go in order to verify reports furnished by the nations concerned, or in order to discover

source material in places as to which reports required by the agency have not been received from the nation concerned. These areas, in the aggregate, may amount to a substantial portion of the territory of particular nations. They may include private, as well as public lands. Military or other restricted areas, moreover, would not be exempt. It is evident therefore, that the proposed powers of the agency in this category will be more extensive than those in Category 1. Accordingly, provision has been made for warrants in appropriate cases.

3. INSPECTIONS AND SURVEYS TO DETECT CLANDESTINE ACTIVITIES

Of all the powers and duties proposed to be assigned to the agency, none are more important to security than are those in this category. But it is also recognized that they could be the most susceptible of abuse and that, if abused, they would be most likely to create irritation and friction. The reasons are: (a) the broad character of the powers necessary to be granted, including authority, in circumstances where there are reasonable grounds for suspicion and where prescribed procedures are followed, for the agency's personnel to visit any area, mine, facility, or place of whatever description within the territory of participating nations; and (b) the fact that the agency, in performing its duty, will have to question the good faith of governments, since it is unlikely that private individuals or groups of individuals could conduct clandestine activities on a scale of military significance, and since it is even more unlikely that they could do so without the knowledge of the government in the particular territory.

In the specific proposals which follow, account has been taken of the above factors and of the natural desire of nations and persons to be free from unwarranted invasions of their privacy. But account has also been taken of the need for participating nations to be protected against the danger of violations or evasions through clandestine activities. And this need has been deemed paramount.

The specific proposals are designed to accomplish the following aims:

1. to deter nations and persons from embarking on any clandestine activities in violation of the treaty or convention;

2. to dispel false suspicions or accusations which otherwise would breed friction and insecurity;

3. to provide the agency with the rights and assistance which it must have in order to discover clandestine activities if any occur, so that the agency may give complying states prompt warning of such activities;

4. to provide limitations, chiefly in the form of procedural requirements varying with the circumstances, which will not jeopardize attainment of the foregoing aims, but which will serve as restraints against possible abuse by the agency; and

5. to promote co-operation between the agency and the nations concerned.

Far-reaching rights of entry into, movement and access within, and egress from national territories are deemed essential in accomplishing aims 1 and 3. It is not comtemplated or proposed, however, that there should be any right of secret entry into national territories, or that nations would have no right to prevent the entry of particular inspectors if valid cause, specified in the treaty or convention, existed (see Specific Proposal II). Examples of such valid causes might be that the inspector was, in fact, an impostor, posing as a duly accredited representative of

the agency; or that, unknown to the agency, he was in reality a secret agent of a foreign government, or an exile, or the like.

Specific Proposals IV and V provide for notice to the nation concerned in the case of all surveys and explorations and in the case of some inspections for clandestine activities. They provide also for national liaison representatives and for the duties of such representatives in assisting the personnel of the agency. These provisions are designed to eliminate friction and mistrust which might otherwise arise, and to obligate the nations to furnish assistance needed by the agency.

Specific Proposals IX, XI-XIV, and XVIII reflect the extent to which it is recommended that the agency's inspectors should observe domestic laws and traditions with respect to rights of personal privacy and private property as to whether warrants or similar authorizations should be required, and, if so, in what circumstances; as to whether they should be obtainable from an international court, body, or official, or only from a domestic source; as to whether in any event the agency should apply first to the domestic source; and as to the showing of cause necessary to be made by the agency before a warrant should issue.

Any requirement of a warrant would be a restraint susceptible in some circumstances of unduly delaying or restricting the agency. The same is true in domestic experience. This consideration, however, must be balanced against the need for protecting the personal right of freedom from unreasonable search, a right which, under some domestic laws and constitutions, is a limitation even on the highest national authorities. In the international field and in the absence of any comprehensive treaty or convention for the control of conventional armaments, it must be balanced also against the unwillingness of nations to permit inspection of their non-atomic military and other restricted facilities except on special consent or for good cause shown.

Reconciling these competing considerations, it is proposed that the treaty or convention should contain provisions for warrant procedure but that these provisions should be strictly confined and should be a limitation on the agency only in the case of inspection, without special consent, of private or restricted property not open to visitation by the population in the locality, and in the case of certain ground surveys and aerial surveys which are additional to others which the agency may conduct without warrant or other special authorization. It is proposed also that warrants should be obtainable from an international court, body, or official as well as from domestic sources. Whether the International Court of Justice, as distinct from some other international body of a juridical character, should have such jurisdiction is a question which is left for a later paper in which the detailed functions and procedures both of the proposed international court and of domestic courts concerned in the matter will be set forth. (See document AEC/C.2/16, Item A.3.(e), "Determination of review body or bodies and of principles governing review"; also Item A.3.(b) and (d)).

However, the international court or body selected should be independent of the agency itself since otherwise there would be the danger that the agency would in effect be judging its own case. This was thought to be particularly desirable in the case of the agency questioning the good faith of governments.

In Part V, Chapter 6, of the first report, it is stated that "it would in general be necessary to require that demonstrable grounds for suspicion exist as a justification for inspection and to establish reasonable legal procedures for the regulation of inspection".

This would apply to special investigations and surveys undertaken to clear up suspicion. Searches based on vague suspicions for which specific justification is difficult to establish may well lead to friction between the agency and the nation concerned. For this reason, and because of the limitations placed on the agency in detection of clandestine activities, it was considered that, in addition, there should be some kind of routine searches which would be carried out without any allegation of suspicion. Accordingly, it is proposed that the agency should have the duty of making spot aerial surveys over every participating nation, limited to a comparatively small area to be chosen by the agency, and carried out as a matter of routine in every period of, say, two years. In view of the advantages of aerial survey and the powers of ground survey provided in other proposals of this document, it was decided to limit this kind of survey to aerial survey. Such surveys, besides providing a deterrent against clandestine activities, would serve to dispel suspicions among nations that clandestine activities exist but remain undetected. They would also accustom nations to regular aerial surveys.

SUMMARY CONCLUSION

In summary, the proposals contained in this paper provide very extensive powers of inspection and search which enable the agency to visit any accessible place and provide appropriate procedures applicable in certain specified circumstances. It has to be recognized that, in addition to these proposed procedural requirements and limitations, the good sense, as well as the budget, of the agency will themselves be limitations on the exercise of powers given to the agency and that, by virtue of the positive functions of the agency which have been proposed in previous papers, the amount of inspection required and the attendant interferences will be much less than would be necessary under a control system which sought to depend on inspection alone.

Specific Proposals

INSPECTION PERSONNEL

I. The personnel of the international agency who are employed to conduct the inspections, surveys, and explorations proposed in other documents and elaborated herein shall be selected by the agency on an international basis. The maximum percentage of such personnel who may be selected from among the nationals of any one nation, and the principles which shall govern their assignment to particular inspections, surveys, or explorations, shall be specified in the treaty or convention. The principles of Article 100 of the Charter of the United Nations shall apply to the staff of the agency. (See Iten A.3, of document AEC/C.2/16, "Organization and Administration of the International Agency".)

ENTRY INTO, AND MOVEMENT WITHIN NATIONAL TERRITORIES

II. The duly accredited personnel of the international agency who are assigned to conduct the inspections, surveys, and explorations which have been proposed in related documents, or to perform other functions therein described involving travel, shall be accorded by the treaty or convention special rights and privileges of entry into, movement within, and egress from the territory of participating nations.

(a) To facilitate their travel, such personnel may be issued United Nations laissez-passer. These laissez-passer shall be recognized and accepted as valid travel documents by the authorities of all partici-

pating nations, taking into account that visas may be required.
(b) Where visas are required and are applied for by agency personnel, who hold such laissez-passer and who are certified to be travelling on business of the agency, the applications shall be dealt with as speedily as possible and, in any event, within two weeks. They may be validly denied only in extraordinary circumstances and upon strictly limited grounds which shall be described in the treaty or convention. (These exceptional circumstances and grounds remain to be considered in detail at a later date).
(c) If any such personnel are denied visas or are otherwise excluded from the territory of a participating nation, and if the international agency deems that such action was in violation of the treaty or convention, the agency shall be entitled to apply to an international court or other designated body of a judicial character for a review of the action. The decision of the designated court or body shall be binding upon the nation concerned as well as upon the agency. (Enforcement of the treaty or convention will be dealt with under Item B.3 of document AEC/C.2/16).
(d) Accredited personnel of the international agency who are admitted to the territories of participating nations shall be granted facilities for speedy travel and communication in discharging their duties therein. Subject to the limitations and procedures proposed in subsequent specific proposals of this paper, they shall be free to visit all regions and places within such territories. In any particular locality or place, they shall enjoy no lesser rights and privileges of access, visitation, and movement than are enjoyed by the local population.
(e) The agency will appoint some members of its personnel as permanent representatives to a nation or group of nations. The validity of the visas that the nations would grant to such personnel would not be less than two years.

GENERAL LIMITATIONS APPLICABLE TO ALL INSPECTIONS, SURVEYS, AND EXPLORATIONS

III. The international agency and its personnel shall be bound by the following general limitations in exercising their powers to conduct the inspections, surveys, and explorations which have been proposed in previous papers. In addition, subsequent specific proposals of this paper propose that they shall be bound by special limitations and procedures in conducting inspections, surveys, or explorations in certain circumstances specified in those places.

(a) Inspections, surveys, or explorations shall be conducted by the agency only for purposes related to atomic energy. Inspections, surveys, or explorations which, although properly commenced, are found by the agency during their course to be serving no such authorized purpose shall be discontinued as soon as such fact becomes apparent to it.
(b) In conducting inspections, surveys, and explorations, the agency and its personnel shall have regard to domestic laws and customs relating to rights of personel privacy and private property to the fullest extent consistent with the effective discharge of their duties under the terms of the treaty or convention.
(c) Neither the agency nor its personnel shall disclose confidential or private information unrelated to atomic energy which is acquired in the course of inspections, surveys, or explorations. The agency shall take special precautions to prevent such disclosure by its personnel.

(d) The agency shall be liable for just compensation for damages caused by its personnel in the course of inspections, surveys, or explorations. (The circumstances in which such personnel shall be subject to suit or prosecution under the domestic law of the nation within whose territory their acts occurred remain to be considered in detail at a later date in connection with the general privileges and immunities of the agency and its personnel).

NOTICE TO AND LIAISON WITH NATIONAL AUTHORITIES; DUTIES OF LIAISON REPRESENTATIVES

IV. Notice and Liaison

Before conducting any survey or exploration, the agency shall give notice to the nation concerned, and the nation concerned may, if it so desires, and shall, if requested by the agency, send a representative (or a number of representatives, if agreed to or requested by the agency) to accompany and assist each surveying or exploring party, but not to delay or restrict, the personnel of the agency. In the case of inspections the nation concerned shall send one or more representatives whenever requested by the agency; the other requirements shall vary according to the circumstances, as follows. The agency may conduct inspections of activities, mines, facilities, or places without advance notice to the nation concerned and without affording opportunity to the nation to send a representative in the following cases: (a) in the case of any activity, mine, facility, or place which is managed or licensed or leased by the agency; (b) in the case of any activity, mine, facility, or place which is required by the treaty or convention to be reported to the agency and which has been so reported; (c) in the case of any activity, mine, facility, or place which is open to the local population; (d) or in the case of the owner or responsible official in charge of any activity, mine, facility, or place having given advance lawful consent to inspection by the agency. As a general rule, inspection of activities, facilities, or places, which are not within any of the foregoing four categories, shall be conducted by the agency only after it has notified the nation concerned and has afforded the nation due opportunity to send a representative with each inspecting party (or a number of representatives if agreed to or requested by the agency). In exceptional circumstances, where, through removal, concealment, or otherwise, the object of the inspection might be defeated if advance notice were given to the nation concerned, the agency may depart from the foregoing general rule and may inspect such an activity, mine, facility, or place without advance notice, provided, first, that such inspection without notice be authorized by warrant or other special authorization of an international court, body, or official of competent jurisdiction as agreed to in the treaty or convention, and secondly, that the agency invite a previously assigned representative of the nation concerned to accompany its inspector.

V. Duties of Liaison Representatives

The national representatives referred to in the preceding specific proposal shall have the following duties in assisting the personnel of the agency, and their respective governments shall assure that they perform such duties. When the agency requests that such a representative accompany a particular inspection, survey, or exploration party, he shall report on the date specified; vouch for the identity and authority of the agency's personnel; see to it that the agency's personnel receive the cooperation of the persons concerned and such freedom of movement, access, inspection, survey, and exploration as is their right under the treaty or convention, and at no time delay or restrict, or permit other nationals

to delay or restrict, the agency's personnel in the prompt, safe, and efficient performance of their functions.

INSPECTION OF DECLARED ACTIVITIES

VI. Licensed Activities

Inspections of mines, facilities, activities, or materials which are licensed or leased by the international agency shall be conducted by it as a matter of routine in accordance with the terms of the license or lease which will in themselves grant or reserve to the agency rights of access and inspection necessary to fulfillment of its duties. In such cases the agency shall not be required to obtain a warrant or other special authorization.

VII. Reported Activities

Inspections of mines, facilities, activities, or materials which are not licensed or leased by the agency, but which are required by the treaty to be reported to the agency and which are so reported, also may be conducted by the agency without warrant or other special authorization, subject to the general limitations and procedures prescribed in Specific Proposals III and IV. This specific proposal will apply to declared facilities producing specialized equipment and supplies closely related to the production of atomic energy, such as mass spectrometers, diffusion barriers, gas centrifuges, electromagnetic isotope separation units, very pure graphite in large amounts, heavy water, and beryllium.

With regard to certain distinctive facilities and construction projects required to be reported in Specific Proposal XV in document AEC/C.2/39/Rev.2, the agency shall give advance notice before conducting such inspections and the nations concerned shall provide a representative to accompany such inspections of certain distinctive facilities and construction projects having features of size and design, or construction or operation, which in combination with their location and/or production or consumption of heat or electricity, are peculiarly comparable to those of known atomic facilities of dangerous character.

GROUND SURVEYS AND EXPLORATIONS FOR SOURCE MATERIAL

VIII. Surveys and explorations referred to in Specific Proposal III of document AEC/C.2/37/Rev. 2 relating to source materials, will be conducted in accordance with the limitations and procedures specified therein, and in accordance with the limitations and procedures specified in this paper.

INSPECTIONS AND GROUND SURVEYS FOR CLANDESTINE ACTIVITIES IN PRIVATE OR RESTRICTED PLACES

IX. Requirement of Warrants or Special Consent

Inspections and ground surveys additional to those mentioned in the preceding specific proposals may be conducted by the agency at such times and in such manner as may be authorized by any of the following:

(a) By domestic law or by warrant or other authorization issued by a domestic court, body, or officer of competent jurisdiction upon a showing of reasonable cause in accordance with Specific Proposal XII.b.; or

(b) By warrant or other authorization issued by an international court or body of competent jurisdiction upon a showing of reasonable causes in accordance with Specific Proposals XII and XIII, or
(c) By special consent of the nation or lawful consent of the responsible official concerned, on request of, or as otherwise arranged with, the agency.

X. Granting of Special Consent

In order to promote confidence and to facilitate the functioning of the international agency by reducing the number of instances in which the agency would need to obtain warrants or other special authorization, the participating nations shall undertake to comply, and to encourage their nationals to comply, with reasonable requests of the agency to consent to particular inspections, surveys, and explorations. The agency,in turn, shall collaborate with the nations and their authorities.

XI. Resort to Domestic or International Court, Body, or Official

Where warrants or similar authorization are required in accordance with Section IX they normally, but not necessarily, shall be sought in the first instance from the appropriate domestic court, body,or official. But in no case shall a denial or undue delay by a domestic court, body, or official prejudice the right of the agency to apply to an international court or body.

XII. Domestic Courts, Bodies, or Officials Required to Issue Warrants Upon Showing of Probable Cause

The participating nations shall take such legislative or other action as may be necessary to do the following:

(a) Establish and maintain in the various regions of their territory local courts, bodies, or officers having jurisdiction to issue warrants or other authorization to the international agency for inspections and surveys in accordance with Section IX; and
(b) Require that such warrants or other authorization be issued whenever the agency or its accredited representative shows reasonable cause to suspect or believe that any of the following activities are occurring, or that any of the following are located upon or within the property which is sought to be entered and inspected or surveyed and which is described:

(i) Any activity which is required to be reported, licensed, or regulated, or which is prohibited, by the treaty or convention;
(ii) Any facility or material which is required to be reported or controlled, or the possession of which is prohibited to nations or persons under the treaty or convention;
(iii) Any material which should be discovered pursuant to the treaty or convention; and
(iv) Any evidence that a violation of the treaty or convention has occurred, is occurring, or is threatened.

XIII. International Court, Body, or Official Required to Issue Warrants Upon Showing of Probable Cause

Upon proper application and the same showing of reasonable cause as is described in Specific Proposal XII, an international court or body shall issue warrants or other special authorization for inspections and surveys by the agency in accordance with Specific Proposal IX.

XIV. Scope of Warrants

The warrants or equivalent authorizations which are referred to in Specific Proposals IX, XI, XII, and XIII, shall describe the premises or areas authorized to be entered and the facilities or other property authorized to be inspected or the areas authorized to be surveyed. They may specify the manner in which the inspections or surveys shall be conducted consistently with the treaty or convention. In the case of inspections, they may authorize the agency to take custody of property which is used or possessed by nations or persons in violation of the treaty or convention.

AERIAL SURVEYS

XV. Spot Aerial Surveys

The treaty or convention shall provide that the agency shall conduct spot aerial surveys in each period of two years over areas not exceeding five percent of the territory under the control of each nation or areas not to exceed 2,000 square miles, whichever is the larger. (These area limitations apply to spot aerial surveys only). The location of the areas to be surveyed shall be determined by the agency. Aerial surveys made under these provisions shall be subject to the limitations and procedures prescribed in sub-paragraphs (a), (b), and (c), as follows:

(a) The nation concerned shall have notice of every aerial survey and shall be afforded opportunity to present objections or to suggest modifications.
(b) The nation concerned shall have the right to examine the aircraft used by the agency and to send at least one observer on each survey flight.
(c) Copies of aerial photographs taken by the agency and reports of information obtained by it in the course of its aerial surveys shall be furnished to the nation concerned upon its request. Only information relating to atomic energy shall be made public as required by the treaty or convention.

XVI. Routine Aerial Surveys in Areas Known to Contain Source Material

The treaty or convention shall grant the agency the right to conduct routine aerial surveys over areas which are known to contain source material, subject to the limitations and procedures prescribed in sub-paragraphs (a), (b), and (c) of Specific Proposal XV.

XVII. Other Aerial Surveys Relating to Source Material

The treaty or convention shall grant the agency the right to conduct such aerial surveys as the agency deems desirable in conjunction with the surveys and explorations conducted by the agency in areas known or likely to contain source

material or as the agency deems necessary for the purpose of verifying information furnished, as specified in Specific Proposal III of document AEC/C.2/37/Rev.2. These surveys shall be subject to the limitations and procedures prescribed in sub-paragraphs (a), (b), and (c) of Specific Proposal XV.

XVIII. Aerial Surveys Upon Suspicion of Clandestine Activities

On consent of the nation concerned or when authorized by warrant or other special authorization issued to the agency upon a showing of reasonable cause similar to that prescribed in Specific Proposals XII and XIII, the agency may conduct aerial surveys over territories of participating nations to verify reports of clandestine activities or to clear up other suspicion. These surveys shall be subject to the limitations and procedures prescribed in sub-paragraphs (a), (b), and (c) of Specific Proposal XV.

FORMAL INQUIRIES

XIX. The agency may set up formal inquiries whenever, through reports made to it or through information acquired in the course of its operations, inspections, surveys, or explorations, it ascertains facts which in its opinion make such inquiries necessary or desirable for purposes authorized by the treaty or convention. Notice of such inquiries and opportunity to attend and be heard shall be accorded the nations concerned, and the nations shall undertake in the treaty or convention to cooperate as provided in Specific Proposal XX.

PROHIBITIONS AGAINST NATIONS AND PERSONS

XX. Nations and persons shall be prohibited from hindering, obstructing, delaying, preventing, or otherwise interfering with any authorized inspection, survey, exploration, formal inquiry, or other function of the international agency. The treaty or convention would include provisions that the participating nations will take legislative and administrative action to compel persons within their territories to submit to and to facilitate authorized inspections, surveys, and explorations by the agency, and to appear at and participate in its formal inquiries as necessary to fulfillment of the functions of the agency. (Prohibitions and enforcement will be dealt with under Item B.3 of document AEC/C.2/16)

MILITARY RESERVATIONS NOT EXEMPT

XXI. Military facilities or reservations shall not be exempt from any of the provisions in the preceding sections.

ANNEX

The following terms are used in the preceding sections with the meanings indicated below:

1. Inspection includes the following:

(a) Inspection to detect clandestine activities, which means close scrutiny of areas, mines, facilities, and activities to verify reports or to discover, confirm, or disprove possible evasions or violations of the treaty or convention in the form of unreported, prohibited, or hidden activities;

(b) Inspection of authorized mines, facilities or activities, which means close scrutiny of operations to detect possible evasions or violations of prescribed methods of operation or diversion of materials. Inspection may include accounting for materials, examination of records, observation of points of ingress to and egress from mines or facilities to ensure that materials and supplies are flowing in the prescribed manner, and observation of the activities within the establishment or installation. To be fully effective, the power of inspection may require that the operations be carried on in a specified manner in order to facilitate the inspection.

2. Ground survey means any systematic investigation of an area by a party on the ground for the purpose of locating mines, large industrial buildings, and other facilities and includes the right to make such measurements as are required.

3. Exploration means a particular type of investigation for the purpose of discovering and determining the nature and extent of deposits of source material and includes geological and mineralogical surveys, geophysical prospecting, boring or digging test holes, and obtaining and testing samples of ores.

4. Aerial survey means any systematic investigation of an area from aircraft flying over it and includes visual and photographic observation and use of other methods which may be developed for locating mineral deposits or for detecting clandestine activities.

5. Survey includes both ground and aerial surveys.

AEC/24

PROPOSALS ON ATOMIC ENERGY CONTROL SUBMITTED BY THE REPRESENTATIVE OF THE UNION OF SOVIET SOCIALIST REPUBLICS AT THE TWELFTH MEETING OF THE ATOMIC ENERGY COMMISSION ON 11 JUNE 1947.

The Soviet Government, in addition and in development of its proposal on the conclusion of an international convention on the prohibition of atomic and other major weapons of mass destruction, submitted for the consideration of the Atomic Energy Commission on 19 June 1946, presents for the consideration of the above-mentioned Commission the following basic provisions on which an international agreement or convention on atomic energy control should be based.

1. For ensuring the use of atomic energy only for peaceful purposes, in accordance with the international convention on the prohibition of atomic and other major weapons of mass destruction and also with the purpose of preventing violations of the convention on the prohibition of atomic weapons and for the protection of complying States against hazards of violations and evasions, there shall be established strict international control simultaneously over all facilities engaged in mining of atomic raw materials and in production of atomic materials and atomic energy.

2. For carrying out measures of control of atomic energy facilities, there shall be established, within the framework of the Security Council, an international commission for atomic energy control to be called the International Control Commission.

3. The International Control Commission shall have its own inspectorial apparatus.

4. Terms and organizational principles of international control of atomic energy, and also composition, rights and obligations of the International Control Commission, as well as provisions on the basis of which it shall carry out its activities, shall be determined by a special international convention on atomic energy control, which is to be concluded in accordance with the convention on the prohibition of atomic weapons.

5. With the purpose of ensuring the effectiveness of international control of atomic energy, the convention on the control of atomic energy shall be based on the following fundamental provisions:

(a) The International Control Commission shall be composed of the Representatives of States Members of the Atomic Energy Commission established by the General Assembly decision of 24 January 1946, and may create such subsidiary organs which it finds necessary for the fulfilment of its functions.

(b) The International Control Commission shall establish its own rules of procedure.

(c) The personnel of the International Control Commission shall be selected on an international basis.

~~TOP SECRET~~

File Copy

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
March 12, 1947 - 10:30 a. m.

PRESENT

STATE	WAR	NAVY
ACTING SECRETARY ACHESON	SECRETARY PATTERSON	SECRETARY FORRESTAL
ASST. SECRETARY HILLDRING	ASST. SECRETARY PETERSEN	CAPTAIN TICHENOR
MR. HENDERSON		REAR ADMIRAL WOOLRIDGE
MR. GANOE		
Mr. Moseley (SWNCC), Recorder		

I. Aid to Greece.

Implementing Action:

MR. GANOE of the State Department to determine whether various publishers had been approached in connection with the publicity program on the Greek situation, and direct appropriate implementation.

Discussion:

MR. FORRESTAL inquired about the extent to which steps have been taken to give publicity to the Greek program, and asked specifically whether the matter had been taken up with various publishers.

MR. ACHESON said that much had already been done through various media to put the Greek situation before the public. He said that he was unaware whether various publishers had been approached, and he asked MR. GANOE of the State Department to look into the matter.

II. Aid to Turkey.

Implementing Action:

With a view to probable inquiries on the exact nature of the proposed aid to Turkey, SECRETARIES PATTERSON and FORRESTAL to consult with their staffs to obtain more detailed data on appropriate assistance to be given to Turkey.

Discussion:

MR. ACHESON said that difficulties were being encountered in drafting appropriate legislation for aid to Turkey inasmuch as it had not yet been determined to what extent and to what degree Turkey needs economic and

military assistance. He added that it would undoubtedly be necessary to justify the proposed Turkish loan of 150 million before Congressional Committees, and inquiries of a specific nature could be anticipated.

MR. PATTERSON said that he believed that only economic assistance should be given to Turkey rather than military aid. MR. ACHESON pointed out that Presidential approval had been given to furnishing both economic and military assistance to Turkey. MR. PATTERSON said that of course he would support an approved program but that he was of the opinion that emphasis should be placed on economic aid to that country.

MR. HENDERSON described the economic difficulties of the Turks, pointing out that the British were withdrawing support and that Turkey obtained only 25 million from the Export-Import Bank on a request for a 250 million reconstruction loan. With respect to military aid, he said that the data of the British Joint Staff Mission was of little value in determining the exact military needs of Turkey, but that it was the State Department's view that military assistance should be in the nature of long-term assistance.

MR. ACHESON stated that Turkey has been obliged to keep its army fully mobilized and that this has placed a great strain on her Treasury. He said that we should seek means to make her armed forces smaller but yet effective. MR. FORRESTAL said that Turkey's naval arm might be strengthened by giving her some destroyers and naval air aid.

MR. PETERSEN stated that with respect to Congressional inquiries on the nature of assistance to Turkey, he believed that it would be best to be frank and state that a survey is necessary before specific types of aid are outlined. MR. FORRESTAL said that Congress should be told that the 150 million represents an estimated figure and that a military and economic mission should be sent to Turkey to report on exact needs. MR. ACHESON pointed out that he needed as much specific data as possible on planned assistance to Turkey in order to draft appropriate legislation and meet inquiries of all types. MR. PATTERSON and MR. FORRESTAL said that they would consult with their staffs immediately on this problem.

MR. FORRESTAL added that steps should be taken to acquaint the public with the significance of the proposed aid to Turkey

III. Food Supplies for Yugoslavia.

Implementing Action: None.

Discussion:

MR. PATTERSON referred to recent newspaper reports that this Government would support a request from Yugoslavia for additional allotments of grain and other food supplies. He stated his opposition to complying with this request.

MR. ACHESON said that the State Department's position was that it would

not support an additional allocation of grain to Yugoslavia if it meant taking it away from other countries. Inasmuch as such an allocation would have this effect, the request would not be supported.

IV. Inter-American Military Cooperation Act.

Implementing Action:

1. State Department to circulate for consideration of War and Navy Departments a memorandum setting forth a study made by State on the costs and probable effects on the economies of the other American Republics of the Latin American Arms Program.

2. After consideration of this memorandum by the War and Navy Departments and upon receipt of their further views on this subject, to refer to Secretary Marshall the question of the State Department supporting the introduction into Congress of the proposed legislation.

Discussion:

SECRETARY FORRESTAL said that the President discussed with the Mexicans, during his recent visit to Mexico, the matter of providing them with arms and vessels, and that he had told our Naval Attache that he would look into the question of the means for providing them with this equipment. MR. ACHESON said that the State Department was in the process of completing its study of the costs and probable effects of the Latin American Arms Program on the economies of those countries, and that the State Department would circulate this study to the War and Navy Departments. He said that after he heard further from the other Secretaries on this matter, he would then put up to SECRETARY MARSHALL the question of the State Department's support of the proposed legislation.

SWNCC - Moseley

SWNCC SECRETARIAT

State Member	WEA
Army Member	
Navy Member	
Ass't State Member	
Ass't Army Member	
Ass't Navy Member	
Executive Secretary	
Ass't Exec. Secretary	
State Adm. Assistant	
Army Adm. Assistant	
Navy Adm. Assistant	
File	

19 Mar 47

In reply refer to
IA

~~SECRET~~

My dear Mr. Secretary:

In accordance with our conversation on March 12, I enclose herewith a copy of an interim report on financial aspects of participation by Latin American countries in the Inter-American Arms Program. This analysis considers the estimates of cost to the Latin American countries, given in your letter of January 2 and in Secretary Forrestal's letter of February 28, in relation to the internal and international financial position of the respective countries included in your estimates.

The report consists of a summary, based on a general survey of the financial position of all the countries under consideration, and some detailed analyses of the financial position of a few selected countries. I should like to take the liberty of emphasizing a few of the most significant conclusions that should be drawn from this financial analysis:

1. Only five countries - Cuba, the Dominican Republic, El Salvador, Panama and Venezuela - are found to have financial resources capable of enabling them to participate without major difficulty in the program proposed by the War and Navy Departments.

2. All the other American republics in the War and Navy Departments' plan referred to above, including Brazil and Mexico, would face

major

The Honorable
Robert P. Patterson,
Secretary of War.

~~SECRET~~

major economic problems if they attempted to spend on armaments over the next ten years the amounts which the War and Navy Departments have estimated for the procurement of material only. The economic condition of Bolivia, Chile, Costa Rica, Ecuador, Nicaragua and Peru are such as to make participation in the program virtually impossible for them.

3. The general economic outlook for many of these countries is unfortunately poor, so that the difficulties incident to their meeting the cost of the arms program may be expected to become more severe during the next few years.

4. The capacity of the Latin American countries to service public and private debts already owed to the United States would be seriously jeopardized by the expenditures required under the arms program.

5. Encouragement of expenditures on arms by the Latin American countries runs directly counter to our basic economic and political policies which aim to encourage an improvement in the living standards and economic welfare in these countries. The sacrifices which all of the Latin American countries would be required to make under the proposed program would drastically limit or defer their effectuation of plans for industrialization, improvement of transportation, production of strategic materials needed by the United States, and correction of presently poor conditions of public health, education and social welfare.

The economic handicaps imposed by the proposed arms program would perpetuate and aggravate conditions of economic and political instability which already constitute a serious security problem for this Government in Latin America, and which this Government now proposes to spend large amounts of money to overcome in other parts of the world. These conditions are the soil in which the seeds of totalitarian regimes are nurtured.

Passage

Passage of a bill such as HR 6326, with its widely recognized objective of standardizing the armaments of the American republics by the transfer of United States equipment, cannot fail, in view of the above, to face this Government with two wholly undesirable consequences: we shall encourage expenditures for armaments by the other American republics which will weaken their economies and therefore their political stability, and we shall be called upon by poorer countries to subsidize the program at great cost to this Government. These consequences, in addition to other political factors previously discussed, would, I am convinced, impose a serious risk on some of our most important interests and objectives in the other American republics.

Sincerely yours,

Acting Secretary

Enclosure:

Copy of Interim Report on Financial Aspects of Latin American Arms Program.

IA:JCDreier:mam ARA A-Br A-T
3-13-47

SECRET (Classification approved by 3-13-47) JCD

In reply refer to
IA

~~SECRET~~

My dear Mr. Secretary:

In accordance with our conversation on March 12, I enclose herewith a copy of an interim report on financial aspects of participation by Latin American countries in the Inter-American Area Program. This analysis considers the estimates of cost to the Latin American countries, given in your letter of February 28 and in Secretary Patterson's letter of January 2, in relation to the internal and international financial position of the respective countries included in your estimates.

The report consists of a summary, based on a general survey of the financial position of all the countries under consideration, and some detailed analyses of the financial position of a few selected countries. I should like to take the liberty of emphasizing a few of the most significant conclusions that should be drawn from this financial analysis:

1. Only five countries - Cuba, the Dominican Republic, El Salvador, Panama and Venezuela - are found to have financial resources capable of enabling them to participate without major difficulty in the program proposed by the War and Navy Departments.

2. All the other American republics in the War and Navy Departments' plan referred to above, including Brazil and Mexico, would face

Major

The Honorable
James Forrestal,
Secretary of the Navy.

~~SECRET~~

major economic problems if they attempted to spend on armaments over the next ten years the amounts which the War and Navy Departments have estimated for the procurement of material only. The economic condition of Bolivia, Chile, Costa Rica, Ecuador, Nicaragua and Peru are such as to make participation in the program virtually impossible for them.

3. The general economic outlook for many of these countries is unfortunately poor, so that the difficulties incident to their meeting the cost of the arms program may be expected to become more severe during the next few years.

4. The capacity of the Latin American countries to service public and private debts already owed to the United States would be seriously jeopardized by the expenditures required under the arms program.

5. Encouragement of expenditures on arms by the Latin American countries runs directly counter to our basic economic and political policies which aim to encourage an improvement in the living standards and economic welfare in those countries. The sacrifices which all of the Latin American countries would be required to make under the proposed program would drastically limit or defer their effectuation of plans for industrialization, improvement of transportation, production of strategic materials needed by the United States, and correction of presently poor conditions of public health, education and social welfare.

The economic handicaps imposed by the proposed arms program would perpetuate and aggravate conditions of economic and political instability which already constitute a serious security problem for this Government in Latin America, and which this Government now proposes to spend large amounts of money to overcome in other parts of the world. Those conditions are the soil in which the seeds of totalitarian regimes are nurtured.

Passage

SECRET

~~SECRET~~

-3-

Passage of a bill such as HR 6326, with its widely recognized objective of standardizing the armaments of the American republics by the transfer of United States equipment, cannot fail, in view of the above, to face this Government with two wholly undesirable consequences: we shall encourage expenditures for armaments by the other American republics which will weaken their economies and therefore their political stability, and we shall be called upon by poorer countries to subsidize the program at great cost to this Government. These consequences, in addition to other political factors previously discussed, would, I am convinced, impose a serious risk on some of our most important interests and objectives in the other American republics.

Sincerely yours,

Acting Secretary

Enclosure:

Copy of Interim Report on Financial Aspects of Latin American Arms Program.

IA:JCDreier:mam ARA A-Br A-T
3-14-47

~~SECRET~~ (Classification approved by 3-14-47)

JCD

SECRET

INTERIM REPORT ON FINANCIAL ASPECTS OF PARTICIPATION BY LATIN AMERICAN COUNTRIES IN THE INTER-AMERICAN ARMS PROGRAM UNDER H.R. 6326

Nineteen countries have been classified into three groups, based on the degree of financial ability or inability to participate in the arms program. This classification is based on a detailed examination of conditions in certain countries and on a general survey of the countries not yet more fully studied. Results for those that have been considered in detail are appended.

Six countries could not participate in the program without major difficulties because of their acute foreign exchange problem and recurring internal deficits. These are Chile, Peru, Bolivia, Ecuador, Nicaragua, and Costa Rica. They would account for 30 percent of the total cost under the army program and 38 percent of the cost of the total navy program as distributed among the different countries. For each of these countries their cost would be a substantial burden disturbing their position in making international payments for all purposes including the arms program, as well as having serious consequences in their internal finances. For example, Peru is already pressed for foreign exchange to the point that licenses are being denied to import machinery needed in the mining industry, which is a main source of foreign exchange, as well as being a producer of strategic materials. An additional international burden could so drain the country's slender reserves as to lead to devaluation of Peruvian money. All these countries would have to make a hard decision as to whether the requirements of national defense are sufficiently great to warrant an appreciable sacrifice in maintaining their economy.

A second group of eight countries, Brazil, Mexico, Colombia, Guatemala, Uruguay, Paraguay, Haiti, and Honduras, could participate without the heavy burden of the preceding group, although their costs could not be met without major problems in their international payments as well as in their domestic financial and economic affairs. They account for 59 percent of the total cost of the army program and 50 percent of the total cost of the navy program as distributed between different countries. It is anticipated that conditions in certain of these countries now classified in the second group may change in 1948. As an example of the kind of problem to be faced by these countries, Mexico would have to re-examine her long term program for industrial development and improvement in living conditions of the people and probably this program would have to be curtailed in order to meet the requirements of the arms program. As another example, Brazil probably would have to reconsider other commitments to the United States Government in order to provide for the arms program.

At the

CLASSIFICATION OF COUNTRIES
AS TO THEIR PARTICIPATION FROM A FINANCIAL STANDPOINT
IN THE INTER-AMERICAN ARMS PROGRAM

	COST OF ARMY PROGRAM		
	Annual Cost 1947 & 1948	Annual Cost 10 Year Procurement Program	TOTAL COST DISTRIBUTED BY COUNTRIES UNDER NAVY PROGRAM
First Group. Countries that would have most serious difficulty in participating because of basic weakness in making international payments and unfavorable internal finances.			
Chile	$ 7,650,000	$ 8,000,000	$ 3,111,855
Peru	2,700,000	2,800,000	2,259,365
Bolivia	2,250,000	2,250,000	
Ecuador	450,000	470,000	766,000
Nicaragua	450,000	470,000	
Costa Rica	135,000	140,000	
Total	$13,635,000	$12,130,000	$ 6,137,220
Second Group. Countries that could participate although not without major financial problems.			
Brazil	16,200,000	16,945,000	2,146,500
Mexico	4,050,000	4,200,000	4,480,000
Colombia	1,350,000	1,400,000	1,332,700
Guatemala	1,350,000	1,400,000	
Uruguay	1,350,000	1,400,000	
Paraguay	1,350,000	1,400,000	205,500
Haiti	450,000	470,000	
Honduras	450,000	470,000	
Total	$26,550,000	$27,685,000	$ 8,164,700

Third Group

	COST OF ARMY PROGRAM		
	Annual Cost 1947 & 1948	Annual Cost 10 Year Procurement Program	TOTAL COST DISTRIBUTED BY COUNTRIES UNDER NAVY PROGRAM
Third Group. Countries that could participate without major difficulty.			
Venezuela	$ 2,475,000	$ 2,600,000	
Cuba	1,350,000	1,400,000	$ 1,835,000
El Salvador	450,000	470,000	
Dominican Republic	450,000	470,000	
Panama	90,000	94,000	
Total	$ 4,815,000	$ 5,034,000	$ 1,835,000
Grand Totals	$45,000,000	$46,849,000	$21,115,020*

*Includes $4,973,100 for 33 combatant ships and $5,000 for plans not distributed by countries. Excludes annual maintenance cost of $5,387.50 each for 13 vessels over 1500 tons and $1,655 each for 71 vessels under 1500 tons.

Sources: Army program, letter and statement attached from the Secretary of War to the Secretary of State, 2 January 1947. Navy program, letter of February 26, 1947 from the Secretary of the Navy to the Secretary of State.

At the other extreme as regards ability is a third group of five countries, Venezuela, Cuba, El Salvador, Dominican Republic, and Panama, which have sufficient international resources and the condition of their public finance within the country is such that their cost under the proposed program could be met without major difficulty. But the cost would be burdensome and would prevent undertakings for the increase of production and for social betterment. These countries, however, would account for only 11 percent of the total cost of the army program and 12 percent of the total navy program as allocated among the different countries.

The main principle followed in determining the financial ability or inability of the individual countries is the amount of gold and net foreign exchange of the central bank and commercial banks, in relation to the country's total international payments and in relation to the total money supply within the country. For some countries there is a basis for separating gold and net foreign exchange into that part regarded as a fund to equate international receipts and payments and that part regarded as a reserve against internal credit. In these cases a further basis for appraisal is afforded. To these comparisons is related the experience with exchange control found in each of the countries in the first group, in all the second group except Guatemala and Haiti, but in none of the third group except Venezuela.

A secondary principle applied in determining financial ability is the condition of revenues, expenditures, and deficit of the national governments. Financing costs within the respective countries, although a major problem, is found to be a lesser difficulty for most than the limitations on making dollar payments in the United States.

Conditions during the next ten years, it is believed, will not be more favorable than they are now. The outlook is not for further increases in prices of mineral and agricultural products which make up most of the exports of Latin America. Instead it seems likely that resumption of production in other areas will result in greater competition in basic raw materials which will lower Latin America's receipts in international trade. Based on this outlook, the difficulties and problems of different countries in carrying out the program would become greater in later years than at present.

Current International CHILE Financial Position

During the war a substantial inflow of foreign exchange occurred from rapidly increasing exports. This inflow was accompanied by a marked expansion of the internal monetary supply arising particularly because the central bank bought foreign exchange at 19.25 pesos per dollar, which purchases were then converted into internal funds at 31 pesos per dollar, with the profit going to the Government. Since 1945 the international reserves that accumulated during the war have declined sharply, while the demand for international payments and also the monetary supply within the country show a pronounced increase.

As of June 1946 total gold and net foreign exchange of Chile of $106.3 million amounted to 1946 average international payments for 4.7 months, as compared with the six months supply as of June 30, 1945. Part of these holdings, however, constitute an internal reserve. The central bank expects to maintain an emergency reserve of $92 million in gold and net foreign exchange, of which $32 million is intended as an internal "currency reserve", and presumably the remaining $60 million is an emergency foreign exchange reserve to be used in balancing international receipts and payments. If from the grand total of gold and net foreign exchange, is deducted the $32 million internal reserve held by the central bank, the remaining $74.3 million held by the central and commercial banks equals average 1946 international payments for only 3.3 months.

At the end of the war international funds accounted for a little over a half of Chile's total monetary supply. By June 1946 depletion of foreign exchange supplies and further expansion of internal credit from deficit financing has more than reversed the relationship between the monetary supply of external and internal origin, and gold and net foreign exchange dropped to 40 percent of the total monetary supply. If only the $32 million regarded as an internal "currency reserve" is considered in this comparison and the remainder of international funds regarded as a reserve to meet adverse balances in international payments, then a reserve in international funds of only 12 percent is held against internal credit as of June 30, 1946.

Factors

FACTORS DETERMINING CHILE'S CURRENT POSITION IN MAKING INTERNATIONAL PAYMENTS

(Figures in millions of dollars or pesos as indicated)

	1945	1946
1. Gold and net foreign exchange on June 30		
a. Central Bank	$110.3	$ 91.6
b. Commercial Banks	14.0	14.7
c. Total	124.3	106.3
2. International payments during year		
a. Merchandise imports	$156.0	$178.0
b. Total international payments for all purposes	247.7	268.6
3. Monetary supply by origin (pesos) on June 30		
a. Total monetary supply in checking accounts and notes and subsidiary coinage outside banks	P6,860.6	P8,325.0
b. Less gold and net foreign exchange (item 1c) valued at 31 pesos per dollar	3,853.3	3,295.3
c. Monetary credit of central bank, commercial banks and Treasury	P3,007.3	P5,029.7
4. Comparisons		
a. Net gold and foreign exchange expressed in multiples of average monthly total international payments	6 months	4.7 months
b. Percentage of total monetary supply represented by gold and net foreign exchange	56%	40%

The

The exchange problem in Chile was serious at the beginning of 1946; it became increasingly acute during the latter part of the year. A main factor in this deterioration has been a comparative decline in the balance of visible trade. For the first six months of 1946 imports were up 19 percent and exports down 6 percent, as compared with the same period in 1945. Another principal factor has been the continued expansion of credit within the country. The loss of official holdings of gold and foreign exchange during the first six months is estimated at $22.4 million.

During the last half of 1946 import and exchange controls have been applied more drastically in an effort to equate the supply and demand for exchange at the official rates.

Free market quotations of 41 pesos to the dollar during the latter part of 1946 reflect a depreciation of about 30 percent from the official rate of 31 pesos to the dollar.

Revenues, Expenditures and Deficit of the Government

The year 1945 ended with a deficit of 210.5 million pesos. The 1945 budget called for revenues and expenditures of 4,749 million pesos. Revenue receipts credit to budget accounts amounted to 5,531 million pesos, but expenditures were 5,741.5 million. The deficit for 1945 plus that carried as an accumulation of deficits of preceding years amounted to 575.2 million pesos at the end of 1945. The increase of expenditures is explained largely by special law authorizations and salary increases for Government employees, while greater revenues are due largely to unexpected tax yields, especially from nitrate taxation.

The 1946 budget calls for expenditures of 5,878.3 million pesos. As of October 18, 1946 the Finance Minister reported an accumulated deficit through September 30, 1946 of 1,070.5 million pesos, of which 495.3 million represented operations in 1946.

The 1947 proposed budget calls for 6,558.6 million pesos, which is 12 percent more than the 1946 budget.

Chilean budgetary revenues have been substantially less than expenditures for each year beginning with 1940.

Besides budgeted revenues and expenditures, a substantial amount of revenue is earmarked to special funds for the fomento and reconstruction corporations, national defense, road construction

construction, the low cost housing agency, mining subsidies and various other purposes. The amount of revenue going into and the amount of expenditures from these funds are not disclosed by the Chilean Government. A private estimate made in Chile indicates 1,894.1 million pesos went into these funds in 1945, and the Embassy believes approximately the same amount of revenue will be earmarked for them in 1947.

A comparison of budgeted expenditures for military purposes and for public education, public health and public works appears in the following tabulation.

Comparison of Certain Items
in the 1945 and 1946 Chilean Budgets
(In millions of pesos)

	1945	% of Total	1946	% of Total	Increase 1946 over 1945
Total expenditures authorized by the budget	P4,749.0	100%	P5,878.3	100%	36%
Budget for ministries of:					
War	690.0	14	675.5	11	-2
Navy	439.0	9	544.6	9	23
Air	126.0	3	167.9	3	31
Total	P1,255.0	26	P1,388.0	23	10
Budget for ministries of:					
Public education	776.3	16	1,120.9	19	45
Public health	398.9	8	457.7	8	14
Public works	507.4	10	545.9	9	4
	P1,682.6	35	P2,124.5	36	23

Special Economic Problems

Dollar indebtedness of the national government of Chile in default as to current interest and sinking fund maturities at the beginning of 1946 had a face value of $99,978,000, while other municipal and governmental issues in default amounted to $50,576,000. In 1946 a payment of $12.02 per $1,000 bond was offered as annual interest on coupons four to four and one-half years in arrears. About $24 million of the revenues earmarked for amortization had been diverted from this purpose, but in 1946 there was used for amortization an ammunt equal to that used for interest (pursuant to the law earmarking the special revenue) plus $1,000,000 of the $24,000,000 previously diverted).

Although

Although Chile has much fertile land especially in the central valley, she is dependent on foreign trade for a considerable part of her agricultural requirements. Principal food imports have come from Peru and Argentina. Sugar from Peru has been a particularly important item from a foreign exchange standpoint.

Chile is in a basically vulnerable position in foreign exchange, since approximately three-fourths of exports are represented by only two commodities, copper and nitrate. At the same time the heavy demand for imported merchandise is comparatively inelastic.

Conclusion

Chile's annual cost under the army program would be $7,650,000 for 1947 and 1948 and $8,000,000 under the ten-year procurement program. The total cost under the navy program would be $3,111,855 and possibly more depending upon allocation of certain ships among different countries. The country could not undertake this burden without serious disturbance to her position in making international payments and without major adverse effects in her internal financial affairs.

PERU

Current International Financial Position

Peru's position in foreign exchange is peculiarly weak. Beginning in 1943 her holdings of gold and foreign exchange have followed a downward trend both in amount and in relation to total international payments and internal credit.

While gold and net foreign exchange have declined, total international payments have risen faster than receipts. The increase in payments from 1945 to 1946 for instance is approximately 50%. As a consequence, the amount of gold and net foreign exchange held by the central bank and commercial banks is barely sufficient to meet commercial payments authorized under the control system as they arise in the ordinary course of business. The total amount of international funds held as of June 30, 1946 approximately equals 1946 average international payments for 3.2 months. If, from the total of international funds, is subtracted the gold reserve held in Peru, most of which is denominated oro intangible (untouchable gold) and is regarded in Peru as a minimum internal reserve, the remainder of gold abroad and net foreign exchange available for meeting international payments equals the average requirements for only three weeks.

The marked expansion of internal credit has increased the burden reserves bear within the country. Relative to the total monetary supply, gold and net foreign exchange dropped from 20 percent to 17 percent from June 30, 1945 to the same date in 1946. The relationship of gold held in Peru to the total monetary supply of the country is only 12 percent as of June 1946, assuming gold held abroad and net foreign exchange are regarded as working capital to be used in making international payments.

A review of principal events beginning with May 1946 reveals in practice Peru's extreme weakness in meeting the most necessary international payments.

In May 1946 the foreign exchange holdings of the central reserve bank had fallen to United States $2,975,000 and £803,000 plus minor amounts of other currencies, while the net foreign exchange position of commercial banks was a deficit valued in dollars at $3,000,000. The central bank's supply of dollar exchange was no more than the requirements of the country for about a week. From this position of near exhaustion, a slight

improvement

improvement was made by June due to further curtailment in sales of exchange under the control system and an increase in purchases arising from greater exportation.

The improvement in June was so slight however that on July 12 it was found necessary to convert all deposits payable in foreign currencies into soles and to require the sale of all gold to the central bank as a measure to augment the bank's reserves. This action afforded only temporary relief and was soon offset by the adverse effects of disturbed confidence and further intensification of the foreign exchange problem. As of September 4 most of the additional international funds acquired as a result of the decree of July 12 had been used up, so that the bank's position was not materially better than it had been earlier in 1946.

Beginning in early September a policy of drastic curtailment in the issuance of import licenses and exchange purchase permits has been applied. For example, 51 percent of import licenses requested were approved in the month of September and 43 percent in October and 35 percent in November. During the last quarter of 1946 licenses have been denied for the importation of machinery and transportation equipment necessary for the exporting industries of the country. Accompanying this policy the central reserve bank beginning September 5 discontinued the sale of forward exchange which resulted in a curtailment in the issuance of letters of credit by commercial banks because the banks and their customers could no longer be effectively protected against the risks of exchange. Despite such severe regulation, 1946 foreign exchange sales of $160.1 million have exceeded purchases by $9.2 million.

The street market rate for sight exchange on New York banks ranged between 8.15 and 9.25 soles per dollar during the last quarter of 1946, reflecting a depreciation of approximately one-third from the official rate of 6.50 soles per dollar.

Factors

FACTORS DETERMINING PERU'S CURRENT POSITION IN MAKING INTERNATIONAL PAYMENTS

(Figures in millions of dollars or soles as indicated)

	1945	1946
1. Gold and net foreign exchange on June 30		
a. Central Bank	$32.1	$32.0
b. Commercial Banks	-2.3	-2.4
c. Total	$29.8	$29.6
2. International payments during year		
a. Merchandise imports	$84.6	$117.5*
b. Provisional total international payments for all purposes	$112.4	$172.1
3. Monetary supply by origin (soles on June 30		
a. Total monetary supply in checking accounts, and notes and subsidiary coinage outside banks	S/989.9	S/1,133.9
b. Less gold and net foreign exchange (item 1c) valued at 6.50 soles per dollar	193.7	192.4
c. Monetary credit of central bank, commercial banks and Treasury	S/796.2	S/941.5
4. Comparisons		
a. Net gold and foreign exchange expressed in multiples of average monthly total international payments	3.2 months	2.3 months
b. Percentage of total monetary supply represented by gold and net foreign exchange	20%	17%
5. Complementary data		
a. Gross private balances for Peru reported by U.S. banks less amount held by commercial banks	$21.4	$24.1
b. Surplus (or deficit of merchandise exports over imports	$17.7	$32.5*

*For 11 months converted to an annual basis.

Revenues, Expenditures and Deficit of the Government

The Peruvian Government has had a deficit in each of the twenty-eight years from 1918 through 1945, except the year 1935 when there was a small surplus. In a few of the years other than 1935 there has been a surplus of budgetary revenue over budgetary expenditures, but this surplus has been insufficient to meet extra-budgetary expenditures, particularly those for national defense purposes during the war with Ecuador, the boundary dispute with Colombia, and World War II.

The original budget for 1945 called for revenues and also expenditures in the amount of 446.5 million soles. Preliminary figures show 430 million soles of revenues have been received and 468 million has been spent, leaving a budgetary deficit of 38 million. The preliminary figure of extra-budgetary expenditures is 67 million, which results in a total deficit of 105 million soles for 1945.

Despite the deficit for 1945, the budget for 1946 was increased by 42 percent. Due to the economy of deferring the effective date of salary increases for public employees until April 1, 1946, and due to additional taxation and higher tax yields, it is possible that the budget for 1946 will be nearly in balance.

A budget of 825.3 million soles proposed for 1947 is now under consideration. This proposed amount is 30 percent more than the budget for 1946 and 85 percent more than that for 1945. No new taxes or other sources of revenue of consequence are in sight to cover the proposed increase in public expenditures.

In comparing the 1946 budget under the Bustamante administration and the influence of the Aprista party with the budget under the preceding Prado administration, it is to be noted that much of the increase in expenditures is for development, public works, public education and public health. Both the absolute and the relative amount of the increase for these purposes is decidedly greater than increases for the war, navy, and aeronautic ministries. A program of internal development and improvements in public welfare, such as construction of roads and betterment of the public school system has been an important policy undertaken under the present government.

SECRET

Comparison of Certain Items
in the 1945 and 1946 Peruvian Budgets
(In millions of soles)

	1945	% of Total	1946	% of Total	Increase 1946 over 1945
Total expenditures authorized by the budget	S/446.5	100%	S/633.3	100%	42%
Budget for ministries of:					
War	64.4	14	81.1	13	26
Navy	20.7	5	25.6	4	24
Aeronautics	28.6	7	47.6	8	66
Total	S/113.7	26	S/154.3	25	36
Budget for ministries of:					
Public education	58.8	13	111.0	18	89
Public health	19.2	4	28.9	4	51
Development and public works	20.1	5	32.3	5	61
Total	S/98.1	22	S/172.1	27	86

Special Economic Problems

Peru's external dollar indebtedness in default since 1931 amounts to 82.5 million dollars. According to a proposed debt settlement plan, an initial annual payment of 1/2 percent on interest and 1 percent on principal, totaling $1.2 million is justified on the ground that this is the most Peru can afford to pay the first year because of the acuteness of the foreign exchange situation.

The shortage of bread, meat and fats has made it necessary for the Government to import or subsidize the importation of these commodities. Foreign exchange for importing these foodstuffs, especially wheat, to maintain the supply of bread, has the highest priority. During the first eleven months of 1946 it is estimated that the Government's food purchase program has required 75.8 million soles or approximately $11.6 million.

Conclusion

Peru's annual cost under the army program of $2.7 million for 1947 and 1948 and $2.8 million for the ten year procurement program, together with a total cost of $2.3 million and possibly more depending on the allocation of certain ships under the navy program, is large enough as a single factor to weaken further her international and internal financial position.

Ecuador

SECRET

SECRET

ECUADOR

Current International Financial Position

Holdings of gold and foreign exchange by Ecuador were increased during the war years, largely from the inflow of oil company investments, but to a moderate extent from an increase in other international receipts over payments. Because of this inflow the sucre appreciated in value from 15 to the dollar in 1940 to 13.40 to the dollar in 1944.

Since 1944 reserves have declined, while internal credit has further expanded. Expansion has resulted from financing the Government's deficits.

On June 30, 1946 international reserves amounted to $27.4 million, all represented by gold and foreign exchange holdings of the central bank. They were $30.6 million on June 30, 1945. The total monetary supply as of June 30 is S/561 million for 1945 and S/612 million for 1946. Gold and foreign exchange, when converted into sucres at the official rate of 13.40 sucres per dollar, amount to 73 percent of the total monetary supply for 1945 and 60 percent for 1946.

Based on merchandise import figures for the first quarter of 1946, imports should be about $34 million in 1946, as compared with $23.8 million in 1945. There is gold and foreign exchange equal to about nine months requirements for making payments on merchandise imports.

The foregoing circumstance might lead to the view that reserves are sufficient, were it not for the fact that Ecuador now has an acute foreign exchange problem and means of payment are difficult to obtain. Free market exchange rates are 18 to 20 sucres per dollar, which reflects a depreciation of about 30 percent from the official selling rate of 13.50 sucres per dollar.

Revenues, Expenditures and Deficit of the Government

Ordinary budget operations for 1945 show a deficit of S/5.1 million; ordinary expenditures of S/255 million against ordinary revenues of S/249.9 million. In addition, the extraordinary budget authorizes other expenditures amounting to S/109.6 million.

The

SECRET

The 1946 ordinary budget authorizes expenditures of S/308.2 million. During the first eleven months of 1946 ordinary expenditures have been S/275.8 million, against ordinary revenues of S/261.6 million. An ordinary budget deficit of S/20 million is estimated for the year 1946. In addition, the extra budgetary authorizations for 1946 call for the expenditure of S/36 million.

The budget for 1947 now under consideration is expected to be for a larger amount than the authorizations of 1946.

Conclusion

Ecuador's annual cost under the army program is $450,000 for 1947 and 1948 and $470,000 under the ten year procurement program. In addition, the total cost of the navy program is $766,000. The weakness in the country's financial affairs precludes participation in the program without danger of general financial disorganization.

NICARAGUA

Current Economic Financial Position

After building up reserves to nearly $10 million in 1944, Nicaragua's holdings have since declined to $6.7 million as of June 30, 1946. They were $7.6 million on June 30, 1945. Since the central bank has no reserve requirements, the entire amount of international funds can be regarded as available for making payments abroad.

International payments for merchandise imports have risen from $12.7 million in 1945 to $14.8 million in 1946, while estimated total payments abroad are $14.1 million and $15.1 million for these years respectively. International reserves are definitely limited in comparison with total payments to be made. This circumstance is further evidenced by the severity with which exchange control is applied.

Officially reported sales of all foreign exchange during the first nine months of 1946 amount to $5.8 million, as compared with purchases of $5 million. Street market quotations of 5.35 cordobas to the dollar show a depreciation of 7 percent from the official rate of 5 to the dollar. The depreciation probably would have been greater had not a large amount of cordobas been immobilized by the requirement of deposits against import orders.

Revenues, Expenditures and Deficit of the Government

The 1946-1947 budget authorizes expenditures of C$77.4 million, which is an increase of 10 percent over the budget for 1945-1946 and 50 percent over the budget for 1944-1945. Internal revenue collections reported for the first nine months of the calendar year 1946 are C$16 million, which amount is far below the budget. A loan of $4.5 million (C$22.5 million) has been contracted with the Bank of America for financing the 1946-1947 deficit and other purposes.

Special Economic Problems

A poor coffee harvest is reported for 1946, and coffee exports for 1946-1947 are expected to be the smallest for the past fifteen years.

Conclusion

The extremely unfavorable financial condition of the Nicaraguan Government, together with the difficult foreign

exchange

exchange problem preclude her meeting the annual cost of $450,000 for the army program in 1947 and 1948 and $470,000 for the ten year procurement program without materially aggravating an already weak financial condition.

Brazil

BRAZIL

Current International Financial Position

Official holdings of gold and foreign exchange reported by the Bank of Brazil as of June 30 rose from $636.7 million in 1945 to $733 million in 1946. Lesser holdings of the commercial banks increased moderately. Gold and net foreign exchange of all banks amounted to $705.2 million as of June 30, 1945; figures for later dates are not available.

The total monetary supply of Brazil rose rapidly during the war years and reached Cr$39,001 million as of June 30, 1945. Of this amount Cr$3,618 million or 9 percent was represented by international funds and the remaining 91 percent represented internal credit. The proportionate parts of the monetary supply of internal and external origin probably was not changed appreciably as of June 30, 1946, although the total probably rose to Cr$40,000 million. International reserves were, therefore, small in 1946 relative to internal credit, as was the case in previous years.

Exchange control has been applied with varying severity or liberality since 1931. A lessening of restrictions characterized 1946 and since July the multiple rate system has been abandoned and the rate of exchange determined in the free market.

Revenues, Expenditures and Deficit of the Government

Revenues of the Government during the first seven months of 1946 are Cr$4,858 million while expenditures are Cr$6,390 million which indicate a deficit at the end of July amounting to Cr$1,532 million. Based on advances made by the Bank of Brazil, it appears that the deficit at the end of November 1946 is Cr$1,900 million.

The

The 1947 budget authorizes expenditures of Cr$11,990 million. Of this amount Cr$4,478 million or 38 percent of the total is allocated to the ministries of aeronautics, war and navy. This relative amount for military purposes is high in comparison with that of other Latin-American countries.

Extra-budgetary expenditures in addition to those authorized by the budget are made from special funds or pursuant to special laws.

Special Economic Problems

Fixed charges in Brazil's international payments for 1947 and 1948 include: debt service, $32 million; Export-Import Bank, $10 million and $12 million for the two years, respectively; surplus property $2 million; and lend-lease $12 million, a total of $56 million for 1947 and $58 million for 1948. In addition, dividends are estimated at $80 million for each year.

The size and variable character of principal receipts should be considered with the amount of fixed charges in international payments. Exports of coffee and cotton are estimated at $531 million for 1947 which is 56 percent of total international receipts and 60 percent of total expenditures.

It has been advanced that Brazil's budgetary position is such that she cannot afford to pay $11,666,666 a year for lend-lease and should be given two years for making each installment of this amount.

Conclusion

Under the army program Brazil's annual cost is $16,200,000 for 1947 and 1948 and $16,945,000 for the ten year procurement program. Under the navy program the total cost would be $2,146,500 and possibly more depending on the manner of allocating certain ships among different countries. The cost as a single item in the budget or as a single item in the balance of international payments is not so great as to preclude Brazil's participation. But it is great enough to impose a considerable problem in a country whose financial position is not strong.

MEXICO

Current International Financial Position

An adverse balance of imports over exports in Mexico's merchandise trade is ordinarily covered by the favorable balance on tourist expenditures and other invisible items. In 1945 the excess of merchandise imports over exports was sufficiently small that it was more than balanced by receipts from tourist expenditures and other service items. But in 1946 there has been a marked increase in the adverse balance on merchandise trade and a substantial deficit on all current international receipts and payments. Continuance of this deficit in 1947 is expected. The deficit is being met by reduction in the large Mexican holdings of gold and net foreign exchange. Were it not for the present size of these holdings, Mexico probably would have an acute foreign exchange problem. As it is, foreign exchange control has not been imposed.

In June 1945 Mexico's gold and net foreign exchange equaled average 1945 international payments for eleven months and were 46 percent of the total monetary supply of the country. By June 1946 the amount of gold and net foreign exchange was lower but equaled 1946 international payments for six months and was 38 percent of the country's total monetary supply.

The central bank is required to keep a 25 percent reserve against its note issue and sight obligations, of which four-fifths must be in gold and foreign exchange. Such reserves required $114.8 million in June 1945 and $120.6 million in June 1946. The remaining amounts available for meeting variations between international receipts and payments are $250.6 million for 1945 and $198.5 million for 1946, which equal average international payments for 7.4 months and 3.7 months in these years respectively.

Several important measures have been adopted in Mexico to limit the growth of the total monetary supply. These have been a raising of commercial bank reserve requirements and limiting their portfolio investments, encouraging a shift in the use of credit from commercial loans to production loans, and the sale of gold coins for hoarding as an anti-inflationary measure. Operating against these measures for limiting and controlling the expansion of monetary credit has been the increase the central bank has had to make in its holdings of government securities. The net result of these measures and operations of the central bank has been a check on the increase in the total money supply to a gain of 6 percent between June 1945 and the same time in 1946.

Factors

SECRET

FACTORS DETERMINING MEXICO'S CURRENT POSITION IN MAKING INTERNATIONAL PAYMENTS

(Figures in millions of dollars or pesos as indicated)

	1945	1946
1. Gold and net foreign exchange on June 30		
a. Central Bank	$346.4	$290.1
b. Commercial Banks	19.0	29.0
c. Total	$365.4	$319.1
2. International payments during year		
a. Merchandise imports	$330.0	$530.0
b. Provisional total international payments for all purposes	$407.0	$645.0
3. Monetary supply by origin (pesos) on June 30		
a. Total monetary supply in checking accounts, notes, and subsidiary coinage outside banks	P3,815.1	P4,048.8
b. Less gold and net foreign exchange (item 1c) valued at 4.85 pesos per dollar	1,772.2	1,547.6
c. Monetary credit of central bank, commercial banks and Treasury	P2,042.9	P2,501.2
4. Comparisons		
a. Net gold and foreign exchange expressed in multiples of average monthly total international payments	10.7 months	6 months
b. Percentage of total monetary supply represented by gold and net foreign exchange	46%	38%
5. Complementary data		
a. Gross private balances for Mexico reported by U.S. banks less amount held by commercial banks	Between $49.8 and $58.4	Between $66 and $101.9
b. Surplus (or deficit) of merchandise exports over imports	31 def.	180 def.

SECRET

Revenues, Expenditures and Deficit of the Government

A deficit appears in the Mexican budget of ordinary expenditures during the eight year period 1938-1945, except the year 1943, and a deficit after extra budgetary expenditures has occurred each year. In 1945 expenditures of 1,572.8 million pesos exceeded revenues of 1,404.2 million pesos by 168.6 million. The deficit was 168.5 million in 1944 and 103.9 in 1943. The 1947 budget calls for expenditures of 1,667 million pesos, which is 38 percent more than the original budget of 1,201 million pesos for 1946 and 66 percent above the original budget of 1,006.6 for 1945.

An extensive program has been carried on in the construction of highways, railroads, irrigation works, port facilities and electric power plants. The effort in carrying out this program is the main reason for recurring deficits. The adverse effects of the deficits however are offset by the large proportion for productive investment included in public expenditures and to a lesser extent by the effort the Government has made to finance deficits by utilizing savings of the people.

The budget in 1947 provides comparatively more funds than heretofore for internal improvement as contrasted with national defense.

Comparison of Certain Items
of the 1946 and 1947 Mexican Budgets
(In millions of pesos)

	1946	% of Total	1947	% of Total	Increase 1947 over 1946
Total expenditures authorized by the budget	1,201.4		1,667.0		
National defense	182.1	15%	219.6	13%	20%
Communications and public works	179.1	15	299.6	18	67
Public education	207.9	17	220.8	13	6
Public health	57.7	5	104.7	6	80
Hydraulic resources	--		219.9	13	

Special

Special Economic Problems

A study of the international receipts and payments of Mexico indicates deficits of $53 million for 1946, $84 million for 1947, and $72 million for 1948.

Services and other invisible items are especially important in Mexico's international receipts and payments. These include receipts from tourist expenditures and remittances for various external obligations of the Government and interest, amortization, and dividends on private investments in Mexico. The latter payments tend to be fixed charges in the balance of payments, whereas receipts from tourist expenditures, like those from exports, are variable.

Conclusion

Mexico's annual cost under the army program of $4,050,000 for 1947 and 1948 and $4,200,000 annually under the ten year procurement program, plus a total cost of $4,480,000 under the navy program, is moderate when compared as an individual item with total governmental expenditures for national defense purposes. Also it is not so large as an individual item to be of outstanding significance in relation to the program of internal development. But in view of the rapidly falling international resources of the country and the marked adverse balance of payments both in merchandise trade and in all international receipts and payments, the addition of the arms program cost to other external payments would constitute a major financial problem.

Panama

PANAMA

Cost of the army program is $90,000 annually for 1947 and 1948 and $94,000 thereafter. Panama can meet this cost without difficulty. She has never had a foreign exchange problem because of the heavy inflow of funds from the Canal Zone, which in 1945 were a net amount of $51.9 million. In addition, the cost is small in relation to her budget.

The budget for the fiscal year ending June 30, 1947 authorizes expenditures of $30.3 million. Actual receipts and expenditures for the fiscal year ending June 30, 1946 are $34.2 million and $34.8 million respectively, leaving a moderate deficit of $0.6 million. She has no army or navy, and other than for police purposes, expenditures are of a non-military character.

~~TOP SECRET~~

File Copy

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
March 19, 1947 — 3:00 P. M.

PRESENT

STATE	WAR	NAVY
ACTING SECRETARY ACHESON	SECRETARY PATTERSON	SECRETARY FORRESTAL
MR. CANON	ASST. SECRETARY PETERSEN	UNDER SECRETARY SULLIVAN
Mr. Moseley (SWNCC), Recorder		REAR ADMIRAL WOOLDRIDGE

I. Program for Aid to Greece and Turkey.

Decision:

None.

Implementing Action:

1. MR. ACHESON to obtain SECRETARY MARSHALL'S reaction to the progress of the program for aid to Greece and Turkey, and the effect it may have had on his negotiations in Moscow.

2. MR. CANON to make available to the Secretaries of War and Navy copies of the statement which MR. ACHESON will make before the Committee on Foreign Affairs.

3. MR. CANON to make available to MR. FORRESTAL, for his consideration, a copy of the draft letter to the Secretary General of the United Nations.

Discussion:

1. MR. FORRESTAL inquired whether any reaction had been received from SECRETARY MARSHALL on the Greek-Turkish program. MR. ACHESON said that no word had been received but that he would be glad to ask the Secretary for his comments.

2. MR. ACHESON said that he had received assurances from the AFL that it would undertake to support the Administration's program. He added that Secretary of Labor Schwellenbach was going to make an important speech on Thursday, March 20, which would answer much of the recent criticism directed against the Administration's program.

3. MR. ACHESON pointed out that Congressional Committees would undoubtedly request more specific data regarding plans for giving military aid to Greece, and asked if the War Department could have this concrete data available. MR. PETERSEN said that this data was now being prepared in his Department.

4. MR. PETERSEN said that it appeared desirable to tell the Congress

~~TOP SECRET~~

of the amount of British aid to Greece. MR. ACHESON said that the British had already made a gift of three million pounds to the Greeks and that another million pounds had been voted to cover the operating expenses of the Greek army for the next few weeks.

5. MR. PATTERSON said that he believes that some statement should be made setting forth the U. S. position why the UN was not used in our approach to the Greek-Turkish problems, and that we should explain to the UN, as well as to the public, that our action was necessary to supplement the purposes of the Charter of UN and also because of the inability of the UN to act in such a situation. MR. ACHESON said that our position in this connection had been discussed in detail with Senator Vandenberg and that in fact a letter had been drafted to the Secretary General of UN but after much consideration it had been determined not to send the letter because it was thought that it would only confuse the issue in the UN, and that any statement might be regarded by the Russians as a challenge. MR. FORRESTAL said that he would like to see this draft letter. MR. PATTERSON said that he would be satisfied with a public statement by MR. ACHESON in this connection. MR. ACHESON said that we might as well face the fact that UN will not settle problems of this type and that it is impossible for the UN to intervene in cases involving subversive movements. MR. FORRESTAL said that the people in general do not realize the real role of UN and they have been led to expect too much from this Organization. MR. ACHESON said that he had prepared a statement to make for the House Committee on Foreign Affairs in this connection, and that he would make it available for the consideration of the Secretaries of War and of the Navy.

II. Post-UNRRA Relief Act.

Decision.

None.

Implementing Action.

None.

Discussion:

MR. PATTERSON referred to recent discussions on the Hill regarding this proposed legislation and said that he did not approve several of the points Mr. Hoover had made in his testimony. MR. ACHESON said that the State Department did not favor the suggestion made by Mr. Hoover that the 350 million dollar relief program should be handled by making loans to the recipient countries. He also said that the State Department felt that distribution of relief for Austria should be handled by the Austrian Government or some designated agency rather than by the U. S. Army. MR. PATTERSON said that the relief program outlined in this legislation created a definite distribution problem which undoubtedly would fall to the State Department. MR. PETERSEN said that he believed this distribution program should be under the supervision of the State Department. MR. ACHESON said that he was in general agreement and that this problem was being given consideration within his Department.

III. Withdrawal of U. S. Forces from Korea

Decision.

None.

Implementing Action.

None.

Discussion:

1. MR. PATTERSON said that we must give early consideration to the question of withdrawal of U. S. Forces from Korea and that he favored such a withdrawal. He said that it would be impossible to obtain from Congress the 600 million dollars proposed for the reconstruction program for Korea. He added that the future of Korea was so uncertain that it might be best if we withdrew. MR. FORRESTAL said that he agreed with Mr. Patterson that the strategic importance of Korea had been overemphasized.

2. MR. ACHESON said that the other members were familiar with the fact that SECRETARY MARSHALL did not favor an early withdrawal of U. S. Forces, and that the latter had taken the position that U. S. prestige in the Far East would greatly suffer if we should withdraw.

IV. Situation in Paraguay.

Decision.

None.

Implementing Action.

None.

Discussion:

MR. ACHESON said that a telegram had just been received stating that the President of Paraguay had taken the position that the revolutionary forces there were Communists. The indications were that Argentina and Brazil might be asked for aid by Paraguay. MR. ACHESON said that the State Department was taking no action in this matter at this time. He added that our position probably would be that, in accordance with existing treaty regulations, we should consult with other nations on the situation with a possible view to taking multilateral action.

~~TOP SECRET~~

MINUTES
MEETING OF THE SECRETARIES OF STATE, WAR AND NAVY
MARCH 26, 1947 — 10:30 A.M.
April 2 1947 - 3 00 P.M.
PRESENT

STATE	WAR	NAVY
ACTING SECRETARY ACHESON MR. JOHNSON MR. ALLEN Mr. Moseley (SWNCC), Recorder	~~SECRETARY PATTERSON~~ ASST. SECRETARY PETERSEN COL. HAMILTON	SECRETARY FORRESTAL UNDER SECRETARY SULLIVAN REAR ADMIRAL WOOLDRIDGE

U. S. DELEGATION TO UNITED NATIONS

~~SENATOR AUSTIN~~
MR. ROSS

U. S. ATOMIC ENERGY COMMISSION

MR. LILIENTHAL
MR. ~~BACHER~~ Bacher

I. U. S. Position on International Atomic Energy Control.

Decision:

General agreement that the U. S. representative should first introduce for the consideration of the Atomic Energy Commission a draft charter of an international atomic energy control agency proposing in general outline its form, status, functions, etc.

Implementing Action:

Further study to be undertaken of the details of this approach. (It is assumed that this study will be undertaken by the Executive Committee on the Regulation of Armaments and by SENATOR AUSTIN'S staff.)

Discussion:

MR. ACHESON said that the purpose of the meeting was to hear SENATOR AUSTIN, the U. S. Delegate to the United Nations. He said that MR. LILIENTHAL and MR. BACHER of the U. S. Atomic Energy Commission had been invited to attend.

SENATOR AUSTIN said that the Security Council had referred back to the Atomic Energy Commission the Commission's report of December 31, 1946, with a request that it prepare specific proposals to be presented to the Council for the next meeting of the General Assembly in September. He said that the Commission was beginning its work and that it was desirable for the U. S. Delegation to know what we should propose for the initial discussion. He said that the United States Delegation needed advice from the political, security and legal angle with respect to U. S. strategy in this connection, and that this question should be approached from the standpoint of considering what would best promote the progress of the plan as a whole.

SENATOR AUSTIN outlined what seemed to be the present position of the various members of the Atomic Energy Commission. It seemed likely that the Russians would press for prohibition and outlawry of the atomic bomb. The British seemed inclined to take the easiest matters first. The Canadians seem to feel that any approach would be better than the Russian approach. The French seem to feel that it would be best to proceed by easy stages.

SENATOR AUSTIN said that he was not asking for an immediate decision. He wanted to lay a suggestion on the table for an exchange of views and later decisions, namely, would it be desirable for the United States to propose as the starting point the charter of the proposed international control agency, that is, the organization and functions of this agency. In this connection SENATOR AUSTIN referred to Chapter 2 of a treaty outline which had been prepared by Mr. Ingraham of Mr. Baly's staff. (BAC-D/11; Tentative Outline Plan of a Treaty or Convention for the Control and Development of Atomic Energy.)

SENATOR AUSTIN said that at the Assembly Meeting last fall the Russians had changed their position from one of favoring strict national control to favoring a form of international control. He said that the Russians had indicated that they were against unlimited international control. In this sense their position was not illogical. No country would accept unlimited control beyond the needs of the situation, that is, reaching into the whole economic life of a country beyond the control of atomic energy plants.

MR. ACHESON asked just how much agreement had been indicated by the Russians, that is, how much change there really had been in their position since they first proposed last June their convention for the outlawry of the atomic bomb. He was aware of statements which had been made by Stalin, Molotov and others but he wondered whether in the light of Gromyko's most recent statement in the Security Council whether they were not really right back where they started from last June.

SENATOR AUSTIN said the statements which had been made by the Russians were subject to various interpretations. One interpretation was that given by MR. ACHESON. It was clear that there was general agreement on many of the principles contained in the Atomic Energy Commission's Report. There was clear disagreement only with regard to those items on which Gromyko had introduced amendments. We would never know exactly how much agreement we had from the Russians until we layed down a specific proposition and got yes or no answers.

MR. FORRESTAL said that the American public misunderstood the gradations of agreement. Assuming that there had been agreement with regard to many matters the American public did not distinguish between the importance of these matters and the importance of other matters upon which agreement had not been reached.

MR. SULLIVAN raised the question whether, even assuming that we got agreement on the points at issue, we would have any real guarantee that international control as envisaged would be effective.

SENATOR AUSTIN said the only thing specific we had from the Russians was their proposal for a treaty outlawing the bomb which of course did not give us any guarantees.

MR. FORRESTAL observed that the American people probably did not understand this point and that perhaps this should be the starting point.

MR. PATTERSON asked whether it was agreed that by taking up one part of the whole problem first, our position with regard to any definitive action on the whole problem would be protected.

SENATOR AUSTIN made it clear that it had been definitely agreed that agreement to any part of the overall proposals did not imply a commitment to agree to the whole. Each government's position was fully reserved in this respect.

MR. ACHESON said that he leaned towards the SENATOR'S suggestion that we propose taking up first the charter of the international authority. If we started with the Soviet approach of outlawing the bomb, discussion of this subject would go on for months and the United States might be in a negative position vis-a-vis public opinion. MR. ACHESON asked the representatives of the United States Atomic Energy Commission whether it would be feasible to determine in the United Nations Commission the degree of authority required by the international authority without getting into the writing of actual treaty provisions as he had understood the SENATOR to suggest.

MR. LILIENTHAL replied that whichever of the two approaches were followed, it led logically and otherwise to the same point, that is, do we or do we not want to use our knowledge of atomic fission as a source of energy. It was not realized that outlawing the bomb did not stop there. If we were going in for this type of program we would have to outlaw everything, root and branch, that is to say, the plants which made it possible to manufacture the bomb. He said he would want to give some thought to the matter but that he leaned in the direction of attempting to write the charter provisions. In response to a further question by MR. ACHESON, MR. LILIENTHAL said that one of the problems would be how to achieve the objective of writing the charter provisions without giving information which it would not be proper to give during this process.

MR. BACHER commented that he was quite sure that the closer we got to the drafting of detailed provisions the greater would be the vigorous demand from other countries for information which they would consider essential to understand the provisions they were being asked to draft.

SENATOR AUSTIN presented a brief review of historical developments of the Atomic Energy Commission. MR. PATTERSON then asked whether we had not gained a great deal by the December 31, Report of the Atomic Energy Commission. SENATOR AUSTIN said he thought we had.

MR. PATTERSON asked whether the controls were positive or negative in character as envisaged in the Report.

MR. ACHESON observed that the Report seemed to narrow down the control aspect to a negative police kind of control away from the positive developmental control.

MR. SULLIVAN asked whether it is possible technically to accomplish what we are groping for.

MR. LILIENTHAL replied that short of international planning design and operation of plants control was not possible.

MR. SULLIVAN asked whether assuming this there would be any point -

which operations could be turned over to national control. He had in mind, for example, a remark made earlier by SENATOR AUSTIN about possible British concern over losing control of atomic energy which might be a vital factor in their economic recovery.

MR. LILIENTHAL replied that the output of atomic plants, for example electricity, could readily be placed under national control. National governments would determine the use to be made of the electricity to be produced by atomic plants. On the other hand, the international authority would probably have to determine the location of atomic plants and it might have differences of opinion with national governments in this respect. The authority would presumably be thinking in terms of international security and economic factors while the national governments might be thinking in terms of national security.

SENATOR AUSTIN said that, assuming the most absurd situation, this international control authority might suggest to us that we move our atomic plants to very different locations. He questioned whether we could submit to this. MR. PATTERSON replied that we could not avoid this kind of authority if an international control agency with full powers should be established.

MR. SULLIVAN observed that he liked SENATOR AUSTIN'S proposal that we propose in the Atomic Energy Commission as a starting point that consideration be given to the charter of the proposed international authority. MR. FORRESTAL indicated that he was in general agreement with this point of view. MR. ACHESON said that he was in general agreement with this approach. He added that he thought we should not attempt to write final definitive language now but instead we should draw up paragraphs outlining what we thought should be contained in a final draft of a charter. This procedure would avoid technical problems and give more time for study.

II. U. S. Representatives on the Military Staff Committee of the United Nations.

Decision:

None.

Implementing Action:

Secretaries of War and Navy to give consideration to the number and specialized qualifications of the Army and Navy representatives on the Military Staff Committee.

Discussion:

SENATOR AUSTIN described the difficulties he was encountering in housing the U. S. Delegation to the Military Staff Committee which numbered 101. He added that he would also like to have officers available who are qualified to act as consultants to the U. S. Delegates to the General Disarmament Commission and the Atomic Energy Commission.

MR. PATTERSON and MR. FORRESTAL said that they would take this matter under advisement.

III. Selection of Individual for Chief of Reconstruction Mission to Greece.

Decision:

None.

Implementing Action:

Secretaries of War and Navy to give further consideration to selection of individual to head the mission to Greece.

Discussion:

MR. ACHESON said that Senator Vandenberg had indicated that there should be one man to head the Greek Relief and Reconstruction Mission to Greece, and that the Senator wanted this individual to be confirmed by the Senate. MR. ACHESON said that he was agreeable to this suggestion and that General William Harrison had been mentioned as a likely choice.

MR. PATTERSON and MR. FORRESTAL said that they would give further thought to the selection of such an individual.

Copy 1 of 3 file

March 28, 1947

Admiral Wooldridge
Assistant Chief of Naval Operations
for Politico-Military Affairs (OP 35).

RE: Paper Entitled "Machinery to Deal With Regulation of Armament Matters".

The above named document dated February 17, 1947, was distributed at the Committee of Three Meeting on February 25, 1947, although there was no discussion on this paper.

The originator of the document has requested that the memorandum be reduced in classification from "Secret" to "Restricted".

H. W. Moseley
Secretary

~~RESTRICTED~~

Copy 1 of 3 file

March 28, 1947

Admiral Wooldridge
Assistant Chief of Naval Operations
for Politico-Military Affairs (OP 35).

RE: Paper Entitled "Machinery to Deal With Regulation of Armament Matters".

The above named document dated February 17, 1947, was distributed at the Committee of Three Meeting on February 25, 1947, although there was no discussion on this paper.

The originator of the document has requested that the memorandum be reduced in classification from "Secret" to "Restricted".

H. W. Moseley
Secretary

RESTRICTED

Record prepared by Mr. Ross (1st official memorandum) Mr. Mosely

~~SECRET~~

March 26, 1947

U. S. POSITION ON INTERNATIONAL ATOMIC ENERGY CONTROL

Meeting of Acting Secretary of State Acheson, Secretary of War Patterson, Secretary of the Navy Forrestal, Senator Austin and Mr. Lilienthal

PRESENT: State Department - Mr. Acheson, Mr. Joseph Johnson

War Department - Mr. Patterson, Assistant Secretary Peterson, Colonel Hamilton

Navy Department - Mr. Forrestal, Under Secretary Sullivan, Admiral Woodridge

U.S. Delegation - Senator Austin, Mr. John Ross

Atomic Energy Commission - Mr. Lilienthal, Mr. Bacher

Senator Austin outlined what seemed to be the present positions of the various members of the Atomic Energy Commission. It seemed likely that the Russians would press for prohibition and outlawry of the atomic bomb. The British seemed inclined to take the easiest matters first. The Canadians seem to feel that any approach would be better than the Russian approach. The French seem to feel that it would be best to proceed by easy stages.

The Senator said that he was not asking for an immediate decision. He wanted to lay a suggestion on the table for an exchange of views and later decision, namely, would it be desirable for the United States to propose as the starting point the charter of the proposed international control agency, that is, the organization and functions of this agency. The Senator referred in this connection to Chapter 2 of a treaty outline which had been prepared by Mr. Ingraham or Mr. Fahy's staff (RAC-D/14 Tentative Outline Plan of a Treaty or Convention for the Control and Development of Atomic Energy).

The Senator said that at the Assembly meeting last fall the Russians had changed their position from one of favoring strict national control to favoring ~~a form of~~ international control. He said that the Russians had indicated that they were against unlimited international control. In this sense their position was ~~basically no different from that of any other country~~ not illogical. No country would accept unlimited control beyond the needs of the situation, that is, reaching into the whole economic life of a country beyond the control of atomic energy plants.

Mr. Acheson

~~SECRET~~