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DATE

July 14, 1960

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TO:	NAME OR TITLE	ORGAN. SYMBOL	ROOM NO.	BLDG.	INITIALS	DATE
1.	Mr. W. I. Cargo	UNP	6334	NS/E		

- 2. *Hollan*
- 3.
- 4.
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APPROVAL	NOTE AND RETURN
AS REQUESTED	PER CONVERSATION
COMMENT	PREPARE REPLY
FOR YOUR INFORMATION	SEE ME
INITIAL FOR CLEARANCE	SIGNATURE
NECESSARY ACTION	

REMARKS OR ADDITIONAL ROUTING

GPO 874556

Attached for your information is a copy of a Memorandum of Conversation concerning the British approach on July 12 concerning problems raised by Indian Government attempts to obtain nuclear power reactors without safeguards. It will be necessary to obtain a Departmental position on this subject prior to further discussions with the AEC on a coordinated position to be taken in further discussions with the British.

I suggest a meeting be set-up early next week to discuss this problem and will be in touch with you as to the time and place.

held - go forward as before.
[Signature]

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FROM (NAME AND ORGANIZATION)	ROOM NO. AND BLDG.
Melvin L. Manfull, S/AE	4216 NS/E
SIGNATURE	PHONE NO.
	3461

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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: July 12, 1960

SUBJECT: Atomic Energy Safeguards: Problems Raised by Activities of India

United Kingdom

United States

PARTICIPANTS: The Viscount Hood, Minister Mr. D. A. Greenhill, Counselor Mr. Charles Wiggin, First Secretary Dr. John Gaunt, Atomic Energy Attache Dr. Don Avery (replacement for Dr. Gaunt)	Mr. Philip J. Farley, S/AE Mr. Robert M. Winfree, S/AE Mr. Melvin L. Manfull, S/AE Mr. Myron Kratzer, AEC Mr. John Vinciguerra, AEC Mr. George Spiegel, AEC
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COPIES TO: NEA - Mr. Kennedy NEA - Mr. Ludlow SOA - Mr. Bartlett EUR - Mr. Nunley WE - Mr. Brown BNA - Mr. Swihart ED - Ruth Gold	AEC - Mr. Kratzer Mr. Vinciguerra Mr. Spiegel S/AE - (5, loc) Embassy, London Embassy, New Delhi Embassy, Vienna (for IAEA Mission)	UNP - Mr. Cargo (2)
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(2)

OFFICE OF UNITED NATIONS
 JUL 15 1960
 POLITICAL AND ECONOMIC AFFAIRS

The Viscount Hood called at his request and on instructions for a preliminary exchange of views concerning problems raised by attempts of the Indian Government to obtain nuclear power reactors without safeguards. Viscount Hood recalled previous informal notification to the Department that Prime Minister Macmillan had made a personal appeal to Mr. Nehru on this subject during the recent Commonwealth Conference. Mr. Macmillan had asked Nehru to accept safeguards in connection with India's acquisition of reactors and had given Mr. Nehru an explanatory paper on this subject. Mr. Nehru has replied by written memorandum explaining India's strong opposition to bilateral or IAEA safeguards. The major objections cited were the alleged discriminatory and onerous character of safeguards. While reiterating India's willingness to accept a universal system of safeguards, the memorandum clearly reflected India's view that acceptance of safeguards would reflect adversely on its international prestige. The memorandum stated that in the Indian view there should be no safeguards on nuclear plants, equipment or components and on unprocessed source material, but merely an oral undertaking that the latter would be used solely for peaceful purposes. The memorandum also indicated that India might consider some form of limited safeguards to be applied to enriched material. Viscount Hood stated that the Indian memorandum was voluminous and that a copy would be supplied to the Department. (See note page 4)

He continued that there was apparently no change in the Soviet attitude concerning safeguards and, in fact, the Soviets were on public record to the effect that they would not require safeguards for a nuclear power reactor supplied to India. In addition, despite UK representations, the French attitude remained disappointing in that the French continued to be equivocal and to refuse to

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commit themselves concerning bilateral or IAEA safeguards.

With respect to Indian intentions, Viscount Hood stated that information received by the UK was conflicting and that press reports of Indian activities were probably inaccurate. A common thread, however, was that the Indians sought a 300 thermal megawatt power station (possibly two reactors of 150 MWT each) and that the Indian Government might ask for tenders during August. A request for tenders would pose difficult problems for the UK domestically since the UK consortia would desire to respond and would wish to know at the outset whether safeguards would be required. These domestic pressures are expected to increase in view of the recent cut-back in the UK domestic nuclear power program. Further, the UK Government could anticipate an adverse domestic reaction if British consortia were precluded from competing with the Soviets and the French for business especially in a Commonwealth country. With regard to international aspects, the UK was concerned over the possibility of further Soviet penetration of the Indian economy and considered that serious thought should be given to any decision which would enable the Soviets to be the sole supplier in the Indian nuclear power field. Therefore, the UK desired the closest consultations with the United States and, if possible, close collaboration in a joint approach to the problem. He added that while the immediate problem was perhaps most difficult for the UK, since reports indicated that the Indians were seeking a reactor fueled by natural uranium, in a sense the United States and the UK faced the similar problem in that the request for tenders might be sufficiently broad to interest United States commercial firms.

With respect to alternative solutions to the problem, the UK had considered the following possibilities. The US and the UK might

- (a) stand firm on the present safeguards policies and insist on the application of safeguards to any transaction with India;
- (b) agree that in instances like the Indian case, where significant political and economic considerations are involved, US and UK firms should be allowed to submit tenders without requiring safeguards;
- (c) attempt to develop a possible compromise solution between (a) and (b) above.

Viscount Hood remarked that course (a) above needed no elaboration. With regard to (b), he was confident that the UK could obtain from India assurances that the equipment and materials would be used for peaceful purposes only. However, even though such assurances were obtained, we would have to consider carefully the probable impact on our general safeguards policy of proceeding to supply a reactor on this basis. With respect to possible compromise solutions, (c) above, the UK had explored the following possibilities:

- (1) not to insist on the application of bilateral safeguards at the outset if India provides assurances that she would accept IAEA safeguards when finally developed and approved by the Agency. However, in view of the tone of the Indian memorandum, there was little hope that India would agree to such an undertaking;

- (2) develop some form of reciprocal safeguards arrangement on a bilateral basis in which the UK would agree to accept inspection of the plutonium or other special nuclear materials obtained from the irradiated fuel elements supplied to India or set aside an equivalent amount of special nuclear material under safeguards earmarked for peaceful uses only. The UK considered it highly unlikely that such a proposal would prove acceptable to the Indians.

The UK believed there was little utility in attempting to develop ingenious safeguards arrangements which might satisfy the Indians. Rather, the US and UK should address the basic problem as to whether adherence to the present safeguards position does not inevitably lead to an impasse. We should consider whether continued adherence to safeguards is merely a holding operation unless we see some hope for progress towards a disarmament agreement. The Indian case points up the issue as to whether the risks in adhering to a safeguards policy are not outweighed by the political and economic advantages of denying the Soviets an opportunity further to penetrate the Indian economy.

Viscount Hood reiterated that the above constituted the UK analysis of the problem and stated that he was not seeking a definitive US response at the current meeting. However, he would welcome preliminary US views, particularly on the alternatives outlined above.

Mr. Farley observed that Viscount Hood had made a lucid presentation of the problem. The US fully recognized the conflicts of interest for both Governments presented by the Indian activities. The timing could not be worse from our viewpoint since, whether by chance or design, the Indian request for tenders might come out just prior to the Fourth General Conference of the IAEA, at which definitive action is hoped on the Agency safeguards system. He agreed that prestige considerations constitute a large element in the Indian position but pointed to the difficulties in finding means to satisfy Indian sensibilities in this regard. A crucial consideration is the amount and degree of support we can expect at the IAEA Fourth General Conference for Agency safeguards. A clear consensus in favor of the Agency safeguards would undoubtedly exert pressure on the Indians. In addition, prospects for the nuclear test suspension negotiations at Geneva, and for eventual disarmament agreement however faint, should be taken into account. The US believes we have so much at stake in the forthcoming safeguards discussions at Vienna that we should not sacrifice safeguards until we are absolutely sure that no other course of action is open.

With regard to the possible compromise solutions mentioned above, Mr. Farley said we had also considered some form of reciprocal safeguards arrangements with India but tended to agree that the Indians would be unlikely to accept an arrangement satisfactory to us. The US is also considering the possibility of making an offer at the forthcoming General Conference to place certain US facilities under Agency safeguards. However, such an offer, if made, would have to be a modest one in view of the organization of the US atomic energy program and would, therefore, be susceptible to attack by the Indians. While we realize that in the Indian view IAEA safeguards are even less desirable than bilateral safeguards, the US continued to believe that the main focus of effort to counter the Indian position should be at the Fourth General Conference. He noted in this connection

that extensive consultations had already been held with the UK and Canada on a coordinated course of action to obtain favorable action on safeguards document at the General Conference.

Mr. Kratzer said he had nothing to add to Mr. Farley's comments.

Mr. Farley concluded by stating that other areas of the Department were intimately concerned with this general problem and that after appropriate discussions in the Department, he would inform Viscount Hood of our views. In the interim, he hoped that members of the British Embassy Staff would be available for informal consultations should this prove desirable, to which Viscount Hood agreed.

NOTE: Subsequently, Mr. Wiggin, in making a copy of the Indian memorandum available, requested that it receive limited distribution in the Department and eventually returned to the British Embassy. Because of the privileged character of the Macmillan-Nehru exchange, the British did not wish the existence of the memoranda to become generally known and in particular wished to avoid information getting back to the Indians that a copy of the Indian memorandum had been given to the United States.



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