With reference to your service letter, No. 137/11/35 of 7 July 1960, a copy of which you sent to this office for information and comments, I must inform you that our response to the proposal of the Israeli Envoy correspond completely with your first impression; namely that the other Ottawa powers would not be satisfied with an assurance that if and when an IAEA-guarantee system is accepted worldwide, Israel will subject the uranium that they now receive to such guarantees.

All the information we have at our disposal points to the conclusion that it would be the Ottawa group's attitude that such insurance, linked to an uncertainty, poses no real guarantee. Although the Union could use the counter-argument that the current restrictions on the free export of its uranium, and the removal of the restrictions which is linked to the same uncertainty, are also unrealistic. But the fact remains that the most important members of the Ottawa group would oppose any attempt to sell significant quantities of uranium on the open market without effective security guarantees.

You rightly note that the censorship of the Ottawa-powers would in itself not necessarily be a decisive consideration. If there was elsewhere a prodigious and safe alternative market, we would perhaps – to our benefit - dare to defy the censorship of the Ottawa group. The
alternative market opportunities are still so limited compared to our sales by the CDA that it obviously would be disadvantageous to us at the present time to alienate the Ottawa group.

In this context I would like to again endorse and emphasize the point that the Minister in Vienna had suggested in the concluding paragraph of his report No. 29/13 of 18 June. The limited possibilities for the expansion of the Union's uranium exports are in particular due to the fact that the production of electricity by nuclear power is still significantly more expensive than by conventional power. In the Sixth Annual Report of the UK Atomic Energy Council, on which a separate letter is addressed to you, it is clear that no significant new sales of uranium within the next ten years are therefore…

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expected. The guarantee system is by no means the cause of this condition. With or without security measures, we will not find, save the Ottawa group, any significant new outlet for our uranium.

It is of course understandable that the possibility of new contracts, however small, is in the circumstances very tempting for our producers. However, one should not overlook the fact that the disadvantage posed by the loss of a few small contracts due to lack of security guarantees, cannot be compared with the far greater harm that may mean the loss of cooperation with the Ottawa-powers.

[Copy to Vienna
Copy to Washington
Copy to Canberra
Copy to Ottawa]

M.I. Botha
Minister.