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STATEMENT BY
THE HONORABLE C. DOUGLAS DILLON
UNDER SECRETARY OF STATE FOR ECONOMIC AFFAIRS
BEFORE THE JOINT COMMITTEE ON ATOMIC ENERGY
THURSDAY, JANUARY 22, 1959

The President's message to the Congress of June 23 and my statement before this Committee on July 22 outlined the political objectives which the Joint US-EURATOM program was intended to serve. These statements identified the European Atomic Energy Community as an integral part of the movement on the Continent of Europe designed to create new unity and strength at the heart of the Atlantic Community. Some of the members of this Committee had the opportunity in September to view at first hand the operations of the European Communities -- the European Economic and Coal and Steel Communities, as well as EURATOM -- and talk informally with the eminent leaders who are shaping the futures of these institutions. I think that all of us who have had occasion to witness these developments are impressed with the dynamism of the ideal and the tremendous drive of the forces being set in motion by this political movement. It proves, I believe, the basic thesis underlying the support which both the legislative and executive branches have expressed for European integration. The modest beginnings represented by the first actions of these new Communities have already led to results hardly foreseeable a year ago.

Before turning to specific EURATOM activities and the status of our joint efforts, I would like for a moment to refer to the recent actions in the economic field by this group of European states which I believe are real milestones in Free World economic development. On January 1 the six members of the European Communities took the first steps to remove trade barriers in a program to forge economic unity. On December 27, these European states, together with Great Britain and other European countries, responded to the challenge of a changing world economic situation, and took significant steps toward full currency convertibility and toward freer trade and expanding economic activity. At the

same time

same time France initiated a bold program of economic reforms in part to prepare herself for the challenge of increased competition represented by the Common Market. Moreover, despite certain problems which have arisen in establishing a pattern for future economic cooperation between the European Communities and the eleven other members of the Organization for European Economic Cooperation, we are hopeful that the important new economic developments I have just summarized will facilitate solutions for these problems. In summary, recent actions taken by the European Communities and their European partners are welcomed by this Government as signs of real strength in Europe. The creation of expanding markets in Europe is certain to bring benefits not only to the participants but to all the free world nations.

Mr. Floberg has mentioned several of the achievements of EURATOM in the period since last summer. I would like to add further details on several of these actions.

The Supply Agency statutes have been approved by the Council of Ministers and this important institution of the Community should begin shortly to assume its functions of ensuring the supply of all ores, raw materials and special fissionable materials as provided in the Treaty. Basic health and safety standards for the Community have also been approved.

In the foreign relations field, EURATOM and Great Britain will soon sign a bilateral agreement providing the framework for future cooperation. It is similar to our normal bilateral agreements in that it deals generally with cooperation in the peaceful uses of atomic energy, exchanging information and methods for transferring fuel. It also treats the safeguard problem along lines similar to those followed in our Joint Program. It does not however provide for joint research or development projects. EURATOM is also continuing its close cooperation with the OEEC atomic program.

In connection specifically with the U.S.-EURATOM program, the Community has just received for its action a proposal on third party liability and has already taken action to minimize the impact of tariffs. On the latter point, since Mr. Floberg did not elaborate on the tariff actions of the Community, the situation is as follows:

On January

On January 1, 1959 the six member governments on the recommendation of the EURATOM Commission fixed the common external tariff of the six countries on nuclear products coming from third countries. (At the same time, the member states in accordance with the EURATOM Treaty eliminated all tariffs on trade in nuclear products among the six members of EURATOM). Major action toward third countries is the establishment of a 10% duty on nuclear reactors and parts with a suspension of the collection of this duty for a period of three years,

There was considerable debate on this action among the governments of the member states. In the countries with relatively advanced industrial potential in the nuclear field, there were pressures to protect these industries from outside competition by higher tariffs. The final decision to reject this approach was taken by the governments with the realization that their basic long-term interests were better served by improving the technique of nuclear reactor development as quickly as possible and reducing the costs of producing nuclear power as much as possible. This of course was one of the underlying assumptions of the joint U.S.-EURATOM program.

Finally I would like to describe briefly the current status of loan negotiations between EURATOM and the Export-Import Bank.

The Board of Directors of the Export-Import Bank has authorized the establishment of a line of credit not to exceed \$135,000,000 to EURATOM to assist in financing the purchase of United States type nuclear reactors to be installed in nuclear power plants, including initial fuel fabrication and engineering services. The Export-Import Bank credit will be available to EURATOM for loaning on a case-by-case basis with the prior approval of Eximbank for installations in nuclear power plants located within the EURATOM countries, i.e., Belgium, France, Germany, Italy, Luxembourg and The Netherlands.

2/13 / EURATOM has been informed of this authorization. It has also been informed, however, that the line of credit will not be established until the Agreement for Cooperation between the United States and EURATOM signed in Brussels on November 8, 1958 comes into effect.

Allocations under the line of credit to finance projects, selected jointly by the U.S. Atomic Energy Commission and EURATOM, will be made by the Bank upon the fulfillment of specific terms and conditions, among them --

1. The Bank must be satisfied that the enterprise selected will have available from other sources such additional financing as is necessary to complete the project.

2. The Bank

2. The Bank must be satisfied with the terms and conditions of the loan from EURATOM to the enterprise, including security therefor.
3. Obligations issued by enterprises to EURATOM, in evidence of their indebtedness to it, together with security for such obligations, must be pledged for the benefit of the Bank in a manner satisfactory to it.

The proposed credit, which will bear interest at the rate of 4 1/2% per annum on outstanding balances, is to be amortized over a 15-year period, following completion of construction of the respective projects.

With regard to future relations between EURATOM and the United States, the AEC and the Department have under consideration the question of negotiating an overall bilateral agreement with EURATOM which would comprehend the provisions of existing bilaterals into a single agreement. Our present bilaterals as well as the EURATOM Treaty and the Agreement for Cooperation now before this Committee all envisage that this will be done. I expect that talks with EURATOM will begin some time this spring and that the negotiation of such an agreement could be completed before the end of this session of the Congress.

In closing I would like to state that the Congressional action of last summer was an indispensable element in moving ahead with the program. In Europe it was viewed as confirmation of our intent to proceed with this joint endeavor. I am told that following passage of the EURATOM Cooperation Act, European utilities and business firms began making serious plans for participation in the program. This alone may have saved us many months in the development of contacts between European and American industries which is essential to the success of this program. With the entry into force of the Agreement for Cooperation I believe that we can look forward to substantial further progress.

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State--FD, Wash., D.C.