

NATIONAL INDUSTRIES CONFERENCE BOARD

-----

FOR IMMEDIATE RELEASE  
Wednesday, April 8, 1959  
11.00 A.M.

Remarks Prepared by Mr. Robert GIBRAT  
President - General Manager  
INDATOM, 48 rue de la Boetie  
PARIS - FRANCE

For Presentation at the  
ATOMIC ENERGY IN INDUSTRY / 7th ANNUAL CONFERENCE

ROUND TABLE CONFERENCE :

EURATOM - SALES OPPORTUNITIES AND OBSTACLES

THE EURATOM - U.S.A. TREATY

## THE OBSTACLES

I am deeply honored to have been invited by Mr. SINCLAIR President of the National Industrial Conference Board, to address so many distinguished Americans and among them the Chairman of this panel, Mr. Corbin A. ALLARDICE, who is so well known in Europe.

The general topic before this meeting is, I quote "EURATOM, Sales Opportunities and Obstacles". I wish, however, to confine my remarks first, to the aspect of EURATOM activity which is of primary interest to you, namely the activity resulting from the EURATOM - U.S.A. Treaty; second, to the so-called Obstacles. I shall not speak of the opportunities because I am convinced that every interested American, whether he be Government official or manufacturer, is already perfectly aware of their promising nature.

In the next few years, the atomic program of Continental Europe must clear two major obstacles. One is represented by the accumulating stock-piles of coal in the "Six Euratom Countries". You have surely heard of the violent labor demonstrations which took place recently in the Borinage, in Belgium. The other has to do with the amazing petroleum and natural gas

discoveries in France and in the Sahara desert. I wrote these notes during a short vacation in Italy and I could not help comparing EURATOM with a ship attempting to hold its course between Scylla and Charybdis, the famous obstacles of the Messina straits, between Sicily and Calabria. As you recall, one was a whirlpool and the other a rock and any ship which cleared the former was bound to break up on the latter. The "EURATOM countries" realize that, thanks to the Sahara resources, they may become within a few years the world's largest producer of petroleum and natural gas. However, by a superb contradiction, this same Europe is at the present time suffering acutely from an overproduction of coal and would like to curtail American imports. Neither the Governments, nor the peoples of the EURATOM countries, can nowadays understand the statements of the "Three Wise Men". Nor can they agree with their 1957 program, calling for 15 million nuclear kilowatt within EURATOM in 1965 (remember the Philadelphia Congress).

The "EURATOM countries" will therefore not accept an ambitious program of nuclear power plant construction designed to solve their present energy problems, because the problems confronting them are actually overabundance problems, not shortage problems. They will, however, consider favorably any sensible long-range plans because they know how swiftly economies are liable to change. The "EURATOM countries" are also aware that, once the breeding process has been perfected, the anticipated uranium and thorium reserves will compare with the present-day reserves of coal and petroleum. After all, a doubling of the world's power potential is worth some effort...

The program of the EURATOM-U.S.A. Treaty follows these lines and should therefore be supported by everyone. Its objective of 1 million Kw is

most sensible. Its Research and Development program is an excellent idea, full of promise. The fuel guarantees offered by the U.S. Atomic Energy Commission seem at first glance most attractive, and their principle very sound. Allow me to summarize this principle very briefly. The cost of conventional power is higher in Europe than in the United States; nuclear power is therefore more urgently needed in Europe. At the same time, the European industrial potential is not only adapted to the introduction of powerful nuclear plants into the electric power network, but it is also adapted to the technological requirements for the construction of such plants. The manufacturing industries of both continents have here a unique opportunity to work together in this new field. In this manner they can strengthen the ties which will enable western civilization to maintain its leadership in this field. The many friends of the United States in Europe have welcomed in this Treaty, your American moderation - a quality that is sometimes lacking in our old civilizations - as well as the realistic vision which we have come to expect from the American people.

Consequently, every European was, and - I insist on this point - still is, happy to participate in this program. How is it possible, then, that today so many are complaining, and sometimes express discouragement, whenever the EURATOM-U.S.A. Treaty is mentioned? In fact, there is a definite uneasiness which it would be foolish to ignore.

Some people, who know the details by virtue of their professional duties, are unhappy with the overabundance and even more so with the complexity of the rules which have been or will be published. For example, the lengthy "invitation to submit proposals under the joint program" was followed by just

as lengthy additions and later by additions to these additions. No one knows where it will ever end. As a result, general commitments have already been requested from countries and manufacturers in connection with the Research and Development Program. On the other hand, the implications of these commitments are by no means clearly defined. We are told that they will be clarified later. As I was leaving Paris, the rumor was spreading that the beneficiaries under this program would not be able to submit bids for the power reactor program. Many were already panicking and there was no one who would give them reassurance or advice.

Others, who are used to handle questions of a general nature, observe that this program, initially based on an equilibrium between EURATOM and the U.S.A., is gradually leaning more and more heavily toward the U.S.A. Let me illustrate with four typical opinions, which contradict one another but fit together.

First Opinion.

The power utilities had believed, on the strength of statements made in the early stages of the agreement, that the American idea was to experiment in Europe in preference to the United States, with reactors of American design, the reason for this being that the extra cost in relation to conventional power would be less in Europe. This extra cost was supposed to be shared by the two parties. In actual fact, the negotiations now under way seem to indicate that the extra cost will be borne almost entirely by Europe, for the simple reason that a loan of one hundred thirty five dollars per kilowatt, at four and one half percent interest, which has to be reimbursed in dollars, is a small incen-

tive when compared to the extra cost of two hundred fifty dollars per installed kilowatt. By the way, these utilities are surprised that, despite these figures, EURATOM still required them to prove that the proposed reactor can be built economically in their local conditions. This requirement appears obviously impossible to meet at the present time.

Second Opinion.

The manufacturers, although very eager to participate in the Research and Development program, are increasingly concerned about the manner in which the questions of industrial property rights are to be handled. Regulation after regulation enact more and more severe interpretations and the great hope we had last May that the famous Article VII of the cooperation agreement would be liberalized is gradually disappearing since the Atomic Energy Commission has apparently not taken a single step in this direction.

Third Opinion.

European manufacturers willing to participate in the power reactor program had welcomed in the Treaty the opportunity to share with the appropriate American companies the designing of the most difficult parts of the reactors. In this manner, not only the United States would take advantage of the lower European construction costs but also American manufacturers would be able to experiment their designs more rapidly. Europeans now maintain that the tendency is to sell American reactors and no longer to cooperate with costs and profits shared alike. In effect, the first negotiations with American manufacturers have not always been satisfactory (although they vary in each case) and, in addition, there is a rumor that several European utilities are considering, for

liability reasons, dealing directly with American organizations instead of going through the joint manufacturers' study groups set up for this purpose, a practice which is absolutely contrary to the principle of the Treaty. Everyone is also surprised that proposals must be submitted to EURATOM by September 1st, 1959. This time limit makes impossible any thorough cooperative study among Americans and Europeans and, as usual, the detractors of the program draw the wrong conclusions. It seems that everyone agrees the time limit should be extended by 3 or 4 months but nothing has been heard to that effect.

Fourth Opinion.

The European manufacturers of fuel elements are fully expecting the first fuel load to be supplied, in whole or in part, by American manufacturers. They realize, however, that for foreign exchange reasons, subsequent loads will have to be manufactured in Europe under American license. They are therefore wondering how the strict guarantee rules established by the United States will apply to them in matters of control or industrial property rights. For instance, how can a French company agree to give up all patentable inventions discovered by it during a ten-year period in connection with fuel elements entirely engineered in France, for the sole reason that this company has manufactured elements guaranteed by the Atomic Energy Commission in agreement with an American manufacturer ?

I could add more similar complaints but it would be useless. I believe the situation is clear enough.

The attitude of confidence, even of admiration for this wonderful program has gradually deteriorated. Today everyone picks at the regulations,

is blind to any advantages and emphasizes anything not quite to his liking; suspicion is growing and, in a nutshell, an unfair attitude is developing. How could it have happened ?

In my opinion, there are two reasons for this change of climate. First of all, the Atomic Energy Commission has, unwittingly but effectively, led EURATOM to conduct negotiations in accordance with strictly American legal procedures. The Atomic Energy Commission has consequently added to the cooperation agreement a set of purely anglo-saxon rules which are hardly understood by Europeans trained with the Napoleonic Code. This has often given rise to certain fears, some of which are probably groundless, such as for instance, the ones regarding the Atomic Energy Commission fuel guarantees. The negotiations which have been taking place among Governments, power utilities, American and European manufacturers, have lacked in information and, consequently, in coordination. In the course of these negotiations, the primary purpose of the Treaty, that is to say, the EURATOM-United States Cooperation with equal sharing of profits and effort, has been gradually forgotten by the various parties concerned. Everyone has naturally been trying to negotiate agreements best serving his own interest and there has been no "leader" to show the way and harmonize the individual agreements. This is no doubt largely due to the illness of my friend Louis ARMAND since the early stages of the agreements and the fact that, throughout 1958, we kept hoping he would resume the leading role which he carried out so magnificently for the creation of EURATOM.

In order to illustrate what has taken place in 1958 and 1959, I would like to use a comparison which, I hope, will bring a humorous note into this serious talk.

You have in the United States a popular game, the rules of which you have known since childhood although you have probably never seen them in writing : I am referring to baseball. No European has ever succeeded in having this game explained to him. We are told : "It's easy. You take a bat and a ball, and then it's like this ...". Your American friend stops right there. If you insist, he replies : "Come along. I'll show you". If you go along and mischievously start asking about the meaning of all the letters and figures on the score-board, you find that soon your American friends begin to argue among themselves and fail to agree. We have in Europe the same sequence of impressions when we talk with you about the Treaty.

In this EURATOM-U.S.A. atomic world series, there are in fact six teams involved. The three Government teams are the Atomic Energy Commission, EURATOM and the European States (who, do not forget, are sovereign states). The three non-government teams are the European power utilities, the American manufacturers and the European manufacturers. Two of these 6 teams have already had baseball experience; the rest have none or next to none. Let us dwell briefly on one or two of the teams :

First of all, the Atomic Energy Commission Team, who holds the championship. Its members have known the game and its rules since childhood and are in excellent training after warming up with 88 bilateral Treaties. They wish to keep their old habits, which seems to them quite normal since the owner of the team is financing the world series and has guaranteed the "gates". One detail should, however, be mentioned : All the Atomic Energy Commission players

are well known to the umpires, and these seldom show any indulgence for violations of the rules. You will have recognized the Joint Committee, so well liked for its efficiency but so well known for its severity.

Second, we have the challenging team, composed of the EURATOM negotiators : all the players are fine athletes, used to the European soccer games, but this is the first time they play on the same team and also the first time they play baseball. The scores obtained so far are therefore remarkable, particularly if you consider that, during the pre-season games, they have been deprived of the coach who selected and trained them. This disadvantage was by no means offset by the fact that, during the game, the coach of the Atomic Energy Commission Team was appointed Secretary of Commerce.

I could go with this little game if I were sure that it amused you. I merely wish to call your attention to the fact that I, personally, belong to the team of European manufacturers and you will understand my misgivings at playing a game, according to unknown rules, against the team of American manufacturers, seasoned by frequent encounters with the Atomic Energy Commission, even though they may (as they explained to us) lose every game as a matter of courtesy.

In other words, most of the difficulties are caused by the fact that the Atomic Energy Commission wants us to play according to its own rules. Since we do not understand these rules too well, we are not sure that the European negotiators, at the various levels, have had their chance. First of all, as we do not know your motivations, nor your own ability to negotiate with your

United States Congress, it is difficult for us to evaluate the effort made to bring the various viewpoints in harmony. We Europeans have a tendency to believe that all your proposals are made on a "take it or leave it" basis, as for instance in the case of the industrial property rights under the Research and Development Program. I personally will never believe that.

Secondly, as a result of these negotiation difficulties, EURATOM has been practically unable to consult with its natural advisers, member states, utilities and manufacturers. In fact EURATOM has remained very secretive: most of our information reaches us by means of your FORUM MEMO before it is sent to us from Brussels.

This has naturally raised criticism, mostly erroneous, but unavoidable. If this procedure were to go on, many unnecessary difficulties would hamper the implementation of the Treaty. I shall only give you one example: the memorandum of understanding dealing with fuel guaranties may have been prepared in cooperation with American manufacturers but certainly without consulting European manufacturers. Now then, don't you think that the average burnup of 10,000 MWj/t is bound to induce the manufacturers to propose low guaranties? This is contrary to the purpose of the Treaty. Therefore, should we not look for a more flexible system taking into account the type of reactor, its enrichment, etc..?

Coming back to my comparison, although there have been pre-season games between American and European manufacturers, and between utilities and manufacturers, EURATOM has not yet been able to challenge anyone. Now, the time limit of September 1st, 1959 for the power reactor proposals is still valid, and everyone has therefore had to go ahead without knowing all the applicable rules.

The utilities have had to prepare their invitations to bid, while the European manufacturers have had to create or strengthen their American connections. Everyone has had to formulate policies regarding industrial property rights under the Research and Development Program, and it is in this manner that, gradually, in the absence of a leader, the original idea of the Treaty has been lost. In the beginning, EURATOM-American cooperation was supposed to apply at every level. Now everyone has prepared himself with no other thought than to protect his own interests without being well aware of his position in the general framework. The power utilities thought this program would enable them to experiment with new reactors at very little cost and with most of the responsibility assumed by a foreign manufacturer. On both sides of the Atlantic, each manufacturer has been trying, in a very normal business rivalry, to secure in his agreements the lion's share, a spirit which is not in accord with the purpose of the Treaty. Finally, the various member states of EURATOM have not spoken yet, but they are about to give their nationals advice based on political considerations not necessarily in agreement with the Treaty.

What should be done to recreate the fine old enthusiasm, without which success is impossible ?

First of all, the leaders of EURATOM and the Atomic Energy Commission must reaffirm, very strongly and clearly, the objectives which inspire Mr. STRAUSS and Mr. ARMAND one year ago. It is easy for them to find out how the future participants are reacting to the rules now being drafted. They will soon realize that their representatives have built together a fine structure, which, it is true, is a normal continuation of the cooperation agreement. It is not

certain, however, that the method used is the only possible one; perhaps the purposes of the Treaty could be better served with a few modifications, such as, extension of certain time-limits, relaxation of a few rules regarding industrial property or fuel guarantee, simplification of procedures difficult for Europeans to understand, and, finally, a less demanding interpretation of the financial provisions of the Treaty for the equal sharing of the extra cost. These slight changes would offset the gradual stiffening of the regulations, which is the major cause for the present uneasiness.

In conclusion, the EURATOM-United States Treaty, defined by the cooperation agreement, constitutes a magnificent experiment in international cooperation; its foundations are solid, it is timely and perfectly sensible; it is therefore wholeheartedly approved by every atom-minded person. However, the atomic philosophy is still fragile in a worried Europe tied to a promising but uncertain Africa. We cannot nowadays hope to find in atomic energy an idea which will enthuse the masses or inspire governments. That moment has passed, and to the man in the street, the names Borinage and Sahara have a different meaning from Marcoule. The implementation rules of the Treaty should, therefore, while adhering strictly to the agreement, facilitate the work of anyone participating in it. It is the only way, for you as well as for us, to take the fullest advantage of this magnificent idea, the EURATOM-U.S.A. Treaty.