You could be jailed just for talking about the Great Uranium Cartel

Uranium mining companies toss their cartel to Prime Minister Pierre Trudeau in this Calgary *Herald* cartoon by Tom Innes, July 10, 1981. Glenbow Archives M-800-851.

In the 1970s, continued nuclear power development was still seen by many as essential to the energy needs of an increasing, and increasingly affluent, world population. But supplies of uranium fuel were threatened by a U.S. embargo that compelled U.S. power utilities to use only U.S. uranium. The embargo depressed prices from other sources, threatening to force the closure of at least a number of the uranium mines in Canada, Australia, and South Africa. The embargo was imposed despite the fact that some of these mines had been developed with U.S. government encouragement, before the U.S. had its own domestic supplies. In response, the Canadian government lead in the creation of a world uranium cartel supposedly so secret that any Canadian who talked about it could be jailed.

Details of the cartel were exposed in my 1982 book, The Great Uranium Cartel *(Toronto: McClelland and Stewart.) Following excerpts shows how*

the cartel was set up, while a summary reports the aftermath, and the strains to Canadian-U.S. relations.

The existence of a uranium cartel, involving the governments and uranium mining companies of Canada, the United States, Australia, France, South Africa, and Germany, as well as an international mining firm with headquarters in England, was first brought to public attention in 1976 by some 200 pages of confidential documents stolen from the files of an Australian company.

The documents stolen from Mary Kathleen Uranium Ltd. revealed the establishment of the cartel in 1972. Its purpose was the classical purpose of a cartel: to control supply and increase price. In four years following the formation of the cartel, the world price of uranium increased by more than 700 percent.

The Mary Kathleen documents, as they soon became known, triggered a nuclear chain reaction that sent tremors through corporate headquarters, government offices, embassies, legislatures, and court houses around the world.

A whole series of events was unleashed by the disclosure of the cartel. In the United States, a flagging investigation of uranium prices by the Department of Justice was quickly revived. A more sensational investigation was launched by a congressional committee, acting in concert with a committee of the New York state legislature. A score of law suits, with billions of dollars at stake, was launched. Canada, Australia, France, England, and South Africa took steps to protect their uranium producing companies from prosecution under U.S. laws. Diplomatic relations were strained as U.S. courts and legislators accused these governments of a cover-up, while the governments in turn accused the United States of heavy-handed attempts to extend its laws outside of its own borders, in violation of the sovereignty of other nations. The government of Canada went so far to protect Canadian uranium producers from prosecution under U.S. law as to pass a law which made it illegal for any Canadian to talk about the cartel. Having taken that step, Ottawa later charged the Canadian uranium mining companies with a criminal price conspiracy under Canadian law; this despite the fact that Ottawa had been instrumental in establishing the cartel in the first place.[1]

The root of the problem facing the uranium companies was the U.S. embargo that prohibited the use of foreign uranium in American nuclear

power reactors. Ottawa maintained a steady drum-fire of diplomatic notes, discussions, and public statements, seeking removal of the embargo.

"The Canadian government has made repeated representation to the U.S. government with respect to the United States 'viability embargo' against imported uranium," Ottawa declared in an Aide Memoire delivered to the U.S. Department of State in 1970. "Despite numerous assurances since it was introduced that the embargo was temporary, no progress has been made toward its removal." The note pointed out that Canada's uranium industry "developed in response to U.S. requirements," was operating at one-third of current capacity, "by contrast with the United States uranium producing industry, which is operating at close to full capacity… The Canadian government views this situation with growing concern and draws the attention of the U.S. government to the fact that this embargo conflicts with U.S. obligations and Canadian rights under the General Agreement on Tariffs and Trade [predecessor of the World Trade Organization]… The Canadian government therefore requests as a matter of urgent concern that the U.S. government undertake to remove the embargo by a specified early date."

The American response to the Canadian demand was spelled out by the U.S. Atomic Energy Commission on October 13, 1971. Far from announcing an early date to remove the embargo, the AEC proposed to defer consideration of this matter until "the later part of the present decade." In addition, the AEC outlined plans to dispose of its 50,000-ton stockpile, with safeguards intended to avoid disruption to the uranium market within the United States, but without any provisions to avoid disruptions to foreign markets.

If the Rothschild, Oppenheimer, and Rio-Tinto Zinc interests did, in fact, operate in the fashion of a club, in an effort to exert control over world uranium supplies and prices, it must have been a stormy club. At least it was stormy enough when they got together with other producers to officially organize a cartel, with more than a little help from their governments.

"None of us really wanted to be at those meetings," according to an insider who confided to the author. "But no one could risk not being there. If you weren't there when the pie was being sliced, you would worry about whether it was your pie that they were carving. And if you were there, you worried about the trouble you might be getting into."

The minutes and reports of the semi-secret cartel meetings in Paris, London, Johannesburg, Nice, Toronto, Sydney, Geneva, and Las Palmas,

suggest that trust at those meetings was in far shorter supply than uranium…

Jack Austin [Canada's Deputy Energy Minister] had a particular, and compelling, reason for wanting Gulf Minerals and Uranerz, the two partners in the huge [Saskatchewan] Rabbit Lake mine, to participate in the emerging plans for a uranium cartel. Canada—like almost every other nation— has a double standard about certain anticompetitive measures. They may be legal if they affect only the commerce and interests of other nations. Under Canada's Combines Investigation Act, a cartel of Canadian producers concerned with export sales may, under certain conditions, be legal. The effect, in this case would be legal only if all Canadian uranium producers participated in the scheme. Otherwise, the producers that did participate, including the government's two Crown corporations, could be guilty of breaking Canadian criminal law. It was imperative that Gulf be roped in.

Gulf, however, had strong reasons for not wanting to join. It already had a market for its uranium, and there seemed to be a risk that it might lose part of that market. It was also concerned about the risk of violating antitrust laws; not only the Canadian laws that Gulf Minerals was subject to, but the American laws that its parent [Gulf Oil Corp.] in Pittsburgh was subject to. Ottawa felt strongly that Gulf Minerals was a Canadian corporation doing business in Canada, incorporated in Canada, and subject to the laws of Canada. That would be cold comfort for the Pittsburgh parent if it ever found itself in a U.S. court as a result of actions by its Canadian subsidiary, even if that subsidiary were acting in accord with Canadian law…

Although Gulf had not yet been invited to join the discussions [at the third cartel meeting in Paris] it was already being told that it was expected to participate in the contemplated producers' arrangement.[2]

The message came from Donald Stovel Macdonald, the strapping, six-foot-five, 40-year-old Toronto lawyer who, less than three months before had succeeded Joe Green as Minister of Energy, Mines and Resources. At a brief meeting in the minister's office on March 23, Macdonald had informed Nick Ediger [then manager of Gulf Minerals], Bud Estey [then outside legal counsel for Gulf Minerals and later a Supreme Court justice], and Roger Allen [staff lawyer with Gulf Mineral Resources] that a marketing arrangement by the uranium mining producers would be in Canada's interest, and he "urgently hoped" Gulf would participate. According to a Gulf memo, Macdonald "strongly implied that if the Canadian producers could unanimously arrive at a position regarded as acceptable by the government, the government was prepared to enforce

agreement by creating a uranium marketing board or some other formal compulsory fashion."

(Another Gulf memo commented: "Bud Estey says Macdonald is key man; unfortunately, much of his authority is delegated to Austin, who seems to be less reliable.")

The Canadian producers met in Ottawa on April 10 at the request of Jack Austin to establish a position for the fourth Paris meetings, now set for April 20 and 21. Austin reported that the March meeting in Paris had "terminated with the direction that the Canadian producers determine if they could get their house in order to present a unified position; otherwise further meetings in Paris would serve no useful purpose," according to a file note prepared by Roger Allen. Rio Algom, Denison and Eldorado claimed that their suggested allocations were "unacceptable and they will not join unless it is increased." Denison president John Kostuik argued that the Rabbit Lake mine should be deferred or its production rate cut back. Rio Algom vice president George Albino claimed that if the Rabbit Lake producers did not give up a part of their market share, "there was nothing further to discuss, as Rio Algom would not completely remove itself from the market for this five-year period in order that the desires of the Rabbit Lake producers could be attained."

Failing to come to terms on how to share the market, the meeting turned to the other problem: whether what they were proposing was legal. Austin reported that "an opinion had been obtained from the director of the Combines Investigation Branch that the arrangement is legal as it is presently understood by the director but that it could later become illegal if orders have to be declined by Canadian producers as a result of the arrangement." Stripped of the jargon, this meant if the cartel was to have any effect, it would almost certainly become illegal.

Gulf and Uranerz at this point, according to Allen's file memo, protested that even if it were legal under Canadian law "their participation would be dependent upon a determination that it would not result in violation of United States or German antitrust law."

That brought out a hint of the way in which Ottawa (or perhaps Jack Austin) would eventually arrange Canadian participation in the cartel. Gulf and Uranerz would have to obey Canadian law, not foreign law. The government would make the arrangement legal. Gulf and Uranerz would participate whether they wanted to or not.

In blunt terms, Austin stated that "both Gulf and UCL are Canadian corporations operating in Canada and accordingly subject to the laws of Canada," Allen wrote. "He again stressed the cabinet's desire for the producers to implement the agreement without the necessity of direct

government implementation such as creating a uranium marketing board. However, if government implementation proved necessary he would advise he felt sure it would be considered by the cabinet." Austin then told the producers that "a formal declaration would be sought from the cabinet (with the minister of justice present) that the arrangement is in the national interest of Canada." Once this was obtained, "Gulf and Uranerz would be directed to participate in the arrangement if other Canadian producers acquiesced in being so directed… Neither Gulf nor UCL were given an opportunity to agree or object to the Canadian government's direction to participate in the arrangement."

The duration of the planned cartel emerges as a subtle but crucial element of the Paris discussions. Ottawa had said that it was opposed to any extension of arrangements beyond 1977, as well it might. The longer such an arrangement was in place, the greater would be the difficulty of forecasting its effects, and the greater the risk of violating Canada's Combines law. Gulf, too, had said it would not participate in any arrangement extending beyond the six-year period. It foresaw the possibilities of the U.S. embargo being lifted in the late 1970s, which would increase its exposure under U.S. antitrust laws.

The Australians, however, pressed strongly for an arrangement extending through 1980. Their new mines were not slated to come into production until 1975 or 1976, and a market allocation plan that extended only through to the end of 1977 would be of little value to them.

Despite the thorny issues involved, Jack Austin hinted at a separate meeting of the Canadian caucus that he had in mind a separate arrangement extending well beyond 1980. He saw a need to stabilize prices not only in times of surplus supply, but in times of shortages as well. By the end of the 1970s, Austin said, "demand pressures then would be very high, and there would be just as much need to regulate the situation then, as now, when there was such an over-abundance of supply." Failure to curb rising prices at a time of shortages, Austin suggested, would lead to yet another boom-and-bust cycle.

Austin was finessing the Canadian producers with a very subtle ploy. Unknown to the producers Ottawa by this time decided that the legal risks in the arrangements as contemplated were unacceptable, even if the arrangement terminated at the end of 1977. Austin hardly wanted to confess this aspect to the producers, at this late stage. There was a way around the problem, but it would require some adroit maneuvering. Ottawa would pass a resolution issued by the cabinet under the authority of the Atomic Energy Control Act, which would seem to make participation in the cartel legal, in spite of the Combines law. The

cabinet, however, did not want to issue such a regulation unless it was requested by the producers to do so. An extension of the cartel's terms would make more visible, and the producers would clearly see, the merit in requesting the government to pass the necessary regulation. Austin's strategy would be played out during the next several weeks. It was not for nothing that he had a reputation as a master poker player.

Gulf was feeling the increasing pressure to get in line. An internal memo at Gulf's Pittsburgh head office on April 28 concluded that "failure on Gulf's part to submit to coercive pressure being applied by the Canadian government respecting Gulf's participation would almost certainly result in severe adverse consequences for Gulf, including material deterioration of Gulf's relations with the Canadian government."

What Energy Minister Donald Macdonald was saying in private about the need for an international arrangement to improve uranium prices, he was also saying in public, although in somewhat more guarded terms. In March he told a House of Commons standing committee that "the government of Canada has taken steps for the holding of discussions at an international level regarding the state of the uranium industry… In the absence of international market stability the development of the resources required for the nuclear power industry in the 1980s will not be ensured." In another statement he declared that "it is critical that a resource exporter like Canada derives the capital from minerals and energy commodities to achieve much broader industrial goals and make sure the national interest is protected in the international market place." He did not mention that the discussions were being held not just with other governments, but with corporations.

While pushing for a producers' agreement, it was becoming increasingly clear in Ottawa that steering such an arrangement through the legal shoals would be a formidable task. Both the combines director of investigations and the Justice department had advised the cabinet in March that such an arrangement held considerable risk of violating criminal law. The cabinet ordered a study of alternatives, including legislation to amend the Combines Investigation Act so as to exempt uranium marketing for a six-year period, or the establishment of a federal marketing agency. Another way would be to pass a regulation under the Atomic Energy Control Act. The act already gave the federal government broad authority over virtually every aspect of uranium production and marketing. It would be a simple matter for the cabinet to issue a regulation under this act, authorizing the Atomic Energy Control Board to set uranium export prices and to allocate the export sales among Canadian producers, according to directions issued by the minister of

energy. The regulation would be law. And the directions from the minister to the board would implement the export volumes and prices determined by the cartel. There would no longer be any question about the producers agreeing to the terms set by the cartel: they would be compelled by Canadian law to do so.

The next meeting of the Canadian uranium producers was held on May 9 to discuss the upcoming meeting in Johannesburg—assuming there was agreement to hold another meeting.

There was by now routine argument about whose law Gulf Minerals would obey. Nick Ediger's file memo records:

"I told the group Gulf was diligently pursing a legal opinion with respect to its position in the U.S., and because of the potential gravity, it would take some time. Mr. MacNabb [Gordon MacNabb, then assistant deputy minister of energy] expressed his irritation at the extra-territorial effect of U.S. law. Albino, an American citizen, executive vice president of Rio Algom, with a wholly-owned subsidiary producing in the U.S., suggested that Gulf was overly concerned."

There was some question about whether Gulf would attend the planned Johannesburg meeting, and two different accounts of Gulf's response. [Government note taker] John Runnals's minutes reported: "Mr. Austin asked if Gulf was prepared… to go ahead and take the associated risk. Mr. Ediger replied in the affirmative." But Nick Ediger's file memo contains a different account: "All Canadian producers confirmed that they would attend… No one asked me so I kept my mouth shut."

There was also discussion about an "aide memoire" that all the Canadian producers were expected to sign at the Johannesburg meeting, stating that "All the undersigned Canadian uranium producers agree that it would be desirable to establish a marketing arrangement in the period to the end of 1977." The document, however, was ambivalent about a possible extension to 1980. It noted that "the major threat to the establishment of a suitable arrangement stems from the new Australian producers," and that this threat would be reduced considerably if an approximate allocation for all uranium producers could be specified during the period 1978-80." It concluded, however, that there is no proposal at this time acceptable to all Canadian uranium producers to enter into any arrangement for the 1978-80 period." The holdout was Gulf Minerals. Ediger had told the meeting, according to Runnalls's minutes, that Gulf "could not contemplate an arrangement that would extend beyond 1977."

The matter of the cartel's term had still not been resolved when 14 representatives of Canadian uranium producers met at the Presidential Hotel in Johannesburg on the evening of May 28 "to discuss the strategy to be adopted for the meeting of international uranium producers commencing the next day." It was time for Austin to play his hand, finessing the producers into requesting the regulation that would make adherence to the cartel arrangements a matter of Canadian law.

"Mr. Austin opened the meeting by indicating that the international discussions… would be difficult because the Australians would be going into these meetings feeling they had the whip hand," John Runnells reported in his minutes. "The major problem would be the Australian allocation from 1978 onward… All the parties with the exception of Canada would insist on an agreement to the end of 1980."

There were pointed suggestions that the Australians, having learned of the proposed price schedule of the proposed cartel that they proposed to join, had been selling all the uranium they could, at prices below the cartel's tentative prices. If the Australians could not be trusted as this stage, Austin asked, "how would it be possible to look forward to a stable arrangement later?"

Most of the Canadian producers appeared willing, if somewhat reluctant, to extend the term. Eldorado president Bill Gilchrist said it would be "unwise" to go beyond 1980. Rio Algom vice president George Albino said that the "Australian position was not an illogical one." Denison president John Kostuik said that he would accept an extension to 1980 rather than "be the one to prevent any possibility for an arrangement." Ediger said that there had to be "some firm termination date."

Now that the producers had agreed that the cartel must be extended, Austin played his next card. He told the meeting that there was a possibility that a marketing arrangement could run afoul of the Combines Investigation Act. "It seemed to be a reasonable business risk to accept an arrangement up to 1977. Beyond that, however, the risk of infraction of the act was substantial. Hence the government of Canada, having listened to the advice of three separate departments on the issue, had decided that 1977 should be the limit of any arrangement"…

Austin added that "the government was sympathetic to a longer term that would be applied not during the demand scarcity but later on when there was a shortage of supply." There was, however, a catch. Because of its

policy that it would not force anyone into an arrangement, “The government would not regulate … unless such a request was made.”

The position thus seemed to be, no extension, no cartel. Extend the cartel and there was a grave risk of breaking criminal law. The government could resolve this by passing a regulation. But the producers would have to ask for the regulation. And they would have to make up their minds right away. “It would be necessary to reach a consensus at the present meeting,” Runnells’s minutes reported, “because on the following day the Canadians would have to disclose whether or not they were prepared to enter an arrangement extending into 1980.”

Austin was asked how long it would take to pass such a regulation: nor more than four to six weeks, he responded. Austin did not mention that he had already been ordered to draft the regulation. The Energy Department had already decided that this was the route to follow, and Austin went to get the necessary request from the producers.

George Albino “asked if a request from Rio Algom and Denison would be sufficient. Mr. Austin replied that the action could be initiated with requests from the existing Canadian producers. Neither Gulf nor UCL would be asked to agree. Nevertheless he wondered what their position might be. Mr. Allen replied that from Gulf’s standpoint, compliance with the laws of the host government would be an overriding consideration..

“Mr. Austin then asked if Denison, Rio Algom and Eldorado agreed that they would request the government to proclaim a regulation under section 9(c) of the Atomic Energy Control Act to specify price levels and volumes of [export] sales. Messrs. Kostuik, Albino and Gilchrist all agreed that they would make such a request.”

Jack Austin had played his hand.

Trump!

On June 14, Austin wrote to Macdonald:

“Attached for your consideration and signature is a memorandum to cabinet reporting on the recent meeting of uranium producers in Johannesburg and on the details of the marketing arrangements which they have concluded. The memorandum recommends approval of the terms of the arrangement and the drafting and promulgation of a regulation and/or direction under the Atomic Energy Control Act which would ensure Canadian producer compliance with the Johannesburg agreement and would effectively protect them from any litigation which

might otherwise be possible under anti-cartel legislation. All producers support the proposal… which would require compliance with the agreed terms of the marketing arrangements and thereby exempt the arrangement from the operation of the Combines Investigation Act."

Austin did not mention that this excluded Gulf and Uranerz."

After the cabinet had issued the regulation, Macdonald, in turn, on August 23, issued the first directive to the Atomic Energy Control Board, setting the volume and prices of uranium export sales, other than to the United States, and allocating sales among the Canadian producers.

The cartel was in business.

POSTSCRIPT

The cartel was intended to operate for at least eight years. It fell apart within two years, but it roiled international relations and politics for another three years. The world uranium price was less than $5 per pound while the protected U.S. price was $6 when the cartel was set up in 1972. The cartel managed to add $2 to the world price in 1973, bringing it in line with an increased U.S price. The cartel became ineffective early in 1974 when market forces pushed prices past those it had set among its members. In 1975, the price soared to $25 per pound, far in excess of what the cartel could have accomplished, or even envisioned.

Jack Austin had envisioned a cartel that would boost uranium prices when supply exceeded demand, and curb prices when demand exceeded supply. It didn't work out that way. The uranium cartel was overtaken by a bigger cartel, the Organization of Oil Exporting Counties. OPEC boosted world oil prices from $2.45 per barrel in 1970 to $2.50 in 1972, when the uranium cartel was formed, and $10.50 the next year, when OPEC cut its oil production by one-quarter and embargoed sales to the United States and the Netherlands, where majority interest of Royal Dutch Shell is held. There were gasoline shortages—U.S. motorists lined up for blocks to fill up—and a threat of a cold winter in both Canada and the United States.

OPEC didn't cause an increase in the immediate demand for uranium, but it did contribute to a demand for contracted supplies. For nuclear power companies, many with just three- to five-year uranium supply contracts, the OPEC surge in oil prices demonstrated the virtue of longer-

term supplies. Greater mining capacity would have to be on tap to enable longer term purchase contracts. Inquiries by U.S. utilities for new or longer-term uranium purchase increased 10-fold, from 15,000 tons in 1972 to 150,000 tons in 1973. There were other factors. The U.S. Atomic Energy Commission proposed to reduce the amount of plant fuel recovered in its uranium enrichment process, which would increase the amount of mined uranium needed by 20 percent. Australia reduced the amount of uranium available for contract when, in 1973, it banned new sales contracts. France, in early 1974, launched the world's most ambitious program of nuclear power generation, for which it needed large long-term supplies.

The cartel clearly was not a significant factor—if a factor at all—in the big run up of uranium prices. But that was not the way it was perceived by many in the United States. There was a cartel that sought to increase ex-U.S. uranium prices; prices soared; ergo, the cartel was the cause. That was the view expounded in a sweeping inquiry by the U.S. Department of Justice; at public hearings held by a Congressional sub-committee, and in private lawsuits, most notably involving Westinghouse Corporation.

Westinghouse, a major supplier of nuclear power reactors, was caught in a power squeeze, having failed to heed the warning of an old adage, "He who sells what isn't his'n, must buy it back or go to prison." To help sell its nuclear reactors, Westinghouse contracted to supply its utility customers with uranium at $10 a pound, but neglected to contract for the purchase of the uranium. In 1975, when the market price was $25 per ton, Westinghouse was on the hook for 72 million pounds of uranium it didn't have, nor did it have a couple of billion dollars to buy it. It notified 27 U.S. and three Swedish utilities that it couldn't provide the uranium.

The utilities scrambled to find the fuel they needed, driving the price of uranium as high as $41. The utilities sued Westinghouse, and Westinghouse sued 29 uranium firms, blaming its troubles on a price conspiracy by the cartel and others in cahoots with the cartel. The law suits raged for a couple of years—helping to keep the cartel in the headlines—before Westinghouse and it customers settled their difference out of court. For countless lawyers involved it was better than a uranium mine—it was a gold mine.

A joint investigation and public hearings by a U.S. Congressional sub-committee and a committee of the New York legislature also helped keep the cartel in the headlines.

U.S Justice Department accuses cartel of soaring prices, despite law prohibiting purchase of foreign uranium. State Department protests. Ottawa issues gag law. Justice Department later finds U.S uranium industry was "massively anti-competitive."

The biggest investigation was launched by the U.S. Department of Justice, reportedly spurred by an article in the January, 1975 issue of *Forbes*, warning U.S. power utilities soon "may be at the mercy of a uranium cartel."

It was not just Canada and the other cartel governments that protested U.S. snooping into actions that complied with the laws of sovereign nations. Even the U.S. Department of State vigorously and continuously protested the action of the Justice Department, pointing out that the cartel could not have effected U.S. uranium prices because U.S. power utilities were barred, by U.S. law, from buying any foreign uranium.

The Justice Department pressed on, regardless. It demanded untold thousands of pages of documents from all the Canadian, U.S, British, Australian, German and Southern African firms of the cartel. Ottawa was not about to allow the Canadian firms to comply with U.S. jurisdiction. On September 22, Ottawa enacted the Uranium Securities Information Regulations, which carried a jail term of up to five years for anyone in Canada who disclosed cartel documents, or even talked about it.

Frustrated in efforts in Canada, the Justice Department spent a year seeking cartel evidence and testimony from seven top officials of Rio Tinto-Zinc Corporation. A British appeals court ultimately ruled that the RTZ officials must testify. A hearing was organized before a U.S. judge. "A bit cheeky of these American lawyer chaps, coming to London and setting up court to ask question about a uranium cartel," the Washington *Post* opined, tongue in cheek. The RTZ officials refused to testify. The Justice Department threatened criminal charges if they didn't. The matter went to the House of Lords. The Lords ruled that the RTZ people did not have to testify. The *Financial Times* commented:

"This ruling is an important new episode in a continuing struggle by other countries to resist the attempt of U.S. courts and federal regulatory agencies to enforce their authority on foreign nationals transacting business outside of the U.S."

Beyond doubt, U.S. extra-territorial jurisdiction that long rankled Canadian-American relations was exacerbated by U.S. investigation of the uranium cartel. The matter was raised by Prime Minister Pierre Elliott Trudeau during a two-day meeting with President Jimmy Carter in Washington in February 1977. “Trudeau raised long-standing Canadian concerns about the extra-territorial application of U.S. law,” a State Department memo noted. The bluntest protest came later that year, on June 16, from Donald Macdonald, by this time Minister of Finance. In a television interview, Macdonald accused the United States of using a “big stick” in uranium investigation.

“The U.S. was engaging in predatory pricing policies driving… Canadian and other producers out of the world markets,” Macdonald stated. “…we acted to protect ourselves from these predatory American tactics and now they are saying ‘you are maintaining a cartel.’ We don’t think the Americans should use a big stick against a Canadian policy which… was basically one to protect ourselves from predatory policies followed by the American government.”

The next day U.S. Attorney General Griffin Bell was sitting in the visitors’ gallery in the House of Commons when Macdonald repeated his message. He protested that “the United States would seek to apply its laws in Canada, against the laws of the government of Canada, and I do not regard that as a friendly act.”

The hypocrisy of the whole affair lay in the fact that the U.S. Department of Justice ignored a truly effective cartel-like situation. while assailing the international cartel which, at best raised world uranium prices to the same level as U.S. prices for a period of no more than two years. The hypocrisy was later confirmed by the Justice Department itself, in a document asserting that the U.S. uranium mining industry, sheltered from foreign competition by the embargo, was “massively anti-competitive.”

(Footnotes)

[1] The Canadian uranium mining companies were Rio Algom Ltd., Denison Mines Ltd., Gulf Minerals of Canada Ltd., Uranerz Canada Ltd. (UCL), Eldorado Nuclear Ltd., and Uranium Canada Ltd., the Crown corporation that handles the government’s own uranium stockpile.

[2] Gulf was not quite yet a uranium producer, since the Rabbit Lake mine it was developing with Uranerz was not scheduled to start production until 1975. Thus it had not participated in the first three cartel meetings in Paris, in February and March, 1972.