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By SC NARA Date 3/2/76

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DEPARTMENT OF STATE
BRIEFING MEMORANDUM

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*φ Nuclear Suppliers
Conference*

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January 27, 1976

TO : The Secretary
THRU: C - Mr. Sonnenfeldt
FROM: PM - George S. Vest

Nuclear Suppliers: Status Report

We have today exchanged notes with the six nuclear supplier countries who participated in the London negotiations. By this exchange, which took place in all seven capitals, each participant unilaterally informed the others of his intention to apply the agreed guidelines to future nuclear exports. A copy of the note is at attachment 1.

The only hitch which developed in the exchange of notes was a Japanese written statement delivered along with their basic note indicating that they presently have no legislation which permits them to implement the provisions on technology transfer. Most of the others, including the US, have expressed some concern on this score, with the French taking the toughest line.

I have previously given you my views on what we accomplished by this exercise and what it may mean for the future (attachment 2). The purpose of this memo is to report the completion of the exchange and review the steps we will be taking in the near future and over the next year to consolidate the arrangement and broaden its coverage.

Next Steps

There are several pieces of unfinished business connected with the guidelines which we expect to address in the coming months:

--- Agreement must be reached on bringing other suppliers into the club. Six additional countries (the Netherlands, Belgium, Italy, Sweden, the GDR and Czechoslovakia) have already been contacted by the participants. We need to take stock of where we are and how

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to proceed. This may require one or more multilateral meetings. In particular, the US may need to take the lead with several countries like South Africa and India to attempt to gain at least de facto adherence to the guidelines.

-- Actual cases will test the various mandatory and hortatory provisions of the guidelines, and we will work for maximum results in practice.

-- The Japanese statement may require further attention. This can probably be handled through bilateral consultation. It may be enough to pin down firm assurances that they will obtain the necessary legislation before they begin exporting technology, which could be several years hence.

-- We must begin developing US policies for the review of the guidelines which will take place by the end of 1976.

On a more technical level:

-- Another technical meeting is needed to work out details on physical security standards.

-- There is already a proposed export from Berlin to India under discussion among the group testing the meaning of one of the provisions of the trigger list; an expert's meeting will probably be called to resolve this.

I see no major problems looming for us in all of this, although we may need at some point to seek your guidance in dealing with the Pakistan problem or in expanding the arrangement to some of the more sensitive countries.

Attachments

1. Nuclear Suppliers Note
2. Memorandum to you dated October 30, 1975

Drafted by: PM/NPO:GOplinger/ds
1/27/76 ext 21835
Clearance: PM/NPO - Mr. Nosenzo

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TO IMMEDIATE WASHINGTON TELNO.152 OF 21 JANUARY 76,
AND TO IMMEDIATE: MOSCOW, PARIS, BONN, OTTAWA, TOKYO,
INFO SAVING: VIENNA (RES REP IAEA), UKREP BRUSSELS, UKDIS GENEVA.

MIPT: NUCLEAR SUPPLIERS.

1. FOLLOWING IS AGREED TEXT OF NOTE:

''THE EMBASSY..... PRESENT THEIR COMPLIMENTS TO..... AND HAVE THE HONOUR TO INFORM THEM OF THE FOLLOWING UNILATERAL UNDERTAKING.

THE GOVERNMENT OF HAVE, AFTER CAREFUL CONSIDERATION, DECIDED THAT, WHEN CONSIDERING THE EXPORT OF NUCLEAR MATERIAL, EQUIPMENT OR TECHNOLOGY, THEY WILL ACT IN ACCORDANCE WITH THE PRINCIPLES CONTAINED IN THE ATTACHED PAPER.

THE GOVERNMENT OF RESERVE THE RIGHT TO WITHDRAW FROM THE POLICY STATED IN PARAGRAPH 2 ABOVE, BUT BEFORE DOING SO THEY WILL INFORM THE GOVERNMENT OF

THE GOVERNMENT OF DO NOT INTEND TO PUBLISH THE TEXT OF THIS COMMUNICATION, NOR OF ITS ENCLOSURE. HOWEVER, THEY RESERVE THE POSSIBILITY OF EXPLAINING PUBLICLY THAT THEIR POLICY ON THE EXPORT OF NUCLEAR MATERIAL, EQUIPMENT AND TECHNOLOGY WILL BE IN CONFORMITY WITH PRINCIPLES CORRESPONDING TO THOSE IN THE ATTACHED PAPER''

2. THE EXACT ADDRESSEE IN THE FIRST PARAGRAPH MAY VARY ACCORDING TO LOCAL PRACTICE.

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DEPARTMENT OF STATE
BRIEFING MEMORANDUM
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October 30, 1975

TO : The Secretary
THROUGH: C - Mr. Sonnenfeldt
FROM : PM - *in* George S. Vest

Nuclear Suppliers Conference

Status

Since last March, we have had three exploratory multilateral meetings of the key nuclear suppliers (US, UK, Canada, FRG, France, USSR and Japan) to hammer out a common set of guidelines for safeguards and safeguard-related controls on nuclear exports.

The fourth meeting of key nuclear suppliers is scheduled on November 4 and 5 in London and I am reasonably confident that this meeting will result in a consensus on common policy guidelines for nuclear exports. The key issue which prevented a consensus at the September meeting was the extent of safeguard coverage to be required of recipient countries as a condition of nuclear supply. The Canadians supported by the UK and Soviets pushed for a requirement that recipients put all their nuclear facilities under safeguards (the "full fuel cycle safeguards" approach). The French, with support from the FRG and Japan, were only willing to agree to requiring safeguards on supplier-transferred items (the "project safeguards" approach). The French argued that requiring full fuel cycle safeguards was forcing recipients to accept a de facto NPT commitment, a commitment which France was not willing to accept.

Based on conversations with the UK, France and Canada, I now believe a compromise solution will be agreed along the following lines:

-- Consensus will be obtained on the French approach.

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-- The British will propose a resolution in the IAEA to promote voluntary acceptance of full fuel cycle safeguards, supported by all other key suppliers except France which will be "benevolently neutral."

-- The guidelines will be reviewed by the key suppliers before the end of 1976.

Although the Canadians and UK were not as successful as they had hoped in moving the French toward the full fuel cycle approach, the acceptance by the French of a future review, I believe, is significant both in terms of the safeguards issue and with regard to the importance that the French apparently place on achieving and maintaining a common supplier front on safeguards. This has been reinforced personally by de Nazelle (the head of the French negotiating delegation) who told me recently of the difficulties they are having negotiating with countries like Pakistan and Brazil and the need the French see for early acceptance of common guidelines.

Expected Guidelines and Next Steps

Although there are still some unresolved issues, I expect the final guidelines will require:

-- IAEA safeguards on relevant nuclear exports by key suppliers;

-- Assurance from recipients not to use these exports to make nuclear explosives;

-- Application by recipients of adequate physical security measures to inhibit theft and sabotage; and

-- Similar conditions for any third country transfer.

On sensitive exports (enrichment and reprocessing, heavy water production, and weapons-usable material):

-- Restraint in supply where there is a significant risk of proliferation or conflict and encouragement of multinational regional facilities for enrichment and reprocessing;

-- Controls on technology transfer to prevent un-safeguarded replication of sensitive facilities and possibly some consideration of safeguards on reactor technology.

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-- Special attention to design so as to facilitate safeguards application;

-- Supplier consent to enrich uranium above 20 percent; and

-- Supplier consent for any retransfer.

Given agreement on the guidelines, the next steps which will be addressed at the November meeting are:

-- Deciding on the form of the agreement (e.g., an exchange of notes which some countries i.e., the Japanese, may wish to keep confidential);

-- Setting up a working group to:

- Refine document language and prepare final document(s);
- Draw up a trigger list of nuclear exports to serve as the basis for application of safeguards and agree on physical security standards; and
- Discuss implementation of the various provisions.

-- Broadening participation to other current and potential suppliers of materials, equipment and technology.

I would estimate that agreeing on a trigger list, physical security standards and guidelines documentation, assuming no major problems (and we foresee none at this point), should be accomplished by early next year. Broadening participation, although it can be started fairly soon in terms of acquainting others with the guidelines and getting them to agree to applicable portions, is obviously a longer-term effort.

Expected Results

The above guidelines when implemented should serve to close many of the potential loopholes and inadequacies of previous nuclear cooperation agreements between suppliers and recipients. It will not preclude, however, indigenous

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and unsafeguarded developments without outside help or help previously obtained, as was the case of India. It also will not preclude countries from obtaining sensitive technologies and then abrogating agreements, although the political and economic cost of doing so may be high. The only vehicle to prevent the latter from occurring is denial of these technologies. It is worth noting that both the French and FRG would be agreeing, within the multilateral guidelines, to restraint in export of sensitive equipment and technology and encouraging multinational regional facilities. It remains to be seen how they and other suppliers will translate this commitment in practice.

In terms of its effect on on-going negotiations and sales, the suppliers agreement will probably have little additional impact. However, as a direct result of the supplier discussions, the French in connection with their proposed sale of a pilot reprocessing plant to Korea have already incorporated applicable provisions of the multilateral guidelines into their government-to-government and safeguards agreements, including technology safeguards to preclude the Koreans from constructing or duplicating sensitive facilities without safeguards using French technology. The French and FRG are attempting to negotiate similar agreements with Pakistan and Brazil, respectively. Although the multilateral guidelines call for supplier restraint with regard to sensitive exports, both can argue these sales were consummated well before the restraint provision was incorporated into the guidelines.

Concerning on-going US nuclear sales, in the case of Egypt/Israel we are going well beyond the guidelines in requiring out-of-country reprocessing and storage of plutonium derived from US supply and in requiring safeguards on reactor technology (although the guidelines may contain a discretionary provision on the latter issue). In the case of Iran, we are currently seeking Iranian agreement to US consent for reprocessing and storage of plutonium derived from US supply and we are conditioning that consent on multinational regional reprocessing. The Iranians have strongly objected to this condition, among others, as an infringement on their sovereignty. Although the multilateral guidelines will probably contain a discretionary provision concerning supplier consent for reprocessing, it is clear from our London talks that, with the

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exception of the Canadians, we have little if any support from other suppliers to generally apply the concept. Thus, supplier agreement on the guidelines paper will not solve our current problem with Iran.

On the other hand, the value of the effort should not be underplayed. The French in particular, who have been loners in this field ever since de Gaulle, have moved from a position of applying primarily bilateral safeguards and of secrecy concerning other safeguard conditions to a position supporting general application of IAEA safeguards and basic agreement on the other safeguards and controls outlined above. In addition, as a result of the suppliers activity, the French and other key suppliers are actively consulting with us on major, highly sensitive commercial negotiations to ensure adequate and consistent safeguard conditions on these exports. This is a healthy process and one we will need to nurture carefully in the future.

Drafted by: PM/NPO:LVN/Genzo/ds
10/31/75 ext 21835

Copies to:

OES - Mr. Bengelsdorf (informed)
S/P - Mr. Kalicki (informed)
ACDA - Mr. Van Doren (Informed)

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