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By KJ NARA Date 03/02/10



DEPARTMENT OF STATE

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Under Secretary Sisco's Principals' and Regionals Staff Meeting, Friday, June 21, 1974, 3 p.m.

- pp 2 - 10 The ECG Meeting in Brussels, the European concern over French non-participation. The new USG committee on Energy, chaired by Simon. The Under Secretary approved the policy of deferring the French participation issue. The question of another ministerial level meeting remains open though the Europeans oppose it. A model draft agreement is possible this year.
- pp 10 - 18 Nuclear Energy Cooperation in the Mid-East Egyptian and Israeli plans and safeguards. AEC's visit to Tehran. The Under Secretary indicated a preference not to push through the Iranian accord by June 30, but to retain flexibility within the current cycle time-frame by an internal USG stipulation. The question of a new US campaign to obtain NPT adherences was raised.
- pp 18 - 22 Countervaility Duties against Argentina and other countries The threat of Treasury actions without prior consultation.
- pp 22 - 28 Outlook for the Moscow Summit - SALT, SCC, threshold test ban, bilateral agreement - economic, energy, housing, heat, mass transit, consulates
- pp 28 - 29 Indonesian Aid Reduction poses political problems.
- p. 30 Deputy Prime Minister Cairns of Australia - The problem of clearances to be left on Australia's doorstep.


George S. Springsteen
Executive Secretary

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Authority WND 989505By KJ NARA Date 03/02/10**SECRET**

MR. SISCO'S PRINCIPALS' AND REGIONALS' STAFF MEETING
FRIDAY, JUNE 21, 1974 - 3:00 P.M.

PRESENT:

P MR. SISCO
D-As MR. INGERSOLL
AF MR. EASUM
L MR. MAW
EB MR. ENDERS
ABA MR. KUBISCH
NEA MR. ATHERTON
EUR MR. ARMITAGE
EA MR. HUMMEL
S/S MR. SPRINGSTEEN

SECRET

DECLASSIFIED

Authority WMD 959505

By 2 NARA Date 03/02/10

SECRET

10

MR. SISCO: You are talking about sometime this year.

MR. ENDERS: Yes.

MR. MAW: And it really means new legislation.

MR. ENDERS: That is right. So it is a really major undertaking. There have to be a lot of consultation on the Hill, which I think we should start quickly.

MR. MAW: And it ties into all these other things, whether we like it or not.

MR. SISCO: It is complicated, all right. Since we are in the energy field, Roy, you might as well talk about energy in the Middle East.

MR. ATHERTON: You know the story pretty well, Joe, but I thought it might be useful for the group, because there has been so much focus and so much misinformation about the nuclear energy agreements to just very briefly review what the facts are and what we are involved in.

The issue has really been brought to a head by the need for countries that want to get into the nuclear energy field to conclude contracts with the AEC by the end of this month for fuel that they will not get until sometime in the early 1980s. The two cases that were particularly pressing, before the President went on the trip, were both Egypt and Israel, both of which had been negotiating for some time with Westinghouse for the construction of nuclear

SECRET

DECLASSIFIED

Authority NND 999505By KA NARA Date 03/02/10**SECRET**

11

energy facilities in their countries. And they both wanted to conclude these fuel agreements before the June 30 deadline.

Both of these will be plants of a capacity of 600 megawatts.

The problem that was posed to us is that normally, before giving an okay, even on advance fuel purchases, we have to conclude agreements for cooperation which incorporate safeguards. The time factor was such that the decision was that we would go ahead and announce and approve the fuel contracts and in principle the willingness to approve export of reactors and technology, subject to the subsequent negotiation of satisfactory agreements with both countries -- the kind of agreements that we have had in the past with some 20 countries already.

Now, the normal safeguard arrangements in these agreements are simply the application of IAEA safeguards. In this case, we have felt and have told both the Egyptians and the Israelis that we want to supplement those with certain additional bilateral commitments and safeguards, including physical security for the enriched fuel. And these agreements remain to be negotiated. But in principle, they have been put on notice and they have agreed they will do this.

Before the announcements were made in both Egypt and Israel, there was consultation here, mostly carried out

SECRET

DECLASSIFIED

Authority NND 989505

By KA NARA Date 03/02/10

SECRET

12

I believe by you, Joe, while we were in the field, with key congressional leaders. So there was congressional consultation, contrary to some of the reports that have appeared.

The question of financing has not come up. That is down the road, and I am sure will arise at some point. But it simply has not been raised with us, or by us with the countries concerned. There are no commitments at this point with regard to financing.

The plants that are being envisaged in both Egypt and Israel will come on line sometime in the early 1980s. The Egyptians very shortly, and in the next day or so the Israelis, if they are not already here, will have technical teams here to work out and sign the fuel contracts with AEC.

Now, in addition to these two projects, there have been also some discussions with the Iranian Government on the question of nuclear power in Iran. The Shah is very anxious to move ahead on this. And there was a visit last month to Teheran by a team from the AEC headed by Chairman Dixie Lee Ray. So that we have already had some preliminary talks with the Iranians. Here again I think it would be our intention, concluding the next cooperation agreement, to build in these

SECRET

DECLASSIFIED

Authority NND 999505By KA NARA Date 03/02/10**SECRET**

13

supplementary bilateral safeguards to supplement the regular IAEA safeguards.

Those are the three principal points.

MR. SISCO: Well, let me report to you. I have just come from a meeting which was really a meeting that related to our policy on the NPT, broadly. This question arose. And there are a couple of things which at least I was not aware of. And that is that the AEC is not absolutely clear that all of these technical details can be worked out before the end of June 30. Now, the point I made was that I felt that these were Presidential commitments and that as far as I was concerned, and I was kidding the Chairwoman on this, but she obviously got the point -- that we expected that every effort would be made to conclude this before the 30th, because I think the political repercussions in the over-all Egyptian-American relations and Israeli-American relations would be very bad indeed, when we have said at the Presidential level these contracts are going to be concluded by the end of this monty. And, moreover, with the eight-year time lead, it is essential. And whatever congressional difficulties we have had, I think are getting sorted out somewhat. I think part of our difficulty was the fact that we had that bad and negative initial reaction from the Israelis, which tended to pick up steam here. But we have had a couple

SECRET

DECLASSIFIED

Authority WMD 969505By KA NARA Date 08/02/10**SECRET**

14

of good editorials -- I think people are beginning to understand the nature of the safeguards. It is really unfortunate, of course, that this came in the aftermath of the Indian explosion.

Now, on the Iranian thing, here is what I said. I think we have got to consult the Secretary. There was no commitment made by Dr. Ray insofar as the sale of these fuels before June 30. Now, my concern is that if we now go ahead on the Iranian thing very quickly in the next week or two or three in the same way, that the cumulative impact of these things politically -- and I am thinking of it domestically -- is not very good.

Now, my visceral reaction, which I expressed at this meeting, is that since there is no commitment to the Iranians on the contract as it relates to the sale of fuels by the end of June 30, that that we can slow down a bit, as far as the signing of the contract. We have, after all, had this visit of Dr. Ray to Teheran. But at the same time, with an all-out effort obviously being made to concluded these contracts with Israel and Egypt as committed by the President.

Now, if you have some different notion, I think we need to sort this out very, very quickly.

I didn't realize, first of all, how complicated this contract really is. It is a little more complicated

SECRET

DECLASSIFIED

Authority NND 977505

By 1 NARA Date 03/02/10**SECRET**

15

than I had imagined. I just thought it was a couple of pages saying that we will send you a couple of barrels of oil, or whatever. It is just not that at all.

MR. ATHERTON: Uranium.

What I never understood is if the contracts are not signed by the 30th of June, when is the next cycle?

MR. SISCO: Well, there is apparently -- this gets into the relationship between the AEC and the private sector. And I got various guesses at this meeting -- anywhere from one to three years is the next cycle. Which if course is disastrous politically speaking from the point of view of Egypt and Israel.

Now, there are some rather special arrangements that can be made. For example, if the President were to write a letter to Dr. Ray which would say to set aside X amount, and this were done before June 30, presumably we could kind of hedge and make a contingency arrangement that might presumably be applicable to the Iranians at a given point. Or even if you didn't complete the Egyptian and Israeli one, there may be a way in which you can kind of set it aside. But apparently it is very complicated. I unfortunately was just beginning to learn what the problem was when I had to come to this meeting.

We will have to meet on this, I think, if not later

SECRET

SECRET

16

today, Roy, perhaps on Monday, so that we are sure that we go ahead on it right now. Herman Pollack is looking after this very carefully.

MR. ATHERTON: I would think if that is the fact, if there is a delay of that long, then we have problems with the Iranians -- at least to put them on notice what is going to happen.

MR. SISCO: Right. Here is where I have come to. The contracts with Israel and Egypt must be concluded by June 30. This is the way I look at it. And some standby arrangement has to be made with respect to Iran so that we can conclude a contract, let's just say hypothetically, in the next two or three months, and not the next two or three years.

Bob, that is the way I left it.

This is one you are going to have to worry about, too.

Carl.

MR. MAW: Apropos of the Indian bomb -- is there any reason why we should try to put some safeguards on the French plant the Israelis have? I understand there are no safeguards on the atomic plant furnished by the French.

MR. SISCO: Well, we discussed today some broader considerations. We didn't discuss this. For example -- query -

SECRET

DECLASSIFIED

Authority NND 989505By KA NARA Date 03/02/10**SECRET**

17

should this government renew what was its historic policy -- and we have really eased off under this administration since 1969 -- we used to take the lead in trying to get adherence to the NPT. I think we have relaxed on this in a fashion which frankly I have not liked. I think we should have been proceeding more vigorously in this regard. Now, the question is, do we renew that. Well, do we renew it now in the aftermath, when we ourselves have injected into the Middle East, a very sensitive area, power reactors? I doubt that our credibility is so strong at this particular juncture that anybody -- and who is it largely -- it is our former client in particular, Bob, the Japanese -- are we going to get anywhere, and should we do something. Now, I haven't answered the question in my own mind affirmatively or negatively.

On this, I don't know whether we would get anywhere. It might be worth a try.

MR. MAW: We have safeguards on the one we supplied.

MR. SISCO: That is a research reactor.

MR. MAW: There are no safeguards on what the French have supplied.

MR. SISCO: There isn't any doubt in my mind that neither of these deals should go through unless we have total control of the reprocessing. We would be

SECRET

DECLASSIFIED

Authority NND 999505

By EA NARA Date 03/02/10

SECRET

18

absolutely crazy to proceed if we don't have that kind of control.

Well, I didn't mean to take that long a time. But it is quite a complicated problem.

Jack -- countervailing duties. You keep talking about this same problem. Why don't you solve it?

MR. KUBISCH: We are really in a bind on this. It is really a very painful and difficult problem for us. And if it hadn't been for the Secretary's personal intervention this morning, there would have been an announcement of a countervailing duty action against Argentina today.

MR. SISCO: What was it -- shoes?

MR. KUBISCH: Shoes. In a word, Argentina ships non-rubber footwear to the United States, and according to evidence that has come to our attention, there are certain subsidies in connection with those exports. The same with Brazil, non-rubber footwear to the United States. The same with Colombia on fresh-cut flowers to the United States. Against all three of those countries the Treasury Department is preparing to take countervailing duty action on a law that is very old on the books -- it has been on the books I think since the 1890s.

MR. INGERSOLL: I don't think you are the only one that has been hit by that.

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