INFO: Amembassy Moscow PRIORITY

SUBJECT: Nuclear Fuel Supply for Euratom under NPT.

1. US position on fuel supplies for EURATOM after March 1, 1972 has been approved by Department, ACDA and AEC. We do not wish Vienna Mission to raise questions relating to Article III.2. of NPT with Sovs, and if they do not raise it, Vienna Mission should let subject rest. either with

2. If Sovs do raise this question informally US delegation or formally at BG meeting Feb. 29, Ambassador Sullivan should present low-key statement of our position, including the following points: (a) EC negotiating diligently and in good faith with IAEA on a safeguards agreement and both sides are optimistic that an agreement is in view; (b) accordingly, US has decided to continue make deliveries under to honor supply contracts with EC on interim basis; (c) this decision is in accordance with Secretary Rogers' Senate public statement during hearings on NPT before Foreign Relations Committee on Feb. 19, 1979, that we
would apply QUOTE rule of reason: UNQUOTE to fuel supply questions; USG believes any other course of action at this delicate stage of negotiations between IAEA and EC would cause complications and might delay agreement which both US and USSR very much desire. It is therefore in our mutual interest to do nothing that might impede the progress being made in negotiations. If other delegations raise this question in Vienna, Mission may draw upon above contingency statement as necessary.

3. Should Sovs inquire as to how long we intend to supply fuel in absence of IAEA-EC agreement, we should reply that our policy will remain under review in the light of ongoing developments.

4. Should question be raised concerning ratification NPT by EC member states and how long process might take, we should decline to speculate, pointing out first step is an agreement between IAEA and EC. In no case should
Mission comment on timing of ratification unless Sovs first mention this topic.

5. FOR USEC BRUSSELS. It is imperative that EC be informed of this contingency position before it may have to be conveyed to Sovs. Mission should therefore immediately inform EC Commission of our position on fuel supply and how we propose to handle question with Sovs in Vienna should it arise. Mission should also say this interim position predicated on expectation that materials we supply will be subject to NPT safeguards in relatively near future. EC Commission should also be advised that we will keep matter of fuel supply and NPT obligations under review and will consult with them should developments arise which make it difficult for us to preserve our position. USEC should immediately report its conversation with EC Commission to Department and Mission Vienna, so that Vienna may know when it can draw on contingency position.