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ROUTINE BONN, THE HAGUE, IAEA VIENNA

ROUTINE EC BRUSSELS, BRUSSELS, PARIS, LUXEMBOURG, ROME

SUBJ: EURATOM-IAEA SAFEGUARDS

AE 3 EURATOM
XRAE 3 IAEA

REFS: A. IAEA VIENNA 8609; B. EC BRUSSELS 4754;
C. BONN 16432; D. IAEA VIENNA 8720

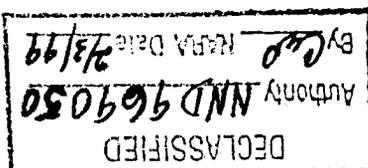
HDB *HDB*
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RWK *HDB*
JL *HDB*
KNS *HDB*
RNS *HDB*

1. DELAY IN SIGNATURE IAEA-EURATOM AGREEMENT PRESENTS SERIOUS PROBLEMS FOR U.S. IT WILL PROBABLY RESULT IN DELAYING START OF RATIFICATION PROCESS AND ENTRY INTO FORCE, WHICH IS IMPORTANT TO FINALLY REMOVE OUR LEGAL AND POLITICAL VULNERABILITY FOR CONTINUING FUEL SUPPLY TO EURATOM AND TO REMOVE AN OBSTACLE TO NPT ADHERENCE BY JAPAN AND OTHERS. FAILURE TO SIGN THE AGREEMENT BEFORE THE FEBRUARY IAEA BG MEETING WOULD ALSO SHOW SUCH A DELAY IN PROGRESSING FROM WHERE THE PARTIES STOOD IN SEPTEMBER AS TO UNDERMINE THE CREDITIBILITY OF OUR POSITION THAT OUR FUEL SUPPLY CONTINUES TO BE JUSTIFIED BY "RULE OF REASON". THIS WOULD LEAD NOT ONLY TO INTERNATIONAL HEAT AT THE FEBRUARY BOARD MEETING {CF. REFTEL A} BUT ALSO COULD PRESENT DIFFICULTIES WITH CONGRESS WHEN IT CONSIDERS THE PROPOSED AMENDMENT TO THE EURATOM COOPERATION ACT THAT IS A PREREQUISITE TO THE ENTRY INTO FORCE OF THE RECENTLY NEGOTIATED AMENDMENT TO THE US-EURATOM AGREEMENT FOR COOPERATION. {QUESTIONS AS TO LEGALITY OF "RULE OF REASON" RAISED IN CONGRESS AND PRESS LAST SPRING.}

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2. FOLLOWING ATTEMPTS TO SUMMARIZE SITUATION AS WE UNDERSTAND IT (SUPPLEMENTING REF D REPORT OF BACKGROUND AND STATUS INTERNAL EURATOM DISCUSSIONS AS CONVEYED IN CONFIDENCE BY BRITISH):
- A. QUESTION OF INSPECTOR ACCESS TO ALMELO CENTRIFUGE PLANT IS APPARENTLY BLOCKING PROGRESS. SITUATION HAS DEVELOPED AS FOLLOWS: TRIPARTITE COUNTRIES (FRG, NETHERLANDS, UK) PRESENTED TO U.S., IN DISCUSSIONS IN WASHINGTON AND IN THE HAGUE, VIEW THAT INSPECTOR ACCESS TO CASCADE AREA OF CENTRIFUGE PLANTS NOT NECESSARY OR ACCEPTABLE. ARGUMENT PRIMARILY BASED ON LOW INVENTORY OF CASCADE AREA AND ON GOOD INPUT-OUTPUT MEASUREMENT ACCURACY. U.S. AGREED NOT TO CHALLENGE THIS ACCESS LIMITATION FOR IAEA PURPOSES. EURATOM WAS NOT INVOLVED IN THESE DISCUSSIONS AND U.S. HAS HAD NO DETAILED INTERCHANGE OF VIEW WITH EURATOM.
- B. AT JUNE IAEA TWG, IAEA INSPECTOR GENERAL ROMETSCH ACCEPTED, WITH TRIPARTITE, U.S., AND SOUTH AFRICAN APPROVAL, ACCESS LIMITATION AS A WORKING HYPOTHESIS. NO DISAGREEMENT WITH THIS WAS RECORDED. EURATOM ATTENDEES PRIVATELY EXPRESSED CONCERN TO U.S. DELEGATES OVER THE CONSEQUENCES OF ACCESS LIMITATION AS A PRECEDENT. THE CONCLUSION OF THE TWG WAS THAT SAFEGUARDS EQUIPMENT AND PROCEDURES SHOULD BE DEVELOPED AND CONSIDERED AGAIN IN 1-2 YEARS, AND THAT EXPERIENCE SHOULD BE GAINED AT ALMELO WITHOUT SETTING RIGID PRECEDENTS. THUS "WORKING HYPOTHESIS" OF LIMITED ACCESS FOR IAEA PURPOSES SHOULD BE VALID FOR THE NEXT FEW YEARS, AND IT IS OUR UNDERSTANDING THAT AGENCY IS PREPARED TO NEGOTIATE ALMELO FACILITY ATTACHMENT ON THAT BASIS. FOR VIENNA: MISSION REQUESTED TO CONFIRM THIS UNDERSTANDING.
- C. EURATOM INSPECTORS HAVE, UNDER THE EURATOM TREATY, "ACCESS TO ALL PLACES ... TO THE EXTENT NECESSARY ..." FOR SAFEGUARDS CONTROL. THE FRG AND DUTCH ARE PRESUMABLY ARGUING THAT AT ALMELO ACCESS TO THE CASCADES IS NOT NECESSARY FOR SAFEGUARDING, AND THAT, IN VIEW OF THE SENSITIVITY OF THE TECHNOLOGY, EURATOM INSPECTORS SHOULD NOT BE PERMITTED INSIDE. EURATOM IS APPARENTLY RESISTING, AND BECAUSE OF THIS DISPUTE NO EURATOM PROPOSAL FOR ALMELO SAFEGUARDS HAS BEEN PRESENTED TO IAEA. IT WOULD BE VERY DIFFICULT AND AWKWARD FOR U.S. TO BECOME INVOLVED IN THIS DISPUTE



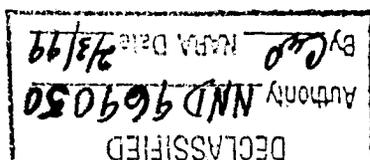
BETWEEN EURATOM AND ITS MEMBERS, PARTICULARLY SINCE NO U.S. MATERIAL OR TECHNOLOGY WILL BE INVOLVED AT ALMELO.

- D. THE EURATOM-IAEA AGREEMENT AND FACILITY ATTACHMENTS WILL SPECIFY THOSE EURATOM AND AGENCY ACTIONS WHICH WILL ENABLE IAEA TO REACH ITS BASIC CONCLUSIONS. EURATOM MAY DECIDE TO PERFORM OTHER SAFEGUARDS ACTIVITIES IN ADDITION TO THOSE SPECIFIED. EURATOM ACTIVITIES IN AREAS OFF-LIMITS TO AGENCY WOULD BE UNVERIFIABLE, AND HENCE NOT RELEVANT TO AGENCY CONCLUSIONS. THUS WE BELIEVE THAT THE QUESTION OF EURATOM INSPECTOR ACCESS TO THE CASCADE COULD BE DECOUPLED FROM THE QUESTION OF INSPECTOR ACCESS PROVIDED FOR IN THE FACILITY ATTACHMENT FOR IAEA PURPOSES. SINCE THE DUTCH AND FRG WILL OBTAIN THEIR DESIRED LIMITS ON AGENCY ACCESS FOR ALMELO, AND CINC SINCE FURTHER EURATOM ACCESS WOULD NOT BE RELEVANT TO THE EURATOM-IAEA AGREEMENT, DELAY OF SIGNATURE OVER THE ACCESS QUESTION SEEMS TO US UNNECESSARY.

3. EVEN ASSUMING GENERAL AGREEMENT CAN BE REACHED ON ACCESS QUESTION, WE ARE CONCERNED THAT AGREEMENT SIGNATURE NOT BE DELAYED UNTIL ALL DETAILS OF THE ALMELO ARRANGEMENTS ARE WORKED OUT. REF B REPORTS EURATOM PREPARATION OF FACILITY ATTACHMENT HAS STARTED BUT "RESEARCH" REMAINS TO BE DONE. IT SEEMS CLEAR TO US, THEN, THAT THE PROCESS OF EURATOM PREPARATION AND THEN NEGOTIATION WITH THE IAEA IS LIKELY TO TAKE CONSIDERABLY MORE THAN SIX WEEKS. ROMETSCH, DURING HIS VISIT TO AEC LAST MONTH, GUESSED THAT SIX MONTHS MIGHT BE NECESSARY. THUS WE BELIEVE THAT, IF JUNE IAEA TWG REPORT IS NOT SUFFICIENT REASSURANCE FOR FRG AND DUTCH ON IAEA ACCESS QUESTION, SOME "BASIC UNDERSTANDING" WITH IAEA, AS SUGGESTED IN REFS C AND D IS THE MOST THAT MIGHT BE REACHED IN SHORT TIME.

4. WE HOPE THAT THE INTRA-EURATOM ACCESS QUESTION IS SOON SOLVED OR SEPARATED FROM THE SPECIFICATION OF IAEA ACCESS, THAT A "BASIC UNDERSTANDING" ON IAEA ACCESS CAN BE QUICKLY REACHED WITHOUT NEGOTIATING COMPLETE ALMELO ATTACHMENT, AND THAT SIGNATURE AND START OF RATIFICATION PROCEDURE COULD TAKE PLACE ON BASIS OF THAT "BASIC UNDERSTANDING."

5. ADDRESSEES MAY DRAW ON PARAS. 1, 3, AND 4 IN DISCUSSIONS WITH HOST GOVERNMENTS/ORGANIZATIONS ON IAEA/SAFEGUARDS QUESTION. PARA. 2 IS FOR POSTS' BACKGROUND ONLY.



b. FOLLOWING OCCURS TO US AS A POSSIBILITY OF EXPEDITING
PROGRESS. A LETTER MIGHT BE SENT BY IAEA TO EURATOM
STATING: {1} IAEA READINE-S#SS TO START PREPARATION OF
ALMELO ATTACHMENT; {2} IAEA INTENTION TO NEGOTIATE ALMELO
PROCEDURES ON BASIS OF WORKING HYPOTHESIS OF LIMITED
ACCESS; {3} NEED, IN ANY CASE, TO REVIEW PROCEDURES BASED
ON EXPERIENCE AND DATA ACCUMULATED AT ALMELO IN FIRST YEAR
OR TWO OF IAEA SAFEGUARDING. REQUEST EMBASSIES BONN AND
THE HAGUE COMMENT AS TO WHETHER THEY BELIEVE THIS
PROCEDURE WOULD CONSTITUTE AN ADEQUATE "BASIC UNDERSTAND-
ING" SO THAT FRG AND DUTCH COULD PROCEED WITH SIGNATURE.
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