UNCLASSIFIED

PAGE 01 MOSCOW 08159 01 OF 07 241707Z

ACTION EUR-01

INFO LOG-00 ACDA-17 ACDE-00 AGRE-00 AID-01 AMAD-01 BIB-01
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UNCLAS SECTION 01 OF 07 MOSCOW 008159

UNCLASSIFIED

PAGE 02 MOSCOW 08159 01 OF 07 241707Z

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: FRANK H PEREZ
DATE/CASE ID: 31 JUL 2007 200503212
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E.O. 12356: N/A
TAGS: PARM, PREL, RS, US

SUBJECT: GOOBY MEETING WITH ATOMIC ENERGY MINISTER MIKHAILOV, MARCH 23, 1994

1. THIS IS SSD-94II-014. UNCLASSIFIED -- ENTIRE TEXT.

2. SUMMARY: AMBASSADOR GOOBY, MEMBERS OF THE U.S. SSDDELEGATION TURNER, SCHLESS, STAFFORD, BEARD, KEEF AND MAINES, AND EMBASSY S&T COUNSELOR, S&T OFFICR, AND ACIU REP MET WITH MINISTER MIKHAILOV AT THE MINISTRY OF ATOMIC ENERGY (MINATOM) ON 23 MARCH. MINATOM REPRESENTATIVES INCLUDED DEPUTY MINISTER YEGOROV, SPECIAL ASSISTANT BALAMUTOV AND MR. KHUNDYAKOV. DYUKAREV OF THE MINISTRY OF FOREIGN AFFAIRS (MFA) ARMS CONTROL DEPARTMENT WAS ALSO PRESENT. IN A WIDE-RANGING DISCUSSION OF NUNN-LUGAR ISSUES, AMBASSADOR GOOBY DESCRIBED THE NEW U.S. INITIATIVE ON MC&A FOR EXPANDING MATERIAL CONTROL EFFORTS FROM CIVILIAN TO MILITARY FACILITIES AND EMPLOYING A SERIES OF "QUICK FIXES" TO ENHANCE PHYSICAL PROTECTION AND MC&A FACILITIES THAT HANDLE PU AND HEU. MIKHAILOV REACTED WITH CAUTION TO U.S. EFFORTS TO EXTEND MC&A BEYOND PEACEFUL NUCLEAR APPLICATIONS, CLAIMING THIS EXPANSION WOULD REQUIRE A POLITICAL DECISION AND A NEW GOVERNMENT-TO-GOVERNMENT AGREEMENT. GOOBY OBTAINED A LETTER SIGNED BY MIKHAILOV OUTLINING RUSSIAN INTENTIONS FOR STORAGE FACILITY CONSTRUCTION. MIKHAILOV RAISED SEVERAL CONCERNS ABOUT DELAYS IN RECEIVING NUNN-LUGAR ASSISTANCE, PARTICULARLY IN REGARD TO THE STORAGE FACILITY, AND REPEATED HIS PROPOSAL FOR AN ADDITIONAL USD 75 MILLION IN ASSISTANCE FOR STORAGE FACILITY CONSTRUCTION AS WELL AS ASSISTANCE IN SUPPORTING AN MC&A TRAINING CENTER AT OBNINSK. AT THE CONCLUSION OF THE MEETING, MR. SCOTT SCHLESS, REPRESENTING DOD, AND DEPUTY MINISTER YEGOROV SIGNED AMENDMENTS TO EXISTING RAILCAR AND ACCIDENT RESPONSE EQUIPMENT AGREEMENTS. END SUMMARY.

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STATUS OF EXISTING AGREEMENTS
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3. MINISTER MIKHAILOV OPENED THE MEETING WITH A LITANY
OF COMPLAINTS ABOUT NUNN-LUGAR FUNDING, CLAIMING THAT MOST OF THE MONEY COMMITTED FOR PROGRAMS IN RUSSIA WAS STILL IN THE U.S. AND WAS BEING SPENT ON TRAVEL AND PER DIEM EXPENSES. IN HIS VIEW, THE NEW U.S. ADMINISTRATION WAS MAKING A MISTAKE BY NOT KEEPING BETTER TRACK OF HOW FUNDS ARE BEING SPENT. MIKHAILOV REVIEWED THE STATUS OF EXISTING AGREEMENTS WITH

UNCLASSIFIED

PAGE 04 MOSCOW 08159 01 OF 07 241707Z MINATOM, TOTALING USD 215 MILLION. OF THIS AMOUNT, USD 140 MILLION IS RELATED TO THE LONG-TERM PLUTONIUM STORAGE FACILITY -- USD 15 MILLION FOR DESIGN, USD 50 MILLION FOR FISSILE MATERIAL CONTAINERS, AND USD 75 MILLION FOR EQUIPMENT REQUIRED FOR CONSTRUCTION AND OPERATION. MIKHAILOV STRESSED THAT, ALTHOUGH THE STORAGE FACILITY WAS ONE OF THE EARLIEST NUNN-LUGAR INITIATIVES, OVER TWO YEARS HAD PASSED AND CONSTRUCTION HAD NOT YET BEGUN. OF THE USD 50 MILLION FOR CONTAINERS, USD 10 MILLION HAD BEEN SPENT ON THE U.S. DESIGN EFFORT AND USD 40 MILLION WOULD GO FOR PRODUCTION, ALSO TO BE CARRIED OUT IN THE U.S. IN CONTRAST TO THIS LARGE SUM, MINATOM WAS ONLY ASKING FOR USD 1 MILLION TO ASSIST THE RUSSIAN DESIGN ORGANIZATION, BUT THIS HAD NOT BEEN DECIDED YET. MIKHAILOV ALSO CLAIMED THERE WAS A DISCREPANCY IN THE AMOUNT OF MONEY VERSUS NUMBER OF CONTAINERS BEING PROVIDED. WHILE THE U.S. HAD CLAIMED EACH CONTAINER WOULD COST 3-4 THOUSAND DOLLARS, THE COST WAS NOW ESTIMATED TO BE USD 1300 PER CONTAINER, BASED ON A TOTAL OF 37,000 CONTAINERS. MIKHAILOV BELIEVED EITHER THE MONEY OR THE NUMBER OF CONTAINERS NEEDED TO BE ADJUSTED, BASED ON THIS LOWER COST. ADDITIONALLY, THE INITIAL SHIPMENT OF CONTAINERS PROMISED FOR FEBRUARY

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PAGE 01 MOSCOW 08159 02 OF 07 241707Z
ACTION EUR-01
INFO LOG-00 ACDA-17 ACDE-00 AGRE-00 AID-01 AMAD-01 BIB-01
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USMISSION USNATO
AMBASSADOR ALMATY

UNCLASSIFIED SECTION 02 OF 07 MOSCOW 008159

UNCLASSIFIED

PAGE 02 MOSCOW 08159 02 OF 07 241707Z
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DOE FOR ALESSI/DP-5
JCS FOR J-5 DDIN
SECDEF FOR ATSD:AE OSD:ISP USDA:S&SS, AND DIA/ODB-6
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1994 had not yet been delivered, indicating the U.S. was breaking its agreement.

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ADDITIONAL REQUEST FOR STORAGE FACILITY ASSISTANCE
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4. Mikhailov repeated his pitch, made last week in Washington, for an additional USD 75 million in assistance for construction of the storage facility, recommending that the sides prepare a new agreement for this amount as soon as possible. Now that the conditions of the Markey Amendment had been met, the sides could move ahead with this without any obstacles. Minatom was already preparing a draft agreement between...

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U.S. INITIATIVES FOR FUTURE COOPERATION
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5. Following Mikhailov's lengthy monologue, Ambassador Goodby focused on the U.S. concerns and hopes for...
FUTURE COOPERATION. IN GOODBY'S VIEW, THE DECISION TO EXTEND MC&A COOPERATION FROM CIVILIAN TO MILITARY APPLICATIONS HAD ALREADY BEEN ADDRESSED DURING THE GORE-CHERNOMYRDIN MEETINGS IN DECEMBER AND IN STATEMENTS BY THE TWO PRESIDENTS AT THE JANUARY SUMMIT. THIS TRANSITION COULD BE ACCOMPLISHED BY AN AMENDMENT TO THE EXISTING MC&A AGREEMENT. THE U.S. WAS PREPARED TO PUT AN ADDITIONAL USD 10 MILLION INTO ITS NEW "QUICK UNCLASSIFIED

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PAGE 04 MOSCOW 08159 02 OF 07 241707Z FIX" APPROACH, WHICH ONLY REQUIRED THE RUSSIAN SIDE TO IDENTIFY PRESSING SHORT-TERM NEEDS AT ITS FACILITIES THAT HANDLE DIRECT-USE MATERIALS (PLUTONIUM AND HEU). BASED UPON THE DECEMBER AND JANUARY POLITICAL STATEMENTS ON THE IMPORTANCE OF THIS ISSUE, THE U.S. SIDE HAD ASSUMED A CERTAIN URGENCY IN MOVING AHEAD RAPIDLY WITH SUCH IMPROVEMENTS, AND WAS SURPRISED WITH THE SOMEWHAT CASUAL RUSSIAN PROMISE OF AN ANSWER BY EARLY JUNE. GOODBY PROPOSED A QUICKER RESPONSE TO THIS INITIATIVE, BEGINNING WITH RECIPROCAL VISITS TO THE U.S. HANFORD FACILITY AND RUSSIAN MAYAK FACILITY WITHOUT DELAY. DURING THESE VISITS THE SIDES COULD EXAMINE U.S SURVEY TECHNIQUES USED TO DETERMINE MC&A IMPROVEMENTS AT U.S. FACILITIES, WHICH WOULD THEN BE USED BY THE RUSSIANS TO EVALUATE NEEDS AT THEIR FACILITIES.

6. TURNING TO THE U.S. MODEL FACILITIES APPROACH, GOODBY SUGGESTED THAT, GIVEN THE IMPORTANCE OF ADDRESSING PLUTONIUM AND HEU, HE BELIEVED THAT IT WOULD BE MOST USEFUL TO INCLUDE THE HEU LINE AT ELEKTROSTAL. THE RUSSIAN RESPONSE THAT MILITARY APPLICATIONS AT THIS SITE WOULD MAKE INCLUSION OF HEU IMPOSSIBLE SEEMED TO CONTRADICT THE SUMMIT AND GORE-CHERNOMYRDIN AGREEMENTS.
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E.O. 12356: N/A
TAGS: PARM, PREL, RS, US
SUBJECT: GOODBY MEETING WITH ATOMIC ENERGY MINISTER MIKHAILOV, MARCH 23, 1994


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7. MIKHAILOV RESPONDED TO THE U.S. INITIATIVES WITH THE VIEWPOINT THAT SUMMIT AND POLITICAL STATEMENTS WERE SIMPLY STATEMENTS OF INTENTION AND THAT FUTURE COOPERATION IN THE SENSITIVE AREA OF WEAPONS MATERIALS WOULD REQUIRE A GOVERNMENT-TO-GOVERNMENT AGREEMENT WHERE ALL ISSUES ARE CLEARLY STATED AND ALL CRITERIA AND PROCEDURES ARE SPELLED OUT. THE SIGNING OF THE PROTOCOL ON HEU TRANSPARENCY IN WASHINGTON LAST WEEK HAD BEEN AN IMPORTANT FIRST STEP. THE AGREEMENT ON POSSIBLE EXCHANGE VISITS TO STORAGE FACILITIES AT PANTEX AND OMSK, TO EXAMINE PLUTONIUM STORED INSIDE CONTAINERS WAS ANOTHER IMPORTANT STEP. TO CARRY THIS OUT, WHICH MIKHAILOV BELIEVED WAS DEFINITELY POSSIBLE, A LETTER FROM THE STATE DEPARTMENT TO THE MINISTRY OF FOREIGN AFFAIRS WOULD BE REQUIRED. CONDUCT OF TECHNICAL MEASUREMENTS TO DETERMINE THAT FISSION MATERIAL WAS IN THE CONTAINERS WAS A KEY MEASURE FOR TRANSPARENCY. MIKHAILOV BELIEVED THAT THE TWO INITIATIVES COULD BE COMBINED, AND THAT THE TOMSK-
PANTEX VISITS COULD SERVE A DOUBLE PURPOSE AND ELIMINATE THE NEED FOR RECIPROCAL VISITS TO HANFORD AND MAYAK.

8. GOODBY EXPLAINED THAT THESE TWO INITIATIVES WERE FOR TWO DIFFERENT PURPOSES AND WERE ON TWO DIFFERENT TRACKS. MIKHAILOV INDICATED THAT TWO DIFFERENT APPROACHES MIGHT BE POSSIBLE, BUT THE HANFORD-MAYAK EXCHANGE VISITS COULD ALSO BE BEST HANDLED BY A LETTER.

9. IN A FINAL ATTEMPT TO MAKE PROGRESS ON MC&A ISSUES, GOODBY SUGGESTED THAT IT WOULD BE POSSIBLE TO PROCEED WITH THE MODEL FACILITY APPROACH AT ELEKTROSTAL AND MAYAK WITH NO AMENDMENTS TO THE EXISTING MC&A AGREEMENT. EXPERTS COULD, AS A NEXT STEP, ASSESS WHAT MC&A MEASURES WOULD BE USEFUL AT EKATERINBURG, AND THE AMOUNT OF ASSISTANCE FOR MC&A COULD BE INCREASED IN THE AGREEMENT FROM USD 10 TO 20 MILLION. MIKHAILOV RESPONDED THAT IT WAS NOT SUCH A SIMPLE MATTER; CREATING A MODEL FACILITY AT MAYAK INVOLVED A TRANSITION FROM PEACEFUL MATERIALS TO WEAPONS-GRADE MATERIALS, AND ADDITIONAL CHANGES TO THE AGREEMENT WOULD BE NEEDED. MIKHAILOV WENT ON WITH FURTHER STATEMENTS ABOUT THE NEED TO BE VERY CAREFUL ABOUT WHAT AGREEMENTS WERE SIGNED, WITH THE NEED TO FULFILL BUREAUCRATIC REQUIREMENTS AND BE SURE ALL MINISTRIES AND GOVERNMENT ORGANIZATIONS APPROVED. (COMMENT: U.S. DEL
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PAGE 01 MOSCOW 08159 04 OF 07 241708Z
ACTION EUR-01

INFO LOG-00 ACDA-17 ACDE-00 AGRE-00 AID-01 AMAD-01 BIB-01
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UNCLASSIFIED SECTION 04 OF 07 MOSCOW 008159

UNCLASSIFIED

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PAGE 02 MOSCOW 08159 04 OF 07 241708Z
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NOTED A CAUTIOUS APPROACH ON MIKHAILOV'S PART IN REGARD TO MOVING INTO NEW AREAS OF COOPERATION, AS WELL AS A DEFINITE NEED FOR HIGHER POLITICAL APPROVAL OF MINATOM ACTIONS INVOLVING WEAPONS MATERIAL. END COMMENT.) IN A FINAL EXCHANGE ON MCA ISSUES, MIKHAILOV RECOMMENDED THAT GOODBY GIVE SERIOUS CONSIDERATION TO THE RUSSIAN PROPOSAL FOR ASSISTING WITH ESTABLISHING AN MCA TRAINING CENTER AT OBNINSK.

OTHER ISSUES: U.S. FUNDING FOR TRILATERAL AGREEMENT

10. AT THE CONCLUSION OF THE MEETING, MIKHAILOV ASKED GOODBY ABOUT THE STATUS OF THE USD 60 MILLION, PROMISED


13. YEGOROV DEFENDED THE NEED FOR AN MC&A STATEMENT,
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PAGE 01  MOSCOW 08159  05 OF 07  241708Z
ACTION EUR-01

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UNCLAS SECTION 05 OF 07 MOSCOW 008159

UNCLASSIFIED

PAGE 02  MOSCOW 08159  05 OF 07  241708Z
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CLAIMING THAT IT WOULD GIVE BOTH SIDES A STARTING POINT
FOR THE NEXT DISCUSSION. FURTHERMORE, SAID YEGOROV, IN
HIS OPINION, THERE WERE SOME MINOR SUCCESSES THAT
NEEDED TO BE DOCUMENTED. FOR EXAMPLE, HE THOUGHT THE
TWO SIDES WERE VERY CLOSE TO COMING TO CLOSURE ON THE
HANFORD/MAYAK EXCHANGE VISITS (THE FIRST STEP IN THE
"QUICK SURVEY PROPOSAL). HOWEVER, HE WANTED TO
REEMPHASIZE MIKHAILOV'S REMARKS THAT MINATOM DOES NOT
CONTROL ALL OF THE FACILITIES AT MAYAK. AGREEMENT TO
DO A SITE SURVEY WILL REQUIRE RUSSIAN INTERAGENCY
CLEARANCE. TO GAIN THIS CLEARANCE, THE U.S. STATE
DEPARTMENT MUST SUBMIT A LETTER TO THE RUSSIAN MFA
REQUESTING ACCESS AS PART OF A RECIPROCAL SITE SURVEY.

14. IN CONTRAST, SAID YEGROROV, ESTABLISHING A MODEL
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MC&A REGIME AT MAYAK WOULD REQUIRE A MUCH MORE FORMAL
APPROACH. HE ENVISIONS A TWO-PART APPROACH ADDRESSING
CIVILIAN AND MILITARY APPLICATIONS SEPARATELY. GOODBY
FOLLOWED UP ON YEGROROV'S COMMENT BY ASKING WHO WOULD
SIGN THE MC&A AGREEMENT FOR MAYAK. YEGROROV ANSWERED
THAT POLITICAL PROBLEMS COULD ONLY BE AVOIDED IF THE
MINISTERS RECEIVED TOP-DOWN GUIDANCE ON THE SUBJECT.
GOODBY'S SUGGESTION THAT VP GORE AND CHERNOMYRDIN
ADDRESS THE ISSUE AT THEIR NEXT MEETING WAS MET WITH
SKEPTICISM. WHEN YEGROROV DOUBTED THAT EITHER SIDE
COULD BE READY FOR SUCH AN EVENT, GOODBY OFFERED THAT
THE CURRENT MC&A AGREEMENT WAS A GOOD STARTING POINT
AND HE DIDN'T UNDERSTAND WHY MINATOM COULD NOT PUSH
THIS THROUGH THE RUSSIAN INTERAGENCY IN TIME FOR THE
NEXT GORE-CHERNOMYRDIN MEETING.

15. YEGROROV DISAGREED WITH GOODBY'S EVALUATION OF
MINATOM'S ABILITY TO SELL ANY AGREEMENT INVOLVING OTHER
AGENCIES (READ MOD). ACCORDING TO YEGROROV, THE CURRENT
MC&A AGREEMENT WAS SPECIFICALLY DESIGNED FOR COMMERCIAL
LEU applications and would not be favorably received in the Russian interagency. Any amendment must be clear and start with definitions. Additionally, it must distinguish between MC&A requirements for dismantlement areas, storage areas and processing lines. Negotiating an agreement like this will not be easy, said Yegorov.

16. Goodby acknowledged the complexity of an MC&A project covering the entire Mayak compound and stated that, as far as the model MC&A facilities concept was concerned, he was only suggesting the Pu storage.

Page 04

MOSCOW 08159 05 OF 07 241708Z

Facility at Mayak be substituted for the HEU line at the Elektrostal facility in the MC&A agreement. The remainder of the complex would be subject to a site survey under the proposed "quick fix" program, but would not be included as a model facility. Yegorov remained unmoved by this explanation and continued to insist that the MC&A model facility project could not be done at a "sensitive" facility like Mayak. Furthermore, the Russian side needed experience with new MC&A concepts at a commercial LEU facility before they were ready to apply these concepts to any HEU/PU facility.

17. In closing, Yegorov made another pitch for direct funding of the design work on the fissile material storage facility, threatening that it would come to a halt if assistance was not provided. Goodby asked how Minatom could afford to finance the construction of such a facility if funds are so short that the design work cannot be completed. Yegorov stated that construction funds were "programmed" in the Minatom budget. But when pushed, he admitted that budget shortfalls will probably be a problem. Additionally, he urged the Russian side to keep the next Gore-
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PAGE 01 MOSCOW 08159 06 OF 07 241708Z
ACTION EUR-01

INFO LOG-00 ACDA-17 ACDE-00 AGRE-00 AID-01 AMAD-01 BIB-01
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UNCLAS SECTION 06 OF 07 MOSCOW 008159

UNCLASSIFIED

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PAGE 02 MOSCOW 08159 06 OF 07 241708Z
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18. BEGIN TEXT OF THE RUSSIAN-TRANSLATED LETTER FROM MIKHAILOV TO GOODBY CONCERNING THE FISSIONAL MATERIAL STORAGE FACILITY (UNDATED):

TO HIS EXCELLENCY AMBASSADOR JAMES GOODBY
THE STATE DEPARTMENT
THE UNITED STATES OF AMERICA

DEAR AMBASSADOR GOODBY:

THE GIVEN LETTER ANSWERS YOUR QUESTIONS ON THE PLANNED CONSTRUCTION OF STORAGE FACILITIES FOR FISSIONAL MATERIALS, RESULTING IN THE PROCESS OF NUCLEAR WARHEADS DISMANTLEMENT.

By June of 1994 Minatom will have the necessary documents, providing for authorization to start preparatory works at the "Mayak" site.

Construction of the storage facility at "Mayak" will be executed in two stages, each stage being designed for 25000 containers. I realize the concern of the United States over possible construction costs growth following such an approach taken for both sites. However, this has been a forced decision.

By July 1, 1994 the design together with the

Feasibility study for the above mentioned site will be completed and construction of the first stage will begin. Construction of the second stage will begin in two years time on condition that the construction works for the first stage will by then be over. It is planned that by December 31, 1997 construction of the first stage of the storage facility will be completed and the storage will be put into operation. Completion of the construction and start of operation of the second stage is planned for December 31, 1999.

The radioactive contamination level at the "Mayak" site varies from 15 to 18 Mkr/h. Minatom will provide the current data on the environment, as well as geotechnical (geophysical) data at the technical experts meeting in April.

Construction of the storage facility at Tomsk is also planned to go in two stages, each stage designed for 25000 containers. The design and the feasibility study will be completed in 1995, the construction will be carried out in the period from 1996 to 2000.

Resolution of all the above stated problems, including
UNCLASSIFIED

UNCLASSIFIED

PAGE 01 MOSCOW 08159 07 OF 07 241709Z
ACTION EUR-01

INFO LOG-00 ACDA-17 ACDE-00 AGRE-00 AID-01 AMAD-01 BIB-01
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UNCLAS SECTION 07 OF 07 MOSCOW 008159

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MOSCOW 08159 07 OF 07 241709Z
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SECEDEF FOR ATSD:AE OSD:ISP USDA:S&SS, AND DIA/ODB-6
CIA FOR CHIEF/ACIS

UNCLASSIFIED
SUBJECT: GOODBYE MEETING WITH ATOMIC ENERGY MINISTER MIKHAILOV, MARCH 23, 1994

THE EXECUTION OF THE TIME-SCHEDULE, DEPENDS ON PROVISION OF RESERVES BY THE RUSSIAN GOVERNMENT TO MINATOM. THEREFORE, RESOLUTION OF THE ISSUE ON THE ALLOCATION OF FUNDS BY THE U.S. GOVERNMENT IN THE AMOUNT OF UP TO 75 MILLION U.S. DOLLARS FOR DESIGN AND CONSTRUCTION WORKS, INCLUDING 1.2 MILLION U.S. DOLLARS IN 1994 ON DESIGN WORKS FOR BOTH STORAGE SITES, IS OF GREAT IMPORTANCE.

WITH GREAT RESPECT,

V. MIKHAILOV

END TEXT.

V. MIKHAILOV