



DEPARTMENT OF STATE
BRIEFING MEMORANDUM

S/S

November 10, 1979

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TO: The Secretary

THROUGH: D - Mr. Christopher
P - Mr. Newsom
T - Mrs. Benson

FROM: NEA - Harold H. Saunders ^{HHS}
OES - Thomas R. Pickering ^{TRP (CMA)}
S/P - Anthony Lake ^{AL}

SUBJECT: November 14 PRC Meeting on South Asian
Nuclear Issues

INTRODUCTION

The PRC meeting will address: (1) what course of action we should recommend to the President regarding future Indo-U.S. nuclear cooperation; and (2) what our next steps on the Pakistan nuclear problem should be.

I. INTELLIGENCE BRIEFING

CIA will be prepared to brief on the estimate of the imminence of a Pakistani nuclear test and on Indian nuclear developments.

II. INDIA - THE TARAPUR PROBLEM

Our Objective

We want the PRC to recommend to the President that we begin negotiations with the Indians for an amicable settlement of the nuclear supply question which minimizes damage to our non-proliferation interests and our bilateral ties with India.

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The Options

The Department, ACDA, DOE, and OMB have held working level discussions to refine the options that we presented to you earlier. We believe that the various legal, financial, and technical problems have been clarified. We are presenting three options for the PRC's consideration. All involve a negotiated settlement with the Indians under which we provide additional fuel for Tarapur in return for Indian acceptance, at a minimum, of three assurances:

-- continuation of safeguards over U.S.-supplied fuel at Tarapur;

-- continued U.S. control over the disposition of Tarapur spent fuel of U.S.-origin; and

-- a reaffirmation by the post-election Indian government of Desai's no-nuclear-explosives policy.

Option (1) Issue only the two pending licenses in return for the assurances noted above. This option:

a) would provide two years' supply at Indian expense and keep Tarapur going until 1984;

b) could in the probable absence of a favorable NRC decision on the licenses be accomplished by executive order, subject to a Congressional veto by concurrent resolution; but

c) is unlikely to be acceptable to the Indians.

Option (2) Issue the two pending licenses and offer to supply a third year tranche at U.S. expense (\$18 million), in return for the assurances noted above and the option to acquire and remove the spent fuel from India by a specific date (e.g. 1985). This option:

a) would keep Tarapur going until 1985;

b) might be more acceptable to the Indians because it offers them free fuel for one year as a sweetener, but;

c) would require Congressional approval including authorization of funds for the purchase of the fuel;

d) would constitute a one-time waiver of the full-scope safeguards requirement; and

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e) could raise a number of technical and environmental problems if the spent fuel were eventually to be returned to the U.S.

Option (3) Enter into a new leasing arrangement with the Indians to supply Tarapur during the lifetime of the reactors (until 1993) in return for the three assurances given above, additional non-proliferation concessions, and the acquisition by the U.S. of title to all spent fuel of U.S. origin. This option:

- a) is probably the most acceptable to India, but
- b) would be seen in Congress and elsewhere as circumventing our full-scope safeguards requirement;
- c) would require Congressional approval of a new agreement with India; and
- d) would set a precedent for low-cost fuel leasing that we could not match for other foreign and domestic customers.

Consideration of the Options

All Bureaus agree that the last option, the long-term leasing arrangement, should not be pursued because of its adverse implications for our non-proliferation policy. We also agree that Option (1) is unlikely to be acceptable to the Indians. We believe that Option (2) should be pursued because it represents the best hope for securing an agreement with the Indians and minimizing the damage to our non-proliferation interests. ACDA has not concurred in this view, but has not finalized its position.

Talking Points

-- We must deal urgently with the Indo-U.S. nuclear cooperation issue.

-- We do not believe India will agree to the full-scope safeguards required under the Nuclear Non-Proliferation Act after March 1980. Consequently, we must decide how best to disengage from our long-term nuclear supply relationship.

-- The NRC has not taken action on the September 1978 application for Tarapur fuel and the President could authorize

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the export subject to Congressional veto. The Indians are pressing hard on the application and filed another one recently. We should not ask the President to act on these applications except in the context of an overall settlement with India.

-- We want to avoid an abrupt and acrimonious termination of nuclear cooperation. This would not only damage our bilateral relations but could also result in loss of U.S. control over the large quantity of spent fuel of U.S. origin at Tarapur. At the same time, we need to avoid taking steps which would undermine our prospects of achieving our global non-proliferation objectives. Finding a negotiating position which will protect our national interests, satisfy key Congressmen, and be acceptable to the Indians is a formidable problem.

-- To minimize damage to our non-proliferation interests, it is essential to obtain at least three assurances from the Indians:

-- continuation of safeguards over U.S.-supplied fuel at Tarapur.

-- continued U.S. control over the disposition of Tarapur spent fuel of U.S. origin.

-- a reaffirmation by the post-election Indian government of Desai's no-nuclear explosive policy.

-- We have developed three options which are outlined in the Discussion Paper. All involve a negotiated settlement with the Indians under which we would provide some additional fuel for Tarapur in return for concessions to include these assurances.

-- I believe Option (2) -- issuing the two licenses and offering a third year tranche at U.S. expense for the assurances and an option to remove the spent fuel -- is the best one to pursue.

-- I recognize that it will cost us money and raises a number of problems at our end -- the need for Congressional acquiescence in a one-time waiver, the necessity for Congressional action and appropriations to purchase the fuel, and other problems associated with the possible return of the spent fuel. But I believe that it will tend to preserve the full-scope safeguards requirement

for long term arrangements which is central to our non-proliferation policy, and assure that U.S.-supplied fuel will not be misused. I think it stands some chance of Indian acceptance.

-- Option (1) (issuing only two licenses for the assurances) will give us fewer problems with Congress, but is unlikely to be acceptable to the Indians. The long-term leasing arrangement in Option (3) could be attractive to the Indians. But it would be seen in Congress and elsewhere as circumventing our full-scope safeguards requirement and has other serious drawbacks.

-- We have discussed possible courses of action informally with Hill non-proliferation leaders. They understand the problem but are unhappy about the possibility of a Presidential waiver of the full-scope safeguards requirement.

-- While a strict line supporting our non-proliferation policies would enhance our credibility in our nuclear discussions with Pakistan, we do not believe that an agreement based on Option (2) will have any significant impact on Pakistan's fundamental decision to develop a nuclear explosives capability.

-- Any negotiation or settlement would be nullified were India to resume nuclear testing or nuclear explosive R&D activities.

-- We believe we should move promptly to initiate negotiations. Early talks could lessen the possibility of Indo-U.S. nuclear relations becoming an issue in the election.

-- I hope we can decide to recommend Option (2) to the President. Following Presidential approval of an option, State, DOE, and ACDA should be tasked to consult further with Congress and prepare a negotiating package for early presentation to the Indians.

-- [If necessary in the event of disagreement] If we cannot come to a consensus, we should forward an options paper for the President on an urgent basis.

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III. PAKISTAN

We would like to obtain PRC endorsement of our diplomatic efforts to deter a Pakistani nuclear explosion. We would also like the PRC to endorse the proposal that State and DOE develop a program for multilateral collaboration with Pakistan on a power generation program which might help to provide the Pakistanis a political "out" for discontinuing their sensitive nuclear facilities.

The assurances Agha Shahi provided us in October are not adequate to meet our concerns but they help to keep our dialogue going. In addressing security issues, we should consider whether their limited assurances merit a positive response. In this context you may wish to ask the PRC to consider the sale of Gearing destroyers to Pakistan.

Diplomatic Efforts: Our Multilateral Strategy

We propose continued consultations with the Europeans and others with a view to increasing the pressure on Pakistan on the nuclear issue. We should follow up Gerry Smith's trip with further working-level consultations with the quadripartite countries and expand our discussions to include Japan and others. We should refine our approach in more country-specific terms (some may be willing to threaten sanctions while others may be more interested in proposing inducements). We should take advantage of opportunities in the next few weeks for you and the President to encourage movement through high-level contact with our allies.

Security Issues:

We have already taken some steps designed to underscore the value of the US-Pak relationship, including a demarche to the Soviets.

We have posed the question in the Discussion Paper of whether we should go ahead with the sale of two Gearing-class destroyers. Admiral Howard, the CNO, is planning to visit Pakistan in mid-December and will certainly be asked about the Gearings. (The availability of the Gearings may be resolved in a House-Senate conference committee session scheduled for November 9).

Assuming they are available, NEA believes we should go ahead with this long-promised sale as a concrete gesture

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acknowledging Pakistan's positive movement toward providing assurances. NEA believes the sale will also help assure continued access to Karachi for naval visits. In view of recent developments in Iran and our enhanced Indian Ocean presence, such access is more important than ever. Scheduled hearings on South Asia before the Stone Subcommittee could be used to sound out Senate views.

S/P, PM and ACDA believe the sale will send the wrong signal to the Pakistanis and could confuse our allies. Gerry Smith recently cautioned the Germans on a proposed 10 percent increase in their development aid for Pakistan. They also believe there is no indication the GOP is considering denying the US Navy access to Karachi, nor is there any reason to believe that the transfer of the Gearings would persuade them not to do so if the issue were under consideration.

State-DOE Nuclear Cooperation Study:

State and DOE have done some preliminary work on a proposal to offer Pakistan multilateral assistance for a power program. Such an offer might in the future provide the GOP a face-saving way to discontinue work on or to accept appropriate safeguards and controls over their sensitive nuclear facilities. The PRC should set a date for the completion of this study.

Human Rights:

We are concerned about the deteriorating human rights situation in Pakistan and have made our sentiments known to the GOP. The Christopher Group will have to address these concerns in connection with upcoming loans by the international development banks.

HA recommends that the USG abstain on these loans. EB, S/P and NEA favor having the US Executive Director support the loans but make a statement expressing our human rights concerns. These Bureaus believe that there has not yet been time to establish a "consistent pattern" of gross human rights violations. (The US vote cannot block the loans; voting is normally by consensus rather than voice vote.)

Talking Points:

--Our review of the Pakistan nuclear problem has convinced us there is no "quick fix" and that multilateral

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efforts are essential if there is any hope of resolving the problem.

--Our objectives are to increase the pressure on Pakistan to halt its nuclear explosives program, and to signal that there are politically acceptable alternatives to the continuation of their sensitive nuclear facilities.

--We propose to continue our diplomatic efforts with the Europeans and others, tailoring our approaches as necessary. In the first instance, we will seek to increase Pakistani concern about the high costs and risks of their present program.

--I believe State and DOE should be asked to develop a multilateral energy proposal by December 15.

--We hope there is a consensus on this approach.

--In our recent discussions with the Pakistanis, they provided assurances that they would not manufacture nuclear weapons or assist others to do so and that the present government would not undertake a nuclear test. We are going back to the Pakistanis to try to obtain some expansion of these assurances. In particular, we propose that the letter from President Carter to President Zia ask that the no-test assurance be extended to include, inter alia, any future government headed by Zia.

--In an effort to keep the nuclear dialogue going and in the interests of our own security concerns in the area, should we consider a forthcoming gesture in the security area? Alternatively, we could increase the pressure by cutting even our current low level of military sales and freezing deliveries in the pipeline. However, I think this would run counter to our security interests in the region.

--A positive gesture could be the sale of two Gearing-class destroyers, if they are available. There are arguments on both sides as described in the Discussion Paper.

--I would welcome the views of the PRC on the Gearing question.

--I would also welcome your thoughts on how we should express our human rights concerns.

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By *CC* NARA Date 3/11/10

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