

Approved by S - HCollums, [redacted]
10/12/76

7614592

EXEMPT DISTRIBUTION
MADE IN S/S-I.
Date OCT 12 1976
Initial [initials]
NODIS

DEPARTMENT OF STATE

NODIS-FILES

Memorandum of Conversation

DATE: July 9, 1976

SUBJECT: Pakistani Reprocessing Issue

DATE, TIME AND PLACE: July 9, 4:00 p.m., Secretary's Office

PARTICIPANTS: The Secretary
Under Secretary Philip Habib
Mr. Helmut Sonnenfeldt, Counselor
Mr. Winston Lord, Director, S/P
Mr. Fred C. Ikle, Director, ACDA
Mr. George S. Vest, Director, PM
Assistant Secretary Robert J. McCloskey, H
Deputy Assistant Secretary Myron B. Kratzer, OES
Assistant Secretary Alfred L. Atherton, Jr., NEA
Mr. Robert A. Peck, NEA/PAB (Notetaker)

NODIS REVIEW
Cat. A - Caption removed;
transferred to O/FADRC
with additional access
controlled by S/S
Cat. C - Caption and custody
retained by S/S
Date: 10/11/76

DISTRIBUTION: S(Aherne), S, S/S, WH(Rodman)

The Secretary: Nothing makes the blood course faster through the veins of my colleagues than to be able to screw an ally.

Mr. Atherton: We are trying to avoid that.

The Secretary: What is the problem?

Mr. Atherton: We have to do what we can to try to head off this project. There are three areas in which we are proposing to work. We have our own diplomatic resources and leverage. We have the leverage of others and in particular the Canadians. And finally, we want to find some face-saver for Bhutto. In this regard we might work with the germ of an idea the Shah expressed to Helms regarding holding out a multinational alternative at some time in the future.

The Secretary: As I have said before I am becoming disillusioned with this multinational idea. I am coming to the view that binational arrangements might be better. Win told me he was going to have a memorandum for me on this. Where is it?

Mr. Lord: It should be in your office, Sir.

NEA/PAB:Robert A. Peck/mw
7/12/76:x22441

(Drafting Office and Officer)

DECLASSIFIED
A/ISS/IPS, Department of State
E.O. 12958, as amended
October 11, 2007

INDEXED
BY S/S-I

[REDACTED]

Mr. Ikle: Under some circumstances, multinational projects could simply end up spreading the problem.

Mr. Vest: Binational and multinational are not exclusive concepts. We consider the binational concept simply to be the very minimum type of this sort of arrangement.

The Secretary: When all is said and done what matters is the penalty for kicking out the non-national element or the penalty for getting rid of the supplier. I don't see why it is any better for Pakistan and Iran to have a joint facility. It doesn't add any restraint on either of them.

Mr. Lord: No. In fact it would be worse. It would give the technology to both parties. Our idea is not to encourage a joint Pakistan-Iran facility, but to permit the Shah to hold out the prospect of an eventual multinational project which would give Bhutto a way to save face and would buy time for us in the region.

The Secretary: I have just told the Germans that we oppose such an arrangement. I must say that now that I have had a chance to take a closer look at the FRG-Iran agreement it is not such an irresponsible commitment. If I had known the details earlier I might not have raised objections.

Mr. Lord: The Iran-Pakistan arrangement would only involve an agreement in principle.

The Secretary: Look. A reprocessing plant in Japan in which Korea would participate is a way to hold down Korea, not Japan. It actually adds to Japan's capability. All they have to do is kick out the Koreans. The desire of Iran and Pakistan for this capability is about equal and a binational facility would give them equal access to plutonium.

Mr. Ikle: The proposal might actually accelerate the introduction of reprocessing technology into the area.

Mr. Habib: We are not thinking about an absolute commitment, just an agreement in principle which would give Bhutto some logical explanation for giving up his present project.

Mr. Ikle: The timing is wrong.

[REDACTED]

The Secretary: He didn't say he is going to buy it now.

Mr. Habib: What kind of plant is this?

Mr. Vest: It is a very large pilot plant, in fact four times that the French proposed to sell to Korea.

The Secretary: I must say I have some sympathy for Bhutto in this. We are doing nothing to help him on conventional arms, we are going ahead and selling nuclear fuel to India even after they exploded a bomb and then for this little project we are coming down on him like a ton of bricks.

Mr. Kratzer: The difference between the Indian and Pakistani cases is that Bhutto came in second.

Mr. Ikle: We don't like what the Indians are doing either.

The Secretary: But we are not doing anything about it.

Mr. Lord: Mr. Secretary, you should know of intelligence reports which indicate that the Pakistanis already have a laboratory-scale facility.

Mr. Ikle: There is an important difference between the Pakistani and the Indian cases. The Pakistani reprocessing project doesn't fit into a power program while the Indians at least have an extensive power program which could conceivably utilize this sort of technology.

Mr. Habib: Does Pakistan have a heavy water facility?

Mr. Kratzer: No.

Mr. Ikle: Pakistan's only present reactor is a heavy water facility which does not use enriched fuel and therefore cannot utilize the plutonium which might be recovered from a reprocessing facility.

The Secretary: Is Pakistan buying a power reactor too?

Mr. Kratzer: They are shopping for a light water reactor and have approached us in this regard.

The Secretary: You mean they are starting with a reprocessing plant?

Mr. Vest: Yes.

[REDACTED]

The Secretary: What are they going to reprocess?

Mr. Kratzer: The small Canadian reactor provides spent fuel which can be reprocessed but the recovered plutonium can't be used to refuel that Canadian reactor because it doesn't require enriched fuel.

Mr. Habib: That is just what the Indians did.

The Secretary: Why would it not be better to wait on all this until I go to Iran?

Mr. Vest: There would be one problem and that relates to the Canadians. The Canadian cabinet is meeting July 22 to make a decision on the course of their own negotiations with Pakistan. They deserve to know what we intend to do.

Mr. Sonnenfeldt: We could probably get them to delay that decision.

The Secretary: I am seeing MacEachen on the 30th and could talk with him at that time. It is not going to be hard to get the Canadians not to sell a reactor.

Mr. Ikle: If the Canadians sold a reactor the Pakistanis would have to agree to tight controls over reprocessing of the spent fuels.

Mr. Kratzer: The issue for the Canadians is not the sale of an additional reactor. Canada is trying to renegotiate their present agreements with Pakistan to provide for assurances and better controls in return for which they would continue to help the Pakistanis operate the reactor they already have.

Mr. Vest: Whatever we do we owe it ^{to} them to let them know what our intentions are.

Mr. Ikle: Would there be any value in getting into technical discussions with the Pakistanis on the whole issue of the technical end of reprocessing and the economics of this technology?

The Secretary: Bhutto knows the technological details and he knows what he wants.

Mr. Habib: That's right. And what he wants is to build a bomb.

[REDACTED]

[REDACTED]

The Secretary: If you were in his place you would do the same thing.

Mr. Lord: The first decision we must make is whether we want to lean on Bhutto more, to apply some leverage. Secondly, we need to decide how to convince him that there is a better way to achieve his objectives and that is where the concept of a multinational alternative comes in.

The Secretary: Bhutto has already agreed to that.

Mr. Vest: But what he has agreed to is a facility with Iran located in Pakistan, and that gives us serious problems.

The Secretary: We can't tell him both that he must have a multinational facility and that it must be located outside his own country. Suppose Bhutto says, "All right, as soon as you get a reprocessing plant established in Iran I will be happy to give up my project."?

Mr. Ikle: Would it be possible to get him to agree to indefinite postponement?

The Secretary: I see nothing to gain from a multinational plant. We can't tell Bhutto that he must have a multinational plant but that it can't be located in Pakistan because then you would have us going to the Shah and telling him he also can't build it in Iran.

Mr. Sonnenfeldt: If we did not object, the Germans would have a right to complain about why we objected to their agreement.

The Secretary: Knowing what all I know now, I would not complain to the Germans about their agreement. It is not an irresponsible agreement. It is indistinguishable with what we have agreed to with Iran. Perhaps it is even somewhat better because the Germans have established that it is ten years down the road.

Mr. Habib: Have we exhausted all our diplomatic avenues with the French?

Mr. Vest: Yes.

Mr. Sonnenfeldt: It is possible to tell the Germans that we have studied this thing and changed our minds.

[REDACTED]

[REDACTED]

Mr. Kratzer: One thing in regard to the French that we should keep in mind is that they are probably not prepared to stand aside like they did in the Korean case. We might, however, consider trying to channel the Pakistani interest into a French-built light water reactor.

The Secretary: The way we are going, we are guaranteeing markets to the Europeans who will be making reprocessing agreements all over the world.

Mr. Habib: How would you explain this to Westinghouse and GE?

Mr. Kratzer: But there has to be something in this for the French. The French aren't going to give up this time.

Mr. Sonnenfeldt: Perhaps we could get the Pakistanis to associate themselves with the German-Iranian arrangement.

Mr. Kratzer: I am thinking more of an arrangement under which Pakistan could get a French reactor in place of the reprocessing plant.

The Secretary: How would they pay for it?

Mr. Kratzer: There are billions of dollars worth of reactors being sold all over the world, and somehow these countries are paying for them.

Mr. Vest: We have looked at the possibility of credits if we were to sell a reactor to Pakistan, but it is my impression that Eximbank is down on Pakistan.

Mr. Peck: That is true.

The Secretary: I notice we are cutting off arms again to Pakistan.

Mr. Atherton: That is one option; not to actually cut off arms but to hold up on some important items.

The Secretary: Is it not true that you are already holding them up?

Mr. Atherton: Not true. But it is coming to that. We will have to make a decision whether to send some of these items forward and frankly we can see some utility in holding them for leverage.

[REDACTED]

[REDACTED]

The Secretary: But you are already holding them up. Right?

Mr. Atherton: No, that's not exactly true. We have sent the TOW missile case forward, for example.

The Secretary: The fact is you have been dragging your feet.

Mr. Atherton: Well, we have not been pushing.

The Secretary: The Pakistani Ambassador told me that these cases are being delayed.

Mr. Atherton: I had lunch with him two days ago and he said he was satisfied with the progress we are making. It is true that these cases are not being accelerated.

The Secretary: I ordered you to accelerate these cases when the Pakistani Ambassador complained to me three months ago. Gentlemen, there are few countries in the world which by necessity or choice are still allies of ours. There is something indecent about our always proving that we are strong by kicking our allies in the teeth. We told the Pakistanis one year ago that we would provide military equipment. We also told the Chinese. This is against my instructions that we are not moving forward. When did I see the Pakistan Ambassador? He is a very intelligent man and he believes we have been holding back.

Mr. Atherton: Mr. Secretary, after you saw the Pakistan Ambassador we reviewed the situation and have tried to move forward. There have been some delays because the Pakistanis have changed their minds. They withdrew an ammunition order, for example.

Mr. Habib: How do you feel about the A-7?

The Secretary: NEA wants to kill the A-7 on its own merits.

Mr. Habib: Does the A-7 give us credible leverage?

Mr. Atherton: I don't think using the A-7's alone will work. We need to put in the balance the total military supply relationship. Bhutto can go elsewhere for aircraft.

The Secretary: To whom?

Mr. Atherton: To the British or to the French for Mirages.

The Secretary: The question here is does the Bureau have the right to refuse my direct orders. We went through this in 1971 with NEA.

Mr. Atherton: Mr. Secretary, this is a different Bureau now and we are not disobeying your orders. You should decide if we want to go ahead and eliminate this as a part of our strategy.

Mr. Ikle: There is other leverage provided by the Symington Amendment. The Pakistanis would lose all their economic assistance because of this project.

The Secretary: Let's get this straight. You are holding up everything except the TOWs.

Mr. Atherton: No. The TOWs is just the most important case which we have sent forward. I'll check with Defense and get the details for a report to you. The Pakistanis have had trouble making up their own minds on a number of these cases.

Mr. Peck: Our Embassy in Islamabad just completed a study of our experience. Since the embargo was lifted a year ago, the Pakistanis have asked for 43 cases. Of these, 21 LOAs have already been signed. Most of the others have been held up because the Pakistanis have either not accepted the cases, have asked for revisions, or have changed their minds. There were only seven cases of unusual delay and four of these are naval items which require special Congressional action.

The Secretary: Twenty-one of 43 is less than half. Less than half in over one year does not indicate a spectacular effort on our part.

Mr. Habib: Do you want to use military supply as leverage? If we don't apply some leverage, then Bhutto will interpret it to be a free ride.

The Secretary: This would be the first country in which we were applying this sort of leverage.

Mr. Habib: We applied leverage on Korea but it was of a different sort.

Mr. Atherton: I see no problem in putting these other cases forward while holding back on the A-7's if that is what you want to do.

The Secretary: That is absolutely right. We started this military supply relationship with the Pakistanis with great fanfare and have delivered nothing. There is no leverage in interrupting something that we are not giving anyway.

[REDACTED]

Mr. Habib: Is it possible to put together a package of attractive inducements such as we had for Korea?

Mr. Kratzer: Those inducements in the Korean case were largely window dressing.

The Secretary: Is it a plausible policy for us to make our ally Pakistan totally dependent on Indian good will? The Pakistanis don't even have the appearance of a credible defense. What they have asked for from us is piddling compared to what the Indians have. I don't think it adds to the stature of the United States to force an ally to be defenseless. Now, if we were giving him something important we might have some leverage but this stuff is just junk. FMS credits would give us some leverage. Letting this stuff go forward does not preclude using arms as leverage at a later date. What is it that you have been holding up?

Mr. Atherton: The things which we could put forward now are torpedoes, artillery, Sidewinder missiles, an Air Force study of Pakistan's air defense system, minesweepers and APC's.

The Secretary: How many APC's.

Mr. Peck: About 300, I think.

The Secretary: This is what I want to do. First, the only way we are going to get him off this reprocessing plant is to give him a reactor and accept the same terms as the FRG-Iran agreement. Secondly, we should tell him that we will take steps to enhance his conventional defense. We can't tell Bhutto that he can't have either a conventional or a nuclear defense.

Mr. Habib: That would not be a bad package. We could also throw out FMS credits.

Mr. Sonnenfeldt: We would have trouble in Congress.

The Secretary: There have been no screams from Congress over the FRG-Iran agreement.

Mr. Sonnenfeldt: That is because the chief screamer is running for Vice President.

Mr. Lord: The recess of July 4 has probably also helped.

Mr. Sonnenfeldt: We would have to get the French to agree to do it.

[REDACTED]

The Secretary: How are the Pakistanis paying for reprocessing?

Mr. Kratzer: I assume there must be French credits. It costs one to two hundred million dollars. This proposal would cause problems for the French because the French company selling the reprocessing is different from the company which would sell the reactor, though in total it would be a better deal for French exports.

Mr. Vest: We have made a lot of progress with the French in the last one and a half years but they are very sour at the moment.

The Secretary: The French might stop selling reprocessing plants if everyone else would.

Mr. Vest: But only after this one.

Mr. Habib: Anyone who is not embarrassed to sell two reactors to South Africa would not be embarrassed to sell a reprocessing plant to Pakistan.

Mr. Atherton: What should we do about India in the meantime?

The Secretary: What do we have to decide?

Mr. Vest: The Canadians have to decide whether to stop cooperating with Pakistan like they did with India or whether to continue under an improved agreement. It is important for them to know what your tactical plan is, and if we are not doing anything until you go there.

Mr. Habib: Where do the Pakistanis get their heavy water?

Mr. Kratzer: From Canada. The Canadians in some ways have more leverage than we do. The Pakistanis cannot continue to operate their reactor without Canadian help.

Mr. Habib: Then why not let the Canadians do it all and we'll sell the arms.

Mr. Kratzer: The Canadians do not have the same grounds for breaking off cooperation with Pakistan as they did with India. There have been no overt violations on the part of Pakistan.

Mr. Habib: The Canadians took the Korean issue seriously and there were no violations.

[REDACTED]

Mr. Kratzer: They have a signed agreement with Pakistan and they have no automatic right to demand renegotiations. They are prepared, however, to threaten Pakistan with some degree of slow-down or abrogation.

Mr. Vest: Then the Pakistanis are very much on the spot.

The Secretary: I don't think I have succeeded in getting my point across. Non-proliferation is not our only objective in South Asia. An imbalance is being created in which Pakistan is totally dependent on India. There is no question that we can break Pakistan's back because they have made the mistake of allying themselves with us. Secondly, I am not convinced that it will be all that simple to knock the French out of this contract.

Mr. Sonnenfeldt: Unless there were alternatives which would be attractive to the French.

Mr. Vest: We are fully agreed on that. The problem for us is that if we want to go forward with our arms relationship, we may not be able to get it through Congress, particularly the A-7's.

Mr. Kratzer: The Bureau wouldn't propose an A-7 sale anyway.

Mr. Atherton: I can see us selling A-7's in the context of getting something on reprocessing.

Mr. Lord: Roy, am I correct in saying that you don't think A-7's will be enough to convince Bhutto?

Mr. Atherton: Yes, but it might work if it were clear that it was an indication of what more was coming. The point to make to Bhutto is that he has a practical problem here. Congress wouldn't approve an arms package if he goes ahead with reprocessing.

The Secretary: We have to find a package which is conceivably acceptable to France, such as substituting a reactor sale for the reprocessing plant. If we give Bhutto A-7's in return for giving up the reprocessing plant, there would be unshirted hell to pay in France. If we can get them to switch a reactor for reprocessing, this could be completed with an overall agreement like that between the FRG and Iran.

Mr. Sonnenfeldt: We will have to come up with a very complex package which someone must put down on paper.

[REDACTED]

Mr. Ikle: We can't do anything until someone talks with Bhutto. He wouldn't take this from Byroade.

Mr. Atherton: I agree, but in Bhutto's last conversation with Byroade it appeared that he was beginning to understand our problem.

The Secretary: I think I should go to Pakistan after Iran and lay this out frankly to Bhutto. I don't want this spewed all over the Government, though.

Mr. Atherton: What about telling the Canadians?

The Secretary: I am not in favor of the Canadians cutting off the fuel supply.

Mr. Vest: They should know that you will discuss reprocessing with Bhutto.

The Secretary: That's all right.