

SUBJECT: SSD: GOODBY MEETING WITH MIKHAILOV

1. UNCLASSIFIED -- ENTIRE TEXT.
2. SUMMARY: GOODBY CONVEYED U.S. VIEWS ON STORAGE FACILITY TRANSPARENCY MEASURES, PARAMETERS OF RUSSIAN STORAGE FACILITY PLANNING THAT REQUIRE CLARIFICATION, AND EXPANDED MC&A COOPERATION. MIKHAILOV PRESSED FOR AN ADDITIONAL USD 75 MILLION FOR STORAGE FACILITY CONSTRUCTION, PROPOSING TO PROVIDE HEU AS "COLLATERAL" IF THE ASSISTANCE WOULD BE PROVIDED AS CASH THAT COULD BE PASSED ON TO RUSSIAN CONTRACTORS. MIKHAILOV ALSO PRESSED FOR PROVISION WITHIN A WEEK OF THE USD 60 MILLION UPFRONT PAYMENT PLEDGED BY THE U.S. TO FACILITATE THE FIRST DELIVERY OF FUEL RODS TO UKRAINE UNDER THE JANUARY TRILATERAL AGREEMENT. END SUMMARY.
3. SSD NEGOTIATOR GOODBY, ACCOMPANIED BY ATSD(AE) SMITH, SSD DEPUTIES DUFFY AND TURNER, SSD EXEC SEC STAFFORD, AND OSTP REP VON HIPPEL, MET WITH MINATOM MINISTER MIKHAILOV ON 15 MARCH 1994 TO DISCUSS STORAGE FACILITY ISSUES AND EXPANDED MC&A COOPERATION. MIKHAILOV WAS ACCOMPANIED BY HIS CHIEF OF STAFF, BOGDAN, AND EMBASSY REPS SHURYGIN AND CHURILIN.
4. MIKHAILOV CONFIRMED HIS AGREEMENT TO THE SSD DEL VISIT TO MOSCOW 21-25 MARCH. HE SAID HE WOULD BE IN VIENNA MONDAY AND TUESDAY BUT WOULD RESERVE TIME ON HIS CALENDAR TO MEET WITH GOODBY WEDNESDAY OR THURSDAY.
5. GOODBY PREFACED HIS REMARKS ON STORAGE FACILITY TRANSPARENCY BY EMPHASIZING THAT HE WAS FOCUSING ONLY ON THE STORAGE FACILITY; OTHER TRANSPARENCY TOPICS, E.G. HEU, WOULD BE DISCUSSED ELSEWHERE. HE ALSO REMINDED MIKHAILOV THAT THERE IS A BROADER CONTEXT FOR TRANSPARENCY THAT IS DEFINED BY THE CLINTON/YELTSIN AGREEMENT IN JANUARY ON THE IRREVERSIBILITY OF REDUCTIONS IN NUCLEAR WEAPONS, AND THAT THE SIDES SHOULD KEEP IN MIND HOW STORAGE FACILITY TRANSPARENCY MEASURES WOULD dovetail with broader efforts. PASSING MIKHAILOV A NONPAPER LAYING OUT THE U.S.-PROPOSED TRANSPARENCY REGIME (TEXT IN PARA 14), GOODBY WALKED THROUGH THE BASIC ELEMENTS AND THE ADDITIONAL MEASURES, EXPLAINING THAT THE LATTER WOULD GIVE THE SIDES EXPERIENCE POINTING TOWARD BROADER, MORE RIGOROUS TRANSPARENCY THROUGHOUT THE NUCLEAR MATERIALS COMPLEX.
6. FOLLOWING UP ON HIS EARLIER MEETING WITH MIKHAILOV, SMITH SAID HE THOUGHT THE GAMMA DETECTOR THEY HAD DISCUSSED WAS THE SINGLE MOST IMPORTANT WAY TO NONINTRUSIVELY DETERMINE THAT PLUTONIUM WAS IN THE FISSILE MATERIAL CONTAINERS. HE UNDERSTOOD MIKHAILOV WAS PREPARED TO INVITE U.S. OFFICIALS TO TOMSK, AND HE HAD ASKED TURNER TO HAVE DOE INVITE RUSSIAN OFFICIALS TO PANTEX. THE SIDES COULD TAKE THEIR RESPECTIVE EQUIPMENT TO THESE FACILITIES. HE HOPED THE SIDES WOULD BE ABLE TO SET A TIMETABLE QUICKLY FOR THE EXCHANGE OF VISITS AND EQUIPMENT. TURNER ADDED THAT, IF THE EXCHANGE OF VISITS WAS APPROVED BY THE SIDES, DOE WOULD BE PREPARED TO HOST RUSSIAN OFFICIALS IN THE SAME WAY AS THEY HAD BEEN HOSTED AT OTHER FACILITIES.

7. MIKHAILOV RESPONDED THAT JOINT U.S.-RUSSIAN CONTROL OF THE STORAGE FACILITY, INCLUDING THE MEASURES SUGGESTED BY THE U.S. SIDE, WOULD BE POSSIBLE, BUT ONLY IF THE SIDES BUILD THE STORAGE FACILITY TOGETHER. HE THEN LAUNCHED INTO A PITCH FOR U.S. PROVISION OF USD 75 MILLION IN ADDITION TO THE 75 MILLION ALREADY COMMITTED FOR CONSTRUCTION AND OPERATING EQUIPMENT, PROPOSING THAT THE ADDITIONAL 75 MILLION BE PROVIDED AS CASH TO PAY RUSSIAN CONTRACTORS. THE TOTAL OF USD 150 MILLION WOULD ALLOW CONSTRUCTION OF A FACILITY FOR APPROXIMATELY 80,000 CONTAINERS, ENOUGH TO HOLD THE MATERIAL FROM 20,000 NUCLEAR WEAPONS. HE ASSERTED THAT THE RUSSIAN SIDE IS READY TO BEGIN CONSTRUCTION IMMEDIATELY UPON RECEIPT OF THE SECOND 75 MILLION, BEFORE THE DESIGN IS COMPLETED, ADDING THAT THE GOR STILL NEEDS USD 1 MILLION FOR VNIPIET. HE HOPED THAT THE EQUIPMENT TO BE DELIVERED UNDER THE INITIAL USD 75-MILLION AGREEMENT WOULD INCLUDE THE SORT OF CONTROL EQUIPMENT, E.G. SEALS, THE U.S. WAS PROPOSING. NOTING THE MARKEY AMENDMENT, HE STATED THAT HE HAD BROUGHT WITH HIM EXPERTS TO SOLVE THIS PROBLEM; CHEMICAL SEPARATION OF PLUTONIUM WILL BE STOPPED THIS YEAR. AS FOR RECIPROCAL VISITS, HE NEEDED AN OFFICIAL LETTER OF PROPOSAL FROM THE USG, AND THEN HE WOULD GIVE HIS APPROVAL FOR U.S. SPECIALISTS TO GO TO TOMSK AND RUSSIAN SPECIALISTS TO PANTEX. THE EQUIPMENT WOULD HAVE TO BE SENT A MONTH BEFORE THE EXPERTS ARRIVED. SUMMING UP, HE SAID THERE WOULD BE NO PROBLEM WITH TRANSPARENCY IF THE SIDES MOVED FORWARD WITH JOINT CONSTRUCTION OF THE FACILITY. IF THE GOR DECIDED TO BUILD FACILITIES FOR 100,000 CONTAINERS, HOWEVER, IT WOULD NEED A SECOND FACILITY AND HE WAS NOT TALKING ABOUT TRANSPARENCY FOR THAT FACILITY UNLESS THERE WAS AN AGREEMENT FOR SUCH BETWEEN THE PRESIDENTS.

8. GOODBY REPLIED THAT MIKHAILOV'S REMARKS HAD HIGHLIGHTED SEVERAL QUESTIONS THE USG HAS ABOUT RUSSIAN PLANS FOR STORAGE FACILITIES. PASSING A NONPAPER LISTING THE PARAMETERS REQUIRING CLARIFICATION (TEXT IN PARA 15), GOODBY SAID HE HOPED MIKHAILOV WOULD BE ABLE TO PROVIDE DURING THE SSD VISIT TO MOSCOW A RESPONSE THAT WOULD CODIFY RUSSIAN PLANS IN WRITING. MIKHAILOV SAID HE WOULD DO SO, ADDING THAT THE GOR CONTEMPLATES BUILDING TWO FACILITIES TO HOLD A TOTAL OF ABOUT 150,000 CONTAINERS. PLUTONIUM AND HEU WOULD BE STORED THERE IN THE SAME FORM AS IT EXISTED IN THE WEAPONS THEMSELVES. CONSTRUCTION SHOULD BE COMPLETED IN 3-4 YEARS, OR THE DISMANTLING PROCESS WILL HAVE TO STOP. HE HAD HOPED TO FINALIZE THE DESIGN BY THE END OF 1993, BUT WOULD NOW HAVE TO AIM FOR THE END OF 1994. SITE SELECTION IS COMPLETE AT MAYAK AND TOMSK, BUT THERE ARE SOME PROBLEMS WITH THE LOCAL ADMINISTRATION IN TOMSK. THE GOR IS ALSO PLANNING TO BUILD STORAGE FACILITIES NEXT TO EACH OF THE FOUR DISMANTLEMENT PLANTS, AT A COST OF USD 100 MILLION EACH.

9. RETURNING TO MIKHAILOV'S REQUEST FOR ANOTHER USD 75 MILLION, GOODBY AND DUFFY EMPHASIZED THE IMPORTANCE THE USG PLACES ON THE STORAGE FACILITY BUT NOTED THE CURRENT TIGHT NUNN-LUGAR BUDGET CONSTRAINTS AS WELL AS THE CONGRESSIONAL RESTRICTIONS THAT PRECLUDE PROVIDING ASSISTANCE IN THE FORM OF CASH. MIKHAILOV REPLIED THAT HE WANTS THE MONEY TO GO TO RUSSIAN CONTRACTORS, BUT U.S. OFFICIALS COULD CONTROL ON A DAILY BASIS HOW THE MONEY IS SPENT. THE GOR WOULD ALSO BE PREPARED TO PROVIDE THE USG COMPENSATION FOR THE MONEY IN THE FORM OF PLUTONIUM. GOODBY NOTED THAT THE U.S. NEEDS PLUTONIUM LIKE A HOLE IN THE HEAD.

10. SMITH PROPOSED THAT THE SIDES CONSIDER THE HIRING OF A U.S. PRIME CONTRACTOR TO BEGIN CONSTRUCTION OF THE FACILITY. THE USG WOULD PAY THE PRIME CONTRACTOR, WHO WOULD IN TURN HIRE SUBCONTRACTORS, LABORERS, ETC. THIS SHOULD BE RESPONSIVE TO MIKHAILOV'S DESIRE TO INVOLVE RUSSIAN FIRMS. MIKHAILOV OBJECTED THAT THE USG WOULD NEVER FIND A COMPANY IN THE U.S. THAT COULD BE THE PRIME CONTRACTOR, DUE TO LIABILITY CONCERNS. INSTEAD THE U.S. SHOULD HIRE A RUSSIAN CONTRACTOR AND CHECK HIM EVERY DAY. SMITH REPLIED THAT THE LAW FORCES THE USG TO HIRE U.S. COMPANIES; THE USG WOULD INDEMNIFY THEM TO PROTECT THEM FROM LIABILITY PROBLEMS. MIKHAILOV ARGUED THAT PRESIDENT CLINTON HAD SAID THE U.S. WOULD PAY USD 60 MILLION TO FACILITATE THE FIRST SHIPMENT OF FUEL RODS TO UKRAINE IN IMPLEMENTING THE TRILATERAL AGREEMENT; NO U.S. COMPANY IS INVOLVED IN THIS TRANSACTION AND U.S. LAW ALLOWS

11. GOODBY EXPLAINED THAT THIS WAS AN ADVANCE PAYMENT ON THE HEU PURCHASE, TOTALLY UNRELATED TO NUNN-LUGAR ASSISTANCE AND ITS ASSOCIATED RESTRICTIONS. DUFFY EMPHASIZED THAT CONGRESSIONAL SCRUTINY OF THE NUNN-LUGAR PROGRAM IS INCREASING IN INTENSITY; THE USG IS TRYING TO FIND A WAY TO ASSIST THE GOR WITHIN THE CONGRESSIONAL RESTRICTIONS. THERE ARE TWO WAYS THE USG CAN HELP: BY PROVIDING SERVICES AND EQUIPMENT OR BY FUNDING A PRIME CONTRACTOR.

11. MIKHAILOV SUGGESTED THAT THERE IS ANOTHER WAY: HE COULD PROPOSE TO DELIVER TEN TONS OF HEU TO THE U.S. AS "COLLATERAL" AND THE USG COULD PROVIDE RUSSIA CASH FOR ITS WORTH, WHICH WOULD BE USD 150 MILLION. SMITH REPLIED THAT THE USG WOULD BE WILLING TO CONSIDER TEN TONS OF HEU BUT THAT WOULD BE OUTSIDE OF THE NUNN-LUGAR PROGRAM. HE ASKED IF MIKHAILOV WOULD BE WILLING TO ASSURE THE USG THAT THE PAYMENT WOULD BE USED TO BUILD STORAGE FACILITIES. MIKHAILOV REPLIED THAT HE WOULD PROVIDE SUCH ASSURANCE, AND THE U.S. WOULD GET ALL THE CONTROL IT NEEDED, BUT THE USG WOULD HAVE TO ASSURE THE GOR THAT THE HEU WOULD NOT BE USED FOR WEAPONS. GOODBY REPLIED THAT THIS WAS AN INNOVATIVE APPROACH THAT HE WOULD EXPLORE CAREFULLY, INCLUDING WITH LEGAL EXPERTS AND IN CONSULTATIONS WITH CONGRESS. IF IT WERE DETERMINED TO BE FEASIBLE, AND IF ADEQUATE SAFEGUARDS COULD BE FOUND, THE SIDES COULD DISCUSS IT MORE SERIOUSLY. IN THE MEANTIME, HE HOPED MIKHAILOV WOULD GIVE THOUGHT TO THE TWO OFFERS ON THE TABLE -- THE PRIME CONTRACTOR IDEA AND THE REGULAR NUNN-LUGAR APPROACH OF PROVIDING MATERIAL AND SERVICES. THE U.S. SIDE WOULD TRY TO HAVE MORE TO SAY ON EACH NEXT WEEK IN MOSCOW.

12. TURNING TO MC&A, GOODBY PASSED MIKHAILOV A NONPAPER ON EXPANDED COOPERATION (TEXT IN PARA 16) AND DESCRIBED THE U.S. THREE-ELEMENT APPROACH. VON HIPPEL EMPHASIZED THAT, IN IMPLEMENTING THE THIRD ELEMENT, THE USG IS WILLING TO OFFER EQUAL ACCESS TO U.S. FACILITIES. THE RECIPROCAL VISITS SMITH HAD DISCUSSED EARLIER COULD SERVE THE PURPOSES OF THE INITIAL VISITS PROPOSED AS PART OF THIS ELEMENT. TO ILLUSTRATE PROJECT CERBERUS HAD FOUND THAT THERE WAS NO PORTAL MONITOR AT PANTEX, AND ONE WAS DELIVERED WITHIN A FEW DAYS. THIS WAS JUST THE SORT OF QUICK FIX ENVISAGED BY THIS ELEMENT. GOODBY ADDED THAT THIS ASPECT COULD RESULT IN FAIRLY SIMPLE ASSISTANCE, SUCH AS A PORTAL MONITOR BUILT IN RUSSIA. TURNER EMPHASIZED THAT THE USG WOULD LIKE TO SEE THE PROCESS INITIATED AND UPGRADES IMPLEMENTED EXPEDITIOUSLY, AND IT IS

WILLING TO SHARE ITS EXPERIENCE FOR THAT PURPOSE. MIKHAILOV WAS NONCOMMITAL IN RESPONSE, OTHER THAN AGREEING THAT THE PROBLEM OF PHYSICAL PROTECTION OF NUCLEAR MATERIAL IS VERY IMPORTANT AND THE SIDES SHOULD WORK ON IT TOGETHER.

13. IN CLOSING, MIKHAILOV RETURNED TO HIS EARLIER POINT ABOUT THE U.S. PLEDGE OF \$60 MILLION TO FACILITATE THE FIRST DELIVERY OF FUEL RODS TO UKRAINE. HE SAID HE HAD FINALLY FOUND THE PERSON RESPONSIBLE FOR PROVIDING THE PAYMENT, MR. TIMBERS OF USEC, BUT TIMBERS SAID HE COULD PROVIDE IT ONLY IN 3-4 WEEKS DUE TO BUREAUCRATIC OBSTACLES. MIKHAILOV COMPLAINED THAT THE GOR WAS SUPPOSED TO SEND THE FUEL RODS TO UKRAINE IMMEDIATELY, AND IT NEEDED THE MONEY BY NEXT WEEK. HE WOULD APPRECIATE ANY HELP GOODEY COULD GIVE TIMBERS TO GET THE MONEY DELIVERED MORE QUICKLY. GOODEY PROMISED TO LOOK INTO THE MATTER.

14. BEGIN TEXT OF NONPAPER ON STORAGE FACILITY TRANSPARENCY.
END TEXT.

15. BEGIN TEXT OF NONPAPER ON STORAGE FACILITY PARAMETERS.
END TEXT.

16. BEGIN TEXT OF NONPAPER ON EXPANDED MC&A COOPERATION.
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