

THE DEPUTY SECRETARY OF STATE
WASHINGTON

April 18, 1975

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MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT
FOR NATIONAL SECURITY AFFAIRS

Subject: Department of State Response to
NSSM 219 (Nuclear Cooperation
with Iran)

The Department of State has reviewed the report of the NSSM 219 working group on nuclear cooperation with Iran. The Department recognizes the necessity and the difficulty of the desire to conclude a nuclear agreement with Iran at the earliest possible date, while at the same time maintaining our nuclear non-proliferation principles and objectives. Compounding the dilemma facing the United States is the fact that these two potentially conflicting goals are converging at the same time, with the Shah's visit scheduled for May and a nuclear suppliers' conference on strengthening export policies meeting initially in late April.

It is our view that our forthcoming negotiations with Iran can prove to be extremely important to our relationships with that country as well as to our non-proliferation objectives. We believe that Iran is likely to view its ability to successfully conclude a nuclear agreement with this country as a fundamental test as to whether it can cooperate with the U.S. in high-technology areas. Iranian perceptions that we are treating the GOI in a rigid or discriminatory manner could have an adverse effect on our relationships.

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Iran's concern over the present U.S. nuclear cooperation agreement center primarily in the areas of nuclear fuel supply and chemical reprocessing. The Department believes that the U.S. can and should accommodate virtually all of Iran's concerns in the former area, but does not believe that the U.S. should move substantially beyond its current position as regards chemical reprocessing -- given the more significant proliferation implications associated with this area -- in the coming round of negotiations.

On the question of fuel supply, the Department agrees with the NSSM 219 study that Iran should be given authority to perform fabrication services utilizing low enriched uranium fuel for third countries. With respect to the fuel ceiling, the Department recommends that the ceiling be raised to 27,000 MW to accommodate the proportion of Iranian output it might be entitled to receive from financial participation in a U.S.-based enrichment plant. Excess fuel above the level needed for Iran's domestic reactor program could be disposed of by Iran without importing the material into that country through sales from the United States to appropriate third countries with whom the U.S. has bilateral agreements for cooperation. It is the Department's view that this modification would be applicable to possible Iranian participation in a publicly-owned enrichment plant in the United States as well as a privately-owned plant.

On the question of chemical reprocessing, (and plutonium fabrication and storage which we assume would be treated comparably), the Department recommends that the United States adopt a strategy which would first seek to conclude an agreement based on the present U.S. position as described in Option 1, in an effort to persuade the Iranian Government of the economic, political, and other benefits associated with a possible multinational reprocessing facility located in that country. If the GOI continues to vigorously oppose concluding an agreement based on our existing reprocessing approach (despite the fact that the U.S. would have been extremely forthcoming in the area of nuclear fuel supply), the Department

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recommends that the U.S. should only then move to the more forthcoming reprocessing approach described in Option 2 of the NSSM 219 study.

The Department bases its position on the premise that that it is important if not essential for the U.S. both to retain its right of veto over reprocessing of U.S. materials and the concept that multinational reprocessing plants make sense both economically and from a non-proliferation standpoint. This latter point is particularly significant since we are now seeking common agreement to reduce proliferation risks in crucial countries (such as Korea, Pakistan, and Brazil) where reprocessing is of major concern, and have given proposals to other suppliers calling for consideration of multinational plants as a means of reducing these risks. Other key suppliers, including the FRG and France, have expressed willingness to explore multinational approaches to reprocessing and enrichment. A concession by the U.S. at this time in the case of Iran would weaken our position in supplier consultations.

Equally important, we believe that the multinational plant concept reduces the potential proliferation dangers in Iran itself, given the uncertainty over that country's long-term objectives despite its NPT status, particularly if the U.S. is one of the participants. The possibility of U.S. technical cooperation with Iran is constructing an eventual multinational plant would further help in this regard by making it feasible to ensure that bilateral U.S. safeguards would remain on that plant regardless of Iran's remaining a party to the NPT and continuing to accept IAEA safeguards -- an additional constraint which is in fact proposed as an additive constraint under Option 3. In order to minimize perceptions by other suppliers that the U.S. is seeking commercial advantage, we suggest that the possibility of exploring U.S. reprocessing assistance to Iran at a future date be conveyed to Iran if necessary but be given a low public profile and not be case as an early or definitive commitment.

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The Department believes that, if discussed in the spirit of constructive cooperation, the recommended approach has a reasonably good chance of being negotiated with Iran. It is possible that the Shah might react positively to this approach. As an NPT country, he would be more assured of obtaining a reprocessing capability (albeit multinational) and of becoming a center for such activities and might see certain security as well as economic benefits of attracting the participation of other nations in the region, such as Pakistan, in this endeavor. The multinational concept would not preclude a bilateral U.S.-Iran arrangement with substantial supplier involvement.

If the GOI balks at our position, we would suggest that the Iranian Government be informed of the low prospects of Congressional approval of any weaker formulation and of the need for this type of formulation in order to further common U.S. and Iranian worldwide non-proliferation objectives, in the hope that the GOI would understand the benefits of accommodating its views to the U.S. position (either Option 1 or Option 2) in order to assure with some confidence the approval of Congress of this agreement which is of mutual economic and political benefit to both nations.

The Department recognizes that Congressional reactions to any movement away from the present U.S. position could be adverse, given perceived proliferation dangers and the present negative attitude toward U.S. arms shipments to the Persian Gulf. Nevertheless, we believe that retention of the U.S. veto, combined with the prospect of a multinational plant with particular focus on direct involvement by the potential supplier in policy decisions and technical operations, would have a reasonably good chance of being approved by Congress, particularly if proper advance consultations were held.

The Department would oppose the U.S. negotiators being given authority to conclude an agreement based on Option 3, which would retain the U.S. veto but concede the prospect of Iran being permitted to reprocess U.S. plutonium in a nationally owned

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reprocessing plant. Despite the fact that an additive bilateral safeguards condition would be included in this option, we believe that a concession by the U.S. at this time on the concept of multinational reprocessing in the case of Iran would weaken our position with other suppliers in reaching common understandings on special constraints for sensitive exports. It also will raise significant negative reactions from Congress.

Moreover, Iran's primary concern on reprocessing appears to be with the U.S. veto right (which is seen as inhibiting its ability to obtain a complete nuclear fuel cycle under Article IV of the NPT) and not necessarily with a U.S. approval conditioned on multinational reprocessing. Therefore, Option 3 would not seem to be demonstrably more negotiable than Option 2 and may in fact be less negotiable (since it adds a new constraint calling for continuing U.S. bilateral safeguards on reprocessing plants in Iran regardless of who the GOI may choose to assist in the construction of such a plant, as long as U.S. material had at some point been processed).

Similarly and much more strongly, we would oppose the adoption of Options 4 and 5, since these approaches would give up the U.S. veto rights over reprocessing of U.S. plutonium, thus conceding a fundamental principle and precedent in our evolving new approach to agreements for cooperation, harming our position substantially in the nuclear suppliers' activities, and virtually ensuring a Congressional disapproval of the agreement with Iran.

In the event that our negotiating team reaches an impasse over the reprocessing issue during the scheduled discussions in Tehran in the last week of April, the Department recommends that the negotiators return to Washington, informing the GOI that the discussions were only being suspended pending consideration in Washington. This hiatus would thereby afford us the opportunity to review our position prior to the Shah's visit. By that time, we may have additional information from the initial suppliers' conference on the views of other states

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regarding multinational reprocessing plants. In discussions with the Shah in May, we might be able to persuade him to accept our Option 2 position, although he might well refuse to reach such a compromise. If this situation arises, we might decide either to further modify our position or to reach an understanding with the Shah to defer conclusion of a nuclear agreement until a slightly later date after his visit to the United States.



Robert S. Ingersoll

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