While we appreciate that request for 20.8 kilograms of highly enriched uranium for Tehran research reactor far exceeds fuel ceiling provided for in existing bilateral research agreement, we are concerned that refusal will feed GoI's worst fears concerning reliability of US as future supplier of nuclear materials. Against background of May 4 Presidential announcement of approval of significant quantities of HEU to B-projects in Canada, the Netherlands, Japan, Belgium, and FRC, suspicions will...
ALSO BE FED THAT US HAS AND WILL CONTINUE TO DIFFERENTIATE BETWEEN VARIOUS CUSTOMERS IN FAVOR OF THE INDUSTRIAL WEST.

JUXTAPOSITION OF THIS DEVELOPMENT WITH SECRETARY'S IMMINENT ARRIVAL AND EXPECTED DISCUSSION OF FUTURE US/GOI COOPERATION IN NUCLEAR ENERGY FIELD SEEMS UNFORTUNATE.

2. WOULD APPRECIATE URGENTLY THEREFORE FURTHER CLARIFICATION OF PARA THREE AND INDICATION OF WHETHER IT IS LIKELY AMENDMENT TO EXISTING BILATERAL RESEARCH AGREEMENT CAN BE REACHED QUICKLY TO ACCOMMODATE EXPORT REQUESTS. IF NOT, WOULD APPRECIATE FULLER EXPLANATION OF WHAT OUR POSTURE IS OR LIKELY TO BE WITH RESPECT TO THIS AND OTHER FUEL REQUESTS.

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SUBJECT: HIGHLY ENRICHED URANIUM (HEU) EXPORT TO IRAN

1. FOLLOWING IS FOR POST’S INFORMATION AND GUIDANCE IN ANY DISCUSSIONS WITH CONCERNED GOI OFFICIALS.

2. GENERAL ATOMIC COMPANY HAS FILED AN APPLICATION WITH THE NUCLEAR REGULATORY COMMISSION (NRC) TO EXPORT 20.2 KILOGRAMS OF HEU TRIGA FUEL FOR THE TEHRAN RESEARCH REACTOR. ACCORDING TO GA, FUEL WOULD BE USED TO REPLACE EXISTING PLATE-TYPE FUEL ELEMENTS TO EXTEND CORE LIFETIME AND BOOST...
3. IN ACCORDANCE WITH ESTABLISHED PROCEDURES, NRC RECENTLY REQUESTED EXECUTIVE BRANCH VIEWS ON PROPOSED EXPORT. WE HAVE DETERMINED THAT QUANTITY TO BE EXPORTED FAR EXCEEDS FUEL CEILING PROVIDED FOR IN EXISTING BILATERAL RESEARCH AGREEMENT (ARTICLE 4, PARAGRAPH 2)). THEREFORE, NO FURTHER ACTION MAY BE TAKEN ON APPLICATION UNTIL NEW OR AMENDED AGREEMENT ENTERS INTO FORCE WHICH COULD ACCOMMODATE THE EXPORT.

4. FURTHERMORE, UNDER NEWLY-ANNOUNCED GUIDELINES, EXECUTIVE BRANCH ACTION ON SUCH AN EXPORT WOULD REQUIRE:

A) DIRECT PRESIDENTIAL APPROVAL SINCE IT INVOLVES MORE THAN 15 KILOGRAMS OF HEU;

B) WELL-SUPPORTED ECONOMIC/TECHNICAL JUSTIFICATION FOR CONTINUED USE OF HEU, AND

C) EXPLORATION WITH GOI OF RETURN OF SPENT FUEL TO $^{235}$U AS A MEANS OF MINIMIZING HEU IN-COUNTRY INVENTORIES.

5. GA HAS BEEN ADVISED OF FOREGOING AND, WHEN GIVEN CHOICE OF WITHDRAWING THEIR APPLICATION OR LEAVING IT IN SUSPENSE PENDING THE ENTRY INTO FORCE OF A NEW OR AMENDED AGREEMENT, HAVE EXPRESSED A PREFERENCE FOR THE LATTER.

FYI: IN PRINCIPLE, POSSIBILITY MIGHT EXIST FOR TRANSFER OF MATERIAL UNDER AEGIS OF $^{235}$U=$^{233}$U=IAEA AGREEMENT, HOWEVER, INCREASED CONCERNS OVER LACK OF BACK-UP SAFEGUARDS RIGHTS WHEN IAEA TRANSFER MECHANISM IS UTILIZED MAKES SERIOUS CONSIDERATION OF SUCH AN OPTION UNLIKELY. END FYI. CHRISTOPHER B

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