

# 9

OFFICE OF THE SECRETARY OF DEFENSE

Memo For \_\_\_\_\_

know. Otherwise we'll  
leave your initials on  
the 161.

Dick

STATE DEPT. DECLASSIFICATION REVIEW

- Retain Class'n  Change to \_\_\_\_\_
- Declassify in part and excise as shown
- EO 12958, 25X( ) ( ) ( )
- Declassify  After \_\_\_\_\_
- With concurrence DDI/NSC (not obtained)
- IPS by RM Gibson Date 10/7/08

#9

OFFICE OF THE SECRETARY OF DEFENSE

Memo For \_\_\_\_\_

Mr Noyes *OK*

Para 4 has been modified  
by Me & Capt Martin with  
last two sentences pro-  
vided by AE.

Gen Schomings prefers  
to go without a specific  
recommendation given  
SECDEF's sensitivities.

Para 4 looks OK to me  
and I have no objection  
to Schomings approach. If  
you disagree let me

R-1  
3-M-06647



INTERNATIONAL SECURITY AFFAIRS

ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

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In reply refer to:  
I-5806/74

MEMORANDUM FOR SECRETARY OF DEFENSE

SUBJECT: Nuclear Energy Cooperation with Iran (U) -- ACTION MEMORANDUM

(C) Attached at Tab B is a memorandum from AEC to State noting that the AEC is prepared to negotiate an agreement to provide nuclear power reactors and enriched uranium as requested by Iran.

(C) At Tab A is an internal State draft memorandum for Secretary Kissinger outlining the background of the Iranian request and recommending approval. DOD concurrence in this memorandum has been requested on an urgent basis in order that AEC can enter into uranium enrichment contracts by 30 June.

(C) In addition to recommending approval, the memorandum to Secretary Kissinger points out that the recent agreements with Egypt and Israel contain special bilateral controls which could also be applicable to Iran. These special controls relate to long term, sole source fuel contracts with the U.S., disposition of plutonium, and physical security. Although the Iranians could regard these special controls as U.S. distrust in the stability of Iran, it is recommended in the memorandum that the U.S. impose these controls as a matter of policy throughout the Middle East.

(C) A recent development not addressed is the press report that the Shah plans to acquire nuclear weapons. The GOI, including the Court Minister speaking for the Shah, has strongly denied this story as has the Shah himself according to another press report. The U.S. Embassy in Teheran believes, and State agrees, that current Iranian policy is not to acquire nuclear weapons now since, inter alia, Iran has signed and ratified the NPT and has signed a safeguard agreement. However, another recent statement by the Shah includes the caveat that Iran is free to revise its policy should other small states equip themselves with nuclear weaponry. In view of these remarks attributed to the Shah, it is inevitable that some in the press and the public will interpret an agreement to supply nuclear fuels, whenever it comes, as assistance towards a weapons capability. If Iran were to seek a weapons capability, it is noted that the annual plutonium production from the planned 20,000 MW Iranian nuclear power program will be equivalent to 600-700 warheads. Of this planned capacity, France is supplying 5,000 MW.

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Classified by State/NEA memo, dtd. June 22, 1974  
SUBJECT TO CONTINUING DECLASSIFICATION SCHEDULE OF  
EXECUTIVE ORDER 11652, INTENTIONALLY CLASSIFIED

UNCLASSIFIED

(C) If you approve, ISA will telephone DOD concurrence in the memorandum for the Secretary of State, recommending approval of Iran's request subject to special bilateral safeguards.

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COORDINATION: JCS, ASD(PA), & ATSD(AE) attached.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

Prepared by:  
Capt. W. R. Martin, USN  
OASD(ISA), ext. 77840

STATE DEPT. DECLASSIFICATION REVIEW  
If you are classified, change to  
1.3 automatically in part and excise as shown.

Declassify  After  With concurrence  DOD (not obtained)  
By RM Gibson Date 6/23/82

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DRAFT  
6/20/74 JUN 74

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NMCC-LDX

#4

To: The Secretary  
Thru: P - Mr. Sisco  
From: NEA - Alfred L. Atherton, Jr.

Cooperation with Iran: Nuclear Energy

Background

Cooperation in the nuclear energy field was one of the items emphasized in our planning and initial exchanges with the Shah several weeks ago regarding intensified cooperation with Iran. During the May visit to Tehran by AEC Chairman Ray, which was the first substantive action under the cooperation initiative, the Iranians expressed a strong desire for an agreement on cooperation covering the provision of nuclear power reactors and enriched uranium to fuel them. Chairman Ray responded affirmatively to the Iranian interest and the AEC has now confirmed in a memorandum to Mr. Sober (Tab A) that it is prepared, with State concurrence, to negotiate a cooperation agreement with Iran along the lines of those to be negotiated with Israel and Egypt; i.e., incorporating special bilateral controls in addition to the usual IAEA safeguards. It is also prepared to enter into uranium enrichment contracts by June 30 to provide fuel for reactors that will go on line by 1982.

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The Iranians have recently entered into an understanding with France under which the latter is to supply some 5,000 MW in nuclear power generating capacity to Iran. The Iranians have told us, however, they want us to supply the bulk of their power reactor capability.

Discussion

Ordinarily there would be no policy problem in negotiating a nuclear cooperation agreement with Iran. Iran is a signatory of both the Nuclear Non-Proliferation Treaty and of the Nuclear Test Ban Treaty and has a good record for keeping its commitments under our bilateral agreements. The Indian nuclear test and the debate over the proposed agreements on power reactors for Israel and Egypt have, however, generated sensitivity toward all arrangements for transfers of reactors and nuclear fuel. That we plan to enter an agreement with Iran and to contract with it for the sale of nuclear fuel is likely to become linked in the media with the arrangements with Israel and Egypt.

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In addressing the question of circumstances under which commercial power reactor sales to Israel and Egypt could be permitted, we recommended to you that special bilateral controls -- in addition to the usual IAEA safeguards -- be placed on nuclear fuel sold to those countries. We also recommended that such special bilateral controls be imposed on all nuclear fuel sales to countries in the Middle East.

Proposed Action

We should move promptly to authorize the AEC to enter in a fuel sales agreement with Iran, by June 30, conditional on the conclusion of a broader Agreement for Cooperation (as we have done in the case of Egypt and Israel).

In negotiating the broader Agreement on Cooperation in provision of power reactors, we have two options: 1) requiring the same special bilateral controls (plus IAEA safeguards) envisaged for the agreements with Israel and Egypt, or 2) requiring only the standard IAEA safeguards.

Option 1 has the advantage of establishing a precedent for including extended controls in all future

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agreements and of moving that practice beyond the context of the Egypt-Israel confrontation. Most of the arguments in favor of applying special safeguards to Egypt and Israel apply as well to Iran. Although Iran is currently stable, that stability is heavily dependent on the Shah's remaining in power. In a situation of instability, domestic dissidents or foreign terrorists might easily be able to seize any special nuclear materials stored in Iran for use in bombs. Iran plans to obtain 10-20 large reactors in the next two decades. This means there will be large quantities of such materials being produced there. An aggressive successor to the Shah might consider nuclear weapons the final item needed to establish Iran's complete military dominance of the region. The incorporation of special additional bilateral controls would help temper any press and Congressional criticism of an agreement with Iran. The main disadvantage of Option 1 is that the Shah may perceive that <sup>Iran</sup> ~~he~~ is being treated like Israel and Egypt, i.e., as a potential regional trouble spot, and differently from countries with which we have previously signed power reactor agreements. That

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disadvantage could be largely nullified, if it is clear that a policy of requiring special safeguards will apply across the board in future sales in the region.

Option 2 has the advantage of showing Iran that we look upon it as a country as responsible as countries with which we have previously signed agreements and do not put it in the category of Egypt and Israel. The Shah would probably appreciate that gesture. It would also tie in with an expressed Iranian intention eventually to reprocess its own fuel. The disadvantages of Option 2 are that it would not deal adequately with the possibility of diversion of special nuclear materials from Iranian reactors. An agreement without special safeguards at this time may stir up intense criticism and add to the problems in obtaining Congressional approval of the arrangements with Israel and Egypt.

Recommendations:

1. That you authorize us to concur in the AEC's entering into an agreement, before June 30, 1974, for the sale of nuclear fuel to Iran.

APPROVE \_\_\_\_\_

DISAPPROVE \_\_\_\_\_

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2. That you authorize at the same time the beginning of negotiation of an Agreement for Cooperation with Iran covering the possible provision of reactors and fuel.

a. That the cooperation agreement incorporate the same special bilateral controls as are contemplated for Israel and Egypt. (NEA, SCI, PM, ACDA, AEC and DOD support this recommendation.)

APPROVE \_\_\_\_\_

DISAPPROVE \_\_\_\_\_

b. Alternatively, that the agreement with Iran incorporate only the standard IAEA safeguards.

APPROVE \_\_\_\_\_

DISAPPROVE \_\_\_\_\_

3. That you authorize us, in coordination with H, SCI and AEC, to work out a program promptly to consult with appropriate Members of the Congress.

APPROVE \_\_\_\_\_

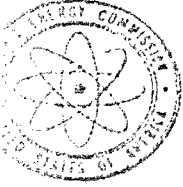
DISAPPROVE \_\_\_\_\_

Attachments:

NEA/IRN:BBMorton/bk 6/20/74

Concurrences:

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UNITED STATES  
ATOMIC ENERGY COMMISSION  
WASHINGTON, D.C. 20545

JUN 17 1974

Sidney Sober, Acting Assistant Secretary, Bureau of  
Near Eastern and South Asian Affairs, Department of State

AGREEMENT FOR COOPERATION WITH IRAN

During the visit of the Chairman of the Atomic Energy Commission to Iran in May, the Iranians requested an agreement for cooperation which would cover the provision of nuclear power reactors and enriched uranium to fuel them.

The AEC is prepared to proceed, with the concurrence of the Department of State, to negotiate an agreement for cooperation along the lines of the agreements which will be negotiated with Egypt and Israel. We would also be prepared to enter into uranium enrichment contracts before June 30 in order to provide fuel for power reactors which would be on line prior to 1982.

A handwritten signature in cursive script, appearing to read "A. S. Friedman", is positioned above the typed name.

A. S. Friedman, Director  
Division of International Programs

cc: Chairman Ray  
General Manager  
D. Elliot, NSC  
J. Kahan, S/P, State  
H. Pollack, SCI/State  
B. Morton, NEA/IRN, State