

DEPARTMENT OF STATE
BRIEFING PAPERPeaceful Nuclear CooperationBackground

We are negotiating an Agreement for Peaceful Nuclear Cooperation with Iran. If this Agreement is successfully negotiated, Iran has indicated its intention to purchase as many as eight U. S. nuclear power reactors, involving estimated U. S. revenues of \$6.4 billion, and to make a major investment, estimated at \$1 billion, in a private uranium enrichment facility to be built in the United States.

Further negotiations on the Agreement took place in Tehran on April 26-27. These negotiations were successful in resolving a number of outstanding issues, and greatly narrowed the gap on the remaining issue of the U. S. right of approval of reprocessing and other fuel cycles activities in Iran. As directed by NSDM-292, we informed Iran that the United States would be willing to approve reprocessing of U. S. material in Iran if this takes place in a facility subject to appropriate safeguards, in which a supplier country (not necessarily the United States) actively participates in management and operation. Iran requested that we go beyond this position by giving assurance of U. S. approval if Iran makes a strenuous effort to achieve supplier involvement but is unable to do so for reasons beyond its control.

Iranian representatives have informed us that the Shah does not expect the Agreement to be concluded before or during his visit but he may seek resolution of any remaining "major problems". A revised draft of the Agreement has been forwarded to Iran. This draft will conform to the present U. S. position that supplier involvement must in fact be achieved to ensure in advance U. S. approval of reprocessing, but will express our willingness to give great affirmative weight to Iranian efforts to secure supplier involvement, even if unsuccessful. There is a chance that this formulation

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might be acceptable to the GOI, and we will not know whether we have a "major problem" until we receive Iran's reaction to this proposal.

Iranian Position

Iran has expressed a willingness to pursue the multinational approach in order to set a pattern for international cooperation in sensitive nuclear activities. Iran believes, however, that its strenuous efforts to achieve supplier participation in an Iranian reprocessing facility, which would include an opportunity for U.S. entities themselves to participate, should be enough to elicit our approval in advance for reprocessing of U.S. material in Iran. They take the position that since the proposal for supplier involvement is ours, Iran should not be penalized if, through no fault of their own, it is not achievable.

US Position

While we agree that there is a measure of equity in Iran's argument that it should not be penalized for inability to secure supplier involvement, the added assurances against non-proliferation which accompany supplier involvement depend on its actually being achieved, and not merely on an effort to achieve it, however strenuous. Moreover, while Iran's offer to allow the U.S. itself to participate is of major importance, we see no way of deciding now whether such U.S. involvement will be possible several years hence when a reprocessing plant may actually be built in Iran. Congressional concerns over proliferation, which some members of Congress have specifically related to Iran, are a further limiting factor on U.S. flexibility on this issue. We are not certain that even the present U.S. position will satisfy the Congress, which has the authority under new legislation to reject nuclear agreements by concurrent resolution. Finally, our relations with other

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suppliers where we are still seeking agreement on some form of multinational involvement in reprocessing and other sensitive fuel cycle facilities, are another factor limiting U. S. flexibility to agree to Iran's position, since it could be viewed as a weakening of the multinational concept.

Your Talking Points

- The United States continues to have the strongest interest in concluding an Agreement for Nuclear Cooperation with Iran and we are pleased by the progress made in the recent negotiations.
- We are most gratified by Iran's forthcoming and constructive position favoring a multinational approach to fuel cycle activities in Iran and its readiness to exercise leadership in this regard.
- We believe that these negotiations can be successfully concluded in the near future and look forward to Iran's early response to our latest draft.
- (If raised by the Shah). We are prepared to give further consideration to Iran's position on reprocessing nuclear fuel, if you fail in an effort to obtain multi-national participation in a reprocessing plant. But we must weigh it carefully in the light of general public and Congressional concerns over proliferation. The fact that Iran is a party to the NPT is a very positive element, but the concern in our country over the possibility of proliferation is really extraordinary.

Department of State
May 1975

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