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59202  
SECT 01 OF 59202

ACTION

DISTR FILE SVC CJCS DJS SJCS (02) J3 (10) J5 (02) SAGA (01)  
SECDEF (06) NMIC SECDEF: ASD:ISA (10) ATSD:AE (01) ASD:PA&E (01)  
ASD:PA (01) GC (01) DIA: :DIA (15) MCCC:CMC  
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RR RUEHC RUFHOL RUFHBS RUFNPS  
DE RUMHR #1539/1 3301314  
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R 261309Z NOV 75  
FM AMEMBASSY TEHRAN  
TO RUEHC/SECSTATE WASHDC 4513  
INFO RUFHOL/AMEMBASSY BONN 659  
RUFHBS/USMISSION EC BRUSSELS 740  
RUFNPS/AMEMBASSY PARIS 3001

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SECRET SECTION 1 OF 2 TEHRAN 11539

DEPT PASS ERDA FOR SEAMANS.

EO 11652: GDS  
TAGS: TECH, IR  
SUB: US/IRAN NUCLEAR AGREEMENT

REF: TEHRAN 11089

1. SUMMARY. AS REFTEL NOTES, THE SHAH APPEARS TO BE INCREASINGLY UNHAPPY AND IRRITATED OVER THE PRESENT IMPASSE IN OUR REACHING AGREEMENT ON NUCLEAR COOPERATION AND ITS PROLONGATION CARRIES THE THREAT OF POISONING OTHER ASPECTS OF U.S.-IRAN RELATIONS. NEGOTIATIONS SEEM TO BE STALLED ON TWO ISSUES: (1) THE AMOUNT OF ENRICHED URANIUM SUPPLIED BY THE UNITED STATES WHICH MAY BE STORED IN IRAN, AND (2) THE RIGHT

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Dept. of State, RPS/IPS, Margaret R. Griffin, Dir.

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OF IRAN TO REPROCESS US SUPPLIED FUEL WITHOUT PRIOR US APPROVAL. FOR REASONS DESCRIBED BELOW, WE DO NOT BELIEVE IT IS REALISTIC TO EXPECT THAT IRAN WILL ALTER ITS POSITION ON THESE ISSUES SUBSTANTIALLY. WE ARE THUS CONFRONTED WITH THE OPTION OF CONTINUING THE IMPASSE THROUGH INSISTENCE ON HOLDING TO OUR OWN POSITION OR ATTEMPTING TO ACCOMMODATE IRAN ON THESE QUESTIONS. WE RECOMMEND THAT WE TAKE THE LATTER COURSE OF ACTION BY GRANTING IRAN THE RIGHT TO STORE WITHIN ITS TERRITORY ENRICHED URANIUM TO WHICH IT MAY BE ENTITLED BY CONTRACT WITH OR INVESTMENT IN US AGENCIES OR COMPANIES. FURTHER, WE SUGGEST THAT WE ABANDON THE CONCEPT OF A REGIONAL REPROCESSING PLANT IN IRAN AND INSTEAD ASSURE THE GOI OF US PARTICIPATION IN A BINATIONAL REPROCESSING PLANT UNDER MUTUALLY AGREEABLE SAFEGUARDS. FINALLY, WE URGE THAT CONSIDERATION BE GIVEN TO A HIGH LEVEL APPROACH TO THE SHAH BY A SENIOR AMERICAN SCIENTIST-ADMINISTRATOR TO EXPLAIN IN LAYMAN'S LANGUAGE THE VERY REAL DANGES, NOTABLY LONG-LIVED PLUTONIUM POISONING, OF A NUCLEAR FUEL REPROCESSING FACILITY. END SUMMARY.

2. IT IS CLEAR THAT THE US AND IRAN ARE AT AN IMPASSE OVER REACHING AGREEMENT ON NUCLEAR COOPERATION. THERE IS NO QUESTION BUT THAT IRAN IS LOOKING FOR INITIATIVES FROM THE US SINCE IT HAS DECLINED TO SIGN OUR DRAFT AGREEMENT OF MAY 1975, OR TO SUGGEST ALTERNATIVE LANGUAGE. BECAUSE IRAN HAS BEEN SUCCESSFUL IN OBTAINING NUCLEAR MATERIALS AND TECHNOLOGY ELSEWHERE ON TERMS THAT DO NOT GO BEYOND ITS UNDERTAKINGS UNDER THE NON-PROLIFERATION TREATY AND ITS ASSOCIATION WITH THE IAEA, THERE APPEARS LITTLE INCENTIVE FOR IT TO MOVE FROM THE POSITION IT HAS TAKEN ON TWO BASIC ISSUES. ONE IS THE QUESTION OF STORAGE OF US SUPPLIED ENRICHED URANIUM IN IRAN AND THE OTHER IS THE QUESTION OF REPROCESSING US SUPPLIED FUEL IN IRAN.

3. AT THIS STAGE, IT IS PLAIN THAT THE AEOI'S PRINCIPAL CONCERN IS TO SECURE ENOUGH FUEL FOR A NUCLEAR POWER OUTPUT TOTALLING 23,000 MW BY 1994. THE AEOI IS RANGING WIDELY FOR URANIUM ORE ON THE MARKET, IS SEEKING FOREIGN--INCLUDING AMERICAN--EXPERTISE TO HELP PROSPECT FOR URANIUM WITHIN IRAN, AND IS REPRTELY ENTERING INTO JOINT VENTURES FOR URANIUM EXPLORATION IN CENTRAL AFRICA.

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4. AN INVESTMENT IN EURODIF WILL GIVE IRAN 10 PERCENT OF THE ENRICHED URANIUM IT PRODUCES, AND THE AEOI IS EXPLORING THE IDEA OF DIRECT PARTICIPATION IN A PROPOSED EURODIF II. THERE ARE RUMORS THAT THEY HAVE ALREADY INVESTED IN A URANIUM ENRICHMENT PLANT BEING BUILT IN SOUTH AFRICA, AND THERE HAS ALSO BEEN VAGUE TALK OF PARTICIPATION IN A CANADIAN URANIUM ENRICHMENT VENTURE. THUS, IF ONLY HALF OF THEIR URANIUM ENRICHMENT INTERESTS MATERIALIZE, THE AEOI WOULD APPEAR TO HAVE SOLVED MUCH OF ITS FUEL SUPPLY PROBLEM--FOR THE NEAR TERM AT LEAST-- AND IT WILL NOT BE FORCED TO JOIN IN AN AMERICAN PROJECT.

5. NOTWITHSTANDING THESE OTHER ARRANGEMENTS, THE AEOI'S INTEREST IN URANIUM ENRICHMENT ASSOCIATES (UEA) REMAINS KEEN, FOR THEY RECOGNIZE THAT WE HAVE MORE EXPERIENCE IN THIS FIELD THAN ANYONE ELSE. HOWEVER, THEY ARE TROUBLED BY ONE ASPECT OF THE AMERICAN PROJECT WHICH WILL BE GOVERNED BY THE PROPOSED BILATERAL AGREEMENT AS IT NOW STANDS, I.E., LIMITATION ON THE AMOUNT OF ENRICHED URANIUM OBTAINED FROM THE US WHICH MAY BE STORED IN IRAN. THE GOI FEELS IT SHOULD BE ALLOWED TO STORE IN IRAN THAT PORTION OF THE UEA PRODUCTION TO WHICH IT WOULD BE ENTITLED BY ITS INVESTMENT. ACCORDING TO CURRENT POLICY, THE US HAS PERMITTED THE EXPORT OF ONLY SUFFICIENT ENRICHED URANIUM TO ALLOW FOR PROPER OPERATION OF INSTALLED NUCLEAR POWER PLANT CAPACITY IN THE RECEIVING COUNTRY, BUT THE SHAH FEELS HE HAS A RIGHT TO PHYSICAL POSSESSION OF WHAT HE OWNS, AND OFFICIALS OF THE AEOI POINT OUT THAT THIS URANIUM WOULD NOT BE OF WEAPONS GRADE ANYHOW. FURTHERMORE, WE HAVE NO CONTROL OVER THE AMOUNT OR DISPOSITION OF ENRICHED URANIUM WHICH THE AEOI MAY OBTAIN ELSEWHERE. WE ARE NO LONGER THE SOLE SOURCE OF SUPPLY AND CANNOT, THEREFORE, CONTINUE TO ENFORCE CONDITIONS OUR CUSTOMERS CONSIDER UNACCEPTABLE. IF WE ACCEDE TO IRANIAN DESIRES IN THIS REGARD, IT IS TRUE WE WILL BE SETTING A PRECEDENT, BUT IS IS A PRECEDENT THAT SEEMS INEVITABLE IF WE ARE TO INCREASE OUR NUCLEAR FUEL EXPORT BUSINESS IN IRAN.

6. WITH REGARD TO IRAN'S PROGRESS WITH OTHER NUCLEAR TECHNOLOGY SUPPLIERS, AND SPECIFICALLY RELATING TO THE SUPPLY OF NUCLEAR POWER PLANTS, IT WOULD ALSO APPEAR

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THAT CIRCUMSTANCES WILL NOT FORCE IRAN INTO AMERICA'S ARMS. ALTHOUGH IRAN AND WEST GERMANY HAVE NOT YET SIGNED A GENERAL AGREEMENT ON PEACEFUL USES OF ATOMIC ENERGY, GROUND HAS ALREADY BEEN BROKEN AT HALILEH NEAR BUSHEHR ON THE PERSIAN GULF FOR A POWER PLANT TO HOUSE TWO 1,200 MWE REACTORS. SPACE HAS BEEN LEFT FOR AN ADDITIONAL TWO REACTORS, AND KRAFT WERKE UNION (KWU), THE WEST GERMAN CONTRACTOR, IS REPORTEDLY ANGLING FOR THIS ADDITIONAL WORK. IRAN ALSO HAS A BILATERAL AGREEMENT WITH FRANCE WHEREBY THE LATTER AGREES TO SUPPLY PLANTS TOTALLING 5,000 MWE OF NUCLEAR POWER IN THE IRANIAN PROGRAM. FRANCE HAS SPECIFICALLY AGREED TO BUILD TWO 900 MWE NUCLEAR POWER PLANTS IN IRAN TO BE COMPLETED BY 1982 AND 1983, SITE SELECTION FOR WHICH IS STILL IN PROGRESS. THE FRENCH CONTRACTOR, FRAMATOME, IS ALSO NOW IN A POSITION TO TAKE ON ADDITIONAL WORK IN IRAN OWING TO A REDUCTION IN THE NUCLEAR POWER PROGRAM IN FRANCE ITSELF.

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ASD:PA (01) GC (01) DIA: DIA (15) MCCC CMC  
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R 261309Z NOV 75  
FM AMEMBASSY TEHRAN  
TO RUEHC/SECSTATE WASHDC 4514  
INFO RUFHOL/AMEMBASSY BONN 670  
RUFHBS/USMISSION EC BRUSSELS 741  
RUFNPS/AMEMBASSY PARIS 3002  
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SECRET SECTION 2 OF 2 TEHRAN 11539

7. NOT ONLY DO OTHER SUPPLIERS HAVE ADDITIONAL RESOURCES WHICH ARE AVAILABLE TO IRAN, BUT IT IS BECOMING EVIDENT THAT THE IRANIAN NUCLEAR POWER PROGRAM WILL HAVE TO BE TRETCHED OUT. KNU HAS PAID PREMIUM RATES TO COLLECT 2,000 SEMI-SKILLED WORKERS FOR ITS PLANT, AND FRAMATOME WILL PROBABLY HAVE AN EVEN MORE DIFFICULT TIME WHEN IT ENTERS THE LOCAL LABOR MARKET. IN ADDITION TO THIS SCARCITY OF INDIGENOUS LABOR, THERE IS A REAL QUESTION AS TO HOW FAST IRAN CAN ABSORB NUCLEAR TECHNOLOGY AND THE ATTITUDES AND MANAGEMENT TECHNIQUES NECESSARY TO HANDLE A HIGHLY SOPHISTICATED NEW INDUSTRY. THERE HAS ALREADY BEEN SOME SLIPPAGE IN THE GERMAN AND FRENCH PROGRAMS, AND IT IS DIFFICULT TO SEE HOW FURTHER DELAYS CAN BE AVOIDED IN VIEW OF THE STRAINS ON IRANIAN LABOR RESOURCES AND INFRASTRUCTURE, NOT TO MENTION FINANCIAL RESOURCES.

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8. WITH ADEQUATE FOREIGN TECHNOLOGY SOURCES TO TAP AND AN INEVITABLE SHIFT TO A MORE DELIBERATELY-PACED NUCLEAR DEVELOPMENT PROGRAM, IRAN FEELS NO PRESSURE TO CONTRACT FOR NUCLEAR POWER PLANTS FROM AMERICAN COMPANIES. THEREFORE, WE CANNOT EXPECT THAT THEIR NEEDS WILL FORCE THEM TO ACCEPT SAFEGUARDS DEMANDS FROM US WHICH THEY CONSIDER AN INFRINGEMENT ON THEIR SOVEREIGNTY.

9. THE QUESTION OF REPROCESSING, AND WHETHER THE US SHOULD INSIST ON A RIGHT TO VETO REPROCESSING OF US-SUPPLIED FUEL IN IRAN, IS CLEARLY A VITAL ONE. IT IS GOING TO BE EXTREMELY DIFFICULT, IF NOT IMPOSSIBLE, TO SELL THE AEOI ON THE CONCEPT OF A REGIONAL REPROCESSING PLANT, PARTICULARLY SINCE ALL THE OTHER SUPPLIERS HAVE NOT BEEN PERSUADED TO ACCEPT OUR POSITION ON THIS IDEA. THE IRANIANS RECOGNIZE AND RESENT THE REGIONAL REPROCESSING PLANT CONCEPT AS A DEVICE TO IMPOSE INTERNATIONAL CONTROL ON THIS VERY SENSITIVE STAGE IN THE NUCLEAR FUEL CYCLE. IRANIAN BRUISED HONOR ASIDE, THEY BELIEVE THE IDEA IS RIDICULOUS IN THE MIDDLE EAST SETTING. THE CONCEPT MAY HAVE VALIDITY AND A CHANCE SUCCESS IN A PART OF THE WORLD WHICH IS HIGHLY INTEGRATED ECONOMICALLY, SUCH AS THE EC, BUT THE LIKELIHOOD OF IRAN BEING ABLE TO WORK OUT CLOSE FUNCTIONAL RELATIONSHIPS WITH ITS NEIGHBORS FOR A REPROCESSING PLANT APPEARS REMOTE. EVEN THOUGH THE POLITICAL WILL WERE THERE, THEY WONDER HOW THE TREMENDOUSLY COMPLEX PROBLEMS OF JOINT MANAGEMENT, DISTRIBUTION OF COSTS, AND ACTUAL PHYSICAL ARRANGEMENTS FOR STORAGE, TRANSPORT, AND PROCESSING OF MATERIAL COULD BE SOLVED ON A MULTINATIONAL BASIS. AND THEY DO NOT NECESSARILY ACCEPT OUR ESTIMATE THAT IT WILL TAKE AN AGGREGATE OF NUCLEAR POWER PLANTS PRODUCING 50,000 MWE TO SUPPORT A COMMERCIAL REPROCESSING PLANT.

10. IT WOULD APPEAR PREFERABLE AT THIS STAGE TO GIVE UP THE IDEA OF A REGIONAL REPROCESSING PLANT IN IRAN AND INSTEAD SUGGEST A BINATIONAL REPROCESSING PLANT TO BE MANAGED AND OPERATED BY IRAN AND THE UNITED STATES UNDER STRINGENT SAFEGUARDS IF IRAN CONTINUES DETERMINED TO HAVE SUCH A PLANT. WE SHOULD ASSURE THE AEOI THAT WE WILL PARTICIPATE IN SUCH A PROJECT WHEN IT DECIDES IT IS NEEDED AND, IF NECESSARY, THE USG SHOULD BE PREPARED TO PROVIDE TECHNICAL SUPPORT FOR THE PROJECT. IS NO US COMPANIES STEP FORWARD TO UNDERTAKE IT. WE BELIEVE THAT IF THE US IS TO CARRY FORWARD ITS POLICY OF NON-PROLIFERATION BY CLOSE CONTROL OF REPROCESSING ON A WORLDWIDE BASIS, THE USG MUST PARTICIPATE ACTIVELY IN THIS SENSITIVE STEP IN THE NUCLEAR FUEL CYCLE.

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1. AS THE FOREGOING SUGGESTS, WE BELIEVE WE HAVE LITTLE CHOICE BUT TO ACCOMMODATE OURSELVES TO IRAN'S POSITION ON THE TWO ISSUES IN CONTENTION IF WE WISH TO FIGURE IN ITS NUCLEAR DEVELOPMENT FUTURE. FURTHER, IN THIS CONTEXT, WE BELIEVE WE HAVE LITTLE CHOICE BUT TO ACCEPT AT FACE VALUE IRAN'S STATED POLICY THAT IT INTENDS TO HONOR ITS NPT COMMITMENTS. GIVEN THE OPTIONS IT NOW HAS OR MAY HAVE IN THE FUTURE, IT APPEARS TO US THAT THE ESSENTIAL POINT IS THAT IRAN COULD DEVELOP A REPROCESSING PLANT AND PROCEED TO CONSTRUCT A NUCLEAR EXPLOSIVE DEVICE IF IT SO DESIRED REGARDLESS OF ANY ADDITIONAL SAFEGUARDS WE MAY SUCCEED IN WRITING INTO OUR BILATERAL AGREEMENT. INDIA IS AN OBVIOUS EXAMPLE. ALTHOUGH IRAN DOES NOT AT PRESENT HAVE THE R & D CADRE TO COMPARE WITH INDIA'S, IT PROBABLY WOULD NOT TAKE IT LONG TO COLLECT OR BUY THE NECESSARY TALENT TO DO WHAT INDIA DID. WITH THE MEANS IN HAND, WHATEVER COMMITMENTS IRAN MAY HAVE MADE TO THE US OR UNDER THE NPT IS LIKELY TO FALL BY THE WAYSIDE IF IRAN'S PERCEPTION OF ITS NATIONAL INTERESTS SO DICTATE.

12. IN THE MEANTIME, IT MAY BE POSSIBLE TO DEFER AN IRANIAN DECISION TO ACQUIRE A NUCLEAR REPROCESSING PLANT BY APPRISING THE SHAH IN SOME DETAIL OF THE RADIATION RISKS SUCH A PROJECT PRESENTS. WE PROPOSE, THEREFORE, THAT A HIGH LEVEL, HIGHLY QUALIFIED EMISARY, ERDA'S DR. ROBERT SEAMANS, DISCUSS WITH THE SHAH IN NON-TECHNICAL LANGUAGE THE RADIATION HAZARDS, THE ECONOMIC PITFALLS, AND THE OPERATIONAL COMPLEXITY OF A REPROCESSING PLANT. IN ADDITION TO BEING EDUCATIONAL (AND THIS IS NEEDED), SUCH A MEETING WOULD SERVE TO UNFREEZE THE CURRENT IMPASSE AND REINSTITUTE A DIALOGUE. AT A MINIMUM WE WOULD HOPE THAT SUCH A PRESENTATION MIGHT DISSUADE THE SHAH FROM PRESSING FOR THE RIGHT TO REPROCESS US-SUPPLIED FUEL IN IRAN WITHOUT OUR PARTICIPATION. ALTHOUGH NOT COMPLETELY PASSING OVER THE NON-PROLIFERATION OVERTONES OF OUR POSITION WHICH TOUCHES SO CLOSELY ON THE QUESTION OF SOVEREIGNTY, EMPHASIZING THE DANGERS OF RADIATION TO THE IRANIAN PEOPLE AND MANKIND IN GENERAL MAY GENERATE AN ENVIRONMENT IN WHICH WE CAN REACH COMMON UNDERSTANDING ON THIS CRITICAL ISSUE.

13. AS THE DEPARTMENT IS WELL AWARE, A LARGE MARKET AWAITS OUR NUCLEAR INDUSTRY IN IRAN. 12,000 MWE IN THE IRANIAN PROGRAM HAS BEEN EARMARKED FOR AMERICAN INDUSTRY WITH OBVIOUS AND SUBSTANTIAL BENEFITS TO OUR BALANCE OF PAYMENTS. CONTINUED IMPASSE COULD WELL RESULT IN THIS OPPORTUNITY BEING LOST WITH CONCOMITANT DAMAGE TO OTHER ASPECTS

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OF US-IRANIAN RELATIONS. WE ARE FULLY CONSCIOUS OF THE DIFFICULTIES  
ACCOMMODATION TO THE IRANIAN POINT OF VIEW PRESENTS WITHIN THE  
ADMINISTRATION AS WELL AS WITH THE CONGRESS. NEVERTHELESS, WE  
FEEL THAT WE MUST MOVE TO AN EARLY DECISION ON THIS MATTER AND IF  
THE DECISION IS AGAINST ACCOMMODATION, TO CUT OUR LOSSES NOW RATHER  
THAN TO PROLONG AN ISSUE WHICH MAY FESTER AND POISON OUR RELATIONS  
EVEN MORE IN THE FUTURE.

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