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Authority ND 989510
By BJ NARA Date 10/5/06

THE DEPUTY SECRETARY OF STATE
WASHINGTON

April 14, 1976

DWR
return direct

MEMORANDUM FOR THE SECRETARY

FROM: Charles W. Robinson *DWR*
SUBJECT: Meeting on Nuclear Negotiations
with Iran

In taking action on the attached memo from Kratzer/Atherton (Tab 1), you called for a meeting on the subject prior to implementation of your instructions. Accordingly, the authorized memorandum from Springsteen to Scowcroft has not been sent, awaiting the holding of this meeting.

You are leaving town on Friday. Dr. Akbar Etemad, Head of the Iranian Atomic Energy Agency, is scheduled to arrive in the U.S next Tuesday, April 20. We require Presidential approval of our negotiating position prior to his arrival.

The only day available for the meeting you requested is tomorrow. Your staff indicates that your schedule for tomorrow is full. I believe it is important for you to authorize time for such a meeting or to direct that the memorandum to Scowcroft be forwarded without a meeting.

HAK agreed 4/15/76
10pm.

Approve _____
Disapprove _____
Time _____

Attachment

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OES



DEPARTMENT OF STATE
ACTION MEMORANDUM

[Handwritten initials] S/S

~~Handwritten signature~~
7606528

COPIES TO:
RF/hjb

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March 26, 1976

HAK

TO: The Secretary
THROUGH: P - Mr. Sisco *[initials]*
T - Mr. Maw *[initials]*
FROM: OES - Myron B. Kratzer, Acting
NEA - Alfred L. Atherton, Jr. *[initials]*

I agree with S/P not the Bureau. I would not pursue the buy back option.
[initials]

Next Steps in Our Nuclear Negotiations with Iran

The Problem

By memorandum from the NSC, dated March 18, 1976 (Tab 3), the Department has been requested to provide the NSC with its recommendations as to how the U.S. should now proceed in its nuclear power negotiations with Iran taking into account the results of the meeting that Dr. Seamans and Mr. Maw had with the Shah on February 23, 1976. We have been specifically requested to comment (by March 29, 1976) on the recommendations which Dr. Seamans has presented to the President in a memorandum dated March 15, 1976. That memorandum, (which is attached at Tab 4), notes that the Department will be forwarding its own recommendations to the President although Under Secretary Maw is reported as agreeing with the Seamans account of the meeting and also as sharing the conclusions.

There is urgency to receiving Presidential guidance on this issue since we expect Dr. Etemad, the Chairman of the Iranian AEC, to visit the U.S. from April 20 to 28, with the hope of resuming detailed negotiations. The Shah's response to

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the President's letter of February 21, 1976 is enclosed as Tab 5.

Options Open to State Department

We believe that there are two basic alternatives that the Department can now choose from in submitting its recommendations to the NSC:

-- We can support Dr. Seamans in his recommendations. These would involve seeking a commitment from Iran to pursue the multinational reprocessing plant concept (when it actually needs reprocessing), but with the understanding that we would accept a rigorously safeguarded Iranian national plant if the multinational concept fails. We could add whatever thoughts we might have as to how this position should be shaped from a political, tactical and procedural standpoint.

-- Alternatively, as reflected in our letter to Mr. Scowcroft of January 13, 1976 (Tab 6), we can continue to favor the exploration, in an appropriate fashion, of two alternate courses with Iran. The first of these would be designed (through a plutonium purchase option) to give us an opportunity to prevent Iran from reprocessing material produced in U.S. reactors or from fuel in any national facility in Iran. The U.S. would be able to exercise this option only in the event Iran failed to establish a multinational facility or some other mutually acceptable alternative to national reprocessing of U.S. material or material produced in U.S. reactors. The other would conform to the position proposed by Dr. Seamans.

The basic distinction between these two overall approaches is that, under the second, we would make a serious attempt to induce the Iranians to accept a plutonium purchase option approach (as described below) if they failed in their multinational efforts; if this is not successful, we would then fall back to the

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position favored by Dr. Seamans, and also recommended as an alternative in our January 13, 1976 memorandum.

It should be noted that Iran contemplates buying some non-U.S. reactors and will probably have access to non-U.S. fuel; neither of these approaches would determine the conditions under which Iran might reprocess non-U.S. material.

Recommendations of Dr. Seamans and His Observations

In his report to the President, Dr. Seamans notes that the Shah has indicated that before embarking on the construction of any Iranian reprocessing plant he would review the matter carefully with the U.S.; he would expect that this would be a shared responsibility and that we would jointly review and participate in the determination of safeguards. More generally, there is an evident willingness by the Shah to find a mutually satisfactory solution to the reprocessing problem.

According to Seamans, the Shah never indicated, however, that he would accept U.S. conditions on reprocessing including the multinational approach. But his position appears to be that if our mutual non-proliferation goals can be accomplished through a reprocessing plant on Iranian soil, consistent with Iranian national sovereignty and honor and its obligations under the NPT, it would receive his careful consideration. Indeed, our reading of the Seamans discussion suggests that, short of depriving himself of the ultimate right to reprocess nationally, the Shah may be willing to join the U.S. in an act of leadership to explore alternatives to national reprocessing.

Based on his conversations, Dr. Seamans believes a U.S. approach favoring an ultimate U.S. veto to prevent Iranian reprocessing will be unacceptable to Iran. He therefore has proposed that a formulation along the following lines offers the greatest hope of a mutually satisfactory resolution:

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-- "Iran would agree to exert strenuous efforts toward the establishment of a multinational or binational reprocessing facility.

-- Iran would accord the United States a continuing opportunity to participate in such a facility.

-- The U.S. would consent to reprocessing of the U.S. material in an Iranian national facility if Iran was unable to achieve a multinational/binational reprocessing capability.

-- U.S. consent would be subject to:

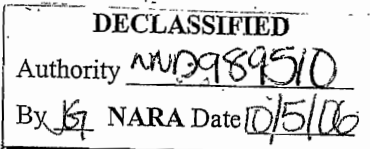
(1) the continuing requirement that we be satisfied the safeguards applied to these activities by the IAEA are effective, and

(2) the right to assign staff to the facility if in the U.S. judgment this is necessary to supplement IAEA safeguards."

Dr. Seamans believes that this approach would both serve to delay an Iranian move to reprocessing (while the multinational idea is explored) and that the proposed increased presence of the U.S. in the implementation of safeguards could be welcomed by Congress. He acknowledges, however, that the absence of an explicit U.S. ability to preclude reprocessing in Iran might be challenged by some Congressional elements who may argue that the proposed intensification of safeguards at the facility does not fully satisfy their concerns about having a national reprocessing plant built in Iran.

We understand from the ERDA staff that Dr. Seamans, however, is not opposed to including in the agreement, as a matter of form, a "mutual consent" provision that would accord the U.S. the opportunity to concur in where the fuels irradiated in our reactors, as well as the plutonium produced from our reactors or fuel, might be stored and fabricated. The point, however, is that in the ultimate analysis, we would make it clear that if the multinational idea proves impracticable, and

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if we do not exercise a continuing opportunity to participate in an Iranian facility, we would be prepared to permit such reprocessing to occur under national control in Iran provided we could be continually assured that effective safeguards are being applied.

State Department Views of January 13, 1976

As noted, the Seamans approach reflects, in a general sense, one but not both of the options that the State Department recommended in its January 13, 1976 memorandum to Mr. Scowcroft (see Tab 6). In commenting on the earlier inter-agency study on this question, we suggested two options to the NSC on the grounds that either would form an acceptable basis for negotiations. Both assumed, as does Dr. Seamans, that we would urge Iran to make strenuous efforts to establish a multinational or binational reprocessing plant in which we would have a continuing opportunity to participate. We also recommended that the USG seek to retain the current approach of incorporating, as a matter of form, an explicit U.S. veto right in the main part of the agreement with conditions for authorizing reprocessing treated in the associated note. However, we were prepared to cover the entire reprocessing understanding in the body of the agreement, if pressed to do so. We recognized, however, that the establishment of a multinational center might not be feasible and therefore favored two fall-back positions as a basis for negotiations. One of the proposed options conformed to the Seamans proposal. The second approach, which we recommended, would accord the U.S. an option to purchase for "appropriate compensation" the spent fuel rods in the event Iran was unable to establish a multinational or binational reprocessing capability, or to agree through consultations on alternative means to accomplish such services. If we failed to exercise the option Iran would have the right to reprocess in Iranian national facilities, subject to a mutual determination that such facilities can be effectively safeguarded.

The pros and cons of these two approaches were set out in our memorandum to Mr. Scowcroft.

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In brief, we concluded that the plutonium buy-back approach would give us greater leverage in preventing Iranian national reprocessing and might appeal to Congress but that it was less likely to be acceptable to Iran than our suggested alternative which ultimately would permit Iranian national reprocessing without a U.S. repurchase option, but under more rigorous U.S. controls than in prior agreements. We understand that, based on his trip to Tehran, Dr. Seamans does not feel the buy-back approach is likely to be acceptable to Iran. We do not yet have the views of the other interested agencies (DOD and ACDA) on this question.

Bureau Views and Suggested State Department Course of Action

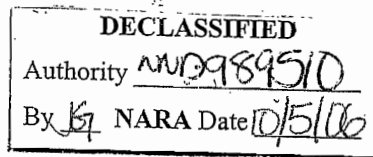
While appreciating the views expressed by Dr. Seamans, OES, NEA and PM favor an alternate position along the following lines.

As a first position, it is recommended that we explore with Dr. Etemad the possible incorporation in the agreement of the plutonium buy-back right option just described.

These Bureaus favor this action as the first approach, since if saleable to Iran, it would provide the U.S. with greatest flexibility in controlling reprocessing. It is recognized that Iran might view the introduction of this new idea as a U.S. attempt to "raise the ante" and as inconsistent with both an emphasis on shared political responsibilities and its defense of its sovereign rights under the NPT. However, on balance these Bureaus believe that such an arrangement, if handled with sensitivity for Iran's known position, would be useful to explore during the negotiations and would not injure prospects for moving, if necessary, to the Seamans proposal.

However, in the event the GOI rejects this proposal, OES, NEA and PM along with S/P believe that the U.S. negotiators should be authorized to

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explore the approach favored by Dr. Seamans subject to the following understandings:

-- We would continue to seek a strong political commitment from Iran to pursue the multinational/binational plant concept, while according us the continuing opportunity to participate in the project. In addition to citing the economic rationale for such a facility, we would underscore its potential role in serving mutual U.S.-GOI non-proliferation interests by possibly offering Pakistan the prospect of a multinational alternative to its projected national reprocessing plant. (If appropriate, we could seek to obtain this political commitment through a letter from the President to the Shah responding to the Shah's recent letter.)

-- We would also seek a commitment from Iran to consult closely with us on its prospective reprocessing plans before making any firm decisions to proceed with a project regardless of its multinational character. The U.S.-Iranian Joint Commission could be the forum for such consultations. In the course of these discussions, we would offer to help Iran assess, in detail, the economic viability of proceeding with any reprocessing venture and the modalities of possible multinational configurations. The obvious objective would be to devise a procedure not only for deterring a national plant in favor of a multinational plant, but also for ensuring that the GOI does not commit itself prematurely to any reprocessing project, since regardless of its institutional character, we probably would prefer to see such a venture constructed later than sooner.

-- As proposed by Seamans, we would be prepared to assure Iran that if it is unsuccessful in its effort to establish a multinational plant, that we would be prepared to give our consent to an Iranian plant subject to (a) the continuing requirement that we be satisfied that the IAEA safeguards applied to the facilities are effective (b) an opportunity to supplement these IAEA safeguards with the assignment of U.S. personnel, if necessary.

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-- We would make it clear that our first preference would be to offer these assurances in an accompanying note, while leaving our bare legal rights of approval of reprocessing, storage and fabrication of the derived plutonium intact in the body of the agreement.

-- However, in return for a clear high-level commitment from the Shah to pursue the binational/multinational concept, possibly in the context of further correspondence with the President, we would be prepared to abandon our preference for an unconditional U.S. "right of consent" and to incorporate, instead, these assurances into the body of the agreement -- which would make it manifestly clear that in the ultimate analysis (i.e., inability to achieve a multinational facility and U.S. refusal to exercise its option to participate in a binational venture) reprocessing could occur in Iran subject to rigorous safeguards.

-- Finally, our plan would be to offer this proposal to Dr. Etemad on an ad referendum basis, noting that if Iran finds it acceptable, we would be prepared to consult with the Congress on this proposed approach.

S/P, on the other hand, believes it would be unwise and potentially counterproductive for the U.S. to introduce the plutonium buy-back concept when we resume negotiations. This approach was not mentioned in the recent high-level meetings with the Shah by Dr. Seamans and Mr. Maw. It could well be viewed by Iran as casting doubt on its reliability and as a step backwards in what appeared to be a gradually emerging positive climate for resolving our differences, particularly against the background of the Shah's personal position which stresses the GOI's non-proliferation

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commitment and sovereign rights as an NPT party. Our introducing a new proposal -- which can be viewed as introducing an intervening obstacle directly challenging Iran's right to reprocess our material nationally if they failed to establish a multinational facility -- could unsettle our relations and substantially increase the difficulty of gaining Iran's agreement to our modified proposal for a high-level political commitment to make best efforts for a multinational alternative. Also, it is unlikely that the U.S. would be in a position to execute its plutonium buy-back option in the future; thus in some sense our new proposal could be seen by the GOI as being less than fully credible and inconsistent with the spirit of finding realistic solutions to bridge the gap between our differences. Finally, with the exception of its opposition to the buy-back approach, S/P favors the proposed refinements to the Seamans approach, as recommended above by OES, NEA and PM.

PM would note that the question of a U.S. right to assign staff to an Iranian national facility to supplement IAEA safeguards has not been raised explicitly with the Shah, Dr. Etemad or the IAEA and that it is equally possible that this concept could also be viewed as casting doubts on Iran's responsibility as well as the adequacy of IAEA safeguards.

Recommendations:

It is recommended that you authorize Mr. Springsteen to sign the memorandum enclosed at Tab 1 which reflects the position favored by OES, NEA and PM (exploration of a plutonium buy-back approach but use of the Seamans proposal, modified along the lines indicated above, should the negotiations prove that to be desirable).

Approve HK Disapprove _____

ALTERNATIVELY, it is recommended that you authorize the memorandum enclosed at Tab 2 which

But I want brief meeting on subject first

*Sisco
maw
Athena
10/10/06*

But want brief meeting: on subject first.

HAK

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concur in the Seamans proposal with the clarifications and modifications indicated above, and without favoring the plutonium buy-back option as a first approach (favored by S/P).

Approve _____ Disapprove _____

Attachments:

- Tab 1 - Springsteen to Scowcroft letter (OES, NEA and PM option)
- Tab 2 - Springsteen to Scowcroft letter (S/P option)
- Tab 3 - Memorandum from the NSC dated March 18, 1976
- Tab 4 - Recommendations presented to the President by Dr. Seamans in his March 15, 1976 memorandum
- Tab 5 - Shah's response to the President's letter of February 21, 1976
- Tab 6 - Springsteen to Scowcroft memorandum dated January 13, 1976

Drafted: OES/NET/RD:HDB ^{HB} Bengelsdorf: lmt
3/26/76 Ext. 22226

Concurrences: S/P - Mr. Kahan ^{HB} / Mr. Kalicki ^{JK}
NEA - Mr. Sober ^{HB} / Mr. Naas
PM/NPO - Mr. Nosenzo
E - Mr. Poats
C - Mr. Kelly ^{HB}

(Handwritten notes)
OES - buy back
NEA - buy back

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