

MEMORANDUM

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NATIONAL SECURITY COUNCIL

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March 2, 1975

MEMORANDUM FOR:

SECRETARY KISSINGER

FROM:

DAVID ELLIOTT D.E. 

SUBJECT:

Iranian Investment in U.S.
Uranium Enrichment

REFER TO DOS

DOE REVIEWED 16-Dec-2010: NO OBJECTION TO DECLASSIFICATION

The three U.S. Atomic Energy Commission uranium enrichment plants have fully contracted their output and a new plant must be built to meet future domestic and foreign demand. For some years the Administration has sought to interest the U.S. private sector in taking over the enrichment business and, particularly, in building the fourth plant. Only one U.S. consortium, Uranium Enrichment Associates (UEA), has seriously pursued this objective, but they are having trouble lining up capital (about \$3 billion) and customers. Over the past few months, UEA has progressively looked abroad for both, hoping to obtain as much as 60% foreign investment. These investors would also be required to be customers, buying the same proportion of the plant output as their investment.

In December, the possible line up was Japan 25-30%, Germany and France about 12%, and Iran about 10% (which equals its need for fueling its reactors in the 1980s). However, in spite of fairly intense negotiations since then, none of these investors except Iran have actually indicated willingness to "sign up." Without this investment, UEA ^{will} cannot make a commitment to begin construction or to give firm contracts to deliver enrichment services. To try to break this impasse, Iran has offered to increase its investment to 30% if it is agreeable to the USG. UEA is delighted and would like to make such an announcement during the U.S.-Iran Joint Commission meeting next week.

Iran has also just concluded an arrangement to be France's partner in Eurodif II, a future enrichment plant equal in size to that planned by UEA.

It will be necessary for us to make a fairly quick determination of the advisability of allowing 30% ownership of UEA by Iran. But doing

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so in the next few days will be difficult. Some of the problems and considerations are as follows:

1. 30% of UEA's output far exceeds Iran's projected domestic needs. Combined with their French arrangement, Iran will be in the position of a major exporter of nuclear fuel (exceeding, for example, the export capacity of the USSR). This, of course, would become a factor both in our energy and non-proliferation strategies, particularly if Iran proved willing to export to certain countries which we would not.

2. An investment of this magnitude should, if possible, be considered within the context of our overall policy on inward investment by OPEC countries.

3. Congress is very wary about the Administration's nuclear policy in the Middle East. It is not at all unlikely that Congress would disapprove the U.S.-Iran Agreement on Cooperation in Atomic Energy if Iran were seen to be getting heavily into our nuclear business and also acquiring fuel greatly in excess of their needs. (Our past policy has been to meet foreign requirements but not to provide foreign stockpiles.) Without this Agreement we cannot carry on any nuclear transactions with Iran.

4. The NSSM 209 study and recommendations will be ready to go to the President in a couple of weeks. Depending on his decision, the Government may build the next plant and not the private sector (i. e., UEA would be aborted). If we ask the President for a decision now on how much of UEA can be acquired by Iran, it would tend to foreclose a subsequent decision that effectively would kill UEA, unless we were willing to allow Iran some ownership in the Government plant.

5. On the other side of the above arguments is the fact that without Iran's very substantial investment, UEA's outlook for coming into being would be seriously set back. The USG would seemingly have spent years encouraging UEA and then undercut them as they neared success.

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