

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

Chiron

~~SECRET/GDS~~

April 22, 1975

REFER TO DOS

National Security Decision Memorandum 292

**TO:** The Secretary of Defense  
The Deputy Secretary of State  
The Director, Arms Control and  
Disarmament Agency  
The Administrator, Energy Research and  
Development Administration

DOS REVIEWED 02-Mar-2011: NO OBJECTION TO DECLASSIFICATION.

**SUBJECT: U. S. - Iran Nuclear Cooperation**

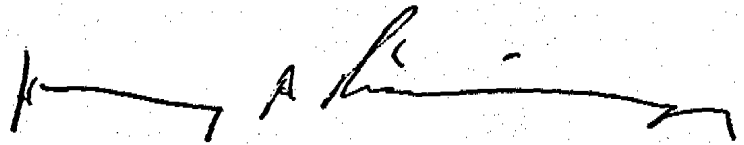
DOE REVIEWED 16-Dec-2010: NO OBJECTION TO DECLASSIFICATION.

The President has reviewed the study directed by NSSM 219 and has noted the comments and recommendations of the agencies. The President has decided that in negotiating an Agreement on Cooperation in the Civil Uses of Atomic Energy with the Government of Iran, the U.S. shall:

- Permit U. S. material to be fabricated into fuel in Iran for use in its own reactors and for pass-through to third countries with whom we have Agreements.
- Agree to set the fuel ceiling at a level reflecting the approximate number of nuclear reactors planned for purchase from U. S. suppliers. We would, as a fallback, be prepared to increase the ceiling to cover Iran's full nuclear requirement under the proviso that the fuel represents Iran's entitlement from their proposed investment in an enrichment facility in the U. S. Any additional entitlement could be disposed of by Iran without importing the material into that country through sales from the United States to appropriate third countries with whom the U. S. has bilateral Agreements for Cooperation.
- Continue to require U. S. approval for reprocessing of U. S. supplied fuel, while indicating that the establishment of a multinational reprocessing plant would be an important factor favoring such approval. As a fallback, we could inform the Government of Iran that we shall be prepared to provide our approval for reprocessing of U. S. material in a multinational plant in Iran if the country supplying the reprocessing technology or equipment is a full and active participant in the plant,

~~SECRET/GDS~~

and holding open the possibility of U.S. participation. The standard provision requiring mutual agreement as to safeguardability shall apply. An expression of U.S. willingness to explore cooperation in establishing such a facility at an appropriate time should Iran so desire, may be made.



Henry A. Kissinger

cc: Director of Central Intelligence

SECRET/GDS

MEMO/LE

NSDM 292--U.S.-Iran Nuclear Cooperation

CLASSIFIC

*S*

C LOU

(NO DIS )

(CABLES ONLY: FROM:

TO:

INTERNAL DISTRIBUTION:

- 1 SECRETARY KISSINGER
- 1 GENERAL SCOWCROFT
- 1 MAJ MCFARLANE
- 1 MR. FAZIO
- 10 MRS. DAVIS
- 1 MR. BARNUM
- 1 MISS FARRAR
- 1 MR. LODAL
- 1 MR. HUBERMAN
- 1 COL. BOVERIE
- 1 CMDR. HIGGINS
- 1 MR. JANKA

- 1 MR. HORMATS
- 1 MR. ELLERMAN
- 1 MR. OBER
- 1 MR. OAKLEY
- 1 MRS. NIEHUSS
- 1 MR. KENNEDY
- 1 COL. GRANGER
- 1 DR. ELLIOTT
- 1 MR. MOE
- 1 MR. LOW
- 1 MR. HORAN

20

- 1 MR. CLIFT
- 1 MR. GATES
- 1 MR. FROEBE
- 1 MR. SOLOMON
- 1 MR. QUINN
- 1 MR. STEARMAN
- 1 MR. SMYSER

EXTERNAL DISTRIBUTION:

<u>Addressee</u>	<u>#Cys</u>	<u>DATE</u>	<u>TIME</u>	<u>RECIPIENT</u>
VICE PRESIDENT				
SECRETARY OF STATE	1	L		
DEPUTY SEC. OF STATE Room 7224	1	4-22-75	14:10	<i>[Signature]</i>
SECRETARY OF DEFENSE	1	4-22-75	1525	<i>[Signature]</i>
DEPUTY SEC. OF DEFENSE				
CHAIRMAN, JCS				
DIRECTOR, CIA	1			
Director, ACDA	1	22-APR	1420	<i>[Signature]</i>
Admin. ERDA	1			
Robert Seamans 300 7th Street SW Reporters Building 4th Floor				

MEMO/LE  
CLASSIFIC

NSA 292--U.S.-IRAN NUCLEAR... (NO DIS)  
TO: \_\_\_\_\_ FROM: \_\_\_\_\_ TO: \_\_\_\_\_

INTERNAL DISTRIBUTION:

APR 22 3 51 PM '75

20

- 1 SECRETARY KISSINGER
- GENERAL SCOWCROFT
- MAJ MCFARLANE
- MR. FAZIO
- 10 MRS. DAVIS
- MR. BARNUM
- MISS FARRAR
- 1 MR. LODAL
- MR. HUBERMAN
- COL. BOVERIE
- CMDR. HIGGINS
- MR. JANKA

- MR. HORMATS
- MR. ELLERMAN
- MR. OBER
- 1 MR. OAKLEY
- MRS. NIEHUSS
- MR. KENNEDY
- 1 COL. GRANGER
- 1 DR. ELLIOTT
- MR. MOE
- MR. LOW
- MR. HORAN

- MR. CLIFT
- MR. GATES
- MR. FROEBE
- MR. SOLOMON
- MR. QUINN
- MR. STEARMAN
- MR. SMYSER

EXTERNAL DISTRIBUTION:

Addresssee	# Cys	DATE	TIME	RECIPIENT
VICE PRESIDENT				
SECRETARY OF STATE	1	4-22-75	14:10	<i>[Signature]</i>
DEPUTY SEC. OF STATE Room 7224	1			
SECRETARY OF DEFENSE	1			
DEPUTY SEC. OF DEFENSE				
CHAIRMAN, JCS				
DIRECTOR, CIA	1			
Director, ACDA	1	4-22-75	2:47	<i>not letter to Higgins</i>
Admin. ERDA	1	4/21	3:32	<i>W. Boardley</i>
Robert Seamans 300 7th Street SW Reporters Building 4th Floor				

NSD 21

THE WHITE HOUSE  
WASHINGTON

Henry -

The negotiators leave  
for Tehran Monday  
night (tonight).

Bunt

~~Don't break off~~

~~contact~~

MEMORANDUM

ACTON - 2524

## NATIONAL SECURITY COUNCIL

April 19, 1975

SECRET

MEMORANDUM FOR: SECRETARY KISSINGER

FROM: DAVID ELLIOTT *D.E.*

SUBJECT: U.S. - Iran Nuclear Agreement

The discussion in the Verification Panel today of U.S. - Iran nuclear arrangements tended to focus on the negotiability of the U.S. desire to have an Iranian chemical reprocessing plant be multinationally owned. This condition has not, thus far, been a major issue with the Iranians. Their major objection has been the stipulation that reprocessing in Iran of fuel of U.S. origin would require U.S. concurrence. This clause is new in our Agreements, but one that we want to make standard in all future bilateral Agreements. The Iranians have thus far objected to this clause because it is not in our earlier bilateral Agreements with other countries. Their objection relates as much to optics as substance.

The important issue for the U.S. is whether or not we will fight to retain the U.S. right to approve reprocessing of U.S. material in Iran or whether we will fall off that requirement.

All agencies agree we should continue to try to retain the right of approval, but that we could indicate that we are prepared to approve reprocessing if the plant were multinationally owned, and if the country supplying the reprocessing technology were a participant in the plant. To sweeten the deal we would also indicate to Iran that we would be willing to explore with them at an appropriate time cooperation in the development and construction of a reprocessing capability, if Iran decides to move in this direction.

It is difficult to predict whether the new U.S. position will be acceptable to Iran; but, it is fairly clear that anything less will have a tough time in Congress.

If we cannot conclude an Agreement next week in Teheran because of continuing Iranian objection to the U.S. proposal, it may be better to postpone the issue until after the Shah's visit. This would have the added

SECRET/GDS

advantage of allowing us to see how this summer's Suppliers Conference is coming out, thereby avoiding the possibility of our demanding conditions from Iran that the other suppliers are not willing to seek. It is fairly clear from recent cables, however, that among the two or three problems the Shah wants clarified during his visit is the nuclear one. If possible, we should try to clear up this matter beforehand.

The attached memorandum gives the interagency agreed recommendation for our negotiating stance and fallback positions for next week in Teheran.

SECRET/GDS

MEMORANDUM

ACTION - 2524

## NATIONAL SECURITY COUNCIL

SECRET

April 19, 1975

MEMORANDUM FOR: SECRETARY KISSINGER  
 FROM: DAVID ELLIOTT *D.E.*  
 SUBJECT: U. S. -Iran Nuclear Cooperation

The NSSM 219 study examined the issues involved and options for reaching an acceptable Agreement for Cooperation in Civil Uses of Atomic Energy with Iran whereby the U.S. could sell reactors, nuclear fuel, and other nuclear equipment to Iran, and permit Iranian investment in the next U.S. uranium enrichment plant (Tab B). It seems very likely that we can meet the Iranian wishes in two areas, fuel fabrication and fuel ceiling. Several options were considered regarding reprocessing, but basically they reduce to retaining or dropping the right of U.S. approval of the reprocessing in Iran of U.S. supplied fuel. At this time, no agency recommends dropping our right of approval, but certain assurances can be given to Iran that may overcome their objections.

\* \* \* \*

Because of our nonproliferation concerns and our international initiatives to set new nuclear supply policies and precedents, we are seeking more rigorous controls over the production of plutonium from U.S. supplied nuclear fuel than we have heretofore. The Iran Agreement would be the first to include such new controls. Further, the draft Iranian Agreement set the fuel ceiling to cover only U.S. supplied reactors, which would mean that Iran would have to obtain fuel elsewhere for non-U.S. reactors. The Iranian atomic energy authority has objected to these conditions because they have not appeared in earlier Agreements and because they tend to question the integrity of Iran's commitment to the Non-Proliferation Treaty.

We are meeting with the major nuclear supplier nations next week in London and again this summer for the purpose of concerting our nuclear exporting policies. In preparing for this meeting we have given a fairly detailed description of the initiatives that the U.S. would propose to undertake to lessen the threat of nuclear weapons proliferation. If we were to fall off our position in negotiating the Iranian Agreement, our ability to influence the other suppliers would tend to be undercut.

SECRET/GDS



SECRET

Setting aside our non-proliferation objectives, we still have to deal with the dilemma that if we were to accommodate Iran by offering an arrangement without special controls on the production of plutonium, we run the distinct risk that Congress, which is already hostile to the idea of nuclear exports to the Middle East, will disapprove the Agreement.

It would be advantageous to complete our negotiation of the Agreement prior to the Shah's visit, so that this would not be an issue between the President and the Shah. At Iran's requests, ERDA and State are sending negotiators to Teheran (leaving the night of the 21st) to try to reach a negotiated settlement on the terms of an Agreement. They need your approval of our position. All agencies (Tab C) agree that:

1. We can agree to include a standard provision allowing Iran to do fuel fabrication of low enriched uranium for itself and for third countries having appropriate Agreements for Cooperation with the U.S. This would allow Iran to start to develop a strong regional position as a supplier of nuclear services in the Middle East without, in itself, constituting a proliferation concern.
2. Regarding the ceiling of the U.S. fuel supply, it is proposed that we modify the draft agreement to reflect a ceiling that would encompass the fueling of all U.S. reactors which might be sold to Iran over the next 15 years; and as a fallback, increase the ceiling to allow the fueling of all reactors contemplated in the Iranian 15-year nuclear program, with the proviso that the fuel represents Iran's entitlement from their proposed investment in enrichment facilities in the U.S. Any entitlement above Iran's domestic needs could be disposed of by Iran without importing the material into that country through sales from the United States to appropriate third countries with whom the U.S. has bilateral Agreements for Cooperation. It is believed that the above position will adequately address Iran's interest and should remove this issue from contention.
3. Regarding the U.S. position on chemical reprocessing (plutonium production) of U.S. fuel in Iran, it is proposed that we maintain our current position which provides for U.S. approval before Iran can reprocess spent fuel of U.S. origin. We will of course point out that we are establishing the general precedent of requiring mutual agreement as to the location of such reprocessing as a basis for all future U.S. Agreements for Cooperation, even those for NPT parties. We have already tried to mitigate the effect of our position by offering Iran an accompanying note to the Agreement indicating our strong

SECRET/GDS

sympathy to the desire of Iran to develop a full nuclear capability and indicating that we would be favorably disposed to a reprocessing plant if the facility were intended for regional purposes and had multinational ownership.

All Agencies agree that we should continue to press for multinational ownership, particularly since this point has not been notably bothersome to Iran and, in itself, will not greatly affect the negotiation. Further, as a fallback, we could inform the Iranians that we are prepared to approve reprocessing in a multinational plant in Iran if the supplier of the facility were a full and active participant in the plant, and holding open the possibility of U.S. participation. (ERDA also suggests we consider requiring U.S. participation in any reprocessing plant. State correctly points out that other suppliers would interpret this as an attempt on our part to monopolize nuclear commerce with Iran. This suggestion is not incorporated in the draft NSDM.)

In order to maintain some U.S. control, and as a further inducement, we would express a willingness to explore cooperation with Iran in establishing such a facility at an appropriate time should Iran so desire.

By maintaining the degree of control implied in the above provisions, we have a fighting chance of obtaining Congressional approval. Although, given the mood of Congress today regarding nuclear exports, we cannot be sanguine. The above position seems to be a defensible course which will serve our non-proliferation objectives and should meet most of Iran's legitimate concerns. If their problem is one of optics and pride, however, we may find that the negotiations cannot be completed next week at Teheran and the issues may have to be examined again.

Bob Oakley and Jan Lodal concur.

RECOMMENDATION:

That you approve the ~~instructions~~ to our negotiators and sign the NSDM at Tab A.

SECRET/GDS

REPORT OF THE NSSM 219 WORKING GROUP  
NUCLEAR COOPERATION AGREEMENT WITH IRAN

PROBLEM

NSSM 219 dated March 14, 1975 requested a study of the issues involved in reaching an acceptable Agreement for Cooperation with Iran concerning nuclear cooperation. While negotiations are proceeding a number of key issues remain unresolved. Accordingly, this paper reviews the current situation and possible options for the U.S. to consider.

In brief, we are facing a serious dilemma since we are proposing to Iran more rigorous controls over plutonium than we have heretofore included in our other agreements including those with states that are not party to the NPT. While these special safeguards might be satisfactory to Congress they are proving unacceptable to Iran since the GOI views them as discriminatory, in light of her status as an NPT party. Our problem, therefore, is devise a formulation that will prove acceptable to both Iran as well as prospective Congressional critics while preserving our non-proliferation objectives.

BACKGROUND

Iran is embarking on a major 20,000 MW nuclear power program and is interested in acquiring half of this capacity (or about 6 to 8 major nuclear power plants) from the United States. The estimated revenues to the U.S. from this arrangement is \$6.4 billion, taking into account reactor components, fuel supply and related services. The GOI also is prepared to contribute to 20% of the cost of the proposed UEA private enrichment plant. This would represent a flow of roughly an additional \$1 billion to the U.S. should the UEA plant actually materialize.

Iran has decided now to introduce nuclear power to prepare against the time - about 15 years in the future - when Iranian oil production is expected to begin to decline sharply. The introduction of nuclear power will both provide for the growing needs of Iran's economy and free remaining oil reserves for export or conversion to petrochemicals.

SECRET  
GDS

~~SECRET~~  
GDS

-2-

Our ability to reach a mutually satisfactory agreement with Iran on the proposed nuclear accord is expected to have very considerable political as well as economic importance to U.S.-Iranian relationships, in view of the Shah's interest in seeing Iran move into high-technology fields with U.S. cooperation. Conversely, failure on our part to resolve the remaining issues could have serious short, as well as long-term, adverse effects in our relations, given the Shah's sensitivity towards U.S. attitudes and Iran's strong desires to be treated in a non-discriminatory manner and as a nation that often has supported U.S. interests.

Should we not be able to resolve our differences the Shah is likely to view our unwillingness to treat Iran as we have other NPT parties as a reflection on Iran's stability and the integrity of its commitments as well as an indication that the U.S. cannot be relied upon because of the uncertainties of our political process. We do not discount the possibility that a continued impasse on the accord could result not only in a decision on Iran's part to transfer its nuclear business elsewhere, but also in a more serious deterioration in U.S.-Iranian relationships. Failure to reach agreement with Iran because of insistence on restrictions which may prove unacceptable to them, could injure rather than promote our non-proliferation objectives, by forcing Iran to rely on less cautious suppliers.

At the same time, however, it must be stressed that the USG is now involved in a reassessment of appropriate conditions for nuclear supply, and is discussing such conditions with other nuclear suppliers. The U.S. position in the negotiations with Iran, accordingly, must take these factors fully into account.

There also is urgency to our reviewing and determining the definitive U.S. position on the proposed Agreement if we have any hope or interest in bringing this matter to a satisfactory resolution by mid-May when the Shah arrives. If any issues are still unresolved we can expect the Shah to personally raise them at that time. The GOI has expressed a receptivity to receiving a U.S. team in Tehran during April 20-30 to resume the negotiations and one of the purposes of this study is to facilitate our ability to give the negotiators suitable guidance.

SECRET

### U.S. and Iranian Positions

While Iran has given us comments on several secondary issues, the following key issues are known to remain.

As an element of our growing concerns over nuclear proliferation, we have given Iran a draft agreement that would be more rigorous in controlling plutonium than our past agreements with other countries, but less sweeping than the constraints we proposed to Israel and Egypt. Also, although we have never gone into specifics we have informed key Congressional representatives that the Iranian agreement would be tougher than past U.S. nuclear agreements but not as tough as the Israeli-Egyptian formulations, out of deference to the fact that Iran is a party to the NPT and strong supporter of IAEA safeguards. We can anticipate very critical Congressional scrutiny of any agreement that we might negotiate with Iran based on Congressional concerns over nuclear exports as well as hostility towards the Shah's oil pricing policies.

The key provision at issue between ourselves and Iran is one that would give the U.S. the right to determine where any plutonium produced through the use of U.S. materials and equipment can be reprocessed, fabricated or stored. This is more liberal than the Israeli-Egyptian formulation, which precluded local reprocessing in those troubled countries, but harsher than the agreements we have concluded to date with other nations including those that are not parties to the NPT. To date our agreements have normally provided that the recipient state can reprocess the material it receives subject only to a determination by both parties that the facility would permit adequate safeguards to apply.

In the case of our proposed agreement with Iran we also have sought to temper our request for a veto on reprocessing with a proposed note that would inform the GOI that we would look sympathetically on Iran's request to perform such reprocessing services. We have indicated that one factor favoring U.S. approval would be a decision on the part of Iran to establish any reprocessing plant on a multinational basis with the active involvement of the country helping to establish the facility.

Some believe that a U.S. right to specify where U.S. fuels can be reprocessed should be included in all of our future agreements, since it would provide the U.S.

GDS

-4-

with added and prudent flexibility to deal with the evolving proliferation problem. We also have created an impression that the product of our Iranian agreement might become our future model - especially for our dealings with NPT parties. The proposition of encouraging foreign reprocessing ventures to evolve on a multinational basis is consistent with the line we are currently pursuing with other major equipment suppliers.

Iran, however, has expressed reservations that we should have any such veto rights and desires to be treated no less advantageously than other U.S. partners. More basically she, like others, aspires to acquire her own complete fuel cycle capabilities (including an enrichment capability) and believes that as a party to the NPT she should not be deprived of this opportunity.

When the NPT was negotiated we stressed that the states participating in the Treaty would be treated more advantageously than non-parties. Moreover, we indicated that all legitimate peaceful efforts, including reprocessing, could be pursued so long as they were adequately safeguarded. Thus, our subjecting an NPT party, like Iran, to more rigorous controls could be viewed as undermining the NPT as well as confidence in IAEA safeguards. Also to place our postulated constraints in perspective, it must be stressed that the technology of chemical reprocessing has been unclassified since 1958 and is within reach, at least on a pilot scale, of any determined country with a moderate capability.

Balancing these considerations is a growing recognition that the NPT should be reinforced by the adoption of additive supplier restraints and more selective treatment of countries with whom we cooperate. Other key countries of concern, such as Pakistan, are pressing to acquire some reprocessing capability and some feel that an overly receptive U.S. reaction to Iran's desires, including abandonment of our veto proposal, could detract from any U.S. efforts to discourage such developments. Also, as noted, the reactions our proposals will receive in the Congress could be crucial to the entire exercise.

Despite Iran's present benign attitude towards the NPT and non-proliferation some are concerned over her possible longer-term nuclear weapon ambitions should others proliferate.

SECRET

GDS

-5-

Canada has a nuclear agreement with Iran which gives it a right to approve where Canadian supplied fuels can be reprocessed. Iran, reportedly is not satisfied with this arrangement.

The constraints we have proposed for Iran are consistent with those we are now exploring with other suppliers for application to potentially unstable countries and non-parties to the NPT. We regard our proposed consultations with other suppliers to be a serious endeavor. Accordingly, although it is recognized that other suppliers are not as conservative as we are and that some may not be prepared to accept all of our proposals, we do not wish our position with Iran to undercut these broader consultations even though Iran has joined the NPT. In the course of our consultations with other suppliers we have strongly endorsed the concept, that foreign reprocessing plants should be established on a multinational basis wherever practicable. We have not, however, been explicitly pressing the idea that suppliers have veto rights over the location of foreign plants processing their materials. However, we have cited the Israeli-Egyptian cases as examples of our growing concern with reprocessing.

In contrast to the issue over the veto, Iran appears to give less importance to our proposal that any reprocessing plant should be established on a multilateral basis. Conceivably the Shah might see benefits in hosting a multinational reprocessing plant, perhaps with Pakistan involvement and with some assurance of U.S. technical assistance. Such an approach could establish Iran early as a major reprocessing center, thus deterring national plants in the region and providing economic, political and security benefits to Iran. Some believe, however, that the proposition of urging others to establish their safeguarded plants on a multilateral basis is only marginally useful, bearing in mind that IAEA safeguards already are multinational in character.

Regardless of what course of action we choose, our negotiations with Iran are likely to collapse, with serious adverse effects, unless she can be persuaded that she is not being subjected to discriminatory treatment.

If more rigorous controls were applied to all NPT countries as part of an overall program, Iran might not object if she perceives that her non-proliferation

GDS

-6-

interests, like ours, are being fostered. This, however, will be directly related to how reasonable she construes our proposals to be. Therefore, should we continue to press for more rigorous controls our objective should be to convince Iran that the measures we are proposing will further our common non-proliferation objectives. We should also indicate that rather than discriminating against Iran, we are seeking Iran's assistance to formulating a model which will be the basis for future agreements with other NPT states.

### Fuel Supply

We also are facing some important but hopefully, more soluble issues with Iran concerning other aspects of the proposed fuel supply. Iran desires to receive U.S. material for its own reactor use as well as for fabrication in Iran for use in third countries with whom we have agreements. Since we have readily accommodated such demands in the case of several other agreements we are prepared to meet this latter request.

A more complicated issue relates to the overall quantities of fuel that we should be prepared to furnish to Iran. Basically, three options have been considered. Under the first, we would stand firm on the current 8000 MW ceiling in the draft agreement. Under the second, we would be prepared to raise the ceiling, slightly, to cover only the anticipated needs associated with estimated total U.S. reactor sales. Under the third, we would be prepared to permit sufficient flexibility in the agreement to enable, but not oblige us, to fuel non-U.S. reactors as well. Two significant sub-options have been identified in this latter regard. We could raise the ceiling in the U.S.-Iranian Agreement to as high as 20,000 MW should the GOI press the point. This would cover all of Iran's currently estimated reactor needs. Alternatively the agreement might include a 8000 MW to 10,000 MW ceiling plus a proviso that Iran could receive such additional quantities for use in defined domestic Iranian reactors as represent Iran's contracted share of the product of any U.S. facility in which it invests. Iran's proportionate share (20%) of the UEA facility, which is equivalent to 27,000 MW, would be more than sufficient to enable it to meet all of its own needs.

To place this issue in perspective it should be stressed that the ceilings in our agreements are permissive, and not obligatory, and simply set the outer



limits of what can be transferred. Generally, we have felt that it would enhance U.S. attractiveness as a fuel supplier to be amenable to meeting the needs of foreign reactors regardless of their origin, and thus support our non-proliferation objectives.

If the Iranians press to have the ceiling raised it would appear counter-productive to rigidly adhere to the 8000 MW ceiling since this figure would not even cover the fuel requirements of the 10,000 MW in U.S. type reactors that we hope to sell to that country out of the total 20,000 MW program. This would suggest that as a minimum we should be readily prepared to raise the ceiling to 10,000 MW on the assumption that we would be fueling our own reactors and that Iran's investment in EURODIF would enable it to meet the needs of its German and French reactors. Some believe that this should be our preferred approach, in contrast to raising our ceiling higher, since by raising our ceiling we could "free" Iran's share of EURODIF fuel for other purposes (such as stockpiling or disposition) which might conceivably run counter to our international energy objectives aimed at oil consumer self-sufficiency.

*as indicated*

On the other hand, confining our ceiling to a 8000 MW or 10,000 MW figure would automatically bar the U.S. from competing to fuel a larger share of the Iranian program, and ignores the fact that the ceilings in our agreements are permissive and not obligatory. It would also appear to be inequitable to welcome Iranian investment in the U.S. UEA venture, which may be a crucial factor in allowing the establishment of a ~~primate~~ enrichment industry in the U.S., and not enable Iran to employ her pro-rata share of the UEA capacity for indigenous reactor use. Moreover, any concerns about "stockpiling" could be met by our adopting a policy that would provide that any UEA materials in excess of Iran's indigenous needs, but which she owns, would flow directly from the UEA plant to the actual consumer pursuant to an appropriate agreement between the U.S. and the government involved. We might wish to encourage the EURODIF group to adopt a comparable policy.

Based on the foregoing it is recommended that we should be prepared to raise the ceiling in the U.S.- Iranian Agreement beyond 8000 MW should the GOI press the point. Specifically, we should be prepared to modify the agreement to include an 8000 or 10,000 MW ceiling

plus a proviso that, within a ceiling sufficient for 20,000 MW, and within Iran's contracted share of the product of any U.S. enrichment facility, Iran could receive such additional quantities, for use as needed in defined Iranian reactors.

### OPTIONS

The following major options appear available to the U.S. concerning the plutonium control rights that might be included in the proposed Agreement. They assume that the U.S. will adopt a forthcoming attitude on the other fuel supply issues summarized above. It should be noted that several of these represent combinations of several independent variables and that other combinations close to these alternatives can be conceptualized. Accordingly, only general guidance for the U.S. negotiators is being sought at this time.

(1) We could maintain our present position (calling for U.S. approval of whether Iran can reprocess, fabricate or store relevant materials transferred pursuant to the agreement or plutonium produced therefrom), while indicating that the establishment of multinational facilities would be an important factor favoring such approval. We would seek to persuade the Shah that an Iranian initiative along these lines, with possible Pakistan and U.S. involvement, could have many benefits for his country.

### PROS

- Would tend to further minimize proliferation risks in Iran and other cooperating countries. Gives support to concept proposed by U.S. to other suppliers of encouraging multinational plants as mean of reducing proliferation risks.

- Would maximize the chance of favorable Congressional response.

\*NOTE: There are, of course, even more restrictive options available to the U.S.. We could, for example, now seek to impose on Iran the more restrictive conditions that we applied to Israel and Egypt. Alternatively, we might seek to preserve our veto but avoid giving Iran an assurance that we would be prepared to give its request "sympathetic consideration." While these options might appeal to some Congressional elements known to favor more rigorous controls, they are viewed as non-negotiable and hence are not treated in detail.

SECRET  
GDS

-9-

- Helps preserve the several U.S. positions now being explored with the other suppliers.

- Might have a chance of being negotiated if we favorably respond to Iran's other requests concerning fuel supply and if the other suppliers adopt comparable constraints.

- Could be presented as a non-discriminatory action on our part designed to reflect growing anxieties about proliferation.

CONS

- Probably would be rejected by Iran in its current form with potentially serious adverse political and economic effects for the U.S., and would work against U.S. non-proliferation objectives by encouraging Iran to turn to other more permissive suppliers.

- Adds only some marginal non-proliferation inhibitions to those already associated with Iran's NPT and IAEA safeguard obligations.

- Tends to penalize an NPT party, by leaving its declared indigenous fuel cycle ambitions in an uncertain state. Also tends to undermine confidence in IAEA safeguards.

- Might place the U.S. at a commercial disadvantage with reference to other suppliers since it is still highly dubious whether some of our postulated constraints will be accepted as a basis for supplier agreement.

- Overlooks the fact that, with time, Iran probably would be capable of acquiring a modest-pilot scale reprocessing capability on its own regardless of our attitudes.

- Tends to overlook the fact that with the ultimate advent of plutonium recycle and the breeder reactor it will be unrealistic for the U.S. to attempt to control and veto where all U.S. derived foreign plutonium can be used, processed or stored.

SECRET  
GDS

GDS

-10-

*retain right of approval. but*

(2) We could/inform the GOI that we shall be prepared to provide our approval if Iran decides to construct a multinational plant that the parties judge to be safeguardable. We also could express a willingness to explore cooperating with Iran (through technology) in establishing such a facility at an appropriate time should Iran so desire.

PROS

- Has the virtue of enhancing our ability to preserve veto rights in agreements with other countries where we might be less inclined to favor reprocessing.

- Would be far more attractive to Iran by categorically assuring the GOI that U.S. approval would be forthcoming if certain tests are met.

- Tends to promote the concept of multinational facilities now being promoted by the U.S. and other suppliers. Also tends to demonstrate to other suppliers that the U.S. is serious about developing additional devices to help control "sensitive" foreign facilities.

- Allows us to draw distinctions between NPT and non-NPT parties in the implementation of our rights. We could justify our proposed approval of a multilateral plant in Iran largely on the basis that Iran has joined the NPT.

- Still stands a good chance of Congressional support if Congress is more concerned about the proposed new precedent of our having veto rights, than the particular issue of possible reprocessing in Iran.

- By involving possible U.S. cooperation could be more attractive to Iran by giving credibility to our interest in accommodating Iran's interest in acquiring an indigenous fuel cycle capability. Relatedly would give added credibility to our undertaking in Article IV of the NPT to cooperate with NPT parties.

- Could provide the U.S. with substantial leverage over the shape and direction of Iran's

SECRET  
GDS

-12-

reprocessing technology from some worriesome countries.

(3) Retain the explicit U.S. right of veto over reprocessing but drop our multilateral condition. However, concurrently give Iran our general approval, if she agrees to treat any facility processing materials as if it were obtained as a safeguarded facility acquired from the U.S. under our agreement for cooperation. This would help assure that our bilateral safeguards would apply to the plant and its products if IAEA controls are terminated for any reason. It also would be understood that the actual reprocessing would be contingent on the normal mutual finding that the facility is safeguardable.

PROS

- Provides an alternative that has many of the virtues of the options noted above but that might be more attractive to Iran if it does not now wish to committ itself to a multi-lateral venture.

- Might strike Iran as more compatible with its NPT status than the foregoing options since the negotiating history of the NPT suggested that states party to the Treaty would be free to develop indigenous national fuel cycle capabilities if appropriately safeguarded.

- Extracts an important additional safeguard commitment from Iran which is additional to, and independent of, Iran's NPT obligations. Substitutes such an undertaking for a constraint (multilateral plant concept) which some believe to be of only marginal value.

- Can still be defended, however, as providing additive controls over plutonium over and beyond our earlier agreements.

- Preserves the option to impose stricter controls for non-NPT parties.

CONS

- Ignores the fact that the U.S. is advocating the "multilateral plant" criterion in

-13-

its current consultations with other suppliers.

- Could be viewed by Iran and others as an endorsement of the concept that independent national reprocessing plants are acceptable, thereby, weakening our non-proliferation policies.

- Tends to discount or ignore the fact that if Iran withdraws from the NPT she also might abrogate any safeguards undertakings with the U.S.

(4) Drop the U.S. veto over reprocessing, fabrication, etc., if Iran can now give us categorical assurances that such reprocessing will be performed in a bona fide multinational/regional/facility which could be located in Iran. In addition also seek agreement to treat any facility processing U.S. materials as if it were obtained from the U.S. under our agreement. This would help assure that our bilateral safeguards would apply to the plant and its products if IAEA controls are terminated for any reason.

#### PROS

- Stands a high degree of being acceptable to Iran by minimizing implication that Iran is being subjected to discriminatory treatment. Would be more consistent with the agreements we have negotiated to date which contemplate local reprocessing, if the plants can be safeguarded.

- Can still be defended, however, as providing additive controls over plutonium beyond ~~our earlier~~ agreements.

- Preserves option to impose stricter controls for non-NPT parties.

- Is substantively the same, insofar as Iran is concerned, as option 3.

- Preserves our "multinational" plant concept.

- Extracts an additional safeguard commitment from Iran which is additional to

SECRET

-14-

and independent of Iran's NPT obligations.

- Is more compatible with the NPT negotiating history which suggested that adhering states would be free to develop indigenous fuel cycle capabilities if appropriately safeguarded.

CONS

- Stands a considerable risk of being criticized by those Congressional elements hostile to an Iranian agreement or that favor using the postulated Israeli and Egyptian agreement as the new norm.

- Weakens our ability to counter proliferation by prejudicing our ability to include explicit veto rights in agreements with other countries that might give us a greater basis for concern.

- Narrows our position in the forthcoming supplier consultations, should others press to have such veto rights included in agreements.

(5) Accord Iran exactly the same treatment as we generally have given to all other nations save Israel and Egypt. Permit Iran to perform reprocessing in Iran if the parties agree that adequate safeguards can apply to the facility.

PROS

- Avoids subjecting Iran to any discriminatory treatment in this area, thereby assuring successful negotiations.

- Could be represented as a distinct favoring of an NPT party, which in turn, could strengthen the treat.

- Avoids possible criticism that by now seeking to control foreign reprocessing in NPT states we are running counter to Article IV of the Treaty.

- Would still permit us to include some minor additive constraints in the accord, such

SECRET

-15-

as assurances that adequate physical security would apply.

### CONS

- Probably would be rejected by Congress as unresponsive to its increased concern over foreign plutonium production.

- Could be viewed as seriously imprudent and not in conformance with the assurance we gave some Congressmen that additive constraints would be included in the Iranian Agreement.

- Could be viewed by other suppliers as fundamentally inconsistent with other efforts being made by the U.S. to place supplier assistance to foreign reprocessing plants under more rigorous control.

### Congressional Relations

As noted, we anticipate serious adverse Congressional reactions to the proposition of concluding a nuclear agreement with Iran. Even with the present U.S. position, (option 1) some believe that Congressional approval will be difficult to obtain, and that any relaxation from this position could increase the difficulty. Under these circumstances, therefore, and regardless of the option that is selected, a fairly high-level and intense series of consultations with Congress will be required on our part to assure that the product of the negotiations receives a satisfactory reception.

### Timing

If the U.S. selects an option that Iran is judged likely to accept (i.e., certainly option 5 but possibly other options short of option 1), we could attempt to conclude our negotiations before the Shah's visit. On the other hand, whatever option is chosen, there are reasons to consider delaying a final negotiation with Iran until we know how the principal other suppliers view our postulated new export policies. The pros and cons of this procedural, as contrasted to substantive, approach are set forth below.

### PROS

- Would tend to assure that our posture



-16-

with Iran is not undermined by more liberal policies of other suppliers.

- Could serve to moderate our position if we learn that we stand alone in advocating some constraints.

- Could be justified to Iran as a deliberate effort on our part to assure that she is not subjected to any discriminatory treatment.

CONS

- Might be viewed by the Shah as particularly provocative and dilatory on our part, given Iran's forthcoming attitude in proposing to invest in the U.S. UEA project.

- Might jeopardize the entire agreement as well as U.S.-Iranian relationships if Iran is determined to move quickly in its nuclear program.

- Might afford those suppliers, (i.e., France and the FRG) who are adhering to more flexible arrangements, an opportunity to capture our market.

- Discounts the possibility that we might be able to reach a mutually acceptable arrangement with Iran.

- Might be viewed by Iran as an effort on our part to limit their options with other suppliers.

SECRET  
GDS

THE DEPUTY SECRETARY OF STATE  
WASHINGTON

SECRET

MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT  
FOR NATIONAL SECURITY AFFAIRS

Subject: Department of State Response to  
NSSM 219 (Nuclear Cooperation  
with Iran)

The Department of State has reviewed the report of the NSSM 219 working group on nuclear cooperation with Iran. The Department recognizes the necessity and the difficulty of the desire to conclude a nuclear agreement with Iran at the earliest possible date, while at the same time maintaining our nuclear non-proliferation principles and objectives. Compounding the dilemma facing the United States is the fact that these two potentially conflicting goals are converging at the same time, with the Shah's visit scheduled for May and a nuclear suppliers' conference on strengthening export policies meeting initially in late April.

It is our view that our forthcoming negotiations with Iran can prove to be extremely important to our relationships with that country as well as to our non-proliferation objectives. We believe that Iran is likely to view its ability to successfully conclude a nuclear agreement with this country as a fundamental test as to whether it can cooperate with the U.S. in high-technology areas. Iranian perceptions that we are treating the GOI in a rigid or discriminatory manner could have an adverse effect on our relationships.

SECRET  
GDS

SECRET

-2-

Iran's concern over the present U.S. nuclear cooperation agreement center primarily in the areas of nuclear fuel supply and chemical reprocessing. The Department believes that the U.S. can and should accommodate virtually all of Iran's concerns in the former area, but does not believe that the U.S. should move substantially beyond its current position as regards chemical reprocessing -- given the more significant proliferation implications associated with this area -- in the coming round of negotiations.

On the question of fuel supply, the Department agrees with the NSSM 219 study that Iran should be given authority to perform fabrication services utilizing low enriched uranium fuel for third countries. With respect to the fuel ceiling, the Department recommends that the ceiling be raised to 27,000 MW to accommodate the proportion of Iranian output it might be entitled to receive from financial participation in a U.S.-based enrichment plant. Excess fuel above the level needed for Iran's domestic reactor program could be disposed of by Iran without importing the material into that country through sales from the United States to appropriate third countries with whom the U.S. has bilateral agreements for cooperation. It is the Department's view that this modification would be applicable to possible Iranian participation in a publicly-owned enrichment plant in the United States as well as a privately-owned plant.

On the question of chemical reprocessing, (and plutonium fabrication and storage which we assume would be treated comparably), the Department recommends that the United States adopt a strategy which would first seek to conclude an agreement based on the present U.S. position as described in Option 1, in an effort to persuade the Iranian Government of the economic, political, and other benefits associated with a possible multinational reprocessing facility located in that country. If the GOI continues to vigorously oppose concluding an agreement based on our existing reprocessing approach (despite the fact that the U.S. would have been extremely forthcoming in the area of nuclear fuel supply), the Department

SECRET

SECRET

-3-

recommends that the U.S. should only then move to the more forthcoming reprocessing approach described in Option 2 of the NSSM 219 study.

The Department bases its position on the premise that that it is important if not essential for the U.S. both to retain its right of veto over reprocessing of U.S. materials and the concept that multinational reprocessing plants make sense both economically and from a non-proliferation standpoint. This latter point is particularly significant since we are now seeking common agreement to reduce proliferation risks in crucial countries (such as Korea, Pakistan, and Brazil) where reprocessing is of major concern, and have given proposals to other suppliers calling for consideration of multinational plants as a means of reducing these risks. Other key suppliers, including the FRG and France, have expressed willingness to explore multinational approaches to reprocessing and enrichment. A concession by the U.S. at this time in the case of Iran would weaken our position in supplier consultations.

Equally important, we believe that the multinational plant concept reduces the potential proliferation dangers in Iran itself, given the uncertainty over that country's long-term objectives despite its NPT status, particularly if the U.S. is one of the participants. The possibility of U.S. technical cooperation with Iran is constructing an eventual multinational plant would further help in this regard by making it feasible to ensure that bilateral U.S. safeguards would remain on that plant regardless of Iran's remaining a party to the NPT and continuing to accept IAEA safeguards -- an additional constraint which is in fact proposed as an additive constraint under Option 3. In order to minimize perceptions by other suppliers that the U.S. is seeking commercial advantage, we suggest that the possibility of exploring U.S. reprocessing assistance to Iran at a future date be conveyed to Iran if necessary but be given a low public profile and not be case as an early or definitive commitment.

SECRET

SECRET

-4-

The Department believes that, if discussed in the spirit of constructive cooperation, the recommended approach has a reasonably good chance of being negotiated with Iran. It is possible that the Shah might react positively to this approach. As an NPT country, he would be more assured of obtaining a reprocessing capability (albeit multinational) and of becoming a center for such activities and might see certain security as well as economic benefits of attracting the participation of other nations in the region, such as Pakistan, in this endeavor. The multinational concept would not preclude a bilateral U.S.-Iran arrangement with substantial supplier involvement.

If the GOI balks at our position, we would suggest that the Iranian Government be informed of the low prospects of Congressional approval of any weaker formulation and of the need for this type of formulation in order to further common U.S. and Iranian worldwide non-proliferation objectives, in the hope that the GOI would understand the benefits of accommodating its views to the U.S. position (either Option 1 or Option 2) in order to assure with some confidence the approval of Congress of this agreement which is of mutual economic and political benefit to both nations.

The Department recognizes that Congressional reactions to any movement away from the present U.S. position could be adverse, given perceived proliferation dangers and the present negative attitude toward U.S. arms shipments to the Persian Gulf. Nevertheless, we believe that retention of the U.S. veto, combined with the prospect of a multinational plant with particular focus on direct involvement by the potential supplier in policy decisions and technical operations, would have a reasonably good chance of being approved by Congress, particularly if proper advance consultations were held.

The Department would oppose the U.S. negotiators being given authority to conclude an agreement based on Option 3, which would retain the U.S. veto but concede the prospect of Iran being permitted to reprocess U.S. plutonium in a nationally owned

SECRET

SECRET

-5-

reprocessing plant. Despite the fact that an additive bilateral safeguards condition would be included in this option, we believe that a concession by the U.S. at this time on the concept of multinational reprocessing in the case of Iran would weaken our position with other suppliers in reaching common understandings on special constraints for sensitive exports. It also will raise significant negative reactions from Congress.

Moreover, Iran's primary concern on reprocessing appears to be with the U.S. veto right (which is seen as inhibiting its ability to obtain a complete nuclear fuel cycle under Article IV of the NPT) and not necessarily with a U.S. approval conditioned on multinational reprocessing. Therefore, Option 3 would not seem to be demonstrably more negotiable than Option 2 and may in fact be less negotiable (since it adds a new constraint calling for continuing U.S. bilateral safeguards on reprocessing plants in Iran regardless of who the GOI may choose to assist in the construction of such a plant, as long as U.S. material had at some point been processed).

Similarly and much more strongly, we would oppose the adoption of Options 4 and 5, since these approaches would give up the U.S. veto rights over reprocessing of U.S. plutonium, thus conceding a fundamental principle and precedent in our evolving new approach to agreements for cooperation, harming our position substantially in the nuclear suppliers' activities, and virtually ensuring a Congressional disapproval of the agreement with Iran.

In the event that our negotiating team reaches an impasse over the reprocessing issue during the scheduled discussions in Tehran in the last week of April, the Department recommends that the negotiators return to Washington, informing the GOI that the discussions were only being suspended pending consideration in Washington. This hiatus would thereby afford us the opportunity to review our position prior to the Shah's visit. By that time, we may have additional information from the initial suppliers' conference on the views of other states

SECRET

SECRET

-6-

regarding multinational reprocessing plants. In discussions with the Shah in May, we might be able to persuade him to accept our Option 2 position, although he might well refuse to reach such a compromise. If this situation arises, we might decide either to further modify our position or to reach an understanding with the Shah to defer conclusion of a nuclear agreement until a slightly later date after his visit to the United States.

Robert S. Ingersoll

SECRET




UNITED STATES  
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION  
WASHINGTON, D.C. 20545

CONFIDENTIAL

April 18, 1975

NOTE FOR: NSC - Dr. Elliott

From: Nelson F. Sievering, Jr.   
Assistant Administrator  
International Affairs

U.S.-Iran Agreement for Cooperation --  
Negotiating Position (NSSM 219)

The Administrator has reviewed the NSSM 219 study and options paper. ERDA recommends the following position for the next round of negotiations scheduled for April 25 in Tehran:

I. On enriched uranium supply, the negotiators should:

(a) maintain the ceiling concept in view of our understandings with the JCAE;

(b) be prepared initially to modify the agreement ceiling from 8,000 to a ceiling of 10,000 MWe to reflect the approximate amount of nuclear capacity planned for purchase from U.S. suppliers;

(c) be prepared to increase the ceiling to 20,000 MWe, the magnitude of the presently contemplated Iranian nuclear program, as a fallback position but only with the proviso that the additional enriched uranium represents in whole or in part Iranian entitlement from an investment in an enrichment facility in the U.S.

Note The higher ceiling could result in freeing material Iran obtains from Eurodif for other purposes and it would be desirable to consult with the French on this matter at an appropriate time.

(d) agree to the standard provision for pass-through of material for fuel fabrication in Iran and shipment to third countries having appropriate agreements for cooperation with the U.S.



CONFIDENTIAL - GDS



CONFIDENTIAL

2

II. On chemical reprocessing, the negotiators should:

(a) maintain as a firm requirement, at least for this negotiating session, the multi-national concept and the currently proposed language of Article VIII providing for U.S. approval rights on reprocessing;

(b) as a fallback, agree to provide our approval for reprocessing in Iran if Iran decides to construct a multinational plant that the parties judge to be safeguardable. The negotiators could express a willingness to explore cooperating with Iran (through technology) in establishing such a facility at an appropriate time should Iran so desire. (This option 2 of NSSM 219)

(c) define a currently acceptable multi-national reprocessing concept as one involving effective U.S. participation in the management and operation, or as a fallback, one involving comparable participation by another supplier country of reprocessing equipment;

(d) seek to incorporate in the Agreement provision to treat any reprocessing facility from the standpoint of safeguards as if it had been acquired from the U.S. under our agreement for cooperation (this would also apply to any plant built with U.S. assistance or utilizing U.S. technology).

Please call if you have any questions.

CONFIDENTIAL

ELLIOTT

SECRET  
UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY  
WASHINGTON

OFFICE OF  
THE DIRECTOR

April 16, 1975

MEMORANDUM FOR MRS. JEANNE W. DAVIS  
STAFF SECRETARY, NATIONAL SECURITY COUNCIL

SUBJECT: Comments on the Study of Conditions  
for U.S. Nuclear Cooperation with  
Iran (NSSM 219)

ACDA believes that the conditions and safeguards set forth in the draft Agreement for Cooperation which we have given to Iran represent a careful balancing of the U.S. policy objectives related to this sale. These objectives include strengthening our nuclear and trade ties with Iran, and establishing a sound basis, through provisions in the supply agreement, for assuring that this nuclear supply will be used only for peaceful purposes. Also involved are U.S. policy with regard to other nuclear supply cases, our desire for coordinated policy among nuclear suppliers, our desire to see nuclear industries in other countries evolve in such a way as to minimize mutual security and proliferation concerns, and our need to secure Congressional approval of any agreement negotiated with Iran.

In view of the delicacy of the policy balance described above, ACDA believes that a vigorous effort should be made to persuade Iran that our mutual non-proliferation interests would be well served by agreement on the present draft provisions related to reprocessing of fuel subject to the Agreement, and storage of resulting plutonium. We should point out that we are very interested in establishing the general precedent of "mutual agreement" as to location of such reprocessing and storage as a basis for all future U.S. Agreements for Cooperation (even those with NPT Parties). However, we should emphasize that the present draft provides virtual assurance of our consent

SECRET  
(GDS)

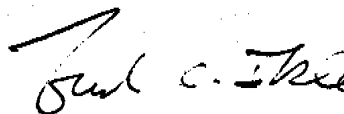
SECRET

- 2 -

to use of multinational facilities in Iran. We should further urge that Iran assume a role of regional leader in avoiding national reprocessing efforts and in suggesting regional solutions to such needs when they arise.

When the above position has been pursued and in the event that Iran categorically rejects this U.S. position, ACDA believes that Option (2) should be considered as a fallback. In expressing a willingness to explore eventual cooperation in a multinational/regional reprocessing venture, we should take care not to imply that a positive decision on such a U.S. involvement has already been taken. We would need to simultaneously explain this position to other nuclear suppliers, in view of our past discussions related to this issue. Also, as shown in the attached specific recommendations for changes in the text of the study, we believe Option (2) should include language assuring that the U.S. can, if it so decides, become a partner in any multinational plant in Iran used to reprocess or store spent fuel subject to the Agreement.

ACDA concurs in the recommendations related to fuel supply and to fuel fabrication for third countries.

  
Fred C. Ikle

Attachment:

As stated

SPECIFIC ACDA COMMENTS ON THE NSSM-219 TEXT

Page 1, 2nd Para, we suggest the first sentence read:

"In brief, we are facing a serious dilemma since we are proposing to Iran, in light of increased proliferation concerns and our attempts to set constructive nuclear supply policy precedents, more rigorous controls over plutonium than we have heretofore included in our other agreements."

Page 4, at the end of the first full para, insert the first paragraph from Page 5.

Page 5, we suggest that the first three sentences read:

"The constraints we have proposed for Iran are consistent with those we are now exploring with other suppliers for general application and particularly for potentially unstable countries. We regard our proposed consultations with other suppliers to be a serious endeavor. Accordingly, although it is recognized that some other suppliers are not as conservative as we are and may not be prepared to accept all of our proposals, we do not wish our position with Iran to undercut these broader consultations."

Page 8, the wording of Option 1 would be more clear if the part in parenthesis read:

"(calling for U.S. approval of where Iran can reprocess, fabricate or store plutonium produced from materials transferred pursuant to the agreement)"

Page 9, the fourth con is redundant with the first, and should be deleted. Also in the first line of the last para delete "with" and in the third line replace "it will be" with "may make it."

Page 10, the second option would be more clear if it read

"(2) We could retain the provision for mutual agreement, but inform the GOI that we shall be prepared to provide approval of reprocessing of material covered by the agreement, if done in a multinational plant that the parties judge to be safeguardable. We also could informally express

- 2 -

a willingness to explore cooperation with Iran in establishing such a facility at an appropriate time should Iran so desire. The note should indicate that the U.S. would be welcomed by Iran as one member of such a multinational plant."

Page 12, in Option 3, in line 4, replace "processing materials" with the following: "reprocessing materials subject to the agreement".

SECRET