

MEMORANDUM

INFORMATION - 3818

## NATIONAL SECURITY COUNCIL

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REFER TO DOS

June 3, 1975

MEMORANDUM FOR: SECRETARY KISSINGER *IBE*

FROM: DAVID ELLIOTT *D.E.*

SUBJECT: Lunch with Jim Lynn on June 4 --  
The Uranium Enrichment Decision

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

It is likely that the pending uranium enrichment decision will be a subject of discussion at your lunch with Jim Lynn on June 4. Talking points appear below. (You are meeting on this topic with the President and his other advisors on June 5 at 2:00 p. m.) :

- The United States' international position in nuclear affairs has degraded substantially over the past year owing to our appearance of unreliability in the supply of nuclear fuel. In large part this is due to the fact that we closed the order book for new enrichment contracts; took no concrete steps to expand our enrichment capacity; and postponed the approval of plutonium recycle, thereby leaving many foreign customers with "conditional" fuel contracts that cannot be filled.
- The result has been to encourage potential customers to go elsewhere, not only for the fuel but for reactors too. In the short run we have cost ourselves many billions of dollars in trade. In the long run, we have contrived to bring our nuclear competitors into existence.
- Our strong nuclear position has, in the past, played a useful role in the pursuit of our broader international energy strategy, and has allowed us to exert the influence necessary to inhibit the proliferation of that nuclear technology which can be used for the development of nuclear weapons.
- The U. S. must reassert itself in the international enrichment market if we are to preserve not only our trade position but our ability to control nuclear affairs. This necessitates immediate action to expand our enrichment capacity and to open the enrichment order book.

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- In a year of intense marketing, the private entrant (UEA) has been unable to launch itself, and it is now time for the Government to build the necessary new capacity. If we persevere with the UEA approach, we run the risk that several months or a year from now the company will fail to come into existence.
- The only action which could make the UEA approach tolerable would be a firm Government guarantee to supply its contract holders. A guarantee of this type would, however, require Congressional approval (not just the approval of the Joint Committee on Atomic Energy) and could well involve protracted debate and additional uncertainty.
- Regarding the impact on the federal budget, it is my understanding that legislation will be introduced by the Administration this month to allow the current Government enrichment plants to charge "commercial rates" for enrichment services. If this passes, as seems likely, the profit derived from these three plants would, in a matter of a very few years, pay for additional Government construction.
- As a matter of public policy, it seems questionable for the Government to be taking extraordinary measures to set up one company in a monopoly position. The ERDA proposal seems more appropriate in seeking to establish a competitive private industry by looking to the several centrifuge companies to simultaneously enter the market two years from now.

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