

DEPARTMENT OF DEFENSE

JOINT CHIEFS OF STAFF

MESSAGE CENTER

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COOPERATION. HEARINGS ON THIS BILL ARE NOW UNDERWAY, AND WE HOPE FOR EARLY PASSAGE. ONCE THE BILL IS PASSED, WE EXPECT TO RESUME NEGOTIATIONS WITH IRAN ON A NEW BILATERAL AGREEMENT FOR COOPERATION.

3. AS EMBASSY IS AWARE, THE DRAFT AGREEMENT WHICH WAS UNDER NEGOTIATION LAST YEAR WAS DESIGNED TO COVER BOTH POWER AND RESEARCH REACTORS AND MATERIALS AND WAS INTENDED TO SUPERSEDE OUR EARLIER AGREEMENTS. WE BELIEVE THAT PROCEEDING ALONG THESE LINES WILL BE THE MOST EXPEDITIOUS WAY TO MEET IRANIAN NEEDS FOR FUEL. HOWEVER,

EVEN WHEN AN AGREEMENT IS CONCLUDED, THE GUIDELINES OUTLINED IN PARA 4, REF B WILL CONTINUE TO APPLY FOR HEU AND WERE, INDEED, FOLLOWED IN THE EUROPEAN AND JAPANESE HEU EXPORT CASES REFERRED TO IN REF A, I.E., PRESIDENTIAL APPROVAL WAS OBTAINED.

4. THE PRESIDENT'S CONCERN ABOUT INVENTORIES OF HEU ABROAD IS THE REASON BEHIND THESE GUIDELINES. GROWING VOLUME OF HEU IN INTERNATIONAL COMMERCE POSES A SPECIAL RISK AS IT IS READILY USABLE IN NUCLEAR WEAPONS. SUCH AN APPROACH IS NOT MEANT TO IMPUGN THE NON-PROLIFERATION INTENTIONS OR QUESTION THE MOTIVES OF COUNTRIES LIKE IRAN. WE ARE CONFIDENT GOI RECOGNIZES THE SERIOUS PROBLEMS ASSOCIATED WITH THE WIDESPREAD USE OF HEU, PARTICULARLY THE POSSIBILITY OF TERRORIST SEIZURE. IT ALSO IS ADMINISTRATION POLICY TO UNDERTAKE EFFORTS TO IDENTIFY PROJECTS AND FACILITIES WHICH MIGHT BE CONVERTED TO THE USE OF LOWER ENRICHMENT LEVELS OF U-235. THE TECHNICAL ASPECTS OF SUCH A PROGRAM ARE CURRENTLY UNDER STUDY.

5. IN THE MEANTIME, AS NOTED IN PARA 5 REF B, APPLICATION WILL BE KEPT IN SUSPENSE. GENERAL ATOMIC APPLIED FOR THIS INCREASED QUANTITY OF HEU IN ORDER TO REPLACE EXISTING TYPE FUEL ELEMENTS IN TEHRAN RESEARCH REACTOR WITH TRIGA-TYPE FUEL AND STEP UP POWER LEVEL FROM 5 TO 10 MW. REFUELING IS SCHEDULED FOR MID-1978, BUT GENERAL ATOMIC FILED APPLICATION WELL IN ADVANCE SINCE MANUFACTURE OF FUEL ELEMENTS NORMALLY TAKES ABOUT ONE YEAR AND GENERAL ATOMIC WOULD PREFER LICENSE APPROVAL BEFORE STARTING MANUFACTURE.

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6. SHOULD THE GOI RAISE QUESTIONS ABOUT DELAY IN APPROVAL OF THE HEU EXPORT LICENSE, YOU MAY POINT OUT PROBLEM OF CEILING IN PRESENT AGREEMENT AND OUR EXPECTATION THE ISSUE WILL BE ADDRESSED IN NEGOTIATIONS FOR NEW BILATERAL. YOU MAY ALSO PROVIDE BACKGROUND CONTAINED IN PARA 4 ABOVE ON OUR NON-PROLIFERATION CONCERNS ASSOCIATED WITH HEU. CHRISTOPHER

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