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THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

8 SEP 1976

Dr. Robert W. Fri
Chairman, Nuclear Policy Review Group
The White House
Washington, D.C. 20500

Dear Dr. Fri:

(C) The Department of Defense supports the following recommendations contained in the draft policy review produced by your group:

- Endorsement of a storage program for excess sensitive material under IAEA auspices to include strengthening IAEA safeguards and physical security arrangements.
- A firm policy on restraints upon nuclear exports and sanctions upon restraint violators.
- Public pronouncements on the seriousness of nuclear agreement violations and further proliferation.
- Diplomatic consultations seeking a multilateral agreement to suspend or terminate cooperation with any non-nuclear state acquiring or testing a nuclear device.

(C) The production of plutonium by any additional nations would definitely be inimical to our national security interests. Although the U.S. cannot prevent reprocessing, we should make every effort to attempt to control national reprocessing. We support both government assistance to domestic reprocessing and waste management and development of alternative technologies.

(C) Many nations who view U.S. world power as diminishing may perceive their own long-term security interests in jeopardy and some appear to be turning to nuclear weapons acquisition as an alternative security guarantee. Provision of assured nuclear assistance and guaranteed reactor fuel supply, combined with adequate security assistance, will contribute to allaying these nations' concerns about their own need for reprocessing and plutonium.

(U) The Chairman of the Joint Chiefs of Staff concurs with me on this matter.

Sincerely,

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Classified by _____
SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE OF
EXECUTIVE ORDER 11652. AUTOMATICALLY DOWNGRADED
AT TWO YEAR INTERVALS. DECLASSIFIED ON 31 Dec 82

SEC DEF CONTR No. X-2606

THE WHITE HOUSE
WASHINGTON

September 24, 1976

Dick -

Non-Proliferation and Nuclear
Fuel Legislation

Attached arrived at 8:30 P.M. I have no idea what Jack Marsh, Max Friedersdorf or Jim Connor recommend.

We are giving you the original to take on the trip but recommend you hold on to it until we sort out what other members of the senior staff think on this issue.

Jim Cavanaugh

*at 9:05 Jim Cavanaugh
decided not to send
but continue staffing x*

THE WHITE HOUSE

WASHINGTON

September 24, 1976 (10PM)

MEMORANDUM FOR: JIM CONNOR
FROM:  GLENN SCHLEEDE
SUBJECT: DECISION MEMO ON NUCLEAR
LEGISLATION

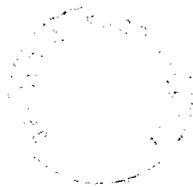
We were unable to reach Frank Zarb until a few minutes ago to get a vote on the nuclear legislation memo.

He asked me to record him -- if it's possible to do so at this time -- as favoring going ahead with a public statement early Saturday on the importance on non-proliferation legislation and the NFAA and then taking another look Monday at the situation. At that time, we could send a signal to Percy that the Fri clause on uranium enrichment was essential; that is, approach outlined in Alt. #2.

The President decided earlier today to make a major U.S. policy statement next week concerning the problem of nuclear proliferation. He plans to announce a number of actions to encourage other nations to adopt tough standards -- like those of the U.S. -- to prevent theft or diversion of nuclear materials for making nuclear explosives.

He expressed great satisfaction that the Senate today decided to take up next week the Nuclear Fuel Assurance Act which is essential to ^{maintain} the U.S. role as a major supplier of nuclear fuel and equipment for peaceful ^{critical to achieving} ~~purppses~~ purposes -- and thus ^{critical to achieving} to our non-proliferation objectives

He indicated that his meeting last week with Senate and House members on non-proliferation had paid off. Agreement has been reached on compromise language for the non-proliferation legislation which will clear the way for Senate action on this bill next week also.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 24, 1976

Time:

FOR ACTION:

cc (for information): Jim Cavanaugh

Jack Marsh
Max Friedersdorf

FROM THE STAFF SECRETARY

DUE: Date: Quick Turnaround Pls

Time:

SUBJECT:

Memo from Jim Cannon, Jim Lynn and
Brent Scowcroft
re: Non-Proliferation and Nuclear Fuel
Legislation



ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

The original of this was given to the P
Dick Cheney with the promise that we would
obtain staff recommendations - therefore -
the request for a quick response. Thank you.

Zarb - go ahead w/ public statement (see attached)

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a
delay in submitting the required material, please
telephone the Staff Secretary immediately.

Jim Connor
For the President

IMMEDIATE
PRECEDENCE

UNCLAS
CLASSIFICATION

FOR COMMCENTER USE ONLY

FROM: JAMES E. CONNOR

TO: DICK CHENEY
TERRY O'DONNELL

INFO:

DEX _____

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PAGES 5

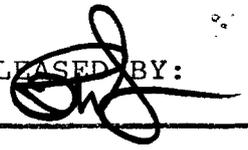
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SPECIAL INSTRUCTIONS:

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THE WHITE HOUSE
WASHINGTON

September 27, 1976

DICK CHENEY
TERRY O'DONNELL

Non-Proliferation and Nuclear
Fuel Legislation

Attached decision paper for your review.

Jim Cavanaugh

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM CANNON JIM BYNN
BRENT SCOWCROFT

SUBJECT: NON-PROLIFERATION AND NUCLEAR
FUEL LEGISLATION

When you met with Senator Percy and others on September 17, you stated that you would urge Senator Baker to remove his hold from the Senate non-proliferation bill if (a) the NFAA was scheduled for Senate action under a time agreement, and (b) an acceptable non-proliferation bill was negotiated.

NON-PROLIFERATION

Bob Fri believes he has reached agreement with Percy on a reasonable bill. Detailed language must be worked out and Senator Percy must sell the compromise to his colleagues.

Senator Baker is maintaining his hold, but indicates he will be guided by your wishes. Senator Percy may attempt to bring up his compromise next week. Even if it passes the Senate, it is unlikely to pass the House.

Anderson and Price have introduced their non-proliferation bill (H.R. 15419) -- which ERDA and State believe is acceptable -- but there is no chance that it will be taken up by the House.

NUCLEAR FUEL ASSURANCE ACT

- . Senate Outlook. Today, the NFAA was put on the Senate calendar for next week but the opponents probably will try to table it again. Estimate of those opposed now ranges from three to six (Proxmire, Clark, Durkin, McGovern, Abourezk and Glenn). Senator Percy insists that it is not possible to move the NFAA. Industry and labor supporters of the bill are focusing their attention on 27 democratic Senators who are known to

support the bill -- with the objective of getting Senator Byrd to debate the bill even though there is opposition. Industry and labor supporters are contending that Glenn, Abourezk, and McGovern have or will remove their "holds."

- . Percy Compromise. Senator Percy has proposed a compromise approach to uranium enrichment:

- 1) Dropping the NFAA as it passed the House;
- 2) Add to his non-proliferation bill, language to:
 - Authorize the Portsmouth plant;
 - Authorize you to submit a detailed plan for encouraging the private uranium enrichment industry, "including a discussion of specific terms" of proposed cooperative agreements with private firms. The plan would be referred to the JCAE and that Committee would have 60 days to give its views and recommendations to each House of Congress together with legislation to implement their recommendations. (Bob Fri believes this would permit proposing contracts and authorizing legislation at the same time as the plan.)

Fri has proposed, but Percy has not accepted, a further clause that requires an up or down vote on the JCAE recommendations within 30 legislative days. Fri believes Percy would push for this clause if you insisted it is necessary.

Except for the disputed clause, the compromise provides no new authority. Specifically, authority for Portsmouth will be provided in the ERDA Authorization Bill even without the NFAA and you can submit reports, plans, proposed contracts and draft legislation anytime.

ALTERNATIVES

There are three principal alternatives available for your consideration:

- . Alt #1. Hold to the proposal you presented to Senator Percy and others on September 17, that you would urge Senator Baker to remove his hold if (a) the NFAA was scheduled for Senate floor action under a time agreement, and (b) non-proliferation legislation acceptable to you was negotiated with Senator Percy and others.

- Principal arguments for this approach are that:
 - (a) it is a logical position in that U.S. ability to get other nations to accept our non-proliferation goals depends upon our reliability as a supplier of uranium enrichment services; and (b) it is consistent with the position you presented to Senator Percy and others.

- Principal argument against this approach is that you will be open to the charge of obstructing non-proliferation legislation and you may not get the NFAA anyway.

- . Alt. #2. Endorse the Percy compromise approach which adds some kind of uranium enrichment provisions to the non-proliferation bill.
 - Principal arguments for this approach are that:
 - (a) you would be postured in favor of non-proliferation legislation and willing to compromise or give in on uranium enrichment,
 - (b) it ties non-proliferation and at least some reference to private uranium enrichment together, and (c) it may be the only chance of getting any Senate legislation referring to uranium enrichment this session.

 - Principal arguments against this approach are that: (a) it would remove all possibility of getting a vote next week on NFAA, and (b) depending upon the language on uranium enrichment that is added to the non-proliferation bill, the result may be less acceptable than merely accepting defeat of the NFAA for this session and submitting a new proposal in January.

- . Alt. #3. Accept the non-proliferation legislation without any provision for uranium enrichment, urge Senator Baker to remove his hold, and let the NFAA live or die this session separately from non-proliferation.
 - Principal arguments for this approach are that it (a) postures you in favor of non-proliferation legislation, (b) leaves options open on uranium enrichment for next session, and (c) puts the Senate, at least, on record as to appropriate nuclear export criteria -- a move that may head off NRC promulgation of less acceptable criteria.

 - Principal arguments against this approach are that it (a) is a reversal of the position you have taken with the Senators with respect to the NFAA, and (b) it foregoes whatever gains

might be achieved if Percy is able to sell the vote forcing clause on uranium enrichment that Bob Fri has proposed.

It may be possible to mitigate the negative effects of holding fast to Alt. #1 by (1) sending a strong letter on non-proliferation to the Senate, and/or (2) proceeding promptly with a major statement on non-proliferation. The critical importance to non-proliferation of expanded uranium enrichment capacity should be emphasized.

RECOMMENDATIONS

OMB*, Alt. #1. Maintain hold on non-proliferation legislation unless NFAA is taken up.

ERDA, NSC**, State**, Alt. #2. Accept Percy compromise.

Domestic Council Alt. #3. Sever relationship between NFAA and non-proliferation legislation

* OMB favors Alt. #1 with the mitigating step outlined above. OMB notes that the Fri clause on uranium enrichment provides very little unless it permits ERDA to sign contracts if Congress fails to act.

** Alt. #3 is a fully acceptable alternative to NSC and State.

THE WHITE HOUSE
WASHINGTON

[27/76]

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BRENT SCOWCROFT

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