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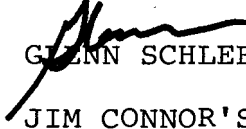
MEETING WITH JIM CONNOR AND
GENERAL SCOWCROFT
(Schleede also attending)
Tuesday, June 29, 1976
3:30 p.m.
Connor's Office



THE WHITE HOUSE

WASHINGTON

June 29, 1976

MEMORANDUM FOR: JIM CANNON
FROM:  GLENN SCHLEEDE
SUBJECT: JIM CONNOR'S 3:30 MEETING ON NUCLEAR MATTERS.

I understand that the 3:30 meeting in Connor's office is to discuss:

- . (a) the memo to the President that you and Brent Scowcroft signed (TAB A) -- which has not gone to the President
- . (b) Bob Seaman's letter which is attached to your memo at TAB A, and
- . (c) a memo from Jim Lynn which apparently suggests that the memo from you and Brent Scowcroft not go to the President until there is a plan developed and resources committed and carried out.

In view of the events in the past ten days, I do not believe the memo you signed should go forward. The events are listed on the next page.

Instead, I suggest that the meeting focus on the following questions:

1. Is a major, integrated effort needed to address current nuclear issues, including nuclear export, proliferation and reprocessing?
2. If so, what should be the scope?
3. Should the effort be one dealing with matters requiring Presidential consideration and action?
4. If so, should we be working towards a Presidential statement or message to Congress? If so, what should be the scope?

5. Recognizing that the issues involved cut across domestic and international policy, where should the responsibility be assigned for getting the issues developed, evaluated and presented in decision papers? Who, specifically, should be charged with developing and executing the plan for getting the work accomplished?
6. Is this a critical area for attention now? If so, what should be the target for getting work done?

Development Over The Past Ten Days

The following has occurred since the completion of the memo which you and Scowcroft signed:

- . The JCAE has held one set of hearings on the Glenn-Percy Nuclear Export Reorganization Act (S.1439). Secretary Kissinger was scheduled to testify today but this has been postponed. Meanwhile, the ERDA General Counsel has been asked by the JCAE Staff Director (on behalf of Chairman Pastore) to develop an alternative bill. The ERDA General Counsel is desperately seeking guidance.
- . The July 13 deadline for JCAE action on S.1439 is drawing near.
- . The Anderson amendment to the ERDA Authorization Bill has been accepted by the Senate. This means that the first nuclear export to any country that has not signed the NPT or is not covered by a Congressionally approved agreement for cooperation must be submitted to the Congress for approval.
- . John Anderson has publicly blasted the "White House" for not moving on nuclear exports (despite my efforts to keep Dave Swanson informed of our concerns about the matter).
- . The NRC decision to approve the export of a reactor to Spain has become public. The strong dissent by Commissioner Gilinsky has drawn considerable attention.
- . Senator Ribicoff has published an article in Foreign Affairs advocating international nuclear market sharing and proceeding with a multi-national reprocessing facility.
- . Agreements for cooperation with Egypt and Israel are ready for submission for Congressional approval -- if the timing is right.

TAB A

6/18/76

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: BRENT SCOWCROFT
JIM CANNON

SUBJECT: POSSIBLE PRESIDENTIAL STATEMENT AND NEW
U.S. INITIATIVES TO REDUCE PROLIFERATION
DUE TO COMMERCIAL NUCLEAR POWER ACTIVITIES

ERDA Administrator Seamans has recommended (letter at Tab A) undertaking a major program to provide nuclear fuel reprocessing in the U.S., permitting foreign participation in this activity, and using this program as the centerpiece of a major Presidential statement on non-proliferation.

The problem of weapons proliferation -- because of greater availability of plutonium from commercial nuclear power plants -- is gaining steadily increasing attention in the Congress, the media, and in the public. There are growing concerns that current U.S. activities to safeguard against diversion of materials from U.S. exports are inadequate. Additional attention will be focused on potential proliferation problems when controversy within the Nuclear Regulatory Commission over exports to Spain and India becomes public next week.

We agree that the time has come for considering new initiatives and, probably, for a major Presidential statement on nuclear export policy and perhaps on nuclear energy. However, we also believe that other aspects of the problem leading to Dr. Seamans' letter need to be considered and that other proposals should also be evaluated as part of a complete response to the current situation.

Tab B provides a broader treatment of the matters raised by Dr. Seamans. It summarizes:

- The current problems;
- Existing measures and activities to control proliferation;
- Recent and upcoming events suggesting the need for action;
- Administration response thus far;
- Possible additional responses.



Tab C is a preliminary outline of the content of a possible Presidential statement.

In view of the complex nature of the issues involved, covering both domestic and foreign policy interests, a number of agencies will need to be involved in developing and evaluating possible initiatives and in drafting a proposed statement. These include: ERDA, State, Defense, NRC, OMB, Commerce, and possibly some other members of the Energy Resources Council.

RECOMMENDATIONS

1. That you direct that work begin immediately to develop and evaluate the potential initiatives described briefly in Tab B, with decision papers presented to you by mid-July.

APPROVE _____ DISAPPROVE _____

2. That you tentatively decide to issue a statement or send a message to Congress in late July or early August on nuclear matters. Depending on the evaluation of possible initiatives, it could be limited to nuclear exports and non-proliferation or a more general nuclear statement.

APPROVE _____ DISAPPROVE _____

3. That you assign responsibility jointly to us (Brent Scowcroft and Jim Cannon) to develop and carry out a plan to accomplish the necessary work, in cooperation with OMB, the ERC, and all of the agencies concerned.

APPROVE _____ DISAPPROVE _____

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

1a

JUN 9 1976

The President
The White House

Dear Mr. President:

I believe there is an opportunity and a need for the United States to take a major initiative to resolve uncertainties that now exist in the nuclear fuel cycle and to reduce the risk of international proliferation of special nuclear materials. This opportunity, if successfully pursued, would complete your evolving nuclear policy and could be the central feature of a major Presidential Message.

Background:

Until recently, Federal nuclear policy: (1) stressed Government funding of enrichment plants; (2) assumed that reprocessing of spent nuclear fuel and recycling of plutonium and uranium would be accomplished in the private sector without Government support; and (3) placed less stress on safeguards against theft or diversion of nuclear material than now seems wise.

Your initiatives in the past two years have substantially reformed this policy. Specifically you have:

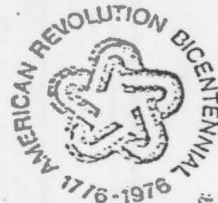
- Limited the Federal role in enrichment by supporting private entry as the best means for assuring additional enrichment capacity;
- Increased Government research in reprocessing and recycling so that safe and secure private facilities could be demonstrated;
- Sponsored a major Government program to demonstrate the safe management and disposal of nuclear waste; and
- Increased stress on materials and physical safeguards at both Government-owned and private facilities licensed by the Nuclear Regulatory Commission.

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These measures will greatly strengthen the nuclear fuel cycle and our controls over the handling and utilization of plutonium in this country. Yet, despite substantial progress, a final and crucial issue remains unresolved -- the need to control carefully the world's supply of plutonium. Among the factors bearing on this issue are:

- A recent court decision most likely will prevent the Nuclear Regulatory Commission from licensing private reprocessing facilities that would produce plutonium for recycled use until approval of the generic environmental statement on mixed oxide fuels, probably years from now.
- Uncertainty is growing among other nations about the United States as a reliable supplier of reactors and fuel because of (1) final decisions on export licenses now rest with the Nuclear Regulatory Commission; and (2) recent amendments to nuclear legislation indicating firm Congressional intent to review individual nuclear initiatives with the private sector.
- Other supplier nations are developing national reprocessing and recycling capabilities, and some are under pressure commercially to sell plants to other countries desiring to build an integrated indigenous nuclear power capability, for example, Iran and Brazil. This trend could multiply the chances of theft or diversion of plutonium and could lead to a dramatic increase in the number of nations with nuclear weapons.
- Multinational regional reprocessing centers have been suggested as a means for minimizing this proliferation. However, the technical, logistical and political feasibility of the idea has yet to be demonstrated.

Recommendation:

I believe the time is at hand for the United States to address this basic issue with a major initiative. Such an initiative might have the following features:

~~SECRET~~



An offer to supplier and consumer states to join with the United States to demonstrate the viability of a multinational reprocessing approach using the United States as the demonstration site. The question of excess plutonium and disposal of nuclear waste resulting from the reprocessing requires further exploration to optimize the attractiveness to both the host and participating nations.

A call upon supplier nations to suspend temporarily the export of reprocessing technology until the multinational centers or other effective controls have been agreed to. I have already suggested this to the Secretary of State in a letter dated May 13, 1976.

- A commitment to employ in the multinational centers and to make available advanced United States safeguards and security technology.

The key to the initiative is a willingness of the United States to offer reprocessing and recycling services to other nations and to open our facilities to international inspection. The facility could well be a new plant or a partially completed private plant at Barnwell, South Carolina that was financed by a consortium composed of Allied Chemical, Gulf Oil Corporation and Royal Dutch Shell. Arrangements for serving foreign needs from this facility would, of course, have to be worked out, however, it is anticipated that the consortium will have an interest in a governmentally-encouraged demonstration.

In any event, the United States could provide some funding and appropriate technical assistance and guarantees for the establishment of an international reprocessing facility in the United States and invite those nations which would utilize the services of such a facility to provide a pro rata share of operating expenses. Of course, a successful international demonstration, under the auspices of the United States, would also materially assist in the development of our domestic reprocessing capability over the long run as increasing nuclear power production results in needed new reprocessing facilities.

~~CONFIDENTIAL~~



Such an initiative could become the centerpiece of a truly comprehensive Presidential policy on nuclear power and non-proliferation.

Decision:

If you approve, I will pursue and intensify work with appropriate departments and agencies to develop a recommended nuclear reprocessing initiative to be available to you as soon as possible.

Respectfully yours,



Robert C. Seamans, Jr.
Administrator

cc: Elliott Richardson

~~CONFIDENTIAL~~



NEED FOR A PRESIDENTIAL MESSAGE ON NUCLEAR
EXPORT POLICY OR NUCLEAR ENERGY IN GENERAL

I. CURRENT PROBLEMS

- A. Growing Congressional, press, and public concern about nuclear weapons proliferation.

Concern is focused primarily upon the greater availability of plutonium which is extracted from "spent" fuel elements removed from nuclear power reactors (i.e., referred to as reprocessing). Concern has continued to grow since India exploded a nuclear device in 1974.

- B. Growing concern that current U.S. activities to safeguard against diversion of plutonium for weapons purposes is not adequate.

Attention is now focused on exports of nuclear materials and equipment. Some feel that existing controls (detailed below) have been barely adequate for safeguarding reactors and are simply not adequate to guard against diversion of separated plutonium.

- C. The U.S. position in the foreign market for nuclear equipment and materials is weakening.

This is resulting from (a) the lack of uranium enrichment capacity, (b) growing strength of foreign competition for nuclear equipment and fuels, (c) uncertainty as to U.S. policy on nuclear exports, and (d) potentially, delays resulting from Nuclear Regulatory Commission (NRC) control of export licenses and growing Congressional review requirements. As the U.S. loses foreign orders to other suppliers, the U.S. also loses its leverage to obtain rigid safeguards agreements.

- D. Perception in the media that the Administration is complacent about potential diversion of plutonium from commercial nuclear power plants abroad.

By contract, Canada recently cut off nuclear relationships with India and appears to be imposing strong safeguards controls in connection with its exports.

- E. Events immediately ahead will exacerbate the above problems, involving NRC and Congress -- particularly with respect to exports to Spain and India. (detailed below.)

II. EXISTING MEASURES AND ACTIVITIES TO CONTROL PROLIFERATION

A. NPT

Approximately 100 nations have signed the Non-Proliferation Treaty (NPT) forswearing activities leading to the proliferation of weapons. Several important nations have not signed, including France and India.

B. Bilateral "Agreements for Cooperation" between the U.S. and about 30 other nations importing nuclear equipment and materials from the U.S.

These agreements specify safeguards that are to be maintained.

C. IAEA

International Atomic Energy Agency establishes safeguards standards and has some inspection capability.

D. Supplier Discussions

State Department is leading negotiations with other supplier nations, seeking agreement to impose more rigid safeguards. There has been some success achieved, but no agreement from other suppliers to restrict their export of reprocessing facilities.

E. New International Convention

The U.S. is leading an attempt to gain agreement to a new international nuclear physical security convention.

F. Pressure on Customer Nations

The U.S. brought pressure on the Government of South Korea to cancel its order with the French for a reprocessing plant and is applying similar pressure on Pakistan to forego acquisition of a reprocessing plant.

III. RECENT AND UPCOMING EVENTS SUGGESTING THE NEED FOR ACTION

A. Nuclear Regulatory Commission (NRC)

The independent NRC now plays a major role in nuclear exports and will attract considerable attention to the international safeguards issue soon.

1. Inadvertently, the final responsibility for approving nuclear exports was allowed to be vested in the independent NRC rather than the Executive Branch. This resulted from the September 1974 law which created ERDA and NRC.
2. The NRC now has before it for approval proposed licenses to export additional fuel for reactors in Spain and India. There appears to be agreement within NRC that additional controls are needed, but there is sharp dispute as to whether additional controls -- beyond those in existing agreements -- should not be imposed as a condition of the exports. The Commission decision apparently will be accompanied by written opinion, making public the strong views of one Commissioner that safeguards in some agreements for cooperation and U.S. vigilance have not been adequate.

B. Congressional

The Congress is asking more questions and tightening controls which will introduce delays and uncertainties. Examples include:

1. In 1974, a law was enacted requiring that all future bilateral "agreements for cooperation" involving significant nuclear exports be submitted to the Congress for a 60-day period of review.
2. Senate Government Operations Committee recently reported a bill (S. 1439) which (a) shifts additional Executive Branch nuclear export responsibility to State Department and the independent Nuclear Regulatory Commission from ERDA and Commerce Department, and (b) makes the Congress the referee in disputes between State and NRC. Bill referred to JCAE and Foreign Relations for 60 days. It could come to a vote this session.
3. The Senate version of the Military Aid Bill includes a prohibition (the "Symington Amendment") against military assistance to countries which furnish or receive nuclear reprocessing or enrichment facilities not under multinational control and which do not have IAEA safeguards on all nuclear facilities. House-Senate Conferees agreed on June 16 to accept the Symington Amendment with a proviso that restrictions could be waived in specific cases upon a finding by the President of overriding national interest, but Congress would then have an opportunity to disapprove.

4. The ERDA 1977 Authorization Bill was amended on the House floor to provide for Congressional review of the first export to any nation that is neither a signer of the NPT nor covered by any agreement for cooperation approved by the Congress under the provisions of the 1974 law listed above.
5. A House International Relations Subcommittee (Zablocki) held hearings on June 10 on an amendment to the Export Administration Act designed to prohibit nuclear exports unless safeguards are tightened.
6. Senator Ribicoff is asking hard questions of the State Department as to whether (a) any U.S. materials were used by India in producing the plutonium used in the device exploded in 1974, and (b) why the U.S. did not respond more vigorously to that event. This whole issue will get even more attention as NRC considers pending export license for India (mentioned in II(a)(1) above).

C. Executive Branch

Dr. Fred Ikle, Director of the Arms Control and Disarmament Agency (ACDA), recently gave a speech revealing his concerns about the adequacy of safeguards to prevent the diversion of plutonium.

D. Other

Presidential Candidate Carter outlined his concerns about nuclear exports and proliferation at the same forum in which Ikle's speech was delivered.

IV. ADMINISTRATION RESPONSE THUS FAR

- A. The Executive Branch has responded to the above in several ways, but the actions (a) have been piecemeal and largely defensive, and (b) appear inadequate in the face of current Congressional and public attitudes. Responses include:
 1. Secretary Kissinger summarized U.S. non-proliferation efforts in testimony in opposition to the Glenn-Percy Bill before the Senate Government Operations Committee. ERDA, ACDA, and other Administration witnesses gave supporting testimony.

2. Informal attempts are being made by State, ERDA, and others to limit the scope of restrictions and of Congressional review requirements in pending bills (e.g., Military Aid and ERDA Authorization).
3. An Executive Order was recently issued setting up procedures for getting a coordinated Executive Branch position (State, ERDA, DOD, ACDA, and Commerce) on nuclear export licenses pending before the NRC. (State Department notifies NRC of the coordinated Executive Branch position.)

V. POSSIBLE ADDITIONAL RESPONSES

Several ideas have surfaced for possible additional responses to the current situation. Each involves significant issues that require evaluation and decision. Possible actions include:

A. Significant hardening of U.S. attitude on nuclear exports safeguards required before exports are permitted.

There appears to be divided views on this. Some probably will argue that past and current controls are as good as can be achieved and/or that tougher U.S. positions, taken unilaterally will not be effective. Others will argue that anything the U.S. can do unilaterally or in cooperation with others that will help reduce the opportunity for proliferation is worth doing, recognizing the threat. Steps that might be considered to achieve a harder and consistent policy include:

1. Strong public message to other supplier nations (France and Germany) emphasizing the need to curb proliferation and urging them to (a) stop supplying reprocessing or enrichment technology to other nations, and (b) adopting more rigorous safeguards requirements.
2. Move to renegotiate safeguards controls under existing agreements for cooperation as a condition for further exports, particularly giving the U.S. a veto on whether and where U.S.-supplied fuel is reprocessed and resulting plutonium retained.
3. Appoint a panel of experts not now involved in U.S. nuclear export activities to review past and current practices and submit recommendations to you for improvements.

- B. Discourage reprocessing (in the U.S. and abroad) until better controls (technological and institutional) can be worked out.

If this policy approach were to be taken, consideration would have to be given to:

1. Expanding storage for "spent" fuel elements, possibly making storage available to other countries.
2. "Buy back" of spent fuel elements from other countries.
3. Finding ways to replace the energy value of the plutonium and unused uranium in the spent fuel elements (which is in the range of 10-30% of the total energy value if reprocessing and recycle of plutonium was permitted).
4. Other incentives to discourage the separation of plutonium through reprocessing.

- C. As a means to discourage the spread of reprocessing centers, provide U.S. reprocessing services to foreign countries.

No U.S. capacity in operation now.

1. Assist U.S. industry in demonstrating reprocessing and related technology (plutonium conversion, waste handling, safeguards). Such a program is contemplated in the President's 1977 Budget for coverage in a 1977 Supplemental Request.
2. Urge or require U.S. firms planning to provide reprocessing services to dedicate a portion of their capacity to serve foreign needs, thereby potentially satisfying foreign needs for many years without the construction of reprocessing plants abroad.
3. Go beyond #2 above by offering to allow other governments to participate in the operation of the first expected reprocessing plant (Barnswell, South Carolina) as a demonstration of the concept of a multi-national reprocessing center.

D. Propose international storage for excess plutonium

IAEA has authority to establish repositories for excess nuclear materials. The U.S. could propose that this authority be implemented, that all nations store excess plutonium in such repositories and indicate that the U.S. would participate with a deposit of its excess plutonium.

E. Strengthen IAEA Safeguards

1. Make available advanced U.S. safeguards technology to other nations and the IAEA.
2. Consider further strengthening of IAEA safeguards, expanding the proposal for a \$5 million - 5 year voluntary U.S. contribution announced by the President on February 26, 1976.

DRAFT OUTLINE FOR THE CONTENT OF A STATEMENT ON NUCLEAR
EXPORTS (WHICH COULD BE EXPANDED TO
A STATEMENT ON NUCLEAR ENERGY)

A. BASIC OBJECTIVES

1. Prevent further proliferation of nuclear weapons.
2. Make nuclear energy available for peaceful uses particularly to reduce the current excessive, reliance on petroleum.

B. POLICIES WE HAVE FOLLOWED

1. Promote signing of the NPT.
2. Require safeguards in agreements for cooperation with countries seeking nuclear equipment and materials from the U.S.
3. Serve as a reliable and competitive supplier of nuclear reactors and fuel, which provides leverage for imposing rigid safeguards requirements.
4. Urge other supplier nations to impose rigid safeguards as conditions of export.

C. STEPS NOW BEING TAKEN

1. Urging other supplier nations to withdraw from any plans to provide enrichment or reprocessing plants or technology to other countries.
2. Urging nations that have ordered or are seeking to order reprocessing plants to discontinue such activities.
3. Promoting the concept of a "multinational reprocessing center" in a effort to forestall the spread of reprocessing plants, particularly in non-nuclear weapons nations.
4. Ask Congress to approve a \$5 million contribution to IAEA over the next 5 years to strengthen safeguards.

D. RECENT ADVANCES

1. Nuclear Fuel Assurance Act, providing framework for expansion of uranium enrichment capacity in the United States (assuming the bill passes).
2. Agreements by other supplier nations to tighten safeguards.
3. South Korean cancellation of order for a reprocessing plant.
4. Japanese signing of NPT.

E. POSSIBLE NEW INITIATIVES

(Outline in more detail on pages 5 to 7 of the paper describing the need for a Presidential message.)

1. Significant hardening of U.S. attitude on nuclear export safeguards, with a clear statement of U.S. policy.
 - ° Strong message to other supplier nations urging (a) moratorium on reprocessing and enrichment technology exports and (b) more rigorous safeguards.
 - ° Negotiate tighter safeguard controls over existing agreements for cooperation.
 - ° Appoint a panel of experts to review U.S. nuclear export policy.
2. Discourage reprocessing (in the U.S. and abroad) until better controls (technological and institutional) can be worked out.
 - ° Expand storage for spent fuel elements.
 - ° Buy back of spent fuel elements from other countries.
 - ° Replace energy value of plutonium and uranium in spent fuel.
3. As a means to discourage the spread of reprocessing centers, provide U.S. reprocessing services to foreign countries.
 - ° Assist U.S. industry in demonstrating reprocessing.
 - ° Urge or require U.S. reprocessing firms to serve foreign needs.

- Offer to allow other Governments to participate in the operation of U.S. reprocessing facility -- as a multinational reprocessing center.
- 4. Propose international storage for excess plutonium.
- 5. Strengthen IAEA safeguards.
 - Make available advanced U.S. safeguards technology.
 - Further strengthening of IAEA safeguards resources.

THE WHITE HOUSE

ACTION

WASHINGTON

June 22, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: BRENT SCOWCROFT *B*
JIM CANNON *Jim*

SUBJECT: POSSIBLE PRESIDENTIAL STATEMENT AND NEW
U.S. INITIATIVES TO REDUCE PROLIFERATION
DUE TO COMMERCIAL NUCLEAR POWER ACTIVITIES

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APPROVE _____ DISAPPROVE _____