Foreign Policy

THE SHAH'S ATOMIC DREAMS

More than three decades ago, before there was an Islamic Republic, the West sought desperately to prevent Iran's ruler from getting his hands on the bomb. New revelations show just how serious the crisis was -- and why America's denuclearization drive isn't working.

BY ABBAS MILANI | DECEMBER 29, 2010

Of the many inaccuracies and obfuscations of the Iranian nuclear negotiations, one of the most persistent has been the claim that, in questioning the ultimate goals of the Islamic Republic's nuclear program, the West is seeking to enforce a duplicitous double standard. According to this line of rhetoric, Mohammad Reza Pahlavi, the last shah of Iran, was a Western ally -- or, in the language of the regime, a "lackey" -- and thus America and Europe were willing and eager to help him get not one, but many, reactors. But since the creation of the Islamic Republic in 1979, these critics allege, Iran is being singled out and persecuted. In 2006, Iranian President Mahmoud Ahmadinejad **told** *Der Spiegel*, "It's interesting to note that European nations wanted to allow the shah's dictatorship the use of nuclear technology.... Yet those nations were willing to supply it with nuclear technology. Ever since the Islamic Republic has existed, however, these powers have been opposed to it."

Even some progressive intellectuals in the West have bought into this story,

either supporting the regime's program or at least criticizing the U.S. stance on Ahmadinejad's current program as hypocritical given its past lenience toward the shah. The U.S. government itself, in what must be considered an inexplicable failure of public diplomacy, has never challenged this narrative -- although it has access to hundreds of pages of documents that disprove the regime's allegations.

In fact, Washington was involved in a long-standing and frequently behind-the-scenes diplomatic tussle with the shah over the purpose of his nuclear program. Recently declassified documents from the Carter and Ford presidential libraries; the departments of defense, energy, and state; and the National Security Council (NSC) show that every element of today's impasse between the U.S. government and the Islamic Republic was also present in the negotiations with the shah. These range from Iran's insistence on its Nuclear Non-Proliferation Treaty (NPT) right to a "full fuel cycle," its complaint that the United States was singling it out for guarantees no other country was required to give, and finally the U.S. offer to make Iran part of an international consortium to enrich uranium outside Iran, the so-called "Russian solution." The shah repeatedly insisted that at least he did not want a nuclear bomb -- yet he was adamant that Iran not be treated as a second-class citizen. These negotiations, details of which have not been published before now, don't just expose the regime's lies about the alleged U.S. double standard, they also offer a useful guide for Western negotiators in navigating the

waters of Iranian nationalism, both real and feigned.

Iran's nuclear program began in 1959 with a small reactor given by the United States to Tehran University as part of the "Atoms for Peace" program announced by President Dwight D. Eisenhower in December 1953. But that only whetted the Iranian monarch's appetite: With his increased oil revenues, and with his new vision of Iran as the hegemonic force in the region, a nuclear program became for Shah Pahlavi the symbol of progress and power. He summoned Akbar Etemad, a trained nuclear physicist, to the royal court in 1973, told him of his desire to launch a nuclear program, and asked Etemad to develop a master plan.

Two weeks later, the shah met with Etemad again. He quickly read the 13-page draft document Etemad had prepared, then turned to the prime minister and ordered him to fund what turned out be one of the most expensive projects undertaken by his regime. There was no prior discussion in the Majlis, where the constitutional power of the purse lay, or in any other governmental body or council. Like every major policy decision in those days, it was a one-man act. Thus was launched Iran's nuclear program.

The shah's plans called for a "full-fledged nuclear power industry" with the capacity to produce 23,000 megawatts of electricity. By 1977, the Atomic Energy Organization of Iran (AEOI) had more than 1,500 employees (who were, on the

shah's orders, allowed to become the highest-paid government employees). Pahlavi had arranged for the training of Iranian nuclear experts around the world (including a $20 million endowment at MIT), engaged in an intensive search for uranium mines in Iran and all over the planet, and launched several nuclear research centers across the country. AEOI was in those days one of the most heavily funded programs in the country. In 1976, its budget was $1.3 billion, making it, after the country's oil company, the single biggest public economic institution in the country.

While Germany and France showed immediate eagerness to sell Iran its desired reactors, the United States was initially reluctant to sell any, "without conditions limiting [the shah's] freedom of action," according to the text of a U.S. governmental memo. The German company Kraftwerk signed the first agreement to build the now-famous Bushehr reactor with an initial completion date of 1981 and an estimated cost of $3 billion. As Bushehr was located in a dangerous zone that was prone to frequent and strong seismic activity, extra funds were set aside to protect the site against the dangers of an earthquake. It was said at the time that the German government was so eager to find a foothold in the Iranian market that it guaranteed Kraftwerk's investment against any loss. U.S. companies, on the other hand, were barred from these contracts until Washington's concerns about the shah's intentions were addressed.

The shah was adamant that Iran should enjoy its "full rights," as he put it at the time, within the NPT -- an agreement Iran had immediately signed upon its formulation and that calls for non-nuclear states to forfeit the search for a nuclear bomb in return for easy access to the peaceful uses of nuclear energy. But Iran not only insisted on the right to have the full fuel cycle, it also was interested in processing plutonium -- a faster way to a nuclear bomb than enriched uranium.

In remarks that echo Ahmadinejad's provocative boasts today, in February 1974, following a Franco-Iranian agreement to cooperate on uranium enrichment, the shah told *Le Monde* that one day "sooner than is believed," Iran would be "in possession of a nuclear bomb." The shah's surprising comment was at least partially in response to the 1974 Indian test of a nuclear weapon.

Realizing the repercussions of his comment, the shah ordered the Iranian Embassy in France to issue a statement declaring that stories about his plan to develop a bomb were "totally invented and without any basis whatsoever." The U.S. Embassy in Tehran, conveying the shah's message, reassured the State Department that he was "certainly not yet" thinking about leaving the NPT or joining the nuclear club.

But even as he was trying to reassure Washington of his intentions, the shah did

indicate that, should any country in the region develop the nuclear bomb, then "perhaps the national interests of any country at all would demand that it would do the same," according to the text of discussions with the U.S. ambassador. Assadollah Alam, the shah's court minister, claimed more than once in the journals he kept from the early 1970s until his death that, in his view, the shah "wanted the bomb" but found it expedient to adamantly deny any such intent at the moment.

According to Defense and Energy department memos from the time, the United States was particularly worried that "the annual plutonium production from the planned 23,000 MW Iranian nuclear power program will be equivalent to 600-700 warheads." Nonetheless, by June 1974, the United States was finally willing to sell Iran nuclear reactors but only after, as another U.S. memo put it, "incorporating special bilateral controls in addition to the usual" international safeguards. These safeguards were, in the mind of U.S. officials, necessary not just because of concerns about the shah's intentions but because "in a situation of instability, domestic dissidents or foreign terrorists might easily be able to seize any special nuclear materials stored in Iran for use in a bomb."

While the shah was willing to consider some of these safeguards, he was insistent that Iran not be treated differently from any other country. By then, Iran had already signed letters of intent with German and French companies for four

nuclear power plants, and the shah had signaled his plan to procure eight more from the United States. The State Department not only favored the sale of these reactors but even encouraged the Bechtel Corporation to convince the shah to invest up to $300 million in a jointly owned uranium enrichment facility in the United States. These proposals were all predicated on the shah's willingness to accept more rigorous controls over plutonium processing -- something that was of particular concern to the United States. Although eager to offer such assurances, the shah flatly rejected the idea of affording the Americans a veto on reprocessing of U.S.-supplied fuel.

As negotiations on these issues lingered, seeming to reach an impasse, and the shah held firm to his rejection of any U.S. veto right, the Defense Department recommended that the United States reconsider its hard-line approach and accept the shah's demands. Pentagon officials wrote about their concern that the shah's unhappiness over this issue carried the threat "of poisoning other aspects of U.S.-Iran relations." The fact that France and Germany were more than happy to sell to the shah what the United States was withholding, and the fact that the shah had made clear gestures of possible cooperation with India on Iran's nuclear program, made the case for a U.S. reconsideration of its position more urgent. President Gerald Ford, and later his successor Jimmy Carter, agreed to accommodate the shah, but still only to the extent that U.S. proliferation

concerns were met. Under Carter, finally, the shah was willing to make the kinds of concessions that proved he wasn't seeking a bomb -- such as forgoing plans for plutonium processing plants -- and the president permitted U.S. companies to sell reactors to Iran in 1978.

But by this point, the first hints of internal political trouble had already appeared on the horizon in Tehran. Within months of this crucial agreement, the shah was too preoccupied with the evolving domestic crisis to pay much attention to the nuclear negotiations. The shah's vacillations, as much the result of his indecisive character as of the medications he was taking to fight the onset of cancer, combined with the Carter administration's failure to develop a cogent policy on Iran, helped enable the rise of the revolutionary clerics and the establishment of the Islamic Republic.

No sooner had Ayatollah Ruhollah Khomeini come to power than he ordered all work on Iran's nuclear program stopped, criticizing the shah for ever pursuing such a program. Within a few years, Khomeini changed his mind, but by then the West was much more distrustful of Iran's intentions. The real break came when the West **learned in 2002** that the Iranians had built at Natanz an enrichment facility with the capacity to house a cascade of 50,000 centrifuges and that the hard-line Islamic Revolutionary Guards Corps was increasingly in charge of the country's nuclear program (as well as its economy and politics).

Unfortunately, the U.S. response since then has enabled the kind of hysterical accusations lodged against it for supposed nuclear hypocrisy. Instead of making it clear to the people of Iran that a democratic, law-abiding government could have easily, and at much less cost, achieved the enrichment rights guaranteed under the NPT -- and instead of encouraging Iranian democrats who have repeatedly declared their opposition to a nuclear bomb for Iran -- the United States has offered unrealistic ultimatums and changed its course again and again, allowing the regime to mischaracterize America's approach and create its own nuclear reality.

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