

U.S. Halted Nuclear Bid By Iran

China, Argentina Agreed to Cancel Technology Transfers

By Steve Coll
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VIENNA—Iran was on the verge earlier this year of obtaining equipment from China and Argentina that would have allowed it to begin its own nuclear manufacturing, but quiet intervention by the United States has blocked the transfers at least for now, according to officials involved in the negotiations.

U.S. officials describe Iran's contracts with Argentina for nuclear-fuel fabrication equipment, and with China for a large research reactor, as part of what one called a "suspicious procurement pattern" in the nuclear area that has led Washington to accuse Tehran of clandestine efforts to build nuclear weapons. CIA director Robert Gates testified earlier this year that Iran was seeking a nuclear bomb and could have one by the year 2000 if the West does not prevent it.

In response to these concerns, the United States has stepped up satellite reconnaissance of Iran's nuclear-related facilities, has passed on intelligence to inspectors at the Vienna-based International Atomic Energy Agency (IAEA) who visit Iran, and is attempting to monitor Iranian nuclear procurement, Western officials said.

Iranian officials say that in the Argentine, Chinese and other deals, they have gone out of their way to submit to full international nuclear safeguards and to invite extra inspections to prove that their nuclear program is peaceful and mainly for civilian electricity generation. They accuse the United States of ignoring, in Iran's case, nuclear safeguards agreements that it oth-

erwise promotes and of waging a propaganda campaign to destabilize Iran's government.

The cat-and-mouse negotiations over Iran's deals with Argentina and China illustrate some of the predicaments Washington faces as it attempts to control sensitive technology transfers to Iran, which is in the midst of a major economic and military rebuilding program constructed largely with Western investment and bank lending.

The United States has publicly and privately warned fellow IAEA members to keep a tight lid on Iran's nuclear ambitions or risk repeating mistakes made with Iraq several years ago.

In the Iraqi case, IAEA inspectors discovered after the 1991 Persian Gulf War that despite declaring peaceful intentions and submitting to international safeguards, Iraq had been engaged for years in a secret program to acquire nuclear weapons by smuggling components from the West, and that the weapons program was far more extensive than previously believed.

Washington suspects Iran of hav-
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ing a similar clandestine nuclear weapons program but so far has produced "no smoking gun," as one official put it, to prove its suspicions. U.S. officials have said Washington's estimate of Iran's nuclear intentions is based in part on information derived from highly sensitive sources, which they would not disclose publicly or share in detail with other governments.

European officials say, however, that while Iran may be dabbling with a nuclear weapons program, there is no sign of an ambitious, secret effort like Iraq's. Nonetheless, the United States is warning its Western allies and other IAEA members not to turn a blind eye to even small doubts about Iran's nuclear procurement. In the cases of the Argentine and Chinese deals this year, the United States succeeded.

U.S. officials were sufficiently alarmed by the proposed sale of Argentine equipment—which would have enabled Iran to convert natural uranium into precursor forms of highly enriched uranium used in nuclear weapons—that they undertook what one called a "long and tough" lobbying campaign in Europe and Argentina to stop the shipment. Officials said it was packed and ready to go to Iran around the first of this year.

In the end, the U.S. ambassador to the IAEA, Richard T. Kennedy, succeeded in dissuading Argentina in part because he agreed to help the affected state-owned Argentine company Investigaciones Aplicadas to find alternative nuclear business in the United States to compensate for the loss of the Iran sale, officials involved said. In March, Investigaciones Aplicadas signed a memo of understanding to develop future business with General Atomics, Inc. of San Diego, although officials of the two companies said they have yet to come up with any deals together.

The Argentine government, which has been moving steadily toward improved relations with the United States, also was diverted because the equipment involved could be linked by Iran to supplies from China, a nuclear-armed state involved in the past in sensitive exports to such nuclear-threshold countries as Algeria and Pakistan, said an official closely involved.

Meanwhile, State Department officials lobbied the Beijing government to prevent the sale to Iran of a large nuclear research reactor, rated at more than 20 megawatts, that would have included a supply of enriched fuel and would have allowed Iran to conduct work related to the nuclear fuel cycle, officials and diplomats said.

J. Stapleton Roy, the U.S. ambassador to Beijing, visited a Chinese nuclear facility outside the capital in March and inspected a model of the reactor bound for Iran, according to a Western diplomat in Beijing. On that occasion and others, U.S. diplomats lobbied senior Chinese officials to block the transfer.

Western sources said the Chinese never directly answered the U.S. protests, or promised they would not sell reactors to Iran. But National Nuclear Corp. official Xuehong Liu told the trade journal *Nucleonics Week* on Sept. 23 that China "could not supply" the research reactor to Iran for "technical reasons."

One Bush administration official declared that China had appeared to respond to U.S. pressure but expressed a note of caution, saying that there were some suggestions from the Chinese side that they would review the issue after the U.S. presidential election and that the decision to hold off on the reactor might be reconsidered.

In early September, just days after the Bush administration decided to sell F-16 fighter jets to

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— Iranian Ambassador Mohammed Ayatollahi

Taiwan, angering Beijing, China announced it would provide Iran with a 300-megawatt commercial nuclear reactor. But the United States is less concerned about that sale than about the research reactor because the commercial reactor contains Western components that can be embargoed, effectively blocking the sale to Iran. In contrast, the research reactor can be manufactured and shipped by China on its own.

Mohammed Ayatollahi, Iran's ambassador to the IAEA, said in an interview that Iran sought the Argentine equipment because there had been problems with safeguarded Argentine shipments of enriched uranium used in Iran's only functioning nuclear reactor, a small research reactor supplied by the United States in 1967. To overcome these supply problems, Iran wanted to buy equipment to fabricate nuclear fuel on its own, but Argentina broke its contract under U.S. pressure, he said.

In the case of the Chinese reactor and related equipment for heavy-water fabrication sought from Argentina, Iran wanted to develop its capacity to meet an announced goal of generating 20 percent of its electrical power with nuclear reactors to meet civilian needs and to preserve oil reserves for the long term, Ayatollahi said.

"All the nuclear programs of Iran are peaceful and will remain peaceful," he said. "This is not propaganda. This is the policy the government

has adopted." The United States is skeptical of this assertion for several reasons, Western officials said. U.S. energy specialists say oil-rich Iran has no economically sensible reason for pursuing nuclear power. Iran has, moreover, bought or attempted to buy nuclear facilities and Western high technology.

They also cite a pattern of Iranian procurement of nuclear facilities and Western high technology such as instruments and test equipment that could be used in a nuclear weapons program. Another concern is Iran's close and often secretive contacts with China and Pakistan, which are known to have engaged in clandestine nuclear programs. China reportedly has shipped Iran a single calutron—an outdated and relatively easily obtainable machine that can make weapons-grade uranium very slowly—which IAEA inspectors saw during a visit earlier this year.

In addition, U.S. officials worry that because inspectors have not yet been able to identify the sources of Iraq's secret nuclear procurement in the West, clandestine nuclear supply networks may be intact that Iran could exploit.

To build a nuclear weapon, Iran would most likely need to get equipment from the West to enrich uranium to the high levels needed for nuclear bombs, officials said. Inspectors in Iraq have found that Baghdad tried two methods of secret uranium enrichment simultaneously: It built tens of calutrons and at the same time it smuggled parts for a centrifuge, a much more sophisticated and faster means of separating and enriching uranium.

Some of the biggest worries about Iran's present program focus on centrifuge technology, officials said. Pakistan, which announced this year that it is capable of manufacturing a nuclear bomb, stole the design and key components for a uranium centrifuge from a European consortium during the late 1970s and early 1980s, German and Dutch prosecution records show. Whether Pakistan has in turn secretly sold its centrifuge design to Iran is a major concern in the West, officials said.

Pakistan denies any such sale. Even if it has done so, Iran would still need to undertake a major clandestine procurement program to build its own centrifuge facility, officials and nuclear specialists said. That is one reason officials worry about Iraq's network for centrifuge technology procurement: fear that Iran may be exploiting it.

Arguing that such a smuggling program is well beyond the means and ambitions of the Tehran government, Ayatollahi said: "A weapons program is not easy. It requires a complete [nuclear] fuel cycle and billions of dollars and you can't just buy it. . . . The [IAEA] knows exactly what we have. We reiterate that if there is any doubt in your mind, let us know. We are fully transparent."

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