



DEPARTMENT OF STATE
ACTION MEMORANDUM

S/S CAB

7515984
for Secretary
W/S Sensitive
S/P Chron
Drafted 8/4/75

SECRET/NODIS

To: The Secretary
Through: The Deputy Secretary
From: EA - Philip C. Habib
PM - George S. Vest
S/P - Winston Lord

Approach to South Korea on Reprocessing

On July 2 Mr. Ingersoll forwarded to you at the White House a memorandum (Tab 1) recommending that we ask the ROKG not to proceed with its planned national plutonium reprocessing plant and that we offer support instead for Korean participation in a multilateral reprocessing venture. We know that you reviewed and did not accept the recommendation. However, we have examined the alternatives described in that memo, and continue to see pressing considerations which make it worthwhile for you to consider our recommendation.

You may have felt that our proposed approach entailed applying undue pressure on an already uncertain ally. As summarized below, however, we believe that resolution of the nuclear issue involved is a key factor in ensuring both the stability of the region and our relationship with the ROK. We have redrafted the recommended instruction cable (Tab 3) to reflect these considerations more faithfully.

-- South Korea has launched an ambitious nuclear weapons program, in which a key element is the acquisition of a French reprocessing plant. ROK acquisition of this plant--combined with continued discrepancy between ROKG assurances and Korean nuclear weapons interests--could seriously affect our ability to sustain the rationale and domestic support for our security relationship with Korea.

-- A Korean national reprocessing plant, for which it has no economic need, would make it highly difficult if not impossible for the USG to obtain Congressional approval of nuclear reactor credits. At a minimum we should warn the ROKG of this prospect. The Chairman of the cognizant House Banking subcommittee has informed the Ex-Im Bank (Tab 2) that unless the ROKG foregoes such a plant "we will likely find it most inadvisable to proceed with the financing" of \$249 million in credits for a second Korean nuclear power reactor. The Senate Banking Committee has expressed similar concerns.

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-- Such a plant would be highly unsettling to Japan and could strengthen the hand of those favoring a nuclear option. The PRC and North Korea could not ignore ROK efforts to secure a nuclear option.

-- In the course of consultations among nuclear suppliers in London, French officials have indicated that they would not be disturbed if the Koreans decide to cancel, provided they receive reasonable financial compensation. The Canadians have broached their reprocessing concerns with the ROKG and strongly support a parallel US approach. In the absence of prompt US action, however, France will submit a safeguards agreement covering the plant to the IAEA immediately prior to the next suppliers' meeting in September.

We judge the prospects for Korean acceptance of our position to remain reasonably good. The ROKG recognizes the economic stakes involved and acquiesced in recent Canadian and US demarches on the NPT and control over reprocessing of US-supplied fuel. In any event, we expect the ROK to give greater priority at present to its civil nuclear program than to reprocessing. We do not believe that ROKG cancellation costs (conceivably a few million dollars) would be a major issue, given Canadian and US credits massively dwarfing that amount. If the ROKG asked us for direct compensation, which we do not expect, then we would deflect them, pointing to our overall economic relationship.

We cannot rule out the possibility that President Park will refuse to cancel the Korean reprocessing contract. In that event, we would have at least warned the ROKG in advance of the immediate consequences for its peaceful nuclear cooperation with the US, which we will have done all we could to protect. If the ROKG agrees to cancel, we are prepared to discuss US cooperation in meeting peaceful ROK reprocessing needs and to assist their nuclear power programs.

Dick Sneider is here on consultations and badly needs instructions on the reprocessing question before he returns to Seoul in mid-August. He supports the approach we have described above, as does Hal Sonnenfeldt and OES.

Recommendation:

That you approve our revised instruction cable (Tab 3).

Approve _____ Disapprove _____

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Authority NND 979520

DEPARTMENT OF STATE
WASHINGTON

July 2, 1975

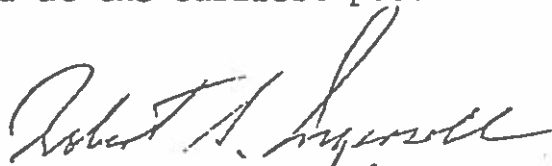
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MEMORANDUM TO THE ASSISTANT TO THE PRESIDENT
FOR NATIONAL SECURITY AFFAIRS

Subject: Approach to South Korea on
Reprocessing

I am forwarding for NSC clearance and your consideration the attached action memorandum (Tab 1), which reflects views received from the interested agencies and has my concurrence. It requests approval to transmit an instruction cable (Tab 2) to Embassy Seoul on ROK reprocessing plans, which State, ACDA, Defense, ERDA and CIA have cleared through the Non-Proliferation Backstopping Committee.

The memorandum responds to Mr. Lodal's request of June 30 for a paper considering various approaches to the ROK on this problem. Since the proposed approach to the ROKG is highly time-sensitive for both diplomatic and Congressional reasons, we believe that both the memorandum and the instruction cable should be considered at the earliest possible time.



Robert S. Ingersoll
Acting Secretary

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ACTION MEMORANDUM

Approach to South Korea on Reprocessing

Background

The South Korean Government has been negotiating to purchase a small pilot scale reprocessing plant from France which would give them direct access to plutonium that could be used in nuclear weapons. Our intelligence indicates strongly that the Koreans have decided to develop a nuclear capability as quickly as possible, while continuing to give paper assurances internationally and specifically to its nuclear suppliers (Canada, the U.S. and France) of its non-nuclear intentions.

Perhaps more than any other likely near-term case of potential proliferation, South Korea's acquisition of nuclear weapons would be extremely dangerous and directly damaging to important U.S. interests. As recognized in the Korean nuclear policy cable approved at the White House in March (Tab 2), these effects would be felt even if Korea were merely to hover at the nuclear threshold, a prospect which has become more tangible as a result of President Park's recent press statement that Korea would exercise its nuclear option if the U.S. removed its nuclear umbrella.

If Korea has direct access to separated plutonium, it will eventually be widely assumed that she either has nuclear weapons or could acquire them in a short interval. No special safeguards short of a complete prohibition on reprocessing and storage of plutonium in South Korea are likely to provide adequate protection against the most troublesome contingency (already mentioned in internal ROKG discussions) in which South Korea abrogates some or all of her safeguards agreements, including those inherent in the NPT which she ratified in May.

Reprocessing will not be necessary for the South Korean nuclear fuel economy for the foreseeable future. If at some time it should become necessary it could be provided more safely and economically through regional plants or supplier services. Of much greater economic importance are the power reactors for which the South

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Korean Government is currently negotiating with the United States and Canada. A request for an Export-Import Bank loan of \$132 million and an additional \$117 million of credits guarantees, to finance South Korea's purchase of a second U.S. reactor, KORI II, is now before Congress. We believe this loan and the sale of the U.S. reactor would be beneficial to South Korea's economy and could also be arranged in a way so as to be helpful to our non-proliferation objectives. Exim Bank President Casey has obtained Congressional agreement to postpone hearings on the loan request pending notification by the Executive Branch that we are satisfied with the non-proliferation arrangements relating to the recycling and use of spent fuel in South Korea. Present indications are that we will be unable to make the loan unless we can give the Congress some assurance that South Korea has cancelled its plans for a national reprocessing plant.

Attitudes of Canada and France

Pursuant to the March policy guidance we have spoken to the Canadians, in the context of general nuclear export policy discussions, who have indicated that the ROK would need to receive Canadian consent before reprocessing of spent fuel from reactors sold by Canada. The Canadians indicated serious reservations about any in-country reprocessing and undertook to coordinate future Korean nuclear assistance policy with us.

We have also spoken to the French prior to the recent suppliers' meeting in London, and explained that we were considering an approach to the ROKG to discourage its acquisition of a reprocessing plant from France. Despite the relatively advanced status of the arrangements, the French understood our concerns; they indicated that the reprocessing sale was of little commercial interest and that they would have no objection to our requesting Korean cancellation of the deal, provided the French firm is reimbursed for termination costs. (Preliminary intelligence indicates that ROKG atomic energy officials would be prepared to absorb such costs, given their stake in expanding Korea's nuclear power program as quickly as

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possible through Canadian and U.S. assistance.)

Approach to Korea

In the context of ongoing consultations with ROKG atomic energy officials, we have recently reminded them of the provision in our Agreement for Cooperation which we understand gives us a veto over reprocessing of spent fuel from U.S. reactors supplied to South Korea. We have requested their confirmation of this understanding and, in response to their expression of interest, have told them that we would also like to hold further discussions with them on the broader question of reprocessing in general. After receiving confirmation of our interpretation of the Agreement, we would propose to recommend that the Nuclear Regulatory Commission issue the necessary export license for the fuel already contracted (and due to be delivered in August) for the KORI I nuclear power reactor.

Thus far, the Koreans have indicated significant flexibility in their response to Canadian concerns on non-proliferation and to our preliminary approaches on the reprocessing question. On the basis of both diplomatic and intelligence reports at hand we believe that there is a good possibility that the ROK can be influenced to abandon its present plans for a national reprocessing capability. The ROK might participate in a regional facility, as described in our earlier message to Ambassador Sneider (Tab 3). Such a plant, which would be preferably located outside Korea, could meet their future reprocessing needs both safely and economically.

Proposed Course of Action

On the basis of this apparent Korean receptivity and the willingness of the other nuclear suppliers (Canada and France) to coordinate their actions with us, our consensus is that the best approach at this stage is a relatively limited one, roughly along the lines proposed in our earlier message (Tab 3). We would (1) state our concern about Korean national reprocessing plans and point out that such a development could jeopardize U.S. nuclear assistance,

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particularly the pending Exim loan for the KORI II reactor; (2) ask the ROKG not to proceed with its planned pilot reprocessing plant; but (3) offer support for the idea of ROK participation in a multinational regional reprocessing plant for East Asia. At this stage, the approach would not need to be more specific about what leverage we would be prepared to exercise, or about our expectation that we would be satisfied with a multinational plant only if located outside of Korea.

We have considered both weaker and stronger alternatives to the recommended approach. The weaker alternative would be to make no further approach to the ROKG, but rely on our rights to veto the reprocessing of spent fuel from U.S. reactors only. However, this would not stop the construction of the French reprocessing plant and preclude the ROK from eventually finding another source of spent fuel. Making no further approach would thus leave our proliferation concerns open. It would also jeopardize the Exim loan and with it the Westinghouse sale, given Congressional reactions, and it would not meet Canadian, French, or, for that matter, Korean expectations.

A stronger possible approach would be: (1) to ask directly for a commitment not to build any national reprocessing plants in the future; (2) to state that we will veto the reprocessing of U.S. fuel and probably oppose the licensing of any further transfers of U.S. reactors to Korea if such a plant is built; and (3) to state that we would also oppose any multinational plant located in the ROK. While some of these stronger approaches, or perhaps still stronger measures, might need to be made at a later stage, we believe they are unnecessary now and could prove counterproductive.

We have therefore incorporated our preferred course of action in a proposed instruction cable (Tab 1), which draws upon the earlier message to Ambassador Sneider and has been re-cleared by State,

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ACDA, Defense, ERDA, CIA and the NSC staff. In order for this relatively limited approach to have the maximum positive effect on Korea, the other suppliers and Congress, we believe it should be made as soon as possible. After observing its results, we will be in a better position to consider future courses of action. If our expectations for this approach are borne out, we will have significantly complicated Korean acquisition of a nuclear capability. At the same time, we expect President Park to continue with this program, probably on a more covert and delayed basis. Based on the results of the present preliminary dialogue on reprocessing, an interagency paper on the shape and direction of our overall non-proliferation strategy and NSSM 226, the interagency review of our policy in Korea, we will later want to recommend for your consideration alternative ways of addressing these underlying problems.

Recommendation:

That you approve the approach outlined above, and incorporated in the instruction cable to Ambassador Sneider at Tab 1.

Approve _____ Disapprove _____

Attachments:

- Tab 1 - Instruction Cable to Embassy Seoul
- Tab 2 - Policy Cable (State 48673)
- Tab 3 - Earlier Message (State 135500)

Drafted: ACDA: PWol^{per JK}owitz: S/P: JKalicki^{JK}
6/30/75: ext. 27771

Concurrences:

ACDA - Dr. Ikle
C - Mr. Dobbins
EA - Mr. Zurhellen
S/P - Mr. Bartholomew
PM - Mr. Vest
OES - Mr. Bengelsdorf

SECRET

ACDA:PWOLFOWITZ:S/P:JKALICKI
7/2/75 X27771
THE SECRETARY

ACDA - FCIKLE
EA - JOZURHELLEN
PM - GVEST
JCS - COL.WILMOT

C-JDOBBINS
S/P-RBARTHLOMEW
OES - HBENGELSDORF
OSD/ISA-JLANDAUER

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PRIORITY
IAEA VIENNA
EXDIS

OTTAWA, PARIS, TAIPEI, TOKYO

E.O. 11652: XGDS-1

TAGS: EFIN, ETRD, MNUC, TECH, PARM, KS, JA, TH, CH

SUBJECT: ROK NUCLEAR FUEL REPROCESSING PLANS

REFS: {A} LONDON 9224; {B} LONDON 9295; {C} STATE 148895;
{D} 135500; {E} STATE 133128; {F} SEOUL 5462

1. AS REPORTED IN REFS A AND B, BILATERAL TALKS WERE HELD AT LONDON SUPPLIERS' MEETING WITH FRENCH AND CANADIAN REPRESENTATIVES. ATTITUDES OF BOTH COUNTRIES WERE AS FORTH-COMING AS WE HAD THOUGHT POSSIBLE. FRENCH INDICATED NO OBJECTION TO A US EFFORT TO GET THE ROKG TO CANCEL THE RE-PROCESSING DEAL, PROVIDED FRENCH COMPANY RECEIVED REIMBURSEMENT FOR TERMINATION COSTS. CANADIANS INDICATED A GENERALLY COOPERATIVE ATTITUDE REGARDING OUR KOREAN CONCERNS AND AGREED TO CONSULT CLOSELY ON FUTURE STEPS. THEY INDICATED THAT CANADA IS INSISTING ON REQUIREMENT FOR QUOTE MUTUAL CONSENT UNQUOTE BEFORE REPROCESSING OF SPENT FUEL FROM REACTORS SOLD BY CANADA.

2. SITUATION IN CONGRESS, AS REPORTED IN REF C, IS THAT RELEVANT COMMITTEES HAVE AGREED TO POSTPONE HEARINGS ON EXIM BANK LOAN REQUEST FOR KORI II REACTOR ON CONDITION THAT EXIM PRESIDENT CASEY WILL NOTIFY THEM TWENTY-FIVE DAYS PRIOR TO SIGNING AGREEMENT WITH THE ROK THAT EXECUTIVE BRANCH IS SATISFIED WITH NON-PROLIFERATION ARRANGEMENTS

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FORM DS 322A(OCR)

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RELATING TO THE REACTOR AND TO THE USE OF SPENT FUEL. IT IS OUR ASSESSMENT THAT PROSPECTS FOR APPROVAL OF THE LOAN WILL BE SMALL UNLESS ROK HAS AGREED NOT TO DEVELOP A NATIONAL REPROCESSING CAPABILITY. WITH SUCH AN ACTION WE WOULD HOPE THAT THE LOAN COULD BE APPROVED.

3. WE BELIEVE THAT IT WOULD NOW BE TIMELY TO EXECUTE SECOND PHASE OF APPROACH WITH KOREANS ON REPROCESSING OUTLINED IN REFS D AND E. THIS MESSAGE HAS BEEN PREPARED ON ASSUMPTION THAT ROK WILL HAVE ALREADY ACCEPTED OUR INTERPRETATION OF AGREEMENT FOR COOPERATION. SINCE REF F INDICATES ROKG CONFIRMATION OF US INTERPRETATION, EMBASSY SHOULD EXPRESS APPRECIATION FOR ROKG AIDE MEMOIRE BEFORE USING TALKING POINTS IN PARA 4 AND SPECIFICALLY REQUESTING THE ROKG NOT TO PROCEED WITH ITS PLANNED REPROCESSING PLANT.

4. ACCORDINGLY YOU SHOULD APPROACH ROKG WITH THE FOLLOWING POINTS, SLIGHTLY REVISED FROM THE OUTLINE IN REF D:

A. THE US HAS BEEN GIVING SERIOUS ATTENTION TO KOREA'S ASPIRATION TO ACQUIRE ITS OWN REPROCESSING CAPABILITY, STARTING WITH A PILOT FACILITY THAT MIGHT EVOLVE INTO A LARGER-SCALE REGIONAL CAPABILITY. ALTHOUGH RECOGNIZING THAT AT SOME FUTURE TIME THE NATIONS IN THE AREA MIGHT HAVE A COMMERCIAL NEED FOR REPROCESSING, WE HAVE SERIOUS CONCERNS ABOUT KOREA'S MOVING IN THIS DIRECTION ON ITS OWN.

B. IN PARTICULAR, ALTHOUGH KOREA HAS RATIFIED THE NPT, STEPS TOWARD EVEN A PILOT REPROCESSING FACILITY IN KOREA COULD BE DESTABILIZING AND COULD RAISE SERIOUS APPREHENSIONS WHICH COULD IMPAIR US-KOREAN NUCLEAR RELATIONSHIPS.

C. THERE ARE WIDESPREAD CONCERNS WITHIN THE EXECUTIVE BRANCH AS WELL AS IN THE CONGRESS ON THE SUBJECT OF REPROCESSING AND STORAGE OF PLUTONIUM FROM SPENT FUEL, THAT ARE VERY LIKELY TO AFFECT OUR ABILITY TO MOVE PROMPTLY ON KOREA'S NUCLEAR REQUESTS SHOULD KOREA CONTINUE IN ITS DESIRE TO ACQUIRE AN INDEPENDENT NATIONAL REPROCESSING CAPABILITY, STARTING WITH A PILOT FACILITY.

D. IT IS TO BE NOTED IN THIS REGARD THAT THE ISSUE OF AN EXPORT-IMPORT BANK LOAN FOR THE ROK IS BEFORE CONGRESS. THIS LOAN MAY WELL BE DISAPPROVED UNLESS THESE CONCERNS REGARDING REPROCESSING AND STORAGE OF FISSILE

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FORM DS 322A(OCR)

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MATERIALS FROM SPENT FUELS ARE SATISFIED. WE FRANKLY ANTICIPATE SERIOUS DIFFICULTIES UNLESS WE CAN ASSURE CONGRESS THAT THE ROK HAS TERMINATED ITS PLANS TO ACQUIRE A PILOT REPROCESSING PLANT.

E. ALSO, WE BELIEVE IT MUST BE STRESSED THAT THE CONSTRUCTION OF A REPROCESSING PLANT IS AN EXPENSIVE, RISKY AND COMPLICATED VENTURE. THERE HAVE BEEN UNSUCCESSFUL LARGE-SCALE VENTURES BY VERY COMPETENT INDUSTRIAL ORGANIZATIONS SUCH AS GENERAL ELECTRIC. FEW COUNTRIES HAVE ENGAGED IN LARGE-SCALE REPROCESSING IN THE PAST, AND THOSE FEW HAVE ALL EXPERIENCED CONSIDERABLE DIFFICULTY.

F. ON THE OTHER HAND, WE RECOGNIZE THAT THE NATIONS OF EAST ASIA, INCLUDING THE ROK, MAY IN TIME HAVE COMMERCIAL REASONS FOR WISHING TO DEVELOP A REGIONAL REPROCESSING CAPABILITY. THE USG IS PREPARED TO COOPERATE WITH THE NATIONS OF THE REGION IN EXAMINING THIS POSSIBILITY. WE BELIEVE IT IS SIGNIFICANT THAT THE NPT REVIEW CONFERENCE RECENTLY RECOGNIZED THE POTENTIAL ADVANTAGES OF ESTABLISHING FUTURE REPROCESSING FACILITIES ON A MULTINATIONAL REGIONAL BASIS TO EASE PROLIFERATION CONCERNS.

G. WHILE THERE COULD BE SUBSTANTIAL PLACE FOR ROK PARTICIPATION IN A MULTINATIONAL REGIONAL REPROCESSING FACILITY FOR ASIA, WE QUESTION THE WISDOM OF THE ROK PROCEEDING WITH ITS PROPOSED PILOT PLANT OR CONDUCTING DETAILED PLANNING FOR LARGER PLANTS IN THE ABSENCE OF CLOSE CONSULTATION WITH THE US AND OTHER CONCERNED COUNTRIES -- ESPECIALLY JAPAN -- ON QUESTIONS OF DEMAND, TIMING, TECHNICAL CAPABILITIES, ECONOMICS AND, PARTICULARLY, POTENTIAL LOCATION. WE WOULD BE WILLING TO DISCUSS THIS SUBJECT WITH THE ROK AND ALSO THE JAPANESE, AS SUGGESTED BY THE ROK (REF B). HOWEVER, SUCH DISCUSSIONS WILL HAVE TO BE FREE TO CONSIDER A NUMBER OF ALTERNATIVE SITES AS WELL AS DIFFERENT ARRANGEMENTS FOR OWNERSHIP AND OPERATION.

5. FYI. IT IS OUR SPECIFIC INTENTION IN THIS PRELIMINARY APPROACH TO BE NON-COMMITTAL ABOUT WHAT US ACTIONS, OTHER THAN PROBABLE CONGRESSIONAL DISAPPROVAL OF THE EXIM LOAN FOR KORI II, WOULD FOLLOW IF THE CONCERNS DESCRIBED ARE NOT SATISFIED. ALSO, WHILE WE EMPHATICALLY DO NOT WANT TO ENCOURAGE KOREAN HOPES THAT A MULTINATIONAL PLANT MIGHT BE LOCATED IN THE ROK, WE HAVE PREFERRED TO RESERVE AN EXPLICIT STATEMENT ABOUT LOCATING A MULTINATIONAL PLANT ELSEWHERE UNTIL A SUBSEQUENT STAGE, AS APPROPRIATE. 44

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ADDITIONAL CLEARANCES

ERDA - RDUFF/STHOMPSON

CIA - DBRASTED

NSC - JLODAL/DELLIOTT

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AND MONETARY POLICY
OF THE
COMMITTEE ON BANKING, CURRENCY AND HOUSING
NINETY-FOURTH CONGRESS
WASHINGTON, D.C. 20515

GENERAL INVESTIGATIVE
DIVISION
RECEIVED
JUL 1 1975

(Handwritten notes and signatures)

June 24, 1975

Mr. William J. Casey, Chairman
Export-Import Bank of the United States
Washington, D.C. 20571

Dear Bill:

We have received your letter of June 18, outlining our agreement on Eximbank financing of the Korean Nuclear Power Project. After we are notified of the safeguard arrangements negotiated with Korea, we may hold hearings on the advisability of the financing.

Given our heavy schedule in July, and the Congressional recess in August, it is unlikely we could consider this matter until after Labor Day. However, given your commitment not to sign the credit agreement for at least twenty-five days of continuous session of Congress after notification of the safeguard arrangements, we anticipate no problem with timing. -- Our primary concern is that Korea commit herself not to acquire a reprocessing plant under her exclusive control. Short of such a commitment, we will likely find it most inadvisable to proceed with the financing.

Sincerely,

(Handwritten signature of Thomas N. Rees)

THOMAS N. REES
Chairman

TNR:maf

SECRET/EXDIS

TO: SEOUL

INFO: OTTAWA, PARIS, TAIPEI, TOKYO

SUBJECT: ROK NUCLEAR FUEL REPROCESSING PLANS

REFS: (A) London 9224; (B) London 9295; (C) State 148895;
(D) State 13550; (E) State 133128; (F) State 48673;
(G) Seoul 5462

1. As Embassy aware, resolution of pressing nuclear issue will significantly contribute to preserving our close political and security relationship with ROK. March policy cable on ROK nuclear weapons plans (Ref F) stated basic US objective QUOTE to inhibit to the fullest possible extent any ROK development of a nuclear explosive capability UNQUOTE, while maintaining peaceful nuclear cooperation within US policy guidelines. Acquisition of national reprocessing plant would be key element in weapons program and is not justified by ROK civil nuclear needs. Indeed, Korean national reprocessing plant would seriously affect our ability to continue to provide support for Korea's peaceful nuclear energy program.

2. As reported in Refs A and B, bilateral talks were held at London suppliers' meeting with French and Canadian representatives. Attitudes of both countries were so forthcoming as we had thought possible. French officials indicated they would not be disturbed with a US effort

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to get the ROKG to cancel the reprocessing deal, provided French company received reimbursement for termination costs. Canadians have broached their concerns about Korean reprocessing plans with ROKG and strongly support a parallel US approach.

3. Situation in Congress, as reported in Ref C, is that relevant committees have agreed to postpone hearings on Exim Bank loan request for KORI II reactor on condition that Exim president Casey will notify them twenty-five days prior to signing agreement with the ROK that Executive Branch is satisfied with non-proliferation arrangements relating to the reactor and to the use of spent fuel. Communications from Senate and House Banking Committees support assessment that prospects for approval of the loan will be small unless ROK has agreed not to develop a national reprocessing capability. With such an action we would hope that the loan could be approved.

4. We believe that it would now be timely to execute second phase of approach with Koreans on reprocessing outlined in Refs D and E. Since ROK has accepted our interpretation of agreement for cooperation (Ref G), Embassy should express appreciation for ROKG aide memoire before using talking points in para 5 and specifically requesting the ROKG not to proceed with its planned

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reprocessing plant.

5. Accordingly you should approach ROKG with the following points, revised from the outline in Ref D:

a. We wish to express appreciation for your recent concurrence in our interpretation of our Agreement for Nuclear Cooperation. As you know, our continuing discussions on nuclear energy issues have taken place in context of our mutual interest in maintaining constructive relationship designed to meet Korea's growing energy needs.

B. In this context, we have been giving serious attention to Korea's aspiration to acquire its own reprocessing capability, starting with a pilot facility that might evolve into a larger-scale regional capability. In spirit of our candid consultations on nuclear questions, we must convey our serious concerns about Korea's moving in this direction on its own. We recognize of course that at some future time the nations in the area might see a commercial need for reprocessing.

C. In particular, steps toward even a pilot reprocessing facility in Korea could be perceived as destabilizing and thus impair our ability to sustain US-Korean peaceful nuclear cooperation as well as to move promptly on peaceful nuclear assistance to Korea. It is to be noted in this regard that the proposed Export-Import Bank loan for the KORE II reactor requires Congressional approval. The cognizant committees of Congress have indicated that they

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would be unlikely to approve this loan unless they can be assured that the ROK has terminated its plans to acquire a pilot reprocessing plant.

D. Construction of a reprocessing plant is an expensive, risky and complicated venture. There have been unsuccessful large-scale ventures by very competent industrial organizations such as General Electric. Few countries have engaged in large-scale reprocessing in the past, and those few have all experienced considerable difficulty.

E. Nevertheless, should the nations of East Asia, including the ROK, see commercial reasons for wishing to develop a regional reprocessing capability, the USG is prepared to cooperate with the nations of the region in examining this possibility. We believe it is significant that the NPT Review Conference recently recognized the potential advantages of establishing future reprocessing facilities on a multinational regional basis to ease proliferation concerns.

F. There could be substantial place for ROK participation in a multinational regional reprocessing facility for Asia, we suggest close bilateral consultations as well as discussions with other concerned countries -- especially Japan -- on questions of demand, timing,

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technical capabilities, economics and, particularly, potential location. We would be willing to discuss this subject with the ROK and also the Japanese, as suggested by the ROK (ref B). Such discussions should of course consider a number of alternative sites as well as different arrangements for ownership and operation.

6. FYI. In broader terms, it should be emphasized that candid approach to ROK at this juncture is in context of mutual interest in ensuring a constructive economic and political association with ROK and enhanced stability of Northeast Asian region. We wish to assure the ROK of continued US interest in wholly peaceful nuclear cooperation (including reactor exports and credits), but to clearly forewarn it of probable Congressional disapproval of the Exim loan for KORI II should it proceed with its planned reprocessing plant. While we do not want to encourage Korean hopes that a multinational plant might be located in the ROK, we have preferred to reserve an explicit statement about locating a multinational plant elsewhere until a subsequent stage, as appropriate.

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