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Authority MM 919520

By RL - NARA Date 3/26/70



DEPARTMENT OF STATE
ACTION MEMORANDUM

S/S

November 18, 1975

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TO: The Secretary
THROUGH: The Deputy Secretary
FROM: EA - Philip C. Habib
S/P - Winston Lord

Korean Reprocessing - The Next Step

The Problem

Despite our representations seeking cancellation of the Korean contract to purchase a pilot reprocessing plant from France, the ROKG plans to go ahead with the plant and has so advised the French. The facility has the capability of producing enough weapons grade plutonium for several nuclear bombs per year, in the event the ROK abrogated its NPT and other safeguards obligations. We are now faced with deciding whether to strengthen our opposition to the plant, propose a moratorium on its construction, or accept the plant while seeking to minimize its risk through special constraints.

There is renewed urgency in our dealing with Korean reprocessing, due to indications that the ROKG is now going ahead with its negotiations with the French. At the same time, French industrial representatives and Korean energy officials recently exchanged visits to discuss possible sales of nuclear reactors. Although the French recently reconfirmed that they would not object to ROK cancellation of the contract and stated they would not hasten the pace of their dealings with the Koreans, it is possible that the Koreans and French nevertheless will soon take steps to implement the contract.

Issues and Options

The attached paper (Tab 1) presents and analyzes the relevant background, issues and options which we believe should be carefully considered before we decide

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on the next step. In brief, working with other interested bureaus, we have developed a broad range of options for our future course of action concerning the Korean reprocessing plant: We can (1) *accept the inevitability of the reprocessing facility while seeking to minimize any risks through special constraints;* (2) *approach President Park to seek a moratorium on construction of the plant, with or without indicating to the ROKG that we understand ROK interest in eventual pursuit of a nuclear weapons option;* (3) *along with complementary approaches to Canada and France, strengthen our opposition to a ROK nuclear reprocessing capability, either to the Prime Minister or the President;* (4) *in addition to Option 3, ask France to consider cancellation on an exceptional basis.*

None of the options involve accepting the plant without proposing additive constraints. They are inter-related and there are fallback possibilities should our initially chosen approach not succeed.

Suggested Action

We strongly favor strengthening of our opposition to the French plant (Option 3) and believe that we should go back to the ROKG in an attempt to reverse its decision, enlisting the Canadians, who share our concerns, in a parallel approach. George Vest concurs in this basic stance. Myron Kratzer also believes that we should make a further appeal to the ROKG, but we draw your attention to the OES comments appearing later in this memorandum.

Under the proposed approach, we would:

(a) Repeat in your name our request for plant cancellation, specifically warning the ROKG that going ahead will result in withdrawal of the Ex-Im request to Congress for \$249 million in nuclear reactor credits for Kori-2. We would also confirm our intention not to authorize ROK reprocessing of US-derived nuclear fuel and inform the ROKG that going ahead with the deal could seriously affect our future governmental nuclear cooperation with the ROK. (As you know, we are on notice from the cognizant Congressional committees that prospects for approval of the credits will be small unless the reprocessing plant is cancelled. Moreover, we continue to believe that the USG should alert the ROKG to the consequences of its actions for our nuclear relationship.);

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(b) continue to indicate to the ROKG the key importance of plant cancellation for sustaining our overall bilateral relationship and stability in the region, reiterating the grave doubts of the ROK's peaceful nuclear intentions which an unjustified plutonium production facility will cause;

(c) ask Canada to undertake a complementary approach to the ROKG; and

(d) inform France of our renewed efforts, formally advise them of our firm conclusion that the ROKG has embarked on a covert program to develop a nuclear weapon, and note the importance to our efforts of their continuing to refrain from early implementation of the contract, pending resolution of the issue.

This approach does not envisage breach of existing contractual obligations (e.g., fuel supply for Kori-1 and 2), complete cessation of private US nuclear commerce with Korea, or threats to our political and security relationship. Attached at Tab 2 are the main talking points which would be used in this approach.

The reasons for persevering are:

-- Despite its denials, EA, S/P, PM and INR remain convinced that the ROKG is seeking a nuclear weapons capability. The Intelligence Community concluded over a year ago that South Korea, at the specific instruction of President Park, was embarked on a priority nuclear weapons development program. There is no indication that President Park has modified his orders or that a major purpose for acquiring a pilot reprocessing facility is not still to enhance the nuclear weapons effort.

-- In this connection, acquisition of the pilot French plant would give the ROK a source of weapons grade plutonium in the event safeguards were abrogated.

-- We believe there is an element of bluff in the ROK position, and we need to maintain our pressure in order to force the Koreans to fully face up to the risks of their present course of action. The ROKG appears to believe that in the face of its strong resistance we will eventually back down and reverse our position.

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-- Prevention of a Korean national reprocessing capability remains important to our ability to assure a cooperative bilateral relationship with the ROK, not only in the nuclear energy but in the security and political areas as well. Our proposed course of action takes into account the fact that US leverage is reduced to the extent that alternate sources of nuclear supply are available to the ROK.

-- Perseverance will maximize our chances of deferring or constraining a reprocessing facility if the ROKG should ultimately acquire one. This is the minimum result which we should be willing to accept and present to Congress and other suppliers, not just for its Korean implications but for its effect on our overall nuclear cooperation and non-proliferation policies.

It follows from the above that while we continue strongly to prefer outright cancellation of the French plant, an agreement by the parties concerned to delay acquisition for several years could ultimately be a satisfactory outcome if an impasse is reached on the next approach, provided it does not imply US approval to proceed with the plant (and certainly not with a nuclear weapons option) at the end of the moratorium period. Such a moratorium would offer President Park a face-saving way to back down, while buying us time to engage the ROKG in a dialogue on its future nuclear energy needs, in which we would offer to expand US assistance to Korea in non-sensitive nuclear ventures, endeavor to diminish Korean nuclear weapons ambitions and divert their energy ambitions into multinational forms of cooperation, for example, a regional nuclear center located outside the peninsula.

Ambassador Sneider's recommended course of action is reflected in Option 2a (and Tab B) of the attached issues and options paper: seeking a moratorium on construction of the plant, indicating to the ROKG that we understand its interest in the eventual pursuit of a nuclear weapons capability. For the strong reasons indicated in the paper, we do not support a US approach that accepts such an ROK objective. However, as noted above, we believe that an unconditional moratorium is a useful fallback position.

However, there are differences on (a) whether we should approach President Park at this time and (b) whether to ask the French to cancel their contract.

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EA Position

EA believes that we should not approach President Park directly in the first instance. Rather, we should pursue our request with the Prime Minister, allowing President Park to reverse his decision or make a face-saving counter proposal without becoming directly involved at this time. If this does not succeed, we would then follow up with President Park directly.

EA recommends Option 4, that we additionally ask France to consider cancellation of the reprocessing plant sale, informing the GOF of our willingness to risk our commercial nuclear relationship with the ROK (along the lines of Option 3) because of our serious concerns. It believes that there is nothing to be lost by such an approach and that, since we have requested the recipient (Korea) to cancel, we should at least make a parallel, low-key request to the supplier (France).

S/P, PM and EUR Positions

S/P agrees with EA's recommendation on the level of our approach.

PM believes that Ambassador Sneider should be instructed to approach President Park in your name now to seek cancellation of the reprocessing plant along the lines of Option 3. Should Park still not agree to cancel the plant, we would instruct Ambassador Sneider to propose, in a follow-up approach to Park, an unconditional, five-year moratorium on Koran reprocessing. PM is convinced that further approaches to officials below Park are unlikely to achieve our objective. The strategy of giving Park room to reverse the decision gracefully, by avoiding direct discussion with him, has been tried twice and has failed. Further approaches to lesser officials will probably be read by Park as further evidence that we are not sufficiently concerned to risk a direct approach; further time will be lost during which the deal may be formally concluded, making it even more difficult for Park to eventually cancel.

While S/P, PM and EUR favor the complementary approach to France under Option 3, they believe that an explicit US request that France consider cancelling the deal would be ineffective and potentially damaging to our relations with the GOF, for the reasons indicated in the issues and options paper.

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OES Position

OES is not opposed to another appeal to the ROK. OES believes, however, that in the event the ROK persists in its plan to acquire the reprocessing plant, the special constraints called for in Option 1 would represent a reasonable and defensible compromise with Korea on this issue. In particular, the intensive US involvement in the plant, as called for in this option, would, in the OES view, represent an application of the multinational plant concept -- which we are now advocating -- not a departure from it. Thus, while favoring a further approach to the ROK, OES does not agree that proceeding with the plant under the constraints of Option 1 represents a serious setback for US non-proliferation policy. OES also does not believe that the special constraints in Option 1 would necessarily be inferior to a moratorium, since the ROK can be expected to argue that it should be allowed to proceed on an unencumbered basis at the end of the moratorium period.

Furthermore, in assessing the desired future course of US action, OES believes it has to be recognized that there is some ambiguity in our precise knowledge as to what the Koreans are up to in the nuclear military field. It may be likely that the ROK is intent on acquiring a weapon as soon as possible, but it also appears possible that the decision to acquire a weapon may not have been firmly taken and that the ROK is essentially developing a contingent military capability for possible activation at a later time. Given this ambiguity, OES believes there is a serious question as to how far we can legitimately go in pressing Korea -- an NPT party -- to abandon a small reprocessing plant which, on its face, is not inconsistent with legitimate peaceful nuclear intentions.

INR wishes to underscore the Intelligence Community's judgment that the ROK is embarked on a nuclear weapons development program, whose goal may be either fabrication of a nuclear device or the capability to produce one on short notice. S/P, EA and PM share this assessment, see many disadvantages in accepting the plant under constraints, and cannot recommend this alternative as a fallback. In this connection, it should be noted that, regardless of whether the ROK intent at this time is actually to fabricate a nuclear weapon, acquisition of the reprocessing facility is essential for a nuclear weapons capability.

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There has been strong interagency interest in the Korean reprocessing problem. Up to now, ACDA, DOD and ERDA have all favored strong US opposition to ROK acquisition of a national reprocessing facility, and we would anticipate that there would be interagency support for continuing our opposition. We will shortly share our issues and options paper with other agencies. After we receive your guidance on the preferred option, we propose to clear with them an instruction cable, reflecting your preferred course of action. If they favor substantive revisions in the proposed approach, we will of course come back to you so that you may decide upon the most appropriate means of resolving any differences.

Recommendations

1. That you approve Option 3 and the Talking Points at Tab 2 (along with complementary approaches to Canada and France, strengthen our opposition to a ROK nuclear reprocessing capability along the lines indicated above):

(a) in an approach to the Prime Minister, followed by an approach to President Park if the initial approach fails (favored by EA and S/P):

Approve _____ Disapprove _____

(b) in an approach to President Park in the first instance (favored by PM).

Approve _____ Disapprove _____

2. Additionally, that you approve, as a fallback, implementation of Option 2b (a five-year moratorium) if the ROKG reaction to the request for cancellation is negative (favored by S/P, EA, and PM).

Approve _____ Disapprove _____

3. Additionally, that you approve Option 4 (ask France to consider cancellation on an exceptional basis), favored by EA only.

Approve _____ Disapprove _____

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4. Alternatively, if you do not approve the above, that you approve Option 1 (accept the plant while seeking special constraints).

Approve _____

Disapprove _____

Attachments:

- Tab 1 - Issues and Options Paper
- Tab 2 - Proposed Talking Points

Drafted: EA/K: *JK* JDForbes; S/P: *JK* JKalicki; JKahan: gMcP
11/18/75; x29330 x28986 x28995

Clearances: PM - Mr. Vest
OES - Mr. Kratzer
EUR - Mr. Hartman
INR - Mr. Kirk

} *JK*

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TAB 1

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KOREAN REPROCESSING: ISSUES AND OPTIONS

Background

We have completed the second round of our efforts to deter the ROKG from acquiring a national reprocessing facility. Ambassador Sneider has approached the ROKG up to the Deputy Prime Minister level, and the Deputy Secretary of State has called in the Korean Ambassador. In these approaches we vigorously sought to persuade the ROKG to cancel the contract to purchase a pilot reprocessing facility from France (Tab A).

On October 23 Acting Foreign Minister Lho Shin Young informed Ambassador Sneider that the ROKG had decided it would be impossible to cancel the contract at this stage (Tab B). Lho again emphasized that the plant was intended for study purposes only and welcomed US inspection. He asked why we had not resisted Japanese acquisition of reprocessing facilities and why we seemed so suspicious of Korea's intentions.

Ambassador Sneider expressed our deep disappointment with the ROKG response and reviewed our arguments against the plant. He urged reconsideration of the decision to proceed and expressed doubts about our ability to continue to cooperate with Korea in the nuclear energy area if the ROKG adheres to its course.

The ROKG has maintained the same formal position conveyed to us earlier -- it plans to proceed with its reprocessing deal but is willing to accept some form of US inspection. We have had reports that the ROKG was internally divided on whether to continue with the plant in the face

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of our objections, and we know that Ambassador Hahn warned his Government of the broader risks to our bilateral relationship entailed by the French contract. However, it is clear that President Park was directly involved in the decision to reject our approach, and subordinate officials are showing few signs of disagreement.

There is renewed urgency in our dealing with Korean reprocessing, due to indications that the ROKG is now going ahead with its negotiations with the French. The French had earlier agreed to acquiesce in ROK cancellation of the plant contract and recently indicated to us that they would not hasten the pace of negotiations. Nevertheless, it is quite possible that the Koreans and the French will shortly initial letters of understanding covering the sale. Further, French industrial representatives and Korean energy officials recently exchanged visits to discuss possible sales of two nuclear reactors to Korea, raising the prospect of broadened French nuclear cooperation with the ROKG which could further complicate our efforts to stall the reprocessing plant and could displace projected US sales of the Kori-5 and 6, and perhaps the Kori-2, nuclear reactors.

In deciding to persist, we believe that President Park and his advisers were influenced by the following considerations:

-- A desire to be prepared to exercise a nuclear weapons option in the future, given ROKG uncertainties over the long-term durability of the US defense commitment with its associated nuclear guarantees.

-- An apparent conviction that nuclear suppliers other than the US are readily available and the hope that the US will, sooner or later, reverse its position and provide loans for nuclear power plants for Korea.

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-- A tendency to exaggerate the potential economic and technical benefits of reprocessing for the ambitious ROKG nuclear energy development program, exacerbated by resentment at what the Koreans perceive as discriminatory treatment compared with Japan.

Basic Issues

Our course of action on the reprocessing issue could have critical bearing on our bilateral relationship with the ROK, our relations with other nuclear suppliers, and our general nuclear cooperation policy.

(a) The US/ROK relationship. For the moment, the ROK appears to believe that we are bluffing and will eventually acquiesce in the French plant. In so doing, they may be willing to run substantial risks to our bilateral relations and may have underestimated the potential costs which pursuit of a nuclear option would entail. Their continuing resistance to our approaches reinforces suspicions of their nuclear intentions and indicates the extent to which they may go to establish a security option independent of the US. The ROKG may thus be gambling that it can successfully resist US pressure against a national reprocessing capability and avoid major damage to continued nuclear energy cooperation with the US.

An alternative possibility is that the ROKG recognizes the strength of US opposition but is determined to proceed come what may, assuming in any event that it can shift its nuclear business elsewhere. In this view, the ROKG firmly intends to perform its own commercial reprocessing at some later stage, with energy independence motivations overriding the political, economic, and technical drawbacks of the enterprise.

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It is now clear that continuation of our opposition to the French plant will require a tougher position by us, if we are to eventually dissuade -- or at least substantially impede -- the ROK from completing the deal. Given the strong ROK desire to acquire the plant, apparently as an essential step in its development of a nuclear weapons capability, there will undoubtedly be an element of strong ROK dissatisfaction should we eventually succeed in deterring the plant.

Should we acquiesce in or fail to deter a ROK national reprocessing capability, we will have to adjust to the unsettling consequences that a ROK capability to produce weapons-grade plutonium will have for our bilateral relations and in the region. Because of our close security relationship with the ROK, we will probably be seen as having a special responsibility for insuring that the reprocessing plant and derived technology are not used by the ROK for military purposes. We are likely to have difficulty in justifying continued peaceful nuclear cooperation with the ROK to a skeptical Congress. Furthermore, should it become widely believed that the ROK is determined to develop its own nuclear weapons, this perception will adversely affect our ability to maintain support for our overall security policies in Korea. The ROKG would be likely to view US acquiescence as a possible signal of inadequate US resolution to prevent it from developing its nuclear weapons option over time. This would complicate our relations with the PRC and Japan, and inhibit our ability to work out stable, long-term arrangements on the Korean peninsula.

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On the other hand, it can be argued that if we were able to very carefully and closely constrain the plant's operations through the adoption of a special new battery of constraints, including US inspections, we might be able to materially alleviate many of these concerns:

In connection with the above, the Intelligence Community concluded over a year ago that South Korea, at the specific instruction of President Park, was embarked on a priority nuclear weapons development program. The evidence since then continues to indicate that the goal remains either fabrication of a nuclear device or the capability to produce one on short notice, but that South Korean officials involved in the program have become sobered by the obstacles to success. There is no indication, however, that President Park has modified his orders or that acquisition of a pilot reprocessing facility is not still intended (at least in part) to enhance the nuclear weapons effort. Failure to acquire that facility, on the other hand, would undoubtedly be viewed in South Korea as a major blow to the program, and therefore instrumental in discouraging further pursuit of that program on a priority basis.--

(b) Relations with other nuclear suppliers. Canada and France are generally aware of our efforts to turn off the ROK reprocessing deal. While taking no initiatives of their own, the French agreed not to stand in the way of our approach and not to hasten the pace of the Korean/French deal. The Canadians share our concerns over potential proliferation dangers in Korea, have negotiated with the ROK a Canadian veto right over ROK reprocessing of fuel from Canadian reactors, but have not yet requested directly Korean cancellation of the reprocessing deal. In the supplier discussions in London, the seven participants have agreed to observe

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special restraint in sensitive nuclear exports (such as reprocessing), and to encourage multinational alternatives to such exports, particularly to areas of instability. ROK acquisition of a reprocessing plant, in the wake of Brazilian and likely Pakistani acquisitions, could cast doubts on the meaning and value of these provisions and may weaken the fragile multilateral consensus behind a degree of restraint in sensitive nuclear exports.

On the other hand, we could explain the new suppliers' policy as being prospective rather than retroactive in effect. Moreover, in the event of ROK acceptance of additional constraints on the reprocessing facility, we could represent these as consistent with both the nuclear export guidelines in London and the US concept of special controls on sensitive exports.

(c) Our non-proliferation policy and domestic support for our peaceful nuclear program. The US is clearly on record as opposing proliferation of national reprocessing facilities and favoring instead the establishment of multinational, regional nuclear centers. This position has received strong press and Congressional support, following attacks from both quarters on the FRG/Brazil nuclear deal. US inability to give substance to this position, particularly in the case of a close ally such as Korea, could be expected to reflect negatively on our nuclear export policy in general and to result in adverse press and Congressional criticism. It can, however, be argued that such criticism might be alleviated if the USG could portray supplementary constraints on the Korean facility as effective barriers to its being used to support.

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a nuclear weapons program, and as essentially internationalizing the facility through continuing US involvement.

Stringent US nuclear export guidelines (including US opposition to national reprocessing ambitions) have played a significant role in denying US reactor manufacturers the Brazilian export market and may constrain future US nuclear cooperation with Iran unless a mutually acceptable compromise can be achieved. This is seen by some as a self-defeating policy which has led to the loss of US non-proliferation leverage as well as economic losses. A major theme recurring in Iranian, Korean, and Brazilian statements, moreover, is their economic right to a complete nuclear energy capability under IAEA safeguards and their resentment of efforts to deny them access to the full spectrum of peaceful nuclear technology. Iran and Korea have underlined, in addition, their acceptance of comprehensive IAEA safeguards as a result of their adherence to the NPT, which had led many to expect that such access would in fact be facilitated following ratification. The position of these nations vis-a-vis the US has been strengthened by the availability of alternative suppliers, principally France and the FRG, with fewer inhibitions regarding sensitive nuclear exports. Finally, approximately fifteen NNWS either have small reprocessing facilities or have declared an intention to proceed in this manner, including Argentina, Brazil, Iran, and Pakistan. In considering the above factors, however, we must take into account the unique situation we face in Korea, given our intelligence indications regarding nuclear weapons development. In addition, given Korea's strategic location, ROK possession of a nuclear weapons potential would threaten the military balance on the peninsula directly and adversely affect the PRC, USSR and Japan. Given our own deep involvement, the other great powers would expect the USG to exercise a restraining hand.

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The effect of the reprocessing plant on Japan should also be considered. Consummation of the ROK/French deal could impair GOJ support for a multinational nuclear center in the Far East, cast additional Japanese doubt on our non-proliferation strategy, and possibly reduce the chances for Japanese ratification of the NPT. Such a negative impact may be mitigated, however, by overriding Japanese non-proliferation interests and the fact that Japan has national reprocessing capabilities of its own.

Options

There is a range of options for deciding our position with respect to the Korean reprocessing plant. These are:

- 1 Accept the inevitability of the reprocessing facility, seeking to minimize its risks through special constraints.
- 2a Approach President Park to seek a two- or three-year moratorium on construction of the plant, indicating to the ROKG that we understand ROK interest in eventual pursuit of a nuclear weapons option.
- 2b Approach President Park along the lines of Option 2a but with a five-year moratorium proposal and without commenting on Korea's future nuclear weapons option.
- 3 Along with complementary approaches to Canada and France, strengthen our opposition to a ROK nuclear reprocessing capability.

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4 In addition to Option 3, ask France to consider cancellation on an exceptional basis.

None of the options involve accepting the plant without proposing additive constraints. They are interrelated and there are fallback possibilities should the initially chosen approach not succeed.

Option 1. Accept the inevitability of the reprocessing facility, seeking to minimize its risks through special constraints. In addition to accepting the Korean offer of US inspection and seeking other constraints, we would seek to secure Canadian and French support for such arrangements. If the ROKG agrees to our proposed constraints, we would activate the Ex-Im request for Congressional approval of \$249 million in nuclear reactor credits. This option assumes that the ROK decision is irreversible or that the leverage we would have to use to overturn it would excessively damage our bilateral relationship with the ROK.

We could seek the following constraints from the ROKG as a compromise package:

(a) US right of unimpeded access to the reprocessing plant during both the construction and operations stages, to be suspended at our option in the event of satisfactory continuous involvement by France as the supplier;

(b) US rights to purchase any plutonium for recycling in Korea only in the form of fabricated fuel rods; and

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(c) limitations on ROK plutonium processing and accumulation, in keeping with Korean assertions that the plant is only for research and training and not for production purposes.

To avoid creating the impression that we are duplicating or questioning the efficacy of the IAEA safeguards system, we would avoid the term "inspection". We would endeavor to involve France as the responsible supplier, a possibility mentioned briefly by the French in the context of London discussions of supplier involvement in sensitive nuclear facilities, but we would retain US access rights whether or not France accepts this responsibility. If, however, the Koreans completely reject one or more of the proposed constraints, the package could be seriously weakened and we would have to reconsider our peaceful nuclear cooperation as a whole.

As part of our approach, we would engage the ROK in discussions of its future peaceful nuclear energy needs in an effort to deter Korea from any expansion of its national reprocessing capability. We would attempt to find ways for the ROK to obtain commercial reprocessing services elsewhere, preferably through ROK participation in a multinational regional plant.

Pros

-- When combined, these additive restraints would significantly constrain ROK freedom of action.

-- US and/or French involvement could be seen as changing the character of the Korean facility from a national to an international one, i.e., as an application of the US policy favoring multinational reprocessing ventures.

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-- Supplier involvement (or "monitoring") would reflect our preference for additive controls on sensitive facilities.

-- Taken together, these conditions might help to ameliorate Congressional concerns, although we can still expect strong criticism.

Cons

-- Even with additive constraints, we would be permitting a plutonium-producing facility in a sensitive country with nuclear weapons aspirations.

-- US inspection could serve to place us in the awkward position of vouching for the continued peaceful character of the ROK program, about which we have serious concerns; it could also undermine general confidence in the IAEA system.*

-- There may be domestic US resistance (e.g., in Congress and the NRC) to storing Korean plutonium or returning it in any form to the ROKG.

-- Even under these constraints, the facility would have a disturbing effect on Japan and on that country's support for a multinational nuclear center.

-- There are risks that the Koreans might selectively oppose the more important constraints (e.g., plutonium production and storage limitations), or that even with a Korean request, France might balk at either accepting US inspectors or accepting the involvement themselves.

* It should be recalled that our arrangement to "inspect" the Israeli reactor at Dimona was significantly weakened by Israeli constraints, and we eventually abandoned our "inspections" rather than remain in any way associated with the use of that reactor. On the other hand, the Dimona inspections were ad hoc affairs arranged after the fact.

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-- The ROKG would not be prevented from abrogating the constraints at some future point and acquiring sufficient plutonium for a nuclear weapon, although a continued US presence and defense commitment could serve to deter it from doing so. This would mean that an indefinite U.S. military presence could be hostage to the ROK as the price for not exercising its nuclear option.

Option 2a. Approach President Park to seek a two- or three-year moratorium on construction of the plant, indicating to the ROKG that we understand ROK interest in eventual pursuit of a nuclear weapons option.

Ambassador Sneider would be authorized to discuss the reprocessing problem directly with President Park. We would express our deep concerns regarding any possible nuclear weapons development and request the ROKG to delay acquisition of the French plant for two or three years. At the same time, Ambassador Sneider would at least implicitly acknowledge that such a moratorium would not foreclose a nuclear weapons option in the future.

Although he has made the final decisions to reject our previous requests, Park has thus far remained personally removed from the US/ROK discussions on this issue. In this approach, which is recommended by Ambassador Sneider, we would involve President Park directly and attempt to deal with his longer-term security concerns. We would note our own conviction that the ROK is -- and will continue to be -- in a strong security position *vis-a-vis* North Korea. While we see no need for great concern, we would note to Park that if he is worried about the withdrawal of US nuclear protection from Korea, which we do not anticipate, we would be willing to discuss this contingency with him. At the same time, the

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Ambassador would make clear that our overall relations as well as our ability to support ROK nuclear power development will be impaired if he goes ahead with the reprocessing plant at this time.

We would emphasize to Park that his agreement to a moratorium should permit an expanding flow of technical and economic benefits from the US in the nuclear area and could reverse the present situation in which our nuclear cooperation with the ROK is jeopardized by the purchase of the French reprocessing plant. We would express readiness to consider training opportunities for ROK technicians in the nuclear energy field, and reiterate our interest in supporting a multinational, regional reprocessing center with ROKG participation.

Pros

-- If we could obtain ROKG agreement to a moratorium of two-to-three years, we would demonstrate success to Congress and other suppliers in at least deterring the introduction of a sensitive reprocessing facility in Korea, consistent with our non-proliferation policy.

-- A moratorium would add to the time needed for the ROKG to acquire a self-contained weapons capability, better enable us to continue to assist Korea in obtaining reactors and fuel, and buy time to involve the ROK in our regional multinational reprocessing proposal.

-- It would offer President Park a way to avoid having to back down completely by reversing his decision to go ahead with the plant. While Park might still refuse to alter his position and accept a moratorium, there is reason to believe that this particular approach

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could appeal to him since he would be assured of a continuing US nuclear umbrella as well as implicit US acceptance of his efforts to develop a nuclear weapons option.

Cons

-- In order to help persuade President Park to agree to a moratorium, this approach presumes our willingness to indicate to him our understanding that the ROK may wish to pursue a nuclear weapons option at some future date. Any such indication would seem to condone the Korean weapons plan and would be contrary to the spirit if not the letter of our obligations under the NPT.

-- This approach could make it difficult for us to oppose the reprocessing plant and to question Korea's weapons ambitions at a later stage and open us up to "blackmail" in terms of withdrawals of US forces from Korea.

-- By in effect appearing to acquiesce in any eventual ROK nuclear weapons ambitions, we would invite the ROKG to eventually press us to assist it with reprocessing as well as with other sensitive nuclear technology and medium range missile development.

-- We would be acquiescing implicitly in the eventual acquisition of nuclear weapons by a country in a most sensitive region, directly impacting on our relations with the PRC, the USSR, and Japan and introducing an unsettling new element into the military equation in Korea. If this position became known, it could have extremely serious destabilizing effects in Northeast Asia as well as adverse effects on our non-proliferation efforts worldwide.

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-- It would be difficult to persuade Congress to approve the reactor export credits essential to a continued close cooperative association with the ROK in its nuclear energy development program in the absence of firm indications that the plans for a reprocessing plant have been dropped entirely or at least that we have significantly constrained the facility.

Option 2b. Approach President Park along the lines of Option 2a but with a five-year moratorium proposal and without commenting on Korea's future nuclear weapons option. This approach would appeal directly to Park to find a way to break the impasse by agreeing to deter the reprocessing plant for five years, i.e., until 1980. Ambassador Sneider would reiterate our concerns and propose a moratorium as a means of temporarily alleviating these concerns, thereby avoiding any major disruption of US-Korean relations in the near term and facilitating transfers of US reactors and fuel. We would suggest to Park that we review the situation in a few years, taking account of actual progress toward a multinational regional plant, updated information on the economics and technology of reprocessing and recycling, Korea's commercial reprocessing needs, and whether such needs could be satisfied through US or other services should a multinational plant not yet be established. We would offer to discuss nuclear fuel cycle issues with the ROKG and consider providing training for Korean technicians in non-sensitive areas. While it could be surfaced in the next round, this approach, or a subsequent offer of a two-to-three year moratorium, might serve as a possible fallback to Option 3 if President Park still refuses to cancel the contract.

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There is a risk that Park may respond to an approach of this kind by saying he is willing to cancel Korea's reprocessing program for the period of the moratorium, but only in light of the extraordinary pressures the US has brought to bear on this issue, and on the clear understanding that after the moratorium period, the US would interpose no further objection to a Korean reprocessing program under full IAEA safeguards should the ROK at that time elect to proceed. To accept such a condition would permit Park to proceed unhindered with a reprocessing option after the moratorium period, and would give him the fruits of full US civil nuclear cooperation during the interim. To refuse the condition would permit Park to argue that he had done everything possible to meet our demands short of agreeing unconditionally and indefinitely to foreclose Korean entry into the reprocessing field.

Pros

-- This approach would avoid the serious risks inherent in any direct or indirect US legitimization of an ROKG nuclear weapons program.

-- If successful, it would have the same non-proliferation benefits as Option 2a. It would also provide the US an opportunity to diminish longer-term Korean interest in a nuclear weapons option. At a minimum, ROKG acceptance of such a moratorium would probably mean that a nuclear weapon might not be available to the ROK until the mid-1980's, rather than the early 1980's.

-- A straight moratorium could give Park a face-saving way of avoiding the potentially serious consequences for US nuclear cooperation and overall US-Korean relations of continuing to insist on acquiring the plant on schedule.

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-- Rather than risk a premature disruption of the US security commitment by acquiring the reprocessing plant now, Park might decide that delay could ultimately serve his interests by minimizing US anxieties until Korea's own security programs are further developed.

Cons

-- The main difficulty with this approach is its acceptability to Park. Without acknowledging the legitimacy of a Korean nuclear weapons option, Park's incentive to agree to this compromise would be reduced, since he would fear that an essential element of his weapons plans will be delayed and perhaps lost completely. A five-year moratorium would cause a severe setback if Park wished to exercise a weapons option in the early 1980's.

-- For these reasons, direct confrontation with Park, even offering a five-year moratorium compromise, could lead to a situation in which Park becomes more committed to the project, offers the US comprehensive inspection rights, and reiterates ROK peaceful assurances. Alternatively, Park could demand that the US guarantee support of the plant when the moratorium lapses.

-- The ROKG could work out an arrangement with France to delay contract implementation, feeling confident that US opposition might well diminish in a few years, that progress on regional centers would not be substantial and that the US will probably not succeed in deterring other countries from acquiring national reprocessing facilities.

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Option 3. Strengthen our opposition to a ROK nuclear reprocessing capability.* We would concurrently seek Canadian and French assistance in dissuading the ROKG.

In further discussions with the ROKG, we would:

-- Strongly request ROKG reconsideration of its position, pointing out that it will seriously impair our ability to continue to cooperate with the ROK in the nuclear energy area.

-- Clearly convey that Korean plutonium production lacking any commercial justification will raise grave doubts as to ROK peaceful nuclear intentions. This would inevitably affect our ability to sustain our overall bilateral relationship and stability in the region.

-- Forewarn the ROKG that a refusal to alter its decision to proceed would lead the USG to withdraw its request to Congress for Kori-2 nuclear reactor credits. In addition, we would confirm our intention not to authorize ROK national reprocessing of US-derived nuclear fuel and would inform them that going ahead could seriously affect our future governmental assistance to the ROK.

-- Reiterate formal US support for safer and more economic regional alternatives to meeting long-term reprocessing needs and more economically important opportunities, such as low-enriched fuel fabrication, where Korea would enhance its energy independence and commercial position in a much less unsettling manner.

* The option would be implemented in both Washington and Seoul. Ambassador Sneider could either approach President Park in the first instance, or approach the Prime Minister prior to going to Park. Options 1 and 2 represent possible fallbacks from Option 3.

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This approach does not involve breach of existing contractual obligations (e.g., fuel supply for Kori-1 and 2), complete cessation of private US nuclear commerce with Korea, or threats to our political and security relationship. It does warn the ROKG of the bearing of its proposed facility on USG nuclear assistance (e.g., credits and intergovernmental cooperation, including training), on our ability to sustain our overall relationship, and on stability in the region.

We would brief Canada on our position and request that the GOC undertake a complementary approach to dissuade the ROKG from continuing with the plant. As the supplier of Kori-3 and 4, Canada has secured veto rights over the reprocessing of its spent fuel, has supported our efforts to prevent Korean acquisition of the plant, and may well be prepared to condition future nuclear reactor credits on a reversal of the ROKG decision. (The Kori-3 deal is not yet final, and the Canadians might be influenced to hold this up.)

In approaching the French, we would indicate that we are persevering in our efforts to persuade Korea to forego the reprocessing plant and formally advise them of our firm conclusion that the ROKG has embarked on a covert program to develop a nuclear weapon. We would note the importance of our efforts of their continuing to refrain from early implementation of the contract, pending resolution of the issue.

Pros

-- In the event of ROKG agreement, we would demonstrate success in deferring a plutonium-producing facility in Korea, for which we bear a special political and security responsibility.

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-- The ROKG would be on clear notice that the US is opposed to its developing a nuclear weapons option and is prepared to take actions to give substance to its opposition.

-- Choice of this option would be predicated on the assessment that the US must continue to oppose this indispensable element in the covert ROK nuclear weapons program and that President Park, who has not committed himself publicly or to us regarding the plant, may ultimately reverse the ROK position in the face of continued US opposition.

-- By clearly warning that the KORI-2 credits will be withdrawn and indicating that going ahead with the plant could seriously affect our future governmental nuclear cooperation (not breaching existing contracts), we would go beyond our previous approaches in stressing the seriousness of our concerns.

-- Perseverance will maximize our chances of deferring or constraining a reprocessing facility if the ROKG should ultimately acquire one.

Cons

-- Continuing our opposition to a Korean national reprocessing capability could lead to a major bilateral disagreement. More so than under Options 2a and 2b, the ROK might strongly argue that as an NPT party it has not only foresworn nuclear weapons but also is entitled to a reprocessing capability under Article IV of the Treaty, which it could accuse the US of violating.

-- The Koreans would be given still greater incentive to turn toward the French and others as nuclear suppliers, thus possibly

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denying us opportunities to impose special US constraints as well as possibly losing a promising lucrative commercial market. In particular, denial of US nuclear export credits could enhance the commercial position of alternative suppliers.

-- Without a full explanation of our unwillingness to assist Korea's peaceful nuclear program, our credibility as an international supplier could suffer, and we could not publicly discuss the intelligence basis for our concerns and actions, although our actions would probably speak for themselves.

-- All of the above arguments have been made repeatedly to the ROK and the final Korean response may remain the same, unless we pull out all stops to overturn the ROKG decision, perhaps involving a direct approach to President Park, under Options 2 or 3.

Option 4. In addition to Option 3, ask France to consider cancellation on an exceptional basis. Under this option, we would supplement the complementary approach to the French under Option 3 by asking the GOF to consider cancellation of the reprocessing project, given the extraordinary sensitivity of its acquiring a nuclear weapons capability both for the stability of the region and for the policies of the major powers with interests in the Korean peninsula.

To be effective, we would also tell the French we have decided to risk our commercial nuclear relationship with the ROK (as outlined in Option 3) because of our concern. We would have to make clear the main purpose of our request, which is related solely to prevention of the reprocessing plant and is not designed to block French sales of reactors to Korea.

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We would reiterate our support of non-sensitive nuclear cooperation with the ROK and a multinational regional nuclear center in the Far East, in which France could play a major role.

Pros

-- There are intelligence and diplomatic indications that elements in the French Government are increasingly disquieted about the destabilizing implications of the Korean reprocessing contract. Such concerns have already led to French acquiescence in the US approach to the ROKG. The French would undoubtedly be shaken by any convincing intelligence we can now produce, and might readily accept a suggestion that they review the matter anew. Increased French apprehensions may lead to a decision to cancel, possibly in the context of negotiating contracts for more lucrative, and less sensitive, nuclear reactors and low-enriched fuel fabrication facilities.

-- The GOF may conceivably prove amenable to such a direct approach, which would be consistent with our multilateral understanding in London to consult with interested suppliers on sensitive nuclear export cases. In the absence of a US demarche, but for diplomatic and strategic considerations, the GOF quashed a reprocessing deal with Taiwan and opposes reprocessing exports to Egypt and probably Israel.

-- We have not yet gone beyond seeking French acquiescence in our approach, in contrast to the pressures applied to the Koreans. Even if France declines to reconsider its deal, it may be important for the USG to have developed a record of strong representations to both supplier and recipient.

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Cons

-- France has already taken into account the relevant political and strategic factors, even though it may not have complete intelligence as to the covert ROK program. France takes the general position that proper safeguards can be relied upon to deter diversion of sensitive items. It has negotiated a tight trilateral safeguards agreement with Korea, covering transfers of reactors as well as the reprocessing plant and related technology, and might find it difficult to renege on its commitments.

-- The US has made its views known to the French, and it could be argued that we would be unlikely to have further impact on the French position, that the GOF would balk at acting as a US stalking horse with the ROKG, and that a US request to France to cancel would be perceived by the French as revealing serious US diplomatic weakness, particularly our inability to stop the introduction of sensitive plants in a country which continues to depend so much on US support.

-- France undoubtedly sees a connection between current Korean interest in French reactors and the French reprocessing plant. If the plant goes forward, US reactor assistance would be endangered and France would not be likely to deny the ROKG the right to reprocess fuel from French reactors in the French supplied facility. A GOF initiative to cancel the reprocessing plant would therefore risk French loss of reactor sales to Korea.

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-- This option calls on the French to accomplish a US objective which we have not yet brought about, in a country where our political interests and influence are vastly greater than France's, on the basis of a US assessment of ROK intentions which we are unwilling to document because of the sensitivity of the intelligence information.

Drafted: S/P: JHKalicki; JHKahan; EA/K: JDForbes: kts
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Concurrences:

S/P - Mr. Lord
EA - Mr. Habib
PM - Mr. Vest
OES - Mr. Kratzer
EUR - Mr. Hartman
INR - Mr. Kirk

Attachments:

Tab A - State 226011 and 240692, Seoul 7642

Tab B - Seoul 8278 and 8458

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TAB 2

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Proposed Talking Points

-- My Government has made several representations expressing the deep US concern about the potential negative effects on our mutual interests of a Korean decision to acquire a national reprocessing facility. We have given serious consideration to your Government's response to our prior approaches. Speaking as long time friends, we wish to restate our views because we attach such importance to resolving this problem, and we wish to be absolutely sure there is no misunderstanding of our position.

-- As you are undoubtedly aware, a perception that Korea was in a position to produce and separate plutonium independently could seriously affect our political and security relationships and have unsettling repercussions in the region. While we welcome your assurances that Korea will live up to its NPT obligations, we are seriously concerned that acquisition of a national reprocessing facility, even one restricted to experimental uses and appropriately safeguarded, will reinforce doubts about ROK nuclear intentions, given its inherent ability to produce material directly usable in nuclear explosives. This is all the more true since, in our judgment, national commercial plutonium reprocessing and recycling makes little commercial sense for a country like the ROK and promises marginal economic benefits compared with other energy investment.

-- Because of this conclusion, Secretary Kissinger has instructed that I reiterate our strong request that you not proceed with your reprocessing and related plutonium projects under your French contract.

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As I noted previously, the USG fully recognizes Korea's desire to reduce its dependence on foreign energy sources and the central importance of Korea's civil nuclear program to this effect. My Government has firmly supported this program and we wish to continue, as well as to expand our assistance. We also wish to broaden our cooperation with the ROK in other scientific areas.

-- I have described to your Government the ways in which the US would be prepared to enhance Korea's energy independence and commercial position in a less sensitive and, we believe, more economic and efficient manner. These include low-enriched fuel fabrication, increased access to non-sensitive nuclear technology, commensurate training opportunities for Korean scientists, enrichment and reprocessing services, and support of Korean interests in a multinational plant in the Far East.

-- I must now inform you, however, that if you decide to proceed with your proposed reprocessing plant, my Government would have to withdraw its request to Congress for \$249 million in nuclear reactor credits for Kori-2. We must also confirm our inability to authorize national ROK reprocessing of US-derived nuclear fuel and inform you that going ahead with the plant could seriously affect our future government nuclear cooperation.

-- We strongly wish to avoid this unfortunate result. We earnestly hope that you will share our judgment that cancellation of this small facility will be in the best interest not only of our overall bilateral relationship but of stability in this region as a whole.

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Department of State

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TAGS: MNUC, PARM, KS

SUBJECT: KOREAN REPROCESSING
FOR HABIB AND LORD WITH THE PRESIDENT'S PARTY; FROM MILLER
AND BARTHOLOMEW

1. THE SECRETARY HAS APPROVED OUR RECOMMENDATION TO APPROACH ROK PRIME MINISTER AND, IF NECESSARY, PRESIDENT PARK, WITH STRENGTHENED OPPOSITION TO REPROCESSING PLANT, AS WELL AS COMPLEMENTARY APPROACHES TO CANADA AND FRANCE (OPTION ONE A OF YOUR JOINT MEMORANDUM). WITH REGARD TO OTHER OPTIONS (E.G., MORATORIUM), SECRETARY ASKED THAT YOU SEE HIM AFTER COMPLETING APPROACHES UNDER OPTION ONE A.
2. INSTRUCTION CABLE NOW BEING CLEARED ASAP WITH OTHER AGENCIES. FOLLOWING CLEARANCE, WE WILL PROCEED WITH APPROACH IN SEOUL AND WILL RECOMMEND TO DEPUTY SECRETARY THAT HE CALL IN CANADIAN AND FRENCH AMBASSADORS. INGERSOLL

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