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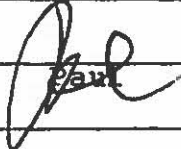
TONY

Interesting how Muskie and Billings function.

Billings asked Seitz to get a ~~carefully~~ thought out and persuasive "contrary view" to Gerry Smith's pitch on non-proliferation issues (of May 23). Bob is doing it for opening of business on Tuesday. I gather you were at the meeting on Thursday where Gerry made his presentation. Muskie apparently is interested but looking to make sure there are no hookers.

This is exactly the function S/P should be able to serve. Bob is enthusiastic.

(Incidentally I gather from Seitz his earlier paper summarizing the key issues we're facing at this point was widely read and well received in high places.)



5/27/80 TL Chron  
(Gillum memo  
to R1/mjs)

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The Reprocessing and Plutonium Use Planning Assumption

The proposed planning assumption on reprocessing and plutonium use is designed to permit the US, in its negotiations with EURATOM, to get a veto over reprocessing of US-origin fuel. This would be achieved by giving EURATOM approval in advance for reprocessing of US-origin fuel and use of derived plutonium in breeder and advanced reactor programs which they commit to over the next ten years. We would follow the same course with the Japanese. The principal reasons for adopting this approach and abandoning the current policy of restrictive case-by-case approvals of retransfer for reprocessing are that (1) since the Europeans will eventually succeed in going their own way in plutonium fuels with or without us, digging in our heels will be both disruptive of alliance relations and futile, and (2) addressing the real non-proliferation problem countries around the world requires that we cooperate with, not antagonize our allies on nuclear issues.

On the first point there is a real question about whether the allies will in fact succeed in going their own way in plutonium use, with or without us. New nuclear generating capacity is still coming on line more slowly than projected, estimates of uranium reserves are growing and we are facing a glut in enrichment capacity for some time to come. All this does not suggest a need to rush into breeder reactors and the use of plutonium fuels. Indeed, domestic opposition, unfavorable economics and slipping timetables all afflict the breeder programs in France, the UK, the FRG, and Japan in varying degrees. Even by the most optimistic projections, breeders could not make up a significant position of any country's electrical generating capacity until late in the first quarter of the next century. There is time for more evaluation, to search for substantial fixes, to develop alternatives to the plutonium breeder.

The assessment one makes about what "will happen anyway" is of course critical to a decision to change the direction of our policy. If we are wrong now about the inevitability of the move to plutonium fuels by our allies, and if we were right in 1977 in assigning high risks to widescale use of plutonium in the fuel cycle, then the proposed planning assumption will not so much "allow us to catch the train before it leaves the station," as have us "snatch defeat from the jaws of victory."

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In the first instance adoption of the proposed planning assumption would be perceived as a retreat from the Administration's original non-proliferation policy. This is true no matter how it may be couched, because the press, the Hill and many in Europe will portray it that way. Apart from whatever damage this may do the Administration politically, when combined with our willingness to put the Symington Amendment aside in Pakistan and the recent Tarapur decision on India, it will certainly raise doubts everywhere about the US commitment to non-proliferation objectives, at least as we defined them in 1977. While the new policy is supposed to increase our influence, it may in fact only decrease our credibility.

Over time the proposed planning assumption would make it easier for the Europeans and Japanese to move ahead with reprocessing and breeder development. If those programs are not inevitable, it will be unfortunate that we helped advance them; if they founder in spite of our relaxation in policy, the situation will have been made very much worse because of our policy. Liberlizing our retransfer authority for reprocessing spent fuel will permit greater accumulations of plutonium, presumably to be used in specified breeder and advanced reactor programs. But if those programs slip significantly or fail entirely -- a plausible outcome -- our policy will have contributed to the accumulation of larger plutonium stockpiles and/or to the recycle of plutonium in the current generation of thermal reactors. This is precisely what we have tried to avoid by pursuing the policy of case-by-case approvals and what we risk by abandoning it.

The second major reason for adopting the proposed policy on plutonium use is that it will help gain the cooperation we need from our allies to sustain and improve the non-proliferation regime. This is the question of the quids. In most cases, however, we would be asking for ambiguous commitments to vague objectives, easy to get but worth little. The exceptions are deferral of reprocessing, which we will not get, and agreement to condition exports on acceptance of full-scope safeguards, which will probably not depend upon our plutonium use policy.

Nevertheless, this is a central issue: what would be the effect of the proposed policy on the real target countries of our non-proliferation policy, Pakistan, Iraq, Argentina,

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South Korea, etc.? If we actually succeed in getting, for example, the French, West Germans and Italians to agree to rigorous control of exports of sensitive nuclear technology and material, it would be very significant. But that is not likely in a negotiation over the civil use of plutonium in their countries, especially if they have not come to see the proliferation of nuclear weapons as a threat to their security, independent of US arguments. Moreover, we may well be undercutting our efforts to prevent acquisition of sensitive technology in some target countries by granting programmatic approval to plutonium use in Europe and Japan. This, in spite of our efforts to predicate approvals on non-proliferation and technical criteria (electric grid and advanced nuclear program), because our stand against premature reprocessing and use of plutonium fuels will be less clear and the proposed criteria will be perceived as either rationalization of a policy reversal or an attempt to justify continued discrimination.

In a few sensitive cases, such as South Korea, there is the additional problem of their near-term eligibility under the proposed policy for use of plutonium in the breeder programs they commit to over the next ten years. South Korea is an NPT party with a significant number of nuclear power reactors on-line, under construction or planned, and an increasingly sophisticated nuclear establishment. It meets or soon will meet the criteria for plutonium use; it is also a country of proliferation concern.

#### An Alternative

An alternative is to continue with the current case-by-case policy unless discussions with EURATOM indicate that renegotiation of our agreement for cooperation is possible based on generic US consent to (1) retransfers for certain specified grand-fathered reprocessing contracts and (2) plutonium use for specified grand-fathered breeder and advanced reactive programs. (This is essentially option 2, sub-option 2(a) in the interagency memo.) The premise is that it would be better not to conclude an agreement with EURATOM now, that we would have to pay too high a price to get a "veto" over reprocessing in defining how we would exercise that veto. In foregoing an agreement we would still be able to discuss some generic and programmatic approvals with the Europeans to take account of their prior commitments, but we would not expect this to provide the basis for settlement. We would instead expect to grant yearly extensions for EURATOM in the near term, and

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assure them of such extensions. This is not the smoothest solution politically, but there should be no serious concern over LEU cutoff, and it is preferable to the proposed means of settlement.

The principal virtue of this approach is that it sustains our position on the dangers to international security of premature use of plutonium fuels. INFCE gave us an opportunity to assess that position, but no reason to change it. There is still no accepted way to have breeders without having fuel loadings which would each contain enough plutonium to fabricate hundreds of nuclear weapons; and there is also still no good reason why we or our allies need embrace that technology at this time.

The rest of the planning assumptions, our non-proliferation objectives with the allies, careful and limited involvement in efforts to build an international plutonium storage regime and increasing our fuel supply assurances, are all desirable and quite separable from the reprocessing and plutonium use policy.

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