

Message Text

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PAGE 01 SEOUL 07328 042248Z

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E.O. 11652: XGDS-I
TAGS: EMES PARM MNUC CA KS
SUBJECT: CANADIAN NUCLEAR REACTOR PROGRAM IN KOREA

SUMMARY- DURING CALL NOVEMBER 4, AMBASSADOR REVIEWED WITH CANADIAN AMBASSADOR STILES CURRENT STATUS OF CANADIAN NUCLEAR REACTOR SALE TO KOREA, CANDU 3 AND 4. CANDU 3 AGREEMENT READY FOR SIGNING AND FINANCING ALL ARRANGED. CANADIAN CABINET WILL MEET SOON TO REVIEW SALE ON POLITICAL LEVEL. ROK FONMIN PLANNING VISIT OTTAWA NOVEMBER 15 TO PRESS FOR COMPLETION SALES AGREEMENT. CANADIANS LEERY OF SELLING RESEARCH REACTOR TO KOREANS, HOWEVER, AND THEY HAVE ESTABLISHED ELABORATE SAFEGUARD PROVISIONS IN AGREEMENT IN LIGHT INDIAN EXPERIENCE. END SUMMARY

1. AMBASSADOR STILES SAID THAT SALE OF CANDU 3 IS NOW FULLY WORKED OUT EXCEPT FOR FINAL CABINET APPROVAL. AGREEMENT IS READY FOR SIGNING AND CONTAINS ELABORATE SAFEGUARD PROVISIONS INSISTED UPON BY CANADIANS AND, ACCORDING TO STILES, READILY ACCEPTED BY KOREANS. STILES INDICATED, HOWEVER, SOME CONCERN ABOUT ENFORCEMENT THESE ARRANGEMENTS.

2. IN ADDITION, FINANCING FOR CANDU 3 SALE ARRANGED. CANADIAN GOVT WILL PROVIDE THREE HUNDRED MILLION DOLLARS WITH ADDITIONAL FINANCING PROVIDED BY BRITISH TO COVER PARTS SUPPLIED FROM UK.

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SECRET

PAGE 02 SEOUL 07328 042248Z

3. ONLY STEP LEFT IS FINAL CABINET APPROVAL AFTER POLITICAL

CONSIDERATION OF PROJECT. BEYOND PROBLEM OF FUNDAMENTAL CANADIAN POLICY ON SALES OF REACTORS, THERE ADDITIONAL PROBLEM FROM CHURCH AND OTHER GROUPS OPPOSED TO REACTOR SALES TO KOREA DUE TO INTERNAL REPRESSION HERE. STILES, NEVERTHELESS, ANTICIPATES FULL CABINET APPROVAL. KOREANS ARE PRESSING FOR EARLY AGREEMENT AND SENDING FONIN KONG JO TO OTTAWA NOVEMBER 15 WITH APPROVAL PRESIDENT PARK. STILES COMMENTED THAT HIGH LEVEL ROKG INTEREST IN PROJECT IS CLEARLY EVIDENT.

4. STILES SAID KOREANS ARE EQUALLY ANXIOUS TO GET RESEARCH REACTOR WHICH WOULD PROVIDE TRAINING FOR OPERATION CANDU 3. CANADIANS, HOWEVER ARE RELUCTANT PROVIDE THIS REACTOR GIVEN GREATER RISK OF PLUTONIUM DIVERSION FOR POSSIBLE WEAPONS PROGRAM. IN GENERAL, STILES STRESSED THAT CANADIANS WELL AWARE OF POTENTIAL DIVERSION PROBLEM AND SEEKING TO BUILD INTO AGREEMENT AS EFFECTIVE AS POSSIBLE SAFEGUARD ARRANGEMENTS. KEY FACTOR WOULD BE KOREAN PURCHASE OF FUEL REPROCESSING PLANT. AMBASSAODR SHARED WITH STILES VERY GENERAL TERMS U.S. CONCERNS ABOUT POTENTIAL DIVERSION.

5. COMMENT: EMBASSY NOW IN PROCESS OF DRAWING TOGETHER ASSESSMENT ROK NUCLEAR PROGRAM AND SEPTEL SHOULD FOLLOW SHORTLY. GIVEN RECENT CONTRACT WITH WESTINGHOUSE FOR SECOND POWER GENERATION PLANT AND ADVANCED STAGE OF ROK/ CANADIAN NEGOTIATIONS, IT UNLIKELY WE CAN BLOCK THE SALE OF CANDU 3. HOWEVER, CANADIANS MAY WELL BE SUSCEPTIBLE TO REFUSING SALE OF RESEARCH REACTOR, IF JUDGMENT REACHED THAT THIS WOULD ENTAIL UNDUE RISKS.

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