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OES: FBENGELSDORF
JCS: COL. WILMOT (DRAFT)
OSD/ISA: GHARLOW

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EXDIS
E.O. 11652: XGDS-1
TAGS: EFIN, ETRD, MNUC, TECH, PARM, KS, HA, TE, CH
SUBJECT: ROK NUCLEAR FUEL REPROCESSING PLANS
REFS: (A) LONDON 9224; (B) LONDON 9295; (C) STATE 148895;
(D) STATE 135500; (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

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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 RE-
PROCESSING 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. [REDACTED]

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UNITED STATES DEPARTMENT OF STATE SECRET
REVIEW AUTHORITY: CHARLES E LAHIGUERA
CLASSIFICATION: SECRET REASON: 25X6
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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

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USING TALKING POINTS IN PARA 5 AND SPECIFICALLY REQUESTING THE ROKG NOT TO PROCEED WITH ITS PLANNED 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

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BANK LOAN FOR THE KORI II REACTOR REQUIRES CONGRESSIONAL APPROVAL. THE COGNIZANT COMMITTEES OF CONGRESS HAVE INDICATED THAT THEY 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

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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, 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 OR NORTHEAST ASIAN REGION. WE WISH TO ASSURE THE ROK OF CONTINUED US INTEREST IN WHOLLY PEACEFUL NUCLEAR CO-OPERATION (INCLUDING REACTOR EXPORTS AND CREDITS), BUT TO CLEARLY FOR WARN IT OF PROBABLE CONGRESSIONAL DIS-APPROVAL 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. SISCO

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