

ROK

NATIONAL SECURITY COUNCIL

SECRET

November 18, 1974

MEMORANDUM FOR: GENERAL SCOWCROFT

FROM: DAVID ELLIOTT *D.E.*

SUBJECT: Sale of Canadian Nuclear Reactor to South Korea

(R)

Background

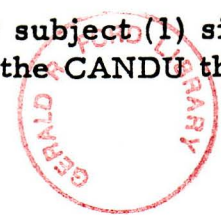
Since the Indian nuclear explosion, (using plutonium produced in an un-safeguarded Canadian supplied reactor), there has been considerable debate in Ottawa concerning the wisdom of freely selling their CANDU reactor abroad. (For one thing, the CANDU is the reactor type most vulnerable to clandestine diversion, although the U.S. is generally satisfied that IAEA safeguards are effective for CANDU.) Compounding this issue, as it relates to South Korea, is Canadian press and public aversion to a reputedly repressive regime. Thus, there is currently some question as to whether Canada will proceed with the sale of reactors to South Korea. On the other hand, reactor sales look like a good money maker and the government may decide that if they don't sell to Korea, other countries will. (Tab A

The U.S. (Westinghouse) has one reactor under construction in Korea and another one being negotiated. Although not an NPT party, Korea has accepted IAEA safeguards on U.S. supplied nuclear facilities, and has indicated willingness to do the same for the CANDU.

Our agreement with Korea on cooperation in the peaceful uses of atomic energy (an agreement which we require as a precondition for nuclear trade) unfortunately has the "PNE loophole" whereby diversion on plutonium is foresworn for nuclear weapons but not specifically for PNE use. While we are considering how to close this loophole in all our agreements, this matter is not a pressing concern vis-a-vis Korea because they have no chemical reprocessing plant for extracting plutonium from spent fuel, and they are very unlikely to have such technology for some time.

Will the Koreans Raise the Question of Nuclear Reactors?

It seems unlikely that the Koreans will broach the reactor subject (1) since Canada has made no final decision and Korea may yet get the CANDU they are



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 WITH PORTIONS EXEMPTED
 E.O. 12356, Sec. 1.3 (a) (4)

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seeking, and (2) since we are building one reactor and negotiating a second in Korea, there would be no reasons for the Koreans to think it necessary to question in high level discussions the availability of more.

How to Respond if They Do Raise Reactor Sales

We may want to use further sales as a lever to close the PNE loophole. Therefore, it would be reasonable to:

- acknowledge the nuclear cooperation that has been carried out between us and recognize that the Koreans have selected a U.S. reactor to help meet their electrical power needs,
- express confidence that future requests for reactors can be worked out, and
- indicate, as we have often said, that the benefits of atomic energy should be available to all who enforce the conditions that preclude proliferation of nuclear explosives.

Denis Clift and Jack Froebe concur.

