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Authority: EO 13526  
Chief, Records & Declass Div, WHS  
Date: JUN 13 2016

DOC #364  
HB's brief for PRC Mtg  
Nuc non prolif  
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PRC MEETING, 9 April 1980

TALKING PAPER FOR THE SECRETARY OF DEFENSE AND THE CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: State Department Paper on "Planning Assumptions for Non-Proliferation Strategy for 1980 and Beyond"

Introduction

The State paper at Tab A outlines a modification of our non-proliferation strategy. Existing constraints would be eased on U.S. supply of nuclear fuel and authorization of spent fuel reprocessing. The U.S. would support the international storage of plutonium. Several other liberalizing changes would be made in U.S. export procedures. In return, the U.S. would seek consensus among other nuclear suppliers on requiring NPT or equivalent full scope safeguards as a condition of major new supply commitments.

The purpose of the PRC is to decide whether to recommend this approach to the President. If he approves, next steps would be bilateral negotiations with EURATOM and Japan on reprocessing of U.S.-origin spent fuel; and offering long term fuel supply contracts to qualifying countries. (See Specific Proposals below.)

Background

The proposed shift to less restrictive U.S. practices stems from an assessment that while we have been effective in drawing serious international attention to the dangers of proliferation, we are losing ground in our efforts to persuade most nuclear suppliers and recipients that they should forego economic advantages, effectively close off military options and/or submit to various international rules and inspections in order to mitigate those dangers. Moreover, our ability unilaterally to affect other nations' energy development, nuclear export or weapons decisions through direct pressures or inducements is, for a variety of political and economic reasons, declining. Accordingly, this new strategy would make the U.S. more responsive to nations' energy requirements and economic interests as a means of maximizing what influence we can retain through the 1980's.

The particular impetus for these considerations at this time is the recent (February 1980) completion of the International Nuclear Fuel Cycle Evaluation (INFCE) -- a two-year multinational review of nuclear energy issues, particularly the potential technical relationship between nuclear energy production capacities and the ability to make nuclear weapons. INFCE recognized the proliferation risks inherent in civil nuclear programs, but stressed the economic necessity of such programs and projected higher energy demand and greater dependence on breeder and advanced reactor options than the U.S. would have preferred. To minimize proliferation risks, INFCE emphasized reliability of fuel supply and the desirability of safeguards (Tab B).

DEPARTMENT OF ENERGY DECLASSIFICATION REVIEW	
1 <sup>st</sup> REVIEW DATE: 11/2/15	DETERMINATION (CIRCLE NUMBERS)
AUTHORITY: DOE 600	1. CLASSIFICATION RETAINED
NAME: DA Permitt	2. CLASSIFICATION CHANGED TO:
	3. CONTAINS NO DOE CLASSIFIED INFO
2 <sup>nd</sup> REVIEW DATE: 01/14/2015	4. COORDINATE WITH:
AUTHORITY: DD, AU-60	5. CLASSIFICATION CANCELLED
NAME: Len Halpern	6. CLASSIFIED INFO RECLASSIFIED
	7. OTHER (SPECIFY): w/o acknowledgment

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Specific Proposals

Reprocessing of U.S.-Origin Material: Under the State strategy, the U.S. would offer EURATOM countries and Japan agreement for a period of years to reprocess U.S. origin spent fuel and use the resulting plutonium in well defined breeder and advanced reactor programs. We would, in return, seek their cooperation in joining us as suppliers to other countries in making Nuclear Non-Proliferation Treaty (NPT) or equivalent full scope safeguards a condition of new supply commitments. (The U.S. now has the right of prior consent over reprocessing of U.S.-supplied fuel in cases where we have cooperation agreements. Those countries where we both have the rights and reprocessing -- in-country or by transfers to EURATOM -- is contemplated are India, Japan, Switzerland and Spain. EURATOM will not accord us such rights; the President has extended the Nuclear Non-Proliferation Act of 1978 (NNPA) deadline for obtaining rights for one year (from March 1980) on the grounds that it is not in our interest to terminate nuclear cooperation with EURATOM. The only case in which we have approved reprocessing in-country has been at the Tokai Mura pilot plant in Japan, also on an interim basis.) This proposal would make it basically routine that we authorize reprocessing in the cases of economically advanced countries which apparently offer no proliferation risk, e.g., currently Japan, Sweden and Switzerland. Thus, the new policy would discriminate on economic grounds as well as on those related to a country's non-proliferation qualifications. It would for all practical purposes be open ended, i.e., any country could, in principle, move into a position to qualify. The State paper describes initial Congressional reaction as "cautious, but not unfavorable" and would anticipate Congressional hearings.

U.S. Supply of Nuclear Fuel: We would offer longer term fuel supply contracts, possibly up to the life of the reactor (about thirty years.) (Our current procedures involve annual -- or 5 year -- case-by-case licensing following Executive Branch review and NRC approval. The proposed change would place the burden on the exporter (U.S.) to intervene -- e.g., if proliferation concerns subsequently arose -- rather than upon the importer periodically to seek renewal of his license.) The principal effects of this change in supply policy would be to facilitate planning of recipients' power programs, to gain political capital associated with our becoming a more forthcoming supplier, and to decrease our ability to prevent stockpiling of low enriched uranium in recipient countries. We would hope this easing of procedures would mitigate much of the criticism we are receiving with respect to our NPT (Article IV) obligations regarding assistance to NPT parties. State anticipates minimal Congressional opposition to the change.

International Plutonium Storage: We would begin more active work toward an international plutonium storage regime (IPS), an effort we have been lukewarm on in order to avoid legitimizing premature separation of plutonium. It is argued that an IPS will be developed and that therefore the U.S. should be engaged in order to shape the process as much as possible. An effective IPS would involve international (IAEA auspices) oversight of all civil plutonium for which there was no specified immediate use. The IPS concept is not yet well developed and it is unlikely that really tight international procedures

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could be negotiated or implemented. (While current IAEA safeguards can assist a nation to keep track of the materials in its plants, for example, they are not considered highly effective if a nation itself wants to cheat by diverting such material.) Nevertheless, an IPS would be considerably better than nothing in a world where greater amounts of near or weapons grade material existed. The system would be more effective if the number of storage sites could be very limited. But an IPS would not solve the basic problem inherent in that situation: a great expansion of opportunity for the nations or persons who want to acquire material for building bombs.

#### Comment/Conclusions

While the proposed strategy shift does not require amendment of the NNPA, it is not necessarily consistent with the spirit of the legislation. Indeed, it could be seen by some as beginning to move the USG in quite a different direction. (State assesses that whatever Congressional resistance to the general change of posture emerges can be overcome -- basically by the logic that overall non-proliferation prospects would be enhanced by U.S. responsiveness to current international pressures and diminished by a continuation of policies which antagonize the major nuclear suppliers.)

The proposed strategy does build on INFCE recommendations for greater recognition of the energy needs of most countries and it is consistent with the NPT responsibilities of nuclear weapons states to make the energy road easier in return for commitments by others not to weaponize. Thus the climate for a serious "non-proliferation regime" might well be improved. Some "medium risk" countries which may be genuinely undecided on weaponization and simply preserving options (or trying to obtain them) by developing independent fuel cycles could be nudged away from that course by a more consistent supplier environment which faced them with predictable "rewards" and "punishments." The strategy does not, however, deal with the dilemmas posed by the "high risk" countries. There is no particular reason to believe that the motivations of those countries which have resisted our various carrot and stick tactics so far will be much affected.


The strategy shift would have the U.S. subscribing to the notion that some proliferation prone technologies are all right for some countries, instead of continuing to promote -- at least in principle -- universal acceptance of what we believe to be the safer uses of nuclear power. How are the lines to be drawn when the higher risk countries start meeting the guidelines? It is probably true that in discriminating we are recognizing realities; it may not be true that such recognition will buy us significant influence. Two basic questions emerge on which judgments may differ: Is it, in fact, in our interest to accommodate to international pressures by "softening" on these fuel cycle issues related to non-proliferation? Are those pressures such, and are our bargaining powers now so minimal, that it is essential to make such accommodations at this time?

Recommendation: That you support the general strategy of adopting a more forthcoming U.S. policy with respect, inter alia, to fuel supply, reprocessing of U.S.-origin spent fuel, and plutonium storage. Such support should be conditional on the

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understanding, however, that specific strategies for bilateral negotiations as well as implementation of various complementary policies referred to but not elaborated in the State paper will require further consideration, clarification and high level approval.

That you support U.S. active participation in the development of an international plutonium storage regime.

  
Walter Slocombe  
Deputy Under Secretary of Defense  
(Policy Planning)

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Director, Joint Staff

Attachments

COORDINATION:

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Assistant Secretary of Defense, ISA

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PRC Meeting on Non-proliferation

April 9, 1980.

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India: Fuel Shipments for Tarapur Reactors

This is an issue that has been with us ever since the 1978 Nuclear Non-proliferation Act (NNPA) created a conflict with our 1963 nuclear cooperation agreement with India. The agreement obligated the US to provide enriched fuel for the AID-financed nuclear reactors at Tarapur which are crucial to Bombay's power supply. However, our unilaterally enacted NNPA prohibits, after a grace period which ended on 10 March, approval of new fuel shipment requests to nations that have refused to accept international safeguards on all their nuclear facilities. India considers full-scope safeguards to be discriminatory and has steadfastly rejected them.

India has two pending applications for fuel shipments which were filed before the NNPA deadline. Legally, the President can approve them. Politically, however, approval would contravene the spirit of the NNPA, probably require an override of the Nuclear Regulatory Commission and encounter opposition from nuclear nonproliferation activists in Congress.

While we have tracked this issue because of its implications for our overall relationship with India and for U.S. nonproliferation policy, DOD has not been a participant in the continuing deliberations with New Delhi. The State Department's elaboration of the issue and U.S. options are set forth in the paper at TAB A.

On balance, we find the views Ambassador Goheen has submitted (at TAB B) in favor of proceeding with the fuel shipments to be persuasive:

- Disapproval will release India from its obligations under the 1963 agreement. In reaction, India may terminate safeguards at Tarapur and the U.S. will lose control over the disposition of Tarapur's spent fuel. Theoretically, India could reprocess the fuel and use the resultant plutonium for explosive tests or nuclear weapons.
- Disapproval is likely to accelerate India's nuclear enrichment and reprocessing programs.
- Disapproval will substantially reduce U.S. influence and contact with India's nuclear establishment.
- Termination of U.S.-Indian nuclear cooperation will not deter India from proceeding with a nuclear explosive program if New Delhi determines at some point that this is in its interest. Our leverage in this area is quite limited in any event.

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- It will not be possible to confine the negative results of disapproval to the nuclear area; other aspects of our bilateral relationship will be affected adversely.
- The credibility of U.S. commitments, as embodied in the 1963 agreement, will suffer from disapproval of the fuel shipments. This will damage our international reputation as a reliable nuclear supplier and curb our ability to promote our nonproliferation goals with nuclear consumer states.

Recommendations:

- Support approval of the two pending licenses for fuel under the terms of our 1963 agreement.
- On a contingency basis, discuss with India means for a mutually agreeable termination of the 1963 agreement.
- Separately assess within the USG the longer-term question of whether the NNPA should be amended to permit continued fulfillment of US supply obligations under the 1963 nuclear cooperation agreement.

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Date: JUN 13 2016 OSD 3.3(b)(6)

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Chief, RDD, ESD, WHS

Date: 13 JUN 2016 Authority: EO 13526 + 50 U.S.C. § 552

Declassify: \_\_\_\_\_ Deny in Full: \_\_\_\_\_

Declassify in Part: X

Reason: 3.3(b)(6)

MDR: 15 -M- 0566

Summary Agenda and Talker for PRC Meeting on Non-proliferation

The purpose of the meeting is to address a set of proposals -- set out in the State/Gerry Smith paper at Tab A -- for significant changes from our current policy. The rationale for the changes is that our effort to divert other nations from development of reliance on reprocessing will not succeed, that it exacerbates relations with our allies in Europe and Japan and that, in general, the pressures to expand nuclear power are such that we need to shift toward a policy that is more forthcoming on certain technological issues important for power generation (but also of value in facilitating weapons production), if we are to retain any significant influence on other suppliers' actions related to requiring safeguards and to providing still more dangerous technologies. We seek to maximize our influence on the "influencable" potential proliferators.

The specific measures proposed are:

- Reprocessing. Offer EURATOM countries and Japan reprocessing of U.S.-origin spent fuel with controls on use of the resulting plutonium; seek agreement by them to subject all major supply commitments to full scope safeguards.

- Fuel supply assurances. Agree to long-term (30 years) supply assurances for nuclear fuel, instead of current 5-year renewals. We would retain the right to cancel for violation of proliferation limits.

- International plutonium storage. Work to set up a system for international storage of plutonium, on the grounds that while it would mean more "loose" plutonium in the world potentially available for weapons use, some such system is likely anyway, and we should participate to get the strongest safeguards possible.

These measures would represent a considerable change in our previous efforts to strangle the plutonium baby in the crib. They involve an increased risk because there will be more plutonium in the world under controls of uncertain effectiveness. However, we have not and probably will not succeed in getting the support of other suppliers in our current effort without some changes; and the increased proliferation danger those changes entail is, to some degree at least, offset by the possibility that our influence will increase through a more forthcoming policy with major suppliers.

Neither the current policy nor the proposed new one has much impact on the countries posing the greatest non-proliferation risk, e.g., Pakistan, South Africa, [REDACTED] because for them the security/prestige incentives are probably great enough to circumvent any purely technical controls. For them only a more security oriented approach -- together with sanctions affecting their access to nuclear energy -- offer much hope.

In going forward with the proposed strategy -- which is mainly oriented toward satisfying the interests of major nuclear suppliers -- we should be sure to exercise maximum leverage in our negotiations. We should insist on significant commitments from them with respect to their future participation in a consistent, concerted strategy vis-a-vis the "high risk" countries who in fact provide our most immediate proliferation concerns.