

May 23, 1980

**Memorandum, Gerard C. Smith to the Secretary,
'Non-Proliferation Planning Assumptions'**

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Summary:

Smith sent new Secretary of State a distilled version of his policy proposals.

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AMBASSADOR AT LARGE
WASHINGTONSECRET

May 23, 1980

TO: The Secretary

FROM: Gerard Smith

Non-proliferation Planning Assumptions

Here is the case I made yesterday for getting Presidential approval (after another PRC) of our proposed planning assumptions.

1. The President's 1977 objective was to prevent the spread of nuclear explosive capabilities (e.g., reprocessing) to countries which did not then have them and minimize traffic in plutonium and high enriched uranium. He recognized the special energy situations of countries (like the UK, France, FRG and Japan) which did have these capabilities and stated we "were not trying to impose our will" on them.
2. Our current practice permits transfers of US origin material for reprocessing only on a limited case-by-case basis. This practice is interim pending conclusion of the International Nuclear Fuel Cycle Evaluation (INFCE) which the President initiated. We have so far permitted transfers only from Japan, Switzerland, Spain and Sweden. We have no rights over reprocessing or plutonium use in EURATOM.
3. The law required us, subject to annual extensions, to obtain by March 1980 a veto over reprocessing of US origin fuel in EURATOM or terminate cooperation. EURATOM will give us such rights only if they know how we will exercise them. The President has extended the deadline to March 1981. The cut-off requirement is hardly credible, and in any event most EURATOM countries could probably tolerate it, as less than 20 percent of EURATOM's future supply will come from the US and there is ample enrichment capacity under construction in Europe.

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4. INFCE is now concluded. It is clear from both INFCE and other discussions that awareness of proliferation risks has increased. But we have not convinced Europe and Japan that breeder and advanced reactor RD&D and related reprocessing should not vigorously be pursued. INFCE and the US breeder program reflects the potential of breeders in large industrialized countries. Other countries are waiting to see how we carry out our commitment to take INFCE findings into account.
5. Our 1977 assumptions that US nuclear supply was adequate leverage to get others to accept our non-proliferation ideas has not proven correct. On the contrary, our law has caused other countries to view us as an unreliable nuclear partner. Some have turned away from us; if we continue our current practice, others (such as Japan) could accelerate moves in the same direction.
6. Our practices are viewed to some degree as a threat to Allied energy programs. Japan resents their being in an inferior position to EURATOM (i.e., Japan must seek US consent for reprocessing, whereas EURATOM countries need not).
7. The greatest near-term danger to unlimited use of plutonium is recycle of plutonium in thermal reactors. We need the cooperation and agreement of our Allies to avoid such use. We also need their help if we are going to deal effectively with the real proliferation threats of problem countries such as Pakistan and South Africa. A policy of case-by-case approvals of reprocessing where countries have to come to us each time to seek our consent or where we fashion controls so tightly that our Allies perceive that we are undermining their breeder and advanced reactor developments will not accomplish these objectives and will, in fact, be non-negotiable. This would also be true of an approach which simply grandfathers their pre 1977 programs.
8. We, therefore, propose to explore agreement (under specified conditions) to reprocessing of US origin material and use of the derived plutonium in agreed breeder and advanced reactor RD&D programs committed to in the next ten years in advanced NPT or equivalent countries (today Europe and Japan). We also propose willingness to consider agreement to reprocessing (not

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plutonium use) where this is in our interest. We are not sure that even this arrangement will be acceptable to our key Allies, but we believe it is reasonable and consistent with the President's policy.

9. We are not seeking consensus for the sake of consensus. Rather, we propose to seek in return European and Japanese agreement to a number of key non-proliferation improvements. These include deferral of commercial thermal recycle, limits on reprocessing and plutonium use, expanded restraints on sensitive exports, full-scope safeguards as a condition of supply for new commitments, and increased cooperation regarding problem countries. We would also try through "an evolutionary approach" (not explicitly limiting US consent to reprocessing and plutonium use in EURATOM and Japan) to minimize charges of discrimination while restricting separation and use of plutonium to only industrialized countries in the near term. Our approach has the same initial impact as the grandfather approach, but it does not foreclose additional programs qualifying in future.
10. We and other suppliers are criticized by developing country NPT parties for not meeting NPT obligations on nuclear supply. We have thus proposed longer term licensing of non-sensitive items. Hopefully, we can make an announcement on this before the NPT Review Conference in August.
11. We need to begin resolving these issues now. INFCE is over, and certain of our policies were interim pending its completion. Renegotiation of our agreements (as required by law) is stalled. Canadian and Australian negotiations are threatening to undercut our effort. International movement on a code of nuclear trade needs to be forestalled and international plutonium storage discussions need to be influenced in the right direction.
12. All of the concerned agencies (State, DOE, ACDA, DOD, JCS) agree with the course we have proposed. Only the NSC staff member charged with this subject and CEQ want a more limited approach. They overestimate our ability to impose restraint on plutonium separation abroad.
13. CEQ argues that European and Japanese reprocessing and breeder and advanced reactor programs are already in trouble; they have slipped substantially; if we keep up the pressure, we could assist their demise. CEQ argues

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that events are proving us correct, at least for the rest of the century, on the likely economics of breeders and the availability of alternative fuel cycles. But Europe and Japan believe they have the right to make these judgments for themselves and have some grounds for caution in preserving options. The President has recognized their special energy situation. CEQ fails to recognize that our only chance of getting a handle on thermal recycle is if we can get agreement in EURATOM, as well as Japan, on its deferral. CEQ also ignores the danger of driving others to launch enrichment programs.

14. The Congressional leaders most concerned with non-proliferation (Glenn, Percy, Javits, Zablocki, Bingham) have been exposed to our preferred option; they have not objected to it in principle, although Glenn, Zablocki and Bingham still assume we have more leverage than we do. They are principally concerned with assuring we get the most for what we give. Bingham considers this a much less sensitive issue than the Tarapur licenses.
15. CEQ believes the environmental community could make an election issue out of movement in this area; Tom Pickering's reading from the NRDC is that this is not likely.
16. CEQ also argues movement in this direction could lead to added pressures to revive Barnwell and continue Clinch River. We believe these are distinguishable. Barnwell's economics were largely predicated on thermal recycle which we would continue to try to discourage. Clinch River represents antiquated breeder technology. Our breeder R&D program (aside from Clinch River) remains the world's largest.

We are in sum trying:

- to become once again a more reliable nuclear partner;
- to achieve better cooperation on non-proliferation;
- and

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-- to make our nonproliferation practice more workable.

I should note that Stu Eizenstat has also expressed concern about possible domestic political consequences. Since we are not requesting changes in the law or policy as such -- but rather asking only for authority to continue our renegotiation effort on the basis of post INFCE planning assumptions, I believe any domestic political consequences are manageable.

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