

**TOP SECRET**

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TO GENERAL SCOWCROFT

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T O P S E C R E T CONTAINS CODEWORD DELIVER AT OPENING OF BUSINESS

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NOVEMBER 18, 1974

MEMORANDUM FOR: GENERAL SCOWCROFT  
FROM: DAVID ELLIOTT  
SUBJECT: SALE OF CANADIAN NUCLEAR REACTOR TO SOUTH  
KOREAN

BACKGROUND

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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.

ON-FILE NSC RELEASE  
INSTRUCTIONS APPLY

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WILL 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 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.

TAB A

CANADA - SOUTH KOREA

THE CANADIAN GOVERNMENT IS TRYING TO DECIDE WHETHER TO ALLOW THE SALE OF NUCLEAR POWER AND RESEARCH REACTORS TO SOUTH KOREA AND A NUMBER OF OTHER POTENTIAL PURCHASERS.

A DECISION TO SELL TO SOUTH KOREA IS NOW VERY MUCH IN DOUBT BECAUSE OF GROWING CONCERN IN CANADA THAT PLUTONIUM PRODUCED BY THE RESEARCH REACTORS MIGHT BE DIVERTED TO MILITARY USE.

GOVERNMENT IS GENERALLY CONVINCED OF SEOUL'S HOPE OF DEVELOPING A NUCLEAR WEAPONS CAPABILITY. THIS CONFIRMS AN EARLIER CANADIAN PRESS REPORT WHICH STATED THAT GOVERNMENT SOURCES HAD SUGGESTED CANADA MIGHT DECIDE NOT TO SELL A REACTOR TO SOUTH KOREA EVEN IF ADEQUATE NUCLEAR SAFEGUARDS WERE OBTAINED. SEOUL HAS AGREED TO SIGN A SAFEGUARDS PROTOCOL TO THE REACTOR SALES AGREEMENT

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COVERING NOT ONLY THE CANDU REACTOR ITSELF, BUT ALSO THE PRODUCTS EMANATING FROM IT.

ACCORDING TO THE PRESS REPORT, OTTAWA RECENTLY COMPLETED AN ASSESSMENT OF THE SEOUL REGIME'S POLITICAL STABILITY AND MILITARY ASPIRATIONS AND WHETHER THESE MIGHT LEAD TO A NUCLEAR ARMS PROGRAM IN SOUTH KOREA. THE ARTICLE DID NOT CONTAIN THE CONCLUSIONS OF THE STUDY, BUT INDICATED THAT THEY HAD BEEN GIVEN TO THE CABINET.

THERE HAS BEEN HEAVY COMMERICAL PRESSURE ON OTTAWA TO AGREE TO FOREIGN SALES OF THE CANDU REACTOR BECAUSE CANADA WOULD GAIN ENORMOUSLY.

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[REDACTED], OTTAWA HAS BEEN BESET BY DOUBTS ABOUT ITS REACTOR SALES PROGRAM. RECENTLY, THERE HAS BEEN INCREASING DOMESTIC AND FOREIGN PRESSURE ON OTTAWA TO TAKE A MORE CAUTIOUS APPROACH IN APPROVING REACTOR SALES.

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