



Department of State **TELEGRAM**

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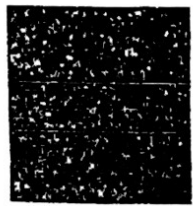
TAGS: PARM, ENTCH, JA

SUBJECT: BILATERAL APPROACH TO GOJ ON REGIONAL REPROCESSING

REFS: (A) TOKYO 16161; (B) STATE 245808; (C) STATE 161085;
(D) STATE 280819

1. DEPARTMENT APPRECIATES EMBASSY'S REPORT OF DISCUSSIONS
(REF A) WITH FONOFF AND ERG OFFICIALS ON JAPANESE VIEWS
REGARDING REGIONAL, MULTINATIONAL REPROCESSING. BASED ON
THIS REPORT, IT APPEARS THAT EMPHASIS IN EMBASSY'S PRE-
SENTATION TO FONOFF AND OTHERS WAS ON JAPANESE PARTICIPATIO
IN IAEA STUDY. HOWEVER, INTENT OF REF B WAS TO SET STAGE

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By JDS, NARA, Date 9-24-18

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FOR GOVERNMENT-TO-GOVERNMENT BILATERAL TALKS ON JAPANESE INTEREST IN PARTICIPATING IN MULTINATIONAL FUEL CYCLE CENTER FOR FAR EAST. AS OBSERVED IN PARA 4, REF B, IAEA STUDY WILL BE OF GENERALIZED NATURE WITHOUT REFERENCE TO SPECIFIC REGIONAL GROUPINGS AND PROBLEMS. THUS, WHILE JAPANESE PARTICIPATION IN IAEA STUDY IS, OF COURSE, DESIRABLE, THERE IS A NEED TO DRAW GOJ INTO DIRECT DIALOGUE WITH USG ON THIS ISSUE. DISCUSSIONS ENVISAGED HERE WOULD BE PARALLEL TO BUT SEPARATE FROM IAEA STUDY.

2. NEGATIVE REACTION OF ERG OFFICIALS TO IAEA REGIONAL FUELS CYCLE STUDY IS NOT SURPRISING, GIVEN THE GENERALLY CRITICAL VIEW OF THAT GROUP TOWARD THE MULTINATIONAL REPROCESSING CONCEPT. HOWEVER, EXPRESSED WILLINGNESS OF TAMIYA AND IMAI (REF A, PARA 5) TO PARTICIPATE IN SERIOUS STUDY OF MULTINATIONAL REPROCESSING WITH US REPRESENTS THE MOST POSITIVE OFFICIAL SIGNAL THUS FAR FROM ERG ON THIS ISSUE. FYI: IN THIS CONNECTION, WE ARE UNCLEAR AS TO BASIS FOR IMAI'S REFERENCE TO USG REJECTION OF HIS APPROACHES TO US ON JOINT US-JAPANESE ARRANGEMENT (REF A, PARA 3). DEPARTMENT HAS NO RECOLLECTION OF RECEIVING ANY CONCRETE PROPOSAL FROM IMAI, AND, IN INFORMAL CONTACTS WITH IMAI, US OFFICIALS TOOK POSITIVE ATTITUDE TOWARD MULTINATIONAL CONCEPT. WE ARE ALSO UNCLEAR AS TO REPORTED WILLINGNESS OF ERG OFFICIALS TO PARTICIPATE IN DISCUSSIONS OF MULTINATIONAL REPROCESSING IN LIGHT OTHER VIEWS REPORTED IN REF A AND TAMIYA'S EXPLICIT ADVICE TO ACTING ASSISTANT SECRETARY KRATZER THAT ERG (IPONMATSU) IS OPPOSED TO MULTINATIONAL APPROACH. EMBASSY VIEWS ON THESE QUESTIONS WOULD BE APPRECIATED. END FYI.

3. NEVERTHELESS, DESPITE ERG'S APPARENT OFFER WE DO NOT WISH FURTHER CONTACTS WITH ERG ON THIS ISSUE FOR TIME BEING. RATHER, WE BELIEVE THAT BEST WAY OF DEVELOPING BILATERAL DIALOGUE IS TO APPROACH FONOFF (OTSUKA) TO OUTLINE US INTEREST IN ESTABLISHING A BILATERAL DIALOGUE ON THIS MATTER AND TO ASCERTAIN GOJ VIEWS ON HOW THIS CAN BEST BE ACCOMPLISHED. WE RECOGNIZE THAT FOREIGN MINISTRY IS NOT LIKELY TO WANT TO REACH JUDGMENT IN THIS COMPLEX ISSUE INDEPENDENT OF ERG. IN TAKING UP ISSUE WITH FONOFF, WE DO NOT WANT TO APPEAR TO BE ATTEMPTING DRIVE WEDGE

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BETWEEN FONOFF AND ERG OR TO HAVE ERG OVERRULED AT GOVERNMENT LEVEL. EMBASSY SHOULD TAKE THIS POINT INTO ACCOUNT IN MAKING ITS PRESENTATIONS TO FONOFF. INDEED, IF FONOFF WISHES ERG TO PARTICIPATE IN GOJ SIDE OF DIALOGUE AT APPROPRIATE STAGE WE WOULD NOT OBJECT.

4. OUR DESIRE TO DEAL AT THIS STAGE WITH FONOFF ON MULTI-NATIONAL REPROCESSING IS BASED ON TWO KEY CONSIDERATIONS. FIRST, WE BELIEVE THAT PROLIFERATION AND REGIONAL STABILITY ASPECTS OF REPROCESSING ISSUE WILL BE GIVEN GREATER WEIGHT BY FOREIGN OFFICE THAN BY ERG WHICH IS BASICALLY AN INDUSTRIAL GROUP HAVING DIFFERENT PRIORITIES. SECOND, WE DO NOT WISH TO DIVERT ERG ATTENTION FROM PRIORITY NEED TO CONSIDER AND, HOPEFULLY, ADOPT MORE FORTHCOMING ATTITUDE ON URANIUM ENRICHMENT PARTICIPATION BY SUSTAINED AND DIRECT USG EFFORTS TO ATTRACT THEIR SUPPORT FOR REGIONAL REPROCESSING. FYI: AS EMBASSY IS AWARE, WE ARE APPROACHING CRITICAL POINT IN DECISION-MAKING PROCESS ON URANIUM ENRICHMENT EXPANSION, WITH JCAE SCHEDULED TO OPEN HEARINGS ON NUCLEAR FUEL ASSURANCES ACT ON DECEMBER 2. DEPARTMENT WITNESS WILL TESTIFY ON DECEMBER 9. PREPARATION ALSO BEING MADE TO CALL IN JAPANESE AMBASSADOR FOR DISCUSSIONS ON HOW MORE DEFINITIVE AND FORTHCOMING JAPANESE ATTITUDE TOWARD PARTICIPATION IN URANIUM ENRICHMENT PROJECTS CAN BE ENCOURAGED. ERG IS, OF COURSE, DEEPLY INVOLVED AND HIGHLY INFLUENTIAL IN ULTIMATE JAPANESE DECISIONS ON BOTH URANIUM ENRICHMENT AND REGIONAL REPROCESSING. WE DO NOT WISH TO ENGAGE ERG IN REPROCESSING ISSUE, PENDING ASSESSMENT THAT SUCH INVOLVEMENT WOULD NOT DETRACT FROM OUR EFFORTS ON ENRICHMENT. END FYI.

5. ACCORDINGLY, EMBASSY SHOULD REFRAIN AT THIS POINT FROM FOLLOW-UP TO ERG ON QUESTION OF BILATERAL TALKS AND APPROACH FONOFF WITH THE PROPOSAL FOR GOVERNMENT BILATERALS. EMBASSY SHOULD ALSO HOLD IN RESERVE SUBJECT OF PNC REPROCESSING PLANT (REF A, PARA 6) UNTIL NATURE OF GOJ ENGAGEMENT IN BILATERAL TALKS HAS BEEN CLARIFIED. IN ADDITION TO POSSIBLE LEGAL PROBLEMS, WE WISH TO HUSBAND POSSIBLE US ASSISTANCE IN REPROCESSING FIELD TO SEE IF THIS CAN BE USEFUL SOURCE OF LEVERAGE IN CHANNELING

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JAPANESE INTEREST TOWARD MULTINATIONAL CONCEPT AT LATER STAGE. SIMILARLY, TO AVOID POSSIBLE MISPERCEPTION AND MAINTAIN COHESION, WE WOULD NOT PLAN TO RESOLVE PENDING NUS REQUEST FOR INDUSTRY LEVEL FEASIBILITY STUDY OF MULTINATIONAL EAST ASIAN REPROCESSING CONCEPT (REF C, PARA 2), UNTIL FIRST ROUND OF GOVERNMENT-LEVEL TALKS HAVE BEEN COMPLETED.

6. IN NEXT DISCUSSION WITH FONOFF, EMBASSY SHOULD MAKE FOLLOWING POINTS. AS APPROPRIATE, EMBASSY CAN ALSO DRAW ON POINTS MADE BY PM DEP DIR GOODBY IN RECENT WASHINGTON DISCUSSION WITH JAPANESE POLITICAL COUNSELOR DONOWAKI WHICH RELATED MULTINATIONAL PLANT CONCEPT TO USG CONCERN OVER PLANNED ROK ACQUISITION OF NATIONAL PILOT REPROCESSING PLANT (REF D).

A. WE ARE GRATIFIED THAT GOJ SEES POLITICAL BENEFITS TO PARTICIPATION IN THE IAEA REGIONAL FUEL CYCLE CENTER PROJECT. THE US IS PLANNING TO MAKE COST-FREE EXPERTS AVAILABLE FOR THIS PURPOSE. MANY OTHER COUNTRIES ARE DEMONSTRATING THEIR SUPPORT FOR THE STUDY, AND THE WORLD BANK HAS AGREED TO CONTRIBUTE \$40,000 TO THE IAEA FOR THE STUDY. WE WELCOME DECISION BY GOJ TO SEND AN EXPERT TO VIENNA TO PARTICIPATE IN THE STUDY, AND HOPE THAT JAPAN CAN FIND OTHER WAYS TO SUPPORT IAEA EFFORT.

B. HOWEVER, AS WE UNDERSTAND IT, THE IAEA STUDY WILL NOT ATTEMPT TO SPECIFY PARTICIPANTS, POSSIBLE SITES, OR COMMERCIAL ARRANGEMENTS FOR PARTICULAR CENTERS THAT MIGHT BE ESTABLISHED. THESE QUESTIONS ARE OBVIOUSLY BEING LEFT TO INFORMAL AND CONFIDENTIAL DISCUSSIONS AMONG GROUPS OF INTERESTED STATES. SUCH DISCUSSIONS COULD, IN OUR VIEW, PROFITABLY BE CONDUCTED CONCURRENTLY WITH THE IAEA PROJECT AS AN ESSENTIALLY SEPARATE UNDERTAKING WHICH COULD TAKE ACCOUNT OF THE RESULTS OF THE IAEA STUDY AS THEY EMERGE.

C. IF SMALL NATIONAL PLANTS IN SENSITIVE AREAS NEAR JAPAN ARE TO BE DISCOURAGED, PARTICULARLY IN THE ROK, WE BELIEVE IT IS IMPORTANT TO BEGIN NOW FOR COUNTRIES INTERESTED IN AVOIDING THE POTENTIAL PROLIFERATION DANGERS

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OF SUCH NATIONAL PLANTS TO CONSIDER PRACTICAL PROBLEMS AND POSSIBILITIES FOR ALTERNATIVES, INCLUDING AN EAST ASIAN COMMERCIAL SCALE MULTINATIONAL FACILITY. WE SEE THIS ISSUE AS A MATTER OF MUTUAL INTEREST TO BOTH OUR GOVERNMENTS, WHILE RECOGNIZING THAT THE PRINCIPAL ACTORS IN MAKING THIS A VIABLE CONCEPT WILL BE THE NATIONS IN THE FAR EAST THEMSELVES.

D. GIVEN THESE IMPORTANT CONSIDERATIONS WHICH MOTIVATE OUR INTEREST IN THE REPROCESSING ISSUE, WE BELIEVE IT IS ESSENTIAL FOR THE US AND JAPAN TO CONSULT FULLY AND EFFECTIVELY ON THE FEASIBILITY AND MERITS OF THE CONCEPT OF ESTABLISHING AT AN APPROPRIATE TIME A MULTINATIONAL REGIONAL FUEL CYCLE CENTER SERVING THE NEEDS OF EAST ASIA. WE WOULD THEREFORE PROPOSE THAT INFORMAL AND CONFIDENTIAL DISCUSSIONS ON THIS SUBJECT BE HELD BETWEEN USG AND GOJ REPRESENTATIVES.

E. IN THESE EXPLORATORY TALKS WE WOULD HOPE TO EXCHANGE VIEWS ON THE LONG-TERM NEEDS OF THE REGION AS PERCEIVED BY THE GOJ AND THE TIME WHEN FUTURE COMMERCIAL-SCALE REPROCESSING PLANTS WILL ACTUALLY BE NEEDED, RECOGNIZING THE VERY SIZEABLE THROUGHPUTS THAT WOULD MAKE SUCH PLANTS ECONOMICALLY VIABLE (WE ESTIMATE 30,000 MW). WE ALSO WOULD LIKE TO EXCHANGE VIEWS WITH THE GOJ ON THE POSSIBLE MODALITIES FOR ESTABLISHING A FUEL CYCLE CENTER, INCLUDING SUCH TOPICS AS TECHNICAL, ECONOMIC AND ENVIRONMENTAL FACTORS RELEVANT TO EAST ASIA REPROCESSING (INCLUDING THE RELATED ISSUE OF SPENT FUEL STORAGE AND WASTE DISPOSAL), POSSIBLE SITE ALTERNATIVES, VARYING ROLES OF GOVERNMENT AND INDUSTRY, AND POSSIBLE PARTICIPANTS IN VARIOUS TYPES OF REGIONAL MULTINATIONAL VENTURES. THE ROLES AND FURTHER STEPS THAT THE US AND JAPAN COULD PLAY IN BRINGING SUCH A VENTURE INTO BEING WOULD RECEIVE PARTICULAR ATTENTION.

F. WE HAVE NO PRECONCEIVED IDEAS ON THESE ISSUES, AND WOULD APPROACH SUCH TALKS WITH AN OPEN MIND PREPARED TO OFFER PRELIMINARY VIEWS AND WELCOME GOJ VIEWS. WE ANTICIPATE THAT WE WOULD BENEFIT CONSIDERABLY FROM THE TALKS, SINCE WE SENSE THAT JAPAN HAS BEEN LOOKING AT

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VARIOUS ALTERNATIVES, AT LEAST AS FAR AS THEIR OWN NEEDS ARE CONCERNED, IN THE CONTEXT OF PLANNING FOR A FUTURE COMMERCIAL-SCALE REPROCESSING PLANT. WE ARE PREPARED TO SEND A SUITABLE TEAM TO TOKYO OR, IF GOJ PREFERS, WE COULD HOLD SUCH DISCUSSIONS IN WASHINGTON.

G. IT IS OUR IMPRESSION THAT OFFICIALS OF ERG HAVE EXPRESSED INTEREST IN A SERIOUS STUDY WITH THE US OF THE MULTINATIONAL REGIONAL REPROCESSING QUESTION. WE WOULD NATURALLY BE PLEASED TO HAVE ERG PARTICIPATION AT AN APPROPRIATE STAGE. HOWEVER, THERE ARE IMPORTANT POLITICAL AND SECURITY ASPECTS OF THIS ISSUE OF CONCERN TO BOTH THE USG AND THE GOJ WHICH WE BELIEVE SHOULD BE DEALT WITH PRINCIPALLY BY THE TWO GOVERNMENTS. THE APPROPRIATE ROLE FOR ERG IN THESE DISCUSSIONS IS, OF COURSE, A MATTER FOR DECISION BY THE GOJ, AND WE WOULD APPRECIATE KNOWING YOUR VIEWS ON THIS SUBJECT.

H. IN OUR VIEW, SUCH TALKS, BECAUSE OF THEIR NON-BINDING, EXPLORATORY CHARACTER, CAN BE HELD IN THE NEAR FUTURE, THOUGH OBVIOUSLY ANY FOLLOW-ON WORK WOULD REQUIRE MORE CAREFUL PREPARATION.

7. EMBASSY SHOULD SEEK EARLY RESPONSE FROM GOJ ON BILATERAL TALKS. WE WOULD PREFER AN EARLY DATE FOR TWO REASONS. IN FIRST PLACE, WE WISH TO GIVE JAPANESE CLEAR SIGNAL THAT, OVER THE LONG-TERM, THERE MAY BE A REGIONAL ALTERNATIVE TO THEIR BUILDING A NATIONAL PRODUCTION-SCALE REPROCESSING PLANT THAT COULD PROMOTE OUR MUTUAL NON-PROLIFERATION INTERESTS. IF THE JAPANESE PROCEED WITH A FACILITY THAT ONLY SERVES THEIR NATIONAL NEEDS, THE OPPORTUNITY FOR A FAR EAST MULTINATIONAL VENTURE WILL BE JEOPARDIZED. IN THE SECOND PLACE, FURTHER USG CONSIDERATION OF THE MULTINATIONAL CONCEPT WILL BE GREATLY FACILITATED BY HAVING EVEN PRELIMINARY INDICATIONS OF JAPANESE THINKING.

8. UPON RECEIVING EMBASSY REPORT AND ASSESSMENT OF FOREIGN OFFICE REACTION TO BILATERAL APPROACH, DECISIONS WILL BE MADE REGARDING THE NEXT STEPS, INCLUDING FURTHER FOLLOW-UPS TO GOJ OFFICIALS, THE ROLE OF ERG, AND THE HANDLING

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OF THE NUS PROPOSAL. EVEN WHILE PURSUING BILATERAL APPROACH, IT NONETHELESS REMAINS IMPORTANT TO NURTURE FONOFF POSITION IN SUPPORT OF IAEA REGIONAL FUEL CYCLE STUDY. WE ASSUME THAT OTSUKA HAS RECEIVED INFORMATION ON THE STUDY'S PURPOSE AND POSSIBLE AREAS OF JAPANESE PARTICIPATION THROUGH THE JAPANESE MISSION IN VIENNA. AS

NOTED ABOVE, GOJ HAS AGREED TO SEND A TECHNICAL EXPERT TO ASSIST IAEA IN THE STUDY. FOR US MISSION IAEA: DEPARTMENT WOULD APPRECIATE ANY SUGGESTION MISSION MAY HAVE ABOUT POSSIBLE ADDITIONAL WAYS, SUCH AS VOLUNTARY FINANCIAL CONTRIBUTION, IN WHICH JAPAN MIGHT FURTHER ASSIST THE STUDY. ROBINSON

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