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NEW UNITED STATES POLICIES

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INTERNATIONAL NUCLEAR COOPERATION

Nuclear Interjura '81

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At the time of the last INDA Congress, United States policy on international nuclear power development was at the mid point of a course initiated in April of 1977. It was based on the premise that our non-proliferation concerns and our approach to restraint would somehow find full and universal reflection in the policies of others. We often seemed determined to induce other governments to accept an alternative which read: either there shall be nuclear energy development according to an American prescription or there should be no such development at all.

Not surprisingly, this unilateral and non-discriminatory approach met with something less than universal acceptance. Most disagreed with our attitude on reprocessing; others disagreed with our willingness to deal with non-NPT parties on any basis. More recently America has entered a period of greater realism. There certainly can be safe nuclear power development. The nations sharing common concerns need to find improved ways to work together toward this goal; an unacceptable alternative could otherwise be an irresponsible scramble as nuclear importers and exporters vie to stay abreast of their neighbors and their competition in pursuit of military and energy security. The dilemma is this: On the one hand, nuclear technology can and, I am convinced, should make a growing contribution to the world's tight energy budget, while,

on the other, we face the disquieting prospect that, along with some transfers of peaceful nuclear technology, nuclear weapons may spread to some of the most unstable and volatile regions of the world.

For our part, the United States realizes that our own energy needs require an expeditious turn in the direction of accelerated nuclear power development by private enterprise in an environment free of unnecessary government regulation. In other countries the need for energy generated by nuclear power is as critical, and in some cases even more so. We can not and will not remain hostage to dependence on petroleum, itself a dwindling commodity, and the import of which is certainly not the subject of reliable contract that provides an assured supply at acceptable cost.

In recognition of the urgency of this situation, the Reagan Administration established as an important priority the restructuring of US nuclear cooperation policy. Our aim was to establish a framework that would allow peaceful nuclear development -- and, in particular, American participation in this development -- to go forward at the vigorous pace justified by its inherent economic advantages while, at the same time, moving more realistically -- and, therefore, more effectively -- to minimize the risk that nuclear arms would spread to further countries.

On July 16 President Reagan set out the guidelines of his Administration's nuclear cooperation policy. Although many of the implementing decisions will be further expanded by studies

now in progress, I will sketch-cut for you the key points of the President's guidelines.

The President's statement leads off with a reaffirmation of United States commitment to the objective of preventing the further spread of nuclear weapons. This reflects a continuity in US foreign policy concerns with this issue that goes back for more than three decades. The significance is that our method marks a significant departure from the previous approach which sought to attempt to impose a uniform code that often viewed each prospective customer for US nuclear exports in the same light. Just as we selectively focus all other national security efforts as our analysis of a given situation dictates, we now intend to concentrate our non-proliferation efforts on those cases and in those regions representing the most immediate and serious security concerns for the United States and its allies. Each case will be judged on its own merits and in terms of our overall interests.

The United States will seek to address the factors that motivate countries to acquire nuclear arms in the first place. We will work to improve regional and global stability. We will demonstrate an active interest in the legitimate defense concerns of nations who might otherwise be tempted to pursue a nuclear explosives option. This, hopefully, will reduce the underlying pressures that could lead certain countries in this direction.

The United States will continue to support adherence to the Non-Proliferation Treaty (NPT) and to the Treaty of Tlateloco. With respect to this latter treaty, the Reagan Administration is seeking to ratify Protocol I to the unique Latin American regime for nuclear arms control. Last week, I testified before our Senate Foreign Relations Committee with my colleagues, urging prompt action by the Senate to enable this ratification. We expect favorable action soon.

Both of these treaties contain important assurances. A material violation of either treaty or of their associated safeguards commitments will be regarded by the United States as a serious breach of trust. Both these treaties are vital as they constitute an important part of the foundation of international nuclear commerce.

The NPT has been steadily adding to its list of adherents over the past few years. The most recent addition, Egypt, is a key country in a part of the world where we and our allies have vital national interests. My government has recently signed a very satisfactory agreement for nuclear cooperation with Egypt. This agreement has been cited as a model for supply arrangements with other nations in that region.

Our support for the NPT naturally also extends to the International Atomic Energy Agency (IAEA) and the vital international safeguards system which it administers. This unique

and remarkably successful international effort provides an important degree of assurance that nuclear material and facilities are not being misused for weapons purposes.

To accomplish this task the IAEA safeguards regime must continually evolve to meet the challenge of advancing technology and to deal with specific problem situations as they develop in individual countries. Technical assistance likewise needs to be made increasingly available to developing nations as they embark on their national nuclear energy programs. As in the past, the United States will devote significant efforts, in cooperation with other member nations of the IAEA, to strengthen and improve the international safeguards system. We will continue to support initiatives to develop effective international institutions under Agency auspices to deal with plutonium and spent fuel storage, as well as for effective physical protection to nuclear material and development of improved safety regimes. Access to all IAEA activities should be available to all IAEA members. Exclusion of members from any Agency business, except in accordance with the Statute, is counterproductive and in the interest of no nation or group. Such action can only wear away at the basic fabric of the IAEA. There is no realistic alternative to the IAEA safeguards system. We need to work persistently to improve it as the always difficult process of reaching international agreement on these matters goes forward. This will not be aided by irresponsible acts within or outside the Agency that affect its well-being.

A serious commitment to improving the prospects for peaceful nuclear development on a worldwide basis requires something more as well. We squarely face the fact that the NPT and IAEA safeguards cannot by themselves be expected to prevent the proliferation of nuclear arms. For one thing, there are a number of nations choosing to remain outside the system. For another, it is obvious that NPT commitments are voluntary and can be renounced. We cannot simply discount this reality. However, we can make such action an unlikely outcome. All can agree that it would be a tragic irony if supplier nations allowed the NPT to be used as a cover for export of sensitive nuclear items that one day were turned to the production of nuclear explosives. For these reasons, the Administration's policy calls for additional cooperative efforts, especially on the part of nuclear suppliers, to inhibit the transfer of sensitive nuclear material, equipment and technology to areas of proliferation risk. The United States will seek agreement to adopt uniform non-proliferation conditions of supply in order to eliminate them as matters for competition among nuclear exporters.

It is true that nuclear power already plays a significant role in providing environmentally safe electricity at an attractive price for home and industry. A few countries are on the verge of producing a quarter or more of their electricity by nuclear means.

By the end of the century the advanced nuclear power nations plan to generate more than 30 percent of their power in nuclear plants. But such figures, while impressive enough in absolute terms, do not represent utilization, at an optimal pace, of the economic potential of nuclear power. It is the obligation of decision makers -- and I am sure you will agree with me in this -- not to be satisfied with absolute figures but rather to constantly compare performance with real potential. It is my contention that peaceful nuclear power will be able to play a significantly greater world role if we are able to remove the man-made obstacles to its development. It will be up to us, who are involved in business and in government, to take the necessary steps to this end.

A most critical part of our new policy is that the United States will take steps to re-establish itself as a predictable and reliable partner in nuclear commerce. In order to maintain our influence in the international community of nuclear issues at the level necessary to sustain our national interests, the United States must be a reliable and competitive participant in nuclear commerce, and be so perceived.

Let me briefly outline the concrete steps we have been and will be taking to make a reinvigorated American presence in nuclear trade a reality:

-- A key feature of our new policy is the general injunction not to delay expeditious handling of the approval rights contained in our agreements for cooperation.

-- This includes, for example, blanket authorization of requested retransfers of nuclear fuel during the front end of the fuel cycle prior to end-use in a nuclear facility. These retransfer authorizations are now normally being granted when the original export license is issued.

-- In accordance with the President's instructions, the Department of State is coordinating an interagency study to develop a predictable plutonium use policy. This will encompass the concept of programmatic approvals for reprocessing, and plutonium use. In the interim, we are promptly approving requests for retransfer or spent fuel to the U.K. and France, when statutory requirements are met, and will consider requests for plutonium use on an ad hoc basis. In short, we are intent on working out practical and predictable arrangements that will provide our cooperating partners with appropriate bases for long-term planning.

-- The President has announced that the Administration will not seek to inhibit or setback civil reprocessing and breeder reactor development abroad in nations with advanced nuclear power programs where it does not constitute a proliferation risk. This is a new

attitude and is reflective of a recognition that there should be no interference in the legitimate energy security needs of the advanced nuclear power nations.

-- In keeping with the President's determination to reduce to a minimum the role of bureaucratic procedures as an impediment to economic progress, he directed the head of each executive branch agency having responsibility for licensing or authorization in the field of nuclear exports to ensure that the appropriate officials within his agency carry out their duties in an expeditious fashion.

-- To facilitate expanded commercial relations, the United States will be committed to have available adequate capacity to furnish enrichment services to foreign customers.

-- We are conducting a general review of relevant U.S. laws, regulations and procedures to determine what changes might be necessary to expedite the export process and to enhance the credibility and competitiveness of U.S. suppliers.

-- Like other nations, as a matter of national security, we need a viable domestic industry for strategic minerals - including uranium - which are available. The Department of Energy has completed a study of the US uranium mining industry. At the moment there is over supply and some unemployment. The study concludes that while the situation bears close watching, the US uranium industry is viable and the phaseout of the 1964

embargo should continue. We are proceeding on this basis. America's problem in this regard is the regulatory and economic burdens currently facing the nuclear utilities.

In this regard, the Reagan Administration is taking concrete steps to lay the groundwork for a broad-based and sustainable expansion of the role of nuclear power. For example, in the budget and tax programs which were recently passed by the Congress, most categories of nuclear energy research and development were essentially sustained at FY 81 levels despite the substantial cuts in most other categories of energy R&D and the more general cut-back in federal funding across a wide spectrum of programs. On the tax side of the overall fiscal picture, there are provisions designed to improve the general outlook for utility financing. These include: reduced taxation on dividends paid to utility stockholders where, instead of cash dividends, the shareholder accepts stock; and, accelerated cost recovery provisions which will allow some kinds of capital investments to be depreciated over comparatively short periods, such as ten or fifteen years or, in some cases, even less. In addition, there is to be a tax credit for research and development expenditures above a certain base level of R&D spending.

As you know, several economic trends such as the rising costs of construction and raw materials and the unprecedented high cost of borrowing have conspired to confront American utilities with a dismal financial prospect in recent years. There has been little choice but to defer new plant investment where possible. The measures I have just mentioned, combined with the Administration's determined efforts to defeat inflation and ignite a long-term economic-expansion, can only benefit nuclear power.

We are under no illusions about the dimensions of the task we have undertaken. To regain lost momentum for the nuclear industry of the United States, both domestically and in exports, will require policy initiatives that are creative, flexible and, above all, persistent. We have firmly in mind that we are only at the beginning of an effort that must be sustained, step-by-step, throughout this decade and beyond. In terms of the level of international cooperation that is urgently required to tap the full potential of nuclear power, there remains much to be accomplished.

The outline I have presented to you today points in a positive new direction for US policy. To reach our objectives will take a large measure of persistence and cooperation on the part of all who are committed to the vigorous and peaceful development of nuclear energy.

I believe the actions the President has directed constitute a promising first step. For the future, I would submit to you that, if there is one thing that has been demonstrated over the past eight months in Washington, it is the determination of this President to accomplish his declared objectives. With this determination, and with the needed cooperation of other nations sharing our goals, I feel confident that we can look forward to success in our common endeavors.

