April 9, 1981

Special Assistant for NPI, NFAC, CIA, to Resource Management Staff, Office of Program Assessment et al, 'Request for Review of Draft Paper on the Security Dimension of Non-Proliferation'

Citation:

"Special Assistant for NPI, NFAC, CIA, to Resource Management Staff, Office of Program Assessment et al, 'Request for Review of Draft Paper on the Security Dimension of Non-Proliferation'", April 9, 1981, Wilson Center Digital Archive, Mandatory Declassification Review request. Obtained and contributed by William Burr and included in NPIHP Research Update #6.
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Summary:

Just a few months into President Reagan’s first term his administration wanted to make its own mark on nonproliferation policy. The report suggests building “broader bilateral relationship[s]” and offering political and security incentives could persuade states considering developing nuclear weapons to cease these efforts.

Credits:

This document was made possible with support from Carnegie Corporation of New York (CCNY)

Original Language:

English

Contents:

Original Scan

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THE DIRECTOR OF CENTRA
WASHINGTON, D.C. 2

Deputy Director for National Foreign Assessment

NFAC 2043-81
9 April 1981

MEMORANDUM FOR: [redacted]
Chief, Political Military Issues Branch, OPA

[redacted]
Chief, Nuclear Programs Branch, OSWR

[redacted]
Deputy Chief, Eastern Forces Division, OSR

FROM: [redacted]
Special Assistant for Nuclear Proliferation Intelligence

SUBJECT: Request for Review of Draft Paper on the Security Dimension of Non-Proliferation

1. Attached is a paper drafted by State/PM that it wishes to submit to State/OES as part of what eventually will be the basic paper on US nonproliferation policy. The draft follows an outline prepared earlier by State/PM (also attached). Section I.A.1. of the draft was furnished by JCS/J-5.

2. This is to request your review of, and comments on the draft by COB, Wednesday, 15 April 1981.

[redacted]

Attachments:
As Stated

[redacted]

[redacted]

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Nonproliferation Policy

~~SECRET~~

NFAC 2043-81

SUBJECT: Request for Review of Draft Paper on the Security Dimension of Non-Proliferation

Distribution:
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2. Political Destabilization

The emergence of additional nuclear weapon states could have a significant destabilizing effect upon the international political order. One result could be a gradual unravelling of the Non-Proliferation Treaty and the IAEA safeguards which constitute the foundation of the global non-proliferation regime. If new states join the nuclear club, significant holdouts to the NPT may be confirmed in their resolution not to adhere to the NPT or the Treaty of Tlatelolco, and certain NPT parties might feel tempted to abrogate the NPT. Others may choose to follow the path of Iraq and Libya - undertaking an explosive option as NPT members - significantly weakening the treaty regime.

As more nations obtain nuclear explosives, there could be added strains on US alliance systems. If radical Third World states develop nuclear weapons, neighboring countries friendly to the U.S. may feel coerced and perhaps compelled to seek at least a partial accommodation or equivalency. This would be particularly true if a Third World state had enough capability so that there were a perception that it would be difficult for the U.S. to come to the aid of its Allies and friends. In cases involving Middle East oil supplies, even Japan and our NATO Allies could be subjected to pressure from strategically placed countries with even a modest nuclear capability.

Proliferation would also adversely affect regional arms control prospects and regional balances, especially since many threshold states are neighbors and rivals; e.g. Argentina/Brazil; India/Pakistan; and Israel/Iraq. If a state in a chronically unstable area or one of unresolved conflict such as the Middle East achieves nuclear explosives

or appears about to do so neighboring states with the requisite technical capability would be tempted to develop their own weapons or strike out preemptively at the proliferator. Under the threat of proliferation it would be more difficult to seek restraint in conventional arms or to maintain a stable political/military balance of power.

In a more proliferated world, the Soviets and the U.S. might have less control over the global nuclear balance than is true now. The smaller nuclear forces of the UK, France, or the PRC are less destabilizing than nuclear weapons controlled by radical states or those with only regional concerns. If a state friendly to the USSR became involved in conflict with a pro-American state and one or both possessed nuclear weapons, the danger of superpower involvement and possible confrontation could be increased. Furthermore, the Soviets could feel threatened by the emergence of new nuclear weapons states in contiguous areas such as the Middle East and South Asia and possibly wish to take countermeasures.

Finally, nuclear proliferation could become a North-South issue of contention. Some developing nations see the NPT as inherently discriminatory and a potential abridgement of their sovereignty. The inconclusive results of the 1980 NPT Review Conference indicate the depth of Third World dissatisfaction with the way that the nuclear weapons states carry out non-proliferation policies. An attempt by the U.S. or other industrial states to act against a Third World proliferating state would probably not have the backing of large segments of opinion, and would be condemned by many or most developing countries.

3. Further and More Dangerous Proliferation

If additional states begin overt tests of nuclear explosives or moving from crude test devices to nuclear weapons, a new and more dangerous stage in proliferation would begin. Thus far, no "Nth" country (including India) has proceeded to the systematic separation of special nuclear materials, or the assembly and deployment of nuclear weapons. Additional proliferation however, could begin a chain reaction of these activities. If a number of countries move toward developing nuclear weapons, we can also expect some loss of control, and possible diversion of nuclear materials and even the weapons themselves. It might not be extraordinarily difficult for terrorists or other subnational groups to obtain nuclear materials, a task which would be facilitated by an absence of regular accountability and functioning IAEA safeguards. It would be impossible for the U.S. and its Allies to guard against crude terrorist devices using diverted SNM.

As more nuclear weapon states emerge, there would be increased chances of diplomatic pressures or economic (including petroleum) blackmail against the industrial states. Under these circumstances, some nuclear suppliers might further relax their controls on exports of sensitive materials and technology, leading to accelerated and more sophisticated proliferation.

Fortunately, only a handful of non-nuclear weapons states would have the industrial and technological base to move to thermonuclear weapons and advanced long-range inertially guided ballistic missiles. A thermonuclear weapons program would require far more resources and highly trained manpower than is available to all but a few developing nations (the U.S. should monitor foreign inertial confinement fusion

research closely, however). While the inability to develop adequate miniturization of nuclear warheads would prevent most threshold states from launching ICBMs with high yield weapons, there might be some proliferation of the technology for shorter range suborbital rockets which could carry low yield fission warheads.

C. Trends and Threats in Threshold States, Non-Proliferation Policy Costs

The acquisition of sensitive facilities and material, while not itself proliferation, raises some of the same political and security problems - even if these facilities are safeguarded. Despite attempts to justify these acquisitions on economic, energy, or technology grounds, such actions may be perceived by others as an indicator of possible intentions of developing nuclear weapons option. The emergence of such "incipient states" could initiate a process of destabilizing counter-actions. During the highly asymmetical and unstable period of transitional vulnerability, those states which wish to retain regional superiority or fear a neighboring state's nuclear intentions would have an incentive to remove nascent threats. Preventive "surgical" strikes against the nuclear facilities of proliferating states are possible. Similarly, countries may be tempted to engage in covert operations against the nuclear programs of suspected proliferator states; this is already happening to Iraq.

Awareness of vulnerability to another country's nuclear explosives could polarize affected countries in a region to form regional alliances against the proliferator and to seek outside (perhaps superpower) protection. These alliances might be contrary to U.S. interests (e.g. "front line" African states entering into relationships with the Soviets to protect them from South Africa).

As proliferation develops cooperation between nuclear "pariahs" would be likely to become more common, further reducing U.S. influence over the actions of these counrries. There already is some degree of nuclear cooperation between such politically isolated states as Israel, Taiwan, and South Africa.

Acquisition of sensitive facilities could also bring into play U.S. legislative restrictions on security and economic assistance to states acquiring unsafeguarded enrichment or reprocessing facilities, a step which could affect the area's security balance adversely and increase the incentive to proliferate.

Thus, an actual test of an explosive device is only the last step in a process which throughout poses significant foreign and security policy problems, not only in the proliferation context, but for important regional security concerns.

Iraq is a current example of this process. It is an NPT party, and we have no direct evidence that it intends to develop a nuclear explosive option. However, the fact that it is acquiring (generally safeguarded) sensitive technology and equipment in the absence of a nuclear power program, when taken with its petroleum reserves, which cast doubt on the need for nuclear power for development for the foreseeable future, and its radical political orientation, has begun the same kind of regional and international counter reaction that would be expected if its imminent intention to proliferate were established. As could be predicted, the reaction has been strongest from Israel - the state with the greatest political/security concern over an incipient Iraqi explosive capability, and secondarily from ourselves as guarantors of Israeli security. Long before Iraq is actually capable of a nuclear explosion we may have an Israeli counter action that poses grave regional problems. In the longer term, it is probably safe to predict Iranian concern, and possibly an Iranian perception of the necessity to insure itself with its own explosive option on the Pakistan-Indian model. Likewise, because of the political dynamics of the eastern

Arab region, Egyptian reactions to the Iraqi program will have to be carefully watched.

The Iraqi case also indicates some of the possible difficulties in dealing with incipeint states. It has leverage over potential suppliers (oil in the Iraqi case), political backing for the acquisition of technology from other "non-aligned," and a regional framework which would be generally favorable to such ambitions because of the area's preoccupation with a regional conflict. It may be difficult to identify and deal with the incipient state early on; obviously a primary indicator will be the acquisition of sensitive facilities in an area of unresolved conflicts. This seems self evident, but the cases of Iraq, Pakistan, and the ROK indicate that it is not universally so.

The threat of proliferation, while reflecting changing technological capabilities, particularly the industrialization of the Third World, and the diffusion of technology, is largely (but not wholly) a product of political insecurity, and the decision to pursue or keep open a nuclear explosive option, is primarily a political/security decision. Such decisions will reflect not only regional circumstances, but also any perceived shift in the overall US-Soviet force balance, as well as the emergence of radical Third World regimes. No state is likely to take the nuclear option because of a direct Soviet threat, but it well may do so if it feels threatened by a Soviet client and perceives it does not have adequate US or other support. Likewise, unstable international security situation offers more scope for maneuvare in a regional context of radical regimes more or less

independent of the Soviets. The technology of the decision may be dual purpose, but it is neutral; there is no necessary connection between technological capability and an explosive option. There is no doubt, however, that the spread of technological capabilities is continually making the political decision easier to implement. This argues for a continued "activist" US non-proliferation policy, not only in regard to the means of proliferation, sensitive materials and equipment, but also toward the perceptions of insecurity. Thus a basic component of a non-proliferation strategy, the most important one in the long term, must be to alleviate perceptions of insecurity, and we will need a comprehensive strategy toward each specific threat to deter or delay a decision to go nuclear.

It should be added that some proliferation threats do not fit this general pattern. Brazil, Argentina, and to a large extent India seem to fall into a different category. Brazil and Argentina seem locked into a rivalry for continent wide prestige and leadership, as well as rivalry for status as a world power, where security is less of a factor, that impels them to keep open the nuclear explosive option. The security related tools available to us in dealing with Brazil and Argentina may be less important in dealing with the problem than the political/diplomatic ones. The case of India is of another type. By the time of its test it had overwhelming conventional military industrial superiority over Pakistan. It is predominant in its region. Presumably while its options are open, it would long since have embarked on weaponization, if it felt a major threat from China.
Its explosive test may therefore have been more related to prestige and non-aligned leadership, as well as confirming its superiority

over Pakistan. It may also be largely beyond our ability to effectively influence the Indian program, except insofar as we are able to affect that of Pakistan.

While non-proliferation policy has obvious benefits, it should be recognized that there are political and material costs as well, and a comprehensive strategy which attempts to alleviate the perceived insecurity which is at the root of proliferation decisions will require the most "tools" to make it effective. Some of these possible costs are:

-- Friction with our major allies over supply of sensitive facilities and materials to Third World countries.

-- Continued charges of "discrimnation" on the provision of nuclear technology by the Third World which could eventually have adverse effects on the NPT, IAEA or other international regimes.

-- The necessity to provide some form of security assurances, economic assistance or military assitance where we might not otherwise do so, or not do so to such a degree. In some cases, this could be perceived as our being "black-mailed" by the threat of proliferation.

-- Spill over from bilateral nuclear issues into general bilateral relations. Our attempt to stop the sale of sensitive facilities to Brazil and the Tarapur issue are perhaps the foremost examples. But even with modified policies, we will have legal and political constraints

in the pursuit of non-proliferation objectives which will affect relations in general (e.g. Symington-Glenn Amendments).

-- Use of intelligence assets. Much of our active pursuit of non-proliferation relys on the intelligence community.

-- Maintenance of a cooperative posuture on nuclear arms control. Whatever the reality and the possibilities, the US needs to be seen as being ready to discuss nuclear arms control. This opens us to various pressures in the CD, UN and other international fora.

These costs present a speical problem in relation to some of our friends who are potential proliferators - Korea, Taiwan and Israel. In the case of Korea, maintenance of a troop presence and US nuclear weapons, desirable as it may be for other reasons, may in part be necessary to prevent a nuclear option. An attempt to proliferate would require the use of US leverage which could be harmful to our relationship in general. To assure non-proliferation in both Korea and Taiwan we may have to decline some military cooperation (rockets, etc.) which might otherwise be advisable. In the case of Taiwan, a continued military supply relationship, although also desirable for other reasons, is a part of non-proliferation policy, but has costs vis-a-vis the PRC.

The case of Israel could be particularly difficult. An Israeli explosive test, or other overt evidence of a nuclear explosive capabilities, given the legal constraints, would present us with very serious problems. It would undermine all non-proliferation policy for the region, and perhaps set off a nuclear arms race with the gravest implications for regional security and stability.

II. Suggested Strategy

We need an integrated approach of direct political incentives and security measures, together with the non-security measures elsewhere considered, in order to dissuade potential threshold states from the explosive option. This is especially important since denial of sensitive technology and equipment, while still fundamental, is not fool proof. Since every country is different both in the forces that determine its nuclear policies and its susceptibility to US influence, it is impossible to formulate and execute a generalized non-proliferation policy. Measures that produce desired results in one situation may not even be available in another.

With nuclear recipients (mainly in the Third World), we should focus on the handful of countries of near to medium term proliferation concern (e.g., India, Iraq, Israel, Pakistan, Libya, nd South Africa). Toward the "threshold state" with generally friendly relations with the U.S., we could seek to build a broader bilateral relationship to help increase their sense of security and make nuclear weapons seem less necessary to them. We would have to rely on more negative methods of dissuasion with states which whom we have strained or inimical relations.

Obvious methods of leverage are economic and security assistance, and conventional arms sales. These tools might bolster the confidence of insecure states which might otherwise seek nuclear weapons. Generally, we do not recommend linking economic or military assistance directly to nuclear policy. We should avoid even an implicit link with countries which are not already friendly with the U.S. or have an alliance with us.

Bilateral military security guarantees and assurances could be useful part of the confidence-building process which might lessen the incentive to build nuclear explosives. Our willingness to create an enhanced security relationship could include specific assurances, joint exercises, basing, increased U.S. naval ship and military aircraft visitations, etc. We must be careful to ensure that an expanded military relationship with a particular country does not spur a rival state to initiate or accelerate a nuclear explosives program of its own. On the other hand, vigorous conventional military support by the U.S. may be an effective way of dissuading a state from developing nuclear weapons to answer a beginning nuclear explosives program of a neighboring state.

We must also consider the proliferation implications of U.S. overseas force deployments. We must maintain our ability to project our military power abroad, since a perceived decline in U.S. military power might be an incentive for states to develop nuclear explosives. The USG should play close attention to the legitimate security concerns of threatened Allies which depend on U.S. forces to maintain a conventional warfare equivalance.

The U.S. should also encourage multinational security-building agreements. Promoting additional NPT adherence, and expanding IAEA safeguards and international controls on sensitive nuclear facilities can reduce the perception of a potential nuclear threat from a regional adversary. Promotion of nuclear weapon fee zones if feasible might also help. Promoting peaceful settlement of regional disputes can also indirectly be a major contribution to non-proliferation.

For states which depend on the US, we may need to underline the relationship between US military and eocnomic assistance and observance of non-proliferation commitments. In extreme cases, denial of US military protection to states violating the Non-Proliferation Treaty, cancellation of economic assistance or eligibility for Exim Bank credits would be possible. Negative pressures such as these can be effective if a potential proliferator has no readily available alternative means of support. Where dependence is not so great, however - as in the case of Pakistan - the termination of arms shipments or economic assistance may not change nuclear policies.

With industrial states, the primary aim is to achieve better cooperation with our West European allies and other nuclear suppliers only only in achieving restrain in transfer of sensitive nuclear technology, but also in gaining an improved political coordination of our mutual non-proliferation goals. We will need to work with Western Europe, Japan, and the USSR to put political pressure on and consider sanctions for would-be proliferators.

Mutual nuclear restraint and non-proliferation cooperation with the USSR is both important and difficult in light of our overall strained relationship. While the Soviets have generally supported US non-proliferatin objectives, deteriorating East-West relations have helped increase the global instability which spurs proliferation attempts.

Maintaining scrupulously our conventional and nuclear security commitments to NATO, Japan, and other key Allies is an essential contribution to non-proliferation. The presence of US forces in West

Europe and the US "nuclear umbrella" help to prevent any consideration of nuclear weapons in Germany, Italy, or other non-nuclear weapons countries. Similarly the US-Japanese defense Treaty and strong American naval and Air Forces in Western Pacific play a major role in preserving Japan as a non-nuclear weapon state.

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III. Specific Proliferation Threats

A. South Asia

1. Regional Implications of Proliferation

India's demonstrated nuclear explosives capability and the advanced state of Pakistan's nuclear program could have significant consequences for our interests in South and Southwest Asia. The heightened tension resulting from the the presence of Indian and Pakistani nuclear explosives could spur a greater conventional arms buildup, and perhaps a race for weaponization (India would be certain to win such a race with its superior technological and industrial base). There would be a risk that a future Indo-Pakistani conflict could result in the use of nuclear weapons. A nuclear arms race in South Asia might spur such states as Iraq to emulate the Pakistani program; in the longer run, Iran might also consider nuclear explosives. Saudi Arabia, Oman, and other friendly Gulf states would feel even more insecure. Our bilateral relationships with both India and Pakistan would be hurt; we might be unable to assist Pakistan further, and our stable relationship with India would be damaged. Finally, Israel might become nervous at the possible transfer of technology from Pakistan to other Islamic countries.

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IIIA2. ~~The Case of~~ Pakistan

Pakistan has a vigorous and well advanced program to develop a nuclear explosives capability. It is trying to acquire the necessary fissile material through both the reprocessing and enrichment routes. The Pakistanis acquired key technology and equipment from abroad. Coordinated nuclear supplier efforts to stop exports to Pakistan's sensitive programs have probably delayed the effort, but we cannot, by export controls alone, deny Pakistan an explosives capability.

Pakistan's nuclear quest is fueled by its deep-seated fear of India and its increasing conventional military inferiority. Pakistan's sense of vulnerability and isolation has been intensified since the Soviet invasion of Afghanistan -- the emergence of a "second front" on its Western borders -- and Mrs. Gandhi's return to power. Pakistan's nuclear program is meant to provide a deterrent to the conventional Indian threat. Urgency is dictated by India's "PNE." Pakistan also seeks the prestige attached to a nuclear program. The effort is very popular with the Pakistani public; curtailment by the Zia government would carry severe adverse domestic political costs.

Punitive measures have not dissuaded Pakistan from its nuclear efforts. Various explicit "buy-out" options have been considered over the years and rejected by the US as too expensive and/or unacceptable to Pakistan. This continues to be the case.

The NSC agreed on a broad policy toward Pakistan which, as regards the nuclear issue, is based on the premise that a closer security relationship which builds confidence in us and makes the Paks feel more secure is more likely to provide Pakistan with incentives to forego, or at least delay, a nuclear test than any alternative approach. As this relationship evolves we would hope to gain leverage over Pakistani nuclear decision making. In approaching the Pakistanis, we are emphasizing the security benefits of the new relationship without leaving the impression we acquiesce in their nuclear activities. We propose to lay down a marker early in the dialogue regarding our deep concern over the potential political costs of continuing their nuclear program. We will also continue multilateral efforts to deny Pakistan sensitive nuclear technology and material.

The initial Pakistani response to our initiative has been reserved and discussions are continuing.

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INDIA

India detonated a "peaceful nuclear explosion" in 1974. It could detonate a second quickly should it decide to do so. It would also have no difficulty in weaponizing. The non-proliferation problem in India is thus unique. It ~~involves~~ requires a strategy designed to persuade the potential ~~non~~-proliferator not to make use of a capacity it already possesses.

The Indians have repeatedly stated that although they have no intention of becoming a nuclear weapons state they reserve the right to resume a PNE testing program if it proves in their interest to do so. They have refused to sign the NPT or to accept IAEA safeguards on all their nuclear facilities. They maintain that both the Treaty and full-scope safeguards represent unjustified discrimination against the Non-Nuclear Weapon States. India's adherence to this principle has always been strengthened by its interest in keeping open a nuclear arms option which it could exercise against a nuclear-armed China. More recently, Pakistan's nuclear program has bolstered Indian resolve to maintain nuclear flexibility. An Indian decision to resume nuclear testing now depends crucially on Pakistan's programs and Indian perceptions of them.

U.S. strategy has several aspects:

-- We should continue to do everything we can to prevent Pakistan from developing an explosives capacity and conducting a test. We need to demonstrate to the Indians that despite our changed strategy toward the Pakistan nuclear ~~issue,~~ program, we remain firmly committed to curbing the spread of nuclear explosives in South Asia.

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-- We should seek to resolve our nuclear supply problem with India in a way which will protect our non-proliferation interests (e.g. continuance of safeguards on US-supplied fuel and equipment and material produced through their use.) We should also keep open our lines of communication to the Indian nuclear establishment.

-- We should continue to warn India [redacted] that an Indian decision to detonate a second nuclear explosion would have profound consequences for Indo-US relations, regional stability, and worldwide non-proliferation efforts.

-- We should also continue to do what we can to encourage improved relations between India and its neighbors. India's willingness to accept out interest in better Indo-Pak ties -- most important to our non-proliferation strategy -- has been reduced by our efforts to build a closer security relationship with Islamabad. Although US arms aid to Pakistan is unlikely itself to trigger a resumption of Indian testing, it might make sharper the Indian reaction to Pak nuclear programs.

Drafted: NEA/INS: [redacted]

B. Southwest Asia and North Africa

1. Regional Implications of Proliferation

Continued movement toward nuclear weapons by Iraq and Libya, or public indications of possession of nuclear weapons by Israel could severely jeopardize our interests in the area. Arab - Israeli relations would become even more exacerbated, and the initial movements toward Middle East peace could be threatened. ~~fall apart~~ Iraqi possession of nuclear explosives could contribute to a state of tension which might endanger Western and Japanese access to Persian Gulf oil. Either Libya or Iraq might wish to use nuclear explosives to intimidate Egypt, Saudi Arabia or other friendly Arab states; such a ~~development~~ capability could have ~~an adverse~~ very serious effects upon our ~~Rapid Deployment Force~~ ability to project US forces for Persian Gulf contingencies. Libya might also use its nuclear potential to put pressure on friendly North African and Saharan states.

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~~THE CASE OF~~ IRAQ

Iraq is a party to the NPT. Iraq's nuclear program, however, appears to go well beyond that country's nuclear power needs and, we believe, is intended to provide the option of developing nuclear explosives in the future. Current U.S. concern focuses on [redacted] a large research reactor (OSIRAK) and a critical assembly mock-up (ISIS), and Italian laboratories, equipment and training, which could provide Iraq a small near-term reprocessing capability. Iraq [redacted] also is interested in an Italian plutonium-producing power reactor (CIRENE), [redacted]

Iraqi interest in a nuclear explosive capability is motivated by a number of factors, foremost of which is its belief that Israel already possesses a nuclear arsenal. Iraq has been one of the most hardline of Arab states and remains opposed to the existence of Israel. Iraq's current military conflict with Iran exemplifies its drive to attain a dominant position in the Gulf. Nuclear weapons would give it unparallelled leverage with its Arab neighbors and enable

Iraq to further intimidate Iran, which will continue to be an adversary even following cessation of the present fighting. Lastly, the leadership in Iraq is strongly interested in attaining the status of a major Third World power. A nuclear explosive capability would, in their eyes, remove any doubt about Iraq's importance on the world scene.

A comprehensive and durable Middle East settlement, including a satisfactory resolution of Palestinian demands, would go a long way toward reducing Iraqi incentives for acquiring nuclear explosives. A further improvement in relations between Iraq and its moderate Arab neighbors, cast in a regional framework which reduces Iraq's isolation and encourages the establishment of a nuclear weapon-free zone, could perhaps motivate Iraq to abandon its current proliferation trend. We can also encourage improved relations between our Allies and Iraq, while continuing to urge restraint in West European nuclear cooperation with Iraq. Direct U.S. efforts can include continuing neutrality in the Iraq-Iran conflict, to reduce the immediate military threat to Iraq, according Iraq more attention and recognition, and candidly explaining the serious threat which Iraq's nuclear program, as currently structured, poses in terms of pre-emptive actions by its potential adverseries. U.S. non-proliferation efforts with Iraq will probably delay, but not prevent, its successful development of an explosive capability.

3. The Case of Israel

[redacted]

Israel has followed a policy of calculated ambiguity concerning its nuclear capability, stating that it will not be the first to introduce nuclear weapons into the region. By doing so -- leaving its real and potential adversaries with the conviction that Tel Aviv has the ability to conduct nuclear warfare -- Israel achieves a significant degree of deterrence.

Israel's security situation provides considerable incentive to develop a nuclear weapons capability. Surrounded by adversaries which outnumber it both in manpower and the number of conventional weapons available, Israel realizes the value of nuclear weapons not only as a deterrent but as weapons of last resort to forestall defeat in the event of another Arab-Israeli war. Israel recognizes, furthermore, that some Arab and Muslim states (Iraq, Libya, and Pakistan) have weapons development programs underway, and these programs also serve as incentives to Israel to proliferate.

Short of extending the U.S. security umbrella to Israel, there appears to be little we can do to persuade Israel to forsake its nuclear program now. While we should continue to urge Israel to sign the Nuclear Non-Proliferation Treaty, we must recognize that so long as a state of war continues to exist between Israel and neighboring Arab countries, it is highly unlikely that Israel will do so, or go beyond its stated position that it will not be the first to introduce nuclear weapons into the region.

We should also continue our close security relationship with Israel. Any effort on our part to get Israel to forsake its nuclear program by being less supportive generally, or in particular by cutting aid, would likely be counterproductive. It would almost certainly cause the Israelis to feel that our longstanding support was waning and it would be cited as additional evidence that Israel must provide for its own security by any means available.

Our best hope for moving Israel away from a policy of calculated ambiguity concerning its nuclear capability and toward signing the Nuclear Non-Proliferation Treaty is to pursue the peace process vigorously. Only with the achievement of a comprehensive peace is there a realistic chance that Israel will redirect or modify its nuclear program. In the

interim, what we are able to achieve with Israel will, at best, be a function of what can be achieved with other countries in the region, i.e. deterring Arab possession of a nuclear capability, development of a Middle East Nuclear Free Zone, or creation of regional demilitarized zones. So long as Pakistan, Iraq, and Libya are pursuing a policy of developing a nuclear capability, the Israelis will not foresake their own nuclear program.

NEA/IAI [redacted]

4.

LIBYA

THE PROLIFERATION THREAT

Libya is embarked on a deliberate policy of obtaining nuclear weapons--no matter the cost. In part the motivation for this effort is Col. Qadhafi's fanatical desire to achieve the prestige of creating an "Islamic" bomb--preferably Libyan--though his support for the Pakistani program is a by-product of this dream. Qadhafi, however, is interested in far more than the prestige such a bomb would confer. In his hands such a weapon would become a powerful instrument for political leverage and blackmail--especially because his opponents believe that Qadhafi is capable of using such a weapon if sufficiently provoked.

Libya is following both an overt and covert policy to achieve this goal. On the surface it is developing a relatively large program for the "peaceful" uses of atomic energy. As part of this program Tripoli, under pressure from the USSR, has ratified the NPT and negotiated a safeguards agreement with IAEA. There is every indication, however, that Libya's adherence to the NPT is totally without substance. The USSR is building both research reactor plans a and power generating reactors in Libya. [redacted] While we are convinced that the USSR remains committed to a non-proliferation policy, this

is much more highly enriched fuel than the Soviets originally indicated they would supply and Moscow now indicates that--contrary to assurances originally given to us--the USSR will not be taking back the spent full.

The United States is concerned about this aspect of Soviet support for the Libyan program and as a matter of policy will provide no support in any form to the Libyan nuclear effort. We are urging others -- including the USSR--to either follow this policy or, at a minimum, insure that any cooperation with the Libyan program is non-sensitive in nature and subject to the most rigid of controls.

Nonetheless, the general consensus is that the overt Libya program is not likely to produce a nuclear weapon in the foreseeable future.

Drafted:NEA/AFN: 4/7/81

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E. East Asia

1. Regional Implications of Proliferation

Although Indonesia could eventually become a source of proliferation concern, the area of primary concern is northeast Asia. The development of a nuclear explosive device by the ROK would have gravely destabilizing consequences for the region. It would spur Japan to review its attitude toward nuclear weapons and defense policies ingrained, would force North Korea to attempt to develop nuclear weapons and might even provoke a North Korean preemptive attack, and would be of great concern to the USSR and the PRC. Moreover, it would undercut the basic US-ROK relationship and make it difficult, if not impossible, to maintain our security relationship. If Taiwan were to develop a nuclear explosive capability it would likewise undermine the basis of our relationship. It would interrupt the process of de facto normalization with the PRC, and call into question the basic understanding of the US and the PRC over the future of Taiwan. A nuclear Taiwan would also make it much more difficult for Japan to maintain its close relationship with Taiwan, and likewise force it to review its nuclear posture.

2. The case of Taiwan

As in the case of the ROK, Taiwan during the Seventies sought to develop a nuclear explosive ~~capability~~ option to offset the stronger conventional forces of a communist rival. Suspecting that Taiwan sought to use a natural uranium research reactor to produce unsafeguarded plutonium, the US in 1976-77 forced Taiwan to dismantle a pilot reprocessing facility and agree to terminate and forego all development of highly enriched uranium, heavy water, or other indigenous elements of the nuclear fuel cycle. We continue to check on Taiwan's nuclear research program, which has ~~always~~ seemed more aimed at providing future options than at actually proceeding toward development of nuclear explosives.

~~SECRET~~

While there has been a limited "de facto" normalization of relations with the People's Republic of China, Taiwan's security situation offers a continuing incentive to acquire a short-range nuclear force capable of being deployed against Chinese coastal cities or against a potential Chinese amphibious invasion. Taiwan could have only a marginal deterrent if it developed nuclear weapons. However, political incentives may be stronger than military; the loss of U.S. diplomatic recognition in 1978 was a serious blow to the ROC's international standing and Taipei may see nuclear weapons as a way of restoring domestic morale and increasing its reputation as a viable entity. For the time being, however, the political and military costs of possessing nuclear weapons outweigh the advantages.

U.S. Strategy Against Proliferation

The U.S. was previously successful in blocking dangerous nuclear development in Taiwan both because of our ~~military~~ mutual Defense treaty commitment to the ROC and because suspension of U.S. nuclear fuel and components would have ~~absolutely~~ crippled Taiwan's civil nuclear program. Our leverage may have been substantially reduced, however, ~~we broke~~ by the break diplomatic relations with Taiwan, since our security relationship is now more tenuous, and Taiwan has begun to diversify its sourcing of nuclear materials and technology to western Europe.

If Taiwan continues to hold back from developing nuclear explosives, we could in the security area, clarify our defense policies to show our continuing interest in Taiwan's security. ~~We could make clear to the PRC our desire for a continuation of the de facto normalization of relations.~~ We could continue to sell defensive weapon systems such as the I-HAWK, Sea Sparrow, TOW, and perhaps ~~the~~ an F-X fighter. We could will need to continue our close nuclear cooperation, including reactor equipment sales, while

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monitoring evidence of high explosive testing, inertial confinement experimentation, and other sensitive programs.

If Taiwan reverts to a strategy of developing nuclear weapons technology or nuclear explosives, we would have to ~~explain to the Taiwan government~~ that they are jeopardizing the basic U.S. relationship ~~with Taipei. We could cut off military assistance and suspend sales of ammunition and spare parts to existing weapons systems.~~ We would threaten to cut off future shipments of nuclear fuel and equipment, and terminate Exim Bank financing. ~~Above all,~~ most importantly, we would make it clear to the ROC including the security relationship, that U.S. public and Congressional support for Taiwan would be sharply eroded by development of nuclear explosives.

3. The case of Korea

In 1975, ~~then~~ President Park ordered the inception of a nuclear weapons development program. The ROKG began to seek from us and others sensitive equipment for nuclear explosive and delivery system development and sought a nuclear reprocessing plant from the French. We responded with the denial of sensitive equipment and ~~an extensive~~ diplomatic ~~campaign~~ effort in which it was made clear to ~~the ROK leadership~~ President Park that an attempt to evade ~~its~~ ROK non-proliferation commitments would have the most serious implications, not only for our continued peaceful nuclear cooperation, but for our basic relationship, including the ability to continue to provide security assistance. The ROKG understood the warning and ceased its explosive program in return for face saving ~~progress~~ closer peaceful nuclear cooperation. ~~This effort was successful~~ largely because our persuasive efforts were backed with a credible threat, and because we were able to gain the cooperation of other suppliers. Since that period, the ROK proliferation threat has been largely quiescent, although we can expect the nuclear option to be reexamined periodically.

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a. The ROK's incentives to proliferate ~~could~~ include ~~to~~ offset ~~any~~ continuing conventional inferiority to North Korea, to deter a North Korean ~~conventional~~ attack, particularly ~~to react to~~ a surprise attack toward Seoul, and to insure against any lessening of US support for the ROK's security. Somewhat analogous to Israel, the US is virtually the only possible support for the security of the state; thus periodic reexamination of the nuclear option by the ROKG leadership is probably inevitable in the absence of a political resolution of the tensions on the Korean peninsula.

b. US Strategy Against Proliferation

The primary measure to prevent proliferation by the ROK is the maintenace of a strong, credible commitment to the defense of the ROK. This includes not only the assurances of the US-ROK security treaty, but a credible troop presence in Korea, provision of military equipment and technology to maintain and strengthen the ROK armed forces, political support for the ROKG, and the maintenance of US forces in the Western Pacific at sufficient strength to react to Korean contingencies. It may also mean maintaining some tactical nuclear weapons in Korea as long as there is a conventional force inferiority to the North. It also requires a credible political posture toward North-South issues and the fullest consultation in regard to any political moves involving the North. In the longer run, we, with Japan and the ROK, should continue to seek ways to alleviate basic North-South tensions.

Secondarily, we need to make it quite clear to the ROKG leadership that any abandonement of its non-proliferation commitments would have the most serious implications for nuclear cooperation, our ability to provide security assistance, and for our basic cooperative relationship. At the same time, we will need to continue to monitor carefully the

ROKG's nuclear technology, and ~~develop~~ maintain [redacted] to provide early warning of any development leading toward delivery vehicles or an explosive capability. In this connection we will need to continue to work with Allies to deny sensitive nuclear materials and equipment to the ROK. In the longer run, when the ROK has moved further toward its ambitious nuclear power goals, we may wish to encourage multinational alternatives to sensitive facilities, which ~~could~~ might serve Taiwan as well.

D. LATIN AMERICA

1. REGIONAL IMPLICATIONS OF ~~PROLIFERATION~~ PROLIFERATION

The United States would not be directly threatened in the near term by the acquisition of the know-how and means to produce weapons grade nuclear material by Latin America's two leading nuclear powers--Brazil and Argentina. Despite the periodic ups and downs in U.S. relations with these countries, both are ideologically pro-West and would derive no advantage from directly threatening US military or civilian interests in the region.

The nuclear programs in both countries are demonstrably aimed at applying nuclear technology to the production of electrical power to meet the energy demands of growing populations and economies. Both are developing countries intent on breaking what they perceive to be economic dependency on the West. Their desire to develop independent nuclear fuel cycles should be viewed within the wider framework of the desire for economic independence. They interpret U.S. demands for safeguards assurances through adherence to Tlatelolco or the NPT as designed to restrict their access to technology and material necessary for nuclear energy independence in order to insure the dominance by developed capitalist countries over the less developed states.

Besides the economic benefits to be derived from nuclear independence Brazilian and Argentine nuclear programs are driven by the desire for the prestige such independence would bring -- both in civilian and military terms. Since the military in both countries plays a dominant role in government, and, therefore, budgets allocations to the nuclear program, military application of nuclear technology must be a U.S. concern. The prestige to be gained by joining the select group of nuclear weapons states, however, must be measured against the adverse regional reaction such a development would bring about. The twenty two ~~other~~ Latin American nations for whom the Treaty of Tlatelolco is in force could be expected to condemn whichever country was first to introduce nuclear weapons into the area covered by the Treaty. Moreover, security needs would not justify nuclear weapons development since internal security is a far greater concern to Brazil and Argentina than any external threat. The rivalry between these two countries is such that possession of nuclear weapons by one would drive the other to acquire them, thereby creating an external security threat in both where ~~more~~ none previously existed.

The real threat to the U.S. of nuclear proliferation in Brazil and Argentina is indirect. Possession of an independent complete nuclear fuel cycle, especially in the case of Brazil, could lead these governments to the irresistable temptation

to supply weapons grade material to countries or groups inimical to U.S. security interests in exchange for increased access to conventional sources of energy. That is, ideology plays a much less important role to U.S. security in the region than the economic advantages that would accrue to the supplier of weapons grade material in exchange for petroleum.

~~THE CASE OF~~ BRAZIL

A) Incentives to Proliferate

The Brazilian incentives to proliferate is generally thought to be contained in its desire to increase its prestige as a Third World leader or incipient "great power." Although this may be true with respect to a small group of military leaders it is also true that GOB policy within the Group of 77 and in regional and international organizations is to avoid any perception of emerging "great power" status. Besides the economic benefits it derives from its classification as an LDC, Brazil has been carefully cultivating relations with its neighbors to allay fears that it hopes to become a regional power.

Brazil is, however the largest exporter of conventional arms in the region. Economic incentives do exist to develop the means to be able to export nuclear material as well.

B) U.S. Strategy against Proliferation

To discourage proliferation, it is in U.S. interest to develop better overall security and political relations with Brazil; to encourage improvement of Brazilian - Argentine relations in order to reduce competitiveness in the field of nuclear weapons development; and to encourage adherence to Tlatelolco and acceptance of full-scope safeguards. In addition, U.S. strategy should be aimed at assisting Brazil to overcome its almost complete dependence on petroleum imports from the Middle East in order to reduce the temptation to supply nuclear weapons grade material to countries of that region in exchange for access to petroleum.

~~The Case of~~ Argentina

A) Incentives to Proliferate

Argentine incentives to proliferate derive from its concern with Brazil's size, power, and dynamism combined with the fact that Argentina possesses the technological and resource capabililty to develop nuclear weapons. Balanced against these considerations, however, is the adverse regional and international reaction that would follow public knowledge of Argentine possession of a nuclear weapons program as well as the incentive such a program would give to Brazil to develop its own program.

B) U.S. Strategy Against Proliferation

Improved U.S. political relations with Argentina and the resumption of U.S. arms sales would increase our leverage with the Argentine military and our ability to discuss frankly our proliferation concerns. We should, in addition, continue to encourage adherence to Tlatelolco and expand cooperation in the field of peaceful uses of nuclear energy while emphasizing the importance of safeguards on all nuclear programs. As an emerging regional supplier of nuclear technology and materials Argentina must soon define for itself the role it wishes to play in this field including the conditions under which it will supply these items to other countries. U.S. strategy should concentrate on cooperation wherever possible in order to maintain some leverage over and influence on these important Argentine decisions.

DRAFTED:ARA/RPP [redacted]
4/6/81; [redacted]

E. South Africa

1. Regional Proliferation Implications

While many African states believe South Africa already has nuclear explosives or could produce them in a relatively short time, overt proof of South African possession of nuclear explosives would exacerbat the regional situation. ~~We would be under heavy pressure to~~ while we have cease all nuclear cooperation with South Africa pending South Africa's adherence to the NPT, ~~and~~ only our veto, should we wish to use it, could prevent the voting of nuclear sanctions by the UN. ~~There would also likely be strong pressure in the UN for more sweeping sanctions~~. Over the longer term, some African nations ~~would~~ might probably seek to develop their own nuclear explosive capability in response. (Some leading Nigerian political figures have already said as much). Confirmation of an explosive program would also be an opportunity for intensifi involvement in southern Africa of the Soviets; states in southern Afric might seek some protective guarantee from Moscow. While the Soviets are not likely to make any explicit commitment, they would probably thr and step up arms and advisory assistance where possible. Overt evidenc of a South African explosive program would thus result in increased regional polarization, intensified Soviet involvement, and less room for U.S. political maneuvre in regard to the area, and a diminished US influence and ability to protect our interests.

2. ~~The~~ South Africa~~n Case~~

South Africa has as extremely sophisticated nuclear program.--

a. Incentives to Proliferate

South Africa has now managed to create a sense of regional threat without the stigma of overt explosive testing. It may in fact have done so by undertaking detectable activities when in fact it was not ready to cross the explosive threshold. It is difficult to see a near term military usefulness to nuclear weapons except in the most extreme, and unlikely, circumstances. The principal threat to South Africa is likely ~~of~~ To remain black urban insurrection and guerillas operating in border areas, for which nuclear explosives would be useless. They would be militarily useful only as a threat against neighboring capitals, economic facilities or troop concentrations, and their use against such targets could only be an act of desperation. However, in the more distant future, Pretoria might see nuclear explosive as a deterrent to conventional forces strengthened by the USSR's assistance, ~~or~~ and perhaps their possession as insurance that the West would step in to prevent the occasion of their use.

Aside from any military benefits, the South Africans may believe they can restore Western cooperation on nuclear and other issues in return for actual or apparent curtailment of an explosive program. There may also be an element of bolstering national self confidence, as well as the idea that an explosive capability would make the

West less likely to undermine South Africa's security for fear of South African provocation of a nuclear confrontation.

b. Inducements Not to Proliferate

The most useful immediate step to prevent (or broke) South African proliferation would be its agreement to the proposition we and the French have put to them: interim French supply of fuel for the Koeberg reactors and a veto of UN sanctions which would undercut the arrangement in return for South African adherence to the NPT and full scope safeguards. We have also asked the French to pursue a cut-off of HEU production at Valindaba with the South Africans. The initial South African response to this arrangement was not encouraging, but may have been meant for bargaining purposes. Should South Africa ultimately decline this arrangmeent, the penalties are largely economic - the necessity to expand its enrichment facility, to develop somehow a fuel fabrication facility, likely delay of Koeberg, and continued non-cooperation in nuclear matters with the US. There are some political costs as well, however, with France and ourselves.

In the longer term, if we are unable to conclude this arrangement the South Africans will eliminate the existing technical/economic leverage and we will have no leverage on their programs through nuclear cooperation. In such a situation we would need to encourage the climate that would inhibit an overt test of an explosive device. This in turn ~~(as~~ can probably only be accomplished by the reduction in tensions ~~in the area that would come~~ with a Namibia solution, and over the longer term, by political evolution in South Africa.

The prospects for other security related tools do not seem good in the case of South Africa. We could probably not engage in military

cooperation or supply, or conclude security agreements, for a variety of legal and political reasons. On the other hand, sanctions, at least beyond those we might be force to take if there were overt proof of an explosive program, could undercut our other policies in regard to South Africa, and probably would not be effective.