

PROPOSED TALKING POINTS FOR BRIEFING OF THE NRC ON THE ROC

SAA 200165370000

NUCLEAR PROGRAM

DESCRIPTION OF TEAM ACTIVITIES

The Institute of Nuclear Engineering and Research (INER) is currently working on a number of research projects. Of principal concern for nonproliferation are the following projects:

- Industrial Utilization of Heavy Sands (Thorium research)
- Recovery of precious metals from anode slime by solvent extraction process. (uses reprocessing technology and materials)
- Execution of decontamination of Alpha glove boxes and investigation of treatment of Alpha wastes. (This project is of interest as an indicator of Taiwanese intentions to dismantle their Plutonium handling capability.)
- Recovery of Uranium from wet process phosphoric acid. (This project is of interest because it also uses technology very similar to chemical reprocessing of nuclear fuel.)
- The utilization of the Hot Lab. (This project is also of interest as an indicator of Chinese intentions for the future.)
- Zero Power Heavy Water Reactor
- Organic Loop Design, Construction and Irradiation test. (this project is of interest because of its application to a heavy water power reactor design project)

UNCLASSIFIED

STATE DEPT. DECLASSIFICATION REVIEW

- Retain Class'n Change to _____
- Declassify in part and excise as shown
- EO 12958, 25X (6) (8) (9)
- Declassify After 7/2028
- With concurrence DOE (obtained)
- IPS by *J. Hayes* Date *July*

JAN 23 2003

SECRET

DEPARTMENT OF ENERGY DECLASSIFICATION REVIEW	
1ST REVIEW DATE: 5/1/03	DETERMINATION (CIRCLE NUMBER(S))
AUTHORITY: <input type="checkbox"/> AOC <input checked="" type="checkbox"/> ADC <input type="checkbox"/> ADD	1. CLASSIFICATION RETAINED
NAME: <i>Charles Kelly</i>	2. CLASSIFICATION CHANGED TO:
2ND REVIEW DATE: 5/7/03	<input checked="" type="checkbox"/> CONTAINS NO DOE CLASSIFIED INFO
AUTHORITY: <i>AK</i>	3. COORDINATE WITH:
NAME: <i>Chromitt</i>	4. CLASSIFICATION CANCELLED
	5. CLASSIFIED INFO BRACKETED
	6. CLASSIFIED INFO BRACKETED
	7. OTHER (SPECIFY):

UNCLASSIFIED

Previously there were reports that research was being done on Lasers which might have some applicability to Laser Isotope Separation. However, This work was not in evidence during the team visit and we do not believe it is continuing at this time.

A disturbing point in the INER research program is the continued involvement of the military in many of the projects currently underway. This situation is, to some extent, understandable, given Taiwan's relatively small population of scientifically qualified workers. However, the close collaboration between the military researchers at the Chung-Shan Institute of Science and Technology and INER is being watched very closely.

There is no evidence to indicate that there is a weapons development program or an attempt to obtain fissile material by any means now underway in Taiwan. However, as noted above, some research projects will bear close scrutiny in the future.

DEPT OF STATE APPEALS REVIEW PANEL (ARP)

- | <u>FOIPA/PA</u> | <u>Mandatory Review</u> |
|---|-------------------------|
| () Release | () Declassify |
| (<input checked="" type="checkbox"/>) Excise PP | () Declassify in Part |
| () Deny | () Class. Ret/Renew |

Exemptions B1
ARP Action Cert JAK Date 7/13/04

TAB 1

GS - good capsule of Taiwan situation

- prepared for Lou to use to

brief NRC

on intelligence

TALKING POINTS

-- The Executive Branch agencies from time-to-time have requested the opportunity of providing the Commissioners with up-to-date information on sensitive negotiations and intelligence matters on countries of special proliferation concern. In this tradition we are pleased to be here today.

First, I would like to make a few general comments on recent developments with regard to our nuclear cooperation with the ROC and then turn the meeting over to Joe Hayes of the Department's Bureau of Intelligence and Research for a more detailed run down on that end of the business.

Also with us today, I might add, are _____ of the CIA and _____ of ACDA. These gentlemen will be glad to assist in answering any specific questions you may have.

Since the NRC has at least one new Commissioner (Ahearn) since we provided you with our last briefing on the ROC, I would like to remind you that in mid-1977, following an in-depth review

of the proliferation risk on Taiwan, [

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A. We and the ROC have essentially completed all arrangements with the IAEA for covering all ROC nuclear materials, facilities and equipment under the US/ROC/IAEA Safeguards Transfer Agreement.

B. We have received [Agreement in principle to assist in converting the TRR from natural uranium to low-enriched uranium fuel to cover the costs of removing from Taiwan ~~all~~ of the spent natural uranium fuel that ^{has and} will be generated pending ^{TRR} conversion to LEU fuel,

DOS
25x6

B. We have completed the transfer to U.S. control ~~all~~ ^{The} plutonium previously held by the ROC.

③ We have initiated a detailed US/ROC technical program (with the DOE's Argonne National Laboratory in the lead role) aimed at completing conversion of the TRR to LEU within a two-year period, during which time the TRR will continue to operate on natural uranium, if such conversion is practicable. (The NRC's cooperation and assistance in reviewing the safety aspects of such a conversion will be greatly appreciated.)

-- While we are pleased with these developments and ~~our~~ visit in May 1977 by a U.S. technical team generally confirmed the actual termination of nuclear research and development activities which had previously involved weapons useable materials, we have continued to receive occasional intelligence reports to the effect that some work might possibly be continuing at a low level in the areas of laser isotope separative and heavy water production. 25-7 (

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-- Consequently, on July 24 - 28, 1978, a U.S. team composed of technical specialists and Government representatives visited Taiwan for the purpose of reviewing Research and Development activities at INER and to discuss conversion of the TRR from natural to low enriched uranium fuel.

-- The team also looked into research activities at INER and elsewhere on Taiwan, which depending on their orientation offer the potential for violation of our agreement with the ROC 25x6, 8

-- Principal among these activities was the ROC's program laser research, which, although there are ~~numerous~~ ^{other legitimate} legislative applications, could be directed at uranium enrichment.

-- Although we have had an unconfirmed report that some of the ROC work had in fact been directed at isotope separation using uranium vapor, the Team found no evidence of such work.

-- Nevertheless, in view of our lingering uncertainties about the nature and extent of the ROC's

laser work and our concern over the involvement of military personnel in this and other nuclear related R&D, we decided to make a formal Demarche to the ROC to restate emphatically the importance of ROC scientists avoiding any actions which are not in compliance with our nuclear agreements.

-- This Demarche, which included a personal letter to President C.C.K. from Secretary Vance, was made by Ambassador Unger on September _____.

-- Both the Secretary's letter and Ambassador Unger's oral presentation made it clear that any actions on the part of ROC scientists not in compliance with our nuclear agreements would require termination of nuclear exports.

-- [Redacted]

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-- Acting under instructions, Ambassador Unger indicated that this provision refers, among other things, to the ROC's terminating all activities leading to the development of uranium enrichment and heavy water production "capabilities" rather than just to production activities per se.

-- While acknowledging that certain laser isotope separation work may fall in a gray area, the U.S. believed any LIS work can contribute to a uranium enrichment capability and, therefore, should not be undertaken.

-- We further advised President Chiang that we believed all other nuclear related R&D in the ROC needs to be carefully reviewed to ensure that there were no other "grey area" activities being conducted which might create misunderstanding about the ROC's strict avoidance of activities prescribed by our agreements, particularly activities involving or leading to reprocessing, enrichment of heavy water production capabilities.

-- In response, replying to Secretary Vance's letter, President Chiang provided us with highly explicit assurances that no research is now underway or will be conducted in the future in nuclear enrichment, reprocessing or heavy water production. He admits that some laser isotope separation work did take place in the past but asserts it has long since been concluded and will not resume.

-- Chiang's letter includes the flat commitment that the ROC "has no intention whatsoever to develop nuclear weapons or a nuclear device or to engage in any activity related to reprocessing purposes. Moreover our scientists in the nuclear field or in any other related fields will continue to act in compliance with the agreements between our two governments."

-- The explicit and all-embracing quality of Chiang's statement is highly reassuring and the Secretary plans to acknowledge it appropriately.

-- Now I would like to turn the discussion over to Joe Hayes who will bring us up to date on recent intelligence reports on nuclear activities in the ROC.