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Authority NND 959000
By TJ NARA Date 9/7/99

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INCOMING TELEGRAM *AE 6 China*
Department of State

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FM AMEMBASSY BONN

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TO RUEHC/SECSTATE WASHDC 3292

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INFO RUFHBS/AMEMBASSY BRUSSELS USEC 132511

INR

RUFNCR/AMEMBASSY PARIS 1183

CIA

RUASTP/AMEMBASSY TAIPEI SIX

NSA

RUALOT/AMEMBASSY TOKYO 55

ACDA

RUEPXG/AEC GERMANTOWN

SCI

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REF: EMBTEL 3000; TOKYO'S 3470, TAIPEI'S 1088, BRUSSELS EOBUS 898

WHB

SUBJ: GERMAN NUCLEAR REACTOR FOR TAIWAN

RSR

FOLLOWING IS AN ACCUNT OF FRG-GRC NUCLEAR DISCUSSIONS AS GIVEN TO THE EMBASSY BY A GERMAN OFFICIAL.

GRC REPRESENTATIVES APPROACHED SIEMENS REQUESTING A REACTOR STUDY, INDICATING APURCHASE WOULD FOLLOW IF THE STUDY RESULTS WERE SATISFACTORY. SIEMENS ASKED THE OPINION OF THE FONOFF ON POSSIBLE REACTOR EXPORT RESTRICTIONS. THE FONOFF ATTITUDE WAS NEGATIVE IN VIEW OF POSSIBLE EFFECTS ON FRG RELATIONSHIPS WITH THE USSR AND RED CHINA.

SIEMENS THEN APPROACHED THE SCIENCE MINISTRY, WHICH FAVORS THE SALE AS GERMANY'S FIRST MAJOR NUCLEAR EXPORT. HOWEVER, THE MINISTRY WOULD ONLY SUPPORT THE PROJECT IF THE GRC PLACES THE REACTOR UNDER IAEA SAFEGUARDS. THE GRC IS APPARENTLY AGREEABLE.

THE SCIENCE MINISTRY UNDERSTANDS THAT THE PROCEDURE FOR IAEA SAFEGUARDS CAN CONSIST SIMPLY OF A BILATERAL AGREEMENT BETWEEN IAEA AND GRC, WITHOUT INVOLVING A DIRECT FRG-GRC SAFEGUARDS RELATIONSHIP OF ANY KIND. THE SCIENCE MINISTRY THUS WISHES TO PRESS THE FONOFF TO INFORM THE GRC THAT EXPORT APPROVAL WILL BE GIVEN AFTER SIGNING OF A GRC-IAEA SAFEGUARDS AGREEMENT COVERING THE REACTOR. THE NEXT STEPS WOULD BE 1) COMPLETION OF THE DESIGN STUDY BY SIEMENS; 1) SIGNING OF THE CONTRACT BETWEEN GRC AND SIEMENS FOR CONSTRUCTION OF THE REACTOR; 3) REACTOR CONSTRUCTION; 4) SUBCONTRACTING OF FUEL ELEMENT CONSTRUCTION BY SIEMENS, PERHAPS TO NUKEM, AND 5) OPERATION BY THE GRC.

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-2- 3292, APRIL 15, FROM: BONN

THE REACTOR IN QUESTION IS NATURAL URANIUM OXIDE-FUELED,
AND THE GRC OR NUKEM WOULD NOT BE RESTRICTED TO DEALING WITH
SUPPLIERS OF ENRICHED URANIUM FOR FUEL.

THE OFFICIAL REITERATED THAT IF THE US GOVERNMENT HAS SERIOUS
OBJECTIONS (NOT OF A COMMERCIAL NATURE) TO SUCH A SALE, THE
SCIENCE MINISTRY WOULD LIKELY NOT PRESS FOR A FAVORABLE DECISION
BY THE FONOFF.

EMBASSY HAS NOT COMMUNICATED CONTENTS OF REFEELS TO MINISTRY,
BUT IS AWAITING DEPARTMENT GUIDANCE.
HILLENBRAND

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