

# TELEGRAM

Foreign Service of the  
United States of America

INCOMING AMERICAN EMBASSY VIENNA

**SECRET**  
Classification

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R 110338Z AUG 73  
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 INFO RUMJDH/AMCONSUL HONG KONG 3565  
 RUEHCR/USLO PEKING 008  
 RUFHAU/USMISSION IAEA VIENNA 082  
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 S E C R E T TAIPEI 4872

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EO 11652 GDS  
 TAGS PARM, PFOR MCAP TW  
 SUBJECT: ROC DECLARES NEED FOR NUCLEAR REPROCESSING CAPABILITY:  
 PROBABLE SECOND TRY AT ACQUIRING WEAPONS GRADE MATERIAL CAPABILITY

REF (A) TAIPEI 0828; (B) TAIPEI 0675, (C) STATE 12137

1. SUMMARY: MOFA AND ROC AEC SECRETARY GENERAL VICTOR CHENG PRESENTED EMBOFFS WITH NUCLEAR FUEL MANAGEMENT PROPOSAL WHICH (IN CONJUNCTION WITH INFORMATION FROM OTHER SOURCES) APPEARS ANOTHER ATTEMPT TO ACQUIRE A CHEMICAL SEPARATION CAPABILITY OF THE TYPE NEEDED IN NUCLEAR WEAPONS PROGRAMS. CHENG USED TAIWAN POWER COMPAN'S ANTICIPATED FUEL REQUIREMENTS TO JUSTIFY NEED FOR IN-COUNTRY REPROCESSING PLANT. PROPOSAL IMPLIES AMENDMENT TO US-CHINA COOPERATION AGREEMENT ON CIVIL USES OF ATOMIC ENERGY TO PERMIT SALE OF US NUCLEAR FUEL FOR TAIPOWER'S EIGHT PROJECTED SEACTORS (VICE PRESENT TWO) AND TO PERMIT THE ROC TO SHIP SIFNT FUEL TO BRITAIN FOR REPROCESSING. IF WASHINGTON CONCURS IN OUR INTERPRETATION, EMBASSY RECOMMENDS PROMPT, FIRM TURNDOWN OF ROC'S PROPOSALS RE CHEMICAL SEPARATION PLANT. END SUMMARY.

2. AT MEETING ON AUGUST 8 REQUESTED BY MINISTRY OF FOREIGN AFFAIRS, CHENG CHEN-HUA (VICTOR CHENG) SECRETARY GENERAL OF AEC AND CHU CHIN-K'ANG, DIRECTOR OF MOFA'S DEPARTMENT OF INTERNATIONAL AFFAIRS PRESENTED SCIENCE ADVISOR AND EMBOFF A DRAFT PROPOSAL COVERING ROC'S PLANS FOR NUCLEAR FUEL MANAGEMENT. PROPOSAL IS INTENDED TO SERVE AS BASIS FOR DISCUSSIONS TO BE HELD BETWEEN CHENG AND US AEC IN LATE AUGUST. CHU, RATHER THAN CHENG, OPENED SESSION BY READING PROPOSAL SUMMARY STATEMENT (TEXT BY SEPTEL), THUS EMPHASIZING ITS NATURE AS OFFICIAL ROC REQUEST.

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3. IN DISCUSSION WHICH FOLLOWED, CHENG STATED HE HOPED THE US-CHINA COOPERATION AGREEMENT OF CIVIL USES OF ATOMIC ENERGY WOULD BE AMENDED IN EARLY FALL TO ALLOW TAIPOWER TO PURCHASE SUFFICIENT FUEL FOR ALL OF ITS EIGHT PROJECTED NUCLEAR REACTORS (PRESENT AGREEMENT ALLOWS ONLY ENOUGH FUEL FOR FIRST TWO REACTORS). AN AMENDMENT IS ALSO NEEDED TO PERMIT THE ROC TO SHIP SPENT FUEL TO BRITAIN FOR REPROCESSING. BRITISH NUCLEAR FUELS SERVICES, ACCORDING TO CHENG, WOULD BE MOST ECONOMICAL SOURCE OF REPROCESSING SINCE IT IS EQUIPPED TO HANDLE ALL STAGES OF THE CYCLE INCLUDING SHIPPING.
4. NEED FOR IN-COUNTRY REPROCESSING CAPABILITY WAS JUSTIFIED AS MOST REASONABLE AND MOST ECONOMIC METHOD FOR TAIPOWER TO ENSURE ITS CONTINUED SUPPLY OF FUEL. CHENG STRESSED THAT REPROCESSING PLANT'S SOLE APPLICATION WOULD BE TO SUPPLY FUEL FOR POWER REACTORS. (BACK-UP MATERIAL NOTES INTENTION TO RECYCLE RECOVERED PLUTONIUM IN THERMAL REACTORS.) CHENG STATED THAT IF THE US APPROVES THE REPROCESSING PROJECT IN PRINCIPLE, TAIPOWER WILL BEGIN SENDING PERSONNEL TO EUROPE (WHERE UNSPECIFIED) FOR TRAINING. HE CLAIMS US IS UNABLE TO PROVIDE SUCH TRAINING. CHENG EMPHASIZED THAT NO EQUIPMENT PURCHASES RELATING TO REPROCESSING WOULD BE MADE UNTIL SUCH TIME AS THE BILATERAL AGREEMENT HAS BEEN FURTHER AMENDED. CHENG ESTIMATED THAT A FOUR TO FIVE YEAR PERIOD WAS NEEDED FOR TAIPOWER PERSONNEL TO ACQUIRE THE NECESSARY KNOW-HOW. AFTER THIS PERIOD THE ROC WOULD BE IN POSITION TO DETERMINE THE ADVISABILITY OF CONSTRUCTING A REPROCESSING PLANT AND WOULD THEN REQUEST AN AMENDMENT PERMITTING EQUIPMENT PURCHASE AND THE EVENTUAL CONSTRUCTION AND OPERATION OF THE PLANT.
5. CHENG EXPRESSED HOPE PRELIMINARY USAEC REACTION TO ABOVE PROPOSAL WOULD BE AVAILABLE BEFORE HIS DEPARTURE FOR US AUGUST 24.
6. SEPTTEL CONTAINS FULL TEXT OF ROC STATEMENT AS GIVEN BY MOFA'S CHU. BACK-UP MATERIAL BEING POUCHED.

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7. COMMENT: THIS APPEARS TO EMBASSY TO BE A WELL-ORCHESTRATED ROC ATTEMPT TO ACQUIRE A CHEMICAL SEPARATION CAPABILITY OF THE TYPE NEEDED IN NUCLEAR WEAPONS PROGRAMS. THE CAREFULLY PREPARED BACKGROUND STATEMENT (BEING AIRPOUCHED DEPT AND USAEC) NEEDS THOROUGH SCRUTINY. SOME OF THE STATEMENTS AND FORECASTS SEEM TO US RATHER QUESTIONABLE. WE NOTE, FOR EXAMPLE, THAT QUALIFIED CHEMICAL ENGINEERS SHOULD BE ABLE TO DESIGN A SUITABLE REPROCESSING PLANT AFTER ABOUT TWO YEARS STUDY, RATHER THAN FOUR-TO-FIVE YEARS. AND IT IS OUR UNDERSTANDING THAT US SOURCES CAN SATISFY TAIPOWER'S ANTICIPATED FUEL NEEDS, BOTH NOW AND IN THE EIGHTIES. FINALLY, ALTHOUGH THE CONCEPT OF AN IN-COUNTRY REPROCESSING CAPABILITY WAS PRESENTED TO US AS ORIGINATING WITH TAIPOWER, COMPANY OFFICIALS IN THE PAST HAVE EXPRESSED SERIOUS DOUBTS AS TO THE ECONOMIC FEASIBILITY OF SUCH A PROGRAM. IN SHORT, AND PARTICULARLY IN THE LIGHT OF PAST SRF REPORTING, WE TEND TO BELIEVE THAT FOLLOWING ITS ABORTIVE ATTEMPT EARLIER TO ACQUIRE A REPROCESSING PLANT THROUGH DIRECT PURCHASE IN EUROPE, THE ROC NOW IS ATTEMPTING TO CONCEAL THE SAME OBJECTIVE BEHIND THE FACADE OF A PLAN OSTENSIBLY DESIGNED TO SERVICE TAIPOWER'S MID-EIGHTIES FUEL REQUIREMENTS.

8. IF WASHINGTON SHARES OUR INTERPRETATION, WE RECOMMEND EMBASSY BE INSTRUCTED TO CONVEY USG'S NEGATIVE REACTION. BELIEVE FOREIGN MINISTER WOULD BE APPROPRIATE LEVEL AND PRESENTATION COULD PARALLEL THAT MADE LAST JANUARY (REF B) IN ACCORDANCE WITH DEPT'S INSTRUCTIONS (REF C). ONCE AGAIN WE WILL EMPHASIZE THAT IN PROCEEDING WITH ATTEMPTS TO ACQUIRE CHEMICAL SEPARATION CAPABILITY ROC RISKS JEOPARDIZING PLANS FOR NUCLEAR-ELECTRIC DEVELOPMENT, AND WILL EMPHASIZE AS WELL SPECIAL RESPONSIBILITIES OF USG UNDER AGREEMENT FOR COOPERATION CONCERNING CIVIL USES OF ATOMIC ENERGY AND IAEA. WE WOULD RECOMMEND ALSO THAT APPROPRIATE OFFICERS IN STATE AS WELL AS USAEC MAKE PARALLEL STATEMENT TO VICTOR CHENG AFTER HIS ARRIVAL IN WASHINGTON.  
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