

TELEGRAM

Foreign Service of the
United States of America

INCOMING AMERICAN EMBASSY VIENNA

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SUBJECT: PROPOSED REPROCESSING PLANT FOR REPUBLIC OF CHINA

REF: A) STATE 227181; B) OTTAWA 2277

1. ACCORDING TO COMPRIMO ANTWERP OFFICIAL (PROTECT SOURCE), SECRETARY GENERAL CHENG OF ROC ATOMIC ENERGY VISITED EUROPE WITHIN RECENT MONTHS CONCERNING THIS PROJECT AND VISITED PROSPECTIVE CONTRACTORS IN FRANCE (SAINT GOBAIN TECHNIQUES NOUVELLES), GERMANY (UHDE-LURGI GROUP), BELGIUM (COMPRIMO, ANTWERP), AND THE UK (BNFL). THIS VISIT AND SUBSEQUENT COMMUNICATIONS, INCLUDING TEAM VISITS TO TAIWAN BY AT LEAST SOME OF THE PROSPECTIVE CONTRACTORS, HAVE REPORTEDLY RESULTED IN REDUCING THE LIST OF POTENTIAL CONTRACTORS TO THOSE IN GERMANY AND BELGIUM, WITH THE FORMER CURRENTLY BEING THE FAVORED CANDIDATE. (THE BELGIAN COMPANY WAS INTRODUCED TO THIS PROJECT BY BELGONUCLEAIRE WHO WAS INITIALLY CONTACTED BY CHINESE. MOREOVER, PARENT COMPANY OF BELGIAN BIDDER IS COMPRIMO, A DUTCH FIRM, AND CERTAIN OFFICIALS OF PARENT COMPANY HAVE PLAYED A ROLE, BUT BELGIAN SUBSIDIARY IS THE ACTIVE BIDDER AND WOULD BE THE RESPONSIBLE PARTY IF AWARDED CONTRACT.)

2. ACCORDING TO SAME SOURCE ONLY THE GERMAN BIDDER HAS A GOVERNMENTAL GUARANTEE FOR DELIVERY OF NECESSARY EQUIPMENT AND MATERIALS, I.E., A GUARANTEE THAT NECESSARY EXPORT LICENSES WILL BE APPROVED. REPORTEDLY, FRENCH GOVERNMENT, BASED ON HIGH-LEVEL POLITICAL CONSIDERATIONS UNRELATED TO THIS NUCLEAR ISSUE, WILL NOT APPROVE EXPORTS TO TAIWAN; THIS MATTER IS CURRENTLY BEING EXPLORED WITH THE BELGIAN GOVERNMENT BY THE POTENTIAL BELGIAN CONTRACTOR, WHO RECOGNIZES THIS WILL BE A DIFFICULT PROBLEM FOR THE GOB. (AT THE TIME OF CHEN'S VISIT TO BELGIUM, A PRC REPRESENTATIVE FORMALLY COMPLAINED TO THE GOB ABOUT CHEN BEING RECEIVED BY GOB OFFICIALS.) WE DO NOT KNOW WHETHER THE BRITISH CANDIDACY

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FOR THE CONTRACT PROGRESSED TO THE POINT OF OBTAINING A UK GOVERNMENTAL DECISION ABOUT GUARANTEE OF DELIVERY. ALSO, IT IS NOT KNOWN WHETHER GOF DECISION ABOUT EXPORT WAS TAKEN BEFORE OR AFTER FRENCH COMPANY WAS DROPPED FROM ROC LIST OF POTENTIAL CONTRACTORS. FRG GUARANTEE OF DELIVERY IS VIEWED BY BELGIAN COMPANY AS A MAJOR REASON FOR CURRENT LEAD OF GERMAN COMPANY IN THE COMPETITION FOR THIS CONTRACT.

3. IT APPEARS, WITH RESPECT TO PARA 3 OF REF A, THAT US IS SUGGESTING TO ROC THAT IT MUST BE CONTENT WITH STATUS QUO IN ITS FUEL CYCLE CAPABILITY UNLESS AND UNTIL THAT OBJECTIVE CAN BE REALIZED EXCLUSIVELY FROM INDIGENOUS TECHNICAL EXPERTISE AND INDUSTRIAL CAPABILITY. THE ONLY APPARENT POTENTIAL RELIEF ON THE HORIZON FOR ROC, IF OTHER SUPPLIER NATIONS WERE TO ADOPT SIMILAR POSITIONS, MIGHT BE THROUGH THE RESULTS OF THE ZANGGER COMMITTEE EXERCISE. EVEN THIS POSSIBILITY, WE ASSUME, HAS A HIGH DEGREE OF UNCERTAINTY OF WORKING FAVORABLY FOR THE ROC IN THE CHEMICAL REPROCESSING AREA. IF ONE WERE TO ASSUME ROC IS DETERMINED TO REALIZE EVEN MODEST REPROCESSING CAPABILITY, AN IMPORTANT QUESTION FOR WESTERN SUPPLIERS IS WHETHER IT IS BETTER TO BE ASSOCIATED WITH THE PROJECT THRU COMMERCIAL INTERESTS AND THEREBY ASSURE AN APPROPRIATE DEGREE OF SAFEGUARDS IMPOSED OR RUN THE RISK OF ROC FINDING OTHER WAYS OF REALIZING OBJECTIVE WITH UNCERTAINTY ABOUT CONTROLS. GDS

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