



United States Department of State

Washington, D.C. 20520

April 21, 2000

INVIS  
DOE/OR  
NAC/NW/NSA

*XMAT 0400*

*BLU will prepare  
Comm letter*

Ms. Janice Dunn Lee  
Director, International Programs  
United States Nuclear Regulatory Commission  
Rockville, Maryland

Dear Ms. Lee:

I refer to the letter from your office dated February 1, 2000, requesting the views of the Executive Branch as to whether issuance of an export license in accordance with the application hereinafter described meets the applicable criteria of the Atomic Energy Act of 1954, as amended:

NRC No. XMAT0400 - Poco Graphite Inc. has requested a new license to replace its existing license (XMAT0326) to permit exports of nuclear grade graphite to European Union countries and Argentina, Australia, Bolivia, Brazil, Brunei, Canada, Chile, China/Hong Kong, Colombia, Costa Rica, Czech Republic, Ecuador, Egypt, Guatemala, Hungary, Indonesia, Jamaica, Japan, Malaysia, Mexico, Norway, Panama, Paraguay, Peru, Philippines, Poland, Romania, Saudi Arabia, Singapore, South Africa, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, Uruguay and Venezuela. Poco Graphite also wishes to raise the existing limit on individual pieces of graphite from 400 to 700 kilograms, but has requested no change in the current limit per shipment of 18,000 kilograms or the existing total for all countries combined of 750 short tons or 680,385 kilograms.

It is the judgment of the Executive Branch that the proposed exports under the new license will not be inimical to the common defense and security of the United States and are consistent with the provisions of the Atomic Energy Act, as amended, provided the license is limited to the quantities specified above to the following countries/destinations: members of the European Union, Canada, Czech Republic, Japan, Romania, Singapore, Switzerland and Taiwan.

As parties to the NPT, all of the foregoing countries/destinations have committed to maintain IAEA safeguards on all of their peaceful nuclear activities and have pledged not to produce or otherwise acquire any nuclear explosive device. It is therefore the view of the Executive Branch that Criteria (1) and (2) for exports of nuclear components, substances and items under section 109b of the Atomic Energy Act, as amended, are met.

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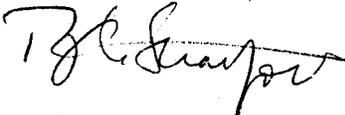
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The remaining criterion, agreement not to retransfer any U.S.-supplied component, heavy water or nuclear grade graphite without prior U.S. consent, has been satisfied by receipt of generic assurances from all the countries/destinations, except Singapore, listed in the above proviso. These generic assurances confirm the right of U.S. prior consent to retransfers of U.S.-origin nuclear components, heavy water and nuclear grade graphite. Singapore has furnished a new two year Import and Delivery Verification Certificate (IDVC), dated February 1, 2000, which confirms that there will be no retransfer of the U.S.-supplied graphite to any other country without prior U.S. Government consent except to ASEAN countries—Brunei, Indonesia, Malaysia, Philippines and Thailand, all of which are parties to the NPT.

In view of the foregoing, the validity of the license should be limited to the date of expiration of the current IDVC issued by the Government of Singapore and the license should be conditioned to limit reexports to ASEAN countries by Singapore to manufactured non-nuclear articles or general license quantities of bulk graphite.

On the basis of the foregoing, the Executive Branch recommends that the license be issued, subject to the provisos set forth above.

Sincerely,



Richard J.K. Stratford  
Director  
Nuclear Energy Affairs