

July 19, 2000

MEMORANDUM TO: Chairman Meserve  
Commissioner Dicus  
Commissioner Diaz  
Commissioner McGaffigan  
Commissioner Merrifield

FROM: Janice Dunn Lee, Director */RA/*  
Office of International Programs

SUBJECT: LICENSE TO EXPORT FUEL FABRICATION EQUIPMENT TO CHINA

I wish to inform the Commission that the staff is prepared to issue license XCOM1135 to Harper International Corporation to export to China two pusher type furnaces plus spare and replacement parts, for sintering of uranium dioxide fuel pellets for civil nuclear power reactors. The furnaces will be used at the Baotou Nuclear Element Plant operated by the China Nuclear Energy Industry Corporation in Inner Mongolia.

The Executive Branch has recommended approval of the license based on its judgement that the proposed export will not be inimical to the common defense and security of the United States, and is consistent with the provisions of the Atomic Energy Act of 1954, as amended by the Nuclear Non-Proliferation Act of 1978. The Chinese Atomic Energy Authority has provided assurances to the United States Government, in a letter to the U.S. Embassy in Beijing, that the proposed export will be subject to the terms and conditions of the U.S.-China Agreement for Cooperation. These assurances satisfy the requirements of criteria (2) and (3) of Section 109(b) of the Atomic Energy Act, as amended, with regard to a pledge of no nuclear explosive use [Article 5(3)] and right of U.S. prior consent to re-transfers [Article 5(1)]. The requirement for IAEA safeguards under Section III (2) of the Non-Proliferation Treaty does not apply to China as a nuclear-weapon state and therefore criterion (1) of Section 109(b) does not apply.

The staff agrees with the Executive Branch analysis and plans to issue the license on Friday, July 21, 2000. In accordance with requirements of 10 CFR 110, staff can process the case without Commission review.

Contact: Betty Wright, OIP, 415-2342

Upon being advised by the NRC that the license has been issued, the Department of State will notify the Senate Foreign Relations Committee and the House of Representatives International Relations Committee pursuant to Section 1523 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999, as amended.

cc: OGC  
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 SECY  
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 NMSS

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\* previous concurrence