

Department of Energy
Washington, D.C. 20585

September 2, 1980

Mr. James R. Shea, Director
Office of International Programs
U.S. Nuclear Regulatory Commission
Washington, D. C. 20555

Dear Mr. Shea:

We have noted the comments contained in your memorandum of July 19, 1980, concerning the U.S./IAEA/Malaysia project and supply Agreement and exchange of notes with Malaysia, pursuant to which it is intended to export a research reactor and the necessary fuel therefor. We wish to provide the following observations regarding the questions raised.

1. Exchange of Physical Security Information

We recognize that the Agency's role in the area of physical protection has been limited. Nevertheless, we believe the Agency has a legitimate and well established role to act as an intermediary in certain circumstances if so requested by Member States. The case of Mexico is an excellent example of how this role served admirably to meet U.S. physical protection requirements. As you may recall, arrangements were worked out satisfactorily to send a team of experts to Mexico under the Agency's auspices to review Mexico's physical protection measures in connection with the Laguna Verde power reactor. Both the Mexicans and the Agency were very forthcoming and cooperated willingly in all aspects of these arrangements. We have no basis for expecting the Agency to act otherwise in any other similar case, including Malaysia.

Moreover, we believe it would be appropriate, within recognized limitations, to strengthen the Agency's involvement in the physical protection field to the extent we can, and to assist the Agency in being kept informed of the physical protection measures in effect in connection with a facility established as an Agency project. This is particularly important in terms of assuring that a State is meeting its obligations to the IAEA with respect to physical protection as now required by project and supply agreements. On balance, therefore, we do not consider it necessary to seek any revisions to the physical protection provisions of the note.

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