



United States Department of Energy

Washington, D.C. 20520

July 10, 1998

PDR
DES/DOE
NMSS
DOE/OR
NAC/NMSS

XCOM 1114
11005044
China via Canada

Mr. Carlton R. Stoiber
Director, International Programs
United States Nuclear Regulatory Commission
Rockville, Maryland

Dear Mr. Stoiber:

I refer to the letter from your office dated June 4, 1998, 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 by the Nuclear Non-Proliferation Act of 1978:

NRC No. XCOM1114 -- Superior Tube Company has applied for authorization to export to China via Canada up to \$600,000 worth of zircaloy-4 tubing for manufacture of control mechanisms for the Candu nuclear power reactors to be constructed in China as Units 4 and 5 of the Qinshan Nuclear Power Station. The tubing has been ordered by Zircatec Precision Industries, Inc. of Port Hope, Ontario, Canada.

It is the judgment of the Executive Branch 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 requirement for IAEA safeguards under Section III(2) of the NPT does not apply to China as a nuclear-weapon state and therefore Criterion (1) of section 109b of the Atomic Energy Act, as amended, does not apply. The Canadian Government has confirmed in a Canadian Embassy letter dated July 9, 1998 (copy enclosed) that China has provided assurances to Canada that Canadian nuclear items exported to China, including the CANDU reactor and components thereof, shall be used exclusively for peaceful purposes and shall not be used to manufacture or develop any nuclear explosive device or for any military purpose. The Canadian Embassy letter also confirmed that Canada will not authorize China to retransfer to any other country U.S.-origin components incorporated into the CANDU reactors sold to China without the prior consent of the United States. It is therefore the view of the Executive Branch that the requirements of criteria (2) and (3) of Section 109b of the Atomic Energy Act, as amended, are met.

On the basis of the foregoing, the Executive Branch recommends that the license be issued.

Sincerely,

Richard J.K. Stratford
Director
Nuclear Energy Affairs

Enclosure: Canadian assurance letter.

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PDR XPORT
XCOM-1114 PDR

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IA-1-1 EXP & IM

Canadian Embassy



Ambassade du Canada

501 Pennsylvania Ave., N.W.
Washington, D.C. 20001

July 9, 1998

Mr. Robin DeLaBarre
Office of Nuclear Energy Affairs
Bureau of Political-Military Affairs
U.S. Department of State
PM/NE - Room 7828
2201 C Street, N.W.
Washington, D.C. 20520

Dear Mr. DeLaBarre,

I am writing in response to your letters of June 12 and June 18, 1998, concerning Canadian government assurances with respect to U.S.-origin components incorporated into the CANDU reactors sold to China for the Qinshan Nuclear Power project.

I can confirm that China has provided assurances to Canada that Canadian nuclear items exported to China, including the CANDU reactor and components thereof, shall be used exclusively for peaceful purposes and shall not be used to manufacture or develop any nuclear explosive device or for any military purpose. I can also confirm that Canada will not authorize China to retransfer to any other country U.S.-origin components incorporated into the CANDU reactors sold to China without the prior consent of the U.S.A.

If I can be of further assistance, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "D. McLellan".

David McLellan
Counsellor (Energy)