

January 12, 1999

FOR: The Commissioners

FROM: Janice Dunn Lee, Acting Director /s/
Office of International Program

SUBJECT: PROPOSED LICENSE TO EXPORT A PROCESS CONTROL SYSTEM FOR THE ARROYITO HEAVY WATER PRODUCTION PLANT IN ARGENTINA (XCOM1107)

PURPOSE:

To request Commission review of the proposed issuance of a license to Honeywell Inc., authorizing the export of a process control system for the Arroyito Heavy Water Production Plant in Argentina. The application is being referred to the Commission in accordance with 10 CFR 110.40(b)(4).

DISCUSSION:

On December 23, 1997, Honeywell Inc., applied for a license ([Attachment 1](#)) to export a Honeywell Total Plant Solution System to Argentina. The system will provide process control in the production of heavy water at the Arroyito Heavy Water Production Plant.

In response to NRC's request for Executive Branch views, the Department of State, in a letter dated December 17, 1998 ([Attachment 2](#)), recommended approval of the proposed export and advised that 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 Executive Branch also advised that Argentina, as a party to the NPT, has committed itself to maintain IAEA safeguards on all of its peaceful nuclear activities and has pledged not to produce or otherwise acquire any nuclear explosive device, therefore satisfying criteria (1) and (2) of Section 109b of the Atomic Energy Act, as amended, for exports of nuclear components, substances or items. The remaining criterion, agreement not to retransfer any U.S.-supplied component, substance or item without prior U.S. consent, has been satisfied by the receipt of written assurances dated December 9, 1998, from the Government of Argentina.

Regarding international safeguards, on March 4, 1994, Argentina entered into a Quadripartite Agreement with Brazil, the Brazilian-Argentine Agency for Accounting and Control of Nuclear Materials (ABACC) and the IAEA and accepted IAEA safeguards on all source and special nuclear material in their nuclear activities. The IAEA Board of Governors has concluded that the agreement is compatible with the NPT. Argentina ratified the NPT on February 10, 1995. Argentina also ratified the Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (Tlatelolco Treaty) and waived into force Article 28 of the Treaty on January 18, 1994.

Although Argentina accepts IAEA safeguards on all source and special nuclear material in its nuclear activities, we note that nuclear components are not subject to IAEA safeguards while in NPT countries under Article III(2) of the Treaty.

There are no foreign physical protection requirements applicable to this export.

CONCLUSION:

The staff concurs with the Executive Branch judgment that the proposed export will not be inimical to the common defense and security of the United States and concludes that all criteria required for the issuance of license XCOM1107 are met. The Office of the Executive Director for Operations concurs. The Office of General Counsel has no legal objection.

RECOMMENDATION:

That the Commission authorize the issuance of export license XCOM1107 to Honeywell Inc.

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Attachments: 1. 12/23/97 Honeywell Inc., Application (XCOM1107)
2. 12/17/98 Executive Branch views, R. Stratford to C. Stoiber

