

DECLASSIFIED
Authority: NND 969000
By: [Signature] NARA Date: 8-10-99

DEPARTMENT OF STATE

AIRGRAM

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A-566
NO.

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Action assigned to ROC

Action Taken DEPARTMENT OF STATE

Date of Action February 16, 1967

Action of Symbol, 1967

Name of Officer [Signature]

RECEIVED
 FEB 27 2 48 PM '67
 EASTERN TIME
 DEPARTMENT OF STATE

TO : Department of State

Info : TOKYO (for AEC Representative), BONN, VIENNA (for IAEA), USAEC Washington, USATG/Taipei

FROM : Amembassy TAIPEI

SUBJECT : GRC Plans for Purchase of 50 Megawatt Heavy Water Nuclear Power Plant

REF : Taipei's 1088 to Department, info Bonn 07, Tokyo 190, April 6, 1966; Department's 2896 to Bonn, info Taipei 1111, Tokyo 3090, April 30, 1966

MEMORANDUM OF CONVERSATION

Date: February 16, 1967

PARTICIPANTS: Victor Chen-Hwa Cheng, Secretary General of the GRC Atomic Energy Council and concurrently Director, GRC Institute of Nuclear Science

Daniel J. James, First Secretary of Embassy

Mr. Cheng called on the reporting officer to supply him with a copy of a recent agreement (copy attached) signed between the GRC Union Industrial Research Institute and the Siemens Company of West Germany. The agreement outlines the conditions under which the Siemens Company will supply the GRC with a 50 megawatt heavy water nuclear power plant. The two major conditions precedent are that (1) the necessary safeguard-control contract

Enclosure: Agreement (5 copies)

GROUP 3
 Downgraded at 12-year intervals;
 Not automatically declassified.

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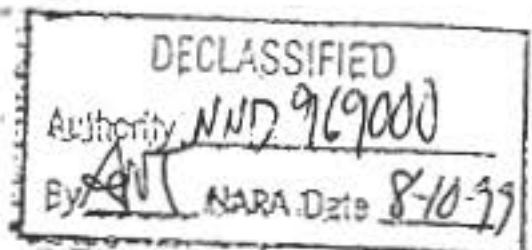
Drafted by: ECON:DJJames:tg 2/17/67

Contents and Classification Approved by: E/Couns:RLBrown

FORM 4-62 DS-323

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will be concluded between the GRC and IAEA; and (2) an export permit will be given by the West German Government.

Mr. Cheng stated that the reactor was to be used for research on the economic feasibility of using this type of reactor as a commercial electric power source. However, "because Taiwan Power Company wanted nothing to do with nuclear research" it was decided that the GRC Ministry of Economic Affairs through its Union Industrial Research Institute would purchase and operate the reactor. When asked if the GRC Atomic Energy Council had participated in the decision to purchase the Siemens reactor, Mr. Cheng replied in the negative and stated that although in his view the AEC should be a policy-making organization, in reality each GRC organization or ministry represented on the AEC acted independently on atomic energy policy decisions.

Mr. Cheng said that he had received a copy of the Agreement from the Ministry of Economic Affairs with the request that the AEC forward the Agreement to the GRC Ministry of Foreign Affairs which would be responsible for notifying both the USG and the IAEA of the proposed purchase. His purpose in supplying the Embassy with a copy of the Agreement, Cheng said, was to "avoid the embarrassment of the Embassy finding out about this Agreement indirectly". He requested that the USG consider this development as confidential until the MOFA has officially advised the USG.

Mr. Cheng observed that he saw no relationship between the proposed purchase of the reactor and nuclear weapons research. The GRC, he volunteered, would need USG support for any approval by IAEA and also the US would probably be the source of heavy water and in approving the sale of the heavy water the USG could attach safeguards. Cheng said that Canada was probably the only other possible source of heavy water since Norway, whose production was about 14 metric tons per year, had already committed its production for the next ten years or so.

Embassy comment: Embassy believes efforts should continue to be made to preclude consummation of sale of Siemens reactor.

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Despite comments by Secretary General of GRC Atomic Energy Council, we are not convinced that purpose motivating GRC desire for Siemens reactor is unrelated to interest in nuclear weapons research.

HUMMEL

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A G R E E M E N T

Enclosure No. 1
A-566 from TAIPEI

made by and between

EA.

Union Industrial Research Institute, Hsinchu, Republic of China,
hereinafter referred to as 'THE INSTITUTE'

and

SIEMENS AKTIENGESELLSCHAFT, Berlin / München
a firm registered under the Law of the Bundesrepublik Deutschland
hereinafter referred to as 'SIEMENS'.

The INSTITUTE as Purchaser and SIEMENS as Supplier should like to record
herein the understanding of an agreement reached between both parties with
respect to the supply of a Nuclear Power Plant embodying a

D₂O moderated and cooled natural-uranium reactor of the
pressure-vessel type

with research facilities similar to the Multi-purpose Reactor in Karlsruhe/
Germany.

The INSTITUTE had requested SIEMENS as Constructor of the Multi-purpose
Reactor in Karlsruhe to execute a respective survey in Taiwan and to furnish
a tender for the necessary supplies and services of such a Plant.

SIEMENS submitted their Tender and Safety report for a Nuclear Power Plant
of the above-mentioned type having a total thermal reactor power of 205 MWth
and a net electrical capacity of 51,0 MWe. The weight of the natural uranium
(UO₂) for one core is 13,5 metric tons.

For further particulars of the technical design and the scope of supplies
and services as well as the prices and other commercial conditions it is
referred to the Tender and Safety report of SIEMENS dated 26/3/1966, which
are subject to revision by THE INSTITUTE.

In order to enable both parties to start the necessary preparatory work and
also to obtain the obligatory consent of national and international supervising
authorities both parties declare the following:

THE INSTITUTE contemplates to order from SIEMENS the supply, erection
and commissioning of the above-mentioned Nuclear Power Plant with a D₂O
moderated and cooled natural-uranium reactor, it being mutually understood

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that the technical data and general conditions including prices submitted by SIEMENS in their tender dated 26th August, 1966, are still subject to discussion and revision.

It is understood that, as conditions precedent to the formal contract,

- a) the necessary safeguard-control contract between the authorities of the Republic of China and the International Atomic Energy Agency, Vienna/Austria (IAEA) will be concluded and
- b) an export permit will be given by the German Government.

Upon consummation of the aforesaid condition precedent a), the parties hereto will discuss terms and conditions with a view to signing a formal contract provided the parties hereto will agree mutually on the terms and conditions.

This Agreement is signed in sextuplicate whereof each party receives three copies.

Taipei, January, 1967
Signed for and on behalf of
Union Industrial Research Institute, Hsinchu

.....
A. C. [Signature]
.....

Berlin, 23rd January, 1967
Signed for and on behalf of
Siemens Aktiengesellschaft, Berlin / München

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[Signature]
.....
(H. Leiste)

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[Signature]
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(H. Innecken)