

Central Intelligence Agency

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DIRECTORATE OF INTELLIGENCE

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China's Entry into the IAEA

Summary

China's acceptance into the International Atomic Energy Agency (IAEA) at the IAEA General Conference in Vienna on 10-14 October should be a positive development because it will:

- *Place China under greater international pressure to exercise restraint as a nuclear exporter.*
- *Facilitate nuclear cooperation between China and advanced industrial nations such as Japan and the United States.* [redacted]

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However, China's entry could pose several long term problems for the Agency's effectiveness and weaken the international system of nuclear safeguards. These problems include:

- *Concern among several IAEA members that China, despite assurances to the contrary, might continue to export nuclear materials to potential proliferators without requiring IAEA safeguards.*
- *The difficulties in satisfying Beijing's demand for a permanent seat on the Agency's Board of Governors without either disrupting the status quo or increasing the Board's membership--a move that could tip the voting majority in favor of the developing countries.*
- *The possibility that China might try to reinterpret its understanding with the United States about the future implementation of IAEA safeguards coverage of Taiwan's nuclear program.* [redacted]

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This memorandum was prepared by [redacted] International Security Issues Division, Office of Global Issues. This analysis is based on information as of 5 October 1983. Comments and queries are welcome and may be addressed to Chief, Weapons Proliferation Branch, OGI, [redacted]

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China's Entry into the IAEA

China's interest in joining the International Atomic Energy Agency (IAEA) is a major political development because it signifies Beijing's willingness to support the organization which administers controls to discourage the use of nuclear technology for military purposes. Although we expect approval for Chinese membership at the General Conference meeting in Vienna on 10-14 October, some members, [redacted] are fearful that Chinese membership might eventually affect their own position within the IAEA. Other member states, [redacted] [redacted] have expressed concern to US officials that Chinese membership may still not signify Beijing's commitment to nonproliferation. These general concerns reflect the expectation that there will be problems with:

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- The Chinese practice of authorizing nuclear assistance to potential proliferators without international safeguards.
- Beijing's desire for a permanent seat on the IAEA Board of Governors.
- China's attitude toward the continuation of IAEA safeguards inspections of Taiwan's nuclear activities. [redacted]

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China's Nuclear Export Activities

The most important issue connected with Chinese membership in the IAEA will be whether Beijing discontinues its practice of exporting unsafeguarded nuclear materials to potential proliferators. During the past few years, the Chinese have sold enriched uranium and heavy water either directly or indirectly through middlemen to Argentina and South Africa without insisting on IAEA safeguards. According to US Embassy reports, Beijing, thus far, has only required customers to pledge that nuclear materials be used for peaceful purposes. This arrangement is unenforceable because without inspection rights the Chinese have no way to ensure that the pledge has been honored. Beijing's previous criticism of international safeguards, its persistent refusal to sign the nuclear Non-Proliferation Treaty (NPT), and its refusal to acknowledge that unsafeguarded Chinese-origin nuclear material was sent to South Africa continue to raise questions among western supplier states about China's willingness to play by the rules of the game. [redacted]

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These concerns have been reinforced by widespread international speculation that the Chinese are involved in the Pakistani nuclear program, perhaps to the extent of providing

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assistance in the weapons application area.¹ It is unlikely that the Chinese-Pakistani nuclear connection will be an issue for the Board of Governors meeting or the General Conference this October. US Embassy reports indicate, however, that several important member-states, including Japan and the Soviet Union, have doubts that the Chinese will behave responsibly as a nuclear exporter after they join the IAEA. The Soviets have told US officials that at the General Conference they will explicitly urge the Chinese to abide by the NPT's rigorous safeguards requirements even if they still choose not to ratify this treaty.

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Skepticism regarding China's intentions concerning its future export activities may be wellfounded. Chinese officials in mid-July promised their US counterparts that Beijing will in the future request IAEA safeguards for all its nuclear exports after becoming an IAEA member. They were more ambiguous, however, in their commitment on this point in discussions with IAEA Director-General Blix in Beijing in August.

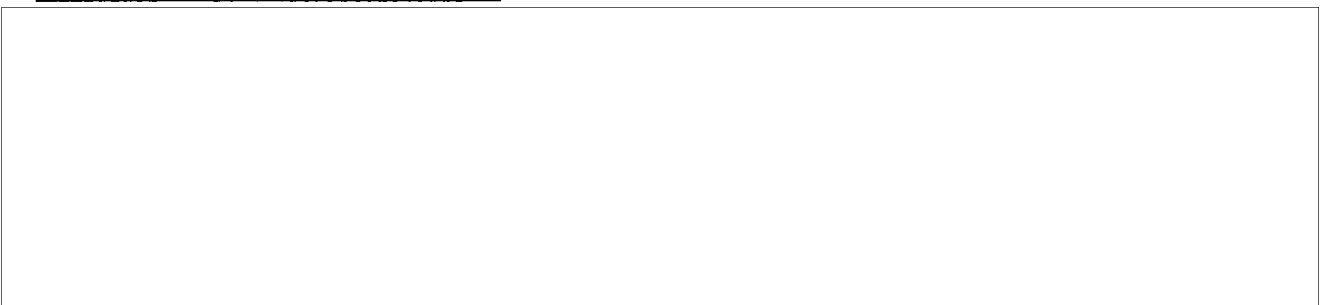
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The Chinese could defend unsafeguarded nuclear exports after becoming an IAEA member on narrow legal grounds. The IAEA statute does not specifically require a nuclear supplier state to impose IAEA safeguards on all its transfers. It merely states that IAEA safeguards are necessary for any Agency-related nuclear project or in those cases where the supplier and customer mutually agree on the desirability of safeguards for a nuclear transfer. The Chinese are almost certainly aware of this loophole in the IAEA statute. The ambiguous nature of their commitment on safeguards suggests that they may think other nuclear supplier states will not create an outcry if clandestine unsafeguarded nuclear transactions are uncovered. We believe that such an assumption would be a miscalculation. The reactions of the United States, the Soviet Union, and other major nuclear supplier states is likely to be severe in view of their recent extensive efforts to tighten export controls and safeguards coverage for sensitive nuclear materials, equipment, and technology. Some of them, in response, might refuse to assist China in developing a domestic nuclear power program.

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China's Seat on the Board

Beijing's demand for a permanent seat on the IAEA Board of Governors is the second major issue that will cause some problems. Because there is no vacant seat on the Board, either one current Board member must relinquish its permanent seat or the number of Board seats must be increased.² There are now 34 seats on the Board of which 12 are permanent. Nine permanent seats are reserved for those countries with the most advanced nuclear technology, and the remaining three which are allocated by regions are held by Australia, Egypt, and Argentina. The Chinese are certain to demand one of the nine permanent seats reserved for countries with advanced programs.

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Members of the Board of Governors
1982-83

<u>Western Group</u>	<u>Socialist Group</u>	<u>Developing Group</u>
*Australia	Bulgaria	Algeria
*Canada	Czechoslovakia	*Argentina
Denmark	*Soviet Union	Bangladesh
*France		Brazil
*Italy		Columbia
*Japan		*Egypt
The Netherlands		*India
Portugal		Indonesia
Spain		Kenya
*UK		Libya
*USA		Mexico
*West Germany		Panama
		Pakistan
		Romania
		South Korea
		Thailand
		Venezuela
		Zaire
		Zambia

*Permanent Seats

(Romania and South Korea vote with the developing nations on many IAEA issues.)

²Taiwan was a member of the IAEA until 1971 when it was expelled in the wake of China's entry into the United Nations. Taipei never had a permanent seat on the Board of Governors.

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None of the permanent Board members is likely to relinquish its seat for China. Western nations with permanent seats on the Board can be expected to resist strongly any solution that reduces their influence on the Board. The seat traditionally held by Italy is the most vulnerable. On the basis of a recent agreement, this seat will rotate among Italy and four other West European countries following the October Board meeting. Belgium will occupy this seat during the 1983-84 period and will probably come under pressure to step down in view of its modest nuclear program. The only other option is for India to accept a new seat designated for the South Asia region. This would allow China to have a permanent seat without any of the current permanent Board members giving up their seats. However, India is adamantly opposed to any solution that suggests that it accept a "regional" permanent seat because New Delhi does not want to give the impression that it has lost status in the organization. [redacted]

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A formal amendment to the IAEA statute is necessary to increase the number of permanent seats reserved for advanced countries. An agreement to expand the Board could take several years because of the difficulties in securing a two-thirds majority of all IAEA members for approval. The issue of Board expansion is one of the most controversial IAEA issues because it stimulates demands for additional seats from Pakistan and Black African states that have long complained about underrepresentation. According to the US Mission to the IAEA, the western industrial nations, want to retain the blocking power they now have on Board actions requiring a two-thirds majority. One extra seat for China would still leave the western nations with enough votes to determine Board decisions. The addition of two extra seats, however, would force the western countries to depend on support from the Soviet Union, and other members of the socialist group to prevent China and the developing nations from controlling the decisionmaking process on important issues. [redacted]

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Safeguards on Taiwan

Unlike the issues concerning Chinese nuclear exports and the Board seat, future safeguards covering Taiwan's nuclear program is the one problem that required an agreement prior to a vote on China's membership at the General Conference. The IAEA continues to implement safeguards under the auspices of a tri-lateral agreement involving the Agency, Taiwan, and the United States. Chinese officials acknowledge that the continuation of international inspections of nuclear facilities on the island to ensure their peaceful use is in China's own interest. They have informed their US counterparts that their country is not opposed to the continuation of this unusual arrangement as long as it is in harmony with Beijing's political position that Taiwan is not a separate state. IAEA officials, with US support, have given assurances to the Chinese that the Agency will characterize Taiwanese participation in the trilateral arrangement as "non-governmental" and will refer to the island in IAEA publications as "Taiwan, China." [redacted]

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Despite these concessions, we believe there is still potential for trouble over the Taiwan safeguards issue because Beijing clearly wants to preserve the right to define the future nature and scope of the IAEA's presence in an area which it considers to be a part of China. Chinese officials have expressed the view in discussions with IAEA Director-General Blix that the trilateral safeguards agreement is only an "interim solution." Blix has stated to US officials that he expects that the Chinese, following their admission into the IAEA, will characterize the existing trilateral agreement as "illegal" and call for its renegotiation. However, he has also expressed the view that such statements will be "for the record" and that Beijing will not press the issue further. We doubt that the Chinese will mount an aggressive legal attack on the Taiwan safeguards arrangements in the near term but the Chinese claim could eventually pose political problems for the IAEA should the existing safeguards on Taiwan be deemed no longer adequate or should there be a deterioration in US-Chinese relations. [REDACTED]

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Conclusions

Over the longer run the willingness of the Chinese to place their future nuclear exports under IAEA safeguards will be the principal test of whether their entry into the IAEA strengthens international efforts to control nuclear proliferation. We believe that Beijing cannot continue clandestine unsafeguarded nuclear transfers to potential proliferators without being discovered and without triggering controversy in the IAEA concerning China's behavior as a nuclear exporter. The effectiveness of the IAEA in the safeguards area could be jeopardized if Beijing decides to support Third World efforts to shift the Agency's focus toward the promotion of nuclear assistance programs for developing nations. China may be willing to further politicize debates over budgetary matters and perhaps even to side with Third World efforts to restrict the membership rights of Israel and South Africa. In short, there is considerable potential that Chinese membership could reinforce negative trends in the IAEA that have posed serious policy problems for the United States. [REDACTED]

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