



United States Department of State

Washington, D.C. 20520

NOV 18 2008

Dear Mr. Markey:

Thank you for your letter of October 23 expressing concern about recent reports of expanded China-Pakistan civil nuclear cooperation. This is a development we have been monitoring closely.

Following Pakistani President Zardari's October trip to Beijing, reports emerged that Pakistan and China had agreed to expand bilateral civil nuclear cooperation at the Chasma complex, to include the construction of two additional reactors. We have sought and continue to seek clarification from Islamabad and Beijing on this matter. In our discussions, both Pakistan and China have defended their long and well-known civil nuclear cooperation. Both countries have also affirmed that any new China-Pakistan cooperation would be conducted under International Atomic Energy Agency safeguards and would be consistent with their international commitments.

The U.S. position is that cooperation on the construction of two new reactors, Chasma III and IV, would be inconsistent with the commitments China made at the time of its adherence to Nuclear Suppliers Group (NSG) guidelines in 2004. At that time, China's representatives detailed in a statement China's ongoing nuclear cooperation with Pakistan that would be "grandfathered" upon China's adherence; nothing in that statement permitted construction of reactors beyond Chasma I and II. Any new cooperation, therefore, would require consensus approval by the NSG for an exception to the Guidelines. Although Pakistan's energy needs are real and increasing, we believe Pakistan's proliferation record would make NSG consensus difficult were China to request an exception.

We have communicated our position clearly to our Chinese and Pakistani interlocutors at multiple levels in Washington, Beijing, and Islamabad, and have made plain our view that proposed cooperation on

The Honorable

Edward J. Markey,

House of Representatives.

Chasma III and IV should not move forward. We also have been in contact with other NSG members, a number of whom have expressed similar concern at the recent reports.

With respect to the possible financial implications of a nuclear deal with China, we believe that the International Monetary Fund may be in the final stages of negotiating a new development funding package with the Government of Pakistan, an important step in assisting Pakistan's efforts to ward off a serious fiscal crisis. Given Pakistan's crucial position in the ongoing global effort to thwart extremism and transnational terrorism, it is important that the international community come together to aid in Pakistan's development and economic security. This includes helping Pakistan address its chronic energy shortages. We have encouraged the Chinese government to play an active role in the "Friends of Pakistan" group, which we believe can become a useful mechanism in coordinating international assistance to Pakistan.

We hope this information is useful. Please do not hesitate to contact us if we may be of further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Matthew A. Reynolds". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Matthew A. Reynolds
Assistant Secretary
Legislative Affairs