

(U)(Refer to Treasury) Letter from four House ranking members regarding CFIUS Case 10-40

Congress of the United States
Washington, DC 20515

October 5, 2010

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
Chairman, Committee on Foreign Investment in the United States
c/o Mr. Aimen Mir
Director, Office of Investment Security and Staff Chairperson, CFIUS
1500 Pennsylvania Avenue, N.W., Room 5221
Washington, D.C. 20220

Dear Mr. Secretary,

We are writing to express our great concerns regarding the pending sale of a uranium processing facility operated by Uranium One USA to Atomredmetzoloto, the mining arm of Rosatom, the Russian government agency that oversees Russia's nuclear industry. We believe that this transaction could threaten to impair the national security of the United States and respectfully urge the Committee to recommend the President block this transaction or postpone any action until the CFIUS has carefully evaluated the concerns outlined below and the separate Congressional review on the U.S.-Russia nuclear cooperation agreement has been completed.

On August 31, 2010, the parties announced that the ARMZ Uranium Holding Co. had purchased a controlling 51 percent interest share in Uranium One, Inc. Uranium One USA, the American subsidiary of Uranium One, Inc., operates a uranium processing facility in Wyoming. The sale could reportedly give Russia control of about 20 percent of U.S. uranium extraction capacity.

ARMZ is the successor to the world's largest uranium producer built by the Soviet Union. ARMZ is the primary supplier of uranium feedstock to the Russian nuclear industry. ARMZ is wholly owned by Rosatom, which accounts for one-fifth of the new reactors under construction worldwide and 17 percent of global nuclear fuel fabrication.

Rosatom's specific activities -- and the context within which it operates in Russia -- should raise very serious concerns for United States national security interests.

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Rosatom is a state-owned entity, overseen by a government that has shown little if any inclination to effectively address the widespread and continuing corruption within Russia, particularly its energy sector.

Moreover, Rosatom has been engaged in a series of on-going and potential civilian nuclear activities that should raise red flags in the consideration of the purchase of Uranium One by the Rosatom subsidiary ARMZ:

Russia's Rosatom trained Iranian scientists and designed and built Iran's Bushehr nuclear power plant, which became operational in August, 2010. Russia now supplies this nuclear plant at Bushehr with enriched-uranium fuel rods and then is to remove the spent fuel rods that could otherwise be used to make weapons-grade plutonium.

In 2007, Rosatom signed an agreement to help build nuclear facilities in Burma and train Burmese scientists, despite U.S. concerns about the Burmese regime. A State Department spokesman at the time said the following with regard to that agreement: "We would be concerned about the possibility for accidents, for environmental damage, or for proliferation simply by the possibility of fuel being diverted, stolen or otherwise removed."

Despite criticism by environmental and nonproliferation experts, Rosatom has launched a program to build and sell floating nuclear power plants to countries around the world, with little demonstrated intent or capability to protect those floating reactors from attack or theft of nuclear materials or from accidents that could have devastating and widespread impact. With regard to proliferation, some observers are concerned over the possibility that, by operating such a floating reactor far from its soil, a host nation might be able to bypass the proliferation guidelines of the Nuclear Suppliers Group and the International Atomic Energy Agency.

It is our understanding that the US Department of State itself has this year warned that the expansion of Russia in the area of nuclear energy could involve the appearance of new danger zones in the world.

Further, in a 2007 report on nuclear nonproliferation, the General Accounting Office noted that despite the US Department of Energy's provision of access by Russian officials to sensitive nuclear sites in the United States, Rosatom "denied [GAO's] request for access to facilities...[and] denied DOE proposals for upgrading the sites including proposals with less intrusive access requirements, and informed DOE that it is not interested in pursuing [Materials Protection, Control and Accounting] MPC&A cooperation at these sites."

Russian entities are of particular concern with regard to foreign control of U.S. nuclear-related assets.

Since 1998, at least 19 different Russian entities have been placed under proliferation-related sanctions on over 20 different occasions. Indeed, a 2009 report by the Director of

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National Intelligence to Congress stated that Russian entities continue to sell technologies and components in the Middle East and South Asia that are dual use and could support WMD and missile programs. Additionally, the Department of Commerce lists eight Russian entities subject to license requirements for proliferation-related end-use or end-user controls, five of which are under "presumption of denial."

In addition to the Bushehr nuclear plant, Russia has also indicated its interest in building further nuclear reactors in Iran. This cooperation has caused great distress that it could advance Iran's nuclear ambitions, be it through the extraction of weapons-grade plutonium from the reactor or the use of Bushehr (and any future additional reactors) as a cover for the prohibited transfer of other sensitive technology. It has also undermined longstanding efforts to compel Iran to abandon its pursuit of nuclear weapons.

Although Uranium One USA officials are reportedly skeptical that the transaction would result in the transfer of any mined uranium to Iran, we remain concerned that Iran could receive uranium supplies through direct or secondary proliferation.

However, the potential threat to U.S. security interests posed by the proposed transaction involving ARMZ (Rosatom) is not limited to Iran.

In May of this year, Russian President Dimitri Medvedev and Syrian leader Bashar al-Assad announced they were discussing future Russia-Syria nuclear cooperation.

Months later, in a report issued in September, the International Atomic Energy Agency (IAEA) stated that Syria continues to block its inspection of the nuclear facility destroyed by an Israeli airstrike in 2007 that had been built by North Korea for use in Syria's nuclear weapons program. Russia's eagerness to begin nuclear cooperation with Syria in these circumstances can only be seen in Damascus as strong backing for its nuclear ambitions, which is similar to the support Russia has given to Iran's nuclear program. The facilities, materials, technology, and expertise that could be provided to Syria, even for a "peaceful" program, would likely be used for a renewed weapons program, regardless of any assurances the Russians might provide. Russia's support for Syria's nuclear ambitions raises particular proliferation concerns given Syria's status as a country of proliferation concern and a state sponsor of terrorism.

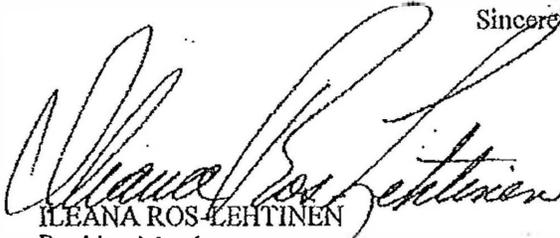
These are just a few of the national security concerns that have prompted strong opposition to the proposed U.S.-Russia nuclear cooperation agreement (123 Agreement) now under consideration by Congress. The agreement cannot be defended on its merits. Both, the Bush and Obama administrations, have been unable to certify that Russian officials, individuals, and organizations are not still assisting Iran's nuclear program, as has occurred on many occasions over the past two decades. That agreement has yet to be approved and may need to be taken up again in the next Congress, where it is likely to be subjected to much greater scrutiny and potential corrective action.

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We believe the take-over of essential U.S. nuclear resources by a government-owned Russian agency, as would occur under the proposed transaction, would not advance the national security and interests of the United States. We urge the Committee to recommend the President block this transaction. In the alternative, we ask the Committee to consider postponing any action on the transaction involving Uranium One, Inc. and ARMZ until the Congressional review on the U.S.-Russia nuclear cooperation agreement has been completed.

We appreciate the opportunity to share our views and concerns with you.

Sincerely,



ILEANA ROS-LEHTINEN
Ranking Member
Committee on Foreign Affairs



SPENCER BACHUS
Ranking Member
Committee on Financial Services



PETER KING
Ranking Member
Committee on Homeland Security



HOWARD P. McKEON
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