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IN FOCUS Israel and the Bomb: Secret File Provoked a Storm

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In late 1975 a young analyst from the Nuclear Regulatory Commission, a man who had a top security clearance, was told that he had "no need to know" about what may be the most serious nuclear safeguards case the United States has ever faced.

The incident proved to be the spark that eventually ignited a secret but sizable war between two factions in the community of intelligence and energy officials with the exotic and sensitive assignment of preventing any material for an atomic bomb from falling into the hands of terrorists or a non-nuclear power.

It was a war between the believers and the skeptics, a war that alarmed the "Secret Seven" and two presidents, a war that cast doubt on the value of "the Bonnie and Clyde Syndrome," a war that had some of the nation's most respected energy officials conspiring to make statements designed to mystify the press and confuse Congress.

It was a conflict that eventually led to the disclosures that the CIA had evidence both that Israel had the atomic bomb by 1968 and that the bomb material may have been diverted from a U.S. plant.

It was a collision between executive branch and Congress that resulted in the admission that two

War rages on adequacy of nuclear safeguards

federal agencies had misled Congress with an optimistic "party line."

ALL OF THIS surfaced this week in three heavily censored documents released by the NRC entitled "Inquiry Into the Testimony of the Executive Director For Operations." Collectively, they offer an unprecedented public view of the bureaucracy that is supposed to prevent nuclear proliferation.

The story, drawn from NRC investigators' interviews with 31 past or present government officials and

employees in the nuclear safeguards area, begins in 1975 with James Conran, an intense, 37-year-old nuclear engineer who was given the mission to put together a history of the nation's efforts to protect nuclear materials since the Atoms for Peace program of 1954 allowed it to be placed in private hands.

As Conran soon discovered, this was not easy. The NRC was formed in 1975 by Congress to separate what many people believed to be an inherent conflict of interest in the old Atomic Energy Commission, which housed the efforts to regulate and

promote nuclear power under the same organizational roof.

Most of old AEC, including the promotional end, was spun off into another agency, the Energy Research and Development Administration, and it soon became clear that ERDA officials considered the NRC to be an upstart agency, one that could not be trusted with all the secrets. (ERDA has since been merged into the Department of Energy.)

IN HIS RESEARCH among the old AEC records at ERDA in October 1975, Conran discovered one file was missing.

The file involved a company called Nuclear Materials and Equipment

Corp., of Apollo, Pa., and its president, a former AEC chemist named Zalman M. Shapiro. It was so secret that it was kept apart from the other classified files. Conran was not allowed to see it.

He protested the refusal to NRC's top safeguards official, then Kenneth R. Chapman, who called Edward B. Giller, one of ERDA's top intelligence officials.

Giller, a former Air Force major general, said Conran had "no need to know" the information, adding that ERDA would supply it if Chapman insisted. Chapman, a former Air Force general, declined.

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file

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Conran decided to go further, and in December he confided in Edward Mason, then one of the NRC's five commissioners, his worries about the NUMEC files.

Mason, in turn, was concerned about what he called the "Bonnie and Clyde" syndrome, which he said tended to dominate U.S. safeguards policy. It was the assumption that "the most likely scenario for a theft and diversion of nuclear material was an assault on a facility by heavily armed terrorists."

Mason, an engineer, felt a more probable diversion threat was one that would go through "the back door," carried out by an insider, but he evidently had problems convincing former military people of that.

HE TOLD William A. Anders, the former astronaut who then served as the NRC's chairman, that if there was CIA material about NUMEC, as Conran suspected, the NRC was entitled to a briefing.

So it was that in February 1976, the CIA's top-ranking expert in technological matters, Carl Duckett, came to the NRC to tell them what the CIA knew about the case.

Because of the potential for security leaks, NRC confines matters of atom bomb design and other super-sensitive items to a group known as the "Secret Seven." The group then included Anders and the other four NRC commissioners along with Chapman and Carl Builder, Chapman's top safeguards manager.

This time, however, the group was enlarged to include a few other top NRC aides, including Peter L. Strauss, then the NRC's general counsel.

Duckett told the group that the CIA had a variety of evidence pointing to the fact that Israel had obtained atom bomb material in the mid-1960s and that the agency had formed a "strong opinion," based on circumstantial evidence, that the material had come from NUMEC, which had reported a "loss" of 202 pounds of highly enriched uranium in 1965. (Shapiro has called this story "ridiculous.")

DUCKETT SAID that the CIA had prepared a report on Israel's new nuclear weapons capability and that Richard Helms, then head of the CIA, personally took it to President Lyndon Johnson. Johnson, according to Duckett's version, told Helms, "Don't tell anyone else, even Dean Rusk..."

In later accounts to NRC investigators, the officials placed varying weight on what Duckett said. Even their memories of the physical happenings vary.

For example, Marcus A. Rowden, another former commissioner, stated "an information package was put on the table before the commissioners and staff, but was not left" because the NRC did not have an adequate safe "for highly sensitive materials."

Chapman and several others could not recall whether Duckett had offered any further proof.

Strauss said he thought that if the CIA information was accurate, the government had a strong circumstantial case, including "missing material, motive and opportunity."

He, too, the NRC investigators later discovered, had become worried about the Bonnie and Clyde Syndrome.

"The safeguards area under the former director, Kenneth Chapman, seemed to him overwhelmed by former military men. Their approach was to consider in depth the possibility of a gang of ruffians (terrorists) who could surround a plant. The possibility of conspiracy to embezzle at high corporate levels was the most difficult to generate mechanical solutions for, and so the problem tended to be 'wished away.'"

Commissioner Mason was disturbed because he thought it was essential that the substance of the briefing be described to the NRC's safeguards staff, but the rules of the meeting, set by the CIA, did not allow that.

OTHER MEMBERS of the group appeared more skeptical. Victor Gilinsky, one of the commissioners, told NRC investigators that he was "not entirely persuaded by the briefing" because Duckett's evidence was circumstantial. According to the investigators, "Anders... took what the briefing official said with a grain of salt and wondered if he was on sort of a personal crusade."

Builder decided that what he had heard was "not the kind of evidence on which to base rule changes." John Davis, the NRC's second ranking inspection and enforcement official, told investigators that his memory of the Duckett briefing "was not very clear," but he concluded that "no action was called for."

But something had happened at the briefing. There was a new scenario that people began to worry about in place of Bonnie and Clyde. The investigators noted that, according to Gilinsky, "the commission took the subject of safeguards much more seriously, particularly the 'insider' threat."

The period after the Duckett briefing was an uneasy one for Conran, the man who had raised the issue in the first place. Frustrated at what he saw as a lack of response, he went beyond the commission, writing in general terms to congressmen and eventually to President Carter.

MEANWHILE, A number of things began happening to Conran within the NRC. Conran had asked Thomas J. McTiernan, director of the NRC's office of internal inspection, to investigate the lack of response. Instead, McTiernan produced a report that suggested Conran might have psychiatric problems.

A panel of Conran's fellow safeguards experts was convened on the matter but concluded after being denied access to NUMEC materials that since higher officials had seen

the file and not reported any problems, the files must not have contained safeguards matters.

Finally, Conran was removed from safeguards and assigned to a unit that sets standards for nuclear power reactors.

Last June, The Washington Star reported lingering suspicions of some nuclear officials of a possible diversion of NUMEC uranium to Israel.

At the time, both NRC and ERDA were embroiled in responding to the Freedom of Information query of a reporter, David Burnham of The New York Times. Burnham had asked the government to account for all highly enriched uranium and plutonium — both bomb-grade materials — that had been lost by government and government-inspected nuclear facilities over the years. In nuclear jargon, losses are called MUFs, an acronym for "Material Unaccounted For."

The Star story, meanwhile, piqued the interest of two House subcommittees and it became clear that questions would be asked about NUMEC when the two agencies released their MUF reports.

THE PROBLEM was that both agencies had prepared drafts saying there had been "no evidence" of any diversion since the nuclear era began. This phrase set off the battle between the skeptics and the believers.

According to the NRC investigators, the heavyweight among the skeptics was James R. Schlesinger, President Carter's energy adviser, who, among other government positions, had been director of the CIA.

When Schlesinger saw ERDA's draft, he placed his finger on the page that contained the "no evidence" statement and asked Alfred D. Starbird, ERDA's top intelligence official, "Are you sure? Can we say this?"

Starbird, formerly a lieutenant general in the Army, replied, "I am and we can."

At another point Schlesinger confronted Starbird's safeguards man, Harvey Lyon, with the "no evidence" statement. "Can we say that?" he asked. Lyon replied, "Yes."

Within NRC the skeptics' attack on "no evidence" was led by Commissioner Gilinsky. Investigators said Gilinsky felt there was "pressure from ERDA to adhere to a partyline, that everything was all right with safeguards."

BECAUSE THE NRC was an independent regulatory agency, Gilinsky asserted that the NRC "has to state this one correctly."

But Gilinsky had been out of the country and returned to find the NRC statement had been sent to the printers with the "no evidence" phrase still in it.

The issue came to a head during an Aug. 2 briefing for the NRC officials who would preside at the press conference to be held when the MUF reports were made public. Gilinsky strenuously objected to the use of the phrase. Others in the briefing asked him why.

"Because there is evidence," Gilinsky replied.

But Gilinsky got an argument from Commissioner Richard Kennedy. As the current NRC chairman, Joseph M. Hendrie, interpreted the dispute for investigators, "Kennedy means proof while Gilinsky means indication."

A compromise was reached. After talking Gilinsky out of an "erratum" sheet stating there was no "conclusive" evidence, the officials decided to write a press release saying NRC data covered only the period from 1968 to the present, leaving out the 1965 NUMEC episode.

WHILE THE "no evidence" battle raged uptown between the skeptics and believers, Lee V. Gossick, the NRC's top operating official, went to Capitol Hill and managed to get the NRC into much more serious trouble over "no evidence."

Part of the problem was that Gossick's timing was bad. Rep. Morris Udall's House Interior Committee had just acquired jurisdiction over the NRC from the friendly Joint Committee on Atomic Energy.

To Udall, the growing flap over NUMEC represented a more fundamental problem. How could his committee oversee safeguards problems if the NRC wouldn't admit there were any?

On July 29, Gossick told Udall's subcommittee on energy that there was "no evidence" of a diversion.

In August there were three vacancies on the commission. Only Kennedy and Gilinsky were left, so they delegated the right to speak for the commission to Gossick, a former Air Force major general who, for some reason, had never been allowed to be a member of the "Secret Seven," and had not been invited to the Duckett briefing.

Gossick, however, had been in the middle of the fight between the skeptics and the believers, and he had also been briefed in a small group on NUMEC by Kennedy and Gilinsky in preparation for the MUF press conference.

NEVERTHELESS, Gossick, speaking on behalf of the commission, told a House Commerce subcommittee headed by Rep. John Dingell, D-Mich., on Aug. 8 that the NRC's view was "there has been no evidence to indicate that any diversion has taken place."

In November, Udall and Dingell charged that Gossick had misrepresented the matter before Congress. That charge resulted in the voluminous NRC investigation and to the surfacing this week of the heavily censored documents.

Ironically, Gossick, who has been described by a number of officials as a "nice guy" and a "good public servant," asserted that he never intended to mislead Congress.

But as Strauss told the investigators, Gossick — never a leader of the Bonnie and Clyde Syndrome enthusiasts, not a major power in the warfare between the skeptics and the believers — "may well have been its first victim."