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CENTRAL INTELLIGENCE AGENCY
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INTELLIGENCE MEMORANDUM

BRAZIL-US: THE NUCLEAR FUEL ISSUE

Summary

Brazilian leaders hope that President Carter will personally reassure them when he goes to Brasilia next month that the US will honor its agreement to provide the nuclear fuel needed to complete construction of their first nuclear power plant. A decision to postpone or cancel the shipment before the President's trip would jeopardize the visit and cause a further deterioration in bilateral relations.

While Brasilia is firmly committed to completion of three nuclear power plants--two German and one US--and the enrichment and reprocessing facilities, there is growing disagreement within official circles concerning the real need for accelerated development of nuclear power. Indeed, uncertainties concerning economic viability will probably cause Brazil to stretch out and scale down its nuclear program significantly.

This memorandum was prepared by the Office of Regional and Political Analysis and was coordinated by the Office of Economic Research, Office of Scientific Intelligence, and the Clandestine Services. Questions and comments may be addressed

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Brazilian leaders are showing increased concern that the US will break its contractual commitment to export enriched uranium to Brazil by mid-December to fuel the nuclear power plant being built by Westinghouse. A US decision to deny start-up fuel for the reactor would do serious damage to US-Brazilian relations.

Having purchased the uranium in South Africa and shipped it to the US for enrichment in compliance with the terms of a 1972 agreement, the Brazilians could be expected to launch a media campaign accusing the US of failing to honor its commitments. They would probably demand full compensation for the "stolen uranium," and possibly even consider seizing US property in Brazil in retaliation.

The Geisel government has already indicated that it would interpret the withholding of the uranium as nuclear blackmail. Future military administrations probably would also exploit nationalistic anti-US sentiment by taking a more vigorous approach to establishing indigenous reprocessing and enrichment facilities.

[redacted] the nuclear fuel issue was a key factor in Brazil's recent decision to renounce its remaining military accords with the US. These accords had facilitated frequent and close consultations on security matters since World War II.

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President Carter's decision to visit Brasilia in November gives the fuel issue additional importance. Any indication before the trip that the US plans to further delay or to deny export of enriched uranium might well lead to an abrupt decision by the Brazilian government to withdraw its invitation. If no announcement is forthcoming, President Geisel and Foreign Minister Silveira will press for reassurances regarding the fuel during the visit and expect to get them.

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In any event, President Geisel will be politically committed to a frank discussion with President Carter of what he and other Brazilians see as continuing US efforts to prevent their obtaining sensitive nuclear technology. During the past year the acquisition of a full nuclear fuel cycle has become one of the highest priority objectives of the Geisel government.

Nuclear Energy

Geisel has already given clear evidence that he is not willing to make any concessions to the US that could be interpreted as impeding Brazil's efforts to become self-sufficient in nuclear energy. The next several months will be especially tense ones for him politically, as he and other members of the military high command decide who will be the next president of Brazil.

Brasilia's economic rationale for developing nuclear energy is the high cost of Brazil's dependence on imported oil to satisfy its current energy requirements. Imported fuel accounts for nearly 30 percent of Brazil's total import bill and has been the largest single component of its huge current accounts deficits in recent years. Brazil now imports over 80 percent of its petroleum. Hydroelectric power is not yet fully developed, but it will be by the close of the century.

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Brazilian leaders currently believe they are laying the foundation for a nuclear industry to meet future electric power needs and to supplement hydro-electric development, which will become increasingly expensive after 1990 when potential near the main consumption centers approaches full development. The large investments needed to establish a complete nuclear fuel cycle may strain Brazil's balance-of-payments situation for the next decade or so in the interest of reducing dependence on imported oil and imports of enriched uranium by the turn of the century. It is possible, moreover, that future Brazilian administrations may realize that the substantial capital investment required by the nuclear program would be more productively channeled into accelerated hydro-electric development or export promotion.

The Treaty with West Germany

President Geisel and Foreign Minister Silveira have staked their political reputations on implementing the accord they negotiated with West Germany two years ago regarding the transfer of nuclear technology. Yet, some [redacted] believe [redacted] [redacted] will force significant modifications in the agreement.

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[Redacted] The completion dates for the first two reactors to be built by West Germany have already slipped a few years, and major construction problems will probably lead to further delays.

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The agreement fully commits Brazil only to the purchase of two power plants from West Germany. If serious foreign exchange constraints persist, it will be difficult for future administrations to justify the purchase of the additional six German reactors originally contemplated.

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