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# Latin America Weekly Review

20 October 1977

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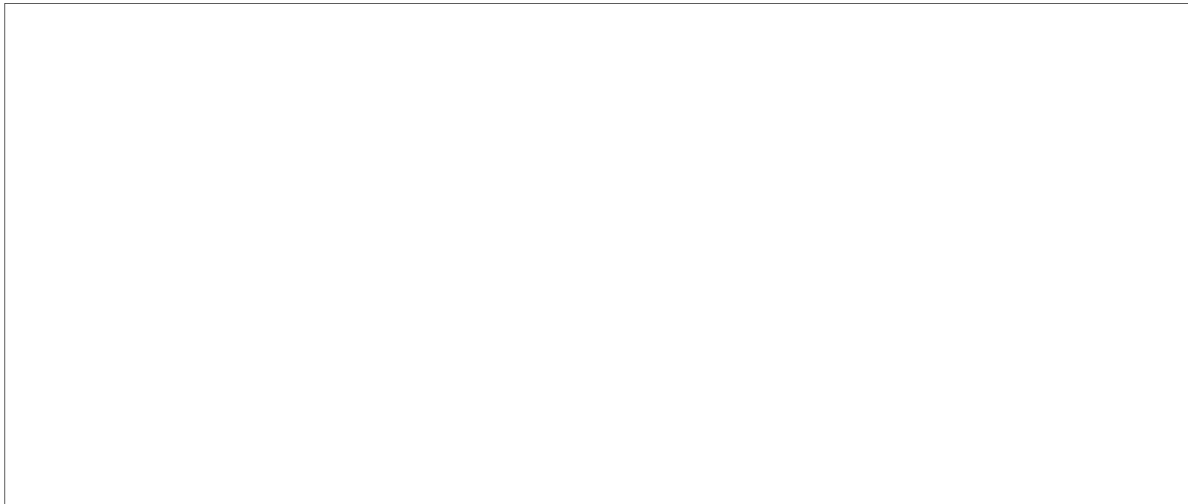
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LATIN AMERICA WEEKLY REVIEW

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*NOTE: A supplement to today's edition of LATIN AMERICA has been published and disseminated in special intelligence channels.*

Note: As a result of a reorganization, effective 11 October 1977, intelligence publications formerly issued by the Directorate of Intelligence and by the National Intelligence Officers are now being issued by the National Foreign Assessment Center. Publication covers and titles have been adjusted to reflect this change. This publication was formerly titled *Latin America Regional and Political Analysis*.

This publication is prepared for regional specialists in the Washington community by the Latin America Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the National Foreign Assessment Center and from other agencies within the Intelligence Community. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Brazil-US: The Nuclear Fuel Issue

Brazilian leaders hope that President Carter will 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 complete 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, economic uncertainties will probably cause Brazil to stretch out and scale down its nuclear program.

Political Concerns

Brazilian leaders are concerned 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 seriously damage US-Brazilian relations.

Having purchased the uranium in South Africa and having shipped it to the US for enrichment in compliance with the terms of a 1972 agreement, the Brazilians may 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.

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[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 delay further or to deny export of enriched uranium could 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.

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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.

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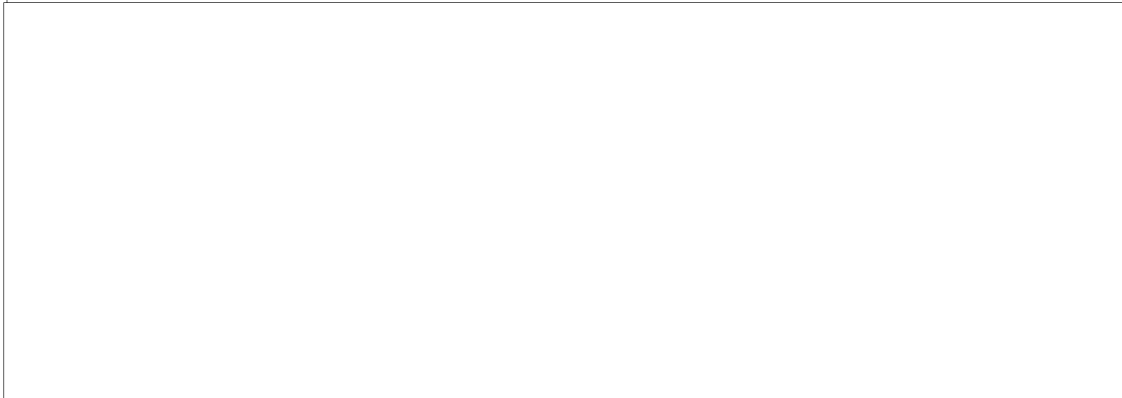
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The completion dates for the first two reactors to be built by West Germany have already slipped a few years, and major construction problems will probably lead to further delays.

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The agreement fully commits Brazil only to the purchase of two power plants from West Germany. If serious

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~~SECRET~~Nuclear Energy

(b)(3) 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 account 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 end of the century.

Brazilian leaders currently believe they are laying the foundation for a nuclear industry to meet future electric power needs and to supplement hydroelectric development, which will become increasingly expensive as resources near the major industrial centers become more fully exploited. 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 interests 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 hydroelectric development or export promotion.

The Treaty with West Germany

President Geisel and Foreign Minister Silveira have staked their political reputations on implementing the nuclear accord they negotiated with West Germany two years ago. Yet some [redacted] believe [redacted]

[redacted] will force significant modifications in the agreement.

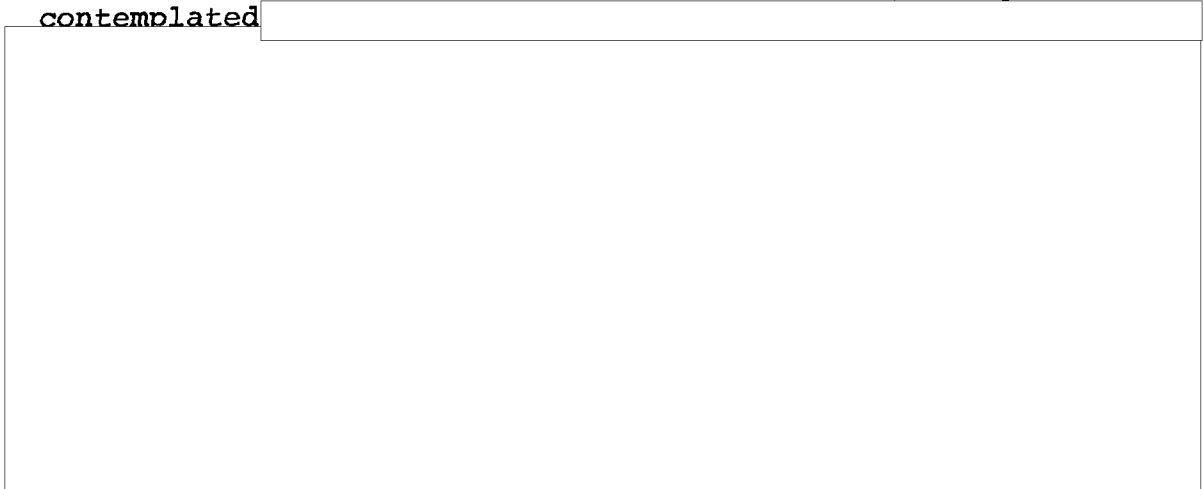
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foreign exchange constraints persist, it will be difficult for future administrations to justify the purchase of the additional six West German reactors originally contemplated



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