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## International Issues

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Nuclear Politics in Brazil: Likely Reaction to US Pressure

*The US effort to block certain parts of the 1975 FRG-Brazil nuclear accord has many complex and unpredictable aspects. This article assesses likely Brazilian reactions to pressures on them to alter the accord, and the possible reverberations for general US-Brazil relations.*

\* \* \*

Brazil's forceful refusal to consider any modification of its nuclear accord with the FRG suggests that the US goal of preventing Brazilian acquisition of a complete nuclear fuel cycle will be exceedingly difficult to achieve.\* Moreover, even if finally realized, US success will probably be extremely costly to US-Brazilian relations.

The Brazilian reaction to US pressure on the nuclear issue is rooted in an intense belief that Brazil is destined to become a major world power. This belief is particularly strong among the military and technocratic elites which control the country, and it leads them to reject out of hand foreign pressures to adopt policies that they view as placing obstacles in the way of achieving Brazil's destiny.

One of the hallmarks of moving toward major power status is, in their minds, the acquisition of the

\* The 1975 accord commits Brazil to buy four nuclear reactors (with an option for four more). Brazil will also receive a fuel fabrication plant; a pilot uranium enrichment plant, which may be expanded to commercial scale; and a reprocessing plant to reclaim uranium from spent fuel. Despite the safeguards Brazil has agreed to as part of the accord, the latter two "sensitive" facilities can and might be used to develop a nuclear explosive.

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capacity for technological innovation. They want not only to be able to produce technologically advanced products, but also to develop the personnel, know-how, and material facilities for creating new technology, rather than remaining dependent on foreign sources. This feeling influences Brazilian actions in all high technology fields, such as computers, aircraft development, and petrochemicals, but it is especially intense regarding nuclear energy.

The Brazilians see nuclear energy as providing a vital part of their future power requirements since they expect to run short of hydroelectric energy and since imported oil has become so expensive. For this reason they want to acquire as quickly as possible the capabilities for innovating in the nuclear power field. But more important for comprehending how far they are likely to go to obtain sensitive nuclear technology (and especially that which can produce special nuclear materials required for explosives) is the prestige which they believe attaches to the capability to explode a nuclear device. It is an article of faith with them that possession of a nuclear explosive capability is an essential prerequisite to major power status. In addition, they are convinced that the existing nuclear powers believe this, or they would not be trying so hard to prevent countries like Brazil from obtaining it.

At this point, the Brazilian government believes it has staked so much of its international and domestic prestige on not changing its nuclear agreement with Germany that it appears willing to risk its entire bilateral relationship with the US in order to obtain the technology the US finds objectionable. Thus, it is highly doubtful that US diplomatic initiatives alone will persuade Brazil voluntarily to give up the "sensitive" facilities available through the German accord.

Brazil's nuclear politics are more vulnerable to economic than to diplomatic pressure. The immediate potential for leverage represented by Brazil's need for US markets for its industrial and agricultural products is limited, however. In the short term, many of Brazil's most important exports to the US (e.g., coffee, cocoa, iron ore) could probably be absorbed by other markets from which the US was

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drawing similar products to substitute for the Brazilian goods. Creating new barriers to US markets for manufactured goods, such as shoes, would have a greater impact since alternative markets would be more difficult to find. But it is doubtful the loss of these revenues alone would be enough to cause the Brazilians to reconsider their position.

The indirect effects of new US trade restrictions or other economic denial actions, such as hampering Brazilian access to foreign capital, would probably be more substantial. US actions could touch off a spiral of doubt among both foreign and domestic investors about the viability of Brazil's economic development program. The success of this program--obviously another essential prerequisite for great power status--depends on the steady growth of exports to cover needed imports. The prospect of constricted sales to the US market might be perceived as undermining Brazil's development strategy even if exports to other rapidly growing markets, such as Japan and the EEC, continued to expand.

Similarly, if the US succeeded in delaying loans to Brazil from the US Export-Import Bank, international institutions such as the World Bank, or the private banking community, the long-term psychological impact might be more important than any immediate shortage of capital. Brazil's large negative trade balance and high level of debt service have made the country's economic health dependent on a regular flow of new loans in order to minimize balance-of-payments constraints on growth. US actions to interfere with these loans would almost certainly impair Brazil's standing as a good credit risk and would probably adversely affect foreign investor confidence across the board.

Using economic leverage to attempt to force the Brazilians to cancel receipt of enrichment and reprocessing technology from the Germans, however, could also prove extremely costly to the US. Current and, especially, future US economic interests in Brazil might be substantially affected. Moreover, chronic political instability in Brazil could be an unintended consequence of US actions.

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It is doubtful that the Brazilians will respond to minor levels of economic pressure on the nuclear issue. While the business and industrial elites in Brazil might feel threatened enough to ask the government to back down or search for a face-saving compromise, the likely effect on the technocratic and military elites would be to increase their intransigence. Furthermore, the issue is creating such substantial political support for President Geisel, especially within the military, that he would be able to deal relatively easily with the immediate political consequences of any dissension from the business and industrial communities. Indeed, the intensity of the military's feeling that Brazil must not yield to US pressure greatly limits the options available to Geisel, even should he personally become willing to compromise.

In the meantime, the strain between the US and Brazilian governments is growing. As suggested by their decision to refuse all US military aid in the future, the Brazilians are probably reviewing the entire range of their relations with the US, with the goal of reducing to the extent possible their vulnerability to US pressure. Because of economic necessity they will be limited in how many links they can sever. But if present trends continue, Brazil-US relations for the first time (except for a short period during the Goulart regime) will take on a pronounced adversary character.

To influence the Brazilian position on the FRG accord, then, the US would probably have to exert sufficient economic pressure to convince the government that the country's entire economic development strategy is severely threatened. This could be risky and costly to both sides since the US could not fully control the consequences of triggering major doubts about the future of the Brazilian economy. Brazil's economic health depends heavily on psychological factors such as foreign investor confidence and the belief by major domestic sectors that the military and its associated technocrats are competent to govern. External threats to this strategy could destroy this confidence. Curtailing the flow of foreign capital and export-derived revenues upon which the economy depends would almost certainly cause a major economic

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downturn which could not be easily reversed even if the government capitulated to US desires and the economic sanctions were lifted. In the process, a wide range of US investments in the country could suffer (possibly through nationalization actions as well as economic causes), and the attractiveness of Brazil to the US as one of the most promising business and trading partners in the developing world would be eroded.

Finally, the application of economic leverage substantial enough to bring about the desired results would involve a high risk of provoking long-lasting political instability. The connection between steady economic development and political stability may not be as close in Brazil as it was once thought to be. The Brazilian government seems to have created governing institutions strong enough to cope with a year or so of little or no growth, when deliberately undertaken to deflate the economy (as is expected in 1977-1978). There is considerable doubt, however, that the Brazilian military could avoid major domestic political challenges or even internal division if the economy entered into a prolonged downturn. If this happened, political and economic instability would most likely reinforce each other. The result would probably either be a greatly weakened government, incapable of carrying out any consistent policy, or a turn toward much more severely repressive, xenophobic government.

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