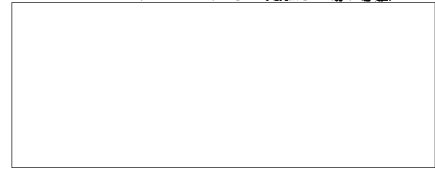




**Director of
Central
Intelligence**

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The Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.



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WEST GERMANY - BRAZIL: Nuclear Cooperation

West German Chancellor Schmidt, who starts a four-day visit to Brazil today, is certain to make a strong pitch for full implementation of the West German - Brazilian nuclear agreement of 1975. The Chancellor is said to have some "very attractive" economic and political proposals to offset any financial losses Brazil suffers in completing the deal, but it seems clear that Brasilia will hold out for modification of the package.



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There are indications that Brazilian officials will press for the elimination of the final four reactors and the reduction in size--but not capacity--of the planned re-processing facility to fit Brazilian requirements.



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Brazilians expect the Chancellor to go along with their proposals to increase the total amount of West German financing and improve the terms of the loans already made. The Chancellor is likely to seize on these adjustments in order to save as much as possible of the original accord, given the financial losses incurred in Iran and heavy pressure from the West German nuclear industry.



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Schmidt is likely to be more accommodating than he was in March 1978 during former President Geisel's visit to Bonn. At that time, the West Germans were quick to rebuff Brazilian efforts to certify a "special relationship." The Brazilians, mindful of West Germany's stake in Brazil and growing involvement elsewhere in Latin America, now sense that the relationship between Bonn and Brasilia is starting to become more important to West Germany.



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