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Director

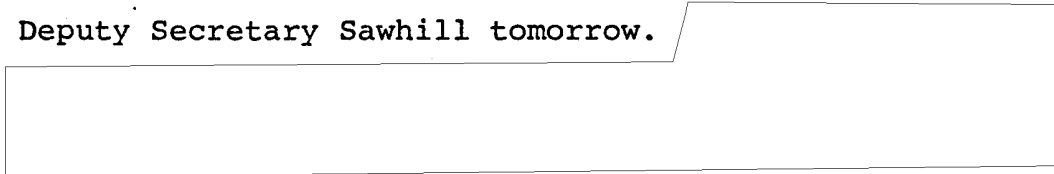
1 February 1980

**MEMORANDUM FOR: Harold Bengelsdorf, Director
Office of Nuclear Affairs
Department of Energy**

**SUBJECT : Intelligence Assessment of Argentine-
US Nuclear Relations**

We have attached a copy of our intelligence assess-
ment of Argentine-US Nuclear Relations in response to
indications from Edward Milenky that you might find
it useful in preparing for the briefing session with
Deputy Secretary Sawhill tomorrow.

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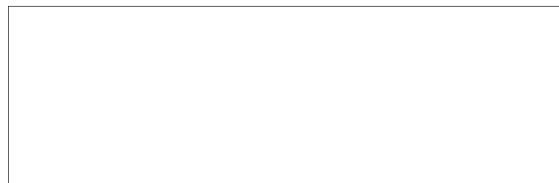


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**Chief,
International Issues Division
Office of Political Analysis**

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[REDACTED]

CENTRAL INTELLIGENCE AGENCY
NATIONAL FOREIGN ASSESSMENT CENTER

31 January 1980

MEMORANDUM

ARGENTINA - US: WILL NUCLEAR
COOPERATION TERMINATE? [REDACTED]

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*Relations on nuclear matters between the United States and Argentina may be at a breaking point as a result of Buenos Aires' resistance to US efforts to implement a more restrictive export policy with regard to nuclear fuel and technology. Argentine officials are specifically opposed to US requests that they adopt full-scope safeguards. For the past several months, Argentine and US nuclear policymakers have been attempting to negotiate a nuclear safeguards arrangement that would provide for continued shipments of US-enriched nuclear fuel to Argentina on the basis of diplomatic assurances and inspection requirements that satisfy US nuclear nonproliferation objectives and laws. At issue is the Argentine contention that it already fully complies with the terms of the US Nuclear Non-Proliferation Act of 1978 (NPA) and that current US demands for full-scope safeguards are unwarranted.** [REDACTED]

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** The concept of full-scope safeguards generally involves at a minimum, the application of Article III of the Non-Proliferation Treaty (NPT), which requires signatories to accept IAEA safeguards on all existing nuclear material and facilities within their territory. The United States, however, also insists on a commitment to safeguard all future nuclear facilities. Argentina, which has not signed the NPT, is legally obligated, as an IAEA member, to accept only a version of the IAEA safeguards; these safeguards are less rigorous than those stipulated in Article III of the NPT.* [REDACTED]

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This paper was prepared by [REDACTED] Inter-national Issues Division, Office of Political Analysis, and [REDACTED] Nuclear Energy Division, Office of Scientific Intelligence. It was requested by Harold Bengelsdorf, Director, Office of Nuclear Affairs, Department of Energy. [REDACTED]

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This paper was coordinated within the Office of Political Analysis, and with the Office of Scientific Intelligence and the Office of Economic Research. Research for this paper was completed 30 January 1980. [REDACTED]

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Argentina's leaders recognize that failure to resolve this dispute prior to the 10 March 1980 deadline established by the NPA could result in termination of US nuclear exports and assistance to their country. Against a background of a general cooling in US-Argentine relations, they have been preparing for this contingency with plans to shut down one research reactor currently dependent on US-enriched fuel, and to recover enriched uranium from partially spent US-supplied fuel. They have strong reasons, including domestic political concerns for maintaining their current position, and so far have shown no sign of backing down. [redacted]

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Evolution of the Conflict in Policy Aims

For more than 20 years, Argentina has made nuclear development a top policy priority, with nuclear fuel cycle self-sufficiency a key derivative objective. The decision of Argentine leaders in 1957 to stop depending on foreign suppliers for research reactors may be seen as an important first step toward that goal. Since then, the Argentine National Atomic Energy Commission (CNEA) has had primary responsibility for coordinating the design, engineering, and construction of most of Argentina's operational reactors, and its officials are currently directing the planning and construction of the next generation of Argentine reactors. The delegation of such authority by the Argentine Government to the CNEA initially served to insulate Argentina's nuclear program from endemic political and economic turbulence. CNEA officials, however, have become more vulnerable to political pressures during the past decade, as evidenced in the personnel shifts that have accompanied changes in the government. During this same period, senior CNEA officials have been elevated to important policy positions within the Argentine Government. This politicization of the CNEA underscores the growing importance of the nuclear program to Argentina's national leaders. [redacted]

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Since 1957, Argentina has made significant strides towards acquiring a complete nuclear fuel cycle. It has an advanced nuclear research program, a technologically sophisticated industrial base with operational nuclear power reactors and some nuclear fuel cycle facilities, and ample uranium reserves.* Moreover, it has demonstrated an export capability in nuclear technology by beginning construction of a nuclear research center in Lima, Peru. Argentina has also signed agreements with five other Latin American countries to provide nuclear

* See Annexes A [redacted]

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assistance, including equipment, technology and training.

[REDACTED]

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Argentina's proven ability to construct indigenous nuclear facilities and to export nuclear technology, combined with the availability of domestic natural uranium for fuel, has allowed Buenos Aires to limit its dependence on foreign assistance and to resist pressures for stricter international control over its program. Despite repeated assurances by Argentine leaders that they support international and US nonproliferation objectives, their refusal to sign the Non-Proliferation Treaty, failure to ratify the regional non-proliferation Treaty of Tlatelolco, and opposition to US insistence on full-scope safeguards indicate their determination to maintain maximum freedom of maneuver in the nuclear field.

[REDACTED]

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Significance of West German-Swiss Deal

Argentina's longstanding desire to acquire a complete nuclear fuel cycle as soon as possible has encouraged its nuclear policymakers to seek out those suppliers who would be the most flexible on the question of safeguards. Buenos Aires' decisions on 1 October 1979 to turn to the West Germans for the purchase of a nuclear power reactor and to the Swiss for the purchase of a heavy water production plant were clearly motivated by the fact that both nations were more willing than their strongest competitor, Canada, to provide these facilities under conditions of less than full-scope safeguards.*

[REDACTED]

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The importance that Argentina attaches to the safeguards issue is underscored by its agreement to pay \$500 million more to the West Germans for a heavy water reactor system which is less proven than that offered by the Canadians.

[REDACTED]

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it was advantageous for Argentina to split the commercial deal between the West Germans and the Swiss. The Swiss were awarded the contract for the heavy water production plant largely because they had indicated that they would require only IAEA safeguards for Swiss-supplied

* At the time, Argentina publicly emphasized that a leading factor in its decision was dissatisfaction with Canadian handling of the heavy water power reactor under construction at Embalse. Despite serious problems of work stoppages and cost overruns at the Embalse project, however, we believe that the safeguards issue was the most important consideration for Buenos Aires.


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facilities and technology and other "derived facilities."*

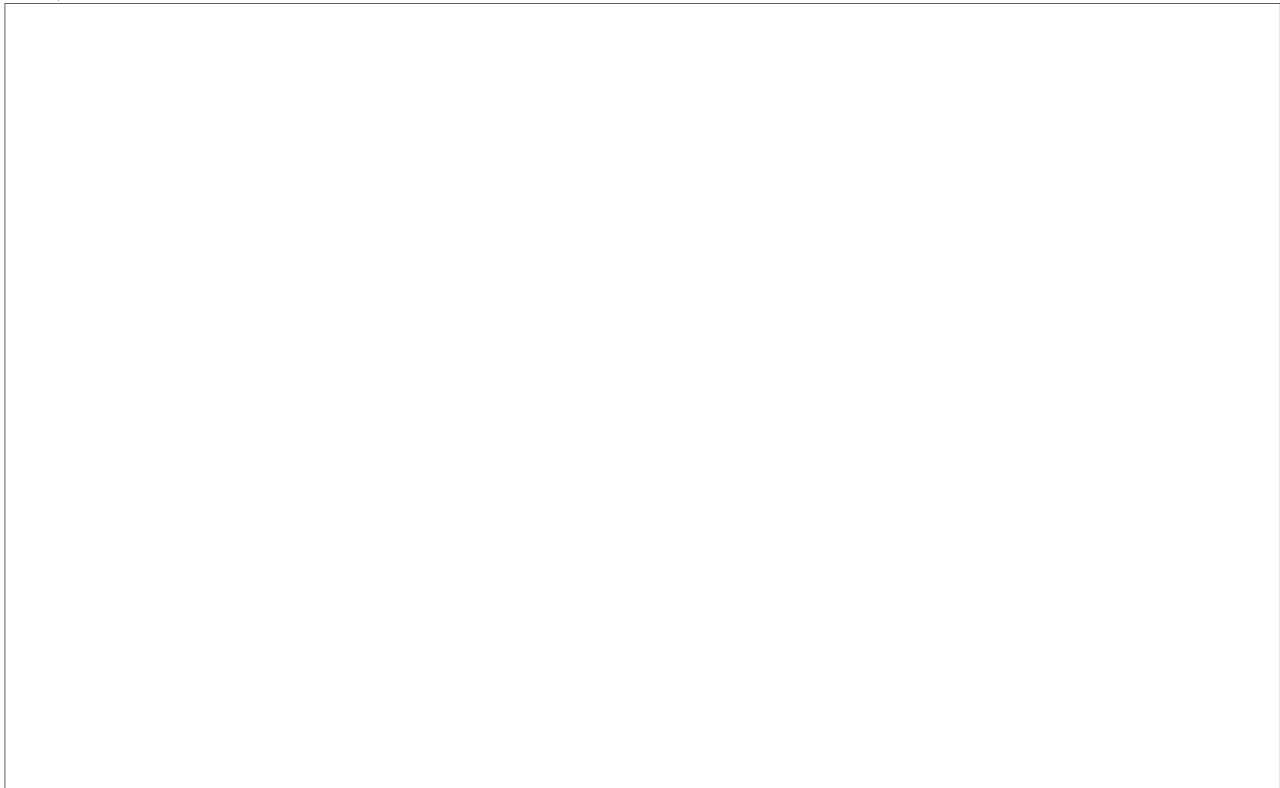



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Argentina's decision to expand relations with West European nuclear suppliers is consistent with other recent foreign policy moves by Buenos Aires designed to bolster Argentine confidence and prestige and to expand the horizon of its diplomatic options. Such actions included establishing closer economic ties with West Germany, assuming a more active stand on issues of particular interest to the Third World, and placing increasing emphasis on relations with China and the Soviet Union. Since many of the agreements that Argentine leaders are now signing with these partners are long-range ones, they will almost certainly lead to other forms of cooperation. 

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* *Neither West Germany nor Switzerland is legally obligated to insist on full-scope safeguards by its participation in the NPT Exporters Committee or the London Suppliers Group.* 

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Global Implications

Should the current impasse result in termination of US nuclear assistance to Argentina, the longer term international implications of the US move will depend in part on whether or not it is generally perceived as consistent with US policy toward other countries that prove unwilling to accept more rigorous nonproliferation obligations. Brazil, India, South Africa, Pakistan, and Spain, for example, have all indicated varying degrees of reluctance to accept full-scope safeguards, and of these only Brazil currently comes close to satisfying US requirements because all of its significant nuclear facilities are being acquired from West Germany under strict safeguards. [redacted]

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A firm and uniform US safeguards policy toward all these nations would have the virtue of consistency, but it could have undesired effects. For one thing, the opposition of Argentina and the other affected countries with ambitious nuclear programs would probably be mutually reinforcing. Buenos Aires would be able to draw encouragement from the moral support of other developing nations (LDCs) that believe the United States is no longer a reliable supplier of nuclear fuel and technology. Should Argentina in turn join other important LDCs in collective denunciation of a cut-off in US nuclear assistance after 10 March, future efforts to reach a consensus within the IAEA on additional measures to control the spread of sensitive nuclear technology would be certain to encounter severe difficulties. [redacted]

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The international regime to regulate nuclear commerce would probably suffer even greater erosion if a selective US nonproliferation policy removed pressure on some signatories to the NPT such as India and Pakistan to accept full scope safeguards. Not only would Argentina feel that it had been unfairly singled out for punitive action, but such a development would deeply disturb those LDCs which have already accepted full scope safeguards as NPT signatories and reinforce their feeling that the treaty is not only discriminatory but also ineffective. Whether or not some of these nations individually sympathize with the efforts of non-signatories to preserve their nuclear autonomy, avoidance or defiance of the increasingly rigorous international ground rules for recipients of nuclear assistance would be

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widely regarded as evidence of a fundamental inequity in the global nonproliferation system, that is, the system's potential for favoring those LDCs that have secured a substantial degree of independence from the restrictive export policies of supplier states over those that have not.

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Whatever specific course of action the United States decides to take with regard to Argentina, the latter's relative invulnerability to supplier pressure tactics will not be lost on other developing nations that wish to acquire advanced nuclear technology. Although for many years few developing nations will actually be in a position to bargain as hard with nuclear supplier states as Argentina has done, the Videla government's skill in playing suppliers against one another on the safeguards issue will almost certainly become a model for others to emulate. For their part, supplier states that are skeptical about the effectiveness of nonproliferation policies may use the Argentine case in a self-serving fashion. They are likely to cite Argentine resistance to US demands in support of their argument that insistence on rigorous international controls is counter-productive in the long run.

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Conclusions

For a variety of reasons, Argentine leaders are unlikely to adopt full-scope safeguards, regardless of US efforts to persuade them to do so. First, the Argentine Government is limited in its ability to respond favorably to US policy initiatives.* President Videla has indicated repeatedly that he would like relations with Washington to improve, but US efforts to force major modifications in Argentine human rights and nuclear development policies have provoked widespread and deep resentment among virtually all members of the military government. They see US policy on these issues as discriminatory and publicly condemn such actions as overt interference in Argentine internal affairs. It follows that this resolve to stand firm on the request that Washington honor its fuel supply contracts will probably only grow stronger if, for whatever reason, the United States shows leniency toward other LDCs that face the 10 March deadline.

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* *Argentina's outspoken opposition to the United States on the safeguards issue tends to limit its diplomatic flexibility with respect to other nonproliferation issues. For example, a senior Argentine nuclear policy-maker recently told US Embassy officials that Argentina must have firm commitments from major nuclear suppliers for all of its planned nuclear fuel cycle facilities before it will consider the ratification of the Treaty of Tlatelolco. Moreover, should Buenos Aires eventually decide to ratify that treaty, it will almost certainly follow Brasilia's example and stipulate that the treaty will have no binding effect on Argentina until all other Latin American nations adhere to it.*

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Argentina's reluctance to accept full-scope safeguards is also attributable, in part, to more concrete considerations. For example, the absence of such comprehensive controls will give it the freedom to export those nuclear technologies it has developed without foreign assistance. This freedom would pertain to the export of various technologies in re-processing and heavy water production which Argentine scientists have perfected or which are within their capability. Even though Buenos Aires has never publicly addressed the question of the future export of sensitive nuclear technologies by Argentine firms, this issue is likely to grow in importance in the coming decade, as the nation tries to carve out a role as a nuclear supplier state, particularly to other developing countries. [redacted]

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Finally, Argentina's longer term security concerns unquestionably play an important role in the dispute with the United States. Despite recent assurances from Argentine officials that they are willing to place existing facilities under safeguards, their steadfast insistence that they are not obligated to make commitments regarding future nuclear installations must be carefully noted. While some officials in the Videla government claim that Buenos Aires will not allow safeguards restrictions to become an obstacle if a nuclear weapons program is required for security purposes, it is clear that Argentina strongly prefers to keep certain important indigenous nuclear facilities completely free of international control. Foremost among these facilities are the pilot-reprocessing facility under construction at Ezeiza and the natural uranium heavy water-moderated research reactor, construction of which will probably start sometime in the early 1980s. There can be no doubt that the completion of the pilot reprocessing plant and the heavy water research reactor will enable Buenos Aires to produce enough weapons-grade plutonium for a nuclear weapon as early as 1983.* [redacted]

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The tangible benefits of having an unsafeguarded pilot-scale nuclear fuel cycle, however, can be exaggerated. The absence of full scope safeguards would not spare the Argentine Government from international criticism because its activities in the nuclear area will, in all probability, be under constant scrutiny. None would safeguards on these pilot-scale facilities be a guarantee against the diversion of nuclear material for a weapons program, because, in a

* *We believe that the acquisition of sufficient amounts of heavy water for a research reactor will not pose a problem for Argentina. The requirement of 15-20 metric tons should be easy to fulfill by drawing on the unsafeguarded heavy water currently stockpiled or through purchases of heavy water from suppliers that are lax about safeguards.*

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crisis situation, Argentina could and probably would violate existing safeguards by reprocessing spent fuel from the Atucha I power reactor. [redacted]

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Nevertheless, indigenous nuclear facilities solely under national control would have the advantage of permitting Argentina to proceed with a weapons program without having to tamper with those commercial-scale facilities purchased from foreign suppliers under international controls. In this sense, the absence of full scope safeguards will not only give Buenos Aires more freedom with regard to any future nuclear weapons-related activities, but also provide some assurance to those Argentine officials who do not want to have to contend with possible accusations that they have violated international treaties or agreements. [redacted]

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ANNEX A

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THE ARGENTINE NUCLEAR PROGRAM
POWER REACTORS

<u>Facility</u>	<u>Actual or Estimated Completion Date</u>	<u>Type</u>	<u>Power (Mwe)</u>	<u>Status</u>
Atucha I	1974	PHWR*	370	Operational
Embalse	1982/1983	CANDU	630	Under construction
Atucha II	1987	PHWR	685	Contracted
Power Reactor	1991	HWR	600	Authorized
Power Reactor	1994/1995	HWR	600	Authorized
Power Reactor	1997	HWR	600	Authorized

* All currently planned power reactors are of the natural uranium, heavy water moderated type:

- PHWR denotes the West German pressurized (vessel) heavy water reactor
- CANDU denotes CANadian Deuterium Uranium reactor, a pressure-tube heavy water reactor
- HWR denotes heavy water reactor; neither version has of yet been selected

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