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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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February 7, 1978

MEMORANDUM FOR DR. BRZEZINSKI

FROM: The Situation Room

SUBJECT: Additional Information Items

State Department review completed

Brazil Reportedly Assured of Fuel for Nuclear Reactors:

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The Dutch parliament has approved the first step in satisfying the URENCO contract, which is an expansion of the consortium's plant in the Netherlands, but final approval for shipments of URENCO-enriched uranium to Brazil depends on an agreement for adequately safeguarded plutonium storage. In the meantime, it is uncertain whether Bonn and London will agree to withhold shipments. If not, the URENCO partnership may fall apart.

Given Bonn's and London's apparent willingness to supply the fuel even if URENCO does not, State believes Brazil can remain complacent about its nuclear fuel supply despite the reported cancellation of the major portion of the contract with the FRG for development of its own enrichment facility.

Disappointing Soviet Economic Performance Confirmed: Official Soviet statistics published at the end of last month confirm earlier indications that the USSR's economic performance in 1977 was disappointing, with output growing slowly and, in many instances, at below-plan rates. Results for 1976 and 1977, taken together, suggest that the original 1976-80 plan goals are now out of reach. According to the statistics:

--industrial production as a whole was reported to have risen by 5.7 percent, a slightly greater increase

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than that called for by the plan, but production of many important commodities rose by far less, suggesting that the official statistics overstate the actual increase.

--the most striking shortfall occurred in the steel industry, where production of steel ingots and rolled steel increased by 1.4 and 1 percent, respectively, compared with planned increases of about 5 percent for both categories.

--oil production failed to reach the 11-million-barrel-per-day (b/d) target by only 100,000 b/d, an increase of five percent over 1976.

--in Soviet industry's major success story of 1977, natural gas production climbed by 7.8 percent, well above the goal of a 6.5 percent increase.

USSR Anticipates Difficulties in Indian Ocean Talks: According to a State analysis, the Soviets evidently suspect that the U.S. is having second thoughts about even a first-phase Indian Ocean stabilization accord because of the USSR's involvement in the Horn. This consideration appears to be the rationale behind Moscow's efforts to prepare a diplomatic and propaganda case against U.S. "unreasonableness," even while making arrangements for resuming the Indian Ocean talks.

Obviously concerned by leaks in U.S. media about the course of negotiations after the last round of talks, Pravda, in its most comprehensive treatment of the negotiations to date, on January 18, portrayed the USSR as the prime mover behind the talks. Pravda alleged that while the USSR would prefer more "radical measures," it had acquiesced in the more gradual approach toward Indian Ocean disarmament advocated by the U.S. but was insisting that a first-phase stabilization accord should include:

--a ban on the entry or deployment of all weapons systems not previously deployed to the Indian Ocean;

--a freeze on foreign naval deployments to existing levels; and

--an agreement not to construct new military bases or complete existing ones.

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