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Peru's Military: Conventional and Counterinsurgency Capabilities

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A Research Paper

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ALA 83-10197C

December 1983

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Peru's Military: Conventional and Counterinsurgency Capabilities



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A Research Paper

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This paper was prepared by  the
Office of African and Latin American Analysis. It
was coordinated with the Directorate of
Operations. Questions and comments should be
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ALA, 

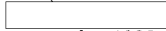
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**Peru's Military:
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Key Judgments

*Information available
as of 10 December 1983
was used in this report.*

Over the past decade, Peru's extensive arms purchases from both the Soviet Union and the West have enabled it to become the dominant Andean military power, achieving conventional military superiority over its principal rivals, Ecuador and Chile. We believe that Peru is now capable of defeating either Chile or Ecuador in a strictly bilateral conflict. In the unlikely event of a two-front war—the basis upon which Peru's military formulates its plans and requirements—Lima probably has sufficient strength to defend one frontier while conducting effective offensive operations on the other. Over the next two to three years we believe that, although Chile and Ecuador may make particular purchases of combat aircraft, warships, or armored vehicles from Western sources that could temporarily unsettle Peru's military leaders, neither country will be capable of challenging Peruvian superiority because of inhibiting financial constraints and distracting domestic political concerns.

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Peru's own growing financial difficulties will limit funds available to the military for readiness, training, personnel retention, and procurement—especially of the most advanced equipment. Nonetheless, we expect the political power of the military will be sufficient to garner allocations for one or two major buys for each service every year—enough to meet most strategic requirements and maintain superiority over Chile and Ecuador. The highest priority items are additional armor and new helicopters for the Army, completion of the sale of 26 Mirage 2000 fighters and six Bell transport helicopters for the Air Force, and construction of a major base for the Navy. The two principal criteria determining what Peru buys and from whom will be the level of technology and the degree of concessionary financing offered, in our judgment.

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Some of Peru's military needs—helicopters, for example—are made more urgent by the threat the 1,000 to 1,500-man Sendero Luminoso (SL) insurgent group poses. Civilian and military determination to contain the SL is firm and, if most of the planned improvements in counterinsurgency capabilities are implemented, the group probably can be contained in two to three years. Significant fighting is likely to continue for the next year or so, however, and will be an added incentive for certain classes of military purchases.

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In the near term, we believe the military will look first to the West for new purchases. [redacted] the present military leadership:

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- Believes that Western—and especially US—equipment is superior to that of the Soviets.
- Is ideologically pro-Western.
- Wants to diversify sources of arms to reduce the heavy dependence on the USSR.
- Is dissatisfied with Moscow's poor logistic support for Peru's Soviet arsenal. [redacted]

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Nonetheless, the combination of financial constraints and Soviet sales efforts will inhibit diversification away from Moscow. Moreover, we believe that if the West fails to provide attractive financing or to offer its most advanced equipment, the Army and the Air Force could turn again to the Soviets. [redacted] Moscow has recently stepped up efforts to sell equipment and provide training to all three services to regain the influence it believes it has lost under the pro-Western Belaunde regime. In addition, if Ecuador or Chile accelerates near-term purchases of advanced equipment, such as fighter aircraft or armor, Lima might be further inclined toward Soviet arms because Moscow's traditionally rapid deliveries would allow Peru to reassert its numerical superiority quickly.

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We and the US Embassy agree that an increasingly European or Soviet-trained Peruvian officer corps could eventually have little in common with the United States and thus little regard for US interests in the hemisphere. Continued restrictions by the United States on sales of advanced arms to Peru and the unavailability of concessionary American credit for weapons purchases and training programs would further reduce the already limited leverage the United States has with the highly nationalistic Peruvian military. In fact, the present generation of Peruvian military leaders is probably the last to have had extensive US training. [redacted]

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**Peru's Military:
Conventional and
Counterinsurgency Capabilities**

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Introduction

In the past 10 years, Peru has clearly surpassed Chile and emerged as the predominant Andean military power. We estimate that between 1971 and 1980, Peruvian military purchases totaled \$2.23 billion, including over \$1 billion worth of Soviet arms. The size of the armed forces has increased as well. Since 1973, the Army's strength has almost doubled to 75,000 while the Air Force grew from about 7,000 men to 40,000. Lima has thus achieved a substantial numerical superiority, and an increasing qualitative one, in many areas of conventional military power over its traditional rivals, Ecuador and Chile. Since late 1982, however, the Peruvian military—which returned power to a civilian government in 1980—has become increasingly involved in the growing struggle against the Sendero Luminoso (Shining Path), a Maoist insurgent group. Although significant purchases of conventional equipment are still being made, the internal threat has forced the military to partially turn away from concern with external enemies and boost purchases of equipment more suited for counterinsurgency operations.

This paper examines both the conventional and the counterinsurgency capabilities of the armed forces. It assesses the effects of modernization on all three services, compares them with their counterparts in Ecuador and Chile, highlights weaknesses, and identifies purchases each service is likely to make in the next two to three years. The paper also evaluates the military's tactics and capabilities for dealing with the internal security threat. Finally, it analyzes the implications for US interests resulting from the military's desire to maintain its current conventional superiority in the region and its determination to eliminate the Sendero Luminoso (SL) insurgency.



Strategic Rationale for Rearmament

Peruvian military planning has long been based on a perceived need to field forces capable of fighting a simultaneous two-front war against Chile and Ecuador, countries with which Peru has continuing boundary disputes. Peru sees Chile as the major external threat, although we and the US Embassy believe there is little chance of an unprovoked attack by Santiago, many of whose forces are now deployed against Argentina. Nonetheless, the Peruvians respect the fighting qualities of the Chileans, who annexed territory in southern Peru and captured Lima during the War of the Pacific (1879-83). Since the late 19th century, most of Peru's ground forces have usually been deployed near the Chilean frontier. Ecuador's use of troops to press its claim to large sections of Peru's northern Amazon region led to brief wars in 1942 and 1981—both won by Peru—and to numerous other incidents along the poorly demarcated and extremely rugged border. Traditionally, Ecuador's outnumbered and underequipped military has presented little realistic threat to Peru, but, according to the US Embassy, Lima views the Ecuadoreans as an unpredictable nuisance and maintains significant ground and air forces along the northern border.

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The Military Buildup: 1967-83

With an arsenal composed of antiquated US and European equipment, Peru's military initiated in the late 1960s a modernization program for all three services. Lima looked first to traditional suppliers in Europe and the United States, and during 1967-70 purchased ground forces equipment from France, Germany, and Belgium, and aircraft and warships from Great Britain. That Peru was unsuccessful in

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obtaining F-5 fighters from the United States in 1967 angered many military officers and led to the purchase in 1968 of 16 Mirage V's from France—the first supersonic fighters in South America. [redacted]

purchases of Ecuador and Chile. This allowed Lima to surpass its rivals in such key categories as strike aircraft, armor, artillery, and submarines. Chile's need to deploy substantial forces against Argentina—especially after the two countries almost clashed in 1978—further improved Lima's strategic position. [redacted]

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In 1973, the military government of General Velasco (1968-75)—which had overthrown civilian President Fernando Belaunde Terry in 1968—turned to the USSR for arms. The decision to buy from Moscow was motivated, in our view, by Washington's refusal to sell advanced arms, the desire of the highly nationalistic Velasco regime to demonstrate its independence from the United States, and the military's determination to both modernize and avoid heavy dependence on a single supplier. Pragmatic considerations—such as Soviet promises of quick delivery of relatively advanced weapons at low cost and on good financing terms—also were influential. The military regime of Morales Bermudez (1975-80), although more moderate than its predecessor, continued to purchase heavily from the USSR, in part because of heightened tensions with Chile during the mid-1970s. [redacted]

The return to power of civilian President Belaunde in 1980 has not halted military modernization, although he and many senior Army and Air Force officers have expressed a desire to reduce Peru's dependence on the USSR—especially through purchases from the United States. In our view, this sentiment reflects the pro-Western orientation of Belaunde and the current military leadership as well as the chronic dissatisfaction of the armed forces with Soviet logistic support. In addition, the demonstrated effectiveness of Western weapons in the Falklands and Lebanese conflicts of 1982 has encouraged procurement of the most advanced systems available. The military has also pointed to recent acquisitions of combat aircraft and armor by Chile and Ecuador to justify its requests. [redacted]

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During 1973-80 the Soviets emerged as Peru's single largest military supplier by delivering over \$1 billion worth of equipment to the Army and Air Force, about half of all Peruvian arms purchases. Accompanying this equipment were Soviet military and technical advisers, who presently number about 150, according to the US Embassy. In addition, the US Intelligence Community estimates that some 2,000 to 3,000 Peruvian military and intelligence personnel have been trained in the USSR since the mid-1970s, a figure based upon data periodically compiled from US attache reporting [redacted]

Since Belaunde's accession, Peru's efforts to wean itself away from reliance on Moscow have had mixed success; indeed, Lima has not hesitated to purchase increasingly advanced equipment from the Soviets. Unable because of US export restrictions to acquire the US AH-1 Cobra attack helicopter, Peru contracted for almost \$100 million worth of Soviet weapons in 1981, including about a dozen recently delivered MI-24/25 attack helicopters, the first of their type in South America. In a major break with Moscow, however, the Air Force contracted in 1982 to buy 26 Mirage 2000 fighters—which will be matched in South America only by Venezuela's F-16As—at a cost of over \$700 million. [redacted]

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Peru continued to buy from other sources to avoid exclusive reliance on Moscow. Major West European manufacturers held almost 40 percent of the Peruvian market from 1973 to 1980, but Lima also purchased from Israel, Yugoslavia, Spain, South Korea, and Portugal. Acquisitions from the United States accounted for only about 8 percent of all Peruvian arms agreements during this period. [redacted]

[redacted] the US Embassy, report that Peru would have preferred the US F-16A, but Washington's offer of the less advanced F-16/79, along with the lack of concessionary American financing, led to the decision to buy the Mirage. Nevertheless, the military appears

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By 1980, Peru had emerged as the predominant Andean military power. During 1971-80 it had contracted for over \$2.23 billion in military equipment and services, only slightly less than the combined

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Peru-USSR: The Arms Relationship

We believe that Moscow's objectives in Peru are to gain long-term influence with Peru's military and political elites, deny the United States an ally on international issues, complicate US regional policies, and use the Peruvian arms link to expand military sales to and influence in other South American countries, especially Argentina. Moscow has derived some important benefits to date, including: (1) earning over \$1 billion, (2) exposing Peruvian military personnel to Soviet training, (3) placing numerous advisers and technicians in Peru, and (4) maintaining a market for spare parts and services. Nonetheless, the diplomatic and political impact of the Peruvian-Soviet connection has been relatively small and Soviet aims are likely to remain out of reach for the short term because, as the US Embassy reports, the Belaunde administration is pro-US and hostile toward the Soviets. After the next civilian administration takes office in 1985, Soviet prospects for wielding greater influence will probably improve. [Redacted]

Moscow has had only limited success influencing Lima's behavior in the diplomatic arena. For example, while concern over antagonizing its arms supplier contributed to Peru's refusal to follow the US lead in imposing sanctions on Moscow for the invasion of Afghanistan, Peru voted both in 1981 and 1982 in favor of General Assembly resolutions condemning the intervention. Similarly, according to US defense attache reporting, Peruvian armed forces personnel trained in the USSR have not demonstrated significant pro-Moscow leanings, although the Air Force, which has sent the largest number of personnel to the USSR for extended training, is more favorably inclined toward Moscow than the other branches. The Navy, the smallest service with the fewest members trained by the USSR, retains its traditional anti-Communist stance. The Army, the dominant branch,

falls between the other two in terms of attitude toward the Soviet Union. [Redacted]

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Soviet advisers in Peru, to our knowledge, have little influence outside the military, and they have been criticized by Peruvian officers for their reluctance to share technical expertise. We believe that Soviet influence resulting from intelligence liaison has been limited; indeed, the relationship was severed last March. [Redacted]

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[Redacted] we do not believe the Soviets have any ties to the Sendero Luminoso insurgents. [Redacted]

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Regionally, Moscow so far has been unable to capitalize on its Peruvian connection to induce other South American military establishments to purchase weapons from the USSR. [Redacted]

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In addition, the Soviet presence in Peru has not provided Cuba with a significant opening to expand its influence. The USSR, to our knowledge, has made no attempt to smooth relations between Cuba and the Belaunde administration. Peru recalled its ambassador from Cuba in 1980 because of a dispute with the Castro government over the status of Cuban refugees in the Peruvian Embassy in Havana. [Redacted]

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Even if the military—which is growing more dissatisfied with Belaunde—were to assume power, we expect Moscow's political leverage would not increase appreciably as a result. We believe that the Peruvian military establishment remains basically conservative and nationalistic. As the US defense attache

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notes, the high command slated to take over in 1984 is anti-Communist and pro-Western, although it will also be the last generation to have received US training. Even among this group, the new Army commander has received the bulk of his training in Western Europe. The US Embassy reported two years ago that officers advocating radical domestic policies had been purged from the military as it retrenched from its revolutionary programs of the 1960s and early 1970s. While the commanding generals would continue to be careful not to jeopardize the arms relationship with Moscow, we believe they would resist Soviet interference in Peruvian affairs.

[redacted]

Resigned to these circumstances, the Soviets, [redacted] are banking on more favorable political prospects in the long term. Despite gains by the Marxist United Left coalition in the November national municipal elections, the Soviets probably remain skeptical of the long-range political potential of the traditionally fractured left, in particular the Communists.

[redacted] believes the military would prevent a Marxist from assuming the presidency. Consequently, [redacted] the Soviets are establishing contacts with leaders of the major opposition party, the American Popular Revolutionary Alliance (APRA), which is likely to win the 1985 presidential election. The USSR apparently is counting on APRA's left wing to gain control of the party and agree to cooperate with the United Left.

[redacted]

[redacted] many APRA leaders are receptive to Soviet overtures, but [redacted]

[redacted] moderate elements—which currently control the party—are opposed to strong ties. Moreover, APRA politicians, including the leftists, are nationalistic and historically committed to steering an independent international course for Peru. Finally, the party, which, throughout its 60-year history has been blocked by military coups from attaining the presidency, is keenly aware of the armed forces' aversion to Communism and longstanding suspicion of APRA's leftist ideology.

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In addition, we expect that, over the next few years, many Soviet-trained officers—who at present are concentrated in the field-grade ranks—will begin to assume positions of influence. Although we have seen no indication that these officers are strongly pro-Soviet—and we expect they will be equally ready to resist foreign interference—we believe that they may prove more willing to consider purchases from the USSR if Western weapons are unavailable or unaffordable.

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In our judgment, the Soviets will continue during the remainder of the Belaunde administration to be able to exert some limited influence on Peruvian actions in international forums, but very little in the domestic sphere. For example, Peruvian officials recently admitted to the US Embassy that Lima did not impose sanctions on the Soviets in the wake of the Korean airliner incident because they feared such action would jeopardize delicate, and ultimately successful, debt renegotiations with Moscow. In our view, APRA leaders would consider even closer cooperation in the international arena to be an appropriate trade-off for continued arms sales and other support from Moscow.

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Table 1
Ground Forces Order of Battle

	Peru	Chile	Ecuador
Personnel	75,000	53,000	27,550
Major tactical units	14 divisions	6 motorized infantry divisions	9 brigades
	6 motorized infantry	1 mountain infantry brigade	7 infantry
	1 jungle infantry		1 armored
	1 parachute		1 special forces
	5 armored		
	1 cavalry		
	7 groups		
	2 infantry		
	2 artillery		
	1 engineer		
	1 air defense artillery		
	1 surface-to-air missile		
Tanks	436 (T-55, AMX-13, M-4)	250 (AMX-30, M-51, M-41, M-24)	195 (AMX-13, M-3)
APC/ARC	531	661	120 On order: 60 Cascavel/ Urutu from Brazil
Artillery/rocket launchers	385	236	76
Air defense artillery (ADA)	154 ADA	136 ADA	60 ADA
Surface-to-air missiles (SAMs)	12 SA-3 SAM launchers, 270 SA-7 SAMs	225 Blowpipe SAMs	Blowpipe SAM
Mortars	714	679	210
Aircraft			
Transport/utility helicopters	29	25	23
Light transports		6	6

determined to acquire US equipment, and US defense attache and Embassy reports indicate final negotiations are under way for the purchase of 15 US UH-60 Blackhawk and six Bell 214 ST helicopters. [redacted]

Conventional Military Capabilities

The Army

The Army has almost doubled in size since 1973 to 75,000 men so it can have forces capable of simultaneous operations on both ostensibly threatened frontiers. Consequently, Peru's peacetime Army is now

the third largest in South America—behind Brazil and Argentina—and almost as large as the combined ground forces of Ecuador and Chile. Furthermore, Soviet-assisted modernization has enabled the Army to increase substantially its mobility, firepower, and overall offensive capabilities. Lima's armored force, for example, is now the largest in the Andean region and second in South America only to that of Brazil. Air defense and artillery support have been upgraded as well. [redacted]

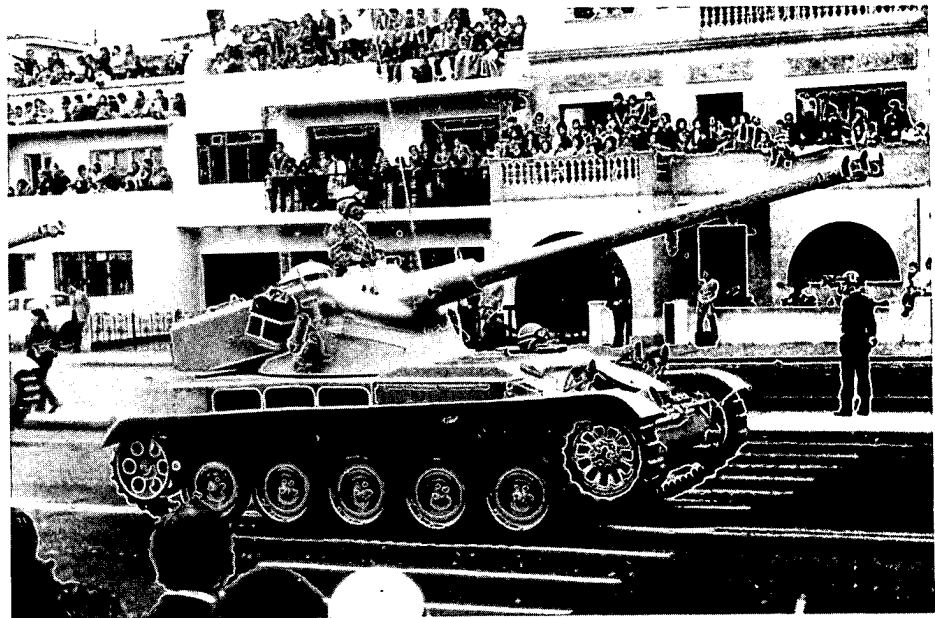
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The Peruvian Army has over 100 French AMX-13 light tanks armed with 105-mm guns. [redacted]



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Ten of Peru's 14 active divisions are deployed along the Chilean and Ecuadorean borders. These units—which, with 2,500 to 3,500 troops each, are roughly equivalent in strength to a US brigade—are usually maintained at or near full strength and are equipped with most of the Army's heavy weapons. A strategic reserve of one parachute division and one armored division is stationed in Lima and designated for rapid reinforcement of either frontier. [redacted]

Capabilities. In our estimation, Peru's superior forces would quickly overpower Ecuador's poorly trained and equipped Army in a large-scale conflict. Peru maintains opposite Ecuador 20,000 troops equipped with about 100 tanks, substantial heavy artillery, and numerous antitank and infantry weapons. According to details of Peruvian war plans obtained by US Army intelligence sources, these units would strike north to Guayaquil during a general war. Ecuador would probably meet such an assault with elements of four brigades—about 8,000 to 9,000 men—equipped with materiel largely inferior in number and quality to Peru's inventory.² [redacted]

Peru's Army also would probably defeat Chile's over-extended forces in a major war confined to northern Chile. Peruvian war plans call for armored thrusts, supported by motorized infantry, across the border toward Arica and airborne assaults behind Chile's extensive network of prepared defenses. Lima's primary objective in such a conflict would be the recapture of territory lost to Chile in the late 19th century. To carry out these operations, Peru has deployed opposite Chile about 25,000 men in five divisions—including two armored. Lima also envisions the use of another 4,000 to 5,000 men from its strategic reserve, along with troops from the northern border, assuming Ecuador remains neutral. Peruvian forces in the south are the best equipped and supplied in the Army, fielding over 200 tanks and numerous other armored vehicles, substantial field and self-propelled air defense artillery, surface-to-air missiles, and antitank guided missiles. In contrast, Santiago has two divisions (about 14,000 men) in northern Chile equipped with about 80 tanks—largely inferior to Peru's—and less heavy artillery than Peru. [redacted]

² Peru also has about 4,700 combat troops—many of which are in isolated garrisons along the border—in the 5th military region. These forces, which spearheaded Lima's response to Ecuador's incursion onto the disputed eastern slope of the Cordillera del Condor in 1981, could not mount large-scale offensive operations because of their dispersed deployment and the region's difficult terrain. [redacted]

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Although logistic shortcomings would probably preclude more than one large-scale offensive at a time, the Army is, in our estimation, capable of conducting simultaneous operations on both frontiers. Faced with a two-front war, we believe the Peruvians would maintain limited forces in the north to counter Ecuador's almost nonexistent offensive potential, while concentrating the bulk of their military strength for an attack against the more formidable Chileans. Following what we believe would be a Peruvian victory in the south, Lima would turn its attention to an isolated Ecuador.

Deficiencies. Logistics are the Army's primary weakness. The diverse origins of its equipment complicate planning and maintenance. Because the Army has armored vehicles from five nations and artillery of various calibres from at least seven, weapons of different types are often in the same unit. In addition, the Army's major supplier—the USSR—has not provided a continuous flow of spare parts. According to the US defense attache, this has forced the cannibalization of some Soviet tanks. Recent attache reporting also indicates that about half of the Army's 24 Soviet MI-8 helicopters—the mainstay of Army aviation—are usually inoperable because they lack spare parts. Army supply problems are compounded by a lack of statistical records and centralized planning. Despite these problems, Peru has, according to US attache sources, usually been able to obtain an in-commission rate of 60 to 65 percent on most Soviet systems and an even higher rate on certain Western weapons.

These and other logistic deficiencies could, however, degrade operational effectiveness significantly in any extended conflict. The US defense attache's office has estimated that Peru has sufficient pre-positioned war stocks for only about two weeks of intensive combat. Although we believe that Peru is continuing to improve its support capabilities through stockpiling, expansion of storage and maintenance facilities, and acquisition of needed equipment, financial constraints will undoubtedly prevent rapid progress. In addition, the poorly organized logistic system and the lack of certain specialized equipment would make it difficult to supply forward elements over long distances.

Even though conventional warfare training has improved in recent years, personnel and training continue to pose problems. The low quality of conscripts—who serve for two years in one or another of the three

services—concerns Army leaders; many inductees lack even elementary education, according to attache reporting. The current Army priority of expanding the number of technical specialists in order to maintain the increasingly complex arsenal will thus prove difficult. Attache sources indicated in April 1983, for example, that Israeli technicians were pessimistic about the ability of Army personnel to maintain recently acquired Israeli communications equipment.



Acquisition Plans. Army procurement priorities reflect plans to fill gaps in the inventory, replace or modernize aging or inadequate equipment, and remedy logistic shortcomings. The US Embassy has reported that Army leaders would prefer to purchase US equipment to fulfill many of these requirements. Reasons cited by the US defense attache and the US Ambassador include dissatisfaction with Soviet logistic support, a firm belief in the technological superiority of US weapons, and generally favorable Army attitudes toward the United States. Replacement of the often inoperable MI-8 helicopters, which perform poorly at Peru's high altitudes, is probably the Army's top priority. The defense attache reported in July 1983 that the Army had accepted an offer of 15 Sikorsky UH-60 Blackhawk assault/transport helicopters for \$110 million, although financing arrangements have not yet been concluded.



US attache and Embassy sources report that armored vehicles are another priority, with the Army hoping to buy 50 US M60A3 tanks. Despite Peru's existing superiority in armor, the Army is concerned over Chile's recent acquisition of 20 AMX-30s from France and 150 Super Shermans from Israel. Also under consideration to bolster the mobility and air defense capabilities of armored formations are up to 263 US M-113 armored personnel carriers and possibly Soviet SA-6 or similar mobile surface-to-air missile systems. In addition, US defense attache

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Economic Constraints on Military Spending

President Belaunde's ability to satisfy military spending desires will be limited by Peru's declining government revenues and dwindling foreign exchange reserves. We estimate that natural disasters have triggered a 10-percent contraction in economic activity, which has led to falling domestic revenues and strains on the budget. Fiscal shortfalls and a weak export demand have combined to push Peru out of compliance with its IMF program, complicating relations with international creditors, who have already balked at projected military purchases. [redacted]

Peru has fallen out of compliance with its three-year IMF agreement. The public-sector deficit this year, driven by sharp declines in revenue, is likely to be about 9 percent of GDP—double the IMF stipulations. Due in part to delays in disbursement of a \$200 million World Bank loan, Lima will probably see its reserves shrink by more than the \$100 million limit established by the Fund, and this will further restrain its ability to spend next year. The Fund has agreed to negotiate new performance targets, but failure to continue the program in good standing will not only jeopardize over \$800 million in external debt reschedulings and the disbursement of loans arranged earlier this year, but also Lima's ability to obtain new credits in 1984. [redacted]

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The current severe economic decline is in large part attributable to the El Nino weather phenomenon that unleashed floods in the north and drought in the south. According to US Embassy reports, the climatic disasters cost more than \$1 billion in lost agricultural output and additional public expenditures to repair damages to farms and roads. Simultaneously, Peru's fiscal position has been strained by the loss of tax revenue because of the contractionary effects of the IMF austerity program, inefficient domestic industry, and growth of the underground economy, while the 130-percent inflation rate pushed public spending higher than Peru had anticipated. The slight recovery we expect in 1984 will leave Peru's GDP well below 1982 levels and unable to accommodate heavy military spending. [redacted]

[redacted]

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Peru intends to reschedule loans maturing in 1984 and renew trade credits totaling nearly \$3 billion, in addition to seeking at least \$400 million in new loans next year. Given Peru's precarious foreign financial position, lenders will have some leverage against the funding of new military outlays. Therefore, armed forces purchases on the scale of the Mirage deal will probably be out of reach for the next year or two, but we still expect the government to authorize some major (\$100-200 million) buys for each of the services. [redacted]

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President Belaunde cannot turn to foreign markets to cover these shortfalls in domestic revenue. We expect a sharply reduced fish catch and flood damage to an oil pipeline to result in lost export earnings of some \$400 million. The declines in copper prices that most market analysts have projected and uncertain weather conditions do not augur well for a substantial increase in export earnings next year. [redacted]

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Table 2
Air Forces Order of Battle

	Peru	Chile	Ecuador ^a
Personnel	40,000	15,300	3,800
Bombers	13 (Canberra)	2 (Canberra reconnaissance)	3 (Canberra)
Fighters	14 (Mirage V) (on order: 26 Mirage 2000)	27 (Mirage 50, F-5E)	14 (Mirage F-1)
Fighter-bombers	74 (Fitter F/J, A-37)	62 (Hawker Hunter, A-37)	40 (Kfir C-2, Jaguar A, BAC-167, AT-33, A-37) (on order: 19 AT-33s)
Dual-capable jet trainers	49	38	6
Attack helicopters	11 or 12		
Transport helicopters	42	19	9
Fixed-wing transports			
Long/medium range	20	4	13
Short range	31	17	2
Air defense	21 SA-3 SAM launchers	8 Crotale SAM launchers	

^a Many aircraft are unserviceable because of poor maintenance and lack of spare parts.

[Redacted]

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[Redacted] sources indicate that Peru is considering modernization of its aging US M-4 tanks and upgrading its Soviet T-55 medium tanks with more powerful main guns, improved engines, and new fire control systems. [Redacted]

We and the US Embassy estimate, however, that financial constraints probably will limit Army acquisitions to one or two major buys a year—such as the \$110 million Blackhawk helicopter deal—and slow diversification away from the Soviets. We expect also that Moscow will work to maintain and enhance its contacts with the politically powerful Army, where the Soviets believe their influence has declined under the pro-Western Belaunde government. [Redacted]

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The acquisition of spare parts and munitions for the Army's Soviet equipment—from non-Soviet sources if possible—and modernization of electronic warfare and communications capabilities are additional priorities. In conversations with the US Ambassador, the Peruvians have periodically requested US assistance in obtaining Soviet spare parts from third parties, such as Egypt. [Redacted]

[Redacted] US attache sources also indicate that the Soviets continue to train selected Army officers in the USSR. In addition, fear of provoking an immediate cutoff of supplies for its large Soviet arsenal and lingering doubts about US reliability—often expressed in conversations with the US Ambassador—will hinder Army attempts to reduce Peru's dependence on Moscow. [Redacted]

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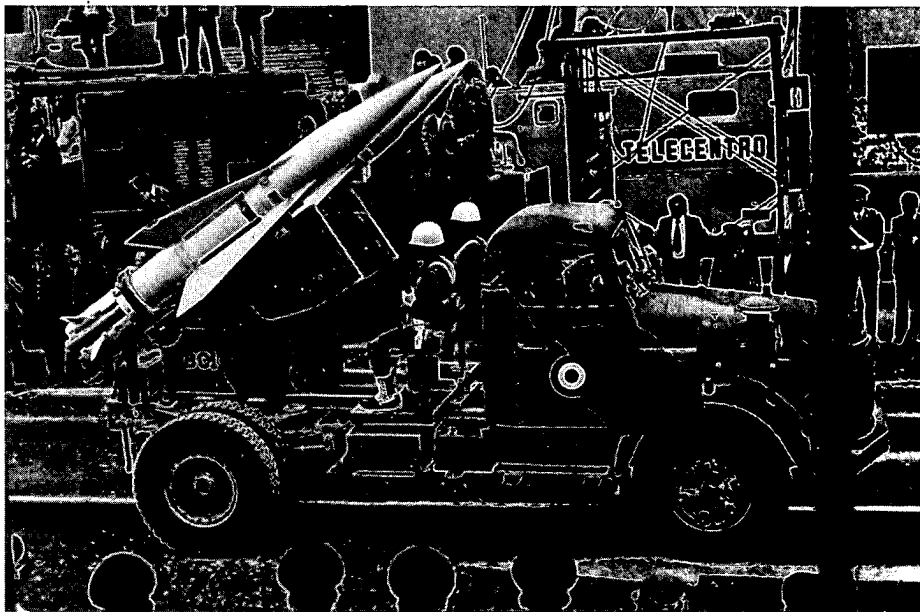
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Both the Army and the Air Force deploy Soviet SA-3 surface-to-air missiles.



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Air Force

Peru's Air Force now ranks third behind Brazil and Argentina in total number of combat aircraft. In our view, it is individually superior to the air arms of Chile and Ecuador, although it lacks sufficient numerical strength and logistic support to conduct simultaneous offensive operations against both countries. Traditionally strong tactical airlift and close air support capabilities have been buttressed with the acquisition of a formidable offensive strike force of Soviet SU-22 Fitter fighter-bombers.

Planned modernization, if fully completed, will address many of these problems. Delivery of the Mirage 2000, scheduled to begin in 1985, will provide Lima with an all-weather interceptor armed with advanced air-to-air missiles.

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Steps to modernize equipment, further integrate Peru's diverse inventory of air defense systems, and improve command and control have been taken or are under consideration. In addition

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the Peruvians are constructing aircraft shelters and dummy SAM sites at major airbases and preparing dispersal airfields.

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Capabilities. Lima's air defense equipment is largely unmatched by its neighbors. Acquisition of Mirage V interceptors in 1968, followed by substantial purchases of Soviet air defense equipment during the 1970s, allowed Peru to establish the first integrated air defense system in South America. Both Army and Air Force assets, including aircraft, surface-to-air missiles, early warning/ground control intercept radar, and air defense artillery are deployed to protect major installations along the Chilean and Ecuadorean borders. Shortcomings, however, include lack of a modern interceptor, gaps in radar coverage, occasionally poor interservice cooperation, vulnerability to low-level attack by a modern air force equipped with electronic countermeasures (ECM), and the often incompatible communications systems of Peru's diverse inventory of equipment and aircraft.

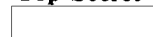
Offensive capabilities for clear weather daylight operations are formidable even though Peru does not at present have a fighter equal to Quito's F-1 Mirage and Santiago's Mirage 50. Because of the range, ordnance capacity, and numerical strength of its strike aircraft, which include the SU-22 fighter-bomber and the Canberra bomber, as well as deficiencies in the air defenses of its neighbors, we believe

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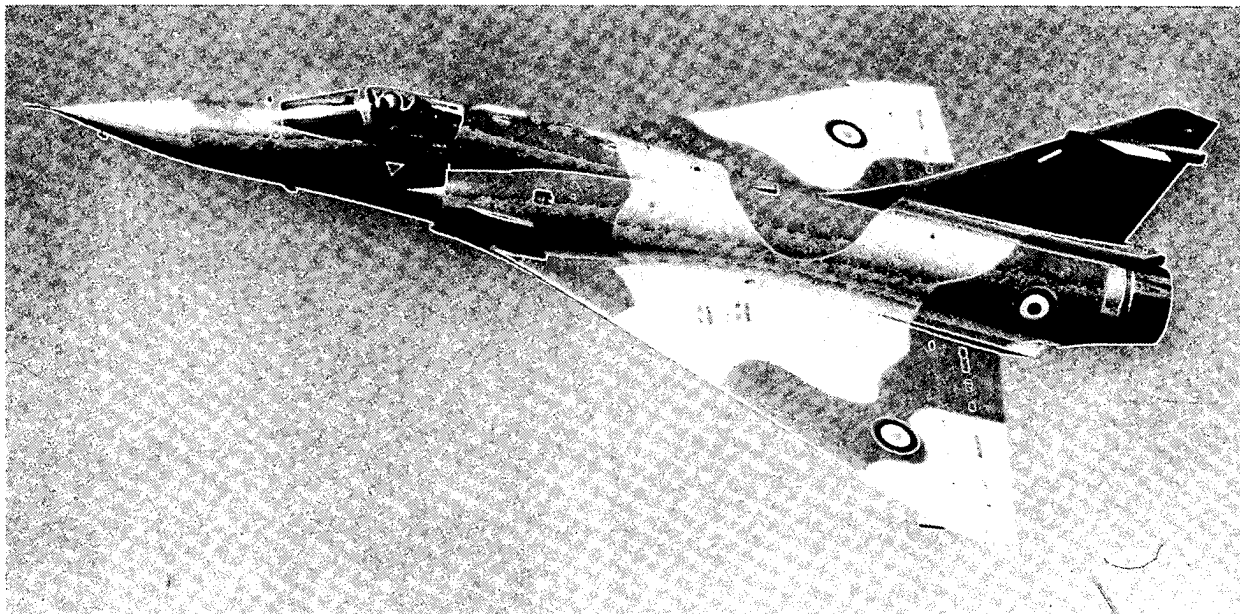
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The Peruvian Air Force has ordered 26 Mirage 2000 fighters. The first deliveries are scheduled for 1985.

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Peru could probably attain air superiority over Ecuador or northern Chile. Air Force interdiction capabilities are also impressive, and in wartime, Lima plans heavy attacks against enemy installations, transportation facilities, and ground units. Present strike aircraft can carry 2,500 to 4,000 kg of ordnance, including the Soviet AS-7 general purpose and AS-9 antiradiation air-to-surface missiles on the SU-22s. The Mirage 2000 will strengthen this ground attack capability, since it can carry up to 6,000 kg of ordnance. In addition, probably drawing on Argentina's experience in the Falklands conflict, the Peruvians have expressed interest in obtaining KC-130 or KC-135 tankers to extend the range and loiter time of their strike aircraft and have already practiced aerial refueling with Argentine KC-130s. The Air Force also is capable of providing effective close air support, in which it could employ not only its primary strike aircraft but also US A-37s, Italian MB-339 advanced jet trainers, and the newly acquired Soviet MI-25 attack helicopters. In addition, many Army MI-8 helicopters are equipped for close air support missions.

support functions, can probably lift about a battalion of paratroops. Modernization of the heterogeneous helicopter fleet with aircraft more suitable for counterinsurgency operations in the Andean highlands is, however, a major Air Force priority. Since 1973, Air Force mechanics have grown increasingly proficient at maintaining and repairing aircraft. The US defense attache reported in September 1981 that in-commission rates on a selected day that month for Mirage, A-37, and SU-22 aircraft were 90 percent, 82 percent, and 60 percent, respectively. A large repair facility near Lima provides central depot maintenance and reportedly is capable of performing all required work on the Canberra, 80 percent on the Mirage, and 50 percent on the SU-22.

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The Air Force has now given priority to establishing logistic self-sufficiency for the SU-22, which we believe will remain the backbone of Peru's tactical airpower for some time.

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Peru concluded an agreement with the

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Tactical airlift and aircraft maintenance are other Air Force strong points. Peru's fleet of fixed-wing transports, which perform numerous military and civilian

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Peru-Argentina: Military Cooperation

Cooperation between the traditionally close Argentine and Peruvian militaries continues to flourish, largely because of common territorial disputes with Chile. According to the US defense attache in Buenos Aires, both armies participate in numerous exchange programs. For example, several Peruvian field-grade officers usually attend the Argentine Staff College each year, and some Peruvian cadets are sent to the Argentine military academy. This has resulted in substantial pro-Argentine sentiment in the upper ranks of the Peruvian Army officer corps. During the Falklands war, Peru, whose Minister of Defense at the time was a graduate of the Argentine military academy, was one of Argentina's few reliable sources of equipment, selling Buenos Aires 10 Mirage V fighters, munitions, and spare parts. Since the conflict, cooperation between the two Air Forces—including pilot exchanges, training programs, and combined exercises—has expanded, according to [redacted] the US attache in Lima. [redacted]

For Peru, the benefits of the relationship are both strategic and technological. In wartime, fear of possible intervention by Buenos Aires in support of Peru would force Chile to retain substantial forces facing Argentina that otherwise would be available for operations in the north. Lima also views Argentina as a potential arms supplier and source of advanced military technology to expand its domestic arms industry. US defense attache reporting [redacted] indicate that Peru has evaluated the Argentine-built TAM tank as a possible replacement for its aging Soviet T-54s and French AMX-13s. According to attache reporting [redacted] the Peruvians also signed an agreement in December 1982 to buy 30,000 infantry rifles as well as receive Argentine assistance in the construction of a small arms manufacturing facility. A scandal over the involvement of retired Peruvian generals in the contract led to cancellation of the deal after delivery of 10,000 rifles. The US attache in Buenos Aires has observed that Peruvian Army officers also have received otherwise unspecified instruction in atomic energy in Argentina and have returned to Peru to establish a related military course. [redacted]

Soviets in 1980 for the transfer of machinery for SU-22 spare part production, and Lima reportedly is also acquiring engine overhaul capability for the aircraft. Moreover, to establish the basis for a domestic air industry and thereby further reduce dependence on foreign suppliers, Peru has begun construction of a facility for the assembly of Italian MB-339 advanced jet trainers. [redacted]

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Deficiencies. Despite its impressive inventory of combat aircraft, important weaknesses would inhibit Air Force effectiveness in wartime. The Air Force lacks an effective combat reconnaissance aircraft and sufficient electronic warfare capability. In addition, because of insufficient or incompatible communications equipment and occasionally limited interservice cooperation, there is no fully integrated command and control system or well-defined doctrine for air defense and close air support missions. The Air Force also remains almost totally dependent on outside sources for most aircraft spare parts and munitions and its internal distribution system is poor. We believe that stocks of munitions are probably adequate for only one to two weeks of intensive combat. Although efforts are under way to produce materiel locally, Lima will not be able to manufacture the full range of spare parts for its heterogeneous collection of aircraft. [redacted]

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A growing shortage of skilled personnel is another major problem, according to reporting from the US defense attache. Higher civilian pay is attracting numerous pilots and mechanics, and the Air Force is finding hard to locate replacements because of uncompetitive salaries and the low educational levels of many enlisted recruits. Pilot training programs in particular have not kept pace with aircraft acquisitions and suffer from a lack of operational training aircraft, inadequate funding, and shortages of qualified instructors and students. Many pilots who do graduate are poorly prepared for the difficult flying conditions of Peru, which include extensive cloud cover and mountainous terrain. As a result, losses of combat aircraft due to pilot error have increased

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rapidly, according to attache sources. Should the Air Force prove incapable of producing enough highly trained personnel, its current maintenance proficiency will deteriorate quickly, and integration of highly advanced combat aircraft such as the Mirage 2000 will prove difficult. [redacted]

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Acquisition Plans. Financial difficulties probably will limit acquisition of new combat aircraft over the next two to three years. In our judgment, the Air Force will concentrate on completing the Mirage purchase and acquiring helicopters better suited for counterinsurgency operations—probably US Bell 214STs. In addition, Peru plans to purchase new heavy transport aircraft—beginning with six US L-100-30s over the next three years, according to the US Embassy—and to move forward with programs to update the avionics and weapons of the SU-22s and remaining Mirage V's. The US Defense Attache reports, however, that the Air Force has decided to delay indefinitely replacement of the aging Canberras; earlier Peru had been evaluating the US A-10 ground attack aircraft. [redacted]

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We believe that technological sophistication and financing arrangements will be the major factors affecting future Air Force procurement decisions. Determined to achieve technological as well as numerical superiority over its rivals, the Air Force probably will look first to the West. US Embassy [redacted] sources state that Lima chose the French Mirage 2000—which was in competition with the US F-5G and F-16/79, and the Soviet MIG-23—primarily because it was the most advanced design offered, but also because Paris initially proposed a generous financial package.³ Other evidence indicates a genuine sentiment in the Air Force for increased purchases from the West. According to the US attache [redacted] widespread anger in the Air Force over Moscow's recent announcement

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that the SU-22 production line would close prematurely, as well as continuing dissatisfaction with Soviet logistic support, has led Peru to decide against future purchases of Soviet aircraft. [redacted]

[redacted] the Air Force will use any new Soviet credits mainly to buy spare parts and munitions. Nevertheless, collapse of the Mirage sale, further deterioration in Peru's economy, or a Western refusal to sell certain advanced weapons, would, in our view, prompt Peru's reconsideration of Soviet aircraft offers. [redacted]

The Navy

The politically conservative Navy has greatly increased its capabilities over the past 10 years without purchasing from the Soviets. During the 1970s, Peru acquired 10 surplus warships from the Netherlands and contracted for 16 newer ones from other West European countries. Peru now has the third-largest surface fleet in South America and the largest submarine force in the region. In our estimation, Peru is fully capable of defending its coasts against any local aggressor. On the assumption the hostile air threat is minimal, we judge that even in a two-front war the Peruvian Navy probably would be able to attain maritime superiority along the coasts of its adversaries, considering the Ecuadorean Navy's poor equipment and readiness and Chile's plans to keep the bulk of its warships facing Argentina. [redacted]

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Capabilities. The surface fleet's antisubmarine and surface warfare capabilities are well developed. [redacted]

[redacted] Peruvian crews have proved adept in antisubmarine exercises with US warships, and we believe the following indicate a continuing commitment to ASW proficiency:

- Acquisition of US SH-3D and Italian AB-212 helicopters and conversion of a cruiser to carry three helicopters.
- Delivery of two modern Italian Lupo-class frigates, with two more under construction in Peru.
- Recent orders for six Brazilian EMB-111 and three reconditioned US S-2 maritime patrol aircraft.

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³ To date, however, Peru and France have not yet agreed on financing arrangements for the Mirage purchase because Peru has refused to agree to French demands for a downpayment equal to about 10 percent of the total cost of \$700 million. Nonetheless, [redacted] the Air Force does not believe the deal to be in danger. [redacted]

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Table 3
Naval Order of Battle

	Peru	Chile	Ecuador
Personnel	18,500	15,800	2,960
Submarines	12	3 (2 type 209s on order)	2
Helicopter cruiser	1		
Light cruiser	1	3 (1 ex-UK "County" class, due in 1984)	
Destroyers	10	4	1
Frigates	2 (2 building)	5	1
Guided-missile corvette			4 (2 more on sea trials)
Guided-missile patrol boat	6	2	6
Torpedo boat		4	
Amphibious assault ships	1 LST, 2 LSM	2 LST, 2 LSM	1 LST, 2 LSM
Marines	2,500	5,000	1,200

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Surface warfare firepower also is impressive:

- Major combatants mount guns ranging from 76 mm to 152 mm, as well as French Exocet and Italian Otomat surface-to-surface missiles.
- In test firings, the Peruvians have, according to US Navy sources, reportedly destroyed targets at ranges up to 130 km with the Otomats.
- The Navy also has acquired AM-39 Exocet air-to-surface missiles—which have a range of 50-75 km—for the cruiser-based SH-3D helicopters.⁴

In addition, Peru's submarine force, which recently received the last of six modern German-built type-209 units, is highly trained and aggressive and would prove a formidable offensive instrument. [redacted]

Deficiencies. Major limitations on the Navy's operational effectiveness include lack of modern shipboard air defenses, limited electronic warfare equipment, lack of minesweeping capabilities, and the diverse origins and advanced age of major vessels (half the submarines and most surface ships are 25 to 30 years

old). Except for the Lupo-class frigates, Peru's warships are dependent upon guns rather than missiles for anti-aircraft protection and the Navy as a whole lacks airborne early warning. The Air Force could provide limited clear weather air cover, but in any major conflict it would probably be occupied with other tasks. Although the Navy has become increasingly proficient at repairing its warships, we estimate that chronic spare parts shortages and poor preventive maintenance would lead to numerous mechanical breakdowns during an extended deployment. In addition, lack of expertise and experience with underway replenishment techniques could also preclude lengthy combat patrols. [redacted]

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Equipment and other deficiencies limit the capabilities of the Marine Corps and Naval Air Arm. At present the fleet has one aging operational LST and a collection of smaller landing vessels that can transport only a small fraction of the 2,500-man Marine Corps. According to the US defense attache, however, the

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⁴ Moreover, the Mirage 2000 is capable of carrying up to three AM-39s, thereby providing Peru with a powerful maritime strike platform. [redacted]

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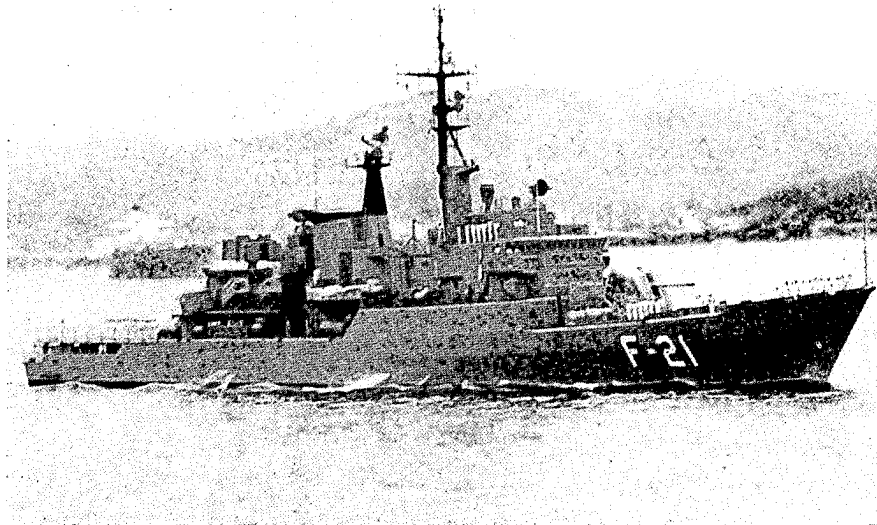
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The Navy has two operational Lupo-class frigates such as this, and two more are under construction in Peru. [Redacted]

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Soviets have offered LSTs and LSMs to Lima, which also is considering acquiring such ships from the United States or South Korea. The Marine infantry is highly trained in small unit tactics, but lacks sufficient manpower and firepower for missions other than internal security or commando-style raids. Recent acquisitions of maritime patrol aircraft and ASW helicopters have increased the Naval Air Arm's capabilities somewhat, but it continues to suffer from a shortage of pilots, training and transport aircraft, and spare parts. [Redacted]

We believe personnel requirements could present long-range problems for the Navy. Though servicemen are, according to US Naval observers, often highly motivated and sometimes extremely proficient, many poorly educated recruits require extensive remedial training. The inability to provide competent crews risks rapid deterioration of newly acquired warships. In recent joint US-Latin American UNITAS naval exercises, US observers noted significant deterioration of certain systems aboard one new Lupo-class frigate. [Redacted]

Acquisition Plans. Competing priorities, the need to integrate recent acquisitions into the fleet, and increasingly limited funds, in our view, will probably preclude major ship purchases over the next three to

four years. The US Embassy reports that the first priority is construction of a new naval base at Chimbote—125 miles north of Lima—to relieve overcrowding at Callao, where the Navy currently lacks sufficient berths and repair facilities. Recently authorized by Peru's Congress, construction of the base will probably cost at least \$500 million, take four to five years to complete, and absorb the bulk of the Navy's financial resources for some time. The Navy's other major priority will be the gradual overhaul and modernization of its 10 Dutch-made warships, which will form the backbone of the fleet throughout the 1980s. Attache sources indicate that current plans call for installation of advanced sensors, fire-control systems, surface-to-surface and surface-to-air missiles, and electronic warfare equipment. According to the US defense attache's office, Peru signed a contract in August with a Dutch firm to perform major overhaul and modernization of one cruiser at an estimated cost of \$190 million. Should the Navy decide to acquire new ships, it will probably purchase amphibious warfare vessels because they serve civilian support as well as military functions. In addition, assuming funds are available, we believe the Navy

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will accelerate personnel training and attempt to develop further its capability to construct warships; two locally assembled frigates will join the fleet in 1984-85. [redacted]

To date, the virulently anti-Communist Navy has purchased materiel and services solely from Western suppliers, and we expect it will continue to do so whenever possible. Increasingly scarce funds and lack of attractive non-Soviet sources could, however, lead it to consider more seriously periodic Soviet offers, particularly if major requirements such as improvement of amphibious lift remain unfulfilled. In such a case, Naval leaders would, we believe, attempt to limit Soviet technical assistance and training. [redacted]

Counterinsurgency Capabilities

Since President Belaunde authorized military involvement in rural counterinsurgency operations in December 1982, the struggle against the Sendero Luminoso—who we estimate have about 1,000 to 1,500 armed members—has ebbed and flowed.⁵ The presence of over 2,000 troops, including crack paratroops, marines, and commandos, and some 1,200 police in the zone of emergency surrounding Ayacucho has, however, increased both activity and casualties significantly. Statements by the chief of military intelligence in June to the US defense attache [redacted]

[redacted] indicate that the military, long frustrated by police corruption and inefficiency, gradually assumed primary responsibility for most counterinsurgency patrols in midyear. By late 1983, according to [redacted] US attache reporting, the military claimed to have killed at least 800 SL guerrillas [redacted] the total could be well over 1,000) since last January while suffering negligible losses. Press accounts [redacted] however, continued to document insurgent attacks on police, local infrastructure, and villages in the emergency zone. [redacted]

[redacted]

The Military's Performance

Despite its overwhelming superiority in firepower, the military has encountered difficulties in Ayacucho, the primary SL stronghold. The armed forces, trained and equipped primarily for conventional operations, are, in our view, capable of maintaining order in Peru's more developed and accessible coastal departments. The mountain regions—especially the 11 sparsely populated provinces of the emergency zone—are rugged, underdeveloped, and inhospitable, and mobility in such terrain quickly proved a major problem. Motorized forces were immobilized and, as the commander of the Marines told US officers recently, some troops required almost a month to become acclimated to altitudes up to 4,900 meters (16,000 feet). In addition, the insufficient number of helicopters effective at high altitudes has hampered rapid-reaction operations. Usually only three to five helicopters have been available in Ayacucho at any one time, according to attache [redacted] sources. [redacted]

A cumbersome command structure and tactical inconsistency have proved additional military handicaps. [redacted]

[redacted] the armed forces have deployed in the emergency zone a disparate collection of units from three military regions and all three services. They are commanded by an Army officer whose main headquarters is outside the affected area, although he maintains a staff in Ayacucho City. As a result, firm day-to-day direction and coordination of the campaign are lacking. US defense attache reporting [redacted]

[redacted] indicate that units with aggressive commanders—most notably the Marine company in Huanta and an Army light infantry company in Cangallo—seem to have adopted proven counterinsurgency tactics and conducted effective small unit patrols, ambushes, and night operations. Other units have either remained in garrisons in major towns or mounted occasional ineffective large sweeps through rural areas that probably net few if any guerrilla militants or activists. [redacted]

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Figure 2
Zone of Emergency



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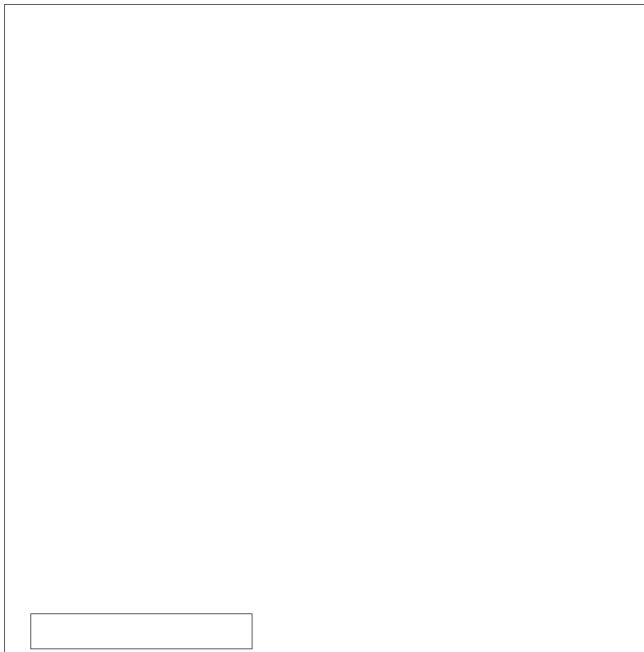
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Insufficient funds have hindered the counterinsurgency effort. According to US Embassy reporting, this has delayed the purchase of six Bell 214ST transport helicopters that could be used to increase airlift capabilities in the emergency zone. In addition, [redacted] field-grade officers remain frustrated over the government's failure to support their operations with civic action, which many of them believe is essential to winning the struggle against the guerrillas. These officers would especially like to see the government follow up their military actions with development programs designed to improve living conditions in Ayacucho and promote progovernment sentiment among the populace. [redacted]



[redacted] the campaign's slow progress has led military forces occasionally to adopt indiscriminate and brutal tactics. [redacted]

[redacted] some Army units often shot selected suspects after on-the-spot interrogation. Subsequent Army intelligence reports obtained by the US defense attache's office in late 1983 appeared to indicate that the security forces were taking few prisoners in confrontations with the SL in the emergency zone. Despite the terrorists' own record of brutality, such methods could produce additional

local recruiting opportunities for the SL in an area traditionally hostile to government authority. [redacted]

Efforts To Improve Capabilities

Efforts are under way to improve the tactics, training, and equipment of the security forces and probably will enable the armed forces to contain the insurgents over the next two years or so, in our view. Despite the administration's severe financial problems, we expect it to allocate additional funds to the security forces, not only because of its fervent desire to eliminate the insurgent threat, but also to prevent the military from claiming it is receiving insufficient support from the civilians. We believe the Air Force will complete the purchase of six Bell transport helicopters, and the Army plans to acquire 15 UH-60 Blackhawk helicopters from the United States. These aircraft, along with the dozen recently delivered Soviet MI 24/25 attack helicopters, will greatly increase the mobility of the security forces in the emergency zone. We believe the government may also approve the acquisition of improved engineering, night vision, communications and surveillance equipment; construct additional barracks; upgrade at least one local airfield; and press for increased civic action funds. [redacted]

Moreover, the military seems to be initiating needed command and tactical changes. [redacted]

[redacted] the Army has either deployed in Ayacucho or is organizing a highly mobile counterinsurgency battalion authorized to conduct operations throughout the emergency zone. In addition, the US defense attache reported in early December 1983 that the current commander of the emergency zone—whose uneven and timid conduct of operations has provoked criticism from some junior officers—will be replaced in January 1984 by a Quechua-speaking, counterinsurgency-trained officer noted for his aggressiveness. The Army commander commented at a recent conference in Caracas that efforts are under way to improve internal intelligence collection, analysis, integration, and equipment. [redacted]

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Forces and the government, stung by national and international charges of human rights abuses, are taking measures—such as internal investigations—to prevent future misconduct. [Redacted]

Outlook and Implications for the United States

We believe Peru will maintain its position as the predominant Andean conventional military power over the next two to three years:

- We expect the highly nationalistic and politically powerful Peruvian military to ensure that adequate resources are allocated to meet its strategic requirements.
- Although Chile has what we believe to be the most highly trained armed forces in South America, Chile's strained finances and domestic political turbulence plus the armed forces' relative lack of modern equipment and need to meet major threats on two fronts limit Chile's ability to challenge Peru.
- Ecuador will continue to lack the population, economic base, military forces, and national unity to pose a threat. [Redacted]

We and most of the US Mission believe the chance is better than even that increasingly effective government counterinsurgency capabilities and civilian and military determination will allow Lima first to contain and then to neutralize the Sendero Luminoso over the longer term. Still, the Sendero Luminoso's inherent strengths and determination, Peru's economic constraints, the present deficiencies of the security forces, and the effects of brutal military tactics will probably result in significant insurgent activity over the next year or so. Substantial outside help for the insurgents would change our overall assessment, but we do not now believe such aid is likely. [Redacted]

Financial constraints are perhaps the most significant barrier the armed forces will face. Readiness, training, retention of qualified personnel, and modernization programs will probably all suffer to some degree. In particular, acquiring the latest weapons will prove increasingly difficult. [Redacted]

Nonetheless, in view of the armed forces' political clout, we judge that military modernization will continue at the rate of one or two major buys for each service every year. The highest priority projects are acquisition of additional armor and new helicopters for the Army, completion of the Mirage 2000 and Bell helicopter purchases for the Air Force, and construction of a major new base for the Navy. We also expect continued interest in coproduction or technology transfer projects in order to hasten independence from foreign suppliers. We believe that, in deciding what to buy and from whom, the Peruvian military will give the greatest weight to the level of technology and the degree of concessionary financing offered, especially as it attempts to reconcile strategic designs with economic reality. [Redacted]

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This dilemma could, in our estimation, open new opportunities for the Soviet Union over the medium to long term, despite the armed forces' current preference for Western equipment and its desire to avoid dependence on a single supplier. The West's failure to provide adequate financing or sell its most advanced systems probably would provoke the Army and Air Force to deal with the Soviets. Increased arms purchases by Peru's neighbors could also cause Lima to turn to the Soviets, whose rapid deliveries would enable Peru to reassert quickly its superiority. In addition, [Redacted] the USSR is determined to regain its influence in the armed forces. Thus the Soviets have increased their efforts recently to sell equipment and provide training to all three services and have agreed to refinance Lima's military debt. [Redacted]

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US leverage with the Peruvian military, on the other hand, is limited and could deteriorate further. Continued unwillingness by the United States to sell advanced weapons to Peru or to provide favorable credits for arms purchases and training programs would, we believe, reinforce Peruvian suspicions of US unreliability and place the United States at a severe disadvantage in arms sales competition with

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the Soviet Union and West European countries such as France. In time, the US Embassy points out, the Peruvian officer corps—composed almost entirely of European- or Soviet-trained personnel—could have little in common with the US military and consequently little regard for US interests. [redacted]

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Furthermore, the military's determination to buy arms jeopardizes other important US interests in Peru. Military spending on the scale posited in this paper will place continued strain on an economy in which US investors and creditors have a substantial stake and which is already burdened by the effects of widespread natural disasters, 130-percent inflation, a \$12 billion debt, and poor growth prospects. In addition, the long-term survival of Peruvian democracy—a key US interest—could be endangered by the effects of continued military spending on economic stability and future civil-military friction over the armed forces' share of Peru's limited financial resources. [redacted]

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