

Central Intelligence Agency

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Washington, D. C. 20505

**DIRECTORATE OF INTELLIGENCE**

**27 January 1986**

**POSSIBLE CONSEQUENCES OF MILITARY AID CUT-OFF TO PERU**

**Summary**

**A total suspension of planned US military assistance to Peru, even though it was scheduled to be meager in 1986, would probably further damage an already strained bilateral relationship. It would also undercut pro-US elements in the Peruvian military, probably reinforce Moscow's diplomatic and military influence in Lima by making Washington appear to be an unreliable partner, and might deepen anti-US sentiment in the general populace.**

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**Past efforts to pressure Peru by reductions in aid have provoked hostile reactions. The US twice cut economic aid to Peru in the 1960s during President Belaunde's first term and suspended military aid in 1969 after General Juan Velasco, who seized power the previous year, claimed a 200-mile offshore fishing zone and began seizing US tuna boats. This cut-off was a factor in the subsequent decision of the Velasco regime to purchase Soviet arms, laying the foundation for the present Soviet-Peruvian military relationship.**

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This memorandum was requested by National Security Council staff member Jacqueline Tillman. It was prepared by  South America Division, Office of African and Latin American Analysis. Information as of 24 January 1985 was used in the preparation of this paper. Questions and comments may be directed to the Chief, South America Division, ALA,

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ALA M-86-20004

DATE 1/31/86

DOC NO ALA M 86-20004

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Lessons Of The Past

Previous US efforts to influence Peru by restricting aid produced unfavorable -- and probably unintended -- consequences. Angered by President Belaunde Terry's handling of a dispute involving a US oil company in the mid-60's, the US cut economic assistance from approximately \$83 million in 1964 to \$36 million in 1965. Two years later the US froze development loans to Peru after Belaunde approved the purchase of Mirage jets from France. These US reprisals affronted Peruvian nationalism and, by discrediting the civilian government, probably helped facilitate the 1968 military coup which brought to power a radical populist regime less friendly to Washington than the generally pro-US Belaunde.

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Relations between the US and Peru reached a low point during General Velasco Alvarado's rule (1968-75). The Velasco government, eager to assert its populist, anti-imperialist nationalism, expropriated the International Petroleum Company (IPC) in October 1968 and, claiming a 200-nautical-mile offshore jurisdiction, began to seize and fine US tuna boats in early 1969. The US responded by cutting off military aid, whereupon Peru expelled the US Military Assistance Advisory Group.

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Following these developments, Peru distanced itself from US policy in Latin America and sought an active leadership role in regional affairs and the Third World. Within the Western Hemisphere, Lima led the fight to lift Organization of American States (OAS) sanctions against Cuba, quickly established diplomatic relations with the East European countries, and dramatically strengthened its ties with Moscow. The Soviet Union, in turn, helped Peru construct the northern fishing port of Paita, and in 1974 began supplying tanks, artillery, and combat aircraft, laying the foundations for the military relationship that continues to the present.

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Economic Sanctions And Recent Bilateral Ties

US assistance programs were largely restored in the late 1970's, but Peruvian dependence on US aid never achieved its pre-1965 levels. In 1979 the US pledged nearly \$100 million, including \$55 million in development loans and housing guarantees and \$37 million in PL 480 (Food for Peace) funds. In recent years, these modest levels of economic assistance have been augmented by small amounts of military aid, including IMET funding under which Peruvian officers receive military training in the United States.

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Peru's failure to keep its FMS and AID payments current, however, subjected it automatically to US legislative sanctions in 1985. These sanctions had a direct impact on US-Peruvian military cooperation last October when the Brooke-Alexander Amendment forced suspension of the IMET program for Peru.

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US aid to Peru in 1986 would have been less than at any recent time even without currently proposed cutbacks. As of December 1985 projected military assistance for Peru was \$19.2 million (\$10 million in FMS funds, \$8.35 million in military assistance, and \$850,000 in IMET aid). Even these small sums, however, would have been useful to the

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Peruvians. For example, the Peruvian Air Force, whose budget has been trimmed for austerity reasons, was counting on \$1.5 million in FMS credits to purchase spare parts for its 23 T-37 aircraft, only six of which are currently operational. [redacted]

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#### Implications For Future US-Peruvian Relations

Garcia will probably view further cuts in US aid as a tactic by Washington to force a softening of his position on repayment of Peru's debt obligations to US lenders. At a minimum, he would respond with more anti-US rhetoric intended to bolster his image as a nationalist. He would almost certainly try to exploit a US aid cut-off to rally domestic opinion and reinforce his claim to a Latin leadership role on a variety of hemispheric issues, including Contadora and arms reduction, as well as debt. [redacted]

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Elimination of US military assistance might, as the case of the T-37s indicates, have some marginal effects on Peruvian counterinsurgency and, possibly, anti-drug efforts, but its overall impact on military capabilities would not be significant. The symbolic effect of suspending US arms assistance on the attitudes of Peru's military leaders, many of whom are still favorably disposed to the US despite Peruvian dependence on Soviet weapons, might be of more consequence. In addition to insulting Peruvian national pride, the cut-off would vindicate those military advisors who have argued since the 1960s that the US is an unreliable supplier. Suspending IMET assistance would affect all three of Peru's armed services, including the Navy which has so far refused Soviet arms and maintains a relatively close working relationship with the US Navy. Concerned foremost with Peru's national security, military leaders of all political persuasions would denounce a US military aid cut-off to maintain their credibility. [redacted]

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