

RELEASE IN PART

the overall exemptions for this document are (b)(1) & (b)(3)

~~SECRET NO FOREIGN DISSEM~~

Annex B

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
12 February 1969

MEMORANDUM

SUBJECT: The Peruvian Coup: Reasons and Prospects

Summary

The military, led by General Juan Velasco, carried out a bloodless coup against President Belaunde on 3 October 1968, using as its excuse the heated controversy over Belaunde's settlement with the US-owned International Petroleum Company (IPC). Although the military was concerned with IPC settlement and several other problems, the primary motivations for the coup were probably essentially the same as those that had prompted such moves in the past, namely the ambition of a particular officer and the desire to keep Haya de la Torre and his American Popular Revolutionary Party (APRA) from gaining the presidency.

The military rulers of Peru this time, however, are more radical and nationalistic than those of the past, and with Argentina as an example, they have highly ambitious plans for the country. In addition, the expropriation of the IPC has given this group a degree of support never before enjoyed by a military government. It seems likely, therefore, that the armed forces will have little difficulty in sustaining themselves in power for a long time.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Current Intelligence and coordinated with the Office of Economic Research, the Office of National Estimates, and the Clandestine Services.

APPROVED FOR RELEASE
DATE: FEB 2001

~~SECRET NO FOREIGN DISSEM~~

~~SECRET NO FOREIGN DISSEM~~

The government will have significant problems to deal with, however, particularly economic difficulties compounded by the confrontation with the US over nationalization of IPC. Complicating its efforts to solve these problems will be the disunity in the military itself. Many of the top-ranking officers are completely disillusioned with the leadership of President Velasco. In addition, opposition to the government, particularly from APRA, will undoubtedly arise eventually to give the military additional problems.

~~SECRET NO FOREIGN DISSEM~~

Background

1. The Peruvian armed forces, like those of most other Latin American countries, see themselves as the political arbiters of the country and believe it their duty to intervene in the political processes of the state when stability is threatened. In Peru this general attitude is strengthened by the army's desire to keep its arch-enemy Haya de la Torre and his American Popular Revolutionary Action (APRA) party away from control of the government. The enmity of the only two well-organized forces in Peru, the military and APRA, dates back to 1932 when some 6,000 Apristas were massacred by the army in retaliation for APRA's killing of 26 soldiers. Neither group has forgotten that year, and in 1962 it was Haya de la Torre's apparent victory at the polls that prompted the military to initiate a coup d'etat and rule the country for a year.

2. The military supported the government of President Fernando Belaunde, who defeated Haya de la Torre in the 1963 election, until economic problems and difficulties with the APRA-dominated congress appeared to the army to be threatening public order. Belaunde was surprisingly successful in getting his programs through congress in his first years in office, but by 1967 he was stymied in congress and unable to gain legislative approval for needed programs of austerity and tax reforms. Inflationary pressures fueled by government deficits led to increasing balance of payments difficulties after 1966. A major devaluation of the sol in September 1967 helped the balance of payments but failed to restore business confidence and economic growth continued its decline in 1968. Efforts to deal with the government deficit and improve investor confidence were made even more difficult by the impasse in congress over the election of officers in the senate. For several weeks in the late summer of 1967 this impasse prevented congress from meeting and further disillusioned the Peruvian public and the military with the performance of politicians.

3. During this period there were indications that the armed forces, led by Minister of War General Julio Doig, would intervene to correct the situation. General Doig had ordered the drawing up of contingency plans that would give the military a blueprint for governing should it become necessary. The military looked to Argentina,

where the military had taken over in 1966, for a model on which to base their own plans for taking over the government and solving the country's serious problems. The expected breakdown in public order never came, however, and General Doig was eventually retired.

Events Leading to the 1968 Coup

4. In 1967 and 1968 APRA tried to show the military that it would have nothing to fear from an APRA victory in the elections scheduled for June 1969. Legislation favoring the military, such as provision of funds for new equipment, received APRA support. APRA leaders believed they stood a good chance in the 1969 elections and wanted to do nothing that would prompt the military to take over the government and prevent them from finally gaining power. So, in the summer of 1968, with economic problems becoming even more serious and the threat of military intervention increasing, the APRA-dominated congress granted the Belaunde administration special powers for 60 days to act through decrees to meet the growing problems.

5. Belaunde promptly raised taxes and began an ambitious effort to refinance the country's foreign debt. The new program appeared to be what was needed and it seemed that Belaunde might be able to stabilize the economy. The President also decided to use the special powers to find a solution to the long-standing and politically explosive question of the US-owned International Petroleum Company's (IPC) status in Peru. This was accomplished -- briefly -- on 13 August in the Act of Talara by which Peru took control of the disputed La Brea y Parinas oil fields and in return dropped its claim to some \$144 million in "unjust profits."

6. The settlement with IPC was immediately attacked as a "sell-out" because it failed to obtain payment for the "unjust profits" and because it left the refinery at Tolara in the hands of the company. The controversy over the settlement ultimately split Belaunde's Popular Action party. APRA's leaders, who had wanted a settlement so that they would not have to deal with the problem later, failed for political reasons to give Belaunde their full support. Instead,

they argued that parts of the contract would have to be renegotiated and that the cabinet responsible for the Act of Talara should resign. On the first of October Belaunde appointed a new but completely uninspiring cabinet.

The 3 October Military Coup

7. There is little doubt that top army leaders, particularly the commander of the army General Juan Velasco, disliked the Act of Talara, but it was not the only motivating factor in their decision to oust Belaunde, and very probably not even the primary one. One of the most important factors was the split in the Popular Action party, which almost assured an APRA victory in the June 1969 elections. The army had seemed willing to allow an Aprista to be president, but only if the candidate was not the founder of the party, Haya de la Torre. APRA's announcement that Haya would in all probability be its presidential candidate apparently convinced the army's leaders that the elections should not be held. Added to this was the fact that General Velasco had serious disagreements with Belaunde over who would be named to fill the military posts in the cabinet [REDACTED]

[REDACTED] This situation, plus the generally held belief in the armed forces that the politicians were a self-serving lot who were lining their own pockets to the detriment of Peru, was the real basis for the coup of 3 October.

8. A relatively small group of army officers conceived the actual takeover, calling in the navy and air force only after the act had been accomplished in the early morning hours of 3 October. The commanders of the three services then constituted themselves as a "Revolutionary Junta" and named General Juan Velasco president. A cabinet was named from the top-ranking officers of the three services, but Velasco surrounded himself with a group of advisers made up of highly nationalistic field-grade officers and a few civilians. From the beginning this arrangement caused dissatisfaction within the cabinet, which found that its more moderate advice on matters such as the expropriation

of the International Petroleum Company was ignored by President Velasco. Dissatisfaction with Velasco's leadership increased until it was believed by many that he would be forced to leave the presidency when he retired from active military duty at the end of January 1969.

9. President Velasco was able to outmaneuver his opponents, however, by playing on the nationalism of the Peruvian public and keeping the IPC issue on the front pages, with himself as the hero of the moment for taking a hard line against the IPC and the US Government. He was kept on as President after his retirement and seems not to have lost a great deal of power in the process. He is still unpopular with many top ranking officers, however. Should the highly charged atmosphere around the IPC issue quiet down, the moderates led by either Prime Minister Ernesto Montagne or General Benavides, the minister of agriculture, will probably make an attempt to remove him.

Prospects for the Military Government

10. The military government has served notice that it does not intend to be only a caretaker government, as past military juntas have been, but will stay in power long enough to achieve "long-overdue reforms." Leaders of the government have outlined plans to streamline the bureaucracy, reshape the economy to put the country on the road to development, and restructure the political scene. They have given few details of how they propose to carry out these overly ambitious plans, but they have indicated that they will stay in power until they do. There is, thus, little hope that the government will be returned to civilians in the near future.

11. The Velasco government has been riding the crest of popularity so far because of its actions against the IPC. It has been supported by most segments of the population in its hard-line approach, but there are indications that opposition will begin to develop over the next few months. APRA has supported the government in its treatment of IPC, but reportedly now plans to initiate opposition after the celebration of Haya de la Torre's birthday in the latter part of February. APRA could bring considerable pressure on the government through its control of most of the labor unions in the country and the consequent possibility of crippling strikes.

~~SECRET NO FOREIGN DISSEM~~

12. The government's decision to establish diplomatic and commercial relations with the Soviet Union and Eastern Europe is beginning to disillusion some of the more conservative and anti-communist supporters of the military takeover. If Velasco's drift to the left continues, the oligarchy and a large segment of the military could well encourage more moderate elements within the government -- particularly General Benavides -- to oust the president. If such a move occurs and is successful, both foreign and domestic policy will probably be toned down somewhat, but the nationalism will remain.

~~SECRET NO FOREIGN DISSEM~~