

~~Secret~~

Director of
Central Intelligence



DCI/NIC

~~SECRET~~

National Intelligence Council Memorandum

Peru: Prospects for Acquiring Advanced Weapon Systems

(b) (1)
(b) (3)

Key Points

[redacted] Peru has been pursuing the purchase of several advanced weapon systems—MiG-29 fighter aircraft, 2S6 Tunguska air defense systems with SA-19 missiles, [redacted]—since its border conflict with Ecuador broke out in January 1995:

- Acquisition of MiG-29 aircraft or SA-19s would disturb the military balance of power in the region, spark protests by neighboring states, and undermine diplomatic efforts to resolve the border dispute with Ecuador.

[redacted]

Intelligence Community analysts believe that the odds are 2 in 3 that Lima will acquire MiG-29 aircraft within the next year. Analysts assess the chances of SA-19s being delivered within the next year as less likely (no more than 1 in 3). [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

~~Secret~~

10 July 1996

Peru: Prospects for Acquiring Advanced Weapon Systems

Discussion

[Redacted]

Peru is looking to acquire MiG-29 combat aircraft and 2S6 Tunguska air defense systems with SA-19 missiles as well as standard weapons and equipment, SA-16 man-portable antiaircraft missiles, and air defense radar. In addition, Peru is discussing the acquisition of Scud C missiles with North Korea.

Three Alternative Explanations

Whether Lima will actually accept delivery within the next year of one or more advanced weapon systems—MiG-29 aircraft, SA-19s, or Scud C's—is less certain. Intelligence Community analysts have formulated three possibilities:

- Peru will acquire MiG-29 aircraft, and possibly SA-19s, but no Scuds.
- Peru will acquire Scuds as well as MiG-29 aircraft and/or SA-19s.
- Peruvian officials are actively engaged in the process of acquiring advanced weapon systems, but none of these systems will actually be delivered within the next year.

Three factors will largely determine which scenario unfolds:

- Fujimori's perception of Peru's defense requirements.
- Peru's ability to finance major arms purchases.

[Redacted]

- Fujimori's sensitivity to US, regional, and international reactions to Peru's acquisition of advanced weapon systems—and the potential this would have to undercut other administration priorities, such as economic development and APEC membership.

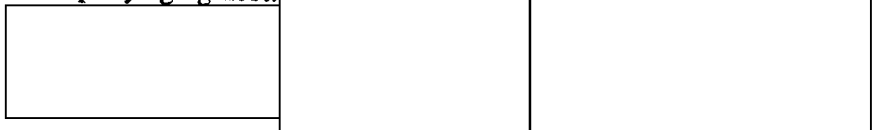
Scenario 1: Peru Acquires MiG-29 Aircraft—and Possibly SA-19s—But No Scuds



Peru Can Afford To Modernize

Deficiencies in Peru's inventory of major weapon systems—aging equipment and outdated technology—were major factors in the military's relatively poor performance in the 1995 border conflict with Ecuador. Significantly improving these capabilities would entail major financial outlays that we assess Peru can absorb. Peru's defense budget has increased from about \$550 million to \$1 billion in the last three years, and operations and maintenance costs have declined as a result of diminished counterinsurgency requirements. We estimate that over the next few years Peru could spend several hundred million dollars on major arms purchases without undercutting the administration's economic goals and objectives.

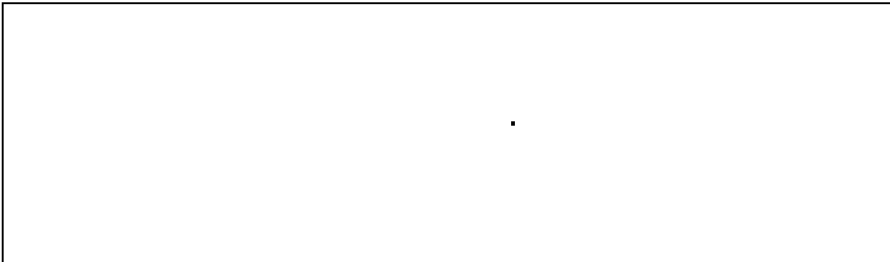
Moreover, the Air Force badly needs new fighter aircraft to modernize its rapidly aging fleet.



In this scenario, Fujimori is unlikely to approve the acquisition of Scuds because he apparently recognizes the serious international and regional repercussions that would result. The Missile Technology Control Regime (MTCR) Annex classifies Scuds as Category I missiles that are capable of carrying weapons of mass destruction because they can deliver payloads of at least 500 kilograms to ranges of at least 300 kilometers. Peru would face severe trade sanctions under US law if it acquires Scuds. Several Latin American countries, including Argentina

and Brazil who are members of MTCR, would consider Peru's acquisition of Scuds highly destabilizing to the hemisphere. The Peruvians, however, may not understand that even "conspiring" to acquire Scuds would raise the issue of sanctions under US law.

Scenario 2: Peru Acquires Scud C Missiles



North Korea an Eager Supplier

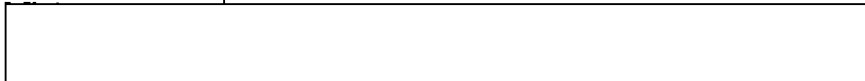
A key factor motivating Peru to acquire Scuds would be the desire to intimidate Ecuador and deter it from further aggression along the border. In addition, the North Koreans have aggressively marketed Scuds; they are much cheaper than aircraft, and Peruvian officials involved in the discussions stand to profit personally from the transactions.

Since Scuds are relatively inexpensive—albeit imprecise—their acquisition probably would not preclude plans to purchase other advanced systems—particularly the MiG-29. Under this scenario, however, one would have to assume that the Peruvians do not realize that acquiring Scuds would constitute an act that would result in severe US trade sanctions.

Economic Factors Could Delay Acquisition

Scenario 3: No Advanced Weapons Are Acquired

The possibility that Peru will take delivery of no advanced weapon system over the next year is the least likely of the three scenarios. Peru probably can afford to buy one or more advanced weapon systems, but Fujimori is under pressure to delay or avoid some acquisitions because they would entail major financial outlays. Increased defense spending would hurt the administration's ability to pursue other priorities such as economic growth, poverty alleviation, and the need to comply with strict IMF fiscal targets.



[Redacted]

Furthermore, Peru must weigh the possibility that its chances of receiving favorable debt terms at the Paris Club talks that start in July would be jeopardized by an advanced weapons acquisition, as well as its hopes of gaining APEC membership, which hinge in part on obtaining the support of Chile and Japan. [Redacted]

Plans to acquire MiG-29 aircraft or SA-19s also could fall through, for example, if Lima, the arms brokers, or suppliers failed to meet their contractual obligations. Moreover, Peruvian military officers have been known to negotiate for major arms purchases that never materialize. [Redacted]

Finally, Lima may be engaged only in contingency planning for acquiring Scuds. Fujimori may have given senior officials the go-ahead to enter into discussions with the North Koreans, thinking this would help keep the pressure on Quito as rumors of potential arms purchases circulated, but would not actually purchase Scuds unless the border conflict with Ecuador reignites. [Redacted]

Intelligence Community analysts assess the odds as 2 in 3 that Peru will acquire MiG-29 aircraft within the next year. We estimate the chances as less than 1 in 3 that Peru will delay the delivery of MiG-29 aircraft for more than a year or that Lima is engaged only in contingency planning to acquire the aircraft:

- [Redacted]

- Fujimori may also calculate that he can weather anticipated international criticism if he limits his purchases of advanced weapons to MiG aircraft. [Redacted]

Analysts assess the chances of SA-19s being delivered within the next year as less likely (no more than 1 in 3):

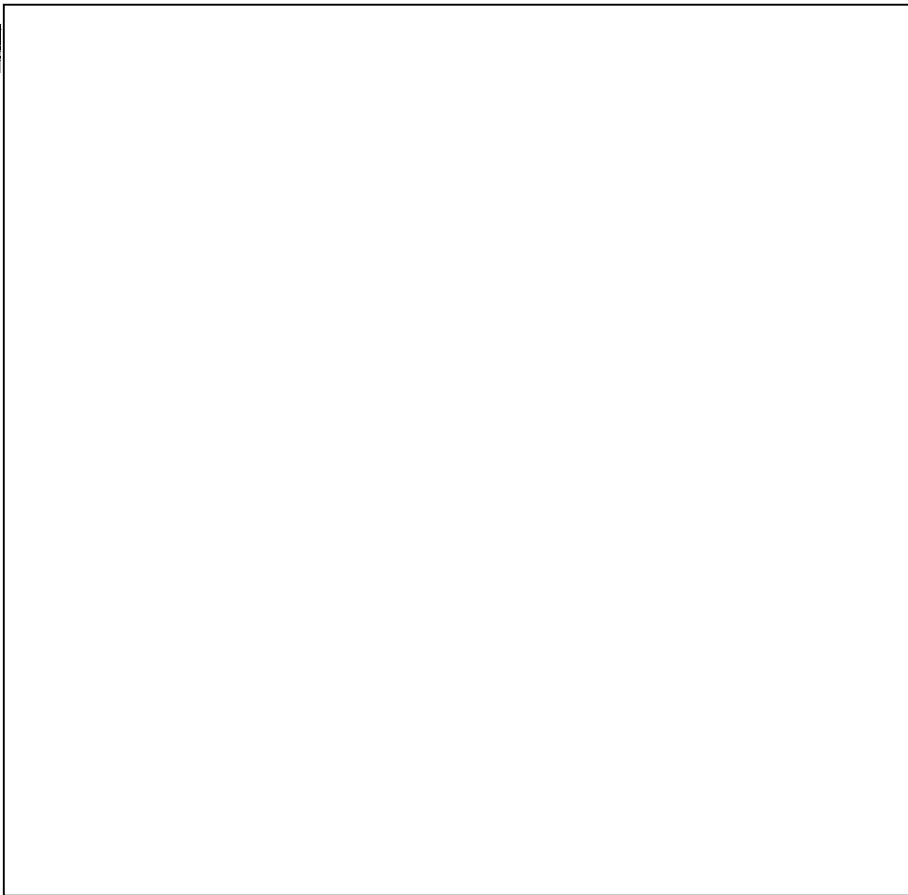
- [Redacted]

Assessing the Probabilities [Redacted]

Prospects for Peru acquiring Scuds are rated as low (1 in 10), primarily because of the severe regional and international repercussions that would result from such an acquisition:

- Analysts are confident, however, that senior Peruvian officials are engaged in ongoing discussions or contingency planning to acquire Scuds, pending a final decision by President Fujimori.





*International
Pressure Could
Be Key*

What Would Dissuade Peru? (U)

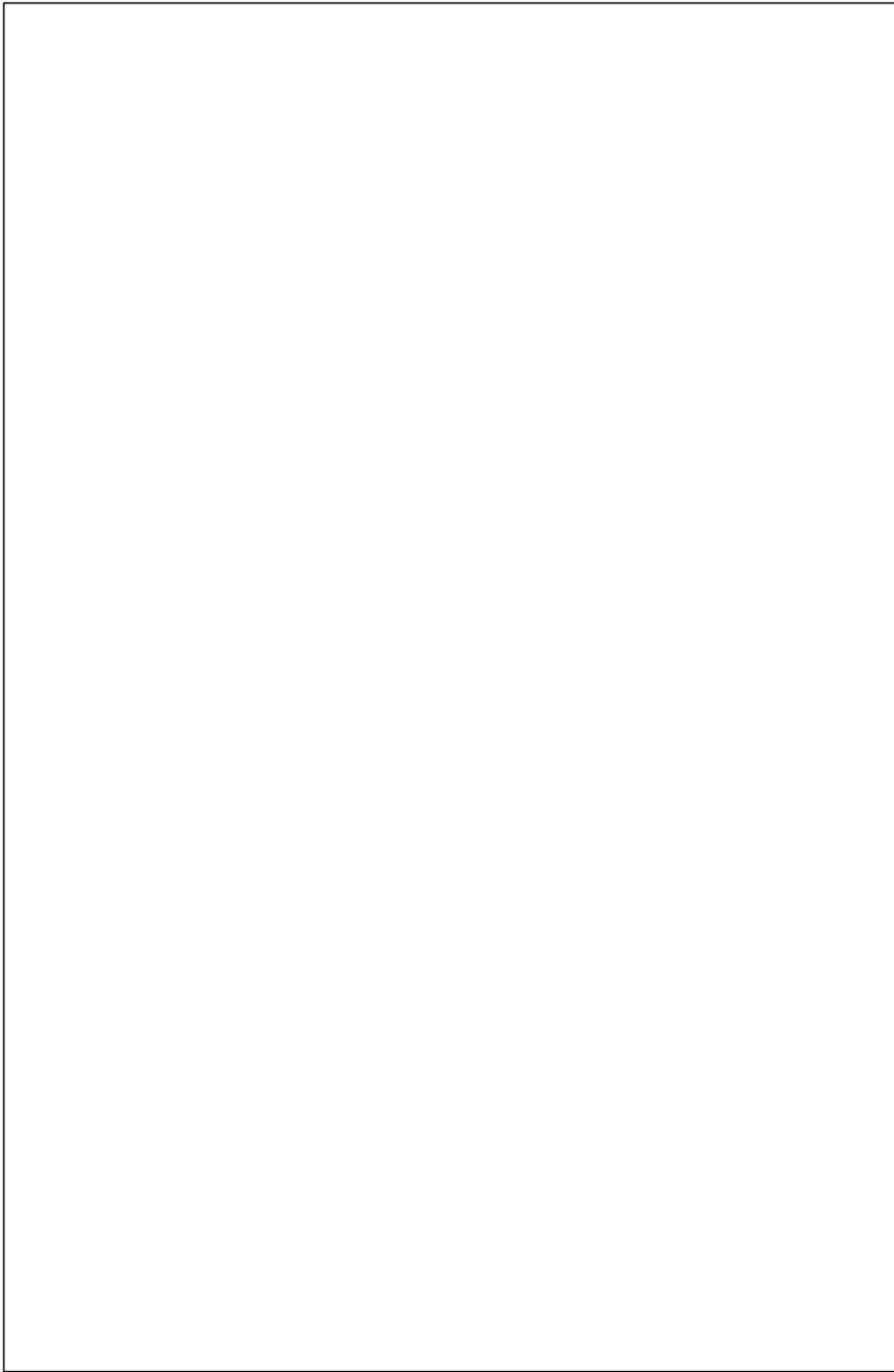
Lima would come under significant pressure not to acquire such weapons if:

- Paris Club creditors and IMF officials expressed concern that such acquisitions would have an adverse impact on ongoing financial negotiations.
- Members of the Asian-Pacific Economic Council (APEC) indicated that such acquisitions would undercut Peru's bid for membership.
- The United States warned Peru that it would face severe sanctions under US law if it acquired—or even “conspired” to acquire—the Scud missile system.

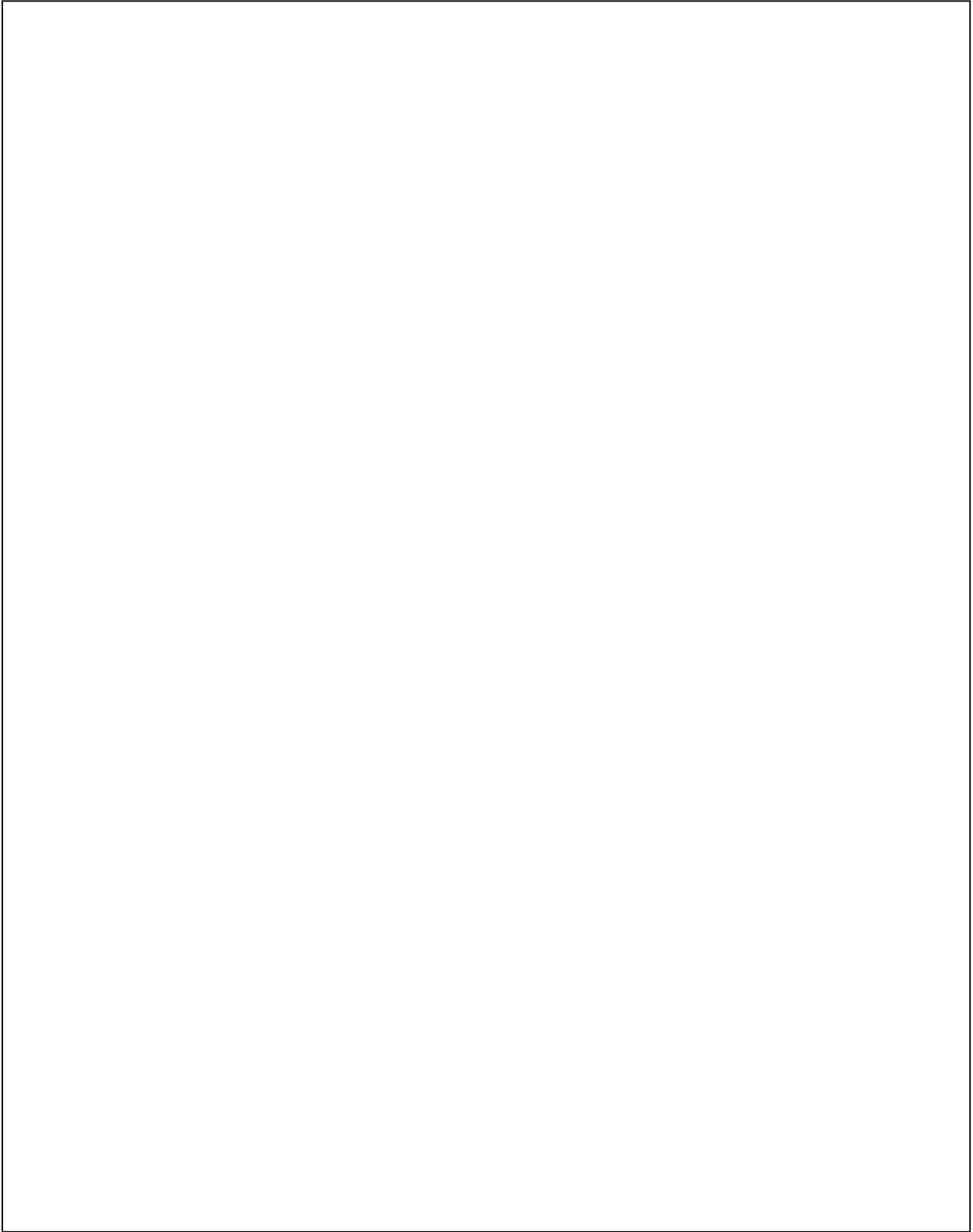
- Other members of the nonproliferation community made their concerns known to Peru.
- Selected Latin American countries, the Rio Treaty guarantors, and Japan protested that such acquisitions would upset the regional military balance of power and undermine negotiations to resolve Peru's border dispute with Ecuador.
- The new Ecuadorian Government said Quito would not upset the regional balance of power by seeking advanced fighter aircraft if Lima did not acquire such systems, and a credible mechanism is proposed to verify such commitments.

What Would Dissuade the Suppliers?

It would take major political and economic inducements to dissuade **North Korea** from selling Scuds to Peru. **Russia** will maintain its intensive efforts to sell arms—not only to Peru but to other countries in Latin America and the world as a whole. Pressure on Russia to desist will not work, particularly since Russia's sales to Peru are not prohibited by any international agreements. **Belarus** almost certainly will follow Russia's lead, except in the unlikely event that a change in leadership occurred in that country and the new leaders decided to emphasize developing their relations with the West.



~~Secret~~



~~Secret~~

