THE IMPACT OF U.S. ARMS TRANSFER POLICIES ON RELATIONS WITH PERU: 1945 - 1978

THESIS

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By

J. Les Davison, B.A.
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This paper examines United States arms transfer policies as they have been applied to Peru since the end of World War II and analyzes the role of these policies in achieving the goals of the United States as delineated by Luigi Einaudi et al. in their Arms Transfers to Latin America: Toward a Policy of Mutual Respect.

The paper traces the course of recent U.S.-Peruvian relations, with special emphasis on Peru's arms acquisitions since 1968. The author concludes that, while U.S. arms transfer policies have undoubtedly strained U.S.-Peruvian relations over the past decade, the refusal of the U.S. to provide advanced weapons to Peru will prove to be in the best interests of the United States in the long run.
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CHAPTER I

INTRODUCTION

Foreigners analyzing another country should always be very careful in their analysis, recognizing first of all it is very hard, as foreigners, to understand the political process of that country and second, that it is very likely that we will overestimate our own involvement in those events, and our own contribution to those events (2, p. 21).

--Luigi Einaudi before the U.S. Senate Committee on Foreign Relations

With all the recent attention that burgeoning United States arms sales have received, and their increased impact on the foreign relations of this country, I decided to center my thesis on those arms sales. Preliminary research indicated that the widely publicized Middle East sales had been dissected, analyzed, and reviewed to an unnecessary degree, but that little had been written about other recipients. U.S. policies for providing arms to Latin America seemed especially intriguing, and I searched for a country to use as the subject for an in-depth case study. With the knowledge that Ecuador had recently purchased advanced British jet fighters after the United States had denied that country's request to purchase Israeli-made, U.S.-engined Kfir jets, I looked further into Ecuador's history. However, I found that the threat that Ecuadorians sought to counter would provide a much more interesting example for study:
the threat was Peru's recent acquisition of advanced Soviet jet fighters.

The purpose of this paper, then, is to examine United States arms transfer policies as they have been applied to Peru since the end of World War II, and to present an analysis of the role played by those policies and applications in achieving the goals sought by the United States. Discussion of the goals themselves is in order here. Rather than trying to dig behind the statements of U.S. policy makers and decision makers at every hint of change in direction, I have chosen to present the interests behind U.S. arms transfer policies in the general categories delineated by Einaudi et al. in their definitive work titled *Arms Transfers to Latin America: Toward a Policy of Mutual Respect* (1). Their research outlines three general areas of U.S. interests generally associated with arms transfers to Latin America. Security interests include hemispheric defense, internal security, and the avoidance of regional conflicts. Economic interests include the U.S. balance of payments, protection of U.S. investments abroad, and emphasis on recipient nations' economic development. And finally, political interests include the preemption of third power influence, encouragement for democratic government, and the maintenance of constructive political relations. I will discuss these interests as they have applied to the
Peruvian case, and then assess the role that U.S. arms transfer policies have played in achieving or not achieving them, as perceived by U.S. decision makers.

My paper will open with a background discussion of U.S. military assistance policies in general and U.S.-Peruvian relations in the postwar period. The significant actions will then be reviewed, followed by my analysis. My research has centered almost exclusively on aircraft acquisitions, largely because these are the most visible and the best documented transfers. While information on the aircraft transactions was somewhat sketchy (and sometimes proved to be erroneous) documentation of other transfers was virtually nil. Where such information was available, I have included it in my discussions. However, this is the exception rather than the rule.

One must certainly realize that arms transfers, despite their visibility and attention, are but a single aspect of foreign policy and foreign relations. I have attempted to integrate into my discussion all the important issues that have impacted U.S.-Peruvian relations to provide an overall framework for viewing specific U.S. policies or decisions. While this interaction of numerous factors and issues makes analysis of a single one--in this case, arms transfer policies--exceedingly difficult, to back off and admit that such an analysis is impossible would be to deny the utility
of much of the research in political science. I will not claim any great discoveries from my research and analysis, but will readily admit that my conclusions must be viewed with caution. And the application of my findings to other countries may well be questionable, because the case of Peru seems quite obviously a deviant one.

Despite all these drawbacks, I feel confident that my research and writing will add a very minute cog to the vast store of social science research. In fact, a combination of numerous case studies such as mine could one day form the basis for a definitive work on U.S. arms transfer policies themselves.

A brief explanation of some of the terms common to the topic of arms transfers is necessary for the reader unfamiliar with the field. "Arms sales" are just that, weapons in exchange for money. "Arms grants" or "grant aid" indicate that the equipment is provided at minimal cost to the recipient; if not absolutely free, the only charge would be to remove the weapons from storage and restore them to operational status. "Arms transfers" and "military assistance" can be either of the above, but if the specific form of transfer is important, it should be indicated. "Credit sales," used when referring to U.S. arms transfers, indicates that the recipient has financed the purchase through a U.S. government-guaranteed loan. This guarantee generally insures that the interest rate on the loan will be lower than current
commercial rates. When "commercial sales" are specified, the foreign government has made its purchase directly from the weapons manufacturer. Most sales are conducted on a government-to-government basis, which means that the weapons are purchased through the same U.S. government channels as its own weapons. While some of these differences may seem insignificant, they are vital to the understanding of U.S. arms transfer policies.
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CHAPTER II

EARLY POSTWAR ASSISTANCE

I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures.

I believe that we must assist free peoples to work out their own destinies in their own way.

I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes (8, p. 3).

--President Harry S. Truman in a speech before Congress on March 2, 1947, requesting aid for Greece and Turkey

The Republic of the Philippines Military Assistance Act of 1946, which authorized the President of the United States to provide military training and equipment to that country by sale, loan, or gift, was the foundation for the first U.S. postwar military assistance program since the termination of Lend-Lease. In return for this assistance, the U.S. was allowed ninety-nine year leases on twenty-three military bases within that country. Approximately $10 million of surplus U.S. equipment was provided over the next three years (1, p. 441).

Early in 1947, Great Britain informed the United States government that increasing financial difficulties would force the cessation of its aid to Greece and Turkey after March 31, 1947. The message recalled the 1946 Anglo-American agreements
declaring that Turkey and Greece should not be allowed to fall under Soviet control, and requested that the United States assume this responsibility.

At that time, Greece and Turkey were both feeling communist pressures. Greece was threatened by a communist-dominated resistance movement which was openly supported by Albania, Bulgaria, and Yugoslavia; and Russia, stronger than ever, was pressuring Turkey for control over the Straits of the Dardanelles.

President Truman reacted quickly. His address to the Congress, a portion of which is quoted above, declared that the national security of the United States was at issue in the threat to these distant countries. Accordingly, he placed before Congress a request for $400 million for assistance: $300 million to Greece and $100 million to Turkey. While his speech did not further define "assistance," the hindsight of thirty years has shown that the emphasis was on military assistance. With little debate, Congress approved the President's request.

The assistance program to Greece and Turkey is universally recognized as the basis upon which future U.S. assistance policies were built. In fact, within eighteen months of the signing of that bill, the United States was conducting military assistance programs for four other nations: Iran, Panama, China, and Korea. One reference, discussing the impact of the Greek-Turkish program, notes
that "... it inaugurated the postwar U.S. foreign aid program as a means of opposing indirect Soviet aggression through the use of American money and material" (4, p. 31).

At the same time these bilateral programs were expanding, the United States withdrew its support for the assistance provided under the aegis of the United Nations Relief and Rehabilitation Administration (UNRRA). UNRRA was "... conceived as a joint, allied, nonpolitical effort to provide immediate relief and emergency rehabilitation to the poorer Axis-occupied countries" (4, p. 21). From 1944 to 1947, the United States had contributed $2.67 billion to UNRRA. However, within the context of the growing Cold War, the Truman Administration came to believe that the Soviet Union was using UNRRA funds to strengthen its hold over Eastern Europe. U.S. contributions had made up seventy per cent of UNRRA's budget; without U.S. support, UNRRA collapsed.

The rapid decline of the communist pressures on Greece and Turkey provided a clear justification for the U.S. assistance efforts. The Greek army, using its superior U.S.-supplied weaponry, routed the communist guerrillas in 1949. And the Turkish military, outfitted with equipment from the United States, now included a modern, streamlined army, a defensive navy, and even a tactical air force. Turkish military capabilities had increased significantly.
Thus, it is not surprising that the concept of military assistance gained increasing acceptance.

On June 25, 1949, the same day that he signed ratification of the North Atlantic Treaty, President Truman presented a draft bill to Congress proposing that a coordinated Military Assistance Program (MAP) be established. The President envisioned MAP as the cornerstone for the future security of the Free World. The State Department wrote:

MAP is a vital and specific means of augmenting the collective military strength of free nations friendly to the United States recommended for the common defense in preserving world peace and as a necessary means of furthering the security of the United States (7, p. 1).

The Congress did debate this bill, rejecting the original draft as an unacceptable expansion of presidential power and authority. A revised draft was approved during September, and the bill was signed into law as the Mutual Defense Assistance Act of 1949 on October 6 of that year. Under the provisions of the act, the United States would provide assistance (to include military assistance) to its eight North Atlantic Treaty Organization (NATO) allies, Iran, Korea, Greece, Turkey, the Philippines, and China.

Continuing the thrust of earlier postwar assistance programs, the Mutual Defense Assistance Program (MDAP) emphasized the primacy of economic recovery: military assistance was but one of a series of measures to help nations achieve this goal. However, Brown and Opie suggest
that military assistance, while gaining importance through expanding programs, was deliberately soft-pedalled to avoid unnecessary provocation toward the Soviet Union (3, p. 5). Other documentation for the period lends support to this position. There is a clear sense of expanding U.S. military assistance, while the emphasis on other programs generally declined.

Whether pretense or not, the invasion of South Korea in June, 1950, ended the previous priority given to economic assistance. Economic recovery remained the goal, but the United States realized that this recovery was endangered by the spread of communism in several areas of the world. President Truman and his Secretary of State, Dean G. Acheson, implemented their new policy of containment to counter the communist threat. This was clearly evidenced by a dramatic acceleration of military assistance from the U.S. to its allies. According to Louscher, the ratio of U.S. economic assistance to military assistance during the period 1946 to 1950 was approximately eighty to twenty; by the end of the Korean War the two elements were virtually equal (5, p. 938). The following quotation is probably the best summation of this policy shift: "Economic recovery then became increasingly subordinated to rearmament and the economic aid was justified to the extent that it contributed to the defense effort" (4, p. 43). Even the Marshall Plan,
reknowned for its contribution to the economic recovery of Europe, switched its emphasis to military aid.

Inevitably, this shift necessitated changes in the Mutual Defense Assistance Program. One of the earliest revisions served to expand the number of countries allowed to acquire U.S. weaponry. This amendment authorized the President to provide reimbursable aid (sales) to any nation whose ability to defend itself or its geographical area was deemed important to the security of the United States. Although this provision did specify "reimbursable aid," the burden was not nearly as onerous as one might think. The price for surplus U.S. weapons was simply the cost to remove them from storage and return them to operational condition. Relatively advanced aircraft, ships, armored vehicles, and other war materials could be acquired for a fraction of the original cost.

Another important development in U.S. assistance was implemented in the Mutual Security Act of 1951. This act served to combine what previously had been several separate assistance programs into one single coordinated program. The MDAP, the Technical Assistance Program, and various programs of the Economic Cooperation Administration were melded into the Mutual Security Act as "...mutually supporting aspects of a single effort in strengthening the free world in its resistance to communism" (1, p. 505). Noting the title of the act itself, it is obvious that military
assistance was not one among equals: it was clearly dominant.

Three years later, in the Mutual Security Act of 1954, Congress acceded to the Eisenhower Administration's request to further broaden the scope of eligible nations. This act authorized U.S. military assistance to any country that the President had determined to be important to the security of the United States. Effectively, the only change was to delete the stipulation that nations not otherwise eligible for assistance under the act must reimburse the U.S. Treasury for all assistance received. With this alteration, U.S. postwar security assistance policy had assumed its definitive shape for years to come.

U.S. Postwar Assistance to Latin America: Early Policies

World War II marked a dramatic extension in the already dominant relationship of the U.S. to Latin America as a whole. Despite the well publicized Nazi sympathizers in Argentina and Uruguay, Latin America played a minimal role in the war that engulfed every other continent, save Antartica. The war did serve to withdraw substantial European influence from the area as attentions were centered on the conflict at home: Germany, Spain, France, and Great Britain all suffered this same decline to varying degrees. Into the breach stepped the United States, which led a cooperative effort directed primarily at patrolling the sea lanes and protecting
the Panama Canal. The vehicle for this was the Inter-
American Defense Board, established under the leadership
of the United States; its purpose was to recommend measures
for hemispheric defense.

During February, 1945, representatives of the United
States and the Latin American nations met at Chapultepec,
Mexico, to discuss the future defense posture of the
Americas. It was decided that the cooperative effort
undertaken during the war should be continued. The cul-
mination of these discussions was the Inter-American Treaty
of Reciprocal Assistance, commonly called the Rio Pact. It
was signed by President Truman on September 2, 1947. The
Rio Pact specified that "... an armed attack by any State
against an American State shall be considered as an attack
against all the American States..." (2, p. 18). The
signatories were obligated to meet to discuss any acts of
aggression against member nations, and take whatever co-
operative measures the group agreed upon to resist the
aggression. The twenty-two nations joined under the Rio
Pact included virtually every country in North, South, and
Central America. Canada was the only significant omission,
by its own choice.

Funding for military assistance grants to Latin
America, included in President Truman's budget for both
1946 and 1947, had been deleted by a skeptical Congress
both years (3, p. 50). With the signing of the Rio Pact,
the Administration had hoped to be able to provide some military assistance to the region to begin building up forces to put some teeth into the collective security provisions. However, the mood of Congress against furnishing military hardware was so strong that the next year's budget did not even propose any assistance. Under the provisions of the Mutual Defense Assistance Act of 1949 (discussed above), some Latin American nations were provided reimbursable military assistance. No military assistance grants were provided until after the outbreak of the Korean War.

During the short inter-war period from 1945 to 1950, relations between the United States and the Latin American countries took a decidedly negative turn. After the war years' emphasis on cooperation and hemispheric solidarity, the Latin nations were extremely miffed by the priority the United States placed on European recovery. Given the fact that by 1948 Europe as a whole enjoyed a higher standard of living than did Latin America, it is not difficult to understand the Latin viewpoint (1, p. 432). The so-called "filter-down theory," which prescribed the return of a dynamic European economy to provide markets and capital for the economic advancement of other areas of the world, was widely criticized in Latin America (and elsewhere). Nevertheless, requests for grants and loans of the same magnitude as those provided to Europe were denied by the U.S.
The Mutual Security Act of 1951, while not addressing this issue, did authorize the President to provide military assistance grants to Latin America for the first time. By the end of 1955, twelve Latin nations had joined with the United States in bilateral agreements providing avenues for receipt of the aid. (It is interesting to note that these were all executive agreements, not subject to Congressional approval.) In fact, Latin America continued to receive minimal attention and assistance, as shown by the fact that approximately three-fourths of all military assistance from the United States to the Third World during the period from 1950 to 1960 was sent to countries that bordered on the USSR or the Peoples Republic of China (6, p. 51). Even so, this new policy was perceived by most Latins as a step toward allowing them to act according to their own needs, rather than having the United States dictate their actions.
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CHAPTER III

THE EARLY POSTWAR PERIOD

Most Latin American States have sought to achieve as much autonomy as possible in world affairs, but their capability deficiencies have made them dependent to some degree on outsiders for protection and assistance. Given this state of affairs, they have attempted to limit the coercive actions of external states while gaining assistance from them through international organizations—in the present instance, the United States through the Inter-American System (1, p. 310).

Given the historical tendency of the United States to view Latin America as a single unit rather than a group of individual nations, it is not surprising that U.S.-Peruvian relations before 1945 are probably best characterized as "nondescript." This should not be interpreted too disparagingly, as one suspects that this is true of virtually all of the individual Latin nations. Although there was little significant interaction, Philip describes U.S.-Peruvian relations before 1945 as "generally good" (4, p. 42).

Shortly after the end of World War II, however, an especially divisive issue (and one that continues unresolved to this day) did arise between the two countries: the fisheries dispute. The origin of this dispute can be traced to a proclamation by President Truman in September of 1945, in which he stated that the United States would enforce jurisdiction over its oil-rich continental shelf,
and he further proclaimed the right of the United States to establish conservation zones for fisheries beyond the traditional three mile limit (9, p. 332). The significance of this action was not lost on the rest of the world. Latin nations with long coastal boundaries and sizeable fishing industries soon followed the U.S. lead. By 1947, Mexico, Argentina, and Chile had issued proclamations establishing their right to regulate fishing up to two hundred miles from their respective coasts. In 1947, Peru also proclaimed a two hundred mile fisheries limit, but made no mention of foreign fishing rights within that zone. While the other countries had included provisions for allowing foreign vessels inside their fishing zones, the specific omission of any such provisions in the Peruvian declaration implied that foreign vessels would not be allowed at all.

The United States, with its large fishing industry, quickly made known its dismay over these developments. The coastal waters west of South America were a major haunt of the U.S. commercial fishing fleet. Ninety per cent of the U.S. tuna catch came from these waters (8, p. 224). The Peruvian declaration, as noted above, was especially threatening: if enforced, the potential impact on the U.S. fishing fleet could be disastrous. Numerous international conferences and negotiations were conducted among the nations concerned, but no agreements were forthcoming. There was little pressure on the U.S. to come to a settlement, as it
was common knowledge that none of the countries involved possessed the means to enforce their proclamations. In fact, the fishing went on with little change during this period.

In the Declaration of Santiago, issued during August, 1952, Chile, Ecuador, and Peru allied themselves to support each other's claim over a two hundred mile maritime zone. Two years later the three nations supplemented the Declaration by announcing their intention to enforce the claims, to include the use of their armed forces if necessary. In response, the U.S. Congress enacted the Fishermen's Protective Act of 1954, which provided compensation to U.S. fishing vessel owners for fines paid to foreign governments as a result of "unlawful" seizures. The rather blatant effect of this legislation was to encourage U.S. fishing boat captains to ignore the two hundred mile limits set by the South American countries.

It had been widely recognized that the proclamations of earlier times would have little immediate impact, since none of the Latin nations possessed the means to enforce their new policies. However, the acquisition of modern naval units (most of which, ironically, came through the U.S. Military Assistance Program) turned the issue into a dispute. The year 1955 saw the first seizure of U.S. fishing vessels by the Peruvian Navy; many more would follow.
Probably the first notice of Peru made by the general public in the United States came during the 1958 visit of Vice-President and Mrs. Richard Nixon to that country. Violent anti-American demonstrations highlighted the Nixons' visit, which was only one stop on their "good will" tour of Latin America. The communist-inspired riots utilized the familiar theme that Peruvian needs were being ignored by the United States. Nevertheless, the incident seems to have had little impact on relations between the two countries.

As incidents flared in Lebanon, Malaysia, the Congo, Cuba, and what had been French Indo-China, the United States began to shift its perspective on the communist threat. Subversion from within, rather than conventional military action, was recognized as a new aspect of the communist drive to dominate the world. To counter this new threat, the U.S. revised its earlier emphasis on building up the "front-line" nations of the Free World: aid soon began to flow to other parts of the world where the U.S. perceived a possible threat from communist subversion. Latin America proved to be one of the earliest beneficiaries of this policy shift. During the summer of 1960, President Dwight D. Eisenhower announced the formulation of a new plan that would provide $500 million for economic development in that region. This plan included some fundamental changes from earlier U.S. assistance policies. For the first time, the United States would provide loans for long-term social
projects such as low-cost housing, improvements in education and land reform (1, p. 165). To say that these changes represented a radical departure from previous U.S. policies would not be overstating the case.

The Alliance for Progress

The election of John F. Kennedy to the Presidency in 1960 was widely hailed throughout Latin America as foreshadowing a new era of U.S. attention to, and cooperation with, its southern neighbors. Cuba had been a major issue during the campaign, and Kennedy's speeches repeatedly stressed the need for better relations with the whole of Latin America. The fact that the new President was a Catholic only served to enhance the expectations.

Kennedy was not long in acting. Less than three months after taking office, he unveiled his new program for Latin America. Called the Alliance for Progress, the program had its basis in President Eisenhower's plan of the previous year. The goal of the Alliance for Progress was to preclude further communist inroads into the hemisphere. To achieve this goal, the rate of economic development and social reform would be increased to provide a sound basis for self-government. The unstated assumption was that, given their free choice, the peoples of Latin America would reject the communist doctrine and follow the lead of the United States. More specifically, the Alliance for Progress called for a vast cooperative program among all nations of the hemisphere.
to raise standards of health, housing, and income. To this end, the President pledged that the United States would contribute eleven billion dollars for assistance over the next ten years (5, p. 304).

Less than a month after the grand pronouncements concerning the Alliance for Progress, the CIA-sponsored Bay of Pigs invasion failed in its attempt to overthrow the Cuban government of Fidel Castro. Revelation of the U.S. role in the ill-fated venture forced President Kennedy to personally accept all blame for the debacle. Though the U.S. had suffered a severe blow to its prestige, the President's resolve to assist the peoples of Latin America (and fight communism) seemed to be strengthened.

At a special meeting of the Inter-American Economic and Social Council (a Council of the Organization of American States) in August, 1961, the Charter of Punta del Este formalized the Alliance for Progress as a multilateral program rather than a U.S. declaration. The Charter called for a cooperative effort among all the nations to achieve a higher standard of living for the peoples of those nations. The United States was obligated to provide long-term developmental assistance, most of which would be administered by the Inter-American Development Bank (IADB). The Latin nations were required to undertake extensive economic and social development planning, and also to provide some measure of financial support. The lofty aspirations of the participants
are quite apparent in this excerpt from the text of the Charter:

It is the purpose of the Alliance for Progress to enlist the full energies of the people and governments of the American republics in a great cooperative effort to accelerate the economic and social development of the participating countries of Latin America, so that they may achieve maximum levels of well-being, with equal opportunities for all, in democratic societies adapted to their own needs and desires (2, p. 213).

All the member nations of the Organization of American States (OAS), except Cuba, signed the Charter.

The Hickenlooper Amendment

At the same time the Alliance for Progress was being debated in Uruguay, the United States Senate was considering President Kennedy's proposed Foreign Assistance Act for 1962. When Senator Bourke B. Hickenlooper (D-Iowa) introduced an amendment to require the suspension of all U.S. assistance to any country that expropriates U.S. property without timely compensation, little notice was taken. The amendment clearly was directed against Cuba. Despite the protestations of the State Department that the provision would impinge on the power of the President to conduct foreign policy, the Hickenlooper Amendment, as it came to be known, was enacted as a part of the Foreign Assistance Act of 1962. As is sometimes the case with apparently insignificant or innocuous legislative provisions, the Hickenlooper Amendment would soon be an important factor in U.S. foreign policy. As enacted, the Hickenlooper Amendment read as follows:
Sec. 620(e) The President shall suspend assistance to the government of any country to which assistance is provided under this Act when the government of such country or any governmental agency or subdivision within such country on or after January 1, 1962:

(1) has nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

(2) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned.

and such country, government agency, or government subdivision fails within a reasonable time (not more than six months after such action or after the date of enactment of this subsection, whichever is later) to take appropriate steps, which may include arbitration, to discharge its obligations under international law toward such citizen or entity, including equitable and speedy compensation for such property in convertible foreign exchange, as required by international law, or fails to take steps designed to provide relief from such taxes, exactions, or conditions, as the case may be, and such suspension shall continue until he is satisfied that appropriate steps are being taken and no other provision of this Act shall be construed to authorize the President to waive the provisions of this subsection (2, p. 538).

Within a few short years, the Hickenlooper Amendment would play a central role in U.S.-Peruvian relations.

During this period, relations between the United States and Peru had been generally good: the fishing dispute was simmering but not boiling, the unpleasantness of the Nixons' visit to Peru had subsided, and the high hopes of the new Alliance for Progress were being lauded by all. The Military Assistance Program was in full swing, and, by 1962, Peru
had received more military assistance from the United States than any other Latin country, save Brazil (8, p. 221). In terms of hardware, the U.S. had supplied approximately fifty combat aircraft, seventy-five other aircraft (transports, trainers, and helicopters), eleven warships (destroyers, submarines, and destroyer escorts) and more than one hundred armored vehicles (6, pp. 117-120). In addition, Peruvian military personnel were being trained at U.S. military installations in the United States and Latin America.

The Coup of 1962

The first years of the Alliance for Progress saw President Kennedy's stress on self-determination undermined by an unfortunate series of events. During the three-year period from 1961 through 1964, there were seven military coups d'etat in Latin America, each of which overthrew a constitutionally elected government. One of these coups occurred in Peru during July, 1962. The Peruvian Joint Armed Forces Command, fearful that the contested results of the previous month's election would cripple the nation, staged a coup. The Army drove a tank into the Presidential Palace and arrested President Manuel Prado. (More than one source noted that the tank had been supplied by the United States.) Army General Ricardo Perez Godoy immediately dissolved the Congress and proclaimed himself President. He announced the suspension of constitutional
guarantees, annulment of the contested election results, and promised to work to restore free elections by June, 1963.

On the day of the coup, the U.S. Department of State issued a statement condemning the action and suspending diplomatic relations with that nation. The next day the Department announced the suspension of all various assistance programs to Peru.

This response, while in keeping with President Kennedy's new emphasis on self-determination, marked a dramatic shift in U.S. policy. The Peruvian military leaders were aghast at the U.S. reaction, all the more so because (according to Weil, et al.) the coup leaders had maintained close relations with the U.S. military advisors before and during the coup itself (8, p. 221). However, the U.S.' idealism was not generally shared by other nations, as the new government was recognized by more and more countries. Two months after the coup, in exchange for promises to hold new elections, the United States extended diplomatic recognition to the government of Perez Godoy. Economic assistance programs were reinstated the same day, but military assistance was not resumed for yet another month. While this incident may seem a minor one, its impact on U.S.-Peruvian relations should not be understated. After a period of time, virtually all Peruvians—and especially the military—came to resent the United States for this "interference" in their national affairs. Further, Peruvians seemed to feel that the U.S.
action had exposed their country to ridicule from all nations of the world: they would not soon forget. Nevertheless, the military conducted free elections during 1963, and Peru returned to civilian rule under President Fernando Belaunde Terry.

Whatever else this incident may have done, it certainly did not disrupt the flow of military hardware from the United States to Peru. During 1964, MAP delivered almost thirteen million dollars of military equipment to Peru, the most for any single Latin nation. This amount represented slightly more than twenty per cent of U.S. military assistance to all of Latin America for that year (7, pp. 17, 19). By 1964, virtually every nation in the western hemisphere (except for Canada, Cuba, and Haiti) was receiving U.S. military assistance in the form of training, materiel, or both.

Another rift in the relations between the U.S. and Peru surfaced in 1965, when Peru announced its opposition to the U.S. intervention in the Dominican Republic. Peru did not contribute to the inter-American peace-keeping force created by the Organization of American States that was sent to that country to assist the U.S. forces.

Within Peru itself, the summer of 1965 saw the opening of two communist-inspired guerrilla movements in the central and southern Andes Mountain regions. Although Einaudi characterizes these movements as well-organized and well-planned, they were unable to generate any support from the
populace (3, p. 22). The threats were quickly disposed by the Peruvian military. In fact, the death of the Cuban revolutionary, Che Guevara, in Bolivia in 1967 foreshadowed a marked decline in guerrilla activity throughout the entire hemisphere. The Peruvian case is an important one to note, however: the military's experience in quashing the rebellions may have been the stimulus that alerted the military leaders to the country's drastic need for economic and social reform (3, p. 22).
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CHAPTER IV

THE TURBULENT PERIOD OF THE LATE 1960'S

After pursuing for several decades a rather passive and narrowly focused foreign policy, Peru by the late 1960's had begun to expand its contacts on a global scale, to promote cooperation among the Latin American States and among all developing countries, to insist upon exercising control over the exploitation of its natural resources and, in general, to pursue an independent course (16, p. 219).

The mid-1960's saw several Latin American nations notify the United States that replacement of significant amounts of obsolete World War II or Korean War-vintage military equipment—especially aircraft—would be required in the near future. Most of the equipment to be replaced had been provided through U.S. grants, and was so old that upkeep costs were becoming prohibitive.

The United States recognized the need to update the Latins' military forces. Accordingly, the Department of Defense requested each of the countries (Argentina, Chile, Brazil, Colombia, Peru, and Venezuela) to draft a five-year plan, outlining its future military needs. At the same time the countries were informed that supersonic aircraft would not be supplied to the region before 1969. Cuba's Russian built MiG-21's were at that time the only supersonic aircraft in Latin America. The U.S. intention was to delay
the others from reaching that threshold as long as possible. According to the prestigious *Aviation Week & Space Technology*, the Latins were privately notified that the most advanced aircraft the U.S. would supply were Douglas A-4 Skyhawk attack bombers, North American-Rockwell OV-10 counterinsurgency (COIN) aircraft, or, if the countries were willing to wait until 1969, supersonic Northrop F-5A/B Freedom Fighters (Appendix A) (2, p. 27).

Note must be made here of the F-5. In comparison with contemporary front-line fighters (such as the McDonnell Douglas F-4 Phantom series), the F-5 is a small, uncomplicated, easy-to-maintain, relatively inexpensive aircraft. It is capable of supersonic speeds and this, coupled with its excellent maneuverability, made it a formidable opponent for even the most advanced fighter aircraft. Interestingly, the F-5 was conceived and developed specifically for export to the U.S.' allies, partly using MAP funds. By 1965, several Third World countries had either ordered F-5's or had already received them.

In view of the U.S. stand on supersonic aircraft, Argentina ordered fifty refurbished A-4B Skyhawks from the U.S. in 1965. Chile and Peru both made their preferences known for the F-5A Freedom Fighter, but the U.S. was adamant; A-4 fighter-bombers or Korean War-vintage F-86 fighters could be supplied, but no F-5's. Chile responded by buying twenty-one British Hawker Hunter jets.
The Hunters were superior to the Argentines' Skyhawks, but still not supersonic.

Recognizing the United States' intransigence, France stepped into the breach and announced that its Mirage series of supersonic fighter aircraft would be offered to the government of Peru. After yet another rebuff by the United States, Peru announced the purchase of fourteen Dassault Mirage V fighter-bombers (Appendix A) in April, 1968; experts estimated the cost at thirty-six million dollars (8, p. 118). Although the Mach 2 Mirages would be the most advanced aircraft in South America, the Peruvian military leaders were not yet satisfied that their Air Force was comparable to those of Chile and Argentina. Accordingly, they negotiated with the British for the purchase of six obsolescent Canberra light bombers to provide increased offensive capability. The British announced the sale in May, 1968, shortly after Peru's Mirage purchase. However, because the Canberras had originally been built with MAP funds, the United States retained the right of final approval for the transfer. Citing the financial strain on the Peruvian economy and its adherence to the goals of the Alliance for Progress, the U.S. did veto the transfer shortly thereafter (9, p. 276). However, it seems likely that the U.S. action was less for the professed reasons than to punish the Peruvians for purchasing the French Mirages. Whatever the reason, this ploy was not successful in stopping the transfer either. The British
government was able to locate six other Canberras that had not been built with MAP funding, and the deal went through as planned. Peru received the Canberras late in 1968.

The introduction of Mirage aircraft into Latin America caused quite a stir in the Western Hemisphere. Although the Mirage V purchased by Peru was a somewhat simplified version, it was still an advanced weapons system, clearly superior to any aircraft then operating in South America. An all-out arms race was predicted by many observers. And, in addition to increasing the level of armaments, the Mirage purchase established France as an alternate supplier for future arms needs for the region. The previous dominance of the United States, which had allowed that nation to determine—and enforce—the "appropriate" defense needs for its southern neighbors, was rendered obsolete by the Peruvian acquisition. While the Canberra deal received significantly less attention, it too established a departure from previous British policy. Where Britain had earlier been content to play a secondary role in supplying armaments to the region under U.S. guidance, its disregard for U.S. intentions made clear its intention to play a more active role. The Peruvian arms purchases, symbolized by the Mirage jets, marked a watershed event which would have significant consequences for the entire region.

The first U.S. reaction to the Mirage purchase came from the Congress. The Conte-Long Amendment included in
the Foreign Assistance Act of 1967 was a direct result of the Peruvian action. (The sale had been announced by the French in October, 1967, but not confirmed by Peru until the following spring: thus, the apparent time discrepancy.)

Sponsored by Congressmen Clarence Long and Silvio Conte the Amendment read as follows:

Sec. 620(s) In furnishing development assistance under this Act, and in making sales under the Agricultural Trade Development and Assistance Act of 1954, as amended, the President shall take into account (1) the percentage of the recipient or purchasing country's budget which is devoted to military purposes, and (2) the degree to which the recipient or purchasing country is using its foreign exchange resources to acquire military equipment. When the President finds that development assistance under this Act, or sales under the Agricultural Trade Development and Assistance Act of 1954, as amended, are being diverted to military expenditures, or a recipient or purchasing country is diverting its own resources to unnecessary military expenditures, to a degree, which materially interferes with its development, the President shall terminate such assistance and sales until he is assured that such diversion will no longer take place. No other provision of this Act shall be construed to authorize the President to waive the provisions of this subsection (4, p. 543).

As a direct result of the Conte-Long Amendment, U.S. economic assistance to Peru was curtailed drastically in 1968 and 1969. The Stockholm International Peace Research Institute (SIPRI) reported that U.S. foreign aid officials had warned Peru that they would be "... unable to come to any decisions on new loans for projects and program work if Peru's budget for 1968 included unnecessary military expenditures. ..." (9, p. 277).
A second amendment to the same Act, again sponsored by Congressman Conte, further restricted U.S. military assistance policies. This amendment specifically prohibited the U.S. government from providing credit guarantees to underdeveloped countries for the purchase of sophisticated weapons, the intent being to discourage military expenditures. This amendment did allow for a Presidential waiver. These measures, enacted in large part as a result of the Peruvian Mirage purchase, were to have a significant effect on the future arms transfer policies of the United States.

U.S. Arms Transfer Policies Shifted

During this same time period, an unrelated event provided the impetus for a significant shift in the arms transfer policies of the United States. In 1967, it was revealed that the U.S. Export-Import Bank had been providing credit to Third World nations to finance purchases of U.S. arms, even though several of these nations were known to be experiencing severe debt-servicing problems on their existing loans. The Export-Import Bank had been founded in 1934 to help promote the recovery of U.S. foreign trade after the Depression: Congress was adamant that the Bank was not intended to finance arms purchases, though the Senate and House differed as to what action should be taken. Legislation was passed in 1967 that
prohibited the Export-Import Bank from financing military purchases for undeveloped nations. The following year this ban was extended to all nations; Bank funds could no longer be used to finance any military purchases.

The Export-Import Bank controversy focused considerable attention on the United States arms transfers policies in general. Congressional pressures, in response to the U.S.' balance of payments problems, forced a drastic reduction in the magnitude of U.S. grants under the Military Assistance Program. Congress emphasized that nations able to pay for military assistance should do so, rather than have the U.S. supply the desired equipment for nothing. It was felt that if governments knew they would have to pay for weapons, they would be less likely to acquire expensive new systems. The end result could see lower arms levels and more money devoted to economic priorities. The year 1968 marked the last authorizations for U.S. grant-aid to Peru, Argentina, Brazil, and Chile, although deliveries of previously-committed material continued through 1971.

The Executive Branch recognized that these two actions would have a substantial effect on the ability of the U.S. to provide arms to its allies. Essentially, the U.S. would only be allowed to provide arms to countries that could pay for them in cash. As an alternative, President Lyndon B. Johnson proposed that the Congress allocate $296 million for a new program of credit arms sales within the
Department of Defense. The new program, under which that Department would guarantee loans to approved countries, would provide funding at interest rates below the commercial market. The Administration emphasized that sales to foreign nations would have a favorable effect on the balance of payments, and further argued that some reasonable means should be made available to accomplish these sales. The Peruvian purchase of Mirages was also spotlighted, as the Executive Branch pushed for approval by arguing that if the United States would not provide the arms that its allies wanted, then other nations would. Congress was convinced, and approved President Johnson's full request in the Foreign Military Sales Act of 1967. Debate on the bill had surfaced concern that excessive resources were being diverted from economic development to purchase arms in several Latin American nations. As a result, Congress imposed a ceiling of seventy-five million dollars per year for U.S. arms sales and military assistance to Latin America. This ceiling, subject to an increase of one hundred per cent if the President found it in the national interest, was included in the Act.

The following year, Congressional debate on the Foreign Military Sales Act expanded. The FMS Act of 1968 incorporated provisions similar to the Conte and Conte-Long amendments to the Foreign Assistance Act, extending their considerations to U.S. arms sales. And, in response to
Ecuador's enthusiasm for seizing U.S. fishing vessels, Representative Thomas Pelly introduced an amendment that would require the suspension of U.S. military sales to any country that illegally seizes U.S. fishing boats. The amendment became law as part of the FMS Act of 1968. It read as follows:

Sec. 3(b) No sales, credits, or guaranties shall be made or extended under this Act to any country during a period of one year after such country seizes, or takes into custody, or fines an American fishing vessel for engaging in fishing more than twelve miles from the coast of that country. The President may Waive the provisions of this subsection when he determines it to be important to the security of the United States or he receives reasonable assurances from the country involved that future violations will not occur, and promptly so reports to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate. The provisions of this subsection shall not be applicable in any case governed by any international agreement to which the United States is a party (4, p. 540).

U.S.-Peruvian relations would soon feel the effects of all of these Congressional actions.

The International Petroleum Company Case

The 1960's were a troubled time for Peru's President Belaunde. One of his most perplexing problems concerned the International Petroleum Company (IPC), a subsidiary of the huge Standard Oil of New Jersey. IPC, which had been operating in Peru since the 1920's, held a virtual monopoly on that country's oil production in the 1960's. Rising national consciousness since World War II had focused on
IPC as a symbol of foreign exploitation and humiliation for all Peruvians. Critics argued that IPC was a typical extractive industry which provided lucrative profits for its foreign owners, but nothing for Peru. The Belaunde Administration itself estimated that IPC had extracted $690 million worth of oil over the years (17, p. 330). That profits were indeed substantial is confirmed by the fact that IPC returned an annual average dividend of more than forty per cent from 1921 through 1950 (1, p. 139). It is not surprising that sentiment within Peru showed considerable favor for nationalizing the company. The more vehement critics further argued that the exorbitant profits would negate the obligation for compensation under international law if the company were nationalized.

By the early 1960's, it had become apparent that the Peruvian government would establish some control over IPC, although the exact form was not known. In fact, one of Candidate Belaunde's 1963 campaign promises had been to reach a settlement on the IPC matter within ninety days. Negotiations between the company and the government produced no such settlement. IPC was left in a state of flux, unsure of its position. Because Standard Oil was a U.S. business concern, the U.S. government intervened. In an attempt to pressure the Peruvian government to negotiate a settlement, the United States reduced its level of economic assistance to Peru in 1964 and 1965 (2, p. 254). Unfortunately, this
intervention served only to exacerbate an already serious situation; a settlement was no closer. The United States recognized this, and resumed all economic assistance in 1966 in return for a Belaunde promise not to nationalize the company.

Despite the United States' differences with Peru over its arms purchases and the IPC affair, President Belaunde was most concerned with his country's economic problems. Social reform programs that he had instituted shortly after his election were causing a severe strain on the government treasury. It seems likely that the United States' curtailment of its economic assistance in 1964 and 1965 served to magnify the problem even more. Belaunde himself later characterized the U.S. actions as "financial blackmail" (17, p. 294). In an attempt to reduce the considerable external debt Peru had accumulated, the government devalued its currency in September, 1967. The general effect within Peru itself was to increase prices, but there was no corresponding wage adjustment. Public opposition to the government grew, and the situation deteriorated into a perpetual crisis. From September, 1967, through October, 1968, Belaunde formed five different Cabinets.

Despite these considerable economic difficulties, it was during this time that President Belaunde had given his approval for the French Mirage purchase discussed above. In fact, SIPRI reported that he granted Peru's armed forces the
authority to float a $120 million, five-year loan to purchase even more equipment (9, p. 262). An intriguing insight into the affairs of government is offered by another quote from SIPRI: "Belaunde was reported to have admitted privately that any attempts to impede the purchase of supersonic aircraft would have ruptured his relations with the military beyond repair" (9, p. 262).

The 1968 Coup

It was to no avail. On October 3, 1968, a military junta forcibly removed President Belaunde from office and put him on a plane bound for Buenos Aires. The avowed reason for the coup was Belaunde's recent settlement with the IPC, although it seems more likely that the military feared that the country was plunging into total chaos. The junta dissolved the Congress and established martial law to maintain order. The leader of the junta was Juan Velasco Alvarado, the Commanding General of the Army and Acting President of the Armed Forces Command; he was proclaimed the new President. Other generals were appointed to fill all fifteen cabinet ministries in the new government.

Denouncing Belaunde's settlement with IPC as a sellout to the United States and a fraud for the people of Peru, one of the first actions of the junta was to annul the agreement. On October 9, 1968, with the coup only six days old, military units took possession of the company's important La Brea y Parinas oil field and its refinery
complex at Talara. Four months later, the company's remaining assets were also nationalized.

The United States, as it had done in 1962, suspended relations with Peru upon learning of the coup; aid programs were also suspended. However, this suspension proved to be short-lived. The U.S. resumed diplomatic relations three weeks later, after receiving notification that the new government intended to honor Peru's international obligations. Most aid programs were resumed shortly thereafter.

The coup seems to have stirred little public emotion in Peru, either in favor or opposition. Military coups were not exactly unknown there, as this was the third one in twenty years to overthrow a democratically-elected government. In fact, the period after the coup was characterized by a noticeable decline in political intensity from both the left and right, probably as a result of the chaotic situation under President Belaunde. These two factors combined to provide relatively stable conditions for the new government.

Although the junta pledged itself to speed the pace of needed economic and social reforms begun under President Belaunde, new programs were not immediately forthcoming. On the other hand, the thrust of the new government's foreign policy became apparent within a very short time. By early 1969, it was evident that the junta had chosen to assert its independence from the United States by charting its own
diplomatic course. Probably this course, which focused on differences between those two nations, was meant (at least partially) to help generate public support for the junta. Whatever the reasons, three specific policies of the junta served to demonstrate the new thrust: first, the expropriation of IPC; second, a move toward a policy of accommodation with the Communist bloc nations; and third, a return to the strict enforcement of the two hundred mile coastal boundary.

The IPC expropriation has already been discussed. Properties of several other companies, some of them U.S.-owned, were expropriated in the months following the coup. The United States had no immediate response for these actions; however, the expropriations and the Hickenlooper Amendment would become a major issue the following year.

The second thrust was highlighted by the establishment of diplomatic relations with the Soviet Union on February 1, 1969. A trade agreement between the two nations followed two weeks later. In the ensuing months, formal relations were established with several other communist nations of Eastern Europe.

Strict enforcement of Peru's two hundred mile maritime zone was to provide the earliest and most visible confrontation with the United States. On February 4, 1969, the U.S.-registered fishing vessel Mariner was seized by Peruvian naval vessels while fishing more than twelve
miles from the coast. In accordance with the Pelly Amendment, the U.S. State Department announced the suspension of arms sales to Peru. It was emphasized that this suspension was a provisional one based on preliminary reports of the incident; final disposition would be announced following a more complete report. It appears that the United States was attempting to leave the door open if Peru decided to seek some sort of accommodation. However, the seizure of two more U.S. fishing boats in March and another in May made it clear there would be no accommodation. Accordingly, the United States notified the Peruvian government that the suspension would be fully enforced.

During these same months, the IPC case was being studied by the U.S. government. The administration of newly-elected President Richard M. Nixon was convinced that invocation of the Hickenlooper Amendment, which would automatically suspend all U.S. assistance to Peru, would only serve to exacerbate the already strained relations between the countries and lessen the chances for any sort of compromise on the issue. The President sent a special emissary to Peru to discuss the matter. In negotiations with President Velasco and members of his Cabinet, the U.S. emissary was told that Peruvian law provided a procedure through which IPC could appeal the government's ruling. When IPC agreed to proceed with this appeal procedure, the Nixon Administration determined that this was within the meaning of "appropriate steps" as
delineated in the Hickenlooper Amendment. U.S. assistance programs to Peru would not be suspended as a result of the IPC expropriation. Although the Hickenlooper Amendment was not formally invoked, U.S. assistance to Peru declined significantly after 1968. Blasier notes that the U.S. continued the spirit, if not the letter, of the Hickenlooper Amendment for several years (2, p. 261). The United States further curtailed assistance to Peru by successfully influencing the World Bank and the Inter-American Development Bank to freeze all loans to that country (17, p. 331).

Relations between the two countries probably reached their lowest point on May 23, 1969, the day that Peru was officially notified of the U.S. ban on arms sales. That same day, the government of Peru informed the United States that the upcoming visit of Governor Rockefeller's delegation would be "inconvenient," and requested that it be postponed indefinitely. In less diplomatic terms, the U.S. mission was not welcome in Peru. Also on that same day, the United States' military missions in Peru were ordered to leave the country. The general situation was so inflamed that the U.S. Senate Subcommittee on Western Hemisphere Affairs conducted hearings on the state of U.S.-Peruvian relations in the spring of 1969. When one remembers that this was the height of U.S. involvement in the Vietnam conflict, the importance is clear.
Fortunately for both sides, the differences escalated no further. A month of quiet negotiations culminated in the United States' decision to lift the Pelly Amendment ban on arms sales to Peru. Coupled with the announcement lifting the arms sales ban, the U.S. issued an invitation to Chile, Ecuador, and Peru to meet with U.S. representatives to discuss the fishing dispute (now commonly known as the Tuna War). The four nations met at Buenos Aires in August. No decisions were reached but all parties agreed that they had reached a "... better understanding and appreciation of the points of view of their respective countries" (12, p. 216). While U.S.-Peruvian relations were still far from harmonious, these negotiations indicated that both sides were willing to back off from the brink they had approached and discuss their differences.

Like the sanctions of the Hickenlooper Amendment, formal retraction of the ban on arms sales to Peru did not open the floodgates for U.S. aid. An unstated, informal restriction remained in effect here, too. Deliveries of military equipment to Peru under the Foreign Military Sales Act had been $4.1 million in 1968; the next year, only $700,000 worth of hardware was delivered. And the previously-legislated wind-down of MAP saw deliveries decline from $7.8 million in 1968 to $2.3 million in 1969 (10, p. 21).

Peru did not make any arms acquisitions on the scale of its Mirage purchases during the period following the coup.
However, it did turn to France again for the purchase of a number of Alouette helicopters and AMX-13 tanks. In fact, several Latin nations were reacting to U.S. restrictions on arms sales to the region by purchasing European weapons. During the period from 1967 through 1969, Latin American nations spent nearly $200 million for European arms, more than double the amount spent for U.S. purchases during the same period (6, p. 256).

President Nixon's New Policies

President Richard M. Nixon, pledging increased U.S. attention to Latin American affairs, assumed office in January, 1969. His reception of Senor Galo Plaza, the Secretary General of the Organization of American States, at the White House on the President's inauguration day seemed to underscore his attentions. And the very next day, the new President asked Governor Nelson A. Rockefeller to go to Latin America to consult with other leaders and help the Administration formulate new policies for its conduct of inter-American relations. (This was the group that Peru would refuse to see when U.S. arms sales to that country were suspended.) The Rockefeller mission did visit twenty nations of Latin America during the spring and summer of 1969 in a tour marked by riots and demonstrations, oftentimes violent, against the United States.
The findings of the mission were detailed in the so-called Rockefeller Report, issued on August 30, 1969. In his report, the Governor was highly critical of past U.S. policies toward its southern neighbors. Rockefeller scored previous administrations for raising Latin expectations to unrealistic heights under the Alliance for Progress, and then being unable to follow through on those promises. He cited this as a primary cause of Latin displeasure with the United States (7, p. 66). A second criticism leveled by Governor Rockefeller concerned the several restrictions on U.S. assistance policies, including the Pelly and Hickenlooper Amendments. He noted that while these restrictions might seem quite reasonable to us, their attempt to dictate acceptable policies was viewed as a direct violation of the sovereignty of the recipient nations. Appearing before the U.S. Senate Subcommittee on Western Hemisphere Affairs to discuss his report, the Governor addressed this point directly. In response to a question from the Subcommittee Chairman, Senator Frank Church (D-Idaho), Governor Rockefeller said:

Senator, I have to challenge a basic assumption, that if we do not send aid and if we cut off our relations we are going to achieve the goal that you want, restoration of democracy. This, in my opinion, is the fundamental error made in this country as to how we achieve the goals of human dignity and freedom and opportunity which are our objectives (15, p. 14).
Evidence that Rockefeller's recommendations would be heeded came during November, 1969, when the President announced that some U.S. loans for economic development to Latin America could thereafter be used for purchases within that region. Whereas it had been the policy that all funds provided through U.S. loans had to be spent for U.S. products, this new policy was an important step in demonstrating that U.S. assistance was primarily intended to help the recipient nations. In the same speech, President Nixon declared his intention to shift the focus of U.S. assistance policies away from bilateral arrangements and toward multilateral assistance programs. This move too would further silence those who would question the underlying intent of foreign aid.

Late in 1969, the *State Department Bulletin* provided an outline for the Administration's Latin American policies. Emphasizing that the Administration would take actions rather than make promises, five principles were presented as a basis for all actions: 1) a firm commitment to the inter-American system; 2) respect for national identity and national dignity in the community of independent states; 3) a firm commitment to continued U.S. support for hemispheric development; 4) U.S. assistance to support Latin American initiatives through multilateral channels; and 5) continued dedication to the improvement of the quality of life in the Western Hemisphere (11, p. 410). Despite the
high-sounding ideals, time was to show that the Nixon Admin-
istration policies would concentrate almost exclusively on
the fourth principle listed above, Latin American initia-
tives. When these initiatives were not forthcoming, there
was little need for action. Gaspar characterizes the pol-
icies of the Nixon years as "benign neglect" (5, p. 30).
Given the U.S. preoccupation with the Vietnam conflict, it
is not surprising that little attention was devoted to
Latin America. The Rockefeller Report was filed away and
largely forgotten.

President Nixon's defense policies, which included
increased attention on arms sales to U.S. allies, did signal
a significant change in U.S. arms transfer policies toward
Latin America. The new policy stemmed from the President's
determination to reduce the U.S. military presence abroad.
To offset this reduction, other nations would be provided
with equipment to bolster their own self-defense capa-
bilities. The unstated addendum to this policy called for
the removal of Congressional restrictions on U.S. military
assistance to allow the President a free hand in carrying
out his new policy. While the Administration probably had
the Middle East and Southeast Asia foremost in its thoughts,
the push to lift restrictions also became a factor in Latin
policy. As early as July, 1969, the Honorable Charles A.
Meyer, the Assistant Secretary for Inter-American Affairs,
urged a Senate subcommittee to remove these restrictions
and allow each country to determine its own military needs. Arguing to support his position, Meyer told the Senators:

Unfortunately, the long-term consequence of our paternalistic, even patronizing, restrictions will be the acquisition of more expensive items, higher maintenance costs, and greater diversion of financial resources from civilian purposes (13, p. 102).

And a Department of State publication summarizing the foreign policy of President Nixon's first year in office, in its discussion of U.S. arms transfer policies, noted that "... we recognize that we cannot impose our goals on other countries" (14, p. 168). The drive to lift Congressional restrictions on U.S. military assistance had just begun; it would outlast President Nixon's stay at the White House.

The Andean Group

The new government of President Velasco demonstrated its commitment to an expanded role in Latin American affairs by spearheading the formation of a new regional economic association, the Andean Group (sometimes called the Andean Common Market). The impetus for the formation of the new group stemmed from the failure of the Latin American Free Trade Association, formed in 1961, to cope with the special problems of its less-developed members. Accordingly, the Cartagena Agreement, signed during the summer of 1969, joined five of these less-developed nations in an attempt
to reduce restrictive national policies and encourage regional economic development for the best advantage of all the members. Charter members of the Group included Peru, Chile, Bolivia, Ecuador, and Colombia. (Venezuela joined in 1973.) As a result of the pivotal role played by Peru in the formation of the Andean Group, Lima became the site for its headquarters. The future would soon show that Peru's increased attention on international affairs was just beginning.
CHAPTER BIBLIOGRAPHY


CHAPTER V

FEWER CONFRONTATIONS IN THE 1970'S

Suppose that a particular nation ended up with a government in Latin America that we thought was dictatorial and denied the freedoms that we thought people were entitled to, but by anybody's reckoning had taken such other progressive steps that the lives of the people were much improved. Would we be for it or against it? Somebody here said they had never heard that question before (20, p. 224).


The 1970's opened with a great tragedy for Peru. A devastating earthquake, the worst ever recorded in the Western Hemisphere, rocked the nation on May 31, 1970. Up to 75,000 people died, and hundreds of thousands were left homeless (30, p. 337). A massive international relief effort, featuring major contributions from Cuba and the Soviet Union, responded to the disaster. The United States temporarily lifted its embargo on aid to Peru, providing more than $16 million in grant assistance for emergency relief and rehabilitation. The World Bank and the Inter-American Development Bank authorized emergency loans to the beleaguered nation, and the people of the United States contributed vast amounts of food, clothing, and money to help the victims of the disaster. To emphasize U.S. concern
and to insure that its contributions were recognized, Mrs. Patricia Nixon travelled to Peru and toured the stricken area. The following year, Mrs. Consuelo Velasco, the Peruvian First Lady, visited the United States to thank the American people for their assistance in her country's time of need. She awarded Mrs. Nixon Peru's highest civilian decoration for her personal efforts in the disaster relief. While there was little interaction of any substance between the two governments, the First Ladies' visits seemed to bring some improvement in bilateral relations. In December, 1971, the two countries were able to reach an agreement governing the export of cotton textiles from Peru to the United States.

By the early 1970's, the government of President Velasco had quite clearly shown its commitment to reform within a nationalist framework. New policies had been introduced to implement land ownership reforms, an improved educational system, better health care and sanitation facilities, and increased governmental control over the economic system. Velasco himself characterized his reform programs as "socialistic," but emphasized that Peru's brand of socialism was not Marxist (29, p. 77). Although he had initiated closer ties with several communist countries (including the establishment of diplomatic relations with the People's Republic of China in August, 1971), Velasco repeatedly stressed that Peru's economic system was neither
communistic nor capitalistic. Weil et al. in describing the goals of Velasco's government, state, "Its avowed aim is a modification of the social structure in favor of a broader segment of the society to include greater opportunity for social, economic, and educational advancement for the masses" (29, p. 77). United States policy makers, perhaps fearing another Castro, remained somewhat skeptical of the new government.

An accident of nature had served to defuse the U.S.-Peruvian conflict over fishing rights during this period. For some unknown reason, the migratory schools of tuna did not visit the Peruvian coast from 1970 through 1972. The U.S. fishing fleet did not visit the Peruvian coast either, and the two countries enjoyed a brief respite from the dispute. Further north, however, Ecuador was waging the Tuna War with all its might: during the first two months of 1971, seventeen U.S. vessels were seized. The United States invoked the Pelly Amendment and suspended all sales of military equipment to Ecuador under the Foreign Military Sales Act. Ecuador responded by ordering the United States Military Group to leave the country. President Velasco heatedly condemned the United States for its action, and offered his full support to Ecuadorian President Velasco Ibarra. Relations between the U.S. and Peru began another downturn.
The downturn continued to be in evidence during the May, 1972, meeting of the Organization of American States. At that conference, Peru took the lead in proposing that the group's long-standing ban on diplomatic and commercial relations with Cuba be lifted. The United States was able to maintain sufficient support to defeat the proposal, thus continuing Cuba's isolation. Nevertheless, Peru acted unilaterally to establish diplomatic relations with the Castro government on July 8, 1972. That same summer saw additional indications of the leftist orientation of the Velasco regime. The People's Republic of China advanced Peru an interest-free loan of $42 million for economic development. Not to be outdone, the Soviet Union countered with a $30 million loan to finance the building of a large fishing port. Still further, the People's Republic of Bulgaria announced that it would provide technical assistance for the construction of the new port and also for fishing industry equipment. Despite Velasco's continued disclaimers, Peru seemed to be moving closer and closer to the Communist Bloc.

Latin American Arms Sales Ceiling Is Increased

During 1971, President Nixon, citing a possible overrun, exercised his authority under the Foreign Military Sales Act and waived the $75 million limitation on arms transfers to Latin America. He established the new ceiling at $150 million, the maximum waiver limit. Statistics in Foreign Military
Sales and Military Assistance Facts show that U.S. arms sales and military assistance for Latin America for 1971 totalled less than $65 million, leading one to suspect a political motive for raising the ceiling (17, pp. 5, 15). Later, in his proposed FMS bill for 1972, the President requested that the ceiling be lifted permanently to $150 million. Lieutenant General George M. Seignious, the Deputy Assistant Secretary of Defense for Security Assistance, appeared before the U.S. House Committee on Foreign Affairs to support the higher ceiling. Seignious testified that U.S. limitations on providing arms to Latin America had not decreased those nations' military expenditures, but only the portion spent on U.S. arms. According to Seignious, the Latin nations had purchased over $900 million of arms and military equipment from European suppliers during 1970 and 1971, and only $150 million from the United States (24, p. 167). He further noted that Peru's Mirages were no longer the only supersonic aircraft in South America; Argentina, Brazil, Colombia, and Venezuela had Mirages on order or had already received them. Responding to Seignious' testimony, Congress agreed to raise the ceiling, but not to the level desired by the President. The new ceiling was set at $100 million.

In January, 1973, the tuna returned to Peru and, predictably, relations between Peru and the United States suffered. During early 1973, the Peruvian Navy seized more
than a score of U.S. fishing vessels and levied fines on them totalling almost one million dollars (30, p. 337).

Although military sales were negligible (approximately $2.5 million from 1970 through 1972 [17, p. 3]) and the Military Assistance Program had been ended earlier, the Pelly Amendment was invoked.

The heightened tensions between the U.S. and Peru probably contributed to the latter country's decision to purchase a sizeable amount of military equipment from the Soviet Union. Although the Soviets had donated three of their Mil Mi-8 Hip helicopters to Peru in 1970 to assist in the earthquake relief effort, no Latin nation, save Cuba, had yet purchased Russian military equipment. However, Peru's March, 1973, purchase of several T-55 tanks, long-range artillery pieces, and antiaircraft guns broke that record. The purchase price for the equipment was not announced.

Relations on the Upswing

In order to get a first-hand look at the situation, U.S. Secretary of State William Rogers visited Peru in May, 1973, as part of his eight-nation tour of Latin America. According to The Washington Post, U.S. Ambassador to Peru Taylor Belcher had for some time been pleading with the Nixon Administration to temper its differences with Peru and take concrete steps toward improving relations between the two nations. Probably as a result of this pleading, and in preparation for the
Secretary's visit, President Nixon had issued a formal Determination waiving the Pelly Amendment restrictions on U.S. arms sales to Peru. The Determination was issued just one day before Secretary Rogers' arrival in Lima. Armed with this opening bargaining chip, the Secretary's visit was a success. He met with President Velasco and other government leaders, and reportedly came away impressed by their dedication to the advancement of their country (6, p.A21).

The Secretary's visit signalled yet another shift in U.S. policy toward Peru. The United States dropped its earlier objections to loans for Peru, and the assistance immediately began flowing. The Inter-American Development Bank approved two loans totalling $12.3 million to the country for a national health center and to control hoof and mouth disease, and the World Bank provided a $2.5 million loan to develop the nation's agriculture. Additional loans were under consideration at both organizations (6, p. A21).

The Nixon Administration also made it known that, in view of the improved relations between the two countries, it would look favorably on any requests for arms purchases the Peruvians might make. And the President's budget for 1974 included a request to authorize $15 million to provide credit for future arms purchases.

The rationale for the dramatic shift in U.S. policy which allowed approval of the loans deserves some mention. While most sources simply ignore the matter entirely, Werlich
flatly states that there was no apparent reason for the U.S.
loan approvals (30, p. 338). Blasier speculates that Presi-
dent Nixon wanted to prevent President Velasco from allying
himself too closely with Chile's Marxist leader, Salvador
Allende, whom Nixon viewed as a serious threat to Latin
American stability (2, p. 261). And The Washington Post,
as noted above, cited the influence of Ambassador Belcher
as the probable cause for the new U.S. policy. Not a single
source mentioned the purchase of Russian weapons as a factor
in the U.S. decision.

In its proposed FMS bill for 1974, the Administration
again attacked the Congressional ceiling on U.S. military
sales to Latin America as an undue restriction on the Presi-
dent's ability to conduct this nation's foreign policy.
The President's annual report to the Congress on foreign
policy included the following argument:

Our hopes that by unilaterally restricting
sales we could discourage our Latin neighbors
from diverting money to military equipment and
away from development needs have proved unrealistic.
And the cost to us has been considerable: in
friction with Latin American governments because
of our paternalism, and in valuable military
relationships which, in turn, provide an
important channel for communication across a
wide spectrum and influence our total relation-
ships (22, p. 777).

Secretary of State Rogers appeared before the U.S. House
Foreign Affairs Committee to report on his trip to Latin
America and argue for repeal of the ceiling. He reported
that concern over paternalistic U.S. policies, as evidenced
by the arms sales ceiling, were a major cause of discontent throughout the entire region. Congress again raised the ceiling, up to $150 million, but did not remove it.

A New Round of Arms Purchases

In conjunction with Secretary Rogers' visit to Latin America, President Nixon had waived another Congressional restriction on U.S. arms sales. In Presidential Determination No. 73-14, issued on May 21, 1973, Nixon ruled that, "... the extension of credit to the Governments of Argentina, Brazil, Chile, Colombia, and Venezuela, in connection with the sale of F-5 military aircraft, is important to the security of the United States" (18, p. 90). (Note two things: Peru is not included, and the Determination was issued after Secretary Rogers left Peru.) While the F-5 had been available to Latin nations for some years, the Conte Amendment had prevented all but cash sales for the supersonic (i.e., sophisticated) fighter. Although the President's justification for the waiver seems somewhat questionable, Congress offered no objection. Indeed, it appears that the President was openly circumventing the will of Congress to implement his Nixon Doctrine. Whereas Venezuela had been the only Latin nation to purchase F-5's to that time, the lower interest rates on government-insured loans practically guaranteed that other nations would also purchase the aircraft. In fact, Brazil and Chile made immediate inquiries concerning
the improved F-5E version, and both countries later signed agreements to purchase several of these fighter aircraft (Appendix A).

The government of Peru, aware that these two nations were in the process of acquiring new, advanced aircraft, decided to bolster its air force to counter any possible threat from its neighbors' acquisitions. It had been widely reported that Peru was dissatisfied with the French logistics support for its Mirages, and still wanted the United States' F-5. However, the marked omission of Peru from the group of nations allowed credit for F-5 purchases apparently caused the Velasco government to reconsider. Despite President Nixon's belated Determination allowing Peru to purchase the F-5 on credit (issued September 20, 1973) Peru announced on September 30, 1973, that it would purchase eight more Mirage VP aircraft. On the other hand, less than three months later the Peruvians did agree to purchase twenty-four Cessna A-37B Dragonfly light attack aircraft from the United States at a reported cost of $13.6 million (4, p. 9). Thirteen Bell UH-1 Iroquois helicopters were also purchased from the United States during this time period, reportedly for use in oil exploration operations. In fact, Peru's 1974 purchases of U.S. weaponry totalled nearly $25 million.

The improved tenor of U.S.-Peruvian relations during the summer of 1973 provided the opportunity to initiate
the settlement of a long-standing dispute between the two nations. At the request of the United States, Peru agreed to discuss a possible settlement of the expropriated U.S. property. After all the attention focused on the IPC case four years earlier, the administrative appeal of IPC (which had allowed the U.S. to avoid invoking the Hickenlooper Amendment) had been summarily rejected in just four months. While it had not again become a major issue, sporadic mention of the IPC case indicates that it had not been forgotten. From Peru's standpoint, the expropriations had been a serious deterrent to attracting badly-needed foreign capital investment into the country. Seizing the opportunity, President Nixon dispatched a special emissary to discuss, "... certain aspects of some United States investments" (21, p. 310). For domestic political reasons, the Velasco government emphasized that the IPC case would not be included in these discussions, as that matter was resolved. Nevertheless, the discussions are widely referred to as "the IPC negotiations." A settlement was reached in February, 1974, in which the Government of Peru agreed to pay $150 million to the various companies involved, among them Cerro Corporation, W. R. Grace, and H. J. Heinz. Under the terms of the agreement, the United States would assist Peru in financing the settlement. Although Peru again disclaimed any "IPC settlement" the United States later distributed $22 million to IPC (13, p. A20). Peru's
predictable protest, again, seemed more for domestic consumption than anything else. The period following the agreement did see an increase in foreign investment, especially for oil exploration and copper mining.

To attest to the importance of the agreement, the Honorable Jack B. Kubisch, the Assistant Secretary of State for American Affairs, told the U.S. House Committee on Foreign Affairs:

I think that settlement, which we have been negotiating over a period of months under the overall direction of the White House, with a special emissary of the President—that settlement which was signed on the eve of the Mexico Conference—is one of the most significant and symbolic acts by the United States in its new policy toward Latin America. Those disputes had poisoned our relations with Peru bilaterally for some long period of time, and, in a way, had infected the overall inter-American relationships (25, p. 10).

The Nelson Amendment

The Nixon Doctrine's promotion of arms transfers had by this time seen U.S. foreign military sales expand by tenfold. Foreign military sales agreements had averaged approximately $1 billion per year during Nixon's first two years; the 1973 total was almost $6 billion, and the figure for 1974 was well over $10 billion (16, p. 12). It seemed that the United States, the greatest democracy in the world, would sell even its latest, most advanced weapons to anyone who wanted them. The 1974 clash between Greece and Turkey on the island of Cyprus focused even more attention on the matter, as both sides were armed with U.S.-supplied weapons.
Congress recognized that something should be done to curtail this expansion. Despite the restrictions it had imposed on Latin America and Africa (which also had a ceiling on arms sales and assistance), Congress quickly realized that it was quite helpless to stem the tide. The Nelson Amendment, an amendment to the Foreign Assistance Act of 1974 sponsored by Senator Gaylord Nelson of Wisconsin, was intended to establish some sort of Congressional control over U.S. foreign military sales. The Amendment requires the President to report to both Houses of Congress any single sale of defense articles or services that exceeds $25 million, or any agreements with a single country whose total purchases for that year exceed $50 million. Congress then has thirty days to act: a concurrent resolution of both Houses within the thirty-day time period is required to disapprove the sale. Debate on the Amendment was heated. The Administration argued long and hard that the Amendment impinged on the President's constitutional duty to conduct the nation's foreign policy, but to no avail. The Nelson Amendment did involve the Congress more intimately in U.S. arms transfer policies (even though not a single sale has yet been turned down).

The Declaration of Ayacucho

The Latin countries' most visible attempt at arms control took place during late 1974. In the Declaration of
Ayacucho, seven states pledged themselves to halt future acquisitions of offensive weapons; signatory nations included Peru, Chile, Bolivia, Colombia, Venezuela, Argentina, and Panama. Peru's President Velasco, who had earlier in the year called for a ten-year moratorium on purchases of offensive arms for all of Latin America, formally presented his proposal at the conference which preceded the Declaration. While the suggestion was well-received, the conference took no action on it. In view of Peru's clear military superiority over all the other attending nations, due to its recent arms purchases, it is not surprising that the proposal was not adopted.

After the Declaration was issued, the countries held several other meetings to discuss additional steps that might be taken to control the influx of arms into the region. One of the most productive sessions was instrumental in defusing a potential border dispute among Peru, Chile, and Bolivia during 1975. The dispute grew out of Bolivia's long-standing claim for an outlet to the Pacific Ocean. While war had at one time seemed likely, the countries were able to negotiate their differences. After their discussions, the three countries issued a communique in which they agreed in principle to consult among each other about future military activity along their borders, to hold further discussions on a Bolivian outlet to the sea, and to fully support the Ayacucho arms limitation goals (15, p. 32). While the
Declaration of Ayacucho produced no startling breakthrough for arms control, it was widely hailed as a significant first step. The subsequent settlement of the Peruvian-Chilean-Bolivian dispute brought increased respect for the Declaration. It remains in effect today as a basis for possible future Latin arms control initiatives.

When questioned by the Senate Subcommittee on Western Hemisphere Affairs, the Assistant Secretary of State for Inter-American Affairs, the Honorable William D. Rogers, answered that the State Department was "heartened" by the provisions contained in the Declaration of Ayacucho. In describing the United States' response to the Declaration, he said, "We have made it clear that we stand ready to cooperate in any way we can with such arrangements as they may agree upon" (27, p. 134). Later testimony by Secretary of State Henry Kissinger indicated that the response was purposefully low-key to avoid the impression that the U.S. was vigorously supporting arms controls to insure that Latin America would remain perpetually weak (26, p. 26). Whatever the reason, the literature indicates that the United States reaction to the Declaration of Ayacucho was virtually non-existent.

Peru's Government Changes Again

The middle 1970's had seen rising popular dissatisfaction with the Velasco government inside Peru. The economy was
under a severe strain from the world-wide recession which followed the 1973-74 oil crisis, and the above-mentioned Peruvian-Chilean-Bolivian dispute had raised public tensions. When the dissent crystallized in the form of a police strike in Lima during early 1975, the armed forces were called in to restore order. Over one hundred people lost their lives before the disturbances were put down.

When President Velasco suffered a mild stroke two weeks later, the sixty-five year old leader's health added one more uncertainty to an already uneasy situation. Behind the scenes, military factions of the left and right intensified their jockeying for the most advantageous position for the impending succession to power. However, the newly appointed Prime Minister, General Francisco Morales Bermudez, was able to outmaneuver both flanks and establish a clear power base for his right to succeed Velasco. The President resumed his duties shortly after the stroke, but it soon became apparent that he was not fully recovered. His actions became increasingly arbitrary and unreasonable. Finally on August 29, 1975, Peru's top military officers removed Velasco from office and proclaimed Morales Bermudez as the new President.

Bermudez' first public statements upon assuming office emphasized his continued dedication to the goals and priorities of the revolution that had begun under Velasco; he asserted that the only change was in the leadership and
its methods. Bermudez' first cabinet was decidedly more moderate than its predecessors, as several prominent leaders from both extremes were sent to new assignments far away from Lima. In one of his first moves after taking office, Bermudez granted a broad political amnesty to those who had been imprisoned by the Velasco government. This act seemed to still most of the earlier unrest as the populace adopted a "wait-and-see" attitude toward the new government.

Shortly after assuming power, Bermudez sent a clear signal to Washington that the new government would like to maintain friendly relations with its larger neighbor. The property of the Marcona Corporation, a U.S.-owned mining corporation, had been nationalized during 1975 in what was generally viewed as one of President Velasco's most irrational actions. Less than a month after taking office, the new Peruvian government and the United States announced that they had reached an agreement on compensation for the nationalized property. According to The Department of State Bulletin, the agreement, "... removed an obstacle to the constructive relations to which both governments are committed" (23, p. 487).

By January, 1976, the new government had formulated its own policies for carrying on the revolution, but they signalled a significant shift to the right when compared with the earlier Administration. Under the leadership of the new
Finance Minister, Dr. Luis Barua Castenada (a respected economist and first civilian cabinet officer since 1968) instituted a new program of fiscal austerity to gain control over the rampant inflation and establish a base to rejuvenate the economy. Salaries were frozen, taxes increased, subsidies eliminated, and a number of major industries that had been nationalized were returned to their former owners under the new government. Bermudez, who had himself served as a Finance Minister in an earlier Cabinet, had clearly placed the highest priority on Peru's economic recovery; the revolution would be somewhat delayed (30, p. 367).

A significant sign of the general state of U.S.-Peruvian relations came in February, 1976, when Secretary Kissinger visited Lima as part of his Latin tour. Although his discussions with the Peruvian leaders apparently produced few concrete results, his toast to the Peruvian Foreign Minister at a state dinner provides an interesting insight into the U.S. view of Peru. The speech was conciliatory, but at the same time, included an undisguised warning to Peru. In one segment of his toast, Kissinger said:

Peru has chosen a nonaligned path. The United States accepts nonalignment as a legitimate national course. Indeed, our global interest is well served by a world of thriving independent states, secure in their national destinies against the hegemonic designs of any nation.

Yet too often nations which chose nonalignment to shield themselves from the pressures
of powerful global blocs have tended to form a rigid, ideological, confrontationist bloc of their own. The variety of the world's nations is too great, and our common problems too urgent, for such outmoded practices; they only deepen our divisions and impair our mutual progress (19, p. 332).

In a news conference in Lima the next day, the Secretary of State answered a Latin journalist's question about U.S. policy toward Peru as follows: "The policy of the Administration toward Peru is to seek a mode of cooperation and to work together in the Western hemisphere and bilaterally on constructive programs" (19, p. 334).

During 1974 and 1975, Peru continued to purchase significant amounts of U.S. arms. The sales were encouraged by the authorization of credit for Peruvian arms purchases first approved by Congress for 1974. Peru signed agreements for arms purchases totalling $43.4 million in 1974 and $24.1 million in 1975 (17, p. 3). Most of the purchases were apparently for procurement of spare parts and secondary items. Major items of equipment which were acquired included six Lockheed C-130 turboprop transport aircraft, additional UH-1 helicopters, a number of refurbished U.S. naval vessels (including one submarine), and a small number of training aircraft. The only other arms purchase of any significance during the period was the acquisition of eight more refurbished Canberra bombers from Great Britain. While the continuing shipment of previously ordered Russian weapons was somewhat disconcerting to U.S. policy makers, it appeared
that the United States had once again established itself as the primary supplier of Peru's defense needs.

In terms of worldwide arms transfers, final Department of Defense figures for 1975 showed that total U.S. foreign military sales agreements for the year were over $12 billion (17, p. 1). This represented an increase of almost $2 billion over the previous year's record. As a result, Congress again focused its concern on U.S. arms sales policies during 1976. Attention centered on a provision that would greatly increase the scope of Congressional control over individual arms sales. The new proposal would lower the floor value incorporated in the Nelson Amendment, $25 million, down to $7 million; all individual sales over this amount would be subject to Congressional review and rejection. After intensive debate the final bill did include the $7 million limit. Further, the bill imposed a ceiling of $9 billion per year on total arms sales. Citing these two provisions, the bill was vetoed by President Gerald Ford as too restrictive on the President's conduct of foreign policy. Congressional leaders, realizing that they had no chance to override the veto, began work on a new bill.

On the second try, President Ford signed the International Security Assistance and Arms Export Control Act of 1976. (This Act was the successor to the Foreign Military Sales Act.) While the floor of $7 million for Congressional review of arms sales was retained, the $9 billion ceiling
for total sales was deleted. The Act also established additional reporting requirements to insure that the President kept the Congress fully informed on arms sales. These provisions did serve to expand Congressional oversight of U.S. arms sales. Congress' concern over the U.S. role in the burgeoning arms sales business was evidenced in a provision of the Act which required the President to conduct a comprehensive review of U.S. arms sales policies. A portion of the instructions for the study read as follows:

... such study shall include an evaluation of the impact of the United States arms sales policies on the economic and social development of foreign countries and consideration of steps which might be taken by the United States to encourage the maximum use of the resources of the developing countries for economic and social development purposes (1, p. v).

In addition, the State Department was now required to evaluate and report on the treatment of human rights in nations receiving U.S. military aid.

Peru Purchases Advanced Soviet Fighter Aircraft

Despite the economic policies instituted by the new Peruvian government, the economy of the country showed little improvement. The impact of the ongoing recession, coupled with plummeting copper prices, counteracted any improvement the new policies may have brought. In a desperate attempt to reverse the decline, the government devalued the national currency by nearly fifty per cent in June, 1976, and at the
same time announced price increases on food, gasoline, public transportation, and utilities. The new austerity program was met with open resistance from the population. Public demonstrations gave vent to the people's frustrations, and widespread rumors of another possible coup only fueled the discontent.

Bermudez acted to quell the disturbances by proclaiming a state of emergency and invoking martial law. Constitutional rights were suspended, media criticisms were censored, and well-known dissident leaders were deported. Bermudez further dissolved the Cabinet, and his new appointees gave a decidedly more conservative bent to the government. One of the ousted cabinet members was the radical Foreign Minister, Miguel Angel de la Flor, whom many credit with charting Peru's policy of nonalignment.

While the government's clamp-down did quell popular unrest, foreign policy matters soon diverted attention to that sector. An agreement between Chile and Bolivia on a corridor to the sea for the latter country, which included some Peruvian territory, negated the earlier harmony of the three nations. Peru, uneasy that the two countries might band together to implement their agreement by force, offered a counterproposal with slight territorial adjustments and different provisions for maintaining the corridor. Tensions rose in all three countries as attention focused on the dispute.
Concern was heightened in Peru by Chile's recent acquisitions of new aircraft from the United States. Shortly after the overthrow of Chile's President Allende in 1974, the military government that replaced him had signed agreements to purchase fifty-two new combat aircraft from the U.S.; included were eighteen F-5E/F jet fighters and thirty-four A-37E light strike aircraft. Deliveries on the aircraft were just beginning in 1976.

Despite Peru's severe economic problems, Bermudez initiated action to bolster his air force against the newly perceived threat. Indeed, rumors that Peru had already consummated an agreement to purchase Russian aircraft began soon after the visit of a Soviet military mission to Lima in June, 1976 (14, p. A10). In an effort to quench the rumors, the government announced in August, 1976, that it would seek bids from the United States, the Soviet Union, France, and Great Britain for new fighter aircraft. Whether competitive bids were considered is not known. On November 2, 1976, Peru formally announced that it had purchased supersonic fighter-bomber aircraft from the USSR - the first such purchase by any Latin nation other than Cuba. Unofficial sources cited by The Washington Post in its coverage of the purchase reported that the aircraft were advanced, variable geometry Sukhoi Su-20 Fitter-C fighter-bombers (Appendix A); the same sources set the purchase price at $250 million (12, p. A3). According to the official statement by Peruvian
Foreign Minister Jose de la Puente, the Russian planes were chosen not for political reasons, but because that country’s credit terms were much more favorable than any other offer.

While the Soviet aircraft drew all the attention, it was little noticed that the Peruvians had purchased sizeable amounts of other Soviet military items. Sixteen Antonov An-26 turboprop transport aircraft, more than fifty Mi-6 and Mi-8 helicopters, approximately two hundred T-55 tanks, surface-to-air antiaircraft missiles (SAM’s), and an advanced radar network for deployment along the Chilean border were also purchased from the Russians (11, p. 19). Further, the Russians arranged for Cuba to loan a dozen of its advanced Soviet MiG-21 fighters to the Peruvian Air Force to begin familiarization training prior to delivery of the Su-20’s. (Quick transfer of the MiG-21’s also served to strengthen the Air Force until the Russian aircraft could be delivered.)

While several sources reporting on the arms deal mentioned that the Peruvian government would have preferred to buy U.S. F-5E fighters, only Aviation Week & Space Technology was able to provide any background information. That periodical reported that the Russian agreement had indeed been signed in June, but stated that after the rightward turn of the Peruvian government in July, it became known that Peru wanted to cancel the Soviet purchase and instead acquire F-5E’s from the U.S. According to Aviation Week & Space Technology, the U.S. State Department
delayed approval of Peru's request for F-5E's, thus forcing Peru to confirm the Russian purchase (28, p. 15).

Even considering these machinations, it is probable that credit was the determining factor in Peru's procurement of Soviet aircraft. Peru's 1975 FMS credit level for U.S. purchases was $20 million, much too low to allow the acquisition of sufficient quantities of the $3 million-each F-5E's. A commercial sale would certainly have included a rather high interest rate, thus reducing the viability of that avenue. It seems, then, that the favorable interest allowed on the more expensive Soviet aircraft offset (or nearly so) the much cheaper F-5E purchase price at higher interest rates. It appears that, as had been stated, credit was indeed the determining factor in the purchase.

While the Peruvian arms purchases seem unconscionable in view of the country's economic situation, the Peruvian military leaders were apparently still concerned about their country's military capabilities. Before the year had ended, Peru agreed to buy sixteen more Mirage V's from France at a reported price of $250 million. The primary impetus for this acquisition was likely to provide immediate support while awaiting delivery of the Su-20's; the Mirages were delivered almost immediately (7, p. 101). Two submarines were ordered from West Germany; the price was not disclosed. Finally, FMS agreements for U.S. equipment during 1976 totalled approximately $26.5 million, again mostly for
secondary items and spare parts (17, p. 3). When one considers the aggregate value of all these purchases, the effect on the already strapped Peruvian economy is staggering.

One of the first acts of the Administration of new President Jimmy Carter was to invite the Peruvian Foreign Minister to Washington to discuss his country's purchase of advanced Soviet aircraft. Vice President Walter Mondale, Secretary of State Cyrus Vance, and several members of the Senate Foreign Relations Committee met with Senor de la Puente, indicating the importance that the new Administration placed on the issue. The Washington Post reported that the U.S. participants again offered to allow a commercial sale of F-5E's if the Russian deal were cancelled, but the Foreign Minister would not consider it (5, p. A9). U.S. displeasure over the arms purchase was reiterated by Mrs. Rosalyn Carter, the President's wife, during her visit to Peru in the summer of 1977. Noting the commitment that the country had accepted by signing the Declaration of Ayacucho, she told the Peruvians "... there is a need to control the growth of armaments throughout the world" (8, p. A5).

Recent Developments

The Russian aircraft purchase seems to have marked the end of Peru's activist foreign policy. One has to search long and hard to find reference to the country in the past two years. What information there is indicates that the
Bermudez government is concentrating its energies on Peru's economic problems. Continued low copper prices, collapse of the fishmeal industry (due to the disappearance of the anchovies), the burden of newly implemented social programs, and the debts accumulated for arms purchases all contributed to the continuing economic decline. Particularly oppressing was the country's massive foreign debt, estimated at $4.1 billion in late 1977 (9, p. 20). Desperate for assistance, the Peruvian government tried to refinance its debt payments but was rejected by the U.S. government and a consortium of U.S. and European bankers because much of the money would have gone for payment for the Soviet weapons. The Russians did allow Peru to restructure its loans from that country, with most of the payments reportedly extended into the 1981-1988 time period (10, p. 13).

In a move probably designed to entice additional support from the U.S. government, the Bermudez government allowed the first meeting of Peru's national legislative assembly in ten years during July, 1978. Further, Bermudez himself announced that the country would return to civilian rule in 1980; general elections would be held to choose his successor.

The influx of Soviet weapons has seemed to have little effect on U.S.-Peruvian relations to the present time. (In fact, several of the Soviet-made An-26 transport aircraft were allowed to land at U.S. Air Force bases on their delivery flight to Peru.) While Peru has made no known major purchases
of military equipment since 1976, U.S. sales of spare parts and secondary equipment have averaged approximately $15 million over the past two years; projections for 1979 are the same (3, p. 59). Foreign Military Sales credits have financed approximately one-half of these purchases.

Even though Peru has curtailed its penchant for large-scale arms purchases over the last two years, many observers are extremely pessimistic over the country's prospects for recovery from its financial problems. More than one source suggests that Peru will be forced to default on its massive foreign debt, causing serious consequences for the world economic community. Peru's impressive arsenal of modern weaponry is unfortunately of little use against the country's economic problems. Whether the payments yet due for that arsenal bury the country rather than protect it remains to be seen.
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CHAPTER VI

HAVE U.S. INTERESTS BEEN SERVED?

Security assistance to these (Latin American) governments thus is a political tool that provides us an opportunity to exert some influence on their attitudes and actions. It is, in short, a means for protecting or advancing our interests, which are many and varied (11, p. 66).

--Statement of the Honorable Terence A. Todman, Assistant Secretary of State for Inter-American Affairs, before the U.S. House Subcommittee on Inter-American Affairs, April 5, 1977.

It is the purpose of this paper to attempt to determine whether U.S. arms transfers to Peru have served to protect or advance the U.S. interests to which Mr. Todman refers. To accomplish this, one must first identify the interests. While admitting that the years have shown sufficient changes in these interests to warrant a separate thesis, I will discuss them within the framework presented by Einaudi et al. in Arms Transfers to Latin America (1). Their summation of U.S. interests is clear, concise, and inclusive of virtually all goals at one time or another attributed to U.S. arms transfer policies. The interests are presented for Latin America in general. I will discuss their specific application to the Peruvian situation, and then present my own perceptions as to how these interests were served by U.S. arms transfers to Peru.
Security Interests

Hemispheric defense, internal security, and the avoidance of regional conflicts are three interests that have been cited as justification for U.S. military assistance. I will submit that of these, only the third has been a primary consideration for supplying equipment to Peru.

While the Truman Doctrine advocated the provision of military assistance to Latin countries to help protect the Americas from communist aggression, so little assistance was sent there that the Latin nations' military contributions would have been meaningless in any confrontation between the U.S. and Russia; from 1950 to 1960, Latin America received only one per cent of the total U.S. military grant assistance (8, p. 11). And Peru obviously received only a fraction of that. While the real focus of the Cold War was on arming the so-called "forward defense regions," it seems likely U.S. policy makers did not realistically expect Latin military power to play any part in the confrontation. More likely, the meager amount of assistance that was provided was intended to allow Latins to feel that they, too, were contributing to the defense of the Free World. In summation, it does not seem that there ever was sufficient threat to the Western Hemisphere to make "hemispheric defense" a real basis for U.S. arms transfers to Latin America, Peru included.

Internal security became the focus for U.S. military assistance to its southern neighbors after the successful
revolution in Cuba put Fidel Castro at the head of that country's government. His avowed intention to foment communist revolutions throughout Latin America redirected the entire military assistance program for that region. President John F. Kennedy presented the Alliance for Progress as the cornerstone of his Latin policy; to allow stable conditions for Alliance programs, U.S. military assistance concentrated on providing weaponry suitable to maintain internal security and combat guerrilla movements. While some countries and governments were viewed as quite susceptible to internal subversion, Peru did not prove to be one of them. As was mentioned earlier, the two guerrilla campaigns that were begun in the country were extremely short-lived. Certainly, credit must go to the U.S.-trained and U.S.-supplied Peruvian military for disposing of these threats. That U.S. military assistance was provided to Peru to strengthen it against internal subversion, I can not argue. However, in view of the fact that the actual threat was very remote, neither was this a primary factor in U.S. policy.

That the United States is interested in avoiding regional conflicts among Latin American nations is widely known and accepted. Although not free from periodic disagreements among nations, the region saw no wars between 1942 (Peru-Ecuador border dispute) and 1969 (El Salvador-Honduras "Soccer War"). As the dominant power in the region
during that time, as well as the chief armorer, the United States and its arms transfer policies certainly deserve some credit. Figures for the period 1950-1969, during which the U.S. was the dominant supplier of military hardware, clearly show a balancing of U.S. military assistance among nations perceived as equals (and possible competitors); Brazil was well out in front, with Peru, Chile, and Argentina grouped together in a virtual tie for second, and Venezuela and Colombia were only slightly lower (9). Even though the recent entry of foreign suppliers has brought an end to U.S. arms dominance in the region, this balancing is undoubtedly still a consideration for approving or disapproving individual transfers. Although Peru was recently involved in the dispute with its neighbors, Chile and Bolivia, tensions have again subsided. In any case, Peru has not been involved in a fighting war since 1942. While the exact contribution made by U.S. arms transfers to this peace cannot be measured, one must conclude that the U.S. interest in discouraging regional conflicts has been successfully served by its arms transfer policies.

Economic Interests

One important impact of U.S. arms transfers is the favorable contribution of arms sales to the nation's balance of payments. Indeed, this may be a primary factor in the dramatic increase in foreign military sales during this
decade; while current U.S. trade deficits are substantial, it is certain that they would be much, much higher were it not for our arms exports. However, total foreign military sales and commercial sales of U.S. arms to Latin America from 1950 to 1977 have been approximately $1.4 billion, or less than two per cent of the total of U.S. arms sold abroad during that period (7, pp. 7,15). It should seem obvious that the U.S. balance of payments has not been an important factor in determining U.S. arms transfer policies to Latin America as a whole, or to Peru as an individual nation within that region.

A second economic interest underlying U.S. military assistance policies has been to protect this country's investments abroad. The Hickenlooper and Pelly Amendments clearly demonstrate this goal, and both at one time played an important role in U.S.-Peruvian relations. Although the provisions of the former amendment were never invoked, settlements for expropriated U.S. properties were eventually negotiated; the goal of the amendment was fulfilled. The Pelly Amendment was invoked twice, but the suspension of U.S. military sales to Peru were so short-lived they could have had little effect on Peru's enforcement of its two hundred mile coastal zone. And the informal ban, continued after the formal ending of sanctions, seems to have had the same minimal effect. The Tuna War has not been a factor in U.S.-Peruvian relations for some years, as the two states have
apparently reached some sort of accommodation while awaiting a United Nations Treaty of the Sea. Despite the tensions and ill feelings between the two countries over the expropriation of U.S. properties, the Hickenlooper Amendment, the Tuna War, and the Pelly Amendment, one can safely say that in the long run, U.S. military assistance policies have served to protect U.S. economic interests in Peru.

Probably the dominant U.S. economic interest in Latin America with respect to arms transfers has been to discourage unnecessary Latin military expenditures, thus allowing maximum emphasis of resources on economic development. Governor Rockefeller recognized the problem in his 1969 report, in which he wrote:

> Our dilemma is how to be responsive to their legitimate desires for modern equipment without encouraging the diversion of scarce resources from development to armaments which, in some cases, may be unrelated to any real security requirements (4, p. 61).

Congressional attention to this goal provides the basis for the Conte-Long Amendment, a direct expression of that body's concern over U.S. arms transfers. Interest in Peru specifically is shown by the following interchange of April 5, 1977, during testimony before the U.S. House Subcommittee on Inter-American Affairs; the questioner is U.S. Representative Gus Yatron of Pennsylvania, the respondee is the Assistant Secretary of State for Inter-American Affairs.
MR. YATRON. Peru is receiving some $20 million in aid assistance in this year's proposal. On the other hand, your congressional presentation book indicates that Peru has significantly increased its defense expenditures. How can we justify giving them aid assistance when we see them using their own resources to buy military aircraft from the Russians?

MR. TODMAN. One of the factors that we always consider in whether we are going to give assistance is to what extent is the purchase of military equipment taken away from development expenditures. And we look to see if this is a significant amount.

In the case of Peru, despite these purchases, it was our judgement that a significant amount is not being taken away from development activities for these purchases, which is why we decided to continue it (11, p. 83).

While the United States was the predominant arms supplier to Latin America, it could effectively restrain arms spending and promote economic development in that region by simply refusing to provide weapons it considered unnecessary. However, the rise of alternate arms suppliers in the late 1960's ended this control. Peru was one of the foremost nations affected by this change. When the United States refused to sell advanced F-5 fighters to that country in 1968, it instead purchased more expensive Mirage jets from France. Critics of the U.S. policy of restraint on arms sales to Latin America gleefully point out that not only did the U.S. refusal to sell its aircraft not cause the Peruvians to spend its money on economic needs, they instead spent more on the Mirages.

Obviously, this example represents a clear failure for U.S. policy. And I certainly disagree with Mr. Todman,
above, when he stated that economic needs were not neglected; it seems apparent that the magnitude of the arms purchases from the Soviet Union could only exacerbate Peru's already weakened economic situation. Other than these two instances, Peruvian military expenditures and arms purchases have generally been on a similar scale to those of its neighbors (Table V). However, I must conclude that U.S. arms transfer policies to Peru have not been successful in insuring that that country does not devote excessive resources to military spending.

Political Interests

*Preemption of Third Power Influence*

Since the Proclamation of the Monroe Doctrine, the United States has striven to insure that no non-hemispheric nation gains any measure of influence over any Western Hemisphere nations. As U.S. arms transfers to the region increased in import, the policies for approving these transfers were inevitably affected by the long-standing U.S. desire to minimize outside influences there. Kaplan noted this interaction early on and explained it as follows:

While congressional pressure on the executive continued, the executive . . . sought to keep arms transfers large enough to keep foreign missions out and to maintain a dominant U.S. influence vis-a-vis any other arms supplier (3, p. 412).

The Stockholm International Peace Research Institute recognized
this same tendency and wrote:

From the early sixties United States exports of major weapons to the free-world orientation areas (Latin America included--my note) rose. With the entry of the Soviet Union into the market, the conditions under which governments were eligible for U.S. aid had to be relaxed. Increasingly, military exports were designed to pre-empt exports by the Soviet Union (6, p. 54).

For Latin America, one can add that the United States was interested not only in curtailing Soviet exports but also European arms exports. During the early period when most U.S. arms supplies were in the form of grant aid, the simple fact that the arms were free effectively discouraged other suppliers; how could one hope to sell a product to someone already receiving similar items for free? With the phase-out of the grant aid program and the increasing transaction of U.S. arms transfers as sales, foreign suppliers reentered the picture.

The Peruvian Mirage purchase in 1968 signalled the viability of alternate sources for the military needs of Latin nations. Given the U.S. government perception that arms transfers were a means of acquiring political influence over recipient nations, policy makers were faced with a dilemma. The U.S. desire to minimize Latin military spending to insure maximum attention to economic needs was in direct conflict with a policy which would have the U.S. open its weapons storehouse to Latin America to prevent further inroads by foreign suppliers.
The events of the late 1960's and early 1970's indicate that the Nixon and Ford Administrations actively sought to expand the level of U.S. arms transfers to Latin America to counter increasing purchases of European weaponry. Secretary of State Kissinger readily admitted this emphasis when he told the House Committee on Foreign Affairs:

Our experience has been that the refusal by the United States to sell arms has not led to the shifting of resources away from arms procurement. It has merely resulted in the purchase of arms in other countries, including as in the case of Peru of some arms from the Soviet Union after the United States refused to furnish them.

Therefore, we believe that it is a mistake for the United States to lose its traditional relationship with many of the groups in Latin America with which we have been associated by not furnishing the arms they desire. We would not contribute to lowering the level of arms expenditures by doing so and we would merely be opening up these countries to the influences of other countries that will be prepared to sell arms to them (10, p. 23).

As we have seen, Congressional restrictions on arms sales to Latin America served to limit the expansion sought by the executive branch. The ceiling on arms sales to the region was a prominent obstacle, as were the various amendments concerning U.S. military assistance and sales discussed earlier.

However, several other factors contributed to the decline of U.S. transfers to the region. The United States involvement in the conflict in Southeast Asia left few items of military equipment available for export anywhere else. Indeed, delivery was delayed on half of Argentina's earlier mentioned purchase of A-4B Skyhawk aircraft; demands in
Vietnam simply precluded their availability for export. Further, the U.S. emphasis on state-of-the-art technology for its weapons increasingly made these weapons unsuitable for export to developing nations. On the other hand, the French Mirage series of fighter aircraft and its AMX family of armored vehicles were from the beginning envisioned as adaptable, multi-purpose, relatively uncomplicated weapons systems suitable particularly for the export market. And the favorable credit terms offered by European arms merchants (usually with their home nation's backing) were often lower than those available for U.S. arms purchases. All these factors contributed to a declining role for the U.S. as the region's preeminent arms supplier.

Probably all of these factors also played some role in Peru's decisions to purchase non-U.S. weaponry. I suspect that their Mirage purchase in 1968 caught our policy makers unawares; I doubt that anyone really thought the Peruvians would buy jets from France after we refused their request for F-5's. The resultant suspension of military sales and development loans was a clear signal that the United States disapproved of the Mirage purchase, and a thinly-veiled attempt to coerce Peru not to repeat this "mistake." In the case of the Soviet purchase, the U.S. was even more blatant when it encouraged the Peruvian Foreign Minister to cancel the agreement and instead purchase F-5 fighters.
In neither case was the United States successful. The measure of the U.S. failure to keep foreign arms out of Peru is shown in Table II. Clearly, U.S. arms transfer policies did not prevent that nation from acquiring a significant portion of its military needs from non-U.S. suppliers.

**Encouragement for Democratic Government**

That democratic government in Peru was an aim of United States policy is evident when one remembers the suspension of diplomatic relations and assistance following the military coup in Peru in 1962. The military did hold elections the next year to choose a new president, but the U.S. pressures for such an action only created ill will due to the perceived interference in Peru's domestic affairs. As was noted earlier, the revolutionary government of President Velasco presented a novel dilemma for the United States: never before had U.S. policy makers been confronted with a non-democratic government that so obviously was working to institute reforms to make a better life for its people. I was able to find no indication that the United States sought to encourage the Peruvian military leaders to return their country to a democratically elected leader. Given the generally poor state of relations between the two nations, this is not surprising. It is possible that, with the gradual warming of relations over the last two years, the United States may have been a factor in the recent announcement of
President Bermúdez to conduct elections next year. However, I must conclude that this goal has played a very minor role in the overall conduct of U.S. arms transfers.

**Maintenance of Constructive Political Relations**

While the interest in the maintenance of constructive political relations is a central theme of all the various aspects of U.S. foreign policy, some thoughts must be offered on the role of arms transfers in the course of U.S.-Peruvian relations. Recognizing that this goal is so broad and general that every other interest previously discussed is integral to it, other comments are also in order.

As has been shown, U.S. arms transfer policies have played a pivotal role in the course of relations between the two countries. In fact, one would probably not overstate the case by saying that U.S. arms transfer policies were among the most significant causes for the deterioration of U.S.-Peruvian relations from 1968 to 1976. U.S. policies on arms transfers to Latin America were intended to delay the entry of advanced weapons into the region and insure that military spending did not hinder economic development. Although we may find it difficult to comprehend any objection to these forthright, upstanding aims, the Latin perspective presented a different view. When the U.S. refused to sell F-5 fighters to Peru, it was regarded by the Peruvians as a denial of their sovereign right to determine their own needs.
What right was it of any nation, even the United States, to tell Peru what airplanes it did or did not need? Goldhamer is of the opinion that U.S. insistence on determining what is right for our southern neighbors has probably hurt U.S.-Latin American relations more than our infamous military and CIA interventions (2, p. 208). Several others decried U.S. paternalism, no matter how well intended. Needless to say, constructive political relations were not engendered by the U.S. refusal to sell F-5's to Peru.

Another factor that several sources point to in discussion of U.S. arms transfer policies also concerns the U.S. refusal to supply advanced weapons to Latin America. Ronfedlt and Sereseres of the Rand Corporation were the most succinct; they wrote: "Indeed, arms have often been more important for their diplomatic symbolism than for their military capabilities" (5, p. 39). Einaudi et al. also noted: "Some arms are acquired simply to meet international, or at least regional, standards of prestige and proficiency" (1, p. 27). When one considers the importance of military support for the government of President Belaunde in 1968, the acquisition of supersonic aircraft by Peru may well have been a prime example of this type of action. It is certainly true that the underlying intent for acquiring a weapon makes no difference in that weapon's capabilities; a Mirage acquired to accentuate its new owners' prestige will inflict the same amount of damage as one acquired for the express purpose of
waging war. However, on the chance that it was Peruvian prestige that demanded supersonic aircraft, a token number of F-5's could have been offered. I found no evidence of any such offer.

In light of the generally poor state of U.S.-Peruvian relations from 1968 to 1976, one could sense a corresponding decline in the aims of U.S. policy makers as they applied to the situation in Peru. Research indicates that over the past three or four years, a primary goal of U.S. arms transfers to Peru has been to maintain some modicum of interaction with the government of that nation. That this has been the case is emphasized by the low levels of credits for U.S. arms sales since they were reinstituted for Peru in 1974. Recent sales have also been minimal as arms sales go. It seems clear that the United States, aware of the tensions existing between the two nations and apparently having lost any influence it may once have possessed over its southern neighbor, made a definite shift away from the confrontation mentality which had characterized its arms transfer policies in the previous years. By demonstrating its willingness to supply a minimal level of arms support, the vast majority of which are undoubtedly spare parts to keep earlier acquisitions in working order, the United States seems to have established at least one avenue of cooperation between the two nations.

Probably few would dispute the conclusion that U.S. arms transfer policies as applied to Peru since World War II have
contributed to the generally poor state of relations between the two nations from 1968 to 1976. The record seems quite clear. The low-key approach followed by U.S. policy makers since 1976, even in view of (or perhaps because of) the large purchases of Soviet weapons, seems quite appropriate for restoring the earlier cooperative atmosphere that did prevail between the two countries.

Some Final Thoughts

While the balance sheet on the contribution of U.S. arms transfer policies to U.S. interests in its relations with Peru since World War II is obviously negative, I personally believe that U.S. policy makers can turn the long-term outlook to our advantage. I am firmly convinced that U.S. restraint (whether by Presidential choice or Congressional direction) has been a factor in maintaining Latin military expenditures in general at a comparatively low level. Support for this position is rendered from an unlikely source: Lieutenant General Howard M. Fish, the Director of the Department of Defense agency responsible for overseeing the implementation of all U.S. arms transfers. He testified before Congress that the effect of U.S. restraint could not be measured but he believed the U.S. policies had curtailed weapons transfers to Latin America (11, p. 80).

Certainly, U.S. policies did little (if anything) to curb Peru's military expenditures. As was pointed out
earlier, the F-5 refusal directly contributed to higher spending. The affront to Peruvian dignity perceived by the U.S. action caused a significant strain on relations between the two countries.

Using another approach, it is quite conceivable that the military government that came to power in Peru in 1968 purposefully intended to generate public support by creating tensions between it and the United States. It is not unknown for a government to build popular sentiment against a foreign nation to draw attention away from domestic concerns, and this may well have been exactly what happened in Peru. If such were the case, U.S. arms transfer policies (and all other policies as they related to Peru) could not expect to generate a cooperative atmosphere between the two nations. Approval of an F-5 sale in 1968 would only have delayed the inevitable confrontation.

One aspect of U.S. foreign policy which I did find exasperating was the position taken on the Declaration of Ayacucho, in which several Latin nations made an attempt to limit future arms purchases. The Declaration seemed to coincide perfectly with the professed U.S. goal of limiting military capabilities and spending, but, as was noted earlier, U.S. support for the agreement was subdued; policy makers feared that a vigorous endorsement would be interpreted in Latin America as an attempt to keep those nations weak and dependent on the United States. While admitting that the
rationale does have validity, I believe a strong expression of support for the Declaration would have better served U.S. interests in the long run. The other side of the argument for a subdued response is that the U.S. is only paying lip service to the goal of arms control. How can we hope to control any arms race or limit arms transfers if we do not support regional initiatives? The U.S. response to the Declaration was the most disturbing aspect of U.S. policy in my research for this paper.

Despite all these negative factors, I feel confident that the long-term benefits of our policies will one day overtake the difficulties created by those policies and described herein. As Goldhamer wrote: "It is not at all clear that a lesser tension over a greater time is to be preferred to a greater tension over a shorter time" (2, p. 279). After considering the course of relations between the United States and Peru since World War II, his statement seems particularly well suited for that case. I firmly believe that the Peruvian government and the Peruvian people will one day realize that the United States did in fact have their best interests in mind by limiting arms transfers. When that day arrives, I believe our arms transfer policies as they applied to Peru will be seen as a constructive factor in relations between the two countries. I am encouraged by the restraint shown in supplying arms to Peru, and to all of Latin America. Perhaps someday this same restraint can be applied to transfers in other regions of the world.
CHAPTER BIBLIOGRAPHY


APPENDIX A

NORTHROP F-5A/B FREEDOM FIGHTER*

The F-5 Freedom Fighter is a light-weight, supersonic fighter provided in large numbers to the air forces of U.S. allies and third world nations. Designed specifically to meet the needs of small air forces, the aircraft's relatively low cost, ease of maintenance and high performance have made it a most successful fighter. It is flown in various configurations by twenty nations. However, it has had little U.S. Air Force squadron service because of an American preference for and the availability of larger, more capable fighter aircraft.

The F-5 is similar in design and construction to Northrop's T-38 Talon, a supersonic trainer. The F-5 has twin engines, short straight wings, five pylons for external stores, and two wingtip points for air-to-air missiles, all of which allow a total capacity of 6,200 lb (2,800 kg) of ordnance.

SPECIFICATIONS:

Crew: F-5A - 1
       F-5B - 2
Speed: max 924 mph (Mach 1.4)       Range: 635 miles (combat radius on attack mission)
Ceiling: 50,500 ft
Weight: empty 8,085 lb
        max take-off 20,677 lb
Armament: 2 internal 20mm cannon, 2 Sidewinder air-to-air missiles, up to 4000 lb of bombs on external racks

OPERATIONAL:

Brazil, Canada, Ethiopia, Greece, Iran, Jordan, South Korea, Libya, Malaysia, Morocco, Netherlands, Norway, Pakistan, Philippines, Saudi Arabia, Spain, Taiwan, Thailand, Turkey, United States (Air Force), Venezuela

*Source: World Combat Aircraft Directory
DASSAULT MIRAGE 5*

The Mirage 5 is a ground-attack aircraft, with a secondary intercept capability, based on the Mirage III-E airframe and engine. Slightly longer and heavier than its predecessor, this single-seat, single-engine, delta-wing aircraft has the same speed as the Mirage III but can carry more fuel and ordnance, and can operate from rough airfields.

Internal cannon are provided and ordnance can be carried on seven external store points which have a maximum aggregate capability of some 8,000 lb (3,630 kg). A development of the Mirage 5 is an aircraft fitted with so-called "moustaches," which are two small, retractable foreplane surfaces installed in the nose that extend to improve performance during take-off and landing.

SPECIFICATIONS:

- **Crew:** 1 or 2 (depending on version)
- **Dimensions:** w 27 ft, h 51 ft
- **Speed:** max 1460 mph (Mach 2.1) max stabilized 1188 mph (Mach 1.8)
- **Range:** 800 miles (combat radius)
- **Ceiling:** 55,775 ft
- **Weight:** empty 14,550 lb loaded 29,760 lb
- **Armament:** 2 internal 30mm cannon, up to 5000 lb of bombs on external racks, 2 Sidewinder (U.S.) air-to-air missiles

OPERATIONAL:

Abu Dhabi, Belgium, Colombia, France, Libya, Pakistan, Peru, Saudi Arabia, Venezuela, Zaire

*Source: World Combat Aircraft Directory*
NORTHROP F-5E/F TIGER II*

The F-5E Tiger II is a lightweight, supersonic aircraft developed as an inexpensive, easily maintained fighter capable of operating from rough airfields. The U.S. Air Force expects that over 1,000 F-5E and two-seat F-5F aircraft will be procured for other air forces with a limited number retained by the USAF and US Navy for training, including the simulation of high-performance MiG fighters. A total of 476 F-5E/F aircraft have been ordered through Fiscal Year 1975.

The Tiger II was the winner of a 1970 U.S. government fighter competition for an international fighter aircraft. The design was a follow-on to Northrop's highly successful F-5A/B Freedom Fighter with an advanced engine, modified flaps to increase maneuverability, extension of wing leading edges, and a wider fuselage. Nose cannon are fitted, up to 7,000 lb (3,178 kg) of weapons and fuel can be carried on one fuselage and four wing pylons, and two Sidewinders on the wingtips. The Tiger II is being produced under license in Taiwan.

SPECIFICATIONS:

- **Crew:** F-5E - 1  
  F-5F - 2
- **Speed:** max (level) Mach 1.6
- **Ceiling:** 54,000 ft
- **Weight:** empty 9,588 lb  
  max 24,080 lb
- **Armament:** 2 internal 20mm cannon, 2 Sidewinder air-to-air missiles, up to 7000 lb of bombs, rockets, or missiles on external pylons
- **Dimensions:** w 26 ft 8 in  
  h 148 ft 4 in  
  Range: 875 miles (radius, air defense mission)

OPERATIONAL:

Brazil, Chile, Greece, Iran, Jordan, South Korea, Malaysia, Morocco, Philippines, Saudi Arabia, Switzerland, Thailand, United States (Air Force, Navy), Venezuela

*Source: World Combat Aircraft Directory*
SUHKOI Su-20 FITTER-C*

The Su-20 is an export version of the Su-17 which may have a lower-rated engine and some different equipment. The Su-20 is a single-seat, variable-geometry fighter aircraft intended primarily for the ground attack mission.

Internal cannon are carried in the wing roots, and external ordnance can be carried on eight external weapons pylons. The Su-17 was first reported operational with the Soviet Air Force in 1972; Su-20's have only recently been made available for export. (Specifications shown below are those listed for the Su-17.)

SPECIFICATIONS:

| Crew: 1          | Dimensions: w 46 ft     |
| Speed: max Mach 2.2 (at altitude) | l 61 ft 6 in          |
| Ceiling: 59,050 ft | h 15 ft 7 in          |
| Weight (estimated): | Range: 391 miles (combat radius) |
| empty 22,046 lb |                           |
| loaded 41,887 lb |                           |

Armament: 2 internal 30mm cannon, up to 11,023 lb of bombs, rockets, or guided missiles on external pylons

OPERATIONAL:

Egypt, Poland, Peru

*Source: Jane's All the World's Aircraft*
APPENDIX B

TABLE I
PERUVIAN MILITARY EXPENDITURES AND GROSS NATIONAL PRODUCT: 1967 - 1976*

<table>
<thead>
<tr>
<th>Year</th>
<th>Military Expenditures ($M)</th>
<th>Gross National Product ($M)</th>
<th>Military Expend. as % of GNP</th>
<th>Military Expend. Per Capita Constant $**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Constant**</td>
<td>Current</td>
<td>Constant**</td>
</tr>
<tr>
<td>1967</td>
<td>181</td>
<td>187</td>
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<td>8,151</td>
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<td>1968</td>
<td>216</td>
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<tr>
<td>1969</td>
<td>193</td>
<td>279</td>
<td>5,863</td>
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<td>1970</td>
<td>222</td>
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<td>3,948</td>
<td>85,721</td>
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*Source: United States Arms Control and Disarmament Agency
**1975 Constant Dollars
TABLE II

ARMS TRANSFERS OF MAJOR SUPPLIERS TO PERU:
1967 - 1976* ($M - CURRENT DOLLARS)

<table>
<thead>
<tr>
<th>Supplier</th>
<th>1967</th>
<th>1976</th>
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<tr>
<td>United States</td>
<td>105</td>
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<tr>
<td>USSR</td>
<td>165</td>
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<td>All Others</td>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>666</td>
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*Source: United States Arms Control and Disarmament Agency

TABLE III

PERUVIAN ARMS IMPORTS: 1967 - 1976*

<table>
<thead>
<tr>
<th>Year</th>
<th>Arms Imports ($M)</th>
<th>Arms Imports as % of Total Imports</th>
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<td></td>
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<td>Constant**</td>
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</tr>
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<td>1969</td>
<td>25</td>
<td>36</td>
</tr>
<tr>
<td>1970</td>
<td>24</td>
<td>33</td>
</tr>
<tr>
<td>1971</td>
<td>53</td>
<td>69</td>
</tr>
<tr>
<td>1972</td>
<td>69</td>
<td>87</td>
</tr>
<tr>
<td>1973</td>
<td>86</td>
<td>102</td>
</tr>
<tr>
<td>1974</td>
<td>75</td>
<td>81</td>
</tr>
<tr>
<td>1975</td>
<td>117</td>
<td>117</td>
</tr>
<tr>
<td>1976</td>
<td>176</td>
<td>168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>664</td>
<td>753</td>
</tr>
</tbody>
</table>

*Source: United States Arms Control Disarmament Agency
**1975 Constant Dollars
### TABLE IV

LATIN AMERICAN AIRCRAFT ACQUISITIONS: 1967 - 1976*

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Total</th>
<th>U.S.</th>
<th>USSR</th>
<th>France</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combat, Supersonic</td>
<td>143</td>
<td>16</td>
<td>44</td>
<td>83</td>
<td>...</td>
</tr>
<tr>
<td>Combat, Subsonic</td>
<td>276</td>
<td>211</td>
<td>...</td>
<td>...</td>
<td>65</td>
</tr>
<tr>
<td>Other</td>
<td>397</td>
<td>159</td>
<td>53</td>
<td>130</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>816</td>
<td>386</td>
<td>97</td>
<td>213</td>
<td>120</td>
</tr>
</tbody>
</table>

*Source: United States Arms Control and Disarmament Agency

### TABLE V


<table>
<thead>
<tr>
<th>Year</th>
<th>Argentina</th>
<th>Brazil</th>
<th>Chile</th>
<th>Colombia</th>
<th>Peru</th>
<th>Venezuela</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>590</td>
<td>1,180</td>
<td>141</td>
<td>116</td>
<td>287</td>
<td>408</td>
</tr>
<tr>
<td>1968</td>
<td>596</td>
<td>1,160</td>
<td>245</td>
<td>127</td>
<td>327</td>
<td>392</td>
</tr>
<tr>
<td>1969</td>
<td>637</td>
<td>1,290</td>
<td>148</td>
<td>116</td>
<td>279</td>
<td>383</td>
</tr>
<tr>
<td>1970</td>
<td>610</td>
<td>1,600</td>
<td>195</td>
<td>139</td>
<td>306</td>
<td>396</td>
</tr>
<tr>
<td>1971</td>
<td>508</td>
<td>1,710</td>
<td>198</td>
<td>256</td>
<td>324</td>
<td>502</td>
</tr>
<tr>
<td>1972</td>
<td>572</td>
<td>1,790</td>
<td>234</td>
<td>138</td>
<td>342</td>
<td>461</td>
</tr>
<tr>
<td>1973</td>
<td>545</td>
<td>2,000</td>
<td>259</td>
<td>128</td>
<td>417</td>
<td>469</td>
</tr>
<tr>
<td>1974</td>
<td>629</td>
<td>2,130</td>
<td>468</td>
<td>124</td>
<td>433</td>
<td>505</td>
</tr>
<tr>
<td>1975</td>
<td>862</td>
<td>2,380</td>
<td>309</td>
<td>254</td>
<td>566</td>
<td>545</td>
</tr>
<tr>
<td>1976</td>
<td>861</td>
<td>1,560</td>
<td>143</td>
<td>124</td>
<td>667</td>
<td>510</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,310</strong></td>
<td><strong>16,800</strong></td>
<td><strong>2,240</strong></td>
<td><strong>1,422</strong></td>
<td><strong>3,948</strong></td>
<td><strong>4,571</strong></td>
</tr>
</tbody>
</table>

Note: Military expenditures for these six countries accounted for approximately 92% of all Latin American military expenditures during the period.

*Source: United States Arms Control and Disarmament Agency
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