



Department of State

EXCISE

(E1)

TELEGRAM

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DEPARTMENT OF STATE

IS, FPC/CDR BBM Date. 9/18/96

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SECTION 01 OF 25 LIMA 03390

STATE PASS AID

E.O. 12356: N/A
TAGS: MASS, PE
SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY
ASSISTANCE (AIASA) - PERU

THE OVERALL CLASSIFICATION OF THE CONTENTS OF THE AIASA
IS SECRET.

1. FOLLOWING IS MARCH 1986 ASSESSMENT OF SECURITY

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ASSISTANCE FOR PERU FOR FY 88. FOLLOWING ITEMS ARE

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KEYED TO CORRESPONDING SECTIONS OF PARAGRAPH 3 OF REFERENCE:

I. U.S. OBJECTIVES IN HOST COUNTRY

- THE ARMED FORCES ARE A KEY INSTITUTION IN PERU. THROUGHOUT MODERN PERUVIAN HISTORY, THEY HAVE INTERVENED PERIODICALLY TO GOVERN OR TO BLOCK ACCESS TO POWER OF CERTAIN POLITICAL GROUPS. ALTHOUGH SUPPORTIVE OF THE DEMOCRATIC PROCESS RESUMED IN 1980 (AFTER 12 YEARS OF MILITARY RULE), THE ARMED FORCES WILL CONTINUE TO EXERT INFLUENCE ON CURRENT AND FUTURE CIVILIAN GOVERNMENTS. THEY REMAIN IMPORTANT PLAYERS WITHIN THE POLITICAL SYSTEM ON A NUMBER OF ISSUES OF IMPORTANCE TO THE USG, AND WE NEED TO MAINTAIN AND IMPROVE OUR ACCESS AND INFLUENCE WITH THEM. FOLLOWING ARE SPECIFIC U.S. OBJECTIVES THAT U.S. SECURITY ASSISTANCE PROGRAM PROMOTES:

A. POLITICAL:

1. SUPPORT FOR DEMOCRATIC GOVERNMENT: THE EXISTENCE OF EFFECTIVE DEMOCRATIC GOVERNMENT IN PERU CONTRIBUTES TO STABILITY WITHIN PERU, AND SUPPORTS OUR EFFORTS ELSEWHERE IN THE REGION TO PROMOTE DEMOCRACY. THE ROLE OF THE MILITARY IN SUPPORTING THIS OBJECTIVE IS KEY.

2. HUMAN RIGHTS: IN CONJUNCTION WITH SUPPORT FOR DEMOCRACY, IT IS IMPORTANT THAT THE MILITARY CONTINUE EFFORTS TO RESPECT HUMAN RIGHTS IN THE ANTI-TERRORIST CAMPAIGN. (ALSO SEE PARA VI.)

3. PERUVIAN FOREIGN POLICY: THE ARMED FORCES REMAIN

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A POTENTIALLY BALANCING FORCE ON PERUVIAN FOREIGN POLICY, INCLUDING SUCH IMPORTANT ISSUES AS RELATIONS WITH THE U.S., COMMUNIST COUNTRIES, AND PERU'S NEIGHBORS, AND, TO A LESSER EXTENT, PERU'S TIES WITH THE INTERNATIONAL FINANCIAL SYSTEM. ALTHOUGH AT PRESENT UNABLE OR UNWILLING TO CHALLENGE PRESIDENT GARCIA DIRECTLY ON THESE ISSUES, THE MILITARY'S VIEWS ON THESE ISSUES COULD BECOME MUCH MORE IMPORTANT OVER THE NEXT SEVERAL YEARS IF THE CIVILIAN-MILITARY BALANCE SHIFTS TOWARD THE LATTER (SEE LIMA 2778 FOR DETAILED ANALYSIS).

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4. PROVIDE GREATER SUPPORT TO GOP ANTI-NARCOTICS EFFORTS: MILITARY SUPPORT IS ESSENTIAL FOR ERADICATION AND INTERDICTION PROGRAMS IN PERU -- AN IMPORTANT USG OBJECTIVE -- TO SUCCEED. MILITARY HAS BEGUN TO PROVIDE SUPPORT IN THESE AREAS IN LAST YEAR, BUT MORE IS

NEEDED. HOWEVER, WITH AN ACTIVE INSURGENCY IN PROGRESS, PERUVIAN MILITARY'S ASSETS AVAILABLE FOR THE NARCOTICS TASK ARE LIMITED.

5. PROMOTE REGIONAL PEACE: WE SEEK TO SUPPORT GOP'S REGIONAL ARMS EXPENDITURE REDUCTION INITIATIVE, AND TO PREVENT ANY INCREASE IN MILITARY TENSION BETWEEN PERU AND ITS NEIGHBORS.

B. ECONOMIC

1. ECONOMIC STABILITY: THE U.S. SEEKS TO ASSIST IN MAINTAINING A FAVORABLE CLIMATE TO PRESERVE OUR TRADE RELATIONS AND ACHIEVE A STABLE ENVIRONMENT FOR U.S. DIRECT INVESTMENT IN THE COUNTRY. THE UNITED STATES

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E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

*IS PERU'S NUMBER ONE TRADING PARTNER, BUYING APPROXI-
MATELY 40 PERCENT OF PERU'S EXPORTS AND SUPPLYING
MORE THAN 30 PERCENT OF ITS IMPORTS. TOTAL TRADE
BETWEEN THE TWO COUNTRIES REACHED ALMOST \$2 BILLION
IN 1985. IT IS ESTIMATED THAT THE U.S. HAS OVER \$3
BILLION INVESTED IN PERU.*

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2. INTERNATIONAL FINANCIAL SYSTEM: CONVINCING THE GOP
TO TAKE THE NECESSARY STEPS TO REMAIN WITHIN THE

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INTERNATIONAL FINANCIAL SYSTEM ON TERMS ACCEPTABLE TO THE SYSTEM.

3. OFFICIAL BILATERAL DEBT: PROMOTE THE REGULARIZATION OF GOP PAYMENTS ON THE OFFICIAL DEBT TO THE USG SO THAT U.S. ASSISTANCE PROGRAMS CAN BE RESUMED AND CONTINUED.

4. ECONOMIC DEVELOPMENT: DEMONSTRATE TO THE GOP SUCCESSFUL ECONOMIC AND SOCIAL DEVELOPMENT ACTIVITIES WHICH ARE RELEVANT TO THE ACHIEVEMENT OF GARCIA'S DOMESTIC ECONOMIC AND POLITICAL OBJECTIVES.

C. MILITARY:

1. SUPPORT PRO-WEST ATTITUDES AND OFFSET SOVIET PRESENCE: THE USSR IS PERU'S MAJOR MILITARY SUPPLIER, AND ITS MILITARY PRESENCE IN PERU IS ITS SECOND LARGEST IN THE HEMISPHERE. IT EMPHASIZES TRAINING OF PROMISING PERUVIAN MILITARY PERSONNEL. U.S. SECURITY ASSISTANCE

CAN TEND TO REDUCE PERUVIAN MILITARY DEPENDENCY UPON THE USSR, AND THE LEVERAGE WHICH LATER CAN BRING TO BEAR ON PERU.

2. JOINT AND COMBINED MILITARY OPERATIONS: WE SEEK TO PROMOTE THE STRUCTURING, TRAINING, AND EQUIPMENT OF THE PERUVIAN ARMED FORCES SO THAT THEIR DOCTRINE AND HARDWARE ALLOW THE CONDUCT OF JOINT OPERATIONS AMONG THE THREE PERUVIAN SERVICES AS WELL AS COMBINED OPERATIONS WITH THE U.S. AND OTHER DEMOCRATIC NATIONS

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IN THE REGION.

3. EFFECTIVE COUNTER-TERRORIST CAMPAIGN: OPERATING IN URBAN AND RURAL AREAS, TWO MARXIST TERRORIST GROUPS POTENTIALLY THREATEN DEMOCRACY AND STABILITY IN PERU. THE MILITARY PLAYS A VITAL ROLE IN THE COUNTER-TERRORIST EFFORT. THE MILITARY NEEDS TO BE ENCOURAGED FURTHER TO SHIFT ITS FOCUS AWAY FROM A THEORETICAL TWO-FRONT CONVENTIONAL WAR WITH ITS NEIGHBORS, AND TO DEVOTE GREATER ATTENTION TO THE TERRORIST THREAT THROUGH MILITARY OPERATIONS, AND CIVIC ACTION/NATION-

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BUILDING ACTIVITIES.

II THREAT PERCEPTION:

- A. HOST COUNTRY PERCEPTION

- 1. EXTERNAL

- A. PERU PREDICATES ITS DEFENSE ESTABLISHMENT ON WHAT IT SEES AS A POSSIBLE SIMULTANEOUS ATTACK ON PERU BY A MILITARILY STRONG AND RESOURCE HUNGRY CHILE TO SOUTH AND A MILITARILY WEAK, BUT REVANCHIST ECUADOR IN THE NORTH. B1

- B. THE PERUVIAN MILITARY CAN BE EXPECTED TO RETAIN ITS DOCTRINE OF DEFENDING AGAINST A TWO-FRONT ATTACK, AND LEFT TO ITSELF WILL CONTINUE TO SEEK BETTER MATERIEL RATIOS VIS-A-VIS ITS NEIGHBORS (PRESIDENT GARCIA'S RECENT INITIATIVES TO BRING ABOUT MUTUAL ARMS

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STATE PASS AID

E.O. 12356: N/A
TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

REDUCTIONS AND POSSIBLE MUTUAL TROOP DEPLOYMENTS AWAY
FROM THE FRONTIERS HOLD PROMISE BUT HAVE YET TO PRODUCE
RESULTS.)

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2. INTERNAL

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THERE ARE CURRENTLY TWO MAJOR AND

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DISTINCT INSURGENT ORGANIZATIONS IN PERU. THE FIRST, AND BY FAR THE MORE DANGEROUS, IS THE SENDERO LUMINOSO (SL) WHICH OPERATES PRIMARILY, BUT NOT EXCLUSIVELY, IN THE RUGGED ANDEAN HIGHLANDS OF SOUTHERN PERU. THE SECOND, MORE VISIBLE -- BUT LESS DANGEROUS -- GROUP IS THE MOVIMIENTO REVOLUCIONARIO TUPAC AMARU (MRTA), WHICH OPERATES PRIMARILY IN THE NATIONAL CAPITAL.

- **A. THE SENDERO LUMINOSO IS A VIRTUALLY INDEPENDENT, QUASI-MAOIST, HIGHLY CELLULAR, INSURGENT ORGANIZATION WHICH HAS, OVER MORE THAN TEN YEARS, ESTABLISHED A STRONG OPERATIONAL BASE WITH STRONG POLITICAL, ECONOMIC, CULTURAL, HISTORIC AND EVEN ETHNIC FOUNDATIONS. WHILE MOST SL RELATED INCIDENTS AND CASUALTIES CONTINUE TO OCCUR IN THE IMPOVERISHED AND ISOLATED SOUTH CENTRAL HIGHLAND DISTRICTS OF APURIMAC, HUANCAVELICA AND AYACUCHO (WHERE THE MOVEMENT WAS BORN), SL OPERATIONS HAVE EXPANDED NORTH TO THE DEPARTMENTS OF JUNIN, PASCO, LA LIBERTAD, AND ANCASH, AS WELL AS INTO THE AGRICULTURALLY RICH UPPER HUALLAGA VALLEY WHERE AT LEAST LIMITED COOPERATION WITH NARCOTICS TRAFFICKERS HAS BEEN REPORTED. IN EARLY 1986 AN UPSURGE OF INSURGENT ACTIVITY IN THE EXTREME SOUTHERN HIGHLAND CITY OF PUNO WAS ALSO ATTRIBUTED TO SL. FINALLY, THE SL HAS CONTINUED TO DEMONSTRATE ITS CAPABILITY TO BRING THE FIGHT TO LIMA AND OTHER COASTAL URBAN CENTERS. REPORTED ATTACKS ON ELECTRICAL POWER FACILITIES, ASSASSINATIONS OF POLICEMEN, AND THE RECENT SELECTIVE TARGETING OF MILITARY, NAVAL AND**

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POLICE OFFICERS IN LIMA HAVE DRAMATICALLY RAISED NATIONAL CONCERN OVER SL.

- **B. THE MRTA IS A MUCH SMALLER, PRIMARILY LIMA-BASED ORGANIZATION WHICH IS BELIEVED TO BE INFLUENCED BY MOSCOW AND HAYANA. IT HAS SO FAR SPECIALIZED IN PRE-DAWN DYNAMITE ATTACKS ON UNOCCUPIED BUSINESSES AND RESTAURANTS WHICH CATER TO AMERICANS AND WEALTHY PERUVIANS. A WAVE OF MRTA BOMBINGS IN LIMA IN JANUARY 86, TOGETHER WITH APPARENTLY INDEPENDENT SL URBAN ACTIVITY, CAUSED THE GOVERNMENT TO DECLARE**

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A SEPARATE MINISTRY (THERE IS NO DEFENSE MINISTRY), WITH
THE MARINE CORPS BEING AN INTEGRAL PART OF THE NAVY.
THE THREE NATIONAL POLICE FORCES (THE GUARDIA CIVIL (GC),
THE GUARDIA REPUBLICANA (GP) AND THE PERUVIAN
INVESTIGATIVE POLICE (PIP) ARE ALL UNDER THE MINISTRY

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OF THE INTERIOR WHICH IS CURRENTLY STREAMLINING POLICE
ORGANIZATION. THE GC AND GR ARE VERY MUCH PARAMILITARY

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ORGANIZATIONS. THE PIP IS LESS SO.

B. WHILE THERE IS NO MINDEF, OPERATIONAL CONTROL OF DEPLOYED AND RESERVE FORCES IS EXERCISED BY THE ARMED FORCES JOINT COMMAND (COMANDO CONJUNTO) WHICH IS HEADED BY THE THREE SERVICE CHIEFS, ONE OF WHOM ALSO ACTS AS PRESIDENT OF THE COMANDO CONJUNTO (POSITION ROTATES ANNUALLY). THE COMANDO CONJUNTO ALSO HAS ITS OWN TRI-SERVICE STAFF.

C. WHILE INCREASINGLY AWARE OF -- AND CONCERNED ABOUT THE INSURGENT THREAT, THE STRUCTURE AND EQUIPMENT OF PERU'S ARMED FORCES AND OF THE INDIVIDUAL SERVICES CONTINUE TO REFLECT THE NATIONAL PREOCCUPATION WITH THE NEED TO BE PREPARED TO FIGHT A TWO FRONT CONVENTIONAL WAR. WHILE THERE ARE CURRENTLY INDICATIONS THAT THESE PRIORITIES ARE BEING RETHOUGHT WITHIN THE GOP-- BOTH IN AND OUT OF THE ARMED FORCES -- PERU'S CURRENT ECONOMIC PLIGHT MAKES IT DIFFICULT FOR SERVICES TO PROCURE THE PATROL BOATS, AIRCRAFT, ARMAMENT, GROUND TRANSPORT, COMMUNICATIONS, NATION BUILDING, AND PERSONAL EQUIPMENT NEEDED TO CARRY OUT A SUCCESSFUL COUNTER INSURGENCY CAMPAIGN.

D. TOTAL PERSONNEL STRENGTH:

ARMY	84,500
NAVY	27,500
AIR FORCE	14,000
CIVIL GUARD	37,500
REPUBLICAN GUARD	15,500

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2. ARMY

A. MISSION. THE MISSION OF THE ARMY IS TO GUARANTEE THE INDEPENDENCE, SOVEREIGNTY, AND TERRITORIAL INTEGRITY OF THE REPUBLIC, COMPLY WITH THE CONSTITUTION AND THE LAWS, AND, IF CALLED UPON BY THE PRESIDENT, ASSUME CONTROL OF PUBLIC ORDER DURING A STATE OF EMERGENCY. ITS PRIMARY MILITARY DUTIES ARE TO PROTECT THE TERRITORIAL INTEGRITY OF THE NATION AND GUARANTEE PUBLIC ORDER.

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- B. CAPABILITIES. THE ARMY, IN CONJUNCTION WITH THE OTHER SECURITY FORCES, IS STILL CAPABLE OF MAINTAINING INTERNAL SECURITY AND OF DEFENDING THE COUNTRY AGAINST AN ATTACK FROM ECUADOR, BOLIVIA, AND CHILE. PERU IS CAPABLE OF LIMITED OFFENSIVE OPERATIONS AGAINST ALL OF ITS NEIGHBORS EXCEPT BRAZIL. [

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- C. PERSONNEL STRENGTH. ESTIMATED 84,500 (7,488 OFFICERS, 12,350 NCOs, 64,680 ENLISTED PERSONNEL AND CONSCRIPTS); THE ARMY ALSO HAS 1,000 CADETS AND 9,289 CIVILIANS.

- D. GROUND UNITS (NOTE: A DIVISION IS ROUGHLY EQUIVALENT TO A US BRIGADE).

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UNITS	(AVERAGE-ESTIMATED)
8 INFANTRY DIVISIONS	2,900
1 AIRBORNE DIVISION	3,000
1 JUNGLE DIVISION (INFANTRY)	3,325

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4 ARMORED DIVISIONS	2,400
1 CAVALRY DIVISION	2,750

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1 DETACHMENT (DIVISION-SIZE)	3,000
- (ARMORED CAVALRY)	
7 GROUPS (1 EACH AIR DEFENSE ARTILLERY,	1,900
- SURFACE-TO-AIR MISSILE, AND ENGINEER	
- CONSTRUCTION, 2 EACH INFANTRY AND	
- ARTILLERY)	
3 SERVICE DIVISIONS	4,500

SEPARATE UNITS UNDER THE
MILITARY REGION HEADQUARTERS

1 HORSE CAVALRY REGIMENT	400
4 MOTORIZED INFANTRY BATTALIONS (INCL	
- RESERVE)	400
2 ARTILLERY BATTALIONS (INCL 1 ARMORED)	400
1 COMBAT ENGINEER BATTALIONS	400
- CONSTRUCTION ENGINEER BATTALIONS	400
5 SIGNAL BATTALIONS	100
3 MP BATTALIONS	300

E. ARMY AVIATION. THE ARMY LIGHT AVIATION GROUP HAS 65 PILOTS. IT IS ORGANIZED INTO SEVEN SQUADRONS (THREE TRANSPORT, ONE EACH RECONNAISSANCE AND ATTACK, FIXED WING, MAINTENANCE, AND INSTRUCTION); ALL BUT THE FIXED-WING SQUADRON ARE BASED AT THE CALLAO ARMY AIR BASE ON THE NORTH RAMP OF JORGE CHAVEZ INTERNATIONAL AIRFIELD. FOLLOWING IS A SUMMARY OF THE AVIATION UNITS:

UNIT	TYPE AIRCRAFT	TOTAL
FIXED-WING SQUADRON	HELIO H391B COURIER	1

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3 HELICOPTER TRANSPORT MI-8	26
- SQUADRON	
1 HELICOPTER RECONNAIS- ALOUETTE II	5
- SANCE AND ATTACK	
- SQUADRON	

F. WEAPONS AND EQUIPMENT. THE ARMY IS EQUIPPED WITH A HETEROGENEOUS ASSORTMENT OF MATERIEL. PRIOR TO 1968, THIS EQUIPMENT WAS A COLLECTION OF US AND EUROPEAN ARMS, MOSTLY OF WORLD WAR II VINTAGE. THE ARMY BEGAN A MODERNIZATION PROGRAM IN MID-1967 WHEN IT

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RECEIVED A SPECIAL BUDGET OF ABOUT \$66 MILLION. PURCHASES WERE MADE FROM THE US (40 105MM HOWITZERS), FRANCE (12 155MM HOWITZERS AND 78 AMX-13 LIGHT TANKS -- ALL AMX-13 NOW CARRY 105MM GUNS), WEST GERMANY (107 ARMORED PERSONNEL CARRIERS, 400 COBRA ANTITANK MISSILES, AND 1,000 GENERAL PURPOSE TRUCKS), AND BELGIUM (35,000 SMALL ARMS). IN 1973, THE PERUVIAN ARMY BECAME A CLIENT OF THE SOVIET UNION, AND ACQUIRED T-55 TANKS (OVER 300), COMBAT CARS, FIELD ARTILLERY, AIR DEFENSE ARTILLERY, ANTITANK MISSILES, AND TRANSPORT HELICOPTERS.

G. TRAINING.

1. CONSCRIPTS BEGIN THEIR ONE OR TWO YEAR STINT FOLLOWING INDUCTION. ALL PERSONNEL ENTERING THE ARMY ARE REQUIRED TO UNDERGO 10 WEEKS OF BASIC TRAINING ORIENTED TOWARD MILITARY INDOCTRINATION AND TRAINING FOR THE JOB THAT THEY WILL PERFORM. THERE ARE NO SPECIFIC TRAINING UNITS THAT CONDUCT ONLY BASIC MILITARY TRAINING. EACH UNIT IS RESPONSIBLE FOR PROVIDING THAT TRAINING FOR ITS NEW

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STATE PASS AID

E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

RECRUITS. ENLISTED SPECIALISTS (TECNICOS) ARE
USUALLY TRAINED IN THE UNITS TO WHICH THEY ARE ASSIGNED;
HOWEVER, A FEW SELECTED MEN ARE SENT TO VARIOUS
BRANCH AND SERVICE SCHOOLS AS WELL AS TO SOME CIVILIAN
TECHNICAL SCHOOLS.

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2. THE ARMY HAS A COMPREHENSIVE

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SCHOOL SYSTEM FOR OFFICERS AND NONCOMMISSIONED OFFICERS, CULMINATING (FOR THE OFFICERS) IN THE ARMY WAR SCHOOL (ESCUELA SUPERIOR DE GUERRA). THE QUALITY AND EFFECTIVENESS OF MILITARY TRAINING HAVE IMPROVED STEADILY OVER THE LAST DECADE. ANNUAL JOINT ARMY-AIR FORCE MANEUVERS ARE CONDUCTED IN THE MILITARY REGIONS, AND TRI-SERVICE MANEUVERS ARE HELD IN THE COSTAL REGIONS.

- 3. TRAINING IN THE SOVIET UNION
FOR OFFICERS HAS CONSISTED PRIMARILY OF COURSES IN INTELLIGENCE, HELICOPTER MAINTENANCE, PILOT TRAINING, ORDNANCE AND MISSILES, ARMORED VEHICLE MAINTENANCE, AND SUPPLY OPERATIONS. TRAINING FOR ENLISTED PERSONNEL IN THE SOVIET UNION HAS BEEN DIRECTED TOWARD THE MAINTENANCE OF EQUIPMENT. IT IS ESTIMATED THAT MORE THAN 60 OFFICERS AND 1,000 ENLISTED PERSONNEL MAY HAVE ATTENDED COURSES IN THE USSR SINCE 1973.

- 3. NAVY

- A. MISSION. THE MISSION OF THE NAVY IS TO DEFEND THE COASTLINE, ENFORCE PERU'S CLAIM TO THE 200-NAUTICAL-MILE LIMIT OF TERRITORIAL WATERS, PROTECT COASTAL SHIPPING, AND PATROL THE INLAND WATERS. THE NAVY ALSO ENGAGES IN CIVIC ACTION MISSIONS AND COMMERCIAL SHIPPING IN THE AMAZON BASIN.

- B. CAPABILITY. THE PERUVAIN NAVY, ONE OF THE MOST COMBAT-EFFECTIVE NAVIES IN SOUTH AMERICA, IS CAPABLE OF DEFENDING PERU FROM ATTACK BY THE NAVAL

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FORCES OF ANY IMMEDIATE NEIGHBOR. ITS SUBMARINE FORCE IS ONE OF THE BEST IN LATIN AMERICAN, AND THE SHIPS ASSIGNED TO THE SURFACE FLEET ARE WELL MAINTAINED AND OPERATIONALLY READY. THE NAVY POSSESSES A SIGNIFICANT CAPABILITY IN SUBMARINE, ANTISUBMARINE, AND SURFACE WARFARE AREAS. ITS STRENGTHS INCLUDE HIGH MORALE, GOOD TACTICAL PROFICIENCY, A HIGH LEVEL OF TRAINING, AND CAPABLE SHIP HANDLING IN A TASK FORCE ENVIRONMENT.

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1. THE PERUVIAN NAVY IS AN ANNUAL PARTICIPANT IN THE US NAVY-SPONSORED UNITAS EXERCISES. HOWEVER, IT DECIDED NOT TO PARTICIPATE IN 1982 BECAUSE OF PERUVIAN RESENTMENT OVER THE US POSITION IN THE FALKLAND ISLANDS CONFLICT BETWEEN ARGENTINA AND THE UNITED KINGDOM. WITH FEW EXCEPTIONS, PERFORMANCE IN THESE EXERCISES HAS CONSISTENTLY DEMONSTRATED THAT THE PERUVIAN NAVY IS CAPABLE OF EFFECTIVE INTEGRATION WITH US NAVAL UNITS IN PROVIDING ASSISTANCE IN THE DEFENSE OF THE WESTERN HEMISPHERE.

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2. WITHIN THE NAVY ARE NAVAL POLICE

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JFKSWC FT BRAGG NC

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E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

AND MARINE CORPS UNITS, WHICH PROVIDE A MODEST CAPABILITY TO SUPPORT THE GROUND AND AIR FORCES IN THE MAINTENANCE OF INTERNAL ORDER. THREE NAVY HOSPITAL SHIPS, WHICH HAVE REGULAR SCHEDULES ALONG THE AMAZON RIVER AND ITS TRIBUTARIES, CARRY OUT THE NAVY'S CIVIC ACTION PROGRAM

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OF ROUTINE MEDICAL ATTENTION TO VILLAGERS, TRANSPORTATION OF MATERIAL, AND TECHNICAL ASSISTANCE.

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C. PERSONNEL STRENGTH. 27,500 (2,610 OFFICERS, 14,200 PETTY OFFICERS, 10,700 ENLISTED MEN AND CONSCRIPTS; TOTAL INCLUDES 120 PILOTS, 6-65 COAST GUARD OFFICERS, AND 4,000 MARINES (INCLUDES ESTIMATED 100 NAVAL OFFICERS WHO ARE TECHNICALLY QUALIFIED AS MARINE OFFICERS). THE TOTAL DOES NOT INCLUDE 526 CADETS, 400 COAST GUARD PETTY OFFICERS AND NONRATED ENLISTED PERSONNEL, AND 6,278 CIVILIAN EMPLOYEES.

D. SHIP AND AIRCRAFT STRENGTH.

1. SHIPS.

TYPE	TOTAL	OPERATIONAL
SUBMARINE (SS)	12	12
LIGHT CRUISER (CL/CLH)	2	1
DESTROYER (DD)	8	8
FRIGATE (FF)	3	3
PATROL COMBATANT		
- PGG	6	6
RIVER/ROADSTEAD PATROL		
- PBR	5	5
AMPHIBIOUS WARFARE SHIP		
- LST	4	4
AUXILIARY		
- AG (EX-US DE: SMALL SUB TENDER)	1	1
AGOR	4	4
AGP (EX-US LST: CORVETTE TENDER)	1	1
AK	1	1

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AO	6	6
ATA	1	1
ATR	1	1
AXT	1	1
YARD AND SERVICE CRAFT		
- YH/YTB/YTL	9	9

IN ADDITION, THE COAST GUARD HAS 20 PATROL BOATS: WPCF, WPC, WPB, WPBR, WYH.

2. AIRCRAFT

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TYPE	TOTAL	OPERATIONAL
BEECH KINGAIR	5	5
F-27 FRIENDSHIP	2	2
DOUGLAS SYKTRAIN	1	1
S-2E TRACKER	9	9
AGUSTA BELL 212	6	6
SH-3D SEA KING	4	4
T-34C	4	4
T-34C1	1	1
BELL 206B JETRANGER	2	2

- E. ORGANIZATION. THE COMMANDER GENERAL OF THE NAVY, THE SENIOR OFFICER OF THE SERVICE, IS RESPONSIBLE TO THE PRESIDENT FOR THE OPERATIONAL COMMAND AND CONTROL OF HIS SERVICE. HE EXERCISES COMMAND OVER THE OPERATIONAL FORCES THROUGH THE COMMANDER OF NAVAL OPERATIONS AND THE COMMANDER OF THE AMAZON NAVAL FORCE; AND OVER LAND-BASED FACILITIES AND THE PERSONNEL OF FIVE NAVAL ZONES. THE COMMANDER GENERAL OF THE NAVY

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CDRUSASAALA FT CLAYTON PN//MOLA-SA//
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E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

IS ASSISTED BY THE NAVY GENERAL STAFF, ORGANIZED INTO
THREE DEPARTMENTS WITH SUBORDINATE DIVISIONS, AND
HEADED BY THE CHIEF OF THE NAVY GENERAL STAFF. THE
INSPECTOR GENERAL OF THE NAVY, THE DIRECTORATES GENERAL
OF PERSONNEL, MATERIAL, ECONOMY, AND MARITIME INTERESTS

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(WHICH INCLUDES THE COAST GUARD), AS WELL AS THE
DIRECTORATES OF COMMUNICATIONS AND INTELLIGENCE, ALL

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REPORT TO THE COMMANDER GENERAL. NAVAL SCHOOLS AND TRAINING CENTERS ARE SUBORDINATE TO THE DIRECTORATE OF INSTRUCTION.

- F. EQUIPMENT. SURFACE SHIPS ARE OF US, FRENCH, UK, ITALIAN AND NETHERLANDS CONSTRUCTION. THE TWO CRUISERS HAVE AN AVERAGE AGE OF 30 YEARS AND WERE BOTH PURCHASED FROM THE NETHERLANDS, AS WERE 8 OF THE 10 DESTROYERS.

- TWO DESTROYERS ARE MODIFIED UK DARING CLASS SHIPS. IN 1973, THESE TWO HAD THEIR WEAPON CAPABILITIES SIGNIFICANTLY ENHANCED BY THE ADDITION ON EACH SHIP OF EIGHT EXOCET SURFACE-TO-SURFACE MISSILE (SSM) LAUNCHERS. THE NAVY IS UPGRADING ITS FLEET WITH THE ADDITION OF LUPO CLASS GUIDED MISSILE FRIGATES (FF) EQUIPPED WITH OTOMAT SSM LAUNCHERS. TWO CONSTRUCTED IN ITALY WERE DELIVERED IN MARCH AND SEPTEMBER 1979, WHILE TWO OTHERS BEING BUILT WITH ITALIAN SUPPORT IN THE NAVAL SHIPYARD IN CALLAO ARE SCHEDULED FOR DELIVERY IN THE MID-1980S. THE FIRST OF THE LATTER PAIR -- THE MONTERO -- WAS LAID DOWN IN 1978, LAUNCHED IN OCTOBER 1982, AND COMMISSIONED ON 29 JULY 1984. THE SECOND FRIGATE -- THE MARIATEGUI -- WAS LAID DOWN IN 1979 AND WAS LAUNCHED IN OCTOBER 1984. ITS COMMISSIONING IS PLANNED FOR LATE 1986. IN 1982, SIX 560-TON, EXOCET-EQUIPPED, MISSILE PATROL BOATS AND 20 EXOCET MISSILES WERE RECEIVED FROM FRANCE. THE SUBMARINE FORCE TRADITIONALLY HAS BEEN THE BEST EQUIPPED PART OF THE FLEET. OF THE 12 SUBMARINES IN THE NAVY INVENTORY, 6 WERE OBTAINED FROM THE US - 2 GUPPY IA AND 4 TIBURON

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CLASS. SIX ARE THE GERMAN TYPE 209, PROBABLY THE MOST FAVORED SUBMARINE SOLD FOR EXPORT IN THE FREE WORLD. IN EARLY 1984, THE PERUVIAN NAVY LEASED FOUR AMPHIBIOUS VEHICLES LANDING SHIPS (LST) FROM THE US NAVY. THE SHIPS ARRIVED IN CALLAO IN MARCH 1985. THE LSTS WERE PROVIDED UNDER A 5-YEAR NO-COST LEASE, RENEWABLE FOR A SECOND 5-YEAR PERIOD. COST OF REACTIVATION WAS BORNE BY THE PERUVIAN NAVY. THIS ACTION WAS THE FIRST TRANSFER OF SHIPS TO PERU BY THE US NAVY SINCE 1974.

- G. LOGISTICS. THE PERUVIAN NAVY HAS

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SOME PROBLEMS MAINTAINING ITS FORCE AT SEA FOR ANY EXTENDED PERIOD OF TIME, BUT MAJOR UNITS CAN OPERATE STEADILY FOR PERIODS OF AT LEAST 10 DAYS, BASED ON THE QUANTITY OF FOOD SUPPLIES ABOARD. THE NAVY USES FRESH FOOD DUE TO THE HIGH COST OF FROZEN, CANNED AND DRIED FOOD. OTHERWISE, WITHOUT REPLENISHMENT OF STORES, ON STATION TIME IS ESTIMATED TO BE APPROXIMATELY 10 DAYS. POL--FUEL, GASOLINE, AND COMMON LUBRICATION OILS--ARE LOCALLY AVAILABLE.

H. FACILITIES. THREE FACILITIES (CALLAO, IQUITOS, AND CHIMBOTE) OR THE PERUVIAN NAVY SHIPYARD-SIMA (SERVICIOS INDUSTRIALES DE LA MARINA) WORK UNDER CONTRACT FOR THE NAVY AND FOR OTHER GOVERNMENT AND PRIVATE AGENCIES. SIMA HAS THE CAPABILITY TO CONSTRUCT SMALL PATROL SHIPS AND LARGE AUXILIARIES -- 25,000 TON FREIGHTERS, 80,000 TON TANKERS, AND OCEANIC SCIENTIFIC RESEARCH SHIPS. SIMA DOES REPAIR AND MAINTENANCE WORK ON THE NAVY'S SUBMARINES AND SURFACE SHIPS. IN 1981, SIMA INITIATED A NEW ARMS PRODUCTION LINE INCLUDING DESIGNING AND MANUFACTURING 10,000 SUBMACHINEGUNS FOR

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CDRUSASAALA FT CLAYTON PN//MOLA-SA//
COMUSNAVSO FT AMADOR PN
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STATE PASS AID

E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

THE CIVIL GUARD AND THE REPUBLICAN GUARD.

4. AIR FORCE.

A. MISSION. THE MISSION OF THE AIR FORCE

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IS TO DEFEND THE COUNTRY AGAINST EXTERNAL AGRESSION.
SECONDARY RESPONSIBILITIES ARE TO ASSIST THE GROUND FORCES

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IN THE PRESERVATION OF INTERNAL ORDER, ASSIST THE GOVERNMENT IN THE ECONOMIC AND SOCIAL DEVELOPMENT OF THE COUNTRY, PROVIDE A GOVERNMENT AERIAL PHOTOGRAPHIC SERVICE, A GOVERNMENT SCHOOL OF CIVIL AVIATION, AND A GOVERNMENT AERONAUTICAL INDUSTRY.

- B. CAPABILITY. THE PERUVIAN AIR FORCE HAS A LIMITED CAPABILITY TO DEFEND ITS AIRSPACE BUT ITS CAPABILITY TO PROVIDE EFFECTIVE AIR COVER AND CLOSE AIR SUPPORT FOR PERUVIAN GROUND FORCES IS GROWING. [

IN DAYLIGHT VISUAL CONDITIONS, THE AIR FORCE COULD REACH TARGETS IN COLOMBIA, ECUADOR, BOLIVIA, AND CHILE WITH ITS CANBERRA BOMBERS. THE 47 SU-22/FITTER FIGHTER-BOMBER AIRCRAFT COMPRISE A FORMIDABLE FIGHTING FORCE. THE AIR FORCE CAN PROVIDE EFFECTIVE SUPPORT TO GROUND FORCES FOR THE MAINTENANCE OF INTERNAL SECURITY. AIR FORCE CAPABILITY TO SUPPORT INTERNAL SECURITY OPERATIONS WAS ENHANCED IN 1983 AND EARLY 1984 AFTER DELIVERY OF 14 MI-25/HIND ASSAULT HELICOPTERS AND 5 BELL 214ST TROOP TRANSPORT HELICOPTERS. IT COULD PROVIDE SIGNIFICANT DAYLIGHT, FAIR-WEATHER SUPPORT OF NAVAL OPERATIONS.

- C. PERSONNEL STRENGTH. BETWEEN 12,000 TO 16,000 (1,500 OFFICERS, 2,500 NCOS, 2,000 TO 4,000 ENLISTED MEN AND CONSCRIPTS). APPROXIMATELY 580 PILOTS ARE INCLUDED IN THE OFFICER STRENGTH. TOTAL INCLUDES

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530 CADETS, AND 6,000 TO 8,000 CIVILIAN EMPLOYEES.

- D. AIRCRAFT STRENGTH. TOTAL: 306 (FIXED-WING: 152 JET, 49 TURBOPROP, 35 PROP; HELICOPTERS: 70 TURBINE).

IN OPERATIONAL UNITS: 308

- 11 BOMBERS
- 74 GROUND ATTACK
- 15 AIR SUPERIORITY

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- 49 TRANSPORTS: 2 LONG-RANGE, 19 MEDIUM-RANGE, 28
- SHORT-RANGE
- 6 PHOTORECONNAISSANCE
- 2 BOMBER TRAINER
- 18 FIGHTER-TRAINER
- 54 TRAINER
- 9 UTILITY
- 68 HELICOPTERS: 14 ASSAULT, 6 HEAVY, 29 MEDIUM,
- 16 LIGHT, 3 UTILITY.
-

E. ORGANIZATION. PERU IS DIVIDED INTO FIVE NUMBERED AIR REGIONS. OPERATIONS ARE CONDUCTED PRIMARILY FROM NINE AIR BASES -- THE CIVIL/MILITARY AIRFIELDS OF JORGE CHAVEZ INTERNATIONAL (AT CALLAO), CAPT J.A. QUINONES G. (AT CHICLAYO), PISCO, CAPT MONTES (AT TALARA), AND CAPITAN CONCHA (AT PIURA); AND THE FOUR MILITARY AIR BASES OF EL PATO (AT TALARA), MARIANO MELGAR (AT LA JOYA), VITOR (AT AREQUIPA), AND IQUITOS. TRAINING IS CONDUCTED PRIMARILY FROM LAS PALMAS AIR BASE NEAR LIMA. THE FOUR WING HEADQUARTERS ARE LOCATED AT AREQUIPA (WING 3), AT CALLAO AIR BASE (WING 2),

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STATE PASS AID

E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

AT PIURA (WING 1) AND AT IQUITOS AIR BASE (WING 5),
AIR WING 4 HAS NOT YET BEEN ACTIVATED AT PUERTO MALDONADO
AIR BASE.

F. TRAINING. PERUVIAN AIR FORCE

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TRAINING, ALTHOUGH CONSIDERED SUPERIOR TO THAT OF MOST
OTHER LATIN AMERICAN AIR FORCES, SUFFERS FROM SHORTAGES

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OF SUITABLE STUDENTS, QUALIFIED INSTRUCTORS, FACILITIES, EQUIPMENT, AND FUNDS. THE STEADY ACQUISITION OF FIGHTER AND TRANSPORT AIRCRAFT SINCE 1976 HAS CREATED CRITICAL PILOT SHORTAGE. IN ADDITION, THE PILOT TRAINING PROGRAM IS STRAINED FOR LACK OF OPERATIONAL TRAINER AIRCRAFT AND AN ADEQUATE NUMBER OF INSTRUCTOR PILOTS.

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- 1. PROFESSIONAL MILITARY EDUCATION FOR OFFICERS CONSISTS OF BASIC, COMMAND AND STAFF, AND HIGHER STUDIES. APPROXIMATELY 15 PERCENT OF THE OFFICERS COMPLETE THEIR PROFESSIONAL MILITARY EDUCATION IN ONE OF SEVERAL WESTERN NATIONS, PARTICULARLY THE BASIC MILITARY, TECHNICAL, ON-THE-JOB, AND SYSTEMS TRAINING. FURTHER SYSTEMS TRAINING, WHICH IS PROVIDED TO TECHNICIANS WHEN A NEW SYSTEM IS ACQUIRED, IS GENERALLY IN THE COUNTRY OF THE CONTRACTOR. ONE NOTABLE EXCEPTION IS THE SYSTEMS TRAINING FOR SOVIET EQUIPMENT, OF WHICH A LARGE PERCENTAGE WAS PROVIDED IN PERU.

- 2. SINCE 1973, AS MANY AS 2,000 PERUVIAN AIR FORCE PERSONNEL ARE BELIEVED TO HAVE RECEIVED TRAINING IN THE SOVIET UNION. COURSES INCLUDE HELICOPTER PILOT, FIGHTER-BOMBER PILOT, TRANSPORT PILOT, EARLY WARNING RADAR, AIR DEFENSE ARTILLERY, SURFACE-TO-SURFACE MISSILE, AIR CONTROLLER, COMMANDO OPERATIONS, PARATROOP OPERATIONS, ARMORED CAR (BRDM-2) AND INTELLIGENCE. RECENTLY SUCH TRAINING HAS CEASED AS THE PERUVIANS FEEL THEY CAN TRAIN THEIR OWN PEOPLE IN SOVIET

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EQUIPMENT IN PERU WITH BETTER RESULTS AND LOWER COSTS.

- 5. PARAMILITARY FORCES.

- A. CIVIL GUARD (GUARDIA CIVIL). THE CIVIL GUARD, A FORCE OF 37,500, IS CHARGED WITH THE MAINTENANCE OF PUBLIC ORDER, PROTECTION OF PERSONS AND PROPERTY, AND BORDER PATROL. THE CIVIL GUARD IS GEOGRAPHICALLY ORGANIZED INTO FIVE REGIONS COVERING THE ENTIRE COUNTRY. IN THE CASE OF A NATIONAL EMERGENCY, THE CIVIL GUARD WOULD COME UNDER THE COMMANDER OF THE

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ARMY.

- B. REPUBLICAN GUARD (GUARDIA
REPUBLICANA). THE REPUBLICAN GUARD, A FORCE OF 15,500,
IS CHARGED WITH THE PROTECTION OF GOVERNMENT PROPERTY,
THE SECURITY OF NATIONAL FRONTIERS, AND THE OPERATION
OF PRISONS. THE GUARD IS CAPABLE OF FULFILLING THESE
DUTIES AND OF ASSISTING IN THE MAINTENANCE OF PUBLIC
ORDER WHEN NECESSARY. IN CASE OF NATIONAL EMERGENCY,
THE REPUBLICAN GUARD WOULD ALSO COME UNDER THE COMMAND
OF THE ARMY.

- B. TYPE FORCE STRUCTURE EXPANSION OF IMPROVEMENT
- HC PLANS (TO ACQUIRE TO MEET THE PERCEIVED
- THREAT)

- 1. GENERAL. ALL SERVICES WANT TO MAINTAIN --
IF NOT INCREASE-- THE SUPERIORITY THEY CURRENTLY
ENJOY OVER THEIR NEIGHBORS IN CONVENTIONAL ARMAMENT.
THE AIR FORCE AND THE ARMY BOTH OF WHOSE HARDWARE
INVENTORY IS MORE THAN 50 PER CENT SOVIET SUPPLIED--

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STATE PASS AID

E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

WOULD LIKE TO BREAK THEIR DEPENDENCE ON SOVIETS FOR
PARTS, TOOLS, SPECIAL LUBRICANTS, TEST EQUIPMENT IN
THE SHORT TERM AND AVOID FURTHER ARMS PURCHASES FROM
SOVIETS IN THE LONG TERM. THIS GOAL WILL BE HARD
FOR THEM TO ACHIEVE, HOWEVER, IF THE SOVIETS REMAIN

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THE ONLY MAJOR SUPPLIER WILLING TO EXTEND EASY CREDIT
TO PERUVIAN MILITARY. FINALLY ALL SERVICES WANT

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BETTER EQUIPMENT AND TRAINING TO ALLOW THEM TO DEAL MORE EFFECTIVELY WITH THE EVER MORE CAPABLE AND DISTURBING THREAT FROM INSURGENTS AND TERRORISTS. THE NEED FOR RIVER PATROL BOATS, LIGHT AIRCRAFT, TRANSPORT HELICOPTERS, GROUND TRANSPORT VEHICLES, COMMUNICATIONS EQUIPMENT, ENGINEER CIVIC ACTION EQUIPMENT, ETC., IS OBVIOUS. HOWEVER, THERE IS NO INDICATION THAT ANY OF IT CAN BE ACQUIRED IN THE FORSEEABLE FUTURE. FRUSTRATION ON PART OF DEPLOYED FORCES IS EVIDENT AND HAS PROBABLY IN PART CONTRIBUTED TO HUMAN RIGHTS ABUSES ALLEGED TO HAVE OCCURRED IN 84 AND 85 IN THE ANDEAN EMERGENCY ZONE.

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2. ARMY.

-
A. ARMY GOAL REMAINS TO MAINTAIN CONVENTIONAL SUPERIORITY OVER NEIGHBORS WHILE BUILDING COUNTER INSURGENCY -- TO INCLUDE NATION BUILDING AND HELO TRANSPORT -- CAPABILITY NEEDED TO DEFEAT SENDERO LUMINOSO AND TO WORK WITH ANDEAN POPULATION TO REMOVE CONDITIONS WHICH ALLOWED INSURGENCY TO DEVELOP. ARMY PARTICULARLY WANTS TO MODERNIZE ITS HELICOPTER FLEET AND AT LEAST SOME ELEMENTS WISH TO ENSURE THAT THIS IS DONE BY STAYING COMPLETELY AWAY FROM PURCHASE OF ADDITIONAL SOVIET HELICOPTERS.

-
B. LOGISTICALLY, ARMY WOULD LIKE TO SIMPLIFY ITS CURRENT SPARE PARTS NIGHTMARE CAUSED BY DEPENDENCE IN TOO MANY SUPPLIERS. AGAIN, MANY ARMY LEADERS WISH TO DRASTICALLY DECREASE THEIR DEPENDENCE ON THE SOVIETS, HOWEVER THE US TRACK RECORD AS A
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SECURITY ASSISTANCE PARTNER HERE, TOGETHER WITH CURRENT FREEZE UNDER BROOKE-ALEXANDER, COMBINE TO CAUSE THEM TO KEEP ALL OPTIONS OPEN. WITH RESPECT TO TRAINING, ONCE AGAIN, THE PERUVIAN ARMY PREFERS AND DESIRES US TRAINING. THE IMET EMBARGO UNDER BROOKE-ALEXANDER, HOWEVER, MAKES THIS IMPOSSIBLE.

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3. NAVY.

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A. THE PERUVIAN NAVY IS PLANNING TO
GRADE THE WEAPONS SYSTEMS ON THE CRUISER ALMIRANT
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GRAU WITH MISSILES, NEW FIRE CONTROL SYSTEMS AND ENHANCED ANTI-SUBMARINE WARFARE CAPABILITIES. THESE MODIFICATIONS ARE PLANNED DURING THE GRAU'S OVERHAUL, WHICH IS IN PROGRESS IN THE NETHERLANDS AT A COST OF US\$ 130,000,000. THE OVERHAUL IS EXPECTED TO BE COMPLETED IN 1988. THE NAVY WOULD ALSO LIKE TO ACQUIRE TWO MODERN DESTROYERS TO REPLACE THE AGING DARING CLASS DESTROYERS.

B. WITH REGARD TO THEIR NAVAL AVIATION, THE PERUVIAN NAVY DESIRES TO OBTAIN A HELICOPTER THAT IS CAPABLE OF CARRYING TROOPS AND EQUIPMENT WHILE OPERATING AT HIGH ALTITUDES. THEIR RECENT ATTEMPT TO OBTAIN CH-46 HELICOPTERS FROM THE U.S. DID NOT MATERIALIZE.

4. MARINES. THE PERUVIAN NAVY PLANS TO INCREASE THE STRENGTH OF ITS MARINE CORPS BY ABOUT 1,000 MEN DURING THE NEXT FIVE YEARS.

5. AIR FORCE. THE PERUVIAN AIR FORCE IS

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E.O. 12356: N/A

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PRESENTLY THREATENED WITH LOSS OF THE 26 MIRAGE
2000 AIRCRAFT CONTRACTED FOR IN 1979. [

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FOR THEIR SOUTHERN DEFENSES AND HAVE NO AIRCRAFT TO
MOVE THERE. THEY WANT TO ACQUIRE A HF RADIO SYSTEM TO

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CONNECT THEIR 4 OPERARATIONAL WINGS AND WITH THE LACK OF FMS AND MAP FUNDS ARE WORRIED TO THEIR ABILITY TO RECEIVE TRAINING OR SPARES FROM THE U.S. RUSSIA STANDS READY TO ASSIST THEM BUT THEY WOULD RATHER HAVE US AID.

IV. ECONOMIC ANALYSIS:

A. FIVE YEAR HISTORY OF ECONOMIC DATA

	1983	1984	1985	1986
1. GROSS DOMESTIC PRODUCT	16,090	16,891	14,376	NA
2. NATIONAL DEBT	12,442	13,364	13,794	NA
3. INFLATION (PERCENT)	125.1	111.5	158.3	NA
4. BUDGET	3,733	3,689	2,882	2,686
5. TOTAL DEBT (SEE ITEM 2)				
6. DEBT SERVICE RATIO (1) (AS PERCENT OF EXPORTS)	59.4	79.2	69.0	NA
7. MILITARY BUDGET	825	593	573	400
8. OTHER MILITARY ASSISTANCE	NA	NA	NA	NA
9. OTHER ECONOMIC ASSISTANCE	NA	NA	NA	NA

B. PREVIOUS YEAR DEFENSE SPENDING (1985) US\$573 MILLION.

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NOTES: ALL VALUES ARE IN MILLIONS OF US DOLLARS UNLESS OTHERWISE STATED. DATA FOR 1987 IS NOT AVAILABLE. FIGURES IN ITEMS 1, 2, 3, 6 ARE CLCULATED BASED ON INFORMATION IN THE LATEST FOREIGN ECONOMIC TRENDS REPORT. SOURCE OF OTHER FIGURES EXCEPT BUDGET FIGURES FOR 1986 IS NATIONAL STATISTICS INSTITUTE AND CENTRAL BANK (BCR); 1986 FIGURES ARE FROM DRAFT BUDGET AS PRSENTED TO CONGRESS IN DECEMBER 1985. EXCHANGE RATES USED TO CONVERT INTIS TO DOLLARS ARE AS FOLLOWS:

YEAR EQUIVALENT

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OF US\$1

-		
-	1983	1.63
-	1984	3.47
-	1985	10.98
-	1986	13.95

(1) INCLUDES SCHEDULED PAYMENTS OF PRINCIPAL AND INTEREST.

C. MILITARY IMPORTS: IN 1985, PRESIDENT GARCIA ANNOUNCED A REDUCTION OF THE TOTAL NUMBER OF MIRAGE 2000 AIRCRAFT TO BE PURCHASED FROM FRANCE BY HALF. PERU TOOK SYMBOLIC DELIVERY OF TWO OF THESE AIRCRAFT AT THE PARIS AIR SHOW. PERU HAS EITHER ACQUIRED OR LEASED AN UNDETERMINED QUANTITY OF MBK-105 LOH'S FROM WEST GERMANY THROUGH HBB'S U.S. SUBSIDIARY. TO OUR KNOWLEDGE, NO OTHER THIRD COUNTRY OR NEW MAJOR COMMUNIST MILITARY ASSISTANCE OR SALES WERE

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COMPLETED IN 1985. HOWEVER, EXPENDITURES WERE MADE FOR THE PURCHASE OF SPARE PARTS TO MAINTAIN THE ALREADY SUBSTANTIAL QUANTITY OF SOVIET MATERIAL IN THE PERUVIAN MILITARY INVENTORY (MORE THAN 50 PERCENT OF PERUVIAN MILITARY EQUIPMENT IN THE ARMY AND AIR FORCE IS SOVIET

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MANUFACTURED). THE SOVIET UNION CONTINUES TO ATTEMPT TO SELL THE AN-32 AIRCRAFT AND TO DISCUSS HELICOPTER AND

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ARMORED VEHICLE SALES AND TO OFFER SMALL ARMS AND EQUIPMENT TO PERU. WE BELIEVE EAST GERMANY HAS OFFERED LIGHT WEAPONS TO THE PERUVIAN ARMY AS WELL AS ADDITIONAL TRUCKS AND ARMORED VEHICLES. DESPITE THE ATTRACTIVE PRICES AND PAYMENT TERMS OFFERED BY THE SOVIETS, WE ARE UNAWARE OF ANY SALES MADE IN 1985. TO DATE, THE PERUVIAN MILITARY, PARTICULARLY THE ARMY, REMAINS WITHOUT SUFFICIENT FUNDS TO SUPPORT NEW ACQUISITIONS AND IS LIKELY TO RELY ON BARTER ARRANGEMENTS TO MAKE PAYMENT ON DEBTS RESULTING FROM EQUIPMENT PURCHASES.

D. THIRD COUNTRY SECURITY ASSISTANCE PROGRAMS:

1. SOVIET UNION: IN 1985, THE NUMBER OF SOVIET MILITARY ADVISORS/TECHNICIANS IN THE PERUVIAN ARMED FORCES DECREASED FROM APPROXIMATELY 130 TO APPROXIMATELY 120 (64 AIR FORCE, 31 ARMY, WITH THE REMAINDER IN THE SOVIET MAG OR ATTACHES IN LIMA). THE PERUVIAN NAVY HAS NEVER USED SOVIET (*)

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THEN ASSUME MAINTENANCE AND LOGISTIC RESPONSIBILITIES FOR SOVIET HARDWARE. ALTHOUGH THE NUMBER OF SOVIET ADVISORS HAS DECREASED, ATTEMPTS TO BECOME SELF-SUFFICIENT HAVE MET WITH LIMITED SUCCESS. THE SOVIETS HAVE RETAINED TIGHT CONTROL OVER OPERATIONS AND MAINTENANCE OF SOPHISTICATED SOVIET EQUIPMENT IN THE PERUVIAN INVENTORY, AND COMPLICATED ELECTRONICS SYSTEMS AND ENGINE OVERHAUL IN SOME CASES ARE ACCOMPLISHED BY SENDING THE EQUIPMENT BACK TO THE USSR. COSTS FOR SOVIET MILITARY ASSISTANCE PERSONNEL AND THEIR FAMILIES ARE

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BORNE BY PERU. THE PERUVIANS ARE ALSO RESPONSIBLE FOR COVERING THE COSTS OF PERUVIAN OFFICERS AND TECHNICIANS RECEIVING SPECIALIZED TRAINING IN THE SOVIET UNION. HOWEVER, WE BELIEVE PAST CREDITS GRANTED TO PERUVIAN ARMED FORCES BY THE USSR HAS OFFSET EQUIPMENT AND TRAINING COSTS SO THAT THEY DO NOT EXCESSIVELY BURDEN THE MILITARY ECONOMY.

2. ARGENTINA: ARGENTINA HAS ONE SPECIAL ADVISOR BASED WITH THE MARINE INFANTRY IN ANCON. THEY ALSO HAVE A PEP/ EXCHANGE OFFICER PROGRAM, WHICH ENTAILS ONE YEAR AT THE C&GS LEVEL SCHOOLS, THEN ASSIGNMENT AS ASSISTANT ATTACHE OR INSTRUCTOR FOR ONE YEAR.

3. FRANCE: FRANCE HAS AN UNDETERMINED NUMBER OF SPECIALIZED AIRCRAFT MECHANICS/TECHNICIANS FOR MAINTENANCE OF MIRAGE AIRCRAFT IN PERU. THESE ARE PROBABLY NOT MILITARY PERSONNEL, BUT CIVILIAN CONTRACTORS. THE FRENCH MILITARY ATTACHE PERFORMS COMMERCIAL RESPONSIBILITIES WHICH FAR OUTWEIGH HIS REPRESENTATIONAL/INTELLIGENCE FUNCTIONS.

4. ISRAEL: IT IS UNCLEAR TO WHAT EXTENT COMMERCIAL/ MILITARY ADVISORY EFFORTS HAVE SUCCEEDED IN PERU. THERE ARE A NUMBER OF COMMERCIAL TRADE REPRESENTATIVES ATTEMPTING TO PROMOTE MILITARY EQUIPMENT AND TRAINING

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PROGRAMS FOR THE PERUVIAN ARMED FORCES (HELICOPTERS, COMMUNICATIONS EQUIPMENT, ETC.). A SPECIAL COUNTER-TERRORIST TRAINING GROUP WAS IN PERU FROM AUGUST 1985 - FEBRUARY 1986. THE ISRAELI MILITARY ATTACHE, LIKE THE

NOTE BY OC/T: (*)OMISSION, PARA. D 1. - CORRECTION TO FOLLOW.

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TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

FRENCH, HAS INTEREST IN COMMERCIAL VENTURES.

5. WEST GERMANY: THE FRG BUDGET FOR GOVERNMENT TO
GOVERNMENT AND MILITARY ASSISTANCE PROGRAMS FOR PERU OUT-
STRIPS AID PROGRAMS FOR ANY OTHER COUNTRY IN THE WESTERN

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HEMISPHERE.

6. JAPAN: THE JAPANESE EMBASSY
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ADVISES
SIZEABLE CIVILIAN ASSISTANCE PROGRAMS ADMINISTERED IN PERU.

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7. NUMEROUS OTHER COUNTRIES, SUCH AS BRAZIL, BOLIVIA, VENEZUELA AND SOUTH KOREA, SEND MILITARY STUDENTS/ INSTRUCTORS TO PERUVIAN C&S LEVEL MILITARY SCHOOLS.

V. ARMS CONTROL SITUATION:

- A. POSSIBLE MAJOR ACQUISITIONS BY THE PERUVIAN AIR FORCE FROM THE US INCLUDE JET REFUELING TANKERS (BOEING 707S OR DC-8S) IN THE OUT YEARS; THEY MIGHT ALSO INCLUDE ATTACK AIRCRAFT. THE MOST SIGNIFICANT ARMY INTEREST IS IN UPGRADING ITS AVIATION CAPABILITY WITH THE PURCHASE OF SIKORSKY BLACKHAWKS, BOEING CHINOOKS, AND/OR ADDITIONAL TROOP LIFT AND LIGHT OBSERVATION HELICOPTERS.

- B. THE ATTACK AIRCRAFT PURCHASE, IF NOT COUNTERED BY SIMILAR ACQUISITIONS BY ECUADOR AND CHILE, COULD SHIFT THE REGIONAL BALANCE OF AIR POWER IN PERU'S FAVOR. PURCHASE OF ANY COMBINATION OF THE ABOVE MENTIONED ROTARY ASSETS WOULD PROVIDE THE PERUVIAN MILITARY AN INCREASED CAPABILITY TO CONDUCT AIR MOBILE OPERATIONS, INCLUDING OPERATIONS AT HIGH ALTITUDE AND ANTITANK MISSIONS. OUR VIEW IS THAT THESE PROJECTED U.S. SALES, REPRESENTING MATERIEL OF PRIMARILY DEFENSIVE OR ANTI-SUBVERSIVE UTILITY, WOULD PRODUCE NO APPRECIABLE IMPACT ON REGIONAL STABILITY.

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VI. HUMAN RIGHTS: PERU HAS A FREELY ELECTED DEMOCRATIC GOVERNMENT. CITIZENS ENJOY BROAD POLITICAL AND CIVIL RIGHTS, WHICH ARE UPHELD IN PRACTICE. THE ADVENT OF TERRORISM IN THE 1980'S, AND THE MILITARY'S RESPONSE, PRODUCED ALLEGATIONS OF NUMEROUS HUMAN RIGHTS VIOLATIONS - SOME CONFIRMED - BY THE MILITARY AS WELL AS THE TERRORISTS. TERRORIST ACTIVITY, INCLUDING INDISCRIMINATE BOMBINGS AND SELECTIVE ASSASSINATIONS, HAS CONTINUED. THE GARCIA ADMINISTRATION HAS DEMONSTRATED THAT IT IS COMMITTED TO IMPROVING RESPECT FOR HUMAN RIGHTS. INDEPENDENT OBSERVERS

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AGREE THAT VIOLATIONS BY GOVERNMENT FORCES DECLINED SHARPLY IN 1985. U.S. SECURITY ASSISTANCE, INCLUDING SUPPORT FOR MILITARY CIVIC ACTION PROGRAMS, IS AN IMPORTANT VEHICLE FOR INFLUENCING THE PERUVIAN MILITARY ON HUMAN RIGHTS, AND FOR MAINTAINING CURRENT POSITIVE TRENDS.

VII. PROJECTED FY 88 SECURITY ASSISTANCE PROGRAM FOR PERU

- A. GENERAL DESCRIPTION: THE U.S. FOREIGN MILITARY SALES PROGRAM FOR PERU IS VIRTUALLY AT A STANDSTILL

-
DUE TO SANCTIONS IMPOSED BY THE BROOKE-ALEXANDER AMENDMENT FOR NON-PAYMENT OF FMS LOAN DEBTS. THE PERUVIAN MILITARY, HOWEVER, IS MAKING LIMITED FMS-CASH PURCHASES. THE NAVY HAS PURCHASED SOME TRAINING, AND THE AIR FORCE IS CONSIDERING BUYING SOME USED C-130 AIRCRAFT AT A VERY LOW PRICE. THE ARMY HAS NOT MADE FMS-CASH PURCHASES RECENTLY. IN FACT, THE

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E.O. 12356: N/A

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PERUVIAN ARMY HAS BEEN UNABLE TO RECEIVE EQUIPMENT FROM AT LEAST THREE COMMERCIAL PURCHASES BECAUSE FMS CREDITS ARE NOT AVAILABLE. BEFORE THE U.S. SECURITY ASSISTANCE PROGRAM FOR PERU CAN CONTINUE, THE PERUVIAN GOVERNMENT MUST PAY OVERDUE FMS AND ECONOMIC ASSISTANCE

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LOANS. CURRENTLY, ANNUAL PAYMENTS DUE ON PAST LOANS IS NEARLY EQUAL TO THE AMOUNT OF FMS DOLLARS AVAILABLE

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(\$11.1 MIL).

- THE PERUVIAN MILITARY CAN RECEIVE MUCH MORE FAVORABLE TERMS FROM OTHER COUNTRIES, SUCH AS THE SOVIET UNION, FOR THE PURCHASE OF MILITARY ARMS AND EQUIPMENT. IF THE UNITED STATES GOVERNMENT WANTS TO PROVIDE SECURITY ASSISTANCE TO PERU AND TO MAINTAIN SOME INFLUENCE IN THIS STRATEGIC SOUTH AMERICAN COUNTRY WHICH IS BEING SERIOUSLY COURTED BY COMMUNIST COUNTRIES, THEN THE SECURITY ASSISTANCE PROGRAM MUST NOT SUBSTANTIALLY WORSEN THE DEBT SITUATION AND CONCURRENT ECONOMIC PROBLEMS.

- HOWEVER, THE PERUVIAN MILITARY NEEDS NEW EQUIPMENT. MUCH OF THEIR EQUIPMENT IS OLD AND HEAVILY USED. THEY NEED REPLACEMENTS AND/OR SPARE PARTS. ALSO, THE MILITARY IS HEAVILY ENGAGED IN A FIGHT AGAINST SUBVERSIVE ELEMENTS WITHIN THE COUNTRY. THEY NEED ADDITIONAL NEW EQUIPMENT TO SUPPORT THIS FIGHT. ADDITIONALLY, NEW ENGINEER CONSTRUCTION EQUIPMENT IS

- REQUIRED TO SUPPORT MILITARY PARTICIPATION IN INTERNAL DEVELOPMENT.

- CONTINUITY FUNDING LEVEL REQUIRED FOR FY 88:

- MAP \$25 MILLION

- FMS CREDIT \$10 MILLION (CONCESSIONAL)

GIVEN PERU'S FINANCIAL SITUATION, IT WOULD BE MORE LOGICAL TO PROVIDE MILITARY ASSISTANCE AS A GRANT

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RATHER THAN A LOAN.

- B. FMS ACQUISITIONS ARE LISTED BY INDIVIDUAL SERVICE SINCE SECURITY ASSISTANCE FUNDS ARE NORMALLY EQUALLY DIVIDED. ESTIMATED COSTS IN THOUSANDS OF DOLLARS.

- ..ARMY..
- CATEGORY DEFENSE ARTICLE QUANT EST COST
- X1000
1. NEW EQUIP M-14/M-16 RIFLES 1000 554

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2.	NEW EQUIP	NIGHT SIGHTS FOR RIFLES	100	110
3.	NEW EQUIP	TELESCOPIC SIGHTS FOR RIFLES	100	
4.	NEW EQUIP	NIGHT VISION DEVICES	100	580
5.	NEW EQUIP	INDIVIDUAL FIELD EQUIP	1000	
6.	NEW EQUIP	"BULLET-PROOF" VESTS	1000	183
7.	NEW EQUIP	1/4(3/4) TON TRUCKS	10	164
8.	NEW EQUIP	1-1/4 TON TRUCKS	5	81
9.	NEW EQUIP	2-1/2 TON TRUCKS	5	270
10.	NEW EQUIP	MILITARY AMBULANCE	2	107
11.	NEW EQUIP	PORTABLE RADIOS	10	15

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12. NEW EQUIP	D-8 CRAWLER TRACTOR	9	2475
13. NEW EQUIP	D-7 CRAWLER TRACTOR	3	513

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14. NEW EQUIP	D-6 CRAWLER TRACTOR	15	1950
15. NEW EQUIP	WHEELED TRACTOR	7	400

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16.	NEW EQUIP	WAGON DRILL	5	100
17.	NEW EQUIP	600 CU FT COMPRESSOR	2	88
18.	NEW EQUIP	250 CU FT COMPRESSOR	1	37
-	CATEGORY	DEFENSE ARTICLE	QUANT	EST COST X1000
19.	NEW EQUIP	PNEUMATIC HAMMERS	10	70
20.	NEW EQUIP	FRONT END LOADERS	17	2601
21.	NEW EQUIP	MOTORIZED ROAD GRADER	26	1950
-		..NAVY..		
1.	SYSTEM - UPGRADE	COMPUTER SOFTWARE PRODUCTION EQUIPMENT	1	UNK
2.	SYSTEM - UPGRADE	250 KW GENERATOR FOR TACTICAL CENTER		UNK
3.	NEW EQUIP	FOOD IRRADIATION PLANT	1	UNK
4.	NEW EQUIP -	EMERGENCY ELECTRONIC SYSTEMS	1	UNK

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4.	NEW EQUIP -	TRANSMITTER/RECEIVERS UHF-601 TADIRAN		180
6.	NEW EQUIP -	TRANSMITTER/RECEIVERS GRC171(U1)(U2)		320
7.	NEW EQUIP -	TRANSMITTER/RECEIVERS VHF 618M-2D		160
8.	NEW EQUIP -	TRANSMITTER/RECEIVERS JSB-450 JRC		40
9.	NEW EQUIP	TRANSMITTER/RECEIVERS		

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-	MR-201		320
10.	NEW EQUIP	TRANSMITTER/RECEIVERS MR-150/1000	260
11.	NEW EQUIP	TRANSMITTER/RECEIVERS MR-150A/1000A	360
12.	NEW EQUIP	TRANSMITTER/RECEIVERS KWM-2D	210
-	CATEGORY	DEFENSE ARTICLE	QUANT EST COST X1000
13.	NEW EQUIP	TRANSMITTER/RECEIVERS 651-S	240
14.	NEW EQUIP	ANTENNAS VHF/UHF/HF	160

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15. SYSTEM	REFRIGERATION & AIR		
- UPGRADE	CONDITIONING EQUIPMENT	1	70
16. SUSTAIN	A475 CARTRIDGE		
-	20MM HET	80000	1200

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17. SYSTEM SHELVING FOR STORAGE

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-	UPGRADE	OF MEDICAL MATERIALS	1	UNK
18.	NEW EQUIP	BOOKS TO IMPLEMENT BASIC NUCLEAR LIBRARY		UNK
-				
19.	SUSTAIN	PARTS FOR LUPO CLASS SHIPS	1	1300
-				
20.	SUSTAIN	B-200T AIRCRAFT PARTS	1	275
-				
21.	SUSTAIN	TOOLS AND INSTRUMENTS	1	100
-				
22.	NEW EQUIP	MEDICAL EQUIPMENT	1	500
-				
23.	SUSTAIN	A744 CARTRIDGES 20MM HET	150,000	2250
-				
24.	SUSTAIN	A741 CARTRIDGES 20MM BL-T	30,000	360
-				
25.	SUSTAIN	SPARE PARTS FOR BELARDE CLASS SHIPS (PR-72P)	1	650
-				
26.	SUSTAIN	SH-3D HELICOPTER PARTS	1	300
-				

..AIR FORCE..

-	CATEGORY	DEFENSE ARTICLE	QUANT	EST COST X1000
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1.	NEW EQUIP	SSB TRANSCEIVER		
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-		HF 62BT-3	5	UNK
2.	NEW EQUIP	ANTENNA COUPLER 490T-1A	2	UNK
3.	NEW EQUIP	VHF TRANSCEIVER 61B-3/3A	3	UNK
4.	NEW EQUIP	RECEIVER ADF 51Y-7	3	UNK
5.	NEW EQUIP	AIRBORNE COMMUNICATIONS SYSTEM ARC-159/159(U)	4	UNK
-				
6.	NEW EQUIP	VOR/ILS NAVIGATION		

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-	RECEIVER 51RV4B	2	UNK
7. NEW EQUIP	RECEIVER VOR/LOC/GS/ MB VIR-31A	2	UNK
8. NEW EQUIP	VHF COMMUNICATIONS TRANSCEIVER ARC-186(U)	2	UNK
9. NEW EQUIP	STATIC INVERTER PD-250	4	UNK
10. NEW EQUIP	INTERPHONE AVA-310	4	UNK
11. NEW EQUIP	RETROFIT 999W-3/3A	4	UNK
12. NEW EQUIP	AIRBORNE TRANSCEIVER VHF/ UHF, AM/FM AN/ARC-182	8	UNK
13. NEW EQUIP	MODEL FSG 60 MPL PORTABLE TRANSCEIVER AND MODEL DL-50 BATTERY CHARGER	20	UNK

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14. NEW EQUIP	MODEL HT-90 (MOTOROLA)		
-	TRANSCEIVER	20	UNK
15. NEW EQUIP	TRANSCEIVER HF/SSB	10	UNK

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- CATEGORY DEFENSE ARTICLE QUANT EST COST

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(*)
CASH SALE PROGRAM ACQUISITIONS ARE NOT KNOWN. IF U.S. FUNDS ARE NOT AVAILABLE, SOME OF THE ABOVE ITEMS MAY BE PURCHASED COMMERCIALY FROM U.S. VENDORS OR THIRD COUNTRY SUPPLIERS. THE PERUVIAN NAVY MAINTAINS AS A PRINCIPAL OBJECTIVE THE CONSTRUCTION OF A NEW NAVAL BASE AT CHIMBOTE. THEY HAVE REQUESTED U.S. ASSISTANCE IN MASTER PLAN DEVELOPMENT AT A COST OF \$2-3 MILLION. TOTAL CONSTRUCTION COSTS ARE APPROXIMATELY \$500 MILLION TO BE SPREAD OVER 40 YEARS.

D. ECONOMIC IMPACT OF PROJECTED PURCHASES

- 1. GENERAL ECONOMIC IMPACT

- A. MILITARY EXPENDITURES HAVE A MIXED IMPACT ON THE OVERALL ECONOMY. MILITARY FOREIGN EXCHANGE SPENDING AGGRAVATES PERU'S SERIOUS DEBT PROBLEM, GENERATING NO INCOME TO REPAY LOANS. PERU RESCHEDULED ITS OFFICIAL DEBT THREE TIMES SINCE 1979 AND CURRENTLY HOLDS A LOW INTERNATIONAL CREDIT RATING. FURTHER MILITARY EXPENDITURES WORSEN PERU'S FINANCIAL OUTLOOK.

- B. MILITARY EXPENDITURES WITHIN THE LOCAL ECONOMY HAVE A MORE POSITIVE RESULT, INCREASING OTHERWISE DEPRESSED DEMAND FOR LOCAL PRODUCTION.

- 2. IMPACT OF SPECIFIC PROGRAMS

- IF PERU WERE TO PURCHASE THE BULK OF ITEMS LISTED IN THIS REPORT ON CREDIT OR USING ITS OWN

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FUNDS, THE RESULT COULD BE HARMFUL TO ITS OVERALL ECONOMIC RECOVERY PROSPECTS. INFLATION, THOUGH DOWN FROM A HIGH OF OVER 250 PERCENT ON AN ANNUALIZED BASIS IN THE FIRST HALF OF 1985, WOULD BE FUELED BY INCREASED

**-
GOP FISCAL DEFICITS AND INCREASED IMPORTS IMPLIED BY THE EXPENDITURES. SHORT TERM PROSPECTS FOR IMPROVEMENT OF GOP REVENUES TO FINANCE MILITARY PURCHASES ARE DIM GIVEN THE WEAK INTERNATIONAL DEMAND FOR PERU'S EXPORT PRODUCTS.**

VIII. ALTERNATIVE FUNDING LEVELS

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- A. MINIMUM FINDING LEVEL

- MAP - \$12 MILLION

- FMS CREDIT - \$0

- THIS LEVEL WOULD PERMIT EACH OF THE SERVICES TO PURCHASE SOME OF THEIR REQUIRED ITEMS FROM THE U.S. IT CERTAINLY WOULD NOT FULFILL ALL THEIR NEEDS. THEY WOULD HAVE TO PURCHASE OTHER MILITARY EQUIPMENT FROM WHATEVER SOURCE THAT PROVIDED FAVORABLE TERMS OF CREDIT.

NOTE BY OC/T: (*) OMISSION, CORRECTION TO FOLLOW.

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SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

- B. ENHANCED FUNDING LEVEL
- MAP - \$35 MILLION
- FMS CREDIT - \$0

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THIS LEVEL OF FUNDING IS BASED ON THE INFORMATION

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PROVIDED IN PARA VII B AND WOULD PERMIT THE PERUVIAN MILITARY TO PURCHASE MOST OF THE ITEMS LISTED. ADDITIONALLY, EACH SERVICE WOULD LIKE TO PURCHASE MUCH-NEEDED HELICOPTERS. HELICOPTERS, SUCH AS SIKORSKY UH-50 OR BELL-214 THAT ARE CAPABLE OF HIGH ALTITUDE (10,000 FEET) OPERATIONS ARE REQUIRED FOR COUNTER-SUBVERSION OPERATIONS.

- C. UNCOMMITTED FUNDS

CURRENTLY, THERE ARE \$11.1 MILLION IN UN-COMMITTED FMS CREDITS AND ALMOST \$420,000 IN CASH HOLDING ACCOUNTS AT SAAC. DUE TO BROOKE-ALEXANDER SANCTIONS, THE FMS CREDITS CANNOT BE USED. IF THESE FUNDS WERE AVAILABLE, THE ARMY WOULD PAY FOR ENGINEER CONSTRUCTION EQUIPMENT AND IBM COMPUTERS ALREADY CONTRACTED; THE AIR FORCE WOULD PURCHASE USED C-130

AIRCRAFT; AND THE NAVY COULD APPLY THE FUNDS TO DEVELOPMENT OF THE CHIMBOTE BASE MASTER PLAN.

- D. H.C. ALTERNATIVE ACTIONS:

- THERE IS LITTLE DOUBT THAT PERU HAS LEGITIMATE REQUIREMENTS FOR MILITARY EQUIPMENT. IT IS FIRMLY BELIEVED THAT THE MILITARY WOULD LIKE TO PURCHASE U.S. MANUFACTURED EQUIPMENT. IF U.S. FUNDS ARE NOT AVAILABLE, PERU WILL PURCHASE MILITARY EQUIPMENT FROM THE COUNTRY THAT OFFERS FAVORABLE CONDITIONS FOR PURCHASE. THE SOVIETS AND OTHER COMMUNIST BLOC COUNTRIES ARE OFFERING SUCH TERMS FOR SMALL ARMS, TRUCKS, AIR-

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CRAFT AND SHIPS. IF THE SOVIETS ARE SUCCESSFUL IN PROVIDING SHIPS, IT WOULD BE THE FIRST SOVIET EQUIPMENT PURCHASED BY THE PERUVIAN NAVY.

- IX. TABLE OF PROBABLE FUTURE ACQUISITIONS LISTED BY SERVICE. INFORMATION IS AVAILABLE ONLY FOR YEARS 1989 AND 1990. THERE IS NO INFORMATION ON PAYMENT METHOD. THESE LISTS MERELY REFLECT THE NEEDS OF THE PERUVIAN MILITARY.

- ..ARMY..

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-	DEFENSE ITEM	1989		1990	
		QUANT	COST X1000	QUANT	COST X1000
1.	M-14/M-16 REFLES	1000	579	1000	604
2.	NIGHT SIGHT FOR RIFLES	100	110	100	110
3.	TELESCOPIC SIGHTS FOR - RIFLES	100		100	
4.	NIGHT VISION DEVICES	100	610	100	630
5.	INDIV. FIELD EQUIPMENT	1000		1000	
6.	BULLET PROOF VESTS	1000	183	1000	183
7.	1/4(3/4) TON TRUCKS	10	170	10	180
8.	1-1/4 TON TRUCKS	5	84	5	87

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TAGS: MASS, PE

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9. 2-1/2 TON TRUCKS	5	280	5	290
10. MILITARY AMBULANCES	2	110	2	114
11. PORTABLE RADIOS	10	15	10	16

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12. D-8 CRAWLER TRACTOR B 2200 B 2200

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13.	D-6 CRAWLER TRACTOR	15	1950	15	1950
14.	WHEELED TRACTOR	7	400	6	340
15.	WAGON DRILL	5	100	4	80
16.	600 CU FT COMPRESSOR	1	44	1	44
-	DEFENSE ITEM	1989		1990	
-		QUANT	COST	QUANT	COST
-			X1000		X1000
17	250 CU FT COMPRESSOR	1	37	--	
18	PNEUMATIC HAMMERS	10	70	10	70
19	FRONT END LOADERS	13	1989	13	1989
20	MOTORIZED ROAD GRADERS	23	1725	23	1725
-	..NAVY..				
1	LIFE RAFTS AND LIFE-SAVING EQUIPMENT	1	UNK	--	--
2	EQUIP FOR MATERNITY AND INFANT CARE WARD	1	450	--	--
3	COMPRESSION CHAMBER AND AIR COMPRESSOR FOR	--	--	1	UNK

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-	SPECIAL OPERATIONS				
4	FIRE FIGHTING EQUIP FOR COMPUTER CENTER	--	--	1	UNK
5	MEDICAL EQUIPMENT FOR BURN CENTER	--	--	1	500
6	B-200T AIRCRAFT SPARE PARTS	1	275	1	300
7	LUPO CLASS SHIP (ITALIAN)				

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-	SPARE PARTS	1	1350	1	1400
8	209 CLASS SUBMARINE (GERMAN) SPARE PARTS	--	--	1	350
9	T-34C-1 AIRCRAFT SPARE PARTS	--	--	1	300
10	PR-72P SHIP (FRENCH) SPARE PARTS	--	--	1	700

..AIR FORCE..

DEFENSE ITEM	1989		1990	
	QUANT	COST X1000	QUANT	COST X1000
1. SSB TRANSCEIVER HF 62BT-3	5	UNK	5	UNK
2. ANTENNA COUPLER				

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- 490T-1A 2 UNK 2 UNK

3. VHF TRANSCEIVER
- 618M-3/3A 3 UNK 3 UNK

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4. RECEIVER ADF 51Y-7 3 UNK 3 UNK

5. AIRBORNE COMMUNICATIONS
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- SYSTEM ARC-159/159(U)	2	UNK	2	UNK
6. RECEIVER VOR/LOC/GS/ - MB VIR-31A	2	UNK	2	UNK
7. VHF COMMUNICATIONS - TRANSCEIVER ARC-186(U)	2	UNK	--	--
8. STATIC INVERTER PD-250	4	UNK	4	UNK
9. INTERPHONE AVA-310	4	UNK	4	UNK
10. RETROFIT 999W-3/JA	4	UNK	4	UNK
11. AIRBORNE TRANSCEIVER VHF/ UHF, AM/FM, AN/ARC-182(U)	8	UNK	8	UNK
12. MODEL FSG 60 MPL TRANS- - CEIVER AND MODEL DL-50 - BATTERY CHARGER (PORTABLE)	20	UNK	20	UNK
13. MODEL HT-90 TRANSCEIVER	20	UNK	20	UNK
14. VARIOUS INSTRUMENTS - AND TEST EQUIPMENT	1	UNK	1	UNK

X. WHILE THE U.S. HAS YET TO OBLIGATE ESF FUNDS IN PERU, THE ECONOMIC, POLITICAL AND SOCIAL CHALLENGES FACING THE ALAN GARCIA GOVERNMENT ARE INTENSIFYING. PERUVIAN GOVERNMENT POLICIES RE-

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GARDING INTERNATIONAL DEBT, PRIVATE FOREIGN INVESTMENT AND RELATIONS WITH THE EASTERN BLOC COUNTRIES POSE SUBSTANTIAL CHALLENGES TO U.S. FOREIGN POLICY INTERESTS. AT THE SAME TIME, PERU'S CAMPAIGN AGAINST INTERNATIONAL NARCOTICS TRAFFICKING AND DOMESTIC PRODUCTION OF COCA, ITS CONCERN FOR HUMAN RIGHTS, ITS EFFORT TO REDRESS PUBLIC SECTOR CORRUPTION, ITS DEEP DEMOCRATIC ROOTS AND ITS CAMPAIGN AGAINST DOMESTIC TERRORISM PROVIDE A BROAD ARRAY OF ISSUES ON WHICH OUR TWO COUNTRIES SHARE MUTUAL INTERESTS AND SHOULD AUGMENT OUR EFFORTS TO COOPERATE.

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- THE PRESENCE OF ESF BUDGET ALLOCATIONS FOR PERU IN THE U.S. FOREIGN ASSISTANCE BILL HAS BECOME A SYMBOL OF OUR WILLINGNESS TO ENGAGE PERU CONSTRUCTIVELY IN RESOLVING BILATERAL ISSUES WHICH CAUSE STRAINS IN THE RELATIONSHIP AND TO PROVIDE STRONG SUPPORT TO THE GOP IN ADDRESSING THE SERIOUS DOMESTIC CHALLENGES WHICH IT CONFRONTS. THE GOP'S ECONOMIC PROGRAM IS DESIGNED TO REDUCE HIGH INFLATION AND REACTIVATE THE ECONOMY, REVERSING POLICIES WHICH THE GOP BELIEVES PENALIZED THE POOR, WAGE EARNERS AND AGRICULTURE. THE PROGRAM REFLECTS THE APRA GOVERNMENT'S INTENTION TO REDRESS INEQUITIES IN THE SOCIETY BY DIRECTING LARGER PORTIONS OF PUBLIC SECTOR INVESTMENTS TO PERU'S RURAL AREAS WHILE PROMOTING REAL PER CAPITA ECONOMIC GROWTH. GARCIA'S OVERALL DOMESTIC ECONOMIC POLICY OBJECTIVES WARRANT U.S. SUPPORT IN SPITE OF GOP HETERODOX APPROACH. AT THE SAME TIME, PERU HAS ENGAGED IN VIGOROUS CAMPAIGNS TO

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E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

DISRUPT NARCOTICS TRAFFICKING FROM THE NORTHERN
JUNGLE REGION. JOINT OPERATIONS WITH THE
COLOMBIAN GOVERNMENT HAVE SEIZED LARGE AMOUNTS OF
COCA PASTE, DESTROYED CLANDESTINE AIRSTRIPS AND
BROKEN UP COCAINE PROCESSING LABORATORIES. IN

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THE SOUTH CENTRAL HIGHLANDS, PERU HAS AUGMENTED
ITS PRESSURE ON THE SENDERO LUMINOSO TERRORIST

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MOVEMENT. THE GOVERNMENT HAS MAINTAINED MILITARY PRESSURE ON THE TERRORISTS WHILE INCREASING ITS EFFORTS AND INVESTMENTS IN COMPLEMENTARY CIVIC ACTION PROJECTS. LONGER TERM DEVELOPMENT ACTIVITIES DESIGNED TO OVERCOME THE REGION'S EXTREME POVERTY, SUBSTANTIAL CONCESSIONAL DONOR FINANCING TO STABILIZE THE ECONOMY, REINITIATE A SUSTAINABLE LEVEL OF DEBT SERVICE AND RESUME RELATIVELY HIGH LEVELS OF ECONOMIC EXPANSION, EXPANSION BASED ON HEALTHY SELF-SUSTAINING GROWTH RATHER THAN ON ADDITIONAL CONSUMPTION MADE POSSIBLE BY DEBT ARREARAGES.

- THE ESF PROGRAM ASSISTANCE PROPOSED FOR FY-87/88 WILL ALLOW THE U.S. TO SUPPORT PERU'S RETURN TO AN ORTHODOX SET OF ECONOMIC POLICIES. THE ESF ASSISTANCE WILL UNDOUBTEDLY BE COMBINED WITH BILATERAL DEBT RESCHEDULING AND OTHER RESOURCES TO SUPPORT PERU'S OVERALL ECONOMIC PROGRAM. ESF, HOWEVER, IS THE LARGEST AND MOST IMMEDIATELY AVAILABLE SOURCE OF FINANCING FOR NEW INVESTMENTS THAT WILL BE NECESSARY TO SUPPORT ECONOMIC GROWTH AND TO HELP PERU CONTINUE TO PURSUE THE NARCOTICS AND TERRORISM OBJECTIVES WHICH ARE IN OUR MUTUAL INTEREST.

- ISOLATION AND LACK OF SOCIAL SERVICES ALSO ARE BEING MOUNTED TO TRY TO REDUCE THE ATTRACTIVENESS OF S.L.'S APPEAL TO THE LOCAL POPULATION.

- THE GOP IS FINANCING ITS INITIAL ROUND OF ECONOMIC REACTIVATION, COUNTER TERRORISM, REGIONAL DEVELOPMENT, CIVIC ACTION AND ANTI-NARCOTICS

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INVESTMENTS LARGELY BY RUNNING ARREARAGES ON ITS FOREIGN INTERNATIONAL DEBT. PERU'S POLICY VIS A VIS INTERNATIONAL DEBT SERVICE IS TROUBLING FOR U.S. INTERESTS IN MAINTAINING THE INTERNATIONAL FINANCIAL SYSTEM AND IN THE SHORT TERM, AS A BROAD DIALOGUE CONTINUES ON THAT ISSUE, PROHIBITS SERIOUS CONSIDERATION OF OTHER THAN PROJECTIZED USE OF LIMITED AMOUNTS OF ESF IN FY-86 DIRECTED TOWARD NARROWLY TARGETED ACTIVITIES OF VERY HIGH PRIORITY TO THE USG.

- THE FY-86 ESF PROGRAM WILL SUPPORT U.S. FOREIGN

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POLICY OBJECTIVES WHICH CONCURRENTLY ARE PRIORITIES FOR THE GOP. THE DLRS 9.6 MILLION INCLUDED IN THE FY-86 OYB FOR PERU WILL BE PROJECTIZED TO FINANCE A MAJOR EFFORT TO HEIGHTEN AWARENESS OF NARCOTICS ISSUES IN PERU; EXPAND CIVIC ACTION/RURAL DEVELOPMENT INVESTMENTS IN THE SOUTH CENTRAL EMERGENCY ZONE; AND INITIATE A PROJECT TO IMPROVE THE ADMINISTRATION OF JUSTICE IN PERU. EVEN THIS LIMITED PROGRAM MAY NOT BE POSSIBLE UNLESS THERE IS A NEAR TERM RESOLUTION OF THE BILATERAL ARREARAGE QUESTION.

- FISCAL 1987, 1988 AND FUTURE YEAR ESF PROGRAM COMMITMENTS ARE EXPECTED TO TAKE PLACE IN AN ALTERED ECONOMIC POLICY CONTEXT. PERU WILL HAVE TO BEGIN NEGOTIATING WITH ITS INTERNATIONAL CREDITORS WITHIN THE NEXT SEVERAL MONTHS OR FACE EXPULSION FROM THE WESTERN INTERNATIONAL FINANCIAL SYSTEM AND MOUNTING TRADE AND OTHER SANCTIONS. WE BELIEVE THE GOP WILL EVENTUALLY CHOOSE TO NEGOTIATE ITS

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E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

DEBT PROBLEMS. HOWEVER, THERE IS NO DOUBT THAT PERU'S DEBT BURDEN IS SEVERE. THE TASK OF DEVELOPING AND IMPLEMENTING THE ECONOMIC POLICIES AND STRUCTURAL ADJUSTMENTS THAT WILL BE NEEDED TO ACCELERATE ECONOMIC GROWTH AND THUS ALLOW PERU TO BEGIN SERVICING

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ITS DEBT WILL BE DIFFICULT. THE GOP WILL NEED LARGE AMOUNTS OF NEW DEVELOPMENT INVESTMENTS AND, CONSIDER-

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ING THE COUNTRY'S REDUCED PER CAPITA INCOME STATUS

A. IN FY-88, THE REQUEST LEVEL OF DLRS 55 MILLION OF ESF RESOURCES WOULD BE MADE AVAILABLE TO PERU AS A CASH TRANSFER. LOCAL CURRENCY GENERATION WOULD BE PROGRAMMED IN SEVERAL KEY AREAS TO SUPPORT MUTUAL OBJECTIVES.

1. UP TO DLRS 15 MILLION WOULD BE MADE AVAILABLE TO AUGMENT THE GOP'S ABILITY TO CONTROL AND ERADICATE COCA PRODUCTION AND TO COMPLEMENT THESE ACTIVITIES WITH DEVELOPMENT INVESTMENTS WHICH WOULD RELIEVE THE DOMESTIC POLITICAL IMAGE OF GOVERNMENTAL REPRESSION AND PROVIDE ALTERNATE EMPLOYMENT POSSIBILITIES FOR INNOCENT SMALL SCALE GROWERS WHO ARE FORCED OUT OF THE NARCOTICS TRADE.

2. AN ADDITIONAL AMOUNT, DLRS 15 MILLION IN LOCAL CURRENCY EQUIVALENT, WOULD BE PROGRAMMED TO AUGMENT CIVIC ACTION AND REGIONAL DEVELOPMENT INVESTMENTS IN THE SOUTH SIERRA EMERGENCY ZONE TO IMPROVE ECONOMIC OPPORTUNITY AND LIVING CONDITIONS IN THE AREA.

3. A SMALL AMOUNT, DLRS 1-2 MILLION OF LOCAL CURRENCY, WOULD CONTINUE TO SUPPORT THE GOP'S EFFORTS TO IMPROVE THE COUNTRY'S SYSTEM OF

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JUSTICE.

4. THE REMAINING LOCAL CURRENCY FUNDS WOULD ADD LENDING CAPITAL TO A PRIVATE SECTOR LINE OF CREDIT AVAILABLE TO SMALL BORROWERS IN URBAN AND RURAL AREAS WHO HAVE THE POTENTIAL TO EXPAND THEIR OPERATIONS AND CREATE EMPLOYMENT AT VERY LOW CAPITAL LABOR RATIOS.

B. THE MAJOR AREAS OF ECONOMIC POLICY WEAKNESS WHICH

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R 011927Z APR 86
FM ANEMBASSY LIMA
TO SECSTATE WASHDC 0727
SECDEF WASHDC//USDP//
INFO JCS WASHDC
USCINCSO QUARRY HEIGHTS PN//SCJ5-SA/SCJ4//
CSA WASHDC
CNO WASHDC
HQUSAF WASHDC//PRI//
CDRUSASAALA FT CLAYTON PN//MOLA-SA//
COMUSNAVSO FT AMADOR PN
USAFSO HOWARD AFB PN
OMB WASHDC
TRSYDEPT WASHDC
ACDA WASHDC
DISAM WPAFB OH
JFKSWC FT BRAGG NC

~~SECRET~~ SECTION 24 OF 25 LIMA 03390

STATE PASS AID

E.O. 12356: N/A
TAGS: MASS, PE
SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

- OFFICE, THE NEW GOP FROZE EXCHANGE RATES ON
- AUGUST 1, AFTER A 12 PERCENT DEVALUATION. WHILE
- THE ECONOMY'S PERFORMANCE IN REDUCING INFLATION
- HAS BEEN IMPRESSIVE, INFLATION HAS BEEN REDUCED
- FROM AN ANNUAL RATE OF ABOUT 252.2 PERCENT IN

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- THE FIRST SIX MONTHS OF 1985, TO AN ANNUAL RATE
- OF 52.1 PERCENT FOR THE SEPTEMBER 1985 TO

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- FEBRUARY 1986 PERIOD. PERU HAS BENEFITTED AS
- WELL FROM A SHARP FALL IN THE VALUE OF THE U.S.
- DOLLAR (ABOUT 40 PERCENT OF PERU'S INTERNATIONAL
- TRADE OCCURS WITH THE U.S.). HOWEVER, ALTHOUGH
- INFLATION HAS BEEN REDUCED, IT HAS NOT BEEN
- HALTED. MOREOVER, LEGAL CEILINGS ON LOAN
- INTEREST RATES HAVE BEEN REDUCED IN AN ATTEMPT
- TO REDUCE BUSINESS COSTS, BUT SUCH CEILINGS ARE
- NOW WELL BELOW CURRENT RATES OF INFLATION. IN
- ADDITION, PERU MUST NOW BEGIN TO REFLECT DOMESTIC
- PRICE APPRECIATION IN ITS EXCHANGE RATE IF IT IS
- TO MAINTAIN MANY OF ITS EXPORT OPPORTUNITIES AND
- LIMIT BUSINESS IMPORTS. AN ENHANCED LEVEL OF
- EXPORTS AND A LIMITATION OF UNNECESSARY IMPORTS
- WILL BE CRITICAL TO AN EVENTUAL SOLUTION OF THE
- COUNTRY'S DEBT PROBLEMS.

- 3. PERU'S TRADING REGIME NEEDS REVISION. YEARS
- OF HIGH PROTECTION FOR DOMESTIC INDUSTRY AND
- SUBSIDIES FOR NON-TRADITIONAL EXPORTS HAVE
- RESULTED IN A PATCHWORK SYSTEM OF TARIFFS AND
- NTB'S WHICH MAY NOW BE COSTING THE ECONOMY MORE
- THAN THE PROTECTION LEVELS HELP IT PRODUCE.
- AT THE SAME TIME, PERU IS NOT A MEMBER OF
- GATT, AND ITS TRADING REGIME IS SOMEWHAT UNIQUE.
- DISAGREEMENT BETWEEN PERU AND ITS TRADING
- PARTNERS THUS ARE ENHANCED. PERU'S SYSTEM OF
- EXPORT SUBSIDIES HAS BEEN FOUND TO VIOLATE U.S.
- LAWS AND TO CALL FOR THE APPLICATION OF COUNTER-
- VAILING DUTIES IN CERTAIN CASES. IN ADDITION, THE
- PRESENT EXPORT SUBSIDY SYSTEM REPRESENTS A MAJOR

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- LOSS OF REVENUE TO THE PERUVIAN TREASURY.
- THE GOP NEEDS TO REVIEW AND RATIONALIZE ITS
- EXCHANGE RATE, TARIFF, AND TRADE RESTRICTION
- POLICIES TO PROVIDE EFFECTIVE EXPORT INCENTIVES,
- CONSISTANT WITH INTERNATIONAL AGREEMENTS AND AT
- THE LOWEST POSSIBLE COST TO THE TREASURY.

- 4. FISCAL SITUATION: DESPITE SOME IMPROVEMENT
- IN THE PAST YEAR, THE GOP'S FISCAL POSITION IS
- EXTREMELY DELICATE. THE GOP IS CURRENTLY

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ACTION PM-10

INFO LOG-00 COPY-01 ADS-00 AID-00 INR-10 SS-00 CIAE-00
EB-08 H-01 NSC-01 ARA-00 NSAE-00 MC-02 HA-09
L-03 OMB-01 ACDA-12 SP-02 SLPO-01 /061 W
-----316525 012139Z /66

R 011927Z APR 86
FM AMEMBASSY LIMA
TO SECSTATE WASHDC 0728
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INFO JCS WASHDC
USCINCSO QUARRY HEIGHTS PN//SCJ5-SA/SCJ4//
CSA WASHDC
CNO WASHDC
HQUSAF WASHDC//PRI//
CORUSASAALA FT CLAYTON PN//MOLA-SA//
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~~SECRET~~ SECTION 25 OF 25 LIMA 03390

STATE PASS AID

E.O. 12356: N/A

TAGS: MASS, PE

SUBJECT: ANNUAL INTEGRATED ASSESSMENT OF SECURITY

- THE RELATIONSHIP WITH HC MILITARY HAS BEEN
GRADUALLY IMPROVING FOR APPROXIMATELY TWO YEARS.
THERE APPEARS TO BE A REAL DESIRE BY MANY PERUVIAN
OFFICERS TO MOVE A LITTLE CLOSER TO THE UNITED STATES.
THEY HAVE EXPRESSED PREFERENCE FOR U.S. METHODS OF
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TRAINING AND THE MANNER IN WHICH SUPPORT IS PROVIDED
FOR ITEMS SOLD TO THEM. IT APPEARS THAT THEY DESIRE
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A VIABLE U.S. SECURITY ASSISTANCE OPTION TO COUNTER SOVIET PROPOSALS FOR TRAINING AND EQUIPMENT. PERUVIAN MILITARY OFFICERS EVEN APPEAR TO UNDERSTAND THAT BROOKE-ALEXANDER SANCTIONS ARE A RESULT OF RECENT POLITICAL DIFFERENCES BETWEEN OUR TWO GOVERNMENTS, AND THAT THE MILITARY, BOTH PERUVIAN AND U.S., MUST WORK TO MAINTAIN VIABLE WORKING RELATIONSHIPS. HOWEVER, ALL IS NOT IDEAL. RECENTLY, SOME SENIOR PERUVIAN NAVY OFFICERS

[HAVE EXPRESSED CONCERN OVER UNFUL-
FILLED EXPECTATIONS FOR U.S. ASSISTANCE. THEIR CONCERN MAY STEM FROM REQUESTS FOR USED U.S. HELICOPTERS AND FRIGATES AND FOR ASSISTANCE IN REPAIRING THE FLOOD-DAMAGED PORT OF CALLAO. ALSO, IT IS NOT KNOWN WHETHER THIS IS A FEW OFFICERS SPEAKING OR A NEWLY DEVELOPING ATTITUDE IN THE PERUVIAN NAVY. WHATEVER, IF THE GOAL OF THE SECURITY ASSISTANCE PROGRAM IS TO IMPLEMENT THE STRATEGY OF STABILIZING THE U.S. SOUTHERN FLANK, THEN IT MUST BE AT LEAST IN PART SEPARATED FROM ACTS OF RETRIBUTION SUCH AS BROOKE-ALEXANDER SACTIONS.

- COUNTRY TEAM THEREFORE BELIEVES THAT WE MUST RAISE A LARGE CAUTION FLAG OVER THE LOSS OF WHAT IS PERHAPS OUR MOST EFFECTIVE INSTRUMENT OF INFLUENCE WITH THE PERUVIAN MILITARY: IMET. WE STRONGLY BELIEVE THAT IT IS NOT IN THE BEST INTERESTS OF THE U.S. TO DEPRIVE OURSELVES OF THIS MOST EFFECTIVE INSTRUMENT OF INFLUENCE WITH THE ARMED FORCES OF A PIVOTAL DEVELOPING COUNTRY WHERE THE SOVIETS ALREADY OUT-SPEND AND OUT-REPRESENT US BY AT LEAST A FACTOR OF TEN; AND WHERE

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THE ARMED FORCES HAVE DEMONSTRATED AS RECENTLY AS 1968 THAT THEY WILL PURSUE A STATIST OLIGARCHIC SOLUTION TO ECONOMIC AND SOCIAL PROBLEMS.

- WE WOULD SUGGEST THAT CONTINUED IMET FOR PERU DOES NOT REPRESENT AN INVESTMENT IN ANY PARTICULAR PERUVIAN ADMINISTRATION. RATHER WE BELIEVE THAT IT IS AN INVESTMENT IN U.S. INFLUENCE WITH INSTITUTIONS WHICH WERE HERE LONG BEFORE THE CURRENT ADMINISTRATION AND WILL BE HERE, ON ONE SIDE OR THE OTHER, LONG AFTER IT IS GONE. WE RECOMMEND THAT DEPTS OF STATE AND DEFENSE

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SUPPORT AN AMENDMENT TO THE FOREIGN ASSISTANT ACT WHICH
WOULD PERMIT IMET EXPENDITURES DESPITE BROOKE-ALEXANDER
RESTRICTIONS, MUCH THE SAME AS NARCOTICS-CONTROL FUNDS
ARE NOT EXEMPTED. JORDAN
DECL OADR

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