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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

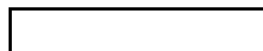
25 October 1967

LA STAFF NOTE

SUBJECT: Some Perspective on Latin American Arms Purchases

NOTE TO THE BOARD

This subject has recently been much in the press; John Huizenga suggested that a short paper on it might be of interest to Board members. We have chosen to publish this as a staff note, putting it on stencil simply for convenience, and do not propose to distribute it outside O/NE.



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SUBJECT: Some Perspective on Latin American Arms Purchases

1. Four of the larger countries in Latin America -- Argentina, Brazil, Chile and Peru -- will almost certainly be buying considerable quantities of sophisticated new military equipment over the next few years. Several of the smaller countries will probably be doing the same, though on a lesser scale. The motivation for such purchases is not complicated. The military establishments in Latin America have acquired relatively little new equipment since the years immediately after World War II. Much of what they have is obsolescent; some of it is completely worn out. The Argentines, to cite an extreme example, have only within the past few months retired the last one of their World War II vintage Lancaster bombers; they hauled it directly off to their military museum.

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2. Latin American military leaders have long been in a position to exercise great political leverage. Military men presently head the governments of two big countries, Argentina and Brazil, and of five smaller ones, Bolivia, El Salvador, Honduras, Nicaragua, and Paraguay. The military establishments in a number of other countries have not ceased to regard themselves as the final political arbiters. In view of this power potential, the surprising thing is not that the military are now pressing for the acquisition of various items of modern military hardware, but that they so long acquiesced in the restriction of military spending to very modest levels indeed.

3. As we pointed out in NIE 80/90-67: "Economic Trends and Prospects in Latin America," published on 20 July 1967, military spending in Latin America has been markedly lower than in other underdeveloped regions. Precise measurements and comparisons are not possible because of wide differences from country to country in what is included in the defense budget, as well as what is covered under the national budget. We estimate, however, that appropriations to defense ministries during the past few years have come to no more than 13 percent of the national budgets in Latin America as a whole and have been

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equivalent to no more than 2 percent of gross national product. By contrast, such appropriations in other underdeveloped regions have averaged some 5 percent of gross national product. Moreover, nearly all the military budgets in Latin America contain significant nonmilitary items -- e.g. public welfare activities, aviation transport, coast guard, border patrol and certain police functions. And the military perform a number of economically beneficial functions such as construction of roads, other civic action programs, and the basic education of recruits from the poor, illiterate sections of society.

4. It is precisely because so little has been spent on replacement or renewal of military equipment in the recent past that the point has now been reached when the military leaders and government officials have decided that they cannot much longer delay. They have become strongly concerned because their military establishments, lacking good modern equipment, are no longer able to attract enough bright and qualified young men to officers' training. Beyond this, they are increasingly inclined to show a measure of independence of the US -- and increasingly disinclined to rely on US military power for their defense. Thus, representatives from at least three

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Latin American countries have already been traveling about seeking bids on major military items; others will probably soon follow suit.\*

5. The US government has reacted slowly to the changed situation. Some US policy energy has been expended in efforts to persuade Latin American officials to forego any increased purchases of military hardware; some energy has gone to attempts to delay these or to stretch them out. (The US Executive has, of course, not had full freedom of action because of the ceiling established by the US Congress on total US arms deliveries to Latin America. Beyond this, however,

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\* The Belaunde government in Peru, having been told by the US government that it could not expect to get F-5 transsonic jet fighter aircraft from the US for at least two years, proceeded to contract for early delivery of the somewhat costlier supersonic Mirage V from France. The Peruvian government went ahead with this deal even though the US had threatened to cut economic aid, and Belaunde has initially responded to a new US proposal to make F-5's available by saying, "Sorry, it's too late." Peru has also been negotiating with France for tanks. Argentina is seeking replacement of its Sherman tanks and has been dickering with the French for a modern medium type, the AMX-30. Brazil is most immediately interested in high-performance jet aircraft and has been exploring the possibility of obtaining Mirage V's but doing a part of the manufacture or assembly in Brazil. Chile, having obtained some Hawker Hunters fairly recently, is not yet in the market for supersonic jets, but may quickly enter when (and if) those 12 or 16 Mirage V's begin to arrive in Peru.

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the US administration has shown willingness to supply promptly to other countries certain military items which it has told Latin American governments could not be made available for two or three years.) The French, meanwhile, are having fine sport and seem to be well along in arranging several remunerative deals. The British, at US request, had held off on an opportunity to sell Canberra aircraft to Peru, only to see the Peruvians sign for some \$28 million in Mirage V's from France. We think it likely that the UK will henceforth try to keep its hand in the auction; we expect to see Sweden, and perhaps other European countries, make some offers as well.

6. In sum, the US has hung onto a line of policy which, however moralistic, has become clearly counterproductive in practical terms. The Latin American governments are no longer going to be dissuaded; they are going to go ahead and purchase new equipment. What the United States stands to lose is its inside track in supplying such equipment and, with this loss, a part of the influence it has been able to wield among the Latin American military. There is another consideration which may prove to be at least as important. To the extent that the US is replaced as the predominant military supplier, its opportunities will be reduced to prevent the Latin American equipment renewal programs from turning eventually into a real arms race.