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Peru and Chile:

Reassessment of the Potential for Conflict

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PERU AND CHILE: REASSESSMENT OF THE POTENTIAL FOR CONFLICT*

PRÉCIS

Both Peru and Chile have strengthened their military capabilities since last July. Peru still enjoys military superiority over Chile, and the Chileans have continued to experience difficulty in purchasing arms. 

but Peru's dispositions do not suggest that military action is imminent. Chile's dispositions in the north are clearly defensive.

We continue to believe that the Chileans will not initiate hostilities against Peru, except as a desperate act of pre-emption in the conviction that Peru was about to attack. The chances of a deliberate attack by Peru over the next year or so also remain small. Peru's sense of isolation and of a regional threat, and its uncertainty about the outcome, are at least as great as in July and probably greater. The growing dissension and disunity in Lima can cut both ways, but it

*This memorandum was prepared under the auspices of the National Intelligence Office for Latin America. It was drafted in DIA and has been reviewed with representatives of CIA, DIA and INR and endorsed by them.

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is more likely to deter a foreign adventure than to stimulate one. We consider that war arising from accident or miscalculation is also unlikely, but believe that the chances are somewhat greater than in July. With the passage of time, each country's perception of the threat posed by the other appears to have increased. The potent mixture of old antagonisms, mutual fears, and the action and reaction of the arms build-up could cause events to get out of control and produce results which neither party contemplates.

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PERU AND CHILE: REASSESSMENT OF THE POTENTIAL FOR CONFLICT

1. This memorandum constitutes an update of portions of an earlier memorandum, [redacted]

[redacted] It first considers military developments since July in the two countries, and then discusses recent events affecting the possibility of conflict between them. It concludes with a reassessment of the likelihood of such conflict.

Recent Military Developments

2. Since publication of the earlier memorandum, both Peru and Chile have continued efforts to strengthen their military capabilities.

3. A Soviet cargo ship arrived at Callao in early November making another delivery of T-55 tanks. There are probably now between 150 and 200 T-55s in Peru. Although there have been numerous reports of the tanks being moved south, they have been seen only in Lima [redacted]

[redacted]
[redacted]
[redacted] Construc-

tion is underway on two large installations, probably armor associated within 50 miles of the border. Improvements to the Mariano Melgar Air Base at La Joya—potentially the largest in Peru—are nearing completion. These efforts reflect long-range plans for modernizing and improving Peruvian military capabilities in the area. Construction is proceeding at what appears to be a measured pace.



T-55s will probably be assigned to a new armored division which is apparently to be formed in the south. [redacted] a military complex to be developed at La Joya will become the principal armor base in the region.

4. Peru is also improving its antitank capability in the south. An antitank battalion is projected for the Tacna area and additional antitank rockets will probably be purchased. Additionally, in its current plans for the establishment of an air mobile force, Peru is emphasizing the maximization of firepower on the force's helicopters, to give it a formidable capability against tanks.

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5. Air defense is also receiving attention. An air defense division is reportedly to be formed in the south and will probably be equipped with surface-to-air missiles. Last February, Army Commander General Mercado ordered a suitability study of the Soviet SA-6/GAINFUL and SA-7/GRAIL systems. Both are effective air defense weapons, highly mobile, and primarily intended for battlefield use. Peru also continues to negotiate for added attack and bomber aircraft. These would, in the first instance, improve Peru's offensive capability, but they would also free its Mirage 5 aircraft for the air defense role.

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6. The government is currently spending some \$1.5 million—with another \$4 million scheduled over the next two years—to improve port facilities at Matrani, near La Joya. The improvements include roads and railways, and construction of underground storage tanks and warehouses that could be used for military purposes.

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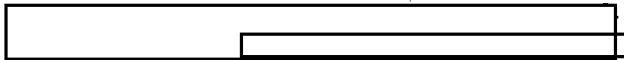
7. In contrast to the measured pace and the long term nature of military improvements in southern Peru, [redacted] Chile underscores [redacted] sense of urgency in shoring up its northern defenses with all available resources. Military barracks are being constructed in the north. This supports earlier reporting that northern troop units are being reinforced with personnel and units from the south to bring them up to their authorized strength of approximately 10,000 men. Also in evidence are new defensive positions and support areas south of the Camerones River, [redacted]

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[redacted] In addition, work has accelerated on a new air force base near Iquique, from which Hawker Hunter and Vampire aircraft have recently operated, and two other airfields are being improved.

8. Chilean military leaders are particularly sensitive to the threat posed by Peru's Soviet tanks, and construction of antitank barriers, trenching, and deepening of river banks has been accomplished

north of Arica close to the border. This represents



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[redacted] Chile evidently wishes the Peruvians to see these defensive preparations as a forceful example of its determination to defend Chilean territory and as evidence of the futility of war. While Chilean leaders recognize that their northern forces remain poorly equipped and would be incapable of repelling a large-scale Peruvian attack, they doubtless see the need of strongly conveying their resolve to defend Arica.

9. Chilean defensive strategy also continues to include plans for a pre-emptive strike, but only if Chile were to obtain what they consider solid evidence of an imminent Peruvian attack. With such a strike in mind, recent Chilean planning has identified a variety of specialized units to seize Peruvian territory and hold it for bargaining purposes. Exercises related to this scenario have been held in recent months, including a large amphibious maneuver with tactical air support. Some generals have recently cautioned against a pre-emptive strike, however, describing such a strategy as suicidal.

10. Chile is continuing a vigorous search for arms, but is experiencing difficulties in acquiring them. It has reportedly negotiated the purchase of armored personnel carriers equipped with antitank weapons from Israel and has concluded a \$3.1 million cash purchase in France of antitank missiles and rockets designed for use by aircraft. Chile has also arranged for some arms from the US, but its poor international image has led to refusals from other potential suppliers. Such traditional suppliers as the UK and West Germany have declined to approve additional sales, even of spare parts for equipment previously supplied, and France has retained its credit restrictions on sales to Chile. Chief of the National Defense Staff General Brady recently visited European countries and the USSR in an effort to obtain weapons, with results that are not yet clear.

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11. In the face of their continuing difficulties in utilizing government-to-government channels, Chilean officials are seeking arms from commercial dealers. Their sense of urgency has led them to agree to deal for cash rather than on credit, and even to consider deals at greatly inflated prices.

Other Recent Developments

12. There is evidence of an intensification of Peruvian doubts about Peru's ability to engage successfully in a war with Chile. President [redacted]

[redacted]

[redacted] Velasco was reported to have [redacted]

[redacted] decided to seek an easing of tensions between the two countries. An "embrace of friendship" in mid-November by Peruvian and Chilean commanders of border garrisons, representing the first joint commemoration of the 1929 treaty establishing the Peru-Chile border, was one consequence of Velasco's decision; another was the meeting between the Peruvian and Chilean Army Chiefs of Staff in early November.

13. Peruvian uncertainties have been fed by still further developments. [redacted]

[redacted] alleged large-scale arms shipments between the US to Chile and Bolivia. This misinformation probably originated [redacted] Peruvian military leaders apparently place credence in the reports, and this has contributed to their already exaggerated sense of Chilean capabilities. At the meeting between the army chiefs of staff, the Chileans warned Peruvian General Morales Bermudez that Chile would fight, if necessary, to the last man and would never acquiesce in outside efforts to bring a war to a quick conclusion. President Velasco's sense of isolation and his perception of a regional threat have

also apparently increased in recent months. He has expressed strong distrust of Brazil, which he believes will support Chile in the event of conflict. He also appears more uncertain of Bolivia's position in case of conflict.

14. Some recent statements by various Peruvian officers, however, have a different thrust. General Mercado, who is to retire in January 1975, [redacted]

[redacted]

region that they should prepare themselves psychologically for an offensive against Chile. [redacted]

[redacted] two Peruvian Army colonels stated [redacted] that the Peruvian Army Forces are preparing for a war with Chile, and other officers are reported to have expressed the belief that war with Chile is inevitable. The context of these statements is not entirely clear, but at a minimum, the talk is of the kind that creates a psychological predisposition in favor of war.

15. The current political and military unrest in Peru represents the most serious crisis that the military government has faced since the 1968 coup, and it could have an impact on the potential for conflict. In recent months, Velasco has been faced with growing dissension [redacted]

[redacted] Important elements of the Navy have been disaffected since the forced retirement in May of Navy Minister Vice Admiral Luis Vargas Caballero. Recent forced retirements of senior Navy officers, designed by Velasco to pave the way for the designation of a more pliable Navy Minister, have added to the disaffection. [redacted]

[redacted] and an aborted revolt on December 6 illustrates the high level of unrest in that service. Further, there was a near confrontation between military moderates and radicals in late October over the apparent intention of President Velasco to prevent the scheduled accession in early 1975 of General Morales Bermudez, the leading moderate, to the posts of Prime Minister and Minister of War.

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16. Velasco recently reiterated that Morales Bermudez would succeed as scheduled, and this decision not to force a confrontation within the Army by tampering with seniority has assured the support of the Army, at least for the time being. The Army is the dominant service and no coup attempt would have much chance of success without its participation. Tension and uncertainty will continue, however, because of major changes soon to occur in the military and government hierarchies as a result of scheduled retirements and reassignments. Furthermore, Velasco will almost certainly continue maneuvers designed to insure that what he considers important in the Peruvian revolution survives his eventual departure.

17. For present purposes, disunity within the military cuts two ways. On the one hand, if it were to become a serious threat to his position, President Velasco might see an attack on Chile as a means of uniting the military behind himself. Dissension could then be equated with a lack of patriotism. Although neither has yet done so, radical or moderate factions might seek to exploit revanchist sentiment if they thought it would strengthen their positions. On the other hand, dissension within the military as well as widespread civilian disaffection seems to be generating a crisis of confidence within the military power structure over its ability to govern. The advocacy of war could itself produce further disunity and threaten the future of the revolution, whose preservation remains the highest priority of Velasco, the junta, and most senior officers. Under these circumstances, President Velasco or others would probably hesitate to attack a neighboring country, particularly if a quick victory were not certain.

18. The high priority that Velasco and the Peruvian regime assign to social-economic development, coupled with the growing economic and political problems which the government faces, continue to serve as constraints.

19. With regard to Chile, officials in that country remain convinced that the Soviets and Cubans are attempting to encourage a Peruvian move against Chile as a means of avenging the overthrow of Marxist President Allende. Chilean leader claim that "international communism" is spending more than \$100 million a month in an anti-Chilean campaign. In the November meeting between the Chilean and Peruvian army chiefs of staff, the former, in obvious reference to the Soviets, warned his counterpart against becoming inveigled into war by a "third party". Views such as these heighten the Chilean perception of the Peruvian threat as well as Chilean sensitivity to any signs of Soviet or Cuban activity in Peru. This, in turn, increases the potential for Chilean overreaction and for miscalculation.

20. Chile has been engaged in a political and psychological campaign in an effort to defuse tensions. The campaign has included an increased number of contracts with Peruvian military leaders to convince them of the futility of war. The Chileans have assigned their former Military Attache to Peru as the new Commander of the 6th Division at Iquique. Because of his personal knowledge of Peru and Peruvians, he will probably provide more realistic assessments of Peruvian capabilities and intentions. His assignment should also lessen the chances of overreaction to unconfirmed reports of Peruvian military activity in the border region.

The Potential for Conflict

21. In our view, nothing that has occurred since the publication of the earlier memorandum changes its conclusion that the Chileans do not intend to initiate hostilities against Peru, except as a desperate act of pre-emption in the conviction that Peru was about to attack. Quite clearly, recent Chilean actions have been aimed at defusing tensions and at establishing a defensive posture designed to deter Peru.

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22. The situation with respect to the deliberate initiation of warfare by Peru is more complicated. Peru now enjoys military superiority over Chile.



And the Peruvians are continuing the construction of military facilities, the strengthening of their military forces, and the purchase of advanced military hardware abroad.

23. Such considerations have led some analysts to conclude that Peru must be planning an act of aggression against Chile. The reasoning is that the Peruvians have long wanted to redeem their honor by avenging Peru's defeat in the War of the Pacific, that they wish to do so by 1979 (the 100th anniversary of the outbreak of that war), that they now have the military capability to seize and hold Chilean territory, and that they would not have embarked on their programs of arms purchases, or currently be pursuing it so vigorously, unless they intended to use the arms in an actual conflict. This argument tends to dismiss Peruvian claims that Peru's build-up is for defensive purposes, on the grounds that Chile constitutes no military threat to Peru, and does not in any event contemplate an attack on Peru.

24. The difficulty with this reasoning is that it rests on a perception which the Peruvians almost certainly do not share. As noted earlier, the Peruvians apparently believe the reports that Chile has recently received large shipments of arms. Some Peruvians believe that Chile covets and wishes to seize Peru's copper deposits in the south much as Chile seized Peru's nitrate deposits during the War of the Pacific. More broadly, what the Chileans view—and what objective observers might view—as military superiority, is almost certainly viewed by the Peruvians as no more than the rectification of a previous military imbalance, particularly in the border region, where the Peruvians have not in the

past maintained much of a military presence. Such a difference in perception, implausible as it may seem, is not without precedent, and it is reinforced in this case by Peru's deep fear of Chile and its historical sense of inferiority. Fear of Chilean aggression is also nourished by Peru's feeling of beleaguering as the most leftist government in Latin America, surrounded by conservative regimes or traditional antagonists.

25. Thus, although the pace and scope of the Peruvian arms build-up have become a source of greater unease, we continue to believe that the chances of a calculated attack on Chile over the next year or so remain low. The reasons given in the original memorandum continue operative: doubt about Peru's ability to achieve a quick and clear-cut victory; a sense of regional isolation and a regional threat to Peru, focused principally on Brazil; and the high priority assigned to socio-economic development, which would be placed at risk by a conflict. We consider that the growing dissent and disunity in Lima will more likely deter a foreign adventure than induce the Peruvian leaders to engage in one.

26. This section has so far considered the possibility that Chile would initiate hostilities or that Peru is planning a calculated act of aggression against Chile to avenge its defeat in the War of the Pacific. There remains the possibility that war will arise not as a result of rational calculation by the two parties, but out of growing tensions generated by the continuing arms build-up, and by old antagonisms and mutual fears. The result could be border incidents which escalate or miscalculations which draw the countries into war.

27. Broadly speaking, each country's sense of the threat from the other appears to have increased since last July and with it, the *potential* for misperception, miscalculation, and overreaction. It is another thing, however, to estimate the chances of an outcome which rests on *particular* events whose

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occurrence is essentially unpredictable. Moreover, as described earlier, steps are being taken on both sides of the border to guard against miscalculation and misperception. Even if tensions were temporarily raised to the boiling point, a decision by one party to strike against the other would require time, and the factors which militate against calculated war would still be largely operative. There would be at least some important voices against war on both sides. The process of consultation among key officers to gain the necessary consensus for war would under most circumstances lend some time for outside calls for calm to be heard.

28. Still, there appears to be, on both sides, a certain sense of the inevitability of conflict apart from any conscious decision to undertake one. Tensions between Peru and Chile are high and on the whole increasing, and they are of the kind that generate emotionalism and emotional responses. Velasco's growing irascibility and unpredictability continue

to worry the Chileans and increase the likelihood of overreaction by both countries. Recent intelligence reporting has conveyed a somewhat sharper sense than before of the possibility that the continuing arms build-up will stimulate and be stimulated by old antagonisms and mutual fears and produce results which neither party contemplates or desires.

29. Taking these considerations into account, all participants in this memorandum agree that:

a. It continues to be unlikely that there will be a conflict between Peru and Chile over the next year or so as a result of accident or miscalculation.

b. Nevertheless, the chances of such a conflict have risen somewhat since last July.

c. Moreover, the chances are sufficiently high, given the serious consequences of such a conflict, to warrant close and continuing monitoring of future developments.

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