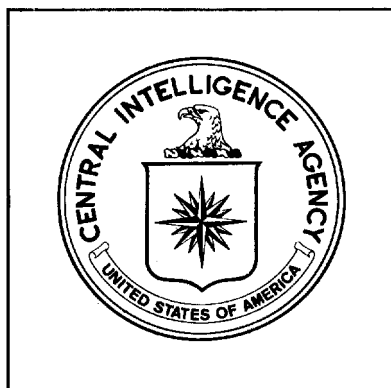


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Latin America

REGIONAL AND POLITICAL ANALYSIS

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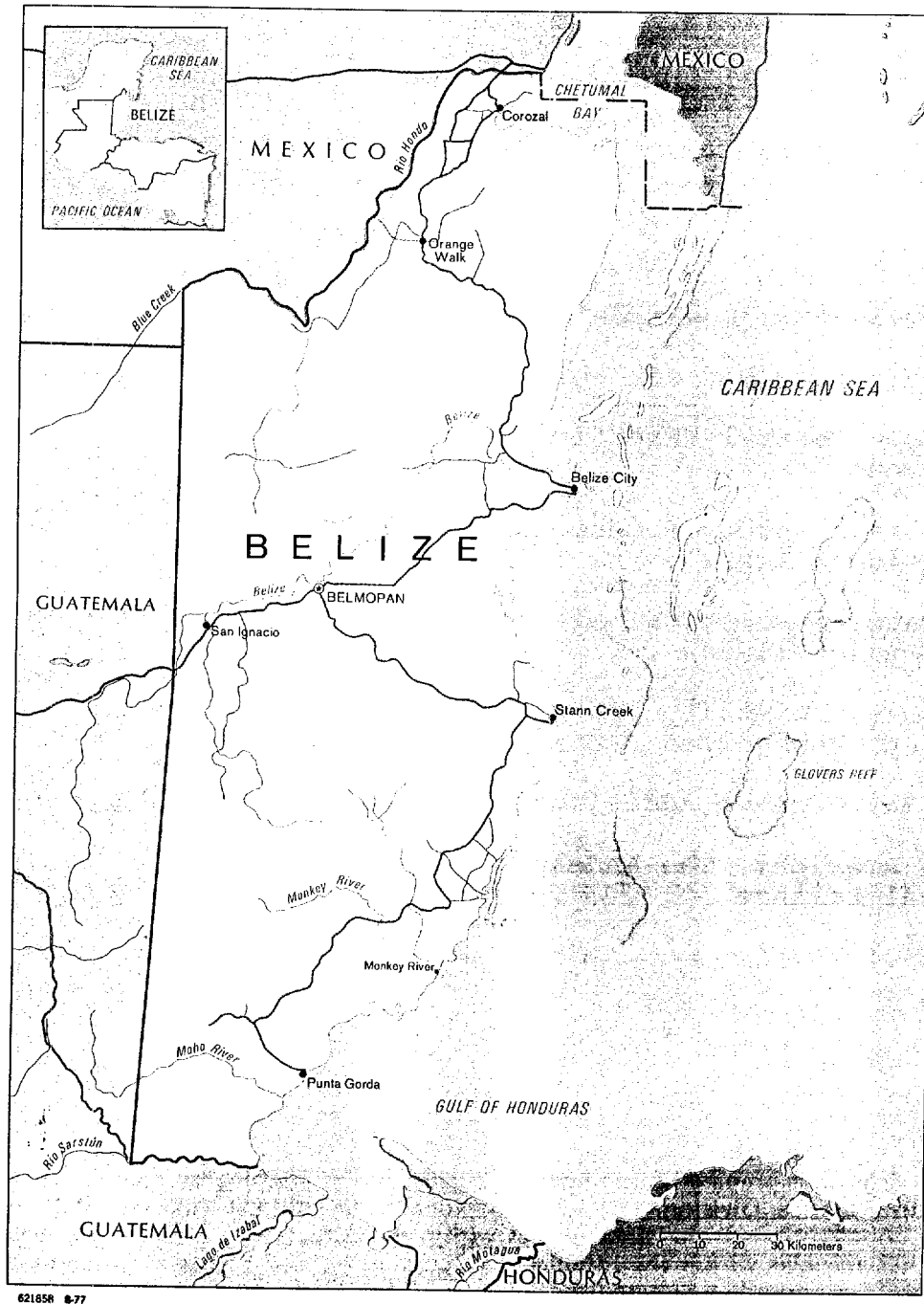
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This publication is prepared for regional specialists in the Washington community by the Latin America Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the Directorate of Intelligence and from other agencies within the Intelligence Community. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Guatemala-UK: Rowlands' Visit

2 In a joint communique issued last week, Guatemalan
1 leaders and British Minister of State Rowlands agreed to
3 continue negotiations on Belize and to work for a further
8 reduction of tensions. No substantive progress was made
on territorial cession; evidently, negotiators on each
side were waiting for their counterparts to make the
first move in following up on proposals advanced earlier
last month in Washington. An unprecedented feature of
the communique was a Guatemalan pledge to take into
account the vital interests of Belize.

2 Rowlands informed US officials that he would make
1 no effort to sell a territorial cession in the area of
the Moho River--presumably either to Belizean Premier
Price or to the London government--until he had firm
Guatemalan acceptance. A member of the Guatemalan ne-
gotiating team contended that his government had been pre-
pared to pursue the territorial question and was disap-
pointed when no discussions developed.

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8 the Laugerud ad-
ministration would rather pass the issue on to a new ad-
ministration next July than face blame for an unsatisfac-
tory settlement. Guatemala's chief negotiator, Foreign
4 Minister Molina, is already becoming a regular target
for domestic critics of the government's handling of the
Belize question.

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2 Considering Guatemala's recent press campaign calling
for withdrawal of the British reinforcements that were
rushed to Belize in early July, Rowlands was surprised
the Guatemalans did not press him on the point. He expects
the additional troops to leave in a few months, but he
does not want their departure to appear to be a conse-
quence of his visit to Guatemala.

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2 President Laugerud seemed more concerned about international opinion than British troops. He asked Rowlands to help head off another UN resolution in the fall supporting immediate independence for Belize. He showed similar concern over discussion of the Belize question in other international forums as well as among the Commonwealth nations.

5 At the same time, Laugerud has inaugurated his own international campaign to court hemispheric support. On July 20, ministers of defense from Honduras, El Salvador, and Nicaragua, and a representative from Costa Rica met in Guatemala City to reiterate their general backing for Guatemala. The presidents of these Central American countries will reportedly meet in mid-August to repeat the pledge. Foreign Minister Molina is touring Central America this week and Guatemalan Vice President Sandoval is visiting five southern cone countries, also seeking support.

4 Sandoval has been characteristically belligerent in statements on Belize, contending that Guatemala will settle the issue by July 1978--through force, if not by negotiation. The Guatemalan government has been following a similarly aggressive line in the domestic press, continuing to demand withdrawal of British reinforcements. Privately, the Guatemalans are more reasonable on the troop presence, and are starting a TV program evidently designed to prepare the Guatemalan public for a compromise territorial settlement.

6 This bellicose press treatment has also been critical of recent US policy. The presidential press secretary reportedly suggested that US restrictions on arms sales to Guatemala reflected Washington's support for Belize rather than its concern for human rights questions. He also implied that the US had a hand in the seizure in Barbados of a planeload of ammunition destined for Guatemala.

7 The press campaign criticizing the UK and the US may be little more than blustering for the sake of national pride. The Laugerud administration has shown interest in having the US participate in a "predetermined mediation" of the Belize matter--Guatemala and the UK

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would work out a settlement, which the mediators would
advance as their own. A compromise proposed by impartial
mediators would presumably be more palatable to the
Belizeans and Guatemalans.

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Mexico: Possible Cabinet Shuffle

President Lopez Portillo will probably change some of his cabinet ministers and agency heads before the end of the year, perhaps in conjunction with his annual report to congress on September 1. This would not be unusual during his first year in office, and only changes in the economic team would have major policy implications. Nevertheless, the reshuffling could result in a good deal of political jockeying and a re-alignment of channels of influence.

Lopez Portillo is reportedly evaluating the individual performances of his cabinet ministers, and there have been widespread rumors in Mexico all summer that a cabinet shuffle will result. There have been only a few lower level changes to date. The most prevalent rumors include:

- Changing the "economic cabinet" to establish more uniformity in outlook and permit more coordinated policy.
- Removing holdovers from the regime of former president Echeverria to dispel lingering public suspicion that Lopez Portillo is not entirely his own man.
- Replacing Secretary of Government Reyes because his health is poor.
- Reorganizing PEMEX, the government petroleum agency, through the creation of a Secretariat of Energy to reduce labor's influence on drilling and production and to remove PEMEX from the nominal control of the Secretariat of National Patrimony.
- Replacing several top administrative officials who have performed poorly or who are out of step politically.

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1 The rationale for replacing Echeverristas is reason-
2 able. As far as we know, the former president has ap-
3 parently tried to influence Lopez Portillo on only one
occasion--the decision not to return property expropri-
ated last year from Sonora landholders--and Echeverria
has since departed the political scene to serve as
representative to UNESCO. Nevertheless, the suspicion
persists that he sways Lopez Portillo through contacts
in the administration.

The prime candidate for replacement, according to
the rumor mill, is Secretary of Education Munoz Ledo.
He served as labor secretary and as head of the ruling
Institutional Revolutionary Party (PRI) under Echeverria.
He is one of the few recognized leftists in the admin-
istration, however, and his removal could antagonize
that wing of the political spectrum.

Other officials who could be shifted because of
links to Echeverria are Carlos Sansores Perez, presi-
dent of the PRI; Augusto Gomez Villanueva, president
of the Chamber of Deputies; and Hugo Cervantes del Rio,
head of the Federal Electricity Commission. Arsenio
Farell, director of Mexico's social security system, has
also been mentioned, but his position is probably more
secure because of his close personal friendship with
Lopez Portillo.

1 The rationale for changes in the economic cabinet
is questionable. It stems from the persistent belief
2 that Lopez Portillo's economic advisers are divided into
3 opposing camps: on the one hand, the fiscal conserva-
4 tives or "moneymen," led by Finance Secretary Moctezuma,
Bank of Mexico chief Romero, and Nacional Financiera
head Ibarra; on the other, the spenders or "structural-
ists" (hitherto called "Cambridge school"), led by Pro-
gramming and Budget Secretary Tello, National Patrimony
Secretary de Oteyza, and Commerce Secretary Solana. Be-
cause these two groups give the President conflicting
advice, the story goes, he is unable to devise a con-
sistent, coordinated economic policy.

1 There are two weaknesses in this argument: evidence
suggests Lopez Portillo likes to hear opposing views and
diverse policy recommendations; and what appears to be
inaction or drift in economic policy may be intentional
and inherent in the austerity measures imposed on Mexico
by the International Monetary Fund.

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4
1
Carlos Tello, secretary of programming and budget, is most often mentioned as a candidate for replacement. If, as rumors suggest, he is replaced by a conservative such as former finance minister and current ambassador to the US Hugo Margain, it would seem to signal a distinct policy commitment to the austere conservative measures espoused by the Bank of Mexico and the IMF. Despite these persistent rumors, Lopez Portillo entrusted Tello with the most potentially powerful economic post in the government, and there are no firm indications that the President is dissatisfied with his performance to date. Commerce Secretary Solana's name also crops up because of reported suspicions that he is not handling trade policy as effectively as he should.

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The Government Secretariat is the most powerful cabinet office and customarily serves as a stepping stone to the presidency. Because his parents are Spanish, Reyes is ineligible to become President, but this would probably not be the case with his replacement. For political rather than policy reasons, it would be a key change, and the jockeying will be considerable. Possible successors to Reyes are Chiapas Governor Jorge de la Vega Dominguez, Foreign Secretary Santiago Roel, and Labor Secretary Pedro Ojeda. Agrarian Reform Secretary Jorge Rojo evidently believes he will get the nod, but his eligibility may have been damaged by the President's decision to scrap Rojo's proposed settlement of the Sonora land expropriation affair.

5
The rationale for a shakeup at PEMEX--that reorganization and creation of an energy Secretariat will help insulate PEMEX from political pressures and turnover as well as reduce labor influence--is reasonable. Director Diaz Serrano has reportedly said that he might be replaced by long-time PEMEX technocrat Alfonso Bernache

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and would then join the Lopez Portillo cabinet, presumably as head of a new energy ministry. There have been no recent rumors regarding this scenario, however,

Finally, there are a number of agency heads who will reportedly be replaced for varying degrees of incompetence or for political reasons. Some of these are Francisco Javier Alejo, head of the Sahagun Industrial complex; Rosa Luz Alegria, a subsecretary of Programming and Budget; and Francisco Vizcaino Murray, head of the National Nuclear Energy Institute.

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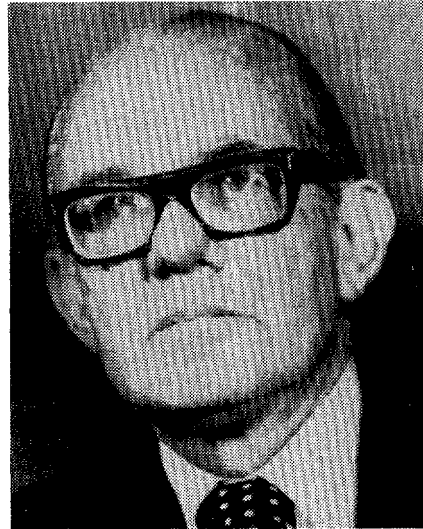
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Colombia: Narcotics Meeting with President Lopez

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2 A US delegation met with President Lopez in Bogota last month to discuss the problem of narcotics-related corruption among Colombian government officials. The meeting--which was preceded by a series of discussions, briefings, and media coverage of drug trafficking in Colombia--marks another stage in what appears to be steadily improving relations in joint drug control efforts between Washington and Bogota. Political constraints, however, may serve to limit Lopez' effectiveness in dealing with the drug problem.



President Lopez

2 President Carter's offer to provide President Lopez with evidence compiled by US agencies on official corruption in Colombia was unprecedented. Lopez, who is deeply concerned about the narcotics problem, was receptive to the demarche and very candid during the meeting. After hearing information on cases involving ministerial and judicial officials, military and law enforcement personnel, and other high-level figures, Lopez stated that he planned to set up an elite civilian law enforcement unit to cope with crime and corruption in Colombia. Furthermore, he pledged that finding some way to solve his country's drug problem would be a priority issue during his final year in office.

1 Lopez outlined some of his intentions regarding reform of Colombia's judicial system. He explained that he had in mind adopting US procedures in which attorneys, rather than judges, would investigate and

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prosecute cases. Lopez also stated that he is considering stationing a narcotics liaison officer in Miami to work with officials of the US Drug Enforcement Administration in investigating Colombian drug smugglers.

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2 Lopez' stated commitment to improve narcotics enforcement in Colombia may facilitate certain bilateral drug-control efforts. A direct assault on the problem of corruption, particularly at higher levels, is unlikely, however, having just weathered a serious scandal that threatened his political position, Lopez will be very reluctant to risk another public outcry against his administration by focusing attention on corrupt officials.

2 Furthermore, his loyalty to the ruling Liberal Party will prevent him from saying or doing anything that would jeopardize the party's chances in the election next year. Lopez' predicament is made all the more difficult because the Liberal Party's leading contender for the presidency is Julio Cesar Turbay--who is alleged to be involved with drug traffickers.

2 The extent to which Lopez can address the drug issue is further circumscribed by the fact that he will soon become a "lame duck." After the primary slated for February, the relationship between Lopez, his party, and the other major political institutions is likely to undergo significant changes as public attention shifts to the Liberal Party candidate and power begins to slip inexorably from the President's grasp.

2 In the face of diminishing authority, Lopez may prove unable to follow through on many of his intentions regarding narcotics control. Even in mid-term, when his political strength was presumably at its peak, Lopez

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seemed powerless to institute effective measures to cope with student unrest, kidnappings, rampant crime, and guerrilla activity--all of which have since continued to escalate.

2 In fact, many former Lopez supporters believe he has failed to do much about a wide range of social, political, and economic goals to which he assigned high priority. The question of corruption, perhaps the main impediment in efforts to resolve the country's other ills, is not likely to be seriously addressed, much less solved, during Lopez' final months in office. At best, Lopez may be able to set some machinery in motion that will be continued by his successor.

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Nicaragua: Political Effects of Somoza's Illness

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Nicaragua's President Anastasio Somoza was flown to the Miami Heart Institute on July 28 following a heart attack four days earlier. Reports on his condition are favorable, and a caretaker executive has been designated according to constitutional provisions. Somoza named his half-brother, General Jose R. Somoza, as acting chief of the National Guard, thus entrusting him with the real behind-the-scenes power during his absence.



President Somoza

1
These arrangements will probably suffice if the President's absence lasts only a few weeks and if his condition improves enough in the meantime to indicate a gradual resumption of the executive functions following his return. At best, however, Somoza will have to delegate some of his activities to others, since resuming his usual heavy work schedule, even after several months, seems unlikely. If his recovery is slow or his absence prolonged, pressures will increase for invoking further constitutional provisions leading to his replacement.

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Nicaragua's Political Health

4 Nicaragua, with almost no real experience in democratic government despite constitutional forms, is more vulnerable than most modern states to such a high-level illness. Real power lies with the Somoza family, the Liberal Party, and the National Guard.

4 For all practical purposes, Nicaragua has been governed for over 40 years as a Somoza family estate; while there are a number of wealthy families, none even approaches the Somoza family in size of its fortune or the extent of its business interests.

4 The Liberal Party, which has progressively fallen under the Somoza family control and patronage over the past four decades, has grown stronger, outdistancing its traditional rival, the Conservative Party--the only legal opposition. The Conservatives have been weakened by intra-party squabbles and are no longer capable of making a respectable showing at the polls. There is also a small coalition of non-legal miniparties, including the Moscow-line Nicaraguan Socialist Party. A Cuban-oriented guerrilla group, the Sandinist National Liberation Front (FSLN), has been severely weakened, but retains some capability for occasional terrorist acts.

4 The National Guard, whose support is necessary for the continuence of any regime, is even more a creation of the Somoza family than the Liberal Party. The country's only military force, it was founded by President Somoza's father and came under the direction of the current President in 1956 when his father was assassinated.

4 It is deceptive, however, to assume that anyone with the Somoza name has extensive institutional support. Neither of the most prominent second-echelon Somozas--half-brother Jose or son Anastasio--are acceptable to

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the Liberal Party or to the National Guard as long-term leaders. Moreover, while President Somoza has managed to keep all the financial, political, and military reins in his own hands, other members of the family are eager to take over management of the business empire.

Constitutional Succession

146 Since there is no vice president, the minister of government assumes administrative direction of the government during the president's temporary absence from duty. Antonio Mora was appointed to this caretaker position when Somoza left for Miami. If the president's absence extends for more than three months, or if he becomes unable to make major policy decisions, Congress must appoint as a replacement one of its own popularly elected members; during a congressional recess, a person chosen by the president from three previously nominated by Congress would be installed. In case of permanent incapacity, death, or resignation, this appointee completes the president's term of office. (Somoza's term ends in 1981.)

24f At the moment, Somoza appears completely capable of making the major executive decisions, leaving Mora to handle the day-to-day running of the government. If Somoza's condition should worsen and the next step became necessary, Pablo Rener, president of the Senate, is the odds-on favorite to replace him. He would probably be largely a figurehead, receiving behind-the-scenes instructions from the Somoza family, the military officers, and Liberal Party leaders.

The Outlook

244 Although the rumor mill spawned reports of coup plotting and opposition plans as soon as Somoza's hospitalization became known, most opposition groups, including the FSLN, reportedly have adopted a passive attitude, waiting to see if constitutional provisions will be followed. The constitutional succession will very likely be adhered to, at least for the present, but restiveness will increase with the length of Somoza's inactivity. It would not be surprising if opposition groups soon began clamoring for Somoza's replacement, claiming that he is indeed incapacitated.

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4 The real drama, however, will be played backstage. The present arrangement will probably last for several months, as long as Somoza is able to make the major decisions, but it could come unglued at the first hint of a serious setback. General Jose Somoza would probably not survive long as head of the National Guard. Both General Gustavo Montiel, finance minister, and General Samuel Genie, the Guard's intelligence chief, would have a strong voice in the selection of a presidential replacement and would figure prominently in a power struggle within the National Guard.

4 Whoever emerges as the new political leader would very likely make noises about holding elections on schedule. There is nothing in Nicaragua's history, however, that would lead one to be optimistic that a real democratic government will emerge there in the foreseeable future--with or without Somoza.

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Paraguay: Minority Opposition Groups Recognized

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The government recently passed over leaders of Paraguay's two major opposition parties and granted official recognition to the heads of minority factions. Asuncion's decision shatters the illusion of a legitimate opposition which was part of the government's elaborate scheme to provide a facade of democracy for the Stroessner regime. The ousted leaders have started an international campaign to call attention to themselves as victims of political and human rights' abuses.

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The Liberal and Radical Liberal parties, after years of mutual recrimination, agreed early this year to work together against a move by the ruling Colorado Party, which is dominated by President Stroessner, to amend the constitution to allow him to retain office for life. The parties publicly condemned the amendment and, in a move to embarrass the President at home and abroad, withdrew from the constitutional convention.

Although the parties' common cause had little effect on the course of the amendment, it did encourage them to regroup as the Unified Liberal Party (PLU), a move opposed by dissident factions in each party.

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The dissident groups held their own conventions and elected separate directorates who applied for official recognition to the Central Election Board, which is dominated by the Colorados. The board ruled that the bylaws of the parties did not provide for unification--they did not prohibit it, either--and gave the official nod to the dissident groups. The PLU is now in limbo for two years because, by law, new political organizations must wait that long before fielding candidates.

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The government's interference no doubt contains an element of retaliation by Stroessner for the parties' earlier attempts to embarrass him. The incident also demonstrates Asuncion's apparent lack of concern about its human rights' reputation abroad. The government

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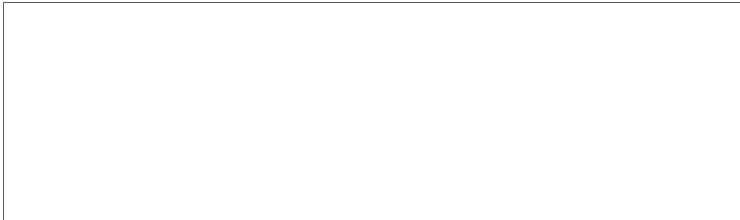
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4 is now hedging on an earlier commitment to the US to allow an on-site inspection by the Inter-American Human Rights Commission. This latest move further weakens Paraguay's ability to point to a representative opposition to quiet its critics.

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Peru May Receive Additional Soviet Tanks

1 / Peru may receive up to 100 Soviet T-62 medium
3 tanks by the end of the year, according to the US de-
fense attache in Santiago, Chile. This would be the
first time a South American country has received such
a recent model tank.

1 / Last week, a high-ranking Chilean military officer
informed the attache that one T-62 was already at the
military academy in Lima. Soviet advisers may be train-
3 ing Peruvian personnel in the operation and maintenance
of the tank. The T-62 is the most advanced tank now
being exported by the USSR to developing countries.

3 The arrival of T-62s probably would lead to an in-
crease in the number of Soviet military technicians in
Peru; there are about 80 there now. Peru's maintenance
capabilities have not kept pace with the sophistication
of Soviet weaponry entering the country.

2 The T-62 tanks may be part of an arms order placed
in January during a Peruvian government delegation's
visit to Moscow. That agreement, which calls for de-
3 liveries of equipment valued at a minimum of \$125 mil-
lion, includes unspecified radars, MI-6 helicopters,
and 24 to 36 AN-26 transports. The USSR apparently ex-
tended the same liberal repayment terms that it had
offered in 1976 for Peru's purchase of SU-22 aircraft--
a 10-percent downpayment, payments over 10 to 20
years, and 2-percent interest.

2 In May, the US defense attache in Lima reported
that the Peruvian army had decided to purchase enough
T-62s for two battalions, one to be stationed in the
north opposite Ecuador and the other in the south near
3 Chile. Peruvian forces reportedly are increasing the
size of their tank battalions to 46 or 47 tanks each.
The purchase of 100 tanks would fill out these units
and allow for spares.

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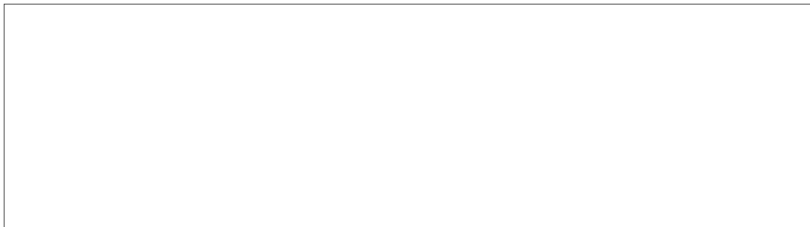
3 Peru already has more than 300 Soviet T-55 medium tanks as the frontline armor weapons of its ground units. A T-62 purchase could represent an attempt by Peru to circumvent maintenance problems on the T-55s. The T-62 has a larger main gun but does not differ radically from the T-55. Peru probably would also have maintenance problems with the T-62s.

3 Since 1973, the USSR has signed agreements with Peru for more than \$650 million worth of arms--70 percent of the total value was arranged during the past year. Arms orders include modern equipment for both the Peruvian army and the air force. Moscow has delivered this year at least \$250 million worth of arms under these agreements, including 26 SU-22 fighter-bombers, 20 T-55 tanks, and surface-to-air missiles.

3 Arrival of this additional foreign arms consignment at a time when Peru is having acute economic problems will further exacerbate Peru's difficulties in negotiating badly needed balance-of-payments loans from the International Monetary Fund and commercial foreign lenders.

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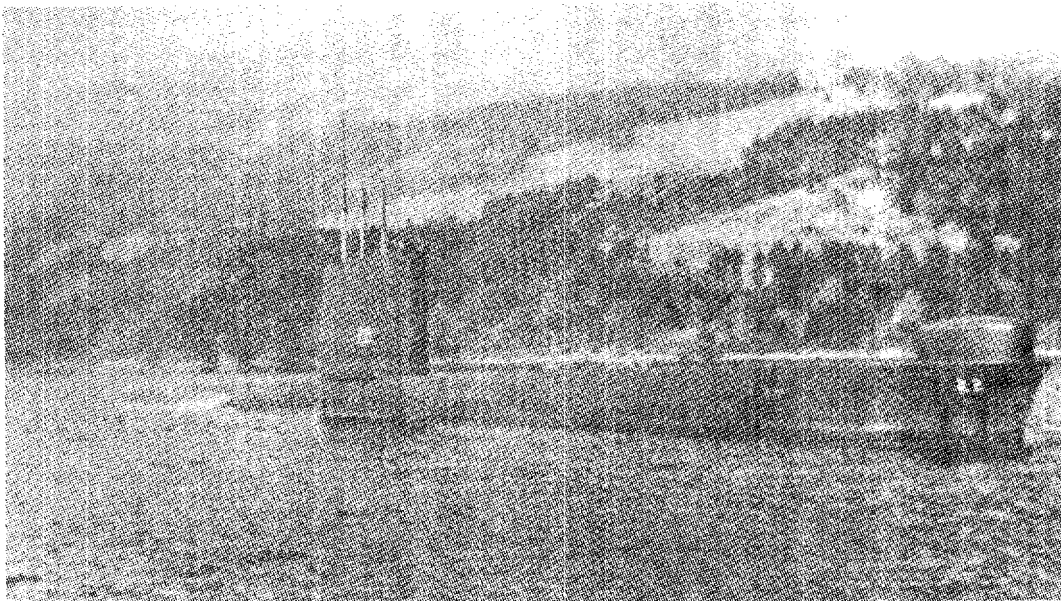
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South America: The Andean Naval Balance

The naval balance between Peru and its neighbors, Chile and Ecuador, will be a factor in any confrontation in this area. Chile has a relatively proficient fleet, but its ground and air strength is inferior to that of Peru. In addition, Ecuador's navy is much smaller than the Peruvian fleet.

	NAVAL BALANCE		
	Peru	Chile	Ecuador
Navy manpower	10,400	11,200	3,920
(of which)			
Marine manpower	1,800	1,000	1,020
Light cruisers	4	3	
Destroyers	4	6	
Frigates	3	2	2
Submarines	8	4	
Amphibious craft	8	10	2
Patrol craft	7	8	11
Aircraft	20	17	6
Helicopters	12	11	3



Chilean submarine "O'Brien" recently acquired from the British

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Peru

Lima's naval force would probably be hard pressed to counter Chile's fleet. The Peruvians could probably defend some major cities along their long coastline but could probably not conduct offensive operations for more than a few days.

The Peruvian navy is planning additional purchases from West European suppliers. Lima will acquire four frigates equipped with the highly capable Exocet surface-to-surface missile system during the years 1978-81. Two of the frigates are under construction in Italy, and the others will be built in Peru under Italian supervision. In 1978 and 1979, France will deliver six patrol boats fitted with the Exocet missile. The navy is the only branch of the Peruvian armed forces not employing Soviet equipment and has no plans to do so.

The Peruvian navy has the largest submarine force in Latin America and can also conduct proficient air-borne antisubmarine operations. To improve its future amphibious capabilities Peru is increasing its marine corps to 5,000 men; this augmentation will reportedly be completed within the next few months.

Peruvian naval capabilities are diminished by shortages of spare parts and a lack of highly trained personnel. The deployment of the force--almost all Peruvian combat ships are based in Callao, near Lima--makes them vulnerable to a single strike.

Chile

The Chilean navy can offer strong resistance against Peruvian operations and can probably stage limited marine landings in Peru. Its principal sources of strength are the professionalism of the officer and NCO corps, high-quality training programs, and its logistic system.

Current budgetary limitations prevent major acquisitions of naval weapons. The navy probably will buy only some missile patrol boats during the next few

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years. Chile, however, has a limited capability to manufacture naval equipment; some small craft, for example, can be built without foreign supervision.

The diversity of Chile's ship inventory has led to problems of long-term supply. The Chilean navy also lacks an effective minesweeping capability.

Ecuador

Ecuador's navy is by far the weakest in the Andean states. This force could offer only token resistance against Peru and is unable to conduct large operations for a sustained period of time. Ecuador, however, could join forces with Chile and confront Lima with a two-front war--especially in view of recently increasing military cooperation between the two countries. If this occurred, Lima would probably divert a few ships northward to counter any possible Ecuadorean naval move.

Although the navy does not rate highly in inter-service competition for defense funds, some fleet modernization is under way. Quito has bought two diesel submarines and ordered three missile attack boats from West Germany, one of which has arrived.

The Ecuadorean navy's few strengths are largely a result of personnel policies. The navy experiences little personnel turnover and the proficiency of the marine corps is considered high.

Poor maintenance procedures have left the fleet with only a few operational combatants, greatly impairing capabilities and resulting in few multi-ship exercises. Naval operations are limited to functions such as regulation of fishing, administration of the weather and hydrographic service, and control of river and port facilities.

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