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INTERNATIONAL ISSUES MONTHLY REVIEW

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This publication is prepared by the International Issues Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the National Foreign Assessment Center. The views presented are the best judgments of individual analysts who are aware that many of the issues they discuss are subject to alternative interpretation. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Developing Country Views on Technology Issues

*Technology issues are an integral part of the developing countries' demands for a New International Economic Order (NIEO) and are receiving increasing attention from the LDCs. The developing nations expect that international scientific and technological cooperation will reduce inequalities in wealth and economic opportunity among nations. In particular, the LDCs' determination to concentrate on acquiring wider access to industrial technology as a means of achieving economic and technological independence from the industrialized nations has significant implications for US policy planning in the area of science and technology for development. This paper examines the origins, character, and likely durability of the LDCs' views on technology issues.*

\* \* \* \* \*

The Manila Declaration and Programme of Action adopted by the third ministerial meeting of the Group of 77 in February 1976 embodies LDC interests on many issues, including trade, commodities, debt, transfer of technology, cooperation among developing nations, transfer of real resources, promoting manufactures and semi-manufactures in developing countries, and institutional reform. The Declaration is the latest and most authoritative LDC statement of NIEO objectives in a series dating back to the nonaligned summit in Algiers (September 1973).\* It is thus a document that represents a set of maximum demands, designed to appeal to as many LDCs as possible. While the interests of the LDCs vary on individual issues, group support for the NIEO, as defined by the language of the Manila Declaration, remains high.

*\*This was the first call for an NIEO. The Sixth Special Session of the UN General Assembly in May 1974 first adopted a formal program.*

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Technology per se has not received the same high level of attention in multilateral forums that trade, commodities, or debt have during the past two years, but it is an important issue to LDCs and one which is receiving increasing attention. Difficulties in reaching agreement with industrialized nations on their proposals have led the LDCs to focus on one issue at a time and, first, on those that meet the needs of the majority in the short term and stand a good chance of satisfactory resolution through negotiation. In addition, there are major trade-offs within the Group of 77 on issues that are important to particular groups of countries. The commodity-producing countries, and the poorest among them in particular, consider trade and commodities to be of immediate concern. The poorest nations have also looked to debt relief as a starting point for solving their particular problems. The wealthier and more advanced nations in the Latin American and Asian blocs have had no real interest in either issue as formulated by the Group of 77, but have supported them for the sake of group solidarity. These more advanced nations, however, consider the transfer and acquisition of technology to be critical for their development and will expect the poorer nations to support them on technology issues in the future.

During the next year, it is likely that the LDCs will devote more attention to technology issues, with countries like Brazil, Mexico, and Iran taking the lead. Although there have been no major multilateral technology conferences to match those on trade, commodities, and debt, preparatory sessions for an UNCTAD conference on an international code of conduct for the transfer of technology have been held throughout the past few years. Progress on drafting a code has been slow but will probably accelerate to meet the October 1978 conference date. In addition, extensive preparations are under way on national science and technology policy papers for the UN Conference on Science and Technology for Development scheduled to meet in the fall of 1979.\*



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Technology and Other NIEO Issues

The Manila Declaration divides "transfer of technology" into several subissues and links it to such other concerns as industrialization, improving access to markets in industrial nations, regulating transnational corporations, and foreign financial assistance. Essentially, the technology issue is divided into four areas:

- Strengthening the technological capabilities of developing nations (including devising national science and technology policies, cooperation among LDCs, cooperation from the developed nations, and actions by international organizations).
- Establishing a code of conduct for the transfer of technology (eliminating restrictive and unfair business practices and facilitating the international flow of all forms of technology).
- Revising the international patent (or industrial property) system to serve the development needs of the LDCs as expressed in national and regional plans and policies.
- Halting the "brain drain"--the reverse transfer of technology from LDCs to the industrialized nations.

The guiding principle of the LDCs is to reduce their present state of dependence--both economic and technological--on the industrialized nations. Their underlying assumption is that economic and technological independence depends on achieving a greater degree of industrialization in order to corner larger shares of world industrial output and markets.\* The NIEO plan advocates that the international industrial system be

*\*Here, technology is clearly differentiated from science. The pattern historically in the initial stages of economic growth has been for science to follow rather than precede technology. The developing countries want technology and technical expertise, not science education or research.*

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restructured to promote the production and trade of their manufactures and semimanufactures, including those involving advanced technology.

Specifically, the NIEO calls for the industrialized nations to provide larger amounts of bilateral and multi-lateral economic aid\* for industrializing the developing countries, so that they might achieve a 25-percent share in world industrial output by the year 2000.\*\* The activities of transnational corporations in the developing economies are to be regulated so that the host country can acquire control over the processing, marketing, and distribution of its manufactures and semimanufactures. Finally, the developing countries desire a greater share of the world's wealth through improved access for their manufactures to the markets of industrial countries, including advanced socialist states.

International Cooperation: LDC Expectations

In the Manila Declaration the LDCs consider the identification of needs and selection of appropriate technology for strengthening their indigenous capabilities to be solely a national effort. They also look first to each other to develop "collective self-reliance" and technological independence by exchanging information on alternative technologies, establishing regional research institutes and training programs, and helping to implement codes of conduct for transferring technology and preparing licensing agreements with transnational corporations. The program of action apparently looks for cooperation from industrialized nations solely to provide access to technology and industrial technological information banks and to refrain from encouraging the "brain drain."

*\*The LDCs encourage all industrialized nations to fulfill their commitment to provide 0.7 percent of their GNP in official development assistance.*

*\*\*The LDCs currently have about a 7-percent share of world output.*

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The developing nations believe that unrestricted access to advanced technology is a "right."\* Their primary objection to the current transfer process is its high cost, and they are suspicious of the operations of transnational corporations as major transfer vehicles. This is not to say that they demand all technology for free; rather they want to increase their bargaining power and their ability to search for and select technology from among alternative sources and to negotiate on favorable terms.

In this context, many developing countries have taken issue with what they perceive to be an attempt on the part of the industrialized nations, and the United States in particular, to influence their development by controlling the selection and transfer of technology for development.\*\* They doubt that our "basic human needs" approach to assistance will achieve their goal, which is to acquire greater wealth and bargaining power in the international system. Indeed, the LDCs are likely to become increasingly disturbed by what they perceive as attempts to minimize the important issues of technological dependence and transfer.

Given this emphasis on achieving some degree of industrialization, the LDCs question the assumption being made about meeting the "basic human needs" of the rural poor as a means of promoting economic development. Rather, most regard providing for the basic needs of the poor--both urban and rural--as largely an internal problem of income distribution within a rapidly growing semi-industrialized economy. Even those LDCs that have adopted rural development strategies do so more from economic necessity (to increase food production and employment) than from any "economic rights" standpoint. And, in most cases, rural development is accompanied by some degree of industrialization and export-oriented manufacturing to finance the rural programs.

*\*The Charter of Economic Rights and Duties of States adopted by the UN General Assembly in 1974 proclaims the right of every country to benefit from advances in science and technology.*

*\*\*In this respect, very few LDCs have responded to US offers of assistance in formulating and drafting their national papers for the UNCSTD.*

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National preparations for the UN Conference on Science and Technology for Development would tend to confirm the LDCs' concentration on obtaining wider access to technology for industrialization. At the second preparatory meeting (January 1978) the developing nations insisted that the agenda of five subject areas include industrialization, including the production of capital goods, along with such nonindustrial subjects as food and agriculture; natural resources including energy; health, human settlement, and environment; and transportation and communications. The fact that the developing countries also raised two additional substantive issues-- "obstacles" to the transfer of technology and "action-oriented recommendations" to overcome these obstacles-- would suggest that they are not likely to modify substantially their perceptions of their needs for technology to meet development goals.



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Positive Outcome of the UNCTAD Debt Talks:  
Implications for North-South Relations

*A trend toward accommodation on North-South issues between LDCs and industrialized countries has been evident for some time. This has been characterized by a search for practical solutions through give-and-take bargaining in the various international forums that have been dealing with LDC demands for a New International Economic Order. Recent North-South gatherings have been remarkably free of the kind of open confrontation that was commonplace during 1974-75. Even when the LDCs suspended the November-December 1977 Common Fund talks because they saw little chance of pushing through their demands, there was an absence of polemics.\* This article examines the factors that, by helping to bring about the compromise accord on LDC debt problems at the recent UNCTAD Trade and Development Board meeting, appear to have strengthened the movement toward accommodation.*

\* \* \*

Debt relief became an important issue in economic discussions between developed and developing countries with the 1973 oil price rises and the resulting increase in LDC debt. The Group of 77's Manila Declaration of 1976, which was developed in preparation for the fourth session of UNCTAD in May of that year, cited debt as one of the key issues in the North-South dialogue. The declaration proposed the granting, on request, of automatic, generalized relief from official bilateral debt and multilateral development institution debts, as well as commercial debts. When the LDC caucus (Group of 77) pressed these demands at UNCTAD IV in Nairobi, they were strongly resisted by creditor countries, who wished to limit discussions of debt relief strictly to a case-by-case review at creditor option and to maintain a



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clear distinction between debt relief and new commitments of resources for development assistance. No agreement was reached at UNCTAD IV, and the debt issue was referred to the Conference on International Economic Cooperation (CIEC), which was then under way. When the CIEC ended in June 1977, the two sides remained deadlocked, and the issue was returned to the UNCTAD setting. Efforts by several developed countries to divert the issue in the fall of 1977 by having the IMF/IBRD Development Committee undertake a study of debt were blocked by LDC opposition and by lack of support from the industrial countries. The UNCTAD Secretariat, moreover, has vigorously campaigned to keep the issue in UNCTAD.

#### UNCTAD Debt Relief Agreement

The compromise agreement on the relief of LDC debts adopted by consensus at the UNCTAD Trade and Development Board ministerial meeting held on 6-11 March in Geneva represents a breakthrough. In contrast to the original LDC demands for automatic, generalized relief for all official and commercial debt, the conference resolution is narrow in scope. It calls only for consideration of a retroactive adjustment of terms for bilateral official aid on a case-by-case basis.

The first section of the two-part resolution is based on a suggestion made by UNCTAD Secretary General Gamani Corea. It commits creditor countries to "seek to adopt measures" that would allow the terms of past aid loans to "poorer developing countries, particularly the least developed among them," to be adjusted to the easier terms of today. The donor country is to determine the "distribution and net flows involved within the context of its own aid policy." Donor nations, such as the US, that by statute cannot adjust debt terms are expected to take "equivalent measures." The second section of the resolution sets out guidelines for international action on possible future LDC debt problems, calls for the creation of an intergovernmental group of experts to recommend guidelines for future debt management, and refers further review of the debt issue to the fifth session of UNCTAD in May 1979.

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The compromise agreement represents gains and losses for both sides, and as could be expected, reactions have been varied. For the industrialized countries, the compromise resolution involved an acceptance of the validity of the retroactive adjustment of terms as a means of increasing official development aid, but it helped prevent a possible breakdown in the fragile atmosphere of cooperation in North-South relations. Members of this group were pleased that UNCTAD was able to function on this occasion as a forum for productive dialogue, and they expressed unqualified enthusiasm for the outcome.

For the Group of 77, the agreement involved formally accepting the validity of the case-by-case approach, thereby relinquishing their demands for generalized automatic relief for all official debt. It also involved a recognition by the Group of 77 that the nature of debt problems may vary "from acute balance of payments difficulties requiring immediate action," which had been their sole concern, to "longer term situations relating to structural, financial, and transfer of resources problems requiring longer term measures." The Group of 77 had hitherto resolutely resisted this concept, insisting that all their debt problems were due to external causes; they now recognize that these may have their origins in internal problems as well. At the same time, the LDCs benefited, not only tangibly in that some of the least developed countries (LLDCs) may have their debt burden eased, but more importantly because they were able to maintain the appearance of unity on an issue that has been increasingly divisive. On balance, the Group of 77 was less enthusiastic about the resolution than the industrial states, because it comprises a statement of intention, rather than the commitment to immediate debt relief action that they had hoped for. Most LDC delegates, however, shared the attitude of the industrial states that for the first time progress had been made in approaching the complex set of issues related to LDC debt and that this was a harbinger of a more positive climate for the general North-South dialogue.

#### Evolution of the Modified Group of 77 Position

While the Group of 77 has consistently depicted the debt problem as one shared by all LDCs, they are not all

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equally affected, nor do they have a common approach to it. Some see it as a "rich against poor" ideological issue and as an ideal way of increasing resource transfers (since it is unconditional, untied, and fast-disbursing). Others wish to avoid the issue of debt relief altogether because of their concern with retaining or establishing credit-worthiness in commercial markets.

Nonetheless, at the end of 1977, six months after the close of CIEC, the official LDC position on debt was almost the same as at Manila in 1976:

- Bilateral debts of LLDCs, landlocked, and island developing countries should be canceled.
- Bilateral debts of the most seriously affected countries (MSAs) should be canceled or rescheduled at lower interest rates.
- Bilateral debts of all other LDCs should be rescheduled if the country desires relief.
- Multilateral debts of LLDCs should be rescheduled at lower interest rates.
- Multilateral debts of other LDCs should be reviewed when international institutions allocate new loans.
- Private debts of "interested" LDCs should be refinanced at lower interest rates and with longer maturities by a new aid institution.

In the weeks preceding the UNCTAD Trade and Development Board ministerial meeting, however, it became apparent that the real focus of LDC concern was relief for the official concessional debt held by low-income countries. Only a few countries (such as Jamaica) were interested in commercial debt relief, and higher income countries in Latin America and Asia, while formally supporting the developing country consensus, had clearly

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disassociated themselves from demands for generalized debt relief. Similarly, while some leading members of the African group, such as Zaire and Nigeria, continued to sympathize with Group of 77 calls for generalized debt relief, they were beginning to show a preference for a case-by-case approach because of their increasing awareness of the importance of creditworthiness. Most of the continued pressure for official bilateral debt relief came, in fact, from the few low-income countries (India, Pakistan, Bangladesh, and Egypt) who would benefit most from such relief. Of these countries, Bangladesh believes it cannot justifiably support generalized debt relief, because many countries less needy than Bangladesh have higher debt loads and are likely to benefit more.

During his February 1978 visit to Washington, UNCTAD Secretary General Corea indicated that the LDCs had considerably reduced their expectations for generalized debt relief. He reiterated his suggestion of September 1977 that creditors retroactively adjust terms of past official debt of the LLDCs to conform with current softer terms, thus increasing the net flow of aid to recipient countries.

#### Elements of Compromise

In addition to a lack of unity among the LDCs, there were other factors that seem to have played an important role in bringing the debt talks to a compromise solution. One was the ability of the industrialized countries to come to an agreed position--if only just barely--prior to the conference, and the unity they displayed in supporting that position. They introduced a resolution that they had originally offered to the LDCs at the CIEC, but which the LDCs rejected as inadequate. The proposal, based on a joint US/EC position, outlined procedures for readjusting debt terms in urgent cases. The industrialized countries were also able to agree to commit themselves in principle to consider the idea of retroactively adjusting terms, as long as any eventual proposal dealing with such an adjustment contained an escape clause for those countries statutorily unable to comply. They were thus able to implement a strategy of linking acceptance of this concept to acceptance by the Group of 77 of basic concepts in the US/EC debt features paper.

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The second important factor favoring a compromise conclusion to the debt talks was the stabilizing influence of the UNCTAD Secretariat--usually a force for confrontation--and the resourceful diplomacy of a few key LDCs. There was considerable dissension within the Group of 77 during the meeting, particularly after it became clear that the hoped-for US announcement concerning cancellation of official development aid debts of LLDCs would not be forthcoming. The Secretariat, however, clearly wanted a successful meeting to establish UNCTAD's effectiveness as a forum and thus counterbalance the lack of progress in the Common Fund talks. This impulse, together with the efforts of able diplomats on the most active and interested delegations (Pakistan, India, Bangladesh, and particularly Egypt) helped to forestall polemics and to lead the conference toward acceptance of the compromise resolution.

#### Outlook

The ability of the UNCTAD Secretariat and the delegations from the countries most affected by official concessional debt relief to work together to rally the Group of 77 to a compromise position further confirms that during the past year or so North-South relations have perceptibly shifted from confrontation to accommodation. The conference resolution is also testimony to the LDCs' acceptance of the idea that relations with the industrial nations are evolving into a practical bargaining process. The LDCs also show a growing sense of pragmatism about how much multilateral negotiations with the industrialized countries can actually achieve. They seem to acknowledge that the New International Economic Order as presently formulated is unrealistically demanding and probably unattainable and that continued insistence on it might jeopardize attainable gains.

The productive dialogue at the conference has made officials on both sides more optimistic about the prospects for other UNCTAD negotiations. UNCTAD Secretary General Corea described the outcome of the debt talks as "very positive," and the readiness to compromise that emerged within the Group of 77 leadership at Geneva seems to have heightened his confidence that a Common Fund

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agreement may be within reach. He is currently formulating compromise proposals aimed at reopening fund negotiations and has announced that he would like the talks to resume in May or June.

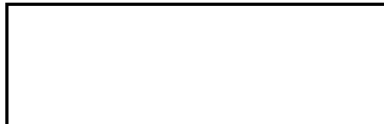
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Individual LDC Perspectives on Conventional Arms Transfer  
Restraints (II): Iran and Peru

*This paper continues the series on LDC attitudes toward conventional arms transfer (CAT) restraints that was begun in the January and February issues of International Issues Monthly Review. Earlier studies in the series described LDC concerns that would complicate efforts to gain their support for restricting the conventional arms trade. The following sketches address two countries that share some of these concerns and that have both spent heavily on imported arms during the past few years. Their views on the CAT restraint issue are judged likely to differ, however, largely because of their divergent prospects for further arms purchases in the near future. Iran almost certainly sees CAT restraints as a potential threat to its plans for additional purchases of major weapons systems, while Peru may now favor such restraints because it lacks both the need and the resources for continued heavy spending on arms.*

\* \* \*

Iran

Iran is the largest purchaser of arms in the non-industrialized world. The sharp increase in the price of oil decreed by OPEC in late 1973 gave the Shah the revenues he has used to build his arsenal. In the ensuing four years (1974-1977), Iran spent \$19.3 billion on the world arms market, mainly for advanced weapons from the United States. The remaining orders have gone chiefly to Western Europe and the Soviet Union.

Iran's imports of arms are unlikely to decline soon. Oil revenues should continue at about their present level for another 10 years, providing the means for more purchases of advanced weapons systems. At the same time, the prospect that the diminution of the country's oil reserves in the late 1980s may erode the economic foundation

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of Iranian influence has lent urgency to the Shah's efforts to bolster the military base of his nation's power. To this end, he has already requested from the United States many additional military items, including electronic systems and combat and transport aircraft. The principal arms deals Iran is now negotiating with West European suppliers are for Dutch and West German naval vessels.

Although Iran's relations with its neighbors can presently be characterized as "correct," the Shah believes that this military buildup is necessary to counter a variety of potential threats and to maintain stability in the region. The Shah's principal worry is the Soviet Union. He has maintained normal economic and political relations with the Soviets and does not now feel directly threatened from the north, but he sees a danger of encirclement through Soviet influence and adventurism in other neighboring states. To the west, Iraq continues to appear as a potential adversary--mainly because of its close military ties with the Soviet Union--despite a 1975 agreement between Tehran and Baghdad that removed the Kurdish problem and the disputed river border as immediate sources of conflict. To the east, Soviet influence in Afghanistan as well as instability in Pakistan remains worrisome. To the south, the Persian Gulf and the Strait of Hormuz are seen as vital waterways--lifelines through which the oil flows--that would be endangered by any radical takeover of the small Arab states along the southern shore. The Shah demonstrated his determination to use military force to prevent any such takeover by sending troops to Oman to help defeat the Dhofar rebellion.

The Shah believes that because of Iran's size and difficult terrain, he needs large armed forces equipped for mobility and great range. In addition, the Shah wants Iran's naval forces to extend their reach into the Indian Ocean as part of their mission to protect the shipping lanes used by oil tankers. An Iranian naval presence in the Indian Ocean would also balance any attempt by India to extend its influence in the event the US and USSR reduce their own presence in the area. The desire to make Iran a major regional naval power lies behind the Shah's present emphasis on purchases of warships.

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In equipping its expanding military forces, Iran will remain heavily dependent on foreign supplies for the foreseeable future. It manufactures some small arms and is attempting to expand this capability through coproduction agreements to include larger weapons systems. Many of the coproduction schemes are still, however, only in the planning stage. Furthermore, it is unlikely that the Shah will reduce his emphasis on obtaining the most technologically advanced equipment available--the sort of equipment whose manufacture will remain most concentrated in the industrialized countries.

These considerations suggest that Iran will continue to see itself as having a large stake in unrestricted conventional arms transfers for at least the next several years. It is unlikely, therefore, that Iran would actively support CAT restraints. It may take the position that restraints could be useful if they were comprehensively applied and observed, meaning that Iraq and other radical states in the area would not receive an unrestricted flow of Soviet arms. Iran undoubtedly has little confidence that such comprehensive curbs are feasible, however, and even if they were, this would not invalidate certain other motives for Iranian arms purchases, particularly the desire to project power into the Indian Ocean.

Iran has generally been moderate in its dealings with the developed world, avoiding the extreme tactics and rhetoric of the radicals in the Group of 77. Nevertheless, in economic debates it has argued firmly in behalf of producers of primary products. It will probably be no less timid in discussions of the arms transfer issue. Iran has already attempted, in the Preparatory Committee for the UN Special Session on Disarmament, to amend a Western draft on CAT in a way that would emphasize the right of recipient states to veto proposals for restraint.\* Any push by the West, especially by the US, to win approval for a strong endorsement of CAT restraints would probably only increase the Shah's determination to protect his freedom of action. He would view such an endorsement in the same light as he views the US CAT policy announced in 1977, that is, as discriminatory in

*\*Iran abstained, however, on the 1976 vote in the General Assembly to kill a Japanese initiative on CAT restraint.*

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favor of the industrialized countries and against developing nations like his own.

### Peru

Peru, as one of the largest purchasers of arms in Latin America, has not worked to institute CAT restraints. For reasons indicated below, however, its military purchases will probably slacken in the coming months. This suggests that, despite its past posture, Peru may now welcome at least some forms of CAT restraints.

Since 1973, Peru has purchased approximately \$1 billion worth of military equipment, about half of this from the Soviets and the other half from Western (mainly European) suppliers. In 1976, Soviet arms sales to Peru were larger than US sales to all of Latin America. Peru's heavy military spending stemmed at least in part from its perception of being geographically vulnerable. Of the five states with which it shares borders, two (Chile and Ecuador) have fought wars with Peru over disputed territory and a third (Bolivia) covets an outlet to the sea. Lima believes that a regional balance exists only when its forces match or exceed those of the other three countries combined.

As a result of its arms buildup, Peru has substantially achieved this objective. It has a quantitative superiority over some of its neighbors in many types of ground equipment. Peru's tanks and armored personnel carriers, for example, outnumber those of Chile, Ecuador, and Bolivia combined. Its advanced Soviet-made equipment has given it a qualitative edge in many areas as well, despite some difficulties in absorbing and maintaining these weapons. Peru is particularly well armed for tactical air support--with its purchase of 36 SU-22 fighter-bombers from the USSR--as well as for air defense.

Having attained military superiority over a combination of its neighbors, Peru will probably forgo further major arms purchases in the near future. Peru's financial difficulties, specifically its large debt to overseas creditors, is another inhibiting factor. Lima has explicitly promised, as a condition for obtaining foreign

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financial help, not to buy new weapons until 1980 (when an elected government is scheduled to take power).<sup>\*</sup> Violating this promise would make it more difficult to obtain new loans or extensions of present repayment schedules. Further arms purchases on credit would also, of course, directly increase the foreign debt. In fact, the portion of Peru's present debt, including service through 1985, that is attributable to military purchases is about \$1.5 billion. Lima's growing problems in making payments have led, for example, to the recent restructuring of its military debt to the USSR.

While Peru voted at the 1976 UNGA session to kill the Japanese CAT initiative, it would probably now welcome some CAT restraints. Peru's heavy military spending in recent years contrasts, however, with the leading role it took in writing the 1974 Ayacucho Declaration on CAT restraint in Latin America, and Lima recognizes that it would have a credibility problem were it once again to take the initiative on CAT restraints. It will, therefore, probably maintain a low profile in CAT debates, in contrast to its usual active role as a member of the Group of 77. Its support for CAT restraint will principally take the form of quiet approval of regional arms control. (Earlier this year, it privately indicated that it favors resurrection and implementation of the Ayacucho Declaration.) This support is fragile, however; it could dissipate if Peru's neighbors were to augment their own armed forces and Lima saw the need to resume heavy arms imports to maintain its strategic position.

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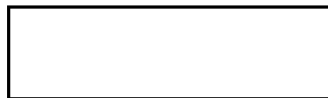
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*\*Peru has explained some recent arms purchases (such as destroyers from the Netherlands) as not violating this promise since they were "in the works" before the moratorium was declared.*

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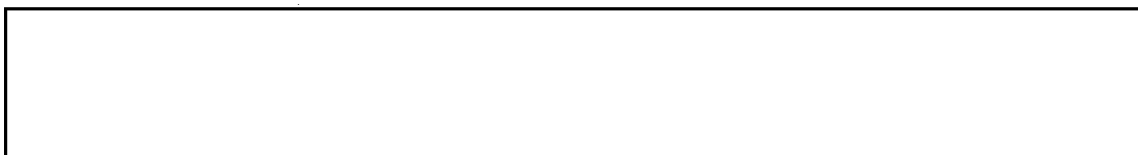
Denmark's Uncertain Road to Nuclear Power

*Denmark is one of the most enthusiastic backers of the US-sponsored International Nuclear Fuel Cycle Evaluation (INFCE). \* It is representative of the small, energy-poor industrial democracies that hope INFCE will speed up the development of alternative energy sources and resolve the politically sensitive issue of nuclear waste disposal.*

\* \* \* \* \*

Denmark's energy needs are self-evident. It ranks with Sweden as the third largest per capita user of energy in the world; it imports 98 percent of its fossil fuel needs. With the sharp increase in petroleum prices, Denmark has experienced large increases in inflation and unemployment rates. For many years the country's policymakers had hoped that a substantial portion of Denmark's long-term energy needs could be met by combining the resources of its North Sea tract and the expected oil reserves off the western coast of Greenland, a Danish possession. These hopes have gradually faded as it became evident that Denmark's North Sea oil reserves, in contrast to those of Norway and Great Britain, are small. Furthermore, efforts to develop Greenland's offshore area have so far proven futile. Denmark's North Sea holdings do contain significant natural gas reserves, but the country lacks established pipelines, and there is strong sentiment to sell the gas to West Germany to earn much needed foreign exchange.

Despite the country's energy predicament and such favorable factors as a relatively large number of nuclear scientists, three research reactors, and known uranium reserves in Greenland, the Danish Government has, until



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now, been cautious in committing the nation to the commercial development of nuclear power. Party politics and public concern over waste disposal have been the main reason for inaction.

Later this year, however, the government plans to propose to Parliament the construction of six commercial nuclear reactors, although approval for the project is as uncertain as ever. Of the 11 parties represented in Parliament, those of the center and right are generally sympathetic to the development of nuclear power, while the far left parties are ambivalent, if not hostile. The ruling Social Democratic Party (SDP), which controls nearly 40 percent of the seats, is itself divided on the issue. Public opinion is volatile on the matter of nuclear energy. Nonetheless, the opponents of the reactor proposal, about one-third of the members of Parliament, have threatened to seek a national referendum that could ultimately block the program.

A key figure in the SDP energy debate is Commerce Minister Ivar Noergaard, who represents the small, but vocal left wing of the party. Norgaard advocates a go-slow approach to the adoption of current nuclear technology. He favors the development of alternative sources of energy such as solar and wind power. He apparently hopes that the optimistic Soviet estimates of the time needed for development of nuclear fusion technology\*--10 to 15 years--will prove to be correct as opposed to the more pessimistic estimates of Western scientists. The Canadian proposal for the INFCE to establish a subgroup on fusion reactor research appeals to Norgaard and his followers. In addition, he has been able to influence his government's budgetary priorities so that his ministry will expend almost as much money on nonconventional energy research as it will on nuclear development in 1979.

Faced with these circumstances, Prime Minister Anker Joergensen is anxious to resolve the waste disposal

*\*Fusion technology, which involves the fusion of light elements rather than the splitting of heavy ones, is hoped to be more environmentally safe than fission technology.*

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problem, and thus improve the chances for parliamentary approval of the nuclear reactor program. Initially, Denmark had hoped to work out a bilateral arrangement with neighboring Sweden, but these aspirations were dashed by the defeat of Sweden's Social Democratic Party in October 1976 and the subsequent downgrading of that country's nuclear program. President Carter's October 1977 offer to explore and negotiate bilateral waste disposal agreements with selected countries is, therefore, viewed by the Danish Government as a solution to the problems now facing its nuclear program. The Prime Minister believes that by the time all of Denmark's proposed reactors become operational (the year 2000), improved methods of waste disposal will have been developed, and that this increases the likelihood that the United States will agree to a bilateral waste disposal accord.

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