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8 AUGUST 1977

ACN 77032

**CONVENTIONAL ARMS TRANSFERS
TO LATIN AMERICA**



MILITARY ISSUES RESEARCH MEMORANDUM

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CONVENTIONAL ARMS TRANSFERS
TO LATIN AMERICA,

by

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~~Colonel~~ Norman M. Smith

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8 August 1977

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17 p.

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FOREWORD

This paper was presented at the Military Policy Symposium sponsored by the Strategic Studies Institute, held at the US Army War College in early 1977. Under the general theme "Inter-American Security and the United States," a broad range of issues affecting US relations in the Latin American region were addressed. This paper provides an update on current trends concerning arms transfers to Latin America.

The Military Issues Research Memoranda program of the Strategic Studies Institute, US Army War College, provides a forum for the timely dissemination of analytical papers such as those presented at the 1977 Military Policy Symposium.

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DeWitt C. Smith Jr.

DeWITT C. SMITH, JR.
Major General, USA
Commandant
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BIOGRAPHICAL SKETCH OF THE AUTHOR

COLONEL NORMAN M. SMITH is Director, The Americas Studies, Department of National and International Security Studies. He is a member of the Foreign Area Officer program, specializing in Latin America. A 1955 graduate of the US Military Academy, he earned a master's degree in Latin American studies from the University of Florida. Colonel Smith's overseas tours have included Korea, Mexico, Vietnam, the Canal Zone, and Costa Rica, where he commanded the US Military Group. He was previously assigned as a Military Assistant in the Arms Transfer Division, International Relations Bureau of the US Arms Control and Disarmament Agency.

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CONVENTIONAL ARMS TRANSFERS TO LATIN AMERICA

This paper is intended to provide an update on current trends concerning arms transfers to Latin America. In essence, the volume of arms transfers is modest in comparison with other parts of the world, but there are some problems both in the Andean area and in Central America which are worth watching.

Arms transfer problems in Latin America must be viewed in context. Let us first examine some of the standard indicators of levels of military activity. One of these is the proportion of Gross National Product that countries devote to military expenditures. In Latin America this indicator has remained basically constant during the past 10 years at about 2 percent—the lowest of any geographic region in the world. Another indicator, per capita military expenditures, is one-fifth of the world average and only 6 percent of that in developed countries. The amount spent per soldier is less than 30 percent of the world average of \$11 thousand per man. Latin America's troop strength in relation to its population is below the norm. Although it is normally difficult to generalize about a geographic region, most Latin American nations vary only slightly from the above averages.

Latin America's arms imports have also been exceedingly modest in

relation to nearly all other regions of the world. To place Latin America's arms trade in perspective, an international comparison may be helpful. The miniscule level of Latin American arms imports may be compared with just one Iranian order to the United States for F-16's in 1976—\$3.6 billion—nine times greater than the total \$406 million of arms deliveries to the entire 23 Latin American nations in the peak year of 1974. Chart I depicts a relatively constant level of spending for arms imports by Latin American nations over the past 10 years. Arms imports as a percent of total imports average less than 5 percent in all countries except Peru.

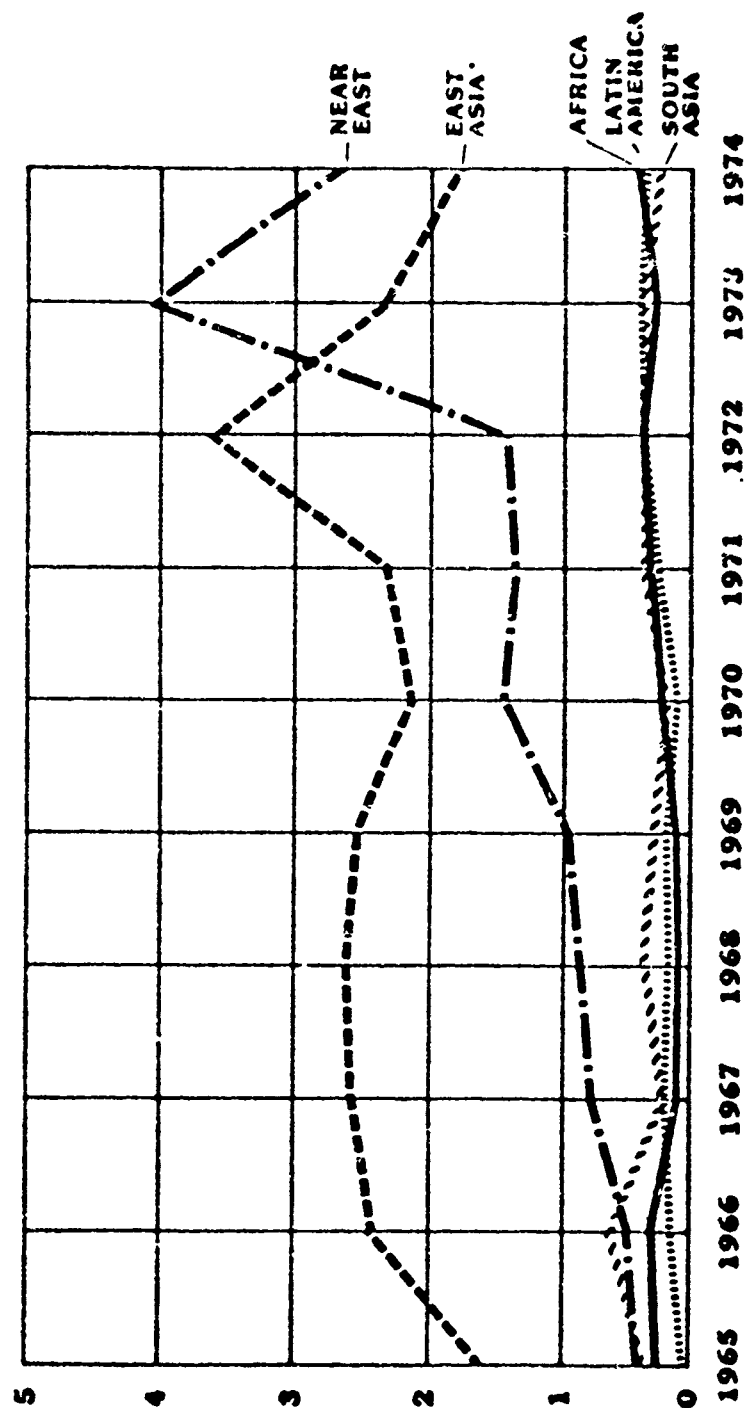
Nevertheless, in an area relatively free of international tensions and burdened with many social and economic problems, arms transfers take place with great regularity, and their legitimacy should be examined.

Beginning in the mid-sixties, the arms trade pattern, heavily dominated by imports from the United States, began to change for many reasons. Congressional restrictions limited total US sales to Latin America. Other US legislation, by interpretation, inhibited sales of "sophisticated" weapons. Some types of US equipment were no longer available as surplus due to worldwide demands of US forces. Also, the cost of some highly sophisticated US armaments became noncompetitive. In some cases the United States simply did not have available for sale the items desired by the Latin American nations, e.g., new submarines, gas turbine destroyers, light tanks, and small inexpensive transport aircraft. But in the early seventies, the Latin American states had the money and were ready to buy, and aggressive Western European salesmen moved into the region with competitive offerings. Our unilateral restrictions thus did little to limit imports, and in fact France, not the United States, has been the leading supplier among the almost 30 nations which have transferred arms to Latin America in the 1970's. Also significant is the recent entry of Israel as an increasingly important arms supplier to the region. However, some of this non-US equipment had serious drawbacks: too expensive, too difficult to provide with spare parts and training, too sophisticated for local needs, etc. Of the major recipients of arms actually delivered in Latin America in the past 5 years, Peru tops the list with Brazil a close second. (See Table 1).

Actual deliveries of equipment, as reported here, lag the signing of sales agreements by time periods sometimes stretching into years. Thus these delivery data mask somewhat the most recent trends in Latin American arms acquisition practices.

ARMS IMPORTS BY DEVELOPING REGIONS

\$Billion (Constant 73)



* Includes Southeast Asia

Chart 1

Table 1
Latin American Arms Deliveries
1970 - 1975
Million Current Dollars

By Recipient		By Supplier		Number of Countries Supplied
Peru	392	France	570	10
Brazil	369	US	535	19
Venezuela	300	United Kingdom	261	11
Argentina	217	FRG	171	6
Chile	189	Canada	146	5
Cuba	131	USSR	84	1
Colombia	125	Israel	26	8
Ecuador	61	Others	180	12
Mexico	42			
Uruguay	34	Total	1,973	
Guatemala	27			
Bolivia	24			
Panama	13			
Paraguay	13			
Nicaragua	9			
El Salvador	8			
Honduras	6			
Dominican Republic	6			
Guyana	2			
Haiti	2			
Trinidad & Tobago	2			
Jamaica	1			
Total	1,973			

The following table highlights the enormous dollar value of Latin American *orders* accepted by Western European suppliers, particularly the British and Italians. To a great extent, these large orders are the result of major shipbuilding programs. It should be borne in mind that, with the exception of Venezuela and Ecuador, all of these developing countries were especially affected by oil-inflated prices but nevertheless concluded the agreements.

A general survey of these arms orders shows that the market continues to have an international flavor. France and the Soviet Union have been primary suppliers of tanks. The British and Italians have concentrated on providing naval vessels and aircraft. Canada has received a greater percentage of the subsonic combat aircraft market.

Table 2
Latin American Arms Orders
1970 - 1975
Million Current Dollars

By Recipient		By Supplier	
Venezuela	580	United States	800
Brazil	570	Western Europe	3000
Peru	540	United Kingdom	1100
Argentina	400	France	700
Ecuador	250	Italy	750
		West Germany	350
		Other	100
		Other Free World	230
		Soviet Union	70

US sales of F-5, A-37, and C-130 aircraft have surged. Despite a widespread sales campaign for the French Alouette, the United States still dominates the helicopter market. Israel and Brazil have picked up the light transport aircraft trade. West German sales have been primarily in armored vehicles and naval vessels.

In both dollar value and units, the Big Six countries (Argentina, Brazil, Columbia, Chile, Peru, and Venezuela) continue to represent the preponderant share of the Latin American sales market, although Ecuador has now also become a major recipient.

Despite recent congressional action lifting certain US restrictions placed on the Latin American region, increased availability of equipment following cessation of the demands of Southeast Asia, and increasingly competitive prices, the international aspect of the Latin American arms trade has not materially changed.

Although attention has been focused on major supplier-recipient relations, mention should also be made of Latin America's growing indigenous defense production capability—coproduction and licensed production as well as the home-grown variety. Brazil and Argentina lead, followed by Peru and Colombia. Under coproduction or licensing arrangements, such items as jet aircraft, helicopters, destroyers, submarines, tanks, and missiles are manufactured or assembled locally. In the indigenous production field, Brazil has emerged as a competitor with the United States for the export of armored personnel carriers to Canada. This is only the beginning of Latin America's emerging role as an arms supplier in the world market. Although there has been some intrahemispheric arms trade, interstate tensions and hostilities will probably limit transfers among neighboring states.

Latin America is the only area which has initiated any contemporary regional attempt at arms control arrangements. The "Declaration of Ayacucho," signed December 9, 1974, is an entirely Latin American initiative directed at conventional arms control. Eight nations (Argentina, Bolivia, Chile, Colombia, Ecuador, Panama, Peru, and Venezuela) signed the Declaration. Since the actual signing of the declaration, two plenary meetings and several working group meetings have been held to discuss a wide range of arms control topics including the possibility of establishing demilitarized zones, the monitoring of weapons inventories, uniform scope and control of military budgets, and possible military cooperation among nations aimed at limiting--and ultimately ending--acquisition of arms for offensive military purposes. While it is important to note the "Ayacucho" meetings as the only on-going conventional arms limitation negotiations outside the MBFR context, as yet little discernible progress has been made since the initial declaration. However, the Declaration of Ayacucho remains the most likely means of effective arms limitation arrangements in Latin America, and continued encouragement should be given to the countries involved to reach more positive and concrete agreements in conventional arms control.

Possible problem areas in Latin America are as follows:

Peru-Chile. Peru's purchases of Soviet equipment have increased the already existing imbalance between Peru and Chile, and counterbalancing US sales to the latter are currently proscribed by law. As a result of traditional animosity between these two countries, as well as the upcoming 1979 Centenary of the War of the Pacific which may focus emotional and nationalistic sentiments in Peru on regaining the territory lost to Chile in 1879, Chile is trying to purchase any equipment available from any other sources. The increasing qualitative and quantitative level of Peruvian purchases is a problem for other Latin countries also, and may be causing reactive purchases on their part (e.g., Ecuador).

Bolivia would probably be involved in any conflict between Chile and Peru. Access to the sea has become an increasingly important political and emotional concern to the Bolivians and military buildup by Peru threatens the resolution of this problem for Bolivia and Chile since Peru, by treaty rights, retained authority to approve or disapprove any territorial settlement between the other two and may be against such an agreement. The possibility for conflict grows as emotionalism surrounding this issue increases.

Ecuador has expressed concern over the recent volume of Peruvian purchases. These purchases impact negatively on the possibilities for significant intraregional arms control agreements being derived from the Declaration of Ayacucho as well as increasing the possibility for regional conflict which would draw in these other countries.

Honduras-El Salvador. With a history of border conflicts, continued sales to these countries run the risk of seriously escalating the level and resultant damage of conflict. Israeli sales to this area in particular have added to the possible level of conflict.

Guatemala-Belize. The unresolved independence issue for the latter has led to border hostilities between these two countries. Continued and/or increased weapons sales increase the possibilities for more serious conflict.

Panama. By their very presence, US troops may be classified as "committed" in this close, volatile, and unpredictable area. We must ensure that our own attempts to upgrade the Panamanian National Guard's ability to assist in Canal defense does not run counter to our ability to defend the Zone unilaterally.

On the supplier side, sales of Israeli equipment to the region have received a lot of attention, and, in fact, present a potentially destabilizing factor because of the aggressive sales policies and high levels of technology involved. However, the volume of these sales should be viewed in context of the much greater level of involvement by other suppliers: Israel's share of the Latin American market was less than 1 1/2 percent over the last 5 years. Nevertheless, as part of a worldwide problem, we have concerns with the possibility of Israeli retransfers of US origin defense equipment without prior USG permission.

This paper of necessity uses a broad brush on a large number of countries encompassing a wide range of complex foreign policy issues, all so readily lumped in the misnomer of "Latin America." Perhaps a specific example can help to illustrate better the trends and the relaxed US decision processes:

On May 31, 1970, a disastrous earthquake hit a mountainous region in Huaras valley of Northern Peru, burying a village and killing more than 65,000 people. Humanitarian assistance arrived from all parts of the world. The Soviet Union attempted its first long-range effort of this nature, initiating an airlift of supplies and equipment. Included in the shipment were three MI-8 military helicopters. These were later presented as a gift to the Peruvian Air Force, marking the first entry of

significant Soviet military equipment in the hemisphere outside of Cuba.

The Soviets have since made arms transfers inroads into the Peruvian Army with sales of over 200 T-55 medium tanks, tank transporters, artillery, radar-controlled antiaircraft guns, and rocket launchers. A new agreement may have been reached with the USSR in 1976 for additional ground force equipment, including 200 additional tanks, 125 mm and 130 mm howitzers, 5 ZU-23 antiaircraft guns and a surface-to-air missile system (probably the SA-3). In early 1975 the Peruvian army also ordered 30 MI-8 helicopters. Some 35 Peruvian military personnel reportedly are receiving air defense training in the USSR, and 50 Soviet military advisors currently are employed in Peru.

Reports also indicate the purchase of 36 Soviet SU-22 transonic ground attack fighter bombers by Peru. Attention was focused on this issue by Peru's August 23, 1976 announcement of intent to purchase new jet fighters under international bidding, with bids to be sought from the United States, Soviet Union, France and Great Britain. The following day the US Government received for comment a Munitions Control request for the release of technical data on A-4's to Peru. In light of this situation and of the present US policy of limiting aircraft sales to Latin America, policymakers addressed serious attention to some of the problems that would be presented by the introduction of more advanced aircraft into the region. All three legislatively mandated arms transfer control concerns come into this situation, i.e., whether the transfer is likely to contribute to arms races, increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements:

- Purchase of advanced aircraft could cause unnecessary reactive purchases by other Latin nations, significantly increasing military capabilities throughout the region and increasing military expenditures.

- Purchase by Peru of equipment could be viewed as particularly threatening to Chile, might exacerbate the already serious arms imbalance and possibly contribute to the outbreak of hostilities between those traditional enemies.

- Purchase of advanced aircraft could jeopardize the development of arms control agreements which might emerge from the discussions being conducted pursuant to the Declaration of Ayacucho, initiated by Peru itself in December 1974.

There is considerable history bearing on this case. In the mid-sixties, an elected government of Peru sought the purchase of F-5A/B fighters

from the United States, but for a variety of reasons, we initially refused. When the Peruvians turned to the French for Mirage fighters we made a belated and futile counter offer. Intertwined with the concurrent problems of the tuna boat seizures and the expropriation of the International Petroleum Cooperation, US-Peruvian relations went downhill rapidly. This was, in part, responsible for the rise of a revolutionary government which has striven for leadership in the uncommitted world.

Since 1970 Peru has been the leader of all Latin American nations in the value of arms actually received. It is the only Latin American nation except Cuba that has turned to a Communist country for major armaments, purchasing material from the USSR (including about 200 T-55 tanks) with a value of at least \$133 million. The price tag for the 36 SU-22's has been estimated at another \$250-300 million and represents the largest purchase ever concluded by any Latin American air force.

The Peruvian Air Force (PAF) recently purchased 36 A-37B light attack aircraft from the United States via FMS credit, and is still receiving delivery on them. Other combat aircraft acquired since 1968 include 17 French Mirage 5 fighters and 19 British Canberra light bombers. Also in the inventory are a few older fighters—5 British Hawker Hunters and 9 US F-86F day fighters. During the first half of 1975 Peru left outstanding a Letter of Offer from the United States for 24 F-5E's at approximately \$11 million. It was extended twice, but finally elapsed in June 1975 without any comment being received from the Government of Peru.

US jet aircraft transfer policy to Latin America has been restricted to the Northrop F-5E Freedom Fighter and McDonnell-Douglas A-4 Skyhawk for the major countries of Latin America. Brazil and Chile have the F-5E (Venezuela has the equivalent Canadian CF-5), and Argentina has received updated versions of the A-4B. A recent attempt to change that policy was shelved following strenuous objections that the proposed policy was more promotional than, and equally as paternalistic as, the status quo. The Soviet SU-22 is more sophisticated than either the F-5E or the A-4; it might be described as a swingwing F-8.

While Peru continued this arms buildup, her historic rival, Chile, has been cut off from traditional arms suppliers as a result of the overthrow of the Allende government and the Pinochet government's record of violation of human rights. If the military balance continues to tilt

further against Chile, the Peruvians may become confident enough to take aggressive action. Emotional pressure to do so may increase as the 1979 Centenary of the War of the Pacific approaches and the reminders of the territorial losses to Chile that Peru incurred at that time are trumpeted in the nationalistic press.

Peru's difficult financial position is highlighted by its search for extensive credit from Western industrial nations to handle its trade deficits. Then Under Secretary of State for Security Assistance Maw went to Peru in September, 1976, to conclude a deal whereby US financial institutions will lend sufficient funds to Peru to enable it to pay appropriate and just compensation for its expropriation of the Marcona Corporation. Yet Peru has already committed some \$900 million to military expenditures in the past decade, and may figure on over \$500 million more this year.

The Ayacucho Declaration, an outgrowth of a Peruvian proposal, has led to talks which have considered qualitative ceilings on armaments in the area. The SU-22 would clearly represent a new level of technology in the region, not just a simple replacement of obsolescent aircraft. Thus, its appearance could not help but be inimical to the successful development of any arms control arrangements through the current series of talks. On the one hand, these planes add a new dimension to Peru's high-level capabilities and will undoubtedly result in reactive purchases by neighboring countries already tense about Peru's growing military strength. Ecuador's attempt to purchase the Kfir in January 1977 is the main indicator. Yet while it would seem that arms control objectives are served by US preemption of this sort of flow of Soviet arms at bargain prices, such preemption places strains on our more general attempt to restrict arms transfers to Latin America.

It is not possible to predict the future direction of the arms transfer picture in Latin America. We have learned over the years that arms sales do not directly buy influence, friendship, or support. But we have also seen a direct relationship between the denial of a sale and the subsequent loss of influence, friendship, and support. The questions about our arms transfer policy in Latin America are easy; the answers, even in this one example, are not.

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REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER ACN 77032	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) CONVENTIONAL ARMS TRANSFERS TO LATIN AMERICA		5. TYPE OF REPORT & PERIOD COVERED Military Issues Research Memorandum
		6. PERFORMING ORG. REPORT NUMBER
7. AUTHOR(s) Colonel Norman M. Smith		8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS Strategic Studies Institute US Army War College Carlisle Barracks, PA		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
11. CONTROLLING OFFICE NAME AND ADDRESS		12. REPORT DATE 8 August 1977
		13. NUMBER OF PAGES 10
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report) UNCLASSIFIED
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) Latin America, arms transfers, quantities, suppliers, recipients, possible problem areas, Peru-Chile, Bolivia, Ecuador, Honduras-EI Salvador, Guatemala- Belize, Panama, Soviet equipment to Peru, arms control.		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) This paper analyzes current trends as conventional arms transfers to Latin America, focusing on supplier-recipient relations, quantities and types of equipment, key regional problem areas, and the impact of the Soviet sales program to Peru.		

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