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#29a memcon	<p>Meeting on Peru      Secret      3 p.</p> <p><i>sanitized 10-12-83</i></p> <p><i>NLI 82-205</i></p> <p><i>more info released 3-16-90</i></p> <p><i>NLI 90-10</i></p>	11/8/67	A

FILE LOCATION

Meeting Notes File, Box 2

DCH

10/81

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THE WHITE HOUSE  
WASHINGTON

Secret

November 15, 1967

NOTE FOR JUANITA ROBERTS

You may wish to have the attached  
for purposes of the daily diary.

Wu.8  
WGBowdler

Attachment

11/8/67 MemCon in President's  
office on subject of Peru.

Administrative meeting  
by DCH on 10-23-81

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

29a

~~SECRET~~

SANITIZED

E.O. 12356, Sec. 3.4

NLI 90-10

By 447, NARA, Date 3-16-90

MEMORANDUM OF CONVERSATION

Held at White House  
on Wednesday, November 8, 1967  
at 5:15 p.m.  
in the President's office

PARTICIPANTS

The President  
Assistant Secretary of State Covey T. Oliver  
William Bowdler - White House  
American Ambassador to Peru J. Wesley Jones

The President asked Ambassador Jones about the situation in Peru and the chances of survival of the Belaunde Administration. Ambassador Jones replied that Peru was going through a severe financial crisis caused by balance of payment difficulties and devaluation. The crisis however was primarily fiscal and not economic, since Peru is basically sound with its free enterprise system, its natural resources and its diversification of exports. The recent devaluation of the sol had been a shock to all Peruvians, including President Belaunde. Unfortunately, he had not prepared the Peruvian people for a devaluation, but rather had assured them it would never happen. He thus had painted himself into a corner and found it difficult now to explain and rationalize to the Peruvian people the sudden drop in the value of their currency.

The President asked about the Mirage deal and whether the Peruvians would cancel their contract with the French. Ambassador Jones replied that on his last of many conversations he had with President Belaunde on this subject Belaunde had told him categorically, "No"; that what had been done could not be undone, and that the United States must accept this as a fact in its future relationship with his country. Nevertheless, on previous occasions President Belaunde indicated that our F-5s would be an acceptable

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substitute. Ambassador Jones told the President that he would like therefore to have the Northrop representative authorized to make a firm offer in writing to the Peruvian Air Force as soon as possible to include training of Peruvian pilots next year plus the delivery of some aircraft in the latter part of 1968. Once this offer had been made, Ambassador Jones would like to be authorized to go back to President Belaunde with a copy in hand and a \$40 million program loan to make another try. The conditions for the \$40 million would be F-5s for Mirages and improved performance in the fiscal field. Ambassador Jones confessed to the President that he was not sanguine that it would work, but he thought it was worth a try.

Ambassador Jones referred to the danger of a Peruvian military intervention in the Government of Peru if another devaluation, followed by increased cost of living, followed by strikes and violence were to occur. That, Jones said, was the sort of condition in which the Peruvian Military traditionally moved to take over the government.

13 (a) (5)

It was important for Peru's democratic and constitutional progress that Belaunde finish his term of office (July 1969). He was the first President in a long line of military and aristocrats to have any interest in the development of all of Peru. He was not interested just in the coast, but in developing the high sierra and the jungle as well. If Belaunde completed his term in office, he would be only the fifth President in this century to do so. Finally, a military take-over of the government was no solution to Peru's problems. The military could not make the deficit or balance of payments problems disappear any more than a civilian government.

At one point in the conversation, Ambassador Jones said he would like authorization to sign some project loans on his return to Lima --

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loans which had been authorized in Washington but never signed. One particularly was for commercialization of agriculture which would be not only useful to the agricultural sector, but would be an evidence of United States interest for Belaunde's administration.

The President asked what the next step would be if the F-5 play were unsuccessful. Ambassador Jones confessed that we had not yet reached that point in our thinking. Mr. Oliver said that depending upon the interpretation given the Symington amendment and the final outcome on the Conte amendment, he hoped we could continue sector and project lending, although program assistance would be out.

The President indicated that he thought our offer involving substitution of F-5s for Mirages did not have much chance for success but wished us luck if we wished to try.



1.3(a)(5)

Copy to    Mr. Walt Rostow  
             Mrs. Juanita Roberts  
             Mr. Covey Oliver

J Wesley Jones *[Signature]* W G Bowdler