Latins Look to Irwin

Hope of Averting Sanctions Against Peru Rise As Nixon's Negotiator Tackles Problems

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LIMA, March 15—One week ago, if you mentioned the name John N. Irwin to a Latin American diplomat or political leader, the only response would have been a blank stare.

Now, in diplomatic circles from Mexico City to Buenos Aires, probably no other name is being discussed with greater interest.

Lanky, bespectacled and soft-spoken, the 55-year-old Irwin looks like a Wall Street lawyer. And, seven days ago, that's exactly what he was.

Today, however, he suddenly has taken on a new role —that of a special envoy sent to Lima by President Nixon in an effort to arrest the rapid deterioration in relations between the United States and Peru.

Crisis Threatened

So severe is the situation that it threatens to create the greatest inter-American crisis since President Johnson sent U.S. troops to intervene in the 1965 civil war in the Dominican Republic.

The potential consequences of a confrontation would be considerable for everyone involved. For Peru, it could mean the destruction of its economy, with all the attendant risk of anarchy and internal upheaval.

For the United States, it could be a Latin bitterness that would extinguish the once-bright hope of the Alliance for Progress and cause serious damage to U.S. interests within the hemisphere.

For the other Latin American countries it could mean being forced to take sides in a family brawl.

These are the reasons why Irwin finds himself the man to whom all Latin America is looking in hopes that he can find a way out of the impasse. His appointment has excited even more press comment and official attention than Mr. Nixon's other action last week in naming Charles Meyer as Assistant Secretary of State for Inter-American Affairs..

Began With Seizure

What brought Irwin to this hot spot was the situation that began when the Peruvian military seized power in this Andean country of 13 million people last Oct. 3. The new junta then headed by the former army commander, Gen. Juan Velasco Alvarado, expropriated the American-owned International Petroleum Co., a subsidiary of Standard Oil of New Jersey.

The seizure was the result of a long-standing dispute over title to an oilfield in northern Peru. The Velasco regime since has intimated that it does not intend to compensate IPC because it contends that the company owes Peru $690 million for "illegal enrichment" during the years that it operated the field with an allegedly invalid title.

This has brought Peru under the threat of sanctions prescribed by amendments to the U.S. foreign aid and sugar quota legislation. Unless Peru takes "appropriate steps" toward compensation, Mr. Nixon will be forced to cut off U.S. aid to Peru on April 4 and suspend Peru's share of the U.S. sugar quota on April 9.

Loss to Peru

Suspension of the sugar quota would mean the loss to Peru of some $45 million annually in foreign exchange earnings. The aid loss could be between $34 million and $37 million.

The Velasco government has responded to this by making veiled threats against the U.S. business interests remaining here, by trying to rally the rest of Latin America to back it against Washington and by establishing relations with the East European Communist countries.

Adding to the tensions was a Feb. 14 incident in which the United States said Peruvians seized a U.S. tuna boat and fired on another 30 miles off the Peruvian coast. This was the result of a territorial waters dispute in which Peru claims a limit of 200 miles while the United States recognizes only a 12-mile limit.

Early this month the Peruvians let Washington know their willingness to receive a special envoy with the power to negotiate for Mr. Nixon. The President quickly named Irwin, who had been an assistant Secretary of Defense under President Eisenhower, to undertake the mission.

Economic Troubles

This first tentative thaw in the situation appears to have resulted chiefly from a growing Peruvian awareness of the economic consequences the country faced.

When the military took over last fall Peru had been suffering for more than a year from a severe depression. To recover, the country needed some way of boosting its foreign exchange earnings through exports.

Under the ousted president, Fernando Belaunde Terry, plans had been made to achieve this by inducing U.S.

mining companies here to invest $640 million in expanding their operations to increase Peru's share of the world copper market.

If the current climate continues, Peru has no hope of gaining this new investment. Moreover, the loss of U.S. aid and the premium price paid for its sugar under the U.S. quota will worsen its already unsatisfactory foreign exchange situation.

Warned of Bankruptcy

The Velasco government reportedly has been told by its financial advisers that if the U.S. sanctions go into effect, Peru, by the end of this year, will have lost its international credit standing and will face national bankruptcy.

Faced with this grim possibility, the regime has found that its hopes of finding another way out do not show much promise of success. The other Latin countries, while making vague public expressions of support, have made clear in private that they do not relish the prospect of a U.S.-Peruvian showdown and would like to see the matter be settled through negotiation.

Russia and the other European Communist nations while alert to the possibilities for mischief, have played a cautious game and are expected to continue in this way unless Peru shows itself willing to go the same route as Cuba. This is something that the anti-Communist Peruvian armed forces are not likely to do.

The indications are that these factors have started to impress themselves on the generals and admirals who make up the Velasco government. While the military still has many ultra-nationalist officers who want to continue on the present course whatever the consequences, the more moderate elements seem to have gained the upper hand.

This is what apparently underlies Velasco's new willingness to receive a U.S. negotiator. In talks with foreign newsmen this week, officials from Velasco on down seemed to be abandoning their former bellicosity for a more subdued and reasonable tone.

The regime is still issuing statements for home consumption to the effect that the IPC issue is closed and that Peru will not retreat an inch on the 200-mile limit issue. But in private, it seems to be hoping that the United States can show it a way out.

Irwin's Job

This is the task that now has fallen upon John Irwin. He must find a road that the Nixon Administration, the Velasco regime and the International Petroleum Co. will all be willing to travel together.

Any agreement must satisfy the requirements of U.S. law about adequate compensation for the 3xpropriated assets. But it must not appear to be a Peruvian surrender to the United States—something that would negate the pretext for last October's coup and cause the regime to lose face.

As to how Irwin plans to approach the problem, he so far has refused to say. In a brief meeting with U.S. newsmen after his arrival, he said only that Mr. Nixon had given him a mandate to discuss the entire range of U.S.-Peruvian relations.

May Last Months

Despite this broad mandate, the expectation is that talks will center almost exclusively for the expropriated assets. 200-mile dispute. If they show any signs of being fruitful, the general feeling is that they could go on for weeks, or even months.

There is growing confidence here that Irwin's negotiations will quickly reach the point where President Nixon can postpone imposition of the sanctions.

That, at least, would push back the April 4 deadline and reduce the air of tension and crisis, but what would happen after that is still anyone's guess.