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The Director of Central Intelligence

Washington, D.C. 20505

Executive Registry


85- 2495/1

17 July 1985

MEMORANDUM FOR: DDI
D/Office of African and
Latin American Analysis

FROM: DCI

That's a good piece of work on the
response to the NSC Tasker on Peru.


William J. Casey

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Central Intelligence Agency



Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

15 July 1985

Peru: The Garcia Administration and
Prospects for Communist Inroads

Summary

The 36-year old Alan Garcia, who takes office on 28 July, parlayed a magnetic personality, youthful dynamism, and a vision of a more egalitarian society for Peru into electoral victory. The leftwing social democrat can count on widespread popular support in the early going, but the severity of the country's economic difficulties, increasingly lethal leftist terrorism, and a rapidly expanding illicit narcotics industry are formidable challenges. Garcia's slowness in elaborating concrete programs to deal with these problems and in selecting a team to help him govern suggest that Peru may face considerable political uncertainty in the months ahead. [redacted]

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The congressional majority obtained by Garcia's American Popular Revolutionary Alliance (APRA) gives him an edge in attempting to implement new programs to ease Peru's problems. His major opposition will come from the Marxist-Leninist dominated United Left coalition and from a Communist-controlled labor confederation whose membership comprises some 40 percent of organized workers. We judge that moderate center-right opposition parties, tarred by President Belaunde's poor performance and their own failure to present a unified electoral slate, are likely to have little impact in the early stages of the Garcia administration. By carefully cultivating the military, Garcia has been able to overcome the officer corps' longstanding antipathy toward APRA. [redacted]

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This typescript was requested by the National Security Council, and prepared by [redacted] of the Office of African and Latin American Analysis with contributions from other analysts in that office as well as from the Office of Central Reference, the Office of Global Issues, and the Office of Soviet Analysis. It responds to specific questions posed in the tasking memorandum. [redacted]

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[redacted]

In our judgment, Garcia will implement a Third World-oriented foreign policy that will be markedly less pro-US in tone and substance than that of the outgoing Belaunde administration. He already has publicly defended the legitimacy of the Sandinista regime in Nicaragua, called for the re-integration of Cuba into the inter-American system, and endorsed a multilateral solution to the Latin debt problem. [redacted]

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Peru's economic vulnerability and the potential for a clash between Garcia and Western creditors may offer the Soviets and their allies new opportunities for strengthening their influence in Lima. The Soviets have supplied the Peruvian Army and Air Force with the bulk of their equipment since 1973. Garcia reportedly already has requested additional Soviet military assistance, economic aid and intelligence. This suggests, in our view, that he may look increasingly to Moscow if he perceives Western governments and creditors are not doing enough to help him alleviate Peru's serious economic difficulties. [redacted]

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The USSR has long looked to Peru as its major toehold in South America, but during Belaunde's pro-US administration it was forced to mark time. Soviet officials began courting Garcia early in the election campaign. Moscow doubtless has been encouraged by Garcia's post-election overtures and, in our judgment, will respond by offering attractive prices on military hardware and by demonstrating continued flexibility in negotiating repayment of Peru's nearly \$2 billion debt to the USSR. We doubt, however, that significant additional Soviet aid will be forthcoming because of Moscow's current financial constraints. Moscow will urge Garcia to move quickly in upgrading relations with Havana, and we expect both Communist governments to try to take advantage of Garcia's desire to promote unity among Latin American debtors. [redacted]

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For its part, the Castro regime has not abandoned its goal of assisting a Marxist government to come to power in Peru. Toward that end, we judge that both Cuba and Nicaragua—and the Soviets in a more circumspect fashion—will continue to foster ties with a range of radical leftist groups. In the case of the Sandinistas, we suspect—but have not confirmed—these include the insurgent group, Revolutionary Movement-Tupac Amaru. We believe that it is highly unlikely that a pro-Soviet group will take power over the next five years. If Garcia

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stumbles badly and the United Left avoids fragmenting, there is an outside chance, however, that a radical leftist candidate might win the elections in 1990. [redacted]

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The Garcia Presidency

Garcia and his key advisers

Alan Garcia has held the political spotlight in Peru for more than a year, but he remains somewhat of an enigma. In our judgment, the prospect of dynamic leadership by a representative of a new generation of Peruvians, coupled with popular enthusiasm for his vaguely defined egalitarian platform was sufficient to overcome widespread enmity toward his party and sweep Garcia to victory. Nevertheless, the fact that the President-elect is still seeking to formulate concrete programs with less than two weeks to go until he takes office is contributing to growing uncertainty about his leadership ability, according to the US Embassy. [redacted]

Garcia's style probably helps explain his lack of speed in making decisions on pressing problems. According to the US Embassy, Garcia frequently immerses himself in the details of policy matters rather than providing conceptual guidance. [redacted]

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[redacted] Given Garcia's lack of governing experience, the emerging picture is of a leader who has yet to come to grips with the real task of governing. [redacted]

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Garcia's indecision on policy matters has carried over to the choosing of cabinet officers and other key members of his policy-making team. As of early July he was still considering various individuals—often representing markedly different viewpoints—for top government posts and weighing conflicting advice on major policy questions, [redacted]

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On the economic front, the president-elect is counseled by three different groups, according to the US Embassy. The least statist-oriented of these is led by Senator-elect Silva Ruete, a former Minister of Economy in the Morales Bermudez government (1975-1980) who has expressed interest in cooperating closely with the US on economic matters. A second group—consisting of technocrats identified with Second Vice-President-elect Alva Castro—favors more government control of the

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economy. Finally, a third group led by Carlos Franco—labeled an ex-Velasquista because he was a member of the leftist military government of General Velasco Alvarado in the early 1970s—advocates even more drastic centralized planning and control measures. [REDACTED]

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On foreign policy and political matters, US Embassy sources also report that the president-elect is receiving conflicting advice. Lifelong friend and contemporary Carlos Roca is pushing for closer ties with Cuba, Nicaragua, and North Korea, and strongly criticizes the United States. Nevertheless, the president-elect also apparently is listening to more moderate advisers who favor maintaining good ties to the US. These include Carlos Alzamora, career diplomat and political independent, and Alan Wagner, a foreign service professional who has served over the last several years as the deputy chief of the Peruvian Mission in Washington. [REDACTED]

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Garcia's personal entourage represents a broad spectrum of political views. His top political adviser, Luis Gonzales, has studied in the United States but is a member of the left-leaning ex-Velasquista clique who are relative newcomers to APRA. Other members of this group are Gustavo Saberbein and Javier Tantalean who promote "participatory socialism"—an ideology that envisions direct involvement of key segments of society, especially workers, in political decision-making and the formulation of economic policy. Deputies-elect Barnechea and Morales Bermudez are young party moderates who the US Embassy believes will assume increasingly important positions. [REDACTED]

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Garcia is aware that the support of the armed forces will be critical to the success of his government and, according to US Embassy reporting, he has spent nearly two years cultivating high-level officers. In our view, his closest contact is Army General Sinesio Jarama, commander of the second military region in Lima. [REDACTED] Garcia has warm relations with Air Force General Cesar Enrico, commander of the Air Force and current chairman of the Military Joint Command. [REDACTED]

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Economic Policy

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In recent public interviews, Garcia has outlined vague and conflicting economic priorities. He has promised to pay Peru's foreign debt, but has continued to criticize the IMF approach to Latin debt problems, even though it is still the key to obtaining cooperation from commercial lenders. Peru's foreign debt is on the order of \$14 billion, with \$2 billion in repayments due this year. He has signalled a willingness to undertake new austerity measures to stabilize the economy—inflation is running at 155 percent and the budget deficit equals 10 percent of GDP—but says these must not further impoverish Peruvians. [REDACTED]

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Contradictions also are evident in Garcia's private discussions, where he has acknowledged that adjustments must be made. [redacted]

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[redacted] he has also told his party's leaders that social chaos could ensue unless he improves living standards for the poor. He is worried that social programs will be squeezed out by requirements for debt servicing, government salaries, and military spending. As one tentative option, according to the US Embassy Garcia is considering heavier taxes on wealthy individuals and corporations. He also has appealed privately to congressmen-elect from his party to help restrain excessive demands from labor. [redacted]

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Even if the administration comes up with policies the IMF would find favorable, the party's debt expert has told US Embassy officials that the new administration will not sign an agreement with the Fund in the short run. Instead, the president-elect evidently hopes to negotiate directly with private creditors for financial concessions. [redacted]

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As another tactic in dealing with Peru's debt repayment problems, Garcia is seeking to foster cooperation among regional debtors. [redacted] Garcia wants Latin leaders attending his inauguration to sign a "Declaration of Lima", calling on the IMF and commercial creditors to extend easier repayment terms. [redacted]

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Garcia's tough line with the IMF could gain domestic acquiescence to additional belt-tightening measures. This could permit a self-imposed stabilization program—monitored by the IMF—that would break the current financial impasse with creditors. Given Garcia's vacillation, however, we see some danger that his adjustments will be implemented in patchwork fashion, leading to worsening economic performance over the near term. [redacted]

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Moreover, an anti-IMF stance and rhetorical backing for unified debtor action could cause bankers to cease financial support. With exports weakening, Garcia would soon face intensified cash strains that would inhibit even token debt payments and quickly create economic and political problems for the new government. [redacted]

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Anti-Narcotics Programs

Garcia appears genuinely concerned about the illicit narcotics problem and has assured US officials he will continue bilateral cooperation in narcotics control. According to the US Embassy, Garcia is planning an ambitious program that deemphasizes crop eradication and enforcement in favor of land reform and crop substitution. Under this plan, the government would try to entice coca farmers to migrate to areas more suited

to the cultivation of legal crops. This program will require substantial foreign funding and assistance and will be difficult to implement. We believe few farmers would participate in such a program without the threat of strong enforcement and eradication efforts. [REDACTED]

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Although the government is unlikely to be able to bring the drug trade under control, we believe Garcia will successfully implement several aspects of his program including:

- An immediate investigation of all government anti-narcotics organizations and projects, which Garcia believes are the principal factors hampering the government's war on drugs.
- A law containing harsher penalties for use and trafficking, as well as provisions for drug rehabilitation centers and education programs. [REDACTED]

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Garcia also is considering other actions such as:

- Efforts to reduce some of the bureaucratic rivalries that impede the effectiveness of government sponsored anti-narcotics efforts.
- A public relations program depicting the negative consequences of drug abuse. [REDACTED]

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[REDACTED] Garcia will link the narcotics and debt issues in coming talks with US officials. Garcia probably will ask the United States to be flexible on Peru's foreign debt in return for Lima's cooperation on drug control. We believe Garcia probably will ask for a grace period, extended terms, special interest rates, and an absence of IMF control on repayment of the debt, as well as increased US assistance for narcotics control programs. [REDACTED]

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Likely Foreign Policy

In our judgment, Garcia will implement a Third World-oriented foreign policy that will be markedly less pro-US in tone and substance than that of the outgoing Belaunde administration. According to the US Embassy, he hopes this approach will propel him to the forefront of Latin America's diplomatic ranks. APRA leaders traditionally have been suspicious of the Soviet Union, and we do not believe that Garcia intends to align his government more closely with Moscow. Nonetheless, Peru's economic vulnerability and the potential for a clash between Garcia and Western creditors may offer the Soviets and their allies new opportunities for strengthening their influence in Lima. [REDACTED]

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Garcia's public statements suggest he clearly intends to promote an activist foreign policy. Over time, the realities of international and

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regional politics, as well as pressing domestic concerns presumably will force him to scale back his ambitions and establish more carefully defined priorities. Nonetheless, at this point his objectives, [redacted] include:

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- seeking the chairmanship of the Nonaligned Movement in 1986;
- becoming the leader of the Latin American debtor nations;
- playing a significant role in Central American peace initiatives, possibly through membership in—or other affiliation with—the Contadora Group;
- upgrading relations with Cuba to the ambassadorial level;
- expanding relations with the Soviet bloc in economic, social, technological, and educational fields. [redacted]

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The US Embassy reports that, at least initially, the new government will heavily emphasize Latin American unity, particularly on the debt question to enable both Peru and other Latin American governments to confront Washington on more equal terms. Toward this end, Garcia will try to strengthen such regional organizations as the Economic System for Latin America (SELA), the Latin American Integration Association (ALADI), and the Andean Pact. He also will place a high premium on achieving a Latin American disarmament and arms control agreement in an effort to shift scarce resources away from military spending toward critical development needs. [redacted]

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Although Garcia and Cuban President Castro both espouse collective action on the debt issue, we believe the two leaders are more likely to compete than to cooperate because of personal rivalry and ideological differences. [redacted]

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[redacted] The president-elect has told US officials that he objects to Castro's efforts to portray debt as part of the East-West struggle when, in Garcia's view, it is a North-South problem; he also asserted his intention not to let Castro take the issue away from him. Castro's recent suggestion to a member of Garcia's party—reported by the US Embassy in Lima—that Garcia "let others take the lead" on the debt question because of Peru's economic vulnerability may have especially rankled the president-elect. [redacted]

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Garcia has assured US officials that he wants cordial relations with Washington, and his party's foreign policy platform calls for the maintenance of stable ties. The president-elect on several occasions privately has told US Embassy officials that much of his more radical

rhetoric is only for public consumption. His apparent concern not to unduly offend Washington—as well as not to be upstaged—was reflected in his decision last month not to invite either Fidel Castro or Daniel Ortega to the 28 July inauguration ceremonies. The US Embassy reports he also has decided not to upgrade the status of the PLO office in Lima nor make a visit to the headquarters of the Arab League in Tunis in order to avoid antagonizing Israel and the United States at this time. [redacted]

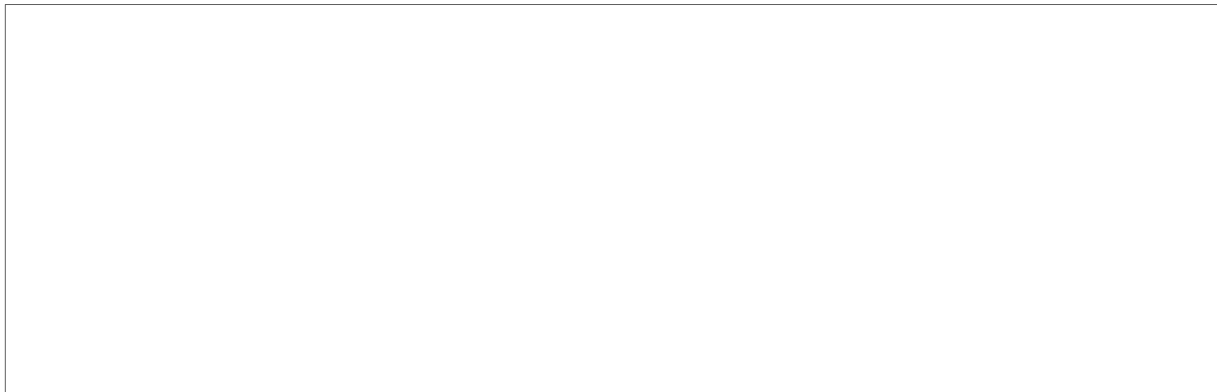
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Nevertheless, Garcia's apparent desire to bolster his nonaligned credentials almost certainly will cause him to adopt positions that will complicate relations with Washington. He already has publicly defended the legitimacy of the Sandinista regime in Nicaragua, called for the reintegration of Cuba into the inter-American system, and endorsed a multilateral solution to the Latin debt problem. He also has criticized US policy toward Central America, claiming Washington's relations with Latin America are unduly conditioned by East-West perspectives and overly concerned with events in Central America while ignoring South America. [redacted]

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[redacted] Garcia may look increasingly to Moscow for help if he fails to elicit what he considers a generous response from Western governments and creditors. We believe Western creditors will demonstrate little flexibility in renegotiating Peru's debt, although some additional assistance from Western governments is possible. [redacted]

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Foreign Communist Activity in Peru

Foreign communist activity has been part of the Peruvian political landscape since the leftist military regimes of the 1970s. In our view, Garcia—given his Third World orientation—is likely to build upon Lima's existing relations with these nations. [redacted]

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Soviet Involvement

According to the US Embassy, the total number of Soviet personnel in Peru is 350—the largest Soviet presence in South America. This figure has

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remained fairly constant for the last several years. Of these, 152 are military advisers—39 with the Army and 113 with the Air Force—and 96 Soviet personnel are assigned to the Embassy. The remaining Soviet personnel are dispersed in their economic mission, Aeroflot, a commercial office, a consulate, their media outlets, and in SOVINCA and SOVRYBFLOT, their fishing organizations. We estimate that of this total presence approximately 50 and 60 are intelligence officers, including two or three military attaches who are probably GRU.* [redacted]

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To carry out their extensive propaganda placement efforts the Soviets rely on a press attache office, as well as separate offices for Novosti, Tass, Pravda, Komsomolskaya Pravda, Trud, and Soviet radio and TV. In addition to the leftist Peruvian newspaper "El Diario Marka", the country's highest circulation daily and the organ of APRA regularly receive press items from Novosti. [redacted]

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The Soviet-Peruvian Cultural Association maintains centers in Lima and 18 of the country's 24 departments. These entities sponsor cultural events, Russian language classes, and lectures on the USSR. They also serve as focal points to advertise Moscow's extensive scholarship program and identify potential grantees. The US Embassy estimates that about 150 Peruvians leave to study in Communist countries each year and that about 450 Peruvian students are in the USSR at any one time. [redacted]

The Peruvian Communist Party is Moscow's most trusted vehicle for exerting influence in Peru, according to the US Embassy. Although the party has only about 1,500 members, it plays a significant political role because of its dominance of the country's largest labor group, the General Confederation of Peruvian Workers (CGTP), and its participation in the United Left (IU) coalition. In addition, over the years the Soviets have carefully nurtured their ties to APRA's leftwing leader Armando Villanueva, who has visited the USSR and Cuba on several occasions. [redacted]

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From 1973 to 1980 the Soviet Union became Peru's single largest military supplier by delivering over \$1 billion worth of equipment to the Army and Air Force. Peru continues to receive Soviet assistance to maintain the operational readiness of its major ground forces weapons systems, fighter bombers, air defense artillery, and missiles. The Intelligence Community estimates that 2,000 to 3,000 Peruvian military and intelligence personnel have been trained in the USSR since the mid-1970s.

*The official US presence in Peru totals 146, well under half that of the Soviet mission. The estimated FY 85 assistance program totals \$81.8 million. The dissemination of US viewpoints is aided by eight binational centers and numerous media placements. [redacted]

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The annual number of trainees going to the USSR has declined sharply, however, from hundreds in the late 1970s to only a few dozen in recent months. [redacted]*

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Although it is reasonable to assume that the Soviets have made recruitments among Peruvian military officers over the last 12 years—some of whom may now be at relatively senior levels—we lack reliable evidence that this is the case. In our judgment, Peru's senior military leadership remains fundamentally anti-communist and wants to reduce heavy dependence on Soviet equipment. Peruvian armed forces personnel trained in the USSR have not openly behaved in a pro-Soviet manner. In addition, the various elements of the US mission have not unearthed convincing evidence of Soviet-directed subversive activity within the military. [redacted]

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[redacted] Soviet advisers in Peru, however, apparently have little influence outside their areas of military expertise. [redacted]

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[redacted] such officers almost never leave the Peruvian bases where they are assigned to mingle with Peruvian civilians and that their contacts with military personnel generally are confined to those with whom they work daily. [redacted]

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[redacted] The obvious diplomatic and political impact of Soviet military aid has been relatively small over the past few years; Peru has taken few pro-Soviet positions in the international arena. [redacted]

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That may change under the leadership of a friendlier administration. In the economic sphere, Peruvian exports to the Soviet Union have risen steadily since 1982. Last year such exports more than doubled, primarily as the result of an agreement that calls for the repayment of \$215 million of Peru's total debt of nearly \$2 billion to the Soviet Union in goods over a two-year period. For the first time, the USSR agreed to accept repayments in non-traditional goods as well as minerals and other products instead of hard currency. Peruvian exports probably will continue to

*By contrast, [redacted]

[redacted] in FY 85 and an additional \$800,000 in IMET funds. [redacted]

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[redacted] The Peruvian Army Commander recently expressed interest in [redacted]

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increase in the years ahead as agreements similar to the one covering 1983 to 1985 are made. [redacted]

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Cuban Involvement

Although relations with Havana have been restricted to the charge level since 1980, 63 Cubans are assigned to the diplomatic mission in Lima. President-elect Garcia has expressed publicly interest in upgrading relations after he takes office, and this move will offer the Cubans new opportunities to expand their activities. In so doing they can build on extensive ties the Embassy reports that they have with various leftist leaders. Regarding trade ties, Peruvian exports to Cuba have fluctuated in the \$10 to \$20 million range since the mid-1970s. In addition, Cuba may receive some Peruvian goods under a trilateral arrangement among Lima, Moscow, and Havana. [redacted]

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The Nicaraguan Presence

Nicaragua has a five-person embassy in Lima headed by an ambassador. While less prominent than the Cubans, Nicaraguan diplomats have been active in Peruvian media circles and have frequent contact with key United Left leaders, [redacted] Fidel Castro's recent statement to an APRA official that the Sandinistas may have some influence with the Revolutionary Movement-Tupac Amaru lends credence to our suspicion that the Nicaraguans—and perhaps the Cubans as well—maintain clandestine contacts with that group. [redacted]

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[redacted] Nicaragua may receive \$300 million in Peruvian goods free of charge as an arrangement allowing Peru to repay its debt to the USSR. The goods will include electric generators, fishing boats, and chemical and fish processing plants. [redacted]

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In our judgment, the Soviet Union, Cuba, and Nicaragua share three common goals for their policy toward Peru:

- To increase their influence within Peru as well as over Peruvian foreign policy.
- To erode US influence within Latin America.
- To create a regime in Peru more favorably disposed to the USSR, Cuba, and Nicaragua.

Although each nation has separate items on its agenda as well—Nicaragua, for example, wants Peruvian support for the existence of the Sandinista regime while Cuba seeks to upgrade relations with Lima to the ambassadorial level—they will work separately and in tandem to achieve the goals listed above. [redacted]

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Communist StrategiesThe Soviet Approach

[redacted] early in the presidential campaign the Soviets identified Garcia as the best bet to further their interests in Lima over the next five years. From Moscow's perspective, dealing with Garcia, who already has expressed interest in increased Soviet military and economic assistance, offers the greatest promise of political payoff with the least risk. If the prospects for maintaining acceptable state-to-state relations with his government decline markedly, the Soviets and their allies could retreat from this approach by increasing assistance to the United Left (IU) parties or even by offering support to the Revolutionary Movement-Tupac Amaru or—far less likely—Sendero Luminoso. Moscow probably reasons that these tactics hold out little promise in the near term, however, in view of Garcia's strong electoral mandate and the disarray in the IU. Nevertheless, we expect the Soviets—with an eye to the future—to continue funneling money to the IU, while seeking to persuade the coalition's leaders to put aside their differences. [redacted]

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Based on Moscow's past actions [redacted] we believe the Soviets (along with the Cubans and the Nicaraguans) will act as follows in support of their goals:

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- Continue to offer the Peruvians attractive deals on military hardware and undercut US and Western prices and terms whenever possible. [redacted]
- Use propaganda, the media and public or private counsel to support the Peruvian position on the Latin American debt issue. They can be expected to emphasize IMF arbitrariness, while pointing out their own willingness to restructure repayments on the Peruvian debt to the USSR. At the same time, by arranging three-way trade deals involving Nicaragua or Mexico with Peru and the USSR, the Soviets are opening new avenues to expand ties within Latin America. [redacted]
- Provide little additional economic aid but offer services or advisers, and to maintain or expand arrangements that assure a large Soviet presence. [redacted]
- Implement the new Soviet-Peruvian cultural accord signed last May and promote scholarship or other long term training of Peruvians in the USSR. [redacted]
- Encourage the upgrading of diplomatic relations between Cuba and Peru in order to increase Castro's prestige in Latin America, build

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momentum for other Latin American states to recognize Cuba, and permit an increased Cuban presence in Peru. [redacted]

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— Exploit political maneuvering or public venality among official Peruvians and seek out and maintain agents of influence or covert agents. [redacted]

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— Support Garcia's stance on nonaligned issues and especially encourage his pro-Sandinista position. [redacted]

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— Watch for conflict between the United States and Peru and where possible exploit these differing views by publicly agreeing with or favorably portraying the Peruvian position. [redacted]

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The Cuban Approach

Based on Embassy reporting, we believe the Castro regime is pursuing a two-track strategy in Peru. Over the short term, Havana is promoting improved diplomatic relations with the incoming administration. At the same time, Cuba is cultivating contacts with more revolutionary Peruvian leaders in hopes of furthering its long term goal of establishing a pro-Cuban regime in Lima. [redacted]

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Castro's refusal to allow some of the Cuban asylum seekers who flooded the Peruvian embassy in Havana in 1980 to depart the country has been a major impediment to improved relations, in our view. We believe Havana may seize the opportunity of a change in government to resolve this issue. Underscoring the Cuban leader's interest in seizing the initiative with Peru, [redacted] told US diplomats that the Cuban leader displayed a detailed factual grasp of Peruvian politics. Castro's [redacted] interest in attending Garcia's July 28 inauguration—so close to Cuba's independence celebrations—indicates the importance he attaches to getting off on the right foot with the APRA government. [redacted]

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[redacted] Castro sees Garcia as a potential ally on Latin American issues, particularly that of a debt moratorium. For example, [redacted] Castro stated recently that if the Peruvian President takes strong action against Peru's external debt problem, Cuba will give him its full support. Nevertheless, we judge that there is also the potential for competition between the two men on this issue as each tries to establish his leadership. [redacted]

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Havana also may hope to use its links to legitimate opposition political parties and other legal interest groups to move the Garcia administration toward more radical, anti-US positions. Among members of the United Left (IU), the Cubans probably will continue to emphasize contact with the Soviet-aligned Peruvian Communist Party, the Revolutionary

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Socialist Party and the Mariateguist Unified Party. Castro has particularly courted IU President Alfonso Barrantes—smoothing ruffled feathers resulting from Cuban contacts with Barrantes' rivals within the coalition. [redacted]

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Castro, however, apparently has not abandoned his goal of eventually assisting a Marxist government to come to power in Peru, either through the electoral route or, preferably, by promoting armed revolution. According to [redacted] Cuban officials, discussing potential for Cuban influence in Peru, stated their belief that in the long run, armed revolutionary movements are the only means for bringing about those changes in Latin America favored by Havana. The Cubans further implied that they believe in the long run the Sendero Luminoso (SL) terrorist group will play a more important role than a legal leftist coalition front such as the IU. [redacted]

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Nevertheless, Havana repeatedly has been frustrated by its inability to establish contact with SL members, and Cuban officials have stated privately that thus far they have been ineffective in exerting influence on the group. Despite SL's apparent lack of receptivity to Cuban advances, Cuban leaders are likely to be alert to any opening. Havana may also find cooperation with the Revolutionary Movement-Tupac Amaru attractive. Although we have no evidence to indicate that Cuba presently is pursuing this option, the group—some of whose leaders the government has charged received Cuban training in the 1960s—almost certainly would welcome such support. [redacted]

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Nicaragua

Managua will almost certainly look for both overt and covert ways to maintain Garcia's pro-Sandinista sympathies. We believe that independently and in tandem with Cuba and the Soviet Union, Managua will cultivate the new president in bilateral and international forums. The Sandinistas probably welcomed Garcia's expression of interest in joining Contadora, and recent Embassy reporting suggests that Nicaragua would strongly support his participation in the negotiation process. Managua probably will also name an aggressive ambassador to Lima and promote propaganda campaigns using sympathetic members of the Peruvian media. [redacted]

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The Nicaraguan Embassy is also likely to follow Managua's practice of promoting relations with opposition leftist groups that could be called upon to pressure Garcia, if his support for Nicaragua appears to waver. We suspect—but have not confirmed—that Managua has ties with members of the Revolutionary Movement-Tupac Amaru, and the Sandinistas might pursue this option more vigorously if relations with Garcia deteriorate. [redacted]

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Possibility of a Pro-Soviet Group Taking Power

In our view, it is unlikely that a pro-Soviet group will take power in Peru over the next five years. Nevertheless, prospects are good for significant Soviet and Cuban gains at Washington's expense. [redacted]

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The most likely scenario by which the Soviets and Cubans would substantially strengthen their influence in Peru would be by continuing to cultivate Garcia, particularly through such means as exploiting his grievances against the West on economic matters. The US Embassy reports that Garcia already has begun to condition the political environment for a tough stance against Western creditors by calling a national conference of mayors. In our view, it will be difficult for him to backtrack abruptly from such an approach. If he is unable to deliver on his campaign promise of quickly alleviating Peru's economic woes, he may explore more vigorously the prospects for expanded commercial and economic ties with the Soviet bloc. A forthcoming response from Moscow—for example by offering to increase significantly its purchases of Peruvian goods—might pave the way for greater Soviet bloc influence in other areas. [redacted]

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We believe there is an outside chance that a pro-Soviet group could take power in 1990 through an electoral triumph. At the present time, with the center-right parties in disarray, the Marxist IU coalition represents the most serious, legitimate opposition to the Garcia administration. If the new president proves incapable of dealing with Peru's serious economic and social problems, the IU will be well positioned to exploit Garcia's drop in popularity and emerge the favorite in the next presidential race. [redacted]

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Aside from the possibility that Garcia may prove an effective president, several other significant impediments would have to be overcome for this scenario to eventuate. First, the IU will have to survive intact over the next five years. In our view, there is an almost even chance that growing internal power struggles, which are based on personal rivalries and divergent ideological positions, will cause the organization to disintegrate before 1990. But even if the IU holds together, and emerges as the favorite in the election in 1990, it would have to tone down dramatically most of its radical positions before the military would allow the IU standard bearer to take office. Embassy reporting indicates that if Barrantes had upset Garcia last April, the armed forces would have staged a coup to prevent his assumption of the presidency. [redacted]

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A third, less likely scenario centers around a challenge to Garcia from within his own party. APRA's left wing—led by longtime Soviet ally Armando Villanueva—might seize control of the party and nominate its candidate in 1990. We believe Garcia has several advantages that would assist him in beating back such a challenge. Most importantly, the numerous patronage positions available should help him stem any severe erosion of his position within APRA. Even if Villanueva were to capture the APRA presidential nomination, his drubbing by Belaunde in the 1980 election suggests Villanueva would be a flawed candidate. Moreover, if Garcia were sufficiently discredited by 1990 to lose control of the party, we believe that any APRA candidate probably would stand little chance at the polls. [redacted]

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A fourth manner in which a pro-Soviet group could take power would be via a leftist military coup. In this scenario, Garcia's ineptitude in dealing with Peru's economic decline and indigenous terrorist violence would lead to a virtual paralysis of the country that would prompt a military takeover. The coup leaders would establish a leftist military dictatorship and facilitate a major expansion of Soviet influence. In our view, even though Garcia faces formidable challenges, the chances are relatively remote that the situation under Garcia will degenerate to the point where the public will clamor for a military solution. Moreover, for this scenario to eventuate, the military would have to overcome its current reluctance to assume responsibility for the daunting problems facing the civilian government. Lastly, even if a coup were to take place, our understanding of the Peruvian military suggests that pro-Soviet leftist officers would not be in command. [redacted]

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Even beyond the question of a pro-Soviet takeover in Lima, however, we judge that following on the heels of what is widely viewed as a failed Belaunde presidency, an inability by Garcia successfully to grapple with the country's economic and political difficulties would have grave implications for the survival of democracy in Peru. In such a context it is plausible that "progressive" forces in the military would again emerge—especially given the leftist military dictatorships of the 1970s. Although it is difficult to imagine such a group being willing to advocate a deal with either insurgent movement, leftists in the armed forces might become sufficiently influential to press for expanded ties with the Soviet Union and its allies. [redacted]

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Mindful of the Peruvian experience in the 1970s as well as similar developments elsewhere in Latin America during that time frame, Fidel Castro publicly has predicted that progressive officers will return to power in the region. We have no evidence that Cuba or the Soviet Union have made significant converts in the Peruvian officer corps to this point, but—having identified the armed forces as a major recruitment target—both governments probably will step up their efforts in this area once Garcia comes to power. [redacted]

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[REDACTED]

Finally, neither guerrilla movement—especially the Revolutionary Movement-Tupac Amaru (MRTA) which is the most likely to embrace Cuba and the USSR—appears likely to take power over the next five years. Nevertheless, a collapse of democracy by the end of Garcia's term would give a major boost to domestic insurgents. The MRTA probably would have an advantage in competing for recruits among radicalized youth because of its less doctrinaire approach. In that context, we believe Cuba and the Soviet Union almost certainly would give serious consideration to funneling support to Peruvian guerrillas. [REDACTED]

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(15 July 1985)

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PERUVIAN POLITICAL ENVIRONMENT

<u>PARTIES</u>	<u>Size</u>	<u>Areas of Strength</u>	<u>Origins</u>	<u>Philosophy</u>	<u>Leaders and Factions</u>	<u>Foreign Ties</u>	<u>Comment/Outlook</u>
American Popular Revolutionary Alliance (APRA)	largest party 46% of vote in 1985	north coast, urban areas, intellectuals white collar	founded in 1924 on narrow sectarian base	center-left, social democratic, highly nationalistic	Alan Garcia-President- elect and party head Armano Villanueva- left wing Luis Alva Castro- conservative wing Luis Alberto Sanchez- conservative wing	Socialist Intl. member likely to normalize ties with Cuba and possibly North Korea	Likelihood of internal strains, but Garcia moving to consolidate his control; majority in congress augers well for administration.
United Left (IU) (includes Peruvian Communist Party (PCP))	21% of vote in 1985; strongest opposition party	Lima; southern mountains; labor and urban poor	1980 coalition of 6 leftist groups	Marxist-Leninist	Alfonso Barrantes- presidential candidate Javier Diez Canseco- radical militant Enrique Bernales- moderate socialist	some member parties Soviet- dominated	Faces internal strains and lacks strategy for challenging government; limited potential for congressional obstructionism.
Popular Christian Party (PPC)	10% of vote in 1985	Lima, upper class	1967, split from Christian Democrats	center-right, Christian- Democratic	Luis Bedoya, presidential candidate	connections with Latin American and European Christian Democratic groups, pro-US	Needs alliance with other conservative parties to rebound from crushing electoral defeat
Popular Action (AP)	6% of vote in 1985	Amazon Basin	1956, Formed by Belaunde to counter APRA	center-right	Fernando Belaunde- President of Peru Javier Alva Orlandini presidential candidate	strong ties to US	Faces long period of rebuilding; unlikely to play significant opposition role
Haya Grassroots Movement (MBH)	small; won 4 congressional seats	Lima & Lambeyque Depts	1983, splintered from APRA	center	Andres Townsend	no known foreign ties	Plans to work with democratic opposition in congress.
Democratic Front for National Unity (FDUN)	won no congressional seats; very small		personalist vehicle, formed for 1985 election	center-right	Francisco Morales Bermudez, former military President of Peru and presidential candidate		Likely to disappear in next few years.
<u>LABOR</u>							
General Confederation of Peruvian Workers (CGTP)	40% of organized labor or 350,000 workers	banking, construction, mining, teaching, peasants		controlled by pro- Soviet Peruvian Communist Party	Valentin Pachó	ties to USSR; affiliated with HFTU	Diverse base, but highly active and growing
Confederation of Peruvian Workers (CTP)	15% of organized labor or 130,000 workers	textiles, sugar, white collar, utilities, transport		democratic, affiliated with ICFTU; APRA ties	Julio Cruzado, president	supported by AIFLD and affiliated with ICFIU & ORIT	Cruzado is out of favor with President-elect Garcia which will hamper efforts to gain ground on CGTP

	<u>Size</u>	<u>Areas of Strength</u>	<u>Origins</u>	<u>Philosophy</u>	<u>Leaders and Factions</u>	<u>Foreign Ties</u>	<u>Comment/Outlook</u>
<u>PRIVATE SECTOR</u> National Society of Industries (SNI)	largest business group		sub-group of Confederation of Private Enterprise Institutes (CONFIEP)	center-right	*		Initially leery of Garcia, SNI now prepared to grant him a honeymoon period.
<u>CHURCH</u> Peruvian Catholic Church	predominant religion			moderate hierarchy, but lower clergy has advocates of liberation theology	Juan Cardinal Landazuri-Rickets Archbishop of Lima Gustavo Gutierrez-leading radical priest		Generally avoids involvement in political issues, but widely respected by all groups and influential when it speaks out on social issues.
<u>MILITARY</u> Armed Forces of Peru	Army-75,000 Navy-18,500 Air Force-40,000	armor, surface and submarine fleet, fighter aircraft and air defense missiles	*	anti-communist; Army has had periods of reformist sentiment, Navy conservative	Minister of War Lt. Gen Julian Julia Freyre	dependent on Soviet Union for much of newest army and air force equipment and training, but seeking to diversify sources	The military has grown conservative in recent years, but has overcome its suspicion of Garcia for present; preoccupied with insurgent threat and institutional interests.