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Peru

President Garcia's early years, following a landslide victory in 1985, were marked by a confrontational approach toward the international debt issue and a boisterous "Third World" foreign policy that was highly critical of the US. Over the last eighteen months, however, Garcia has seen his public approval ratings fall drastically as he has struggled with several nagging problems.

- Despite initial high growth rates, Peru's economic situation has deteriorated rapidly, forcing Garcia to abandon a demand-led growth strategy, adopt more conventional austerity measures, and improve relations with the Western financial community.
- An eight year-old insurgency, dominated by Sendero Luminoso, or "Shining Path," has steadily widened from its rural base to make Lima one of the more dangerous cities in South America.
- Sendero's success lies largely in its ability to recruit among Peru's large Indian population by exploiting ethnic grievances and longstanding government neglect of impoverished rural areas.

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- Garcia inherited a burgeoning narcotics industry, and, despite general cooperation with the US, his government has had little success in stemming the growth of illicit coca production.
- With approximately 106,000 hectares under coca cultivation, Peru continues as the world's leading producer of coca leaf and exporter of cocoa paste and base. Peru's efforts at eradication have been restricted so far to manual means because Garcia is concerned about the environmental impact of herbicides.

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