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 FM AMEMBASSY LIMA
 TO SECSTATE WASHDC IMMEDIATE 9104
 INFO AMEMBASSY BOGOTA
 AMEMBASSY LA PAZ
 AMEMBASSY QUITO
 USAFSO HOWARD AFB PM
 USCINCSO QUARRY HTS PM
 AMEMBASSY BRASILIA
 AMEMBASSY BUENOS AIRES
 AMEMBASSY CARACAS
 AMEMBASSY MONTEVIDEO
 AMEMBASSY ASUNCION
 AMEMBASSY SANTIAGO

SECTION 01 OF 05 LIMA 07348

ASUNCION FOR GARLAND DENNETT

USCINCSO ALSO FOR POLAD JOHN YOULE

E.O. 12356: DECL: OADR
 TAGS: PGOV, PTER, PHUM, PE
 SUBJECT: POLITICAL WRAP-UP: MAY 1988

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3. OVERVIEW

MAY BEGAN AND ENDED WITH SENDERO LUMINOSO
OPENLY CONDUCTING POLITICAL ACTIVITIES IN LIMA,
MARCHING THROUGH THE DOWNTOWN ON THE 1ST, AND
DEMONSTRATING NEAR SAN MARCOS UNIVERSITY CAMPUS
AT MONTH'S END. EXPECTED LARGE-SCALE TERRORIST
VIOLENCE FAILED TO MATERIALIZE, BUT SL'S

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GROWING BRAZENNESS HAD LIMA RESIDENTS WONDERING
WHAT WAS NEXT. THE FIRST HALF OF MAY WAS MARKED
BY EXPECTATION OF THE POPE'S VISIT -- WHICH IN
RETROSPECT PROVIDED ONLY A BRIEF RESPITE FROM
PROBLEMS AS USUAL -- AND OF CABINET CHANGES.
IDENTITY OF THE NEW CABINET FINALLY LEAKED
ON THE EVE OF THE POPE'S ARRIVAL, MAY 14;
SWEARING IN TOOK PLACE WHEN HE DEPARTED, MAY 16.

HEADED BY ROUGH AND READY PARTY ELDER ARMANDO VILLANUEVA,
THE NEW CABINET GAVE THE GARCIA GOVERNMENT A
BRIEF BOOST, GENERALLY IN ANTICIPATION OF MORE

n/a

[REDACTED]

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VIGOROUS ACTION AGAINST TERRORISM AND OF A CHANGE IN ECONOMIC POLICY. THE OPPORTUNITY TO MAKE A FRESH START WAS MARRED, HOWEVER, BY THE NEED TO DEAL IMMEDIATELY WITH ALLEGATIONS OF A MAY 14 ARMY MASSACRE NEAR CAYARA, AYACUCHO. VILLANUEVA OPTED TO STAND FIRMLY BY THE MILITARY'S STORY THAT THERE WAS NO MASSACRE. HE WAS UNDERCUT, AMONG OTHER THINGS, BY THE PRESIDENT HIMSELF. GARCIA PROMISED A FULL INVESTIGATION IN A MANNER THAT HINTED THAT SOME ABUSE HAD OCCURRED; AT THE SAME TIME HE EXPRESSED STRONG SUPPORT FOR THE MILITARY. GARCIA LOWERED HIS PROFILE AS ABRUPTLY AS HE HAD RAISED IT AND, AS THE MONTH ENDED, IT APPEARED THAT THE LID WAS BACK ON: A GRAVESITE CONTAINED SCRAPS OF BLOODY CLOTHING AND FRAGMENTS OF BODIES, BUT NOTHING TO PERMIT A DETERMINATION AT THIS TIME OF WHO DIED AND HOW DEATH WAS CAUSED.

THE APPEARANCE OF POOR COORDINATION (AT BEST) OR PRESIDENTIAL SABOTAGE OF VILLANUEVA (AT WORST) WAS ACCENTUATED ON THE ECONOMIC SIDE. VILLANUEVA

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INDICATED THAT ECONOMIC POLICY CHANGES WERE COMING;
HE WAS APPARENTLY CONTRADICTED BY A SPEECH THE
PRESIDENT GAVE AT AN APRA GATHERING MAY 23. GARCIA SAID
THAT, WHILE THERE COULD BE SOME POLICY ADJUSTMENTS,
[REDACTED]
[REDACTED]

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THERE WOULD BE NO RETREAT FROM HETERODOXY -- NO
KNUCKLING UNDER TO THE IMF. THAT SPEECH BURST
THE BUBBLE OF OPTIMISM AND MADE "DISARRAY" THE
ACCEPTED ONE-WORD DESCRIPTION OF GOVERNMENTAL
AFFAIRS. THIS WAS COMPOUNDED BY THE FAILURE OF
VILLANUEVA AND THE REST OF THE CABINET TO DESCRIBE
THE GOP'S PLANS BEFORE THE CONGRESS PRIOR TO ITS ADJOURN-
MENT AT THE END OF THE MONTH. END OVERVIEW.

4. FLAP OVER COMMENT BY INDUSTRY MINISTER ARTEAGA:

INTRA-GOVERNMENTAL DISARRAY WAS ACCENTUATED WHEN
NEW MINISTER OF INDUSTRY GUILLERMO ARTEAGA
DECLARED A DAY AFTER TAKING OFFICE MAY 16 THAT
LAST YEAR'S BANK EXPROPRIATION HAD BEEN THE
GOVERNMENT'S "WORST MISTAKE." THE STATEMENT
REPORTEDLY ENRAGED THE PRESIDENT. EMERGING FROM
A MEETING WITH GARCIA, SENATE PRESIDENT LOZADA
STAMBURY SLAMMED ARTEAGA, AS DID OTHER APRISTAS,
WHO WERE QUICK TO POINT OUT THAT ARTEAGA IS NOT
A REAL APRISTA. CONFIEP (PRIVATE SECTOR)
LEADER RAFAEL VILLEGAS GAVE ARTEAGA STRONG
SUPPORT. APPARENTLY SURPRISED THAT HE GOT

n/a
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INTO TROUBLE SO QUICKLY, ARTEAGA TRIED TO MAKE AMENDS WITHOUT BACKING OFF. AFTER A COUPLE OF DAYS GARCIA HIMSELF CAME TO ARTEAGA'S RESCUE, DECLARING THAT HE NEEDS PEOPLE IN HIS CABINET WHO SPEAK UP.

5. RE-ELECTION ISSUE RESURFACES:

A LITTLE-KNOWN APRA DEPUTY FROM LORETO DEPARTMENT (ORISON PARDO MATOS) GOT EVERYONE'S ATTENTION
CONFIDENTIAL

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MAY 18 BY CALLING FOR A CONSTITUTIONAL AMENDMENT TO PERMIT IMMEDIATE RE-ELECTION OF ALAN GARCIA, APRA'S "NATURAL CANDIDATE." APRA CONGRESSIONAL CAUCUS CHIEF LUIS ALVARADO CONTRERAS ASSERTED THAT THERE IS STILL TIME TO MAKE THE NECESSARY CONSTITUTIONAL AMENDMENT AND SAID THE APRA PARTY CONGRESS, WHICH MEETS IN LIMA AUGUST 2-5, WILL DECIDE WHETHER OR NOT TO GO FOR THE CHANGE. ALVARADO'S BROTHER CARLOS, HEAD OF THE PUBLIC TRANSPORT COMPANY ENATRU, CALLED MAY 26 FOR GARCIA'S RE-ELECTION IN THE NAME OF APRA'S "INTERMEDIATE GENERATION" (BETWEEN THE OLD GUARD AND ALAN GARCIA). THE APPEARANCE OF THIS GROUND-SWELL FROM THE HINTERLAND IS PROBABLY THE HANDIWORK OF PARTY ORGANIZATION SECRETARY ALBERTO KITASONO, WHO HAS BEEN ON THE HUSTINGS DRUMMING UP SUPPORT FOR RE-ELECTION. DEPUTY JOSE BARBA CABALLERO, APRA'S CIGAR-CHOMPING CHERUB, SAID HE WILL PROPOSE A CONSTITUTIONAL AMENDMENT TO PROHIBIT RE-ELECTION ALTOGETHER, WHILE LEFTWING APRA DEPUTY CARLOS ROCA, AN ON-AGAIN/OFF-AGAIN PRESIDENTIAL FRIEND, SOUNDED ON-AGAIN IN COMMENTS MAY 31. ONE OF SEVERAL PROBABLE MOTIVATIONS FOR THE RE-ELECTION PLOY IS TO CHECK THE AMBITIONS OF GARCIA RIVAL CHAMBER OF DEPUTIES PRESIDENT LUIS ALVA CASTRO FOR THE APRA SECRETARY GENERALSHIP AND SUBSEQUENT PRESIDENTIAL NOMINATION. FEW PEOPLE THINK THE PRESIDENT CAN PUSH RE-ELECTION THROUGH APRA AND TWO SESSIONS OF CONGRESS (IF HE REALLY WANTS TO), BUT IT IS SHAPING UP AS A MAJOR ISSUE FOR THE AUGUST PARTY CONGRESS WHICH PROMISES TO BE A WILD AFFAIR.

n/a
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6. LEON DE VIVERO TO ORGANIZE APRA PARTY CONGRESS:

MEETING IN LIMA MAY 28-29, AN APRA PARTY PLENARY

[REDACTED]

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SUBJECT: POLITICAL WRAP-UP: MAY 1988

PICKED OCTOGENARIAN FERNANDO LEON DE VIVERO TO HEAD THE ORGANIZING COMMITTEE FOR THE AUGUST PARTY CONGRESS. ASSISTING LEON DE VIVERO WILL BE DEPUTY HECTOR VARGAS HAYA, THE ODDS-ON FAVORITE
CONFIDENTIAL

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TO SUCCEED ALVA CASTRO AS HEAD OF THE CHAMBER OF DEPUTIES, AND VICTOR TIRADO, HEAD OF THE GOVERNMENT COMMUNICATIONS AGENCY, SINACOSO. THE APRA POLITICAL COMMISSION WILL PICK ANOTHER NINE PEOPLE TO AID THESE THREE. LEON DE VIVERO SUPPORTED ALVA CASTRO AGAINST THE PRESIDENT LAST YEAR IN THE CHAMBER OF DEPUTIES ELECTION AND IS STILL THOUGHT TO BE IN ALVA'S CAMP. HEART SURGERY LAST YEAR LEFT HIM FRAIL AND DODDERING, HOWEVER, AND HE IS IN THE U.S. FOR A CATARACT OPERATION NOW. VARGAS HAYA ALSO SUPPORTED ALVA LAST YEAR, BUT MAY NOT BE AN ALVA DIEHARD. TIRADO IS AN UNCONDITIONAL SUPPORTER OF THE PRESIDENT AND THE POLITICAL COMMISSION IS MORE LIKELY TO RESPOND TO THE PRESIDENT'S WISHES THAN TO ALVA'S. THE PRESIDENT, WHOSE CHANCES OF CONTROLLING THE CONGRESS WERE NOT RATED HIGHLY A SHORT TIME AGO, DID NOT COME OUT BADLY.

7. GARCIA MENDS FENCES WITH BELAUNDE:

FORMER PRESIDENT FERNANDO BELAUNDE WAS THE GUEST OF HONOR MAY 19 WHEN PRESIDENT GARCIA AND LIMA MAYOR JORGE DEL CASTILLO INAUGURATED A NEW SECTION OF HIGHWAY WITHIN THE CITY LIMITS. THE WORK HAD BEGUN UNDER THE BELAUNDE GOVERNMENT. GARCIA USED BELAUNDE'S PRESENCE TO EMPHASIZE THE IMPORTANCE OF CONTINUITY FROM ONE GOVERNMENT TO ANOTHER AND TO CALL AGAIN FOR INTER-PARTY "CONCERTACION" ON NATIONAL PRIORITIES. PIQUED BECAUSE GARCIA HAD ATTACKED HIS ADMINISTRATION'S ECONOMIC PERFORMANCE, BELAUNDE HAD REFUSED TO ATTEND A SIMILAR EVENT IN LATE FEBRUARY AND

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n/a

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ACCION POPULAR, BELAUNDE'S PARTY, HAD ALSO REFUSED TO JOIN IN THE ROUND OF "CONCERTACION" TALKS BETWEEN APRA AND OPPOSITION PARTIES. BELAUNDE SAID HIS PRESENCE ON THIS OCCASION CONFIRMED THE WILLINGNESS OF ACCION POPULAR TO PUT NATIONAL INTERESTS ABOVE PARTY ONES.

8. SENDERO LUMINOSO: A CIA PLOT

A NEW BOOK RELEASED IN MARCH -- "CIA AND SENDERO LUMINOSO: POLITICAL WAR" -- ARGUES THAT SL IS THE CREATION OF THE CIA, WHICH IS MOTIVATED BY ITS "LOW-INTENSITY CONFLICT AGAINST...COUNTRIES CONSIDERED CONTRARY TO (U.S.) INTERESTS IN A GLOBAL CONFRONTATION..." THE BOOK REJECTS STANDARD ANALYSES OF SENDERO BECAUSE THEY TAKE SL PRONOUNCEMENTS AT FACE VALUE. SL IS NOT CONNECTED IN ANY WAY TO THE COMMUNIST MOVEMENT, THE BOOK ASSERTS, BECAUSE IT LACKS A "MARXIST IDEOLOGY." THE AUTHOR, WASHINGTON HUARACHA APAZA, REPORTEDLY IS A MEMBER OF THE PRO-MOSCOW COMMUNIST PARTY (PCP-U) AND FORMER HEAD OF THE HOTELWORKERS UNION. THE BOOK DOES CONTAIN SOME GENERALLY ACCURATE DESCRIPTION OF SL, HOWEVER, INCLUDING A DECENT CHRONOLOGY OF SL DEVELOPMENT IN THE 1960'S AND 70'S, AND SOME SL DOCUMENTS. THE BOOK ALSO ACCUSES THE RESPECTABLE LEFTIST THINK TANK DESCO OF BEING A CHANNEL FOR CIA MONEY. GIVEN DESCO'S PRESTIGE, PARTICULARLY IN THE UNITED LEFT, THIS CHARGE HAS UNDERCUT THE BOOK'S CREDIBILITY, WHICH WAS NOT GREAT TO BEGIN WITH. THERE IS SOME DOUBT AMONG OUR CONTACTS IN THE LABOR MOVEMENT THAT HUARACHA WROTE THE BOOK BY HIMSELF.

9. POLICE DISSIDENT LEADERS SURFACE IN SWEDEN:

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CIVIL GUARD SERGEANT CELSO PASTRANA AND REPUBLICAN
 GUARD CORPORAL REGULO PENA, WHO SOUGHT REFUGE
 IN THE SWEDISH EMBASSY HERE FOR SEVERAL DAYS IN
 APRIL AND THEN DISAPPEARED, ARE REPORTED IN THE

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MAY 23 LIMA PRESS TO HAVE SURFACED IN SWEDEN,
 SEEKING ASYLUM. POLICE DISCONTENT HERE CONTINUES
 TO BUBBLE BENEATH THE SURFACE. IN MID-MAY MASKED
 INDIVIDUALS CALLING THEMSELVES THE "UNIFORMED AND

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n/a

COMBATIVE PEOPLE OF PERU MOVEMENT" HELD A CLANDESTINE PRESS CONFERENCE TO PROTEST THE GOVERNMENT'S FAILURE TO HONOR THE DEAL THAT PUT AN END TO THE MAY 1987 POLICE STRIKE. THEY CLAIMED THAT POLICE ARE READY TO STAGE ANOTHER SUCH STRIKE; WE SEE NO EVIDENCE THAT THINGS ARE COMING TO A HEAD YET, HOWEVER.

10. "SI" MAGAZINE LABELS GENERAL MAURICIO
A "GOLPISTA"

CENTER-LEFT "SI" MAGAZINE PUTS ARMY GENERAL CARLOS MAURICIO AGURTO, CHIEF OF STAFF OF THE JOINT STAFF, ON THE COVER OF ITS MAY 30 EDITION, LABELING HIM A "POTENTIAL GOLPISTA." "SI" SAYS THAT MAURICIO AND ARMY CHIEF OF STAFF ALEJANDRO ANTUNEZ DE MAYOLO MAY BE "INVITED" TO RETIRE AT THE END OF THIS YEAR OUT OF CONCERN THAT THE TWO OFFICERS HAVE LITTLE LOYALTY TO THE GOVERNMENT. NO EVIDENCE IS OFFERED. "SI" NOTES (WITHOUT SYMPATHY) THAT MAURICIO WAS DENIED A PROMOTION IN 1987 IN ORDER TO MOVE HIM OUT OF LINE FOR THE ARMY COMMAND IN 1990. "SI" ALSO OBSERVES THAT MAURICIO IS CHARISMATIC AND RESPECTED IN THE OTHER TWO BRANCHES OF THE ARMED FORCES; THAT HE WAS TRAINED IN THE U.S. (FT. LEAVENWORTH), AT THE U.S. ARMY SCHOOL OF THE AMERICAS, AND IN ARGENTINA; AND THAT HE PARTICIPATED IN A POLITICAL-STYLE MILITARY MEETING IN TACNA IN

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APRIL. THE ARTICLE HAS THE AIR OF HAVING BEEN INSPIRED BY THE PRESIDENTIAL PALACE.

11. ALLEGATIONS OF MISCONDUCT AIMED AT ALVA CASTRO

"SI" HAS ALSO CARRIED A SERIES OF ARTICLES ALLEGING THAT THE GOVERNMENT'S FISCAL AGENT, BANCO DE LA NACION, REPURCHASED SOME \$22 MILLION IN PERUVIAN EXTERNAL DEBT BETWEEN APRIL AND OCTOBER 1986 FOR CONSIDERABLY MORE THAN ITS MARKET VALUE. THE ARTICLES INTIMATE THAT THE DIFFERENCE ENDED UP IN THE POCKETS OF THEN PRIME MINISTER LUIS ALVA CASTRO AND PERHAPS OTHERS (FORMER CENTRAL BANK

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PRESIDENT LEONEL FIGUEROA AND BANCO DE LA NACION CHIEF -- RECENTLY RESIGNED -- ADAN SEMINARIO). THE GOP REPORTEDLY AUTHORIZED THE REPURCHASE OF UP TO \$100 MILLION IN PERUVIAN DEBT FROM SMALL US BANKS "TO NEUTRALIZE IT." THE REPURCHASE WAS CARRIED OUT THROUGH A PERUVIAN-OWNED FIRM, METROPOLITAN INVESTMENTS CORPORATION, WHICH COLLECTED \$340,000 PER MILLION FOR PAPERS TURNED OVER TO THE GOP. PRESUMABLY, IT BOUGHT THE DEBT FROM THE BANKS FOR AN AVERAGE OF \$200,000 PER MILLION -- ITS VALUE ON THE SECONDARY MARKET AT THE TIME. THE CONTRACT WITH METROPOLITAN INVESTMENTS WAS EVIDENTLY TERMINATED AS THE RESULT OF THE LEAK, WHICH PROBABLY CAME FROM THE PALACE.

12. OUTLOOK AND UPCOMING EVENTS

THE NEXT SEVERAL MONTHS SHOULD BE POLITICALLY AGITATED. ECONOMIC PRESSURE WILL CONTINUE TO BUILD; IT IS FAR FROM CLEAR THAT THE GOVERNMENT WILL MAKE THE NECESSARY ADJUSTMENTS. THE RADICAL LEFTIST TEACHERS UNION, SUTEP, IS GOING ON STRIKE JUNE 8,

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FOR EXAMPLE, AND THERE WILL LIKELY BE AN INCREASE
IN STRIKE ACTIVITY AS INFLATION CONTINUES. SENDERO
AND THE MRTA ARE GROWING BOLDER AND HAVE HAD A
VIRTUAL SANCTUARY ON SAN MARCOS UNIVERSITY CAMPUS
[REDACTED]
[REDACTED]

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IN THE HEART OF LIMA. THE POLICE ENTERED SAN MARCOS
IN FEBRUARY 1987 BUT CAME UP DRY; THEY ENTERED TO
MAKE ARRESTS MAY 31 AND WE WOULD NOT BE SURPRISED
TO SEE A MAJOR INCURSION AGAIN SOON. THE PRISONS
ANNIVERSARY JUNE 18-19 MAY WITNESS TERRORIST
ACTIVITY. IT NOW APPEARS THAT THE RE-ELECTION
GAMBIT BY THE PRESIDENT IS SERIOUS; THAT ISSUE WILL
TAKE A SERIOUS TOLL ON APRA UNITY AND WILL DISTRACT
TOP-LEVEL GOVERNMENT AND PARTY LEADERS FROM
GOVERNING. REVERBERATIONS FROM THE CAYARA INCIDENT
WILL CONTINUE, BUT THE GOVERNMENT APPEARS DETERMINED
TO STAND BY THE MILITARY AND OTHER INSTITUTIONS
ARE UNLIKELY TO BE ABLE TO FORCE AN IMPARTIAL
INVESTIGATION. MORE VIGOROUS ARMY PATROLLING
IN THE EMERGENCY ZONES IS LIKELY; IT APPEARS THAT
THE RATE OF PATROLLING WAS PICKING UP IN THE FINAL
DAYS OF MAY. SPECULATION AS TO WHAT THE PRESIDENT'S

n/a
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n/a

JULY 28 SPEECH WILL BRING THIS YEAR IS BEGINNING ALREADY AND THERE WILL BE A SHARP INCREASE IN PUBLIC ANXIETY AND POLITICAL TENSION AS THAT DATE APPROACHES. WE ARE LIKELY TO HEAR A LOT OF WILD RUMORS AND NEED TO BE CAREFUL OURSELVES AS TO WHAT WE SAY TO THE PRESS ABOUT PERU BOTH ON THE RECORD AND ON BACKGROUND.

WATSON

[REDACTED]
NNNN

n/a
[REDACTED]