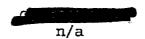
## UNCLASSIFIED



RELEASED IN FULL

<<<<.>>>>>

PAGE 01 LIMA 07348 01 OF 05 032240Z

ACTION ARA-00

INFO LOG-00 ADS-00 AID-00 INR-10 SS-00 CIAE-00 DODE-00 H - 01MSC-01 NSCE-00 NSAE-00 SSO-00 HA-09 L-03TRSE-00 PM-10 PA-01 OMB-01 INM-07 INRE-00 USIE-00 SP-02 SNP-01 C-01 PRS-01 DS-01 DSE-00 SCT-02 P-02 T-01 · /054 W

-------003532 032310Z /60

O 032231Z JUN 88 FM AMEMBASSÝ LÍMA

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

ECTION 01 OF 05 LIMA 07348

ASUNCION FOR GARLAND DENNETT

USCINCSO ALSO FOR POLAD JOHN YOULE

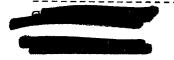
E.O. 12356: DECL: OADR

TAGS: PGOV, PTER, PHUM, PE

SUBJECT: POLITICAL WRAP-UP: MAY 1988

1. ENTIRE TEXT.

2. TABLE OF CONTENTS



PAGE 02

LIMA 07348 01 OF 05 032240Z

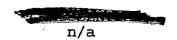
OVERVIEW (PARA 3)

n/a

Page: 1

UNITED STATES DEPARTMENT OF STATE REVIEW AUTHORITY: JOHN L. MILLS DATE/CASE ID: 17 JUN 2002 200103011

UNCLASSIFIED



FLAP OVER COMMENT BY INDUSTRY MINISTER ARTEAGA (PARA 4)

RE-ELECTION ISSUE RESURFACES (PARA 5)

LEON DE VIVERO TO ORGANIZE APRA CONGRESS (PARA 6)

SENDERO LUMINOSO: A CIA PLOT (PARA 7)

GARCIA MENDS FENCES WITH BELAUNDE (PARA 8)

POLICE FUGITIVES SURFACE IN SWEDEN (PARA 9)

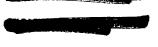
"SI" MAGAZINE LABELS GENERAL MAURICIO A "GOLPISTA" (PARA 10)

ALLEGATIONS OF MISCONDUCT AIMED AT ALVA CASTRO (PARA 11)

UPCOMING EVENTS (PARA 12)

#### 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

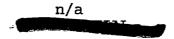


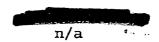
PAGE 03

LIMA 07348 01 OF 05 032240Z

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





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 UNDER-CUT, 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



NNNN

PAGE 01 LIMA 07348 02 OF 05 032245Z ACTION ARA-00

INFO LOG-00 ADS-00 AID-00 INR-10 SS-00 CIAE-00 DODE-00 NSCE-00 NSAE-00 SSO-00 H-01 MSC-01 HA-09 L - 03TRSE-00 PM-10 PA-01 OMB-01 INM-07 INRE-00 USIE-00 SP-02 SNP-01 C-01 PRS-01 DS-01 DSE-00 SCT-02 P-02 T-01 /054 W

O 032231Z JUN 88

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 9105

INFO AMEMBASSY BOGOTA

AMEMBASSY LA PAZ

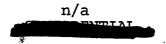
AMEMBASSY QUITO

USAFSO HOWARD AFB PM

USCINCSO QUARRY HTS PM

AMEMBASSY BRASILIA

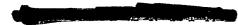
AMEMBASSY BUENOS AIRES



n/a

Page: 4

AMEMBASSY CARACAS AMEMBASSY MONTEVIDEO AMEMBASSY ASUNCION AMEMBASSY SANTIAGO



SECTION 02 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

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,

PAGE 02

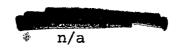
LIMA 07348 02 OF 05 032245Z

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 ADJOURNMENT 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 WHERE 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



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.

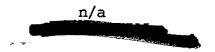
5. RE-ELECTION ISSUE RESURFACES:

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

PAGE 03

LIMA 07348 02 OF 05 032245Z

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

## 6. LEON DE VIVERO TO ORGANIZE APRA PARTY CONGRESS:

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

The second state of the second second

PAGE 04

LIMA 07348 02 OF 05 032245Z

.

, NNNN

PAGE 01 LIMA 07348 03 OF 05 032246Z

ACTION ARA-00

INFO LOG-00 ADS-00 AID-00 INR-10 SS-00 CIAE-00 DODE-00 MSC-01 H-01 NSCE-00 NSAE-00 HA-09 L-03 SSO-00 INRE-00 USIE-00 TRSE-00 PM-10 PA-01 OMB-01 INM-07 SP-02 SNP-01 C-01 PRS-01 DS-01 DSE-00 SCT-02

P-02 T-01 /054 W

-----003704 032310Z /61

O 032231Z JUN 88 FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 9106

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 03 OF 05 LIMA 07348

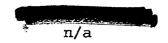
ASUNCION FOR GARLAND DENNETT

USCINCSO ALSO FOR POLAD JOHN YOULE

E.O. 12356: DECL: OADR

TAGS: PGOV, PTER, PHUM, PE

n/a



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



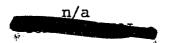
PAGE 02

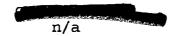
LIMA 07348 03 OF 05 032246Z

TO SUCCEED ALVA CASTRO AS HEAD OF THE CHAMBER OF DEPUTIES, AND VICTOR TIRADO, HEAD OF THE GOVERNMENT COMMUNICATIONS AGENCY, SINACOSO. 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. 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. IS AN UNCONDITIONAL SUPPORTER OF THE PRESIDENT AND THE POLITICAL COMMISSION IS MORE LIKELY TO RESPOND TO THE PRESIDENT'S WISHES THAN TO 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





PAGE 03

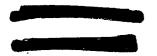
LIMA 07348 03 OF 05 032246Z

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 POLITICAL WAR" -- ARGUES THAT SL IS LUMINOSO: THE CREATION OF THE CIA, WHICH IS MOTIVATED BY ITS "LOW-INTENSITY CONFLICT AGAINST...COUNTRIES CONSIDERED CONTRARY TO (U.S.) INTERESTS IN A GLOBAL THE BOOK REJECTS STANDARD CONFRONTATION..." 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. BOOK ALSO ACCUSES THE RESPECTABLE LEFTIST THINK TANK DESCO OF BEING A CHANNEL FOR CIA MONEY. 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:



PAGE 04

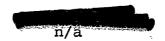
LIMA 07348 03 OF 05 032246Z



NNNN

n/a

## **UNCLASSIFIED**



Page: 9

PAGE 01 LIMA 07348 04 OF 05 032248Z ACTION ARA-00

ADS-00 INR-10 SS-00 CIAE-00 DODE-00 INFO LOG-00 AID-00 H-01 MSC-01 NSCE-00 NSAE-00 SSO-00 HA-09 L-03TRSE-00 PM-10 PA-01 OMB-01 INM-07 INRE-00 USIE-00 SP-02 SNP-01 C-01 · PRS-01 DS-01 DSE-00 SCT-02

P-02 T-01 /054 W ------003737 032310Z /61

O 032231Z JUN 88
FM AMEMBASSY LIMA
TO SECSTATE WASHDC IMMEDIATE 9107
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

SECTION 04 OF 05 LIMA 07348

ASUNCION FOR GARLAND DENNETT

AMEMBASSY SANTIAGO

USCINCSO ALSO FOR POLAD JOHN YOULE

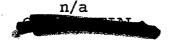
E.O. 12356: DECL: OADR
TAGS: PGOV, PTER, PHUM, PE
SUBJECT: POLITICAL WRAP-UP: MAY 1988

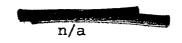
CIVIL GUARD SERGEANT CELSO PASTRANA AND REPUBLICAN GUARD CORPORAL REGULO PENA, WHO SOUGHT REFUGE IN THE SWEDISH EMBASSY HERE FOR SEVERAL DAYS IN APRIL AND THEN DISAPPEARED, ARE REPORTED IN THE



PAGE 02 LIMA 07348 04 OF 05 032248Z

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





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

and the second second

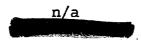
PAGE 03

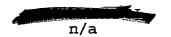
LIMA 07348 04 OF 05 032248Z

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

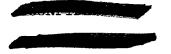




PRESIDENT LEONEL FIGUEROA AND BANCO DE LA NACION CHIEF -- RECENTLY RESIGNED -- ADAN SEMINARIO). THE GOP REPORTEDLY AUTHORIZED THE REPURCHASE OF UP TO \$100 MILLION IN PERUVIAN DEBT FROM SMALL US BANKS "TO NEUTRALIZE IT." THE REPURCHASE WAS CARRIED OUT THROUGH A PERUVIAN-OWNED FIRM, METROPOLITAN INVESTMENTS 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,



PAGE 04

LIMA 07348 04 OF 05 032248Z

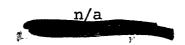


NNNN

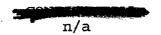
PAGE 01 LIMA 07348 05 OF 05 032248Z ACTION ARA-00

INFO	LOG-00	ADS-00	AID-00	INR-10	SS-00	CIAE-00	DODE-00
	H-01	MSC-01	NSCE-00	NSAE-00	SSO-00	HA-09	L-03
	TRSE-00	PM-10	PA-01	OMB-01	INM-07	INRE-00	USIE-00
	SP-02	SNP-01	C-01	PRS-01	DS-01	DSE-00	SCT-02
	P-02	T-01	/054 W				

O 032231Z JUN 88 FM AMEMBASSY LIMA TO SECSTATE WASHDC IMMEDIATE 9108 INFO AMEMBASSY BOGOTA



-----003756 032311Z /61



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 05 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

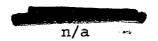
FOR EXAMPLE, AND THERE WILL LIKELY BE AN INCREASE IN STRIKE ACTIVITY AS INFLATION CONTINUES. SENDERO AND THE MRTA ARE GROWING BOLDER AND HAVE HAD A VIRTUAL SANCTUARY ON SAN MARCOS UNIVERSITY CAMPUS

PAGE 02

LIMA 07348 05 OF 05 032248Z

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

# UNCLASSIFIED



Page: 13

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

NNNN

n/a