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Case Number: S200200010

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ACTION ARA-01

INFO	LOG-00	ACDA-17	AID-01	CIAE-00	C-01	OASY-00	DOEE-00
	EAP-01	EB-01	HA-09	H-01	INM-02	TEDE-00	INR-00
	IO-19	L-03	ADS-00	NSAE-00	NSCE-00	OIC-02	OMB-01
	PA-01	PM-02	PRS-01	P-01	SIL-00	SNP-00	SP-00
	SR-00	SS-00	STR-16	TRSE-00	T-00	USIE-00	RPE-01

/081W

-----C17D8C 191803Z /38

P 191754Z MAY 93
 FM AMEMBASSY LIMA
 TO SECSTATE WASHDC PRIORITY 8474
 INFO DIA WASHDC
 AMEMBASSY BUENOS AIRES
 AMEMBASSY BOGOTA
 AMEMBASSY CARACAS
 AMEMBASSY QUITO
 AMEMBASSY LA PAZ
 AMEMBASSY SANTIAGO
 AMEMBASSY TOKYO
 USCINCSO QUARRY HEIGHTS PM

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SECTION 01 OF 04 LIMA 05684

SOUTHCOM ALSO FOR POLAD

E.O. 12356: DECL: OADR
 TAGS: PGOV, PREL, PHUM, PINR, US, PE
 SUBJECT: FUJIMORI'S MOMENTUM SLOWS

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REF: LIMA 1411

1. [REDACTED] ENTIRE TEXT.

2. SUMMARY: WHILE PRESIDENT FUJIMORI REMAINS
 THE DOMINANT AND DOMINEERING PRESENCE IN PERUVIAN
 POLITICS, HIS POSITION HAS SLIPPED IN THE LAST
 MONTH ON TWO ISSUES AT THE HEART OF HIS STAYING
 POWER: POPULAR SUPPORT AND CONTROL OF THE ARMY.

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UNITED STATES DEPARTMENT OF STATE
 REVIEW AUTHORITY: WILLIAM E. LANDFAIR
 DATE/CASE ID: 19 JUL 2002 S200200010

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FOR THE FIRST TIME SINCE THE APRIL 1992 COUP, THE PRESIDENT'S POPULARITY DROPPED BELOW 60 PERCENT, MAINLY DUE TO DISCONTENT OVER THE ECONOMY. THE GOP'S INTERVENTION IN THE CLAE INVESTMENT FIRM COULD HAVE HIGH COSTS FOR FUJIMORI SINCE CLAE'S COLLAPSE THREATENS SOME 160,000 SHAREHOLDERS, MOSTLY LOWER-CLASS. THE GOP'S CONFRONTATION WITH CONGRESS OVER HUMAN RIGHTS INVESTIGATIONS, MARKED BY A BELLIGERANT ARMY STATEMENT AND A SENIOR GENERAL'S SEEKING ASYLUM, REFLECTS ONGOING TENSIONS IN THE PRESIDENT'S CONTROL OF THE ONE SOLID POWER BASE -- THE ARMY -- ON WHICH HIS REGIME RELIES. THE PRESIDENT'S SUCCESSES IN SECURING INTERNATIONAL FINANCIAL SUPPORT WERE OVERSHADOWED. MEANWHILE, HE IS INCREASING PRESIDENTIAL POWERS IN THE NEW CONSTITUTION (INCLUDING ALLOWING RE-ELECTION). FUJIMORI CONTINUES TO EMBODY FOR MOST PERUVIANS THEIR COUNTRY'S REBIRTH, BUT HE HAS LOST SOME OF HIS AURA OF INVINCIBILITY. FUJIMORI REMAINS KING OF THE MOUNTAIN IN PERU, BUT THE UNDERLYING

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CRISIS REMAINS UNRESOLVED; HIS ABILITY TO KEEP ALL OF THE PLAYERS UNDER CONTROL IS ERODING.
END SUMMARY.

CRITICAL ISSUES FOR FUJIMORI'S GOVERNMENT

3. AS DISCUSSED IN REFTTEL, FUJIMORI'S POLITICAL STRENGTH HAS DEPENDED ON THE INTERPLAY BETWEEN FOUR FACTORS: HIS PERSONAL POPULARITY AND INSTILLING OF HOPE AMONG BOTH THE POOR AND THE POWERFUL; THE ABSENCE OF A CREDIBLE POLITICAL ALTERNATIVE; HIS CONTROL OVER THE ARMY; AND THE PROMISE OF REBUILDING THE ECONOMY FROM THE GARCIA DEBACLE. THE ECONOMY AND THE MILITARY WERE AND REMAIN THE TWO MOST TROUBLESOME AREAS FOR FUJIMORI. INDEED, IT IS HERE THAT FUJIMORI HAS ENCOUNTERED SERIOUS PROBLEMS IN THE LAST MONTH.

LA CANTUTA: AT ISSUE IS WHO CONTROLS THE ARMY

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4. FUJIMORI'S PROBLEMS IN THE ARMY RESULT FROM HIS AND MONTESINOS' SUBJUGATING MILITARY INSTITUTIONAL PREROGATIVES TO THE NEEDS OF HIS ECONOMIC AND POLITICAL POLICIES. UNDERLYING TENSIONS PRODUCED BY SHARP CHANGES IN THE TRADITIONAL SYSTEM OF PROMOTIONS AND ROTATIONS INCREASED IN APRIL AS A RESULT OF RENEWED ALLEGATIONS THAT ARMY COMMANDER GEN. HERMOZA AND

[REDACTED]

PAGE 04 LIMA 05684 01 OF 04 191801Z INTELLIGENCE ADVISER MONTESINOS HAD DIRECTED THE ACTIVITIES OF A JOINT ARMY INTEL/NATIONAL INTELLIGENCE SERVICE (SIN) GROUP THAT HAD CARRIED OUT SEVERAL ASSASSINATIONS OF SUSPECTED GUERRILLAS. THREE ELEMENTS QUICKLY CONVERGED:

-- A CONGRESSIONAL HUMAN RIGHTS INVESTIGATION OF DISAPPEARANCES/KILLINGS, FOCUSING ON THE JULY 1992 LA CANTUTA DISAPPEARANCES AND THE NOVEMBER 1991 BARRIOS ALTOS INCIDENTS;

-- A DISPUTE BETWEEN THE OPPOSITION AND GEN. HERMOZA OVER CONGRESS'S ABILITY TO INVESTIGATE THE ALLEGATIONS, WHICH FUJIMORI REPORTEDLY

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	RPE-01	/081W					

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FM AMEMBASSY LIMA
 TO SECSTATE WASHDC PRIORITY 8475
 INFO DIA WASHDC
 AMEMBASSY BUENOS AIRES
 AMEMBASSY BOGOTA
 AMEMBASSY CARACAS
 AMEMBASSY QUITO
 AMEMBASSY LA PAZ
 AMEMBASSY SANTIAGO
 AMEMBASSY TOKYO
 USCINCSO QUARRY HEIGHTS PM

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SOUTHCOM ALSO FOR POLAD (#)
 E.O. 12356: DECL: OADR
 TAGS: PGOV, PREL, PHUM, PINR, US, PE
 (#) INCLUDING THE SUPPORTERS OF JAILED GEN. SALINAS,
 AND IN OPPOSITION PARTIES, WHICH SOUGHT TO USE
 THE HUMAN RIGHTS ISSUE TO ATTACK PRO-FUJIMORI

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 ARMY LEADERSHIP BY LEAKING ALLEGATIONS OF HIGH
 LEVEL INVOLVEMENT IN AN ORGANIZED "DEATH SQUAD."

FUJIMORI'S LIMITED OPTIONS

5. SINCE THE ARMY/INTELLIGENCE GROUP MOST
 PROBABLY EXISTED, AND SENIOR LEADERS KNEW AND
 APPROVED OF ITS OVERALL THRUST, THE GOVERNMENT
 UNDOUBTEDLY WANTED TO HEAD OFF ANY PENETRATING
 INVESTIGATION BY CONGRESS. INSTEAD; GENERAL
 HERMOZA SEIZED ON ALLEGED INSULTS TO THE ARMY BY
 SOME CONGRESS MEMBERS TO WARN THE CONGRESS IN
 SEVERE TERMS -- WITH THE ACCOMPANYMENT OF TANKS
 IN THE STREETS -- NOT TO INTRUDE IN ARMY AFFAIRS.
 THIS CONFRONTATION COST FUJIMORI LITTLE IN PUBLIC
 SUPPORT, SINCE HUMAN RIGHTS AND CIVIL-MILITARY
 RELATIONS ARE DISTANT ISSUES FOR MOST CITIZENS.
 IT DID, HOWEVER, HURT THE GOP'S IMAGE OVERSEAS
 ON CONGRESSIONAL AUTONOMY AS WELL AS HUMAN
 RIGHTS. THE "GET-TOUGH" IMAGE INSIDE PERU WAS
 DILUTED BY THE PRESIDENT'S HAVING TAKEN A CALL

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FROM ARA A/S ARONSON ON THE MATTER, WHICH SOME MEMBERS OF THE ARMY REPORTEDLY CRITICIZED AS "SUBMISSIVE," ALTHOUGH THE CALL AND FUJIMORI'S ACTIONS AS A RESULT OF IT HELPED REPAIR THE DAMAGE DONE BY THE INCIDENT TO PERU'S EXTERNAL IMAGE.

6. WHILE THERE ARE DIFFERING OPINIONS WITHIN PERU ON HOW VALUABLE THE MID-APRIL "TANCAZO" WAS

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FOR HERMOZA, THE SENSE OF A CRUMBLING INSTITUTION WAS BROUGHT BACK BY THE HIGH PROFILE DEFECTION OF GENERAL RODOLFO ROBLES, THE ARMY'S THIRD RANKING OFFICER, ON MAY 5. ROBLES' ADHESION TO CHARGES THAT HERMOZA AND MONTESINOS RUN THE "DEATH SQUAD" WAS A MAJOR EMBARRASSMENT TO THE GOVERNMENT.

WHAT HERMOZA/MONTESINOS MEAN TO FUJIMORI

7. FUJIMORI HAS SET OUT TO DO NOTHING LESS THAN RESTRUCTURE ALL OF PERU TO LAY THE BASIS IN THIS COUNTRY FOR ORDERED, UNINTERRUPTED ECONOMIC GROWTH. HE HAS SWEEP ASIDE ALL OF THE PRIVILEGED POWER CENTERS OF THE PAST THAT ARE RESPONSIBLE -- IN HIS ANALYSIS -- FOR THE SORRY STATE PERU HAD REACHED IN 1990. THE ARMY IS THE ONLY ONE OF THOSE PRIVILEGED GROUPS HE HAS NOT SWEEP ASIDE SINCE IT HAS BEEN ITS CHOSEN INSTRUMENT FOR MAINTAINING POLITICAL CONTROL OF PERU WHILE HIS REFORMS TAKE ROOT. FUJIMORI HAS MANIPULATED THE TRADITIONAL POWER STRUCTURE OF THE ARMY TO ASSURE HIS CONTROL. HE HAS ALSO REDIRECTED ARMY ENERGY, RESOURCES, AND THEORIES TO ELIMINATE THE WORST CORRUPTION AND MAKE THE ARMY MORE A MORE EFFECTIVE INSTRUMENT AGAINST TERRORISTS AND NARCO-TRAFFICKERS. HIS CONTROL, NONETHELESS, IS NOT WHOLLY CONSOLIDATED, DUE TO SEVERAL ON-GOING CHALLENGES. THE DILEMMA FOR FUJIMORI IS THREEFOLD:

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-- FIRST, WHILE HE WANTS A PLIABLE ARMY COMMANDER, HE ALSO NEEDS ONE WHO CAN KEEP OFFICERS IN LINE. REPLACING HERMOZA MIGHT IMPERIL FUJIMORI'S CONTROL OF THE ARMY. IN ADDITION, ANY MAJOR ARMY CHANGE COULD BE PERCEIVED AS WEAKNESS ON FUJIMORI' PART. ONE CONCESSION COULD LEAD TO DEMANDS FOR ANOTHER.

NOTE: (#) OMISSIONS. CORRECTIONS TO FOLLOW.

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/081W

-----C17DEA 191803Z /38

P 191754Z MAY 93
FM AMEMBASSY LIMA
TO SECSTATE WASHDC PRIORITY 8476
INFO DIA WASHDC
AMEMBASSY BUENOS AIRES
AMEMBASSY BOGOTA
AMEMBASSY CARACAS
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SOUTHCOM ALSO FOR POLAD

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-- SECOND, WHILE HERMOZA IS EXPENDABLE, MONTESINOS IS NOT. A DECISION TO SACRIFICE HERMOZA WOULD HAVE TO BE CALCULATED CAREFULLY SO AS NOT TO JEOPARDIZE MONTESINOS WITHOUT WHOM FUJIMORI WOULD BE UNABLE TO CONTROL THE ARMY.

-- THIRD, ANY HINT OF A FUJIMORI SETBACK IN THE ARMY WOULD HAVE POLITICAL REPERCUSSIONS. IT WOULD EMBOLDEN A FRAGMENTED OPPOSITION, AND PROBABLY ENCOURAGE COUP-PLOTTING.

A MISSTEP ON "CLAE"

8. THE GOP'S APRIL 26 INTERVENTION OF CLAE, AN INVESTMENT OPERATION ACCUSED OF MONEYLAUNDERING AND PYRAMID SCHEMES, MIGHT HAVE BEGUN AS NO MORE THAN A ROUTINE BANKING SUPERINTENDENCY REVIEW ACTION. RUN BY THE QUINTESSENTIAL "CHICHA" INFORMAL BUSINESSMAN, CARLOS MANRIQUE, CLAE ATTRACTED DEPOSITS BY PAYING INTEREST RATES AT THREE TIMES THE RATES PAID BY MAINLINE BANKS. AFTER INTERVENTION, CLAE WAS ONLY ABLE TO PRODUCE DOLS 34 MILLION IN LIQUID ASSETS TO BACK UP DOLS 200 MILLION IN INVESTMENTS OF SOME 160,000 PERSONS. MANY OF THE INVESTORS WERE FROM THE LOWER AND LOWER-MIDDLE CLASSES, WHO DEPOSITED THEIR TERMINATION PAY WITH CLAE TO LIVE OFF HIGH MONTHLY INTEREST PAYMENTS.

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9. CARLOS MANRIQUE'S SAVVY MANIPULATION OF PUBLIC OPINION -- TOGETHER WITH AN IRREPRESIBLE HOPE FOR A FREE LUNCH -- RESULTED IN THE

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GOVERNMENT TAKING THE BLAME FOR CLAE'S LIKELY DEMISE. THE DEPOSITORS ARE UNINSURED, AND HAVE ALREADY BEGUN TO PROTEST AGAINST THE GOP. IRONICALLY, THE DEPOSITORS COME FROM THE SOCIAL STRATA THAT MOST SUPPORTED FUJIMORI IN THE 1990 ELECTIONS. A PRO-CLAE DEMONSTRATION IN THE PLAZA SAN MARTIN DREW THOUSANDS OF SUPPORTERS, MANY OF WHOM URGED MANRIQUE TO RUN FOR PRESIDENT. THE DEMONSTRATION WAS LARGER THAN ANY THE TRADITIONAL POLITICAL PARTIES HAVE MUSTERED AGAINST FUJIMORI SINCE THE 1992 COUP.

FUJI'S APPROVAL RATING DROPS ON ECONOMY

10. MEANWHILE THE ECONOMY SHOWS SIGNS THAT GROWTH MAY BE RESUMING BUT INFLATION, PARTICULARLY FOOD PRICES, CONTINUES TO EXCEED GOP TARGETS. IF CURRENT TRENDS CONTINUE, INFLATION COULD EXCEED THE 57 PERCENT RECORDED IN 1992. REAL WAGES AND EMPLOYMENT LEVELS ARE STILL DECLINING. THE POLLING GROUP "APOYO" ATTRIBUTED THE DROP IN POPULAR SUPPORT FOR FUJIMORI -- FROM 63 TO 57 PERCENT IN EARLY MAY -- TO CONCERNS ABOUT THE ECONOMY, COMPOUNDED BY THE MISHANDLING OF "CLAE." ("IMASEN" PUTS POPULAR SUPPORT FOR FUJIMORI AT 60 PERCENT.) THIS IS FUJIMORI'S FIRST DROP BELOW 60 PERCENT

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POPULARITY SINCE HIS APRIL 1992 COUP. AT THE SAME TIME, THE DISAPPROVAL RATING FOR ECONOMIC POLICY HAS RISEN TO ITS HIGHEST LEVEL YET -- 53 PERCENT ACCORDING TO "APOYO." FOR FUJIMORI AND THE OPPOSITION THE KEY ELEMENT IS NOT SO MUCH THE LEVEL AS THE TREND. SHOULD FUJIMORI CONTINUE TO SLIP IT WOULD UNDERMINE ONE OF HIS MAIN BULWARKS, HIS NEAR MONOPOLY OF POPULAR SUPPORT. AS NOTED IN REFTTEL, FUJIMORI'S NON-RELIANCE ON A POLITICAL PARTY OR SUBORDINATES WITH POLITICAL STANDING OF THEIR OWN MEANS THAT HE HAS NO ONE TO TAKE THE HEAT FOR HIM.

11. IRONICALLY, THE EVENTS OF APRIL AND MAY

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OVERSHADOWED SEVERAL SUCCESSES FOR THE FUJIMORI
AGENDA. ON THE INTERNATIONAL FRONT, PERU

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/081W

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P 191754Z MAY 93
 FM AMEMBASSY LIMA
 TO SECSTATE WASHDC PRIORITY 8477
 INFO DIA WASHDC
 AMEMBASSY BUENOS AIRES
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SECTION 04 OF 04 LIMA 05684

SOUTHCOM ALSO FOR POLAD

E.O. 12356: DECL: OADR
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SECURED ITS READMISSION TO THE RIO GROUP, AND
CONCLUDED A PARIS CLUB DEBT RESCHEDULING

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AGREEMENT. THE CONGRESS CONTINUED TO APPROVE IN FIRST DRAFT PARTS OF THE NEW CONSTITUTION THAT WILL DRAMATICALLY INCREASE THE POWERS OF THE PRESIDENCY. IMMEDIATE PRESIDENTIAL RE-ELECTION CONTINUES TO BE UNDER PUBLIC DEBATE, BUT ALL OBSERVERS AGREE THAT FUJIMORI IS COMMITTED TO SECURING HIS CONTINUATION IN POWER. THE GOP CONVEYS AN IMAGE OF CONTINUING SUCCESS AGAINST TERRORIST GROUPS BY PRESENTING CAPTURED MID-LEVEL SL AND MRTA PERSONNEL. NEITHER TERRORIST GROUP IS CARRYING OUT MAJOR ACTIONS. SL'S MID-MAY "PARO ARMADO" HAS CAUSED SOME DISRUPTION BUT IS WELL BELOW PREVIOUS "PAROS" IN EFFECTIVENESS. FUJIMORI CONTINUES TO ACT AS IF HE WERE ACTIVELY CAMPAIGNING FOR OFFICE, VISITING WIDE AREAS OF RURAL AND URBAN PERU TO INAUGURATE PROJECTS, DONATE COMPUTERS, AND SPEAK TO VOTERS.

FUJIMORI STILL HAS AN EDGE ON THE OPPOSITION

12. IN CONTRAST, THE TRADITIONAL POLITICAL PARTIES HAVE REMAINED BOGGED DOWN IN INTERNAL PROBLEMS, AND HAVE TAKEN NO INITIATIVES, OTHER THAN THE LA CANTUTA INVESTIGATION, TO COUNTER FUJIMORI. AND, FUJIMORI HAS OTHER ADVANTAGES: CONTINUED DOMINATION OF THE JUDICIAL AND LEGISLATIVE BRANCHES, HEAVY INFLUENCE OVER THE
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ELECTRONIC MEDIA, AND A GIFT FOR TALKING DIRECTLY TO THE PEOPLE.

PRESIDENTIAL MANAGEMENT STYLE

13. FUJIMORI'S HANDLING OF RECENT PROBLEMS REAFFIRMS HIS AVERSION TO DELEGATING AUTHORITY. HE DECIDES ALL IMPORTANT ISSUES, BASED ON HIS OWN INTUITION AND ADVICE FROM A SELECT CIRCLE. NOTHING IMPORTANT IS DELEGATED. ON THE ROBLES ASYLUM REQUEST, HE MADE THE PAINFUL BUT CORRECT DECISION TO LET ROBLES GO QUICKLY AND AVOID A CONFRONTATION WITH THE U.S. ON THE HERMOZA

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VERSUS CONGRESS PROBLEM, HE MADE A WRONG, INITIAL CALL, BUT RECOUPED SOME OF HIS LOSS BY MAKING HIS MOST "STATEMANLIKE" SPEECH EVER. ON CLAE, HE LET A WILY FLIM-FLAM ARTIST GET THE BETTER OF HIM, BUT IS NOT LETTING TIME SHOW CLAE TO BE THE PYRAMID SCHEME IT WAS. LESS CLEAR IS FUJIMORI'S ABILITY TO BRING ABOUT THE SOLID ECONOMIC GROWTH THAT MUST BE THE VALIDATION OF THE CORRECTNESS OF HIS AMBITIOUS REFORM POLICY FOR PERU. SO FAR, INVESTORS HAVE BEEN WARY -- NOT SO MUCH OF FUJIMORI, BUT OF THE FUTURE AND WHAT RECURRENCE OF PERU'S UNDERLYING SOCIAL CRISIS MIGHT DO TO SOUND ECONOMIC POLICIES. AS HE AWAITS THE GROWTH PERU NEEDS, FUJIMORI DEPENDS VIRTUALLY EXCLUSIVELY ON HIS CONTROL OF THE ARMY. SO FAR, THAT REMAINS SOLID, BUT CRACKS ARE ALL TOO EVIDENT.

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