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RELEASED IN PART
B1, 1.5(D)**Peru/Hostages: Danger Signs (U)**

Despite renewed optimism late this week for a negotiated settlement to the hostage situation in Lima, we believe President Fujimori still considers unilateral force an option. (S)

Three rounds of direct but "preliminary" talks between the MRTA terrorists and the government, with a four-member guarantors commission present, took place during February 11-15 with little result. This week ended on a more positive note - the parties met on February 20 in what the guarantors described as a "constructive atmosphere," with MRTA leader Cerpa present for the first time. A senior Japanese diplomat told Embassy Lima the talks had achieved "real progress," though much work remained. (S)

Shift in rhetoric

Though Fujimori continues to say he wants a peaceful outcome of the crisis, he has begun stating publicly that he would consider a rescue operation if one or more of the hostages were in "a life-threatening situation." This is a change from his previous public and private position that he would consider a rescue only after a hostage had died. (C)

[redacted] Tokyo is worried that the "life-threatening" B1
phrase is open to broad interpretation, especially in view of reports of the poor health of some hostages and the MRTA's public refusal to release any more hostages on health grounds. In a report he knew would reach Washington, key presidential adviser Montesinos recently reflected Fujimori's changed rhetoric, saying a military option would be considered "if the hostages' lives are in jeopardy." [redacted] (S/USO) B1

Japanese cut out

Another disturbing sign is that the Peruvians have at least temporarily cut off contact with the Japanese on hostage-rescue planning, according to Embassy Tokyo. Lima may be retaliating for Tokyo's refusal to supply equipment the Japanese regarded as offensive in nature, but the move makes it easier for the Peruvians to plan a surprise raid. At least one Japanese security official involved in the crisis believes Fujimori now probably views peaceful and violent solutions to the standoff as "equally viable options." (S/USO)

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Hostages restless

[redacted] reports that as of February 17 there were once again B1 indications that some frustrated hostages were contemplating a surprise action, possibly an escape. The same day an ICRC representative told Embassy Lima that hostage morale was suffering because of the stalled government-MRTA talks. Though the renewal of talks on February 20 may engender optimism among the hostages, most probably still feel their release is not imminent. Some may be tempted to take action that would provoke the terrorists, who reportedly have their own health and morale problems after 60-plus days. (S/USO)

Risks of force

With Peruvian polls still showing 60-70% support for continuation of efforts to reach a negotiated settlement, Fujimori will think hard before risking an unprovoked rescue attempt. Fujimori's consideration of his equities with the Japanese, particularly their financial aid, also remains a deterrent to unilateral action. The military, as an institution, reportedly is not pressing Fujimori for an armed solution. (S/USO)

But Fujimori's wounded pride may be a wild card. He probably sees Cerpa's persistence as a personal attempt to add insult to injury. The MRTA taking of the Japanese ambassador's residence cost Fujimori much; to be saddled now with the dubious distinction of presiding over the longest terrorist hostage situation in Latin American history probably keeps Fujimori pondering his military option. (S)
(SECRET/USO)

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