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belt-tightening for empty promises and had become disenamored of his autocratic style. (C)

The hostage crisis turned the internal dynamic around. Fujimori, with the astoundingly successful rescue, has burnished his anti-terrorist credentials, boosted his public and international standing, and reportedly received pledges of continuing support from the Japanese. Had the attack gone badly, Fujimori would have had trouble justifying the order and would have probably lost further support from the public and from the Japanese. (C)

The satisfactory conclusion of the hostage crisis should end investor uncertainty; Japanese companies in Peru—many of whose executives were held hostage—have vowed to stay. Moreover, with the release of Foreign Minister Tudela, albeit wounded, Peru will be better able to continue border negotiations with Ecuador. (C)

(CONFIDENTIAL)

Peru: MRTA Vows Revenge (U)

Despite its rhetoric, the weakened MRTA will be hard pressed to conduct a significant terrorist attack in Peru. It probably will choose a target of opportunity that is not well-protected to prove that it remains a viable insurgent group. (C)

The MRTA plans to attack military and economic targets in response to the storming of the Japanese ambassador's residence in Lima, according to press reports. An MRTA spokesman, speaking from Hamburg, Germany, on April 22 claimed the MRTA was not defeated and that "this crime will not go unpunished." He blamed US imperialism and Japan for the attack, but another MRTA spokesman, speaking from Peru, said Japan would not be especially targeted in any reprisal attacks. Peruvian police said the MRTA had moved scores of armed members and explosives into Lima during the hostage crisis in preparation for attacks if the residence were assaulted. (U)

But Peruvian security personnel in Lima have a fairly good handle on the MRTA's activities in Lima: security will probably be heightened there, making it difficult to conduct attacks. With the loss during the raid of Nestor Cerpa, the most senior MRTA leader who was still at large, as well as several other experienced cadres, the MRTA's abilities are reduced even further. MRTA sympathizers in Europe may, however, stage minor attacks in sympathy with their fallen comrades. A more probable terrorist threat in Peru will come from the larger guerrilla group, Sendero Luminoso, which has been relatively quiet during the MRTA hostage situation and may have been making plans for a headline-grabbing blow of its own. (C)

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