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USCINGSO ALSO FOR POLAD JOHN YOULE

E.D. 12356: DECL: OADR
TAGS: PGOV, ECON, ELAB, PE
SUBJECT: POLITICAL WRAP-UP: FEBRUARY - APRIL, 1988

1. CONFIDENTIAL - ENTIRE TEXT

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3. OVERVIEW AND SUMMARY

CONSIDERING THAT THE ECONOMY IS IN DESPERATE
SHAPE, POLITICS IN THE THREE-MONTH PERIOD
JUST CONCLUDED HAS BEEN RELATIVELY QUIET.
DIRECTIONLESS AND LACKADAISICAL, THE GOVERN-

MENT APPEARED TO GREET THE CRISES IN HONDURAS/
NICARAGUA AND PANAMA AS WELCOMED DISTRACTIONS
FROM DOMESTIC DIFFICULTIES. IN FEBRUARY-MARCH,
APPARENTLY IN HOPES OF ASSOCIATING THE OPPOSITION
WITH ABOUT-TO-BE-ADOPTED (AND ULTIMATELY WATERED-
DOWN) AUSTERITY MEASURES, THE PRESIDENT LAUNCHED
A POLICY DIALOGUE ("CONCERTACION") WITH ALL
POLITICAL PARTIES AND GROUPS. MEETINGS WITH
OPPOSITION LEADERS PETERED OUT WITHOUT RESULT
ONCE THE ECONOMIC MEASURES WERE ANNOUNCED,
BUT THE PRESIDENT AND PRIME MINISTER LARGO COX
OCCASIONALLY STILL CALL FOR NATIONAL CONSENSUS.
THE FIRST TWO REGIONS TO BE CREATED UNDER
GARCIA'S PET, REGIONALIZATION PROJECT WERE
INAUGURATED WITH REVOLUTIONARY FANFARE IN
MARCH BUT OPPOSITION TO THE PROJECT FROM THE
OSTENSIBLE BENEFICIARIES WAS SLOWED PROGRESS
SINCE THEN.

A SERIES OF SENDERO LUMINOSO AMBUSHES OF ARMY
VEHICLES CAUGHT PUBLIC ATTENTION IN FEBRUARY
AND A NATIONWIDE WAVE OF INSURGENT VIOLENCE
THAT BEGAN THE FIRST WEEK OF APRIL CONTINUES.
ACTIVITY BY SL FRONT GROUPS IS INCREASING.
CABINET CHANGES HAVE BEEN RUMORED AND CALLED
FOR INSISTENTLY BY THE OPPOSITION PRESS AND
PARTIES, BUT THE PRESIDENT HAS HELD OFF.
A ONE-DAY NATIONAL STRIKE JANUARY 28 WAS IN
RETROSPECT A MINOR EVENT AND, ALTHOUGH LABOR
DIFFICULTIES CONTINUE, THEY HAVE NOT YET
BECOME THE FOCUS OF PUBLIC PREOCCUPATION THAT
THEY WERE LAST SEPTEMBER-NOVEMBER. THERE HAS
BEEN AN UNSEENLY DEGREE OF INFIGHTING AT
SEVERAL LEVELS IN APRA AND, TO A LESSER
EXTENT, IN THE UNITED LEFT. THE CENTER-RIGHT
DEMOCRATIC FRONT, FORMED IN JANUARY, WAS YET

TO SHOW MANY SIGNS OF LIFE. CANCELLATION
OF THE PRESIDENT'S TRIP TO EUROPE FIVE DAYS
BEFORE IT WAS TO BEGIN APRIL 11 DREW ATTENTION
TO TENSIONS WITH THE MILITARY. THIS PERIOD
ENDED WITH A FORMAL AND GENERALLY UNEDIFYING
INTERPELLATION OF THE LARGO COX CABINET.
END OVERVIEW AND SUMMARY.

POLITICAL PARTY DEVELOPMENTS

4. APRA INFIGHTING CONTINUES:
APRA HAS PRESENTED AN ALMOST PATHETIC SPECTACLE
OF PUBLIC RECRIMINATIONS AMONG OFFICIALS AT
SEVERAL LEVELS AND OF TALK OF CONTINUING PRIVATE
FEUDING AMONG TOP LEADERS. PARTY ELDER RAHRO
PRIALE, NOTED AS THE PARTY'S GREAT CONCILIATOR,
HAD NO SOONER BEEN BURIED THAN APRA SECRETARY
OF DISCIPLINE VITALIANO GALLARDO THREATENED
PRIALE'S SUCCESSOR, RUPERTO FIGUEROA, WITH
EXPULSION FOR PUBLICLY QUESTIONING THE TERMS
OF THE CANISEA GAS DEAL WITH SHELL. THE
SHELL DEAL ALSO WAS THE CAUSE OF APRA DEPUTY
AND CHIEF POLEMICIST JOSE BARBA CABALLERO
TAKING PUBLIC ISSUE WITH ENERGY AND MINES
MINISTER ABEL SALINAS, CLAIMING THAT SHELL WAS
ABOUT TO PULL OUT OF NEGOTIATIONS TO CONCLUDE
A FINAL AGREEMENT. THE PRESIDENT AND PARTY
RIVAL ALVA CASTRO HAVE AVOIDED FURTHER PUBLIC
MANIFESTATIONS OF THEIR FEUDING AND HAD A
PRIVATE MEETING APRIL 14 AT WHICH THEY
SUPPOSEDLY REACHED SOME SORT OF MODUS VIVENDI
(NOT YET FILTERED OUT); APRA (NGERS)

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DOUBT IT WILL LAST. AN INTRIGUING RUMOR THAT
CIRCULATED WIDELY HAD PRIME MINISTER LARGO COX,
TIRED OF BEING TAKEN FOR GRANTED BY THE PRESIDENT,
CONVINCING WITH ALVA CASTRO TO SCHEDULE A CABINET
APPEARANCE BEFORE THE CONGRESS APRIL 13, WHEN
THE PRESIDENT WAS ORIGINALLY SCHEDULED TO
SPEAK BEFORE THE EUROPEAN PARLIAMENT. WE CON-
TINUE TO HEAR TALK FROM RELATIVELY HIGH-LEVEL
APRA SOURCES THAT THE PRESIDENT IS STILL
SCHEMING TO STAY IN OFFICE; IN A VISIT TO
TRUJILLO APRIL 30, THE PRESIDENT WAS PRESENTED
WITH A DOCUMENT SIGNED BY LOCAL DEPARTMENTAL
PARTY LEADERS THAT CHARACTERIZED HIM AS APRA'S
"NATURAL CANDIDATE." THE APRA NATIONAL CONGRESS
IS NOW SET FOR AUGUST 2-5, IN LIMA.

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GROUPS ARE APPARENTLY STRAPPED FOR FUNDS,
AS ARE THE SMALLER PARTIES OF THE CENTER-RIGHT
(SODE, FREMATRACA, AND THE PARTIES OF FORMER
PRESIDENT MORALES BERMUDEZ AND INDEPENDENT
DEPUTY FRANCISCO DIEZ-CANSECO.) THE PRIVATE
SECTOR APPEARS TO BE CONDITIONING FUNDING ON
A GREATER DEGREE OF UNITY.

7. TERRORISM AND INSURGENCY:
DURING FEBRUARY AND MARCH SENDERO LUMINOSO
(SL) OPERATED AT RELATIVELY LOW LEVELS IN THE
COUNTRYSIDE. WITH THE EXCEPTION OF TWO
SIGNIFICANT AMBUSHES OF MILITARY AND POLICE
VEHICLES IN HUANUCO AND AYACUCHO, AND CONTINUED
SKIRMISHES IN THE UHV AND JUNGLE REGIONS OF
AYACUCHO, SL APPEARED TO BE PREPARING FOR
A NEW OFFENSIVE. THIS MATERIALIZED IN EARLY
APRIL, WHEN SL CARRIED OUT A WAVE OF BOMBINGS
AND ASSASSINATIONS. IMPORTANT FEATURES OF
THIS NEW OFFENSIVE INCLUDE HIGH-PROFILE
RURAL OPERATIONS CLOSER THAN BEFORE TO LIMA,
INCREASED ACTIVITY IN NON-TRADITIONAL AREAS
SUCH AS AREQUIPA (SOUTH) AND LAMBAYEQUE
(NORTH), AND MORE ATTEMPTS TO DISRUPT FREIGHT
SERVICE ON THE LIMA-LA OROYA-CERRO DE PASCO
RAILROAD. WITHIN LIMA SL ACTIVITY IS INCREAS-
INGLY OPEN. SL IS INFILTRATING CERTAIN LABOR
UNIONS AND SLUH GROUPS TRADITIONALLY DOMINATED
BY THE LEGAL LEFT, AND HAS CREATED ITS OWN
LABOR MOVEMENT, THE MOTG. SL PARTICIPATION
IN MARCHES AND THE HOLDING OF RALLIES BY ITS
FRONT GROUPS HAVE BECOME MORE FREQUENT IN
THE PAST THREE MONTHS. BY SO DOING SL IS
CHALLENGING THE GOP (WHICH APPEARS
UNABLE TO OPPOSE THESE LEGAL ACTIVITIES ON
BEHALF OF SL), THE LEFT AND THE MRTA, ALL OF
WHICH RECRUIT FROM THE SAME POPULATION.

GOVERNMENT POLICY

8. "CONCERTACION":

IN A SPEECH ON APRA'S ANNUAL BROTHERHOOD DAY
FEBRUARY 19, PRESIDENT GARCIA INVITED THE
OPPOSITION TO JOIN APRA IN A NEW, SUSTAINED
DIALOGUE ON A BROAD (AND GENERALLY FUTURISTIC)

NATIONAL POLICY AGENDA. ONE ASPECT OF THE
IDEA WAS POLICY CONTINUITY FROM ONE GOVERNMENT
TO ANOTHER; TO MAKE THE POINT, GARCIA INVITED
FORMER PRESIDENT BELAUNDE TO INAUGURATE A
PUBLIC WORKS PROJECT BEGUN UNDER THE BELAUNDE
GOVERNMENT. ENRAGED BY ATTACK ON HIS
GOVERNMENT'S ECONOMIC PERFORMANCE THAT GARCIA
HAD MADE IN THE SAME SPEECH, HOWEVER, BELAUNDE
REFUSED BOTH INVITATIONS. UNDAUNTED, GARCIA
RETURNED TO THE IDEA REPEATEDLY IN THE
FOLLOWING DAYS AND EVENTUALLY GOT VARY
ACCEPTANCE FROM THE PPC, THE LIBERTY MOVEMENT,
AND THE IU (THE IU THEN DROPPED OUT AFTER A
SINGLE MEETING). SODE, TWO OTHER MINOR
PARTIES AND EVEN A SINGLE, INDEPENDENT
SENATOR TOOK PART BEFORE THE EFFORT PETERED OUT
ALTOGETHER AND WITHOUT RESULT AT THE END OF
MARCH. EVEN AS SOME OF THEM PARTICIPATED,
OPPOSITION PARTIES GENERALLY DEBUNKED "CON-
CERTACION" AS A TRANSPARENT EFFORT TO
ASSOCIATE THEM WITH AUSTERITY MEASURES THE
WOULD BE FORCED TO TAKE IN

5. UNITED LEFT: DIVIDED, BUT LEADING IN THE POLLS,
THE IU REMAINS BESET BY PERSONAL AND IDEOLOGICAL
RIVALRIES. EX-IU PRESIDENT ALFONSO BARRANTES
LEADS MEDIA POLLS OF THE PROBABLE 1990 PRES-
IDENTIAL CANDIDATES; THEY SHOW HE WOULD DEFEAT
EITHER VARGAS LLOSA OR ALVA CASTRO IN A RUN-
OFF BY 15-20 POINT MARGINS. BARRANTES GAVE
THE GO-AHEAD IN FEBRUARY TO LAUNCH THE "SOCIALISTS
OF IU," WHICH INCLUDES MANY IU INDEPENDENTS.
SOME DID NOT JOIN, HOWEVER, INCLUDING BARRANTES'
FORMER VICE-MAYOR, HENRY PEASE. PEASE, WHO IS
ORGANIZING IU'S SEPTEMBER 1988 FIRST NATIONAL
CONGRESS, IS ACCUSED BY THE BARRANTISTAS OF
TRYING TO EMERGE AS A COMPROMISE CANDIDATE.
THE CONGRESS IS TO ESTABLISH AN INTERNAL IU
STRUCTURE THAT MORE ACCURATELY REFLECTS THE
STRENGTHS OF IU MEMBER PARTIES AND INDEPENDENTS.
A ONE-MEMBER/ONE-VOTE RULE HAS BEEN ADOPTED
FOR SELECTING THREE-QUARTERS OF THE DELEGATES.
THE BARRANTISTAS SAY THE NEW RULE HELPS THEM, BUT
IT IS UNCLEAR THAT THEY HAVE REGISTERED SUFFICIENT
MEMBERS TO SEAT A LARGE DELEGATION. THE PRO-
MOSCOW COMMUNIST PARTY AND THE RADICAL PUM
PROBABLY STAND TO BENEFIT MORE OWING TO THEIR
BETTER ORGANIZATION. RADICALS IN PUM, PATRIA

ROJA AND THE MRTA FRONT GROUPS ARE TOUTING
THE PEOPLE'S NATIONAL ASSEMBLY (ANP) AS AN
ALTERNATIVE TO THE IU.

6. DEMOCRATIC FRONT: FEW SIGNS OF LIFE YET.
THE DEMOCRATIC FRONT, FORMED IN JANUARY, IS
STILL GOING THROUGH AN ORGANIZATIONAL PHASE
OF DRAFTING A COMMON POLITICAL PLATFORM. SOME
THIRTY-THREE COMMISSIONS HAVE BEEN SET UP TO
DEVELOP POSITIONS; ONLY A FEW HAVE FINISHED
THEIR WORK. THE LIBERTY MOVEMENT HAS BEEN
FAIRLY ACTIVE, HOLDING ORGANIZATIONAL
MEETINGS IN AREQUIPA, CHINCHA, CANETE AND
OTHER PROVINCIAL CITIES. BUT ON A MARCH 17-19
VISIT TO AREQUIPA, THE AMBASSADOR FOUND THE
LIBERTY PEOPLE GENERALLY DISPIRITED. MOVEMENT
LEADER VARGAS LLOSA HAS BEEN ABROAD SINCE MID-
MARCH, PROMPTING CRITICISM FROM AP AND PPC
MEMBERS THAT HE REALLY DOES NOT WANT TO BE
PRESIDENT. WHEN VARGAS LLOSA HINTED
THAT HE DID, HOWEVER, MID-LEVEL AP AND PPC
TYPES WERE QUICK TO ROLLER FOUL. LIBERTY
MOVEMENT MEMBERS CLAIM THAT BELAUNDE'S POPULAR
ACTION PARTY IS DRAGGING ITS FEET AND THAT
BELAUNDE IS NOT TRULY ON BOARD WITH A COMMON
EFFORT; POPULAR ACTION MEMBERS TEND TO CONFIRM
THIS, SOME EXPLICITLY. THE PPC HAS HELD
SEVERAL RALLIES OUTSIDE OF LIMA. ALL THREE

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9. GARCIA DILUTES AUSTERITY MEASURES.
WHEN THE TIME TO ANNOUNCE THE
EASURES

ARRIVED, THE PRESIDENT APPEARED TO HAVE BEEN SURPRISED AT THE AMOUNT OF AUSTERITY RECOMMENDED BY HIS SENIOR ADVISERS. THEY, IN TURN, WERE INSUFFICIENTLY PREPARED TO DEFEND THEIR RECOMMENDATIONS AND GARCIA, FINDING THAT "CONCERTACION" WAS NOT WORKING SO AS TO SHARE THE RESPONSIBILITY, DECIDED TO CUT THE MEASURES BACK CONSIDERABLY. THE RESULTING PACKAGE WAS PERHAPS WORSE THAN NOTHING AT ALL. IT EARNED THE PRESIDENT SHARP CRITICISM FROM THE LEFT, RIGHT, AND THE MAN IN THE STREET; AND IT WILL FORCE THE GOVERNMENT INTO ADDITIONAL MEASURES WITH NO HOPE OF SUPPORT FROM THE OPPOSITION.

10. REGIONALIZATION:

THE 1979 CONSTITUTION SETS FORTH REGIONALIZATION AS NATIONAL POLICY AND A NATIONAL PRIORITY, SETTING A DEADLINE FOR COMPLETING THE PROCESS THAT EXPIRES AT MID-YEAR, 1988. THE BELAUNDE GOVERNMENT PASSED A MUNICIPALITIES LAW IN 1984, BUT THE GARCIA GOVERNMENT TOOK A DIFFERENT TACK, PASSING A BASIC REGIONALIZATION LAW IN 1987. THE FINAL STEP REQUIRES LEGISLATION ESTABLISHING EACH OF SOME FIFTEEN REGIONS, GENERALLY CONSISTING OF TWO OR MORE OF THE EXISTING DEPARTMENTS. IN FEBRUARY THE CONGRESS IN AN EXTRAORDINARY SESSION APPROVED BILLS TO COMBINE PIURA AND TUMBES INTO REGION I AND THREE AMAZONIAN DEPARTMENTS INTO REGION II. GARCIA INAUGURATED THE FIRST REGION WITH CONSIDERABLE FANFARE IN EARLY MARCH.

REGIONALIZATION IS DESIGNED TO REDRESS LIMA-CENTRIC DEVELOPMENT TO THE BENEFIT OF THE REST OF THE COUNTRY. BUT THE PROJECT HAS RUN INTO STRONG OPPOSITION FROM RESOURCE-POOR MUNICIPAL GOVERNMENTS THAT FEAR LOSING OUT TO THE NEW REGIONAL GOVERNMENTS. MUNICIPAL FEARS APPEAR WELL-FOUNDED. THE DEPARTMENTAL DEVELOPMENT CORPORATIONS (CORDES) ALREADY RECEIVE THE LION'S SHARE OF DEVELOPMENTAL RESOURCES AND THEY ARE TO BECOME THE PRIMARY INSTITUTIONAL VEHICLE FOR MAKING THE TRANSITION TO THE NEW GOVERNMENTS. VICE PRESIDENT SANCHEZ HAS PUBLICLY VOICED DOUBT ABOUT PROCEEDING WITH THE PROJECT TOO HASTILY AND APPARENTLY HAS WON AN INTERNAL BATTLE TO HAVE THE CONSTITUTIONAL DEADLINE EXTENDED, INSTEAD OF RAMRODDING THROUGH THE REMAINING BILLS.

11. FLAP OVER SHELL GAS CONTRACT:

THE GOP'S ANNOUNCEMENT MARCH 18 THAT IT HAD SIGNED A PRELIMINARY AGREEMENT WITH ROYAL DUTCH SHELL TO DEVELOP THE MAJOR GAS DEPOSIT AT CAMISEA IN CUZCO DEPARTMENT DREW POLITICAL FIRE FROM ALL QUARTERS (LIMA 4814). CRITICISM FROM THE LEFT WAS PREDICTABLE; TERMING IT THE GREATEST GIVEAWAY IN PERUVIAN HISTORY, THE LEFT HELP FOMENT LOCAL PROTESTS IN CUZCO AGAINST PLANS TO PIPE THE GAS TO LIMA. STRONG PROTESTS ALSO CAME FROM THE RIGHT, BUT WERE LESS CONVINCING AS THEY HAD A DISTINCT FLAVOR OF SOUR GRAPES. WORST OF

ALL, HOWEVER, WAS THE INFIGHTING AMONG APRISTAS THEMSELVES (ABOVE) WHICH ILLUSTRATED THE PARTY'S INABILITY TO TAKE CREDIT FULLY FOR ITS ONE CLEAR ECONOMIC SUCCESS IN RECENT MONTHS.

12. LABOR: GOP BENEFITTING FROM INTERNAL
DISPUTES IN MAJOR CONFEDERATIONS:

THE TEAR GAS HAD BARELY DISSIPATED FROM THE ONE-DAY GENERAL STRIKE JANUARY 28 WHEN MARXIST CGTP LEADERS BEGAN THREATENING A LONGER ONE. SPORADIC STRIKES HAVE CONTINUED SINCE THEN, BUT THEY HAVE NOT BEEN AS DRAHATIC AS THE SERIES OF PUBLIC SECTOR STRIKES LAST SEPTEMBER-NOVEMBER AND A GENERAL STRIKE, STILL BEING TALKED ABOUT IN LATE APRIL, HAS YET TO MATERIALIZE. THE MAIN REASON IS THAT ORGANIZED LABOR IS IN INTERNAL DISARRAY. THE GOP FINALLY MOVED AGAINST LONG-TIME CTP LEADER JULIO CRUZADO IN LATE APRIL, THE CTP ELECTING NEW LEADERSHIP (SEPTIEL IN PREPARATION). IT REMAINS TO BE SEEN WHETHER THE FRESH BLOOD CAN REVERSE THE CTP'S DECLINING FORTUNES. THE CGTP LEADERSHIP IS UNDER PRESSURE FROM WITHIN TO BECOME MORE MILITANT. IT IS FEELING THE PRESSURE FROM SENDERO LUHINOSO, WHICH APPEARS TO BE GAINING A FOOTHOLD IN THE LABOR MOVEMENT THROUGH THE MOTC MOVEMENT OF CLASS LABORERS AND WORKERS), A NEW ORGANIZATION THAT ATTRACTED NOTICE FOR ITS MILITANCY IN THE RUNUP TO THE JANUARY 28 GENERAL STRIKE. IT IS NOT CLEAR HOW LONG THE GOP CAN CONTINUE TO COUNT ON INTERNAL FIGHTING TO GIVE IT A RESPIRE. WHEN STRIKE ACTIVITY RESUMES IN FULL FORCE, IT IS LIKELY TO BE MORE MILITANT AND MORE VIOLENT THAN BEFORE.

13. OUTLOOK AND UPCOMING EVENTS:

THE NEXT SEVERAL MONTHS SHOULD BE POLITICALLY ACTIVE. THE POPE VISITS PERU MAY 14-16. MAY 17 MARKS THE EIGHTH ANNIVERSARY OF THE "ILA," THE INITIATION OF SENDERO LUHINOSO'S ARMED STRUGGLE. THE PUM, THE MOST RADICAL OF UNITED LEFT PARTIES, HOLDS A NATIONAL CONGRESS LATER IN MAY. JUNE 18, THE SECOND ANNIVERSARY OF THE PRISONS' UPRISING AND MASSACRE, IS ANOTHER OCCASION FOR PREDICTABLE GUERRILLA VIOLENCE. ACTIVITY IN THE CONGRESS SHOULD STEP UP AS WE NEAR THE END OF THE LEGISLATIVE YEAR MAY 30. CABINET CHANGES COULD COME AT ANY TIME BETWEEN NOW AND THE PRESIDENT'S ANNUAL SPEECH JULY 28. PREPARATORY ACTIVITY AND INFIGHTING WITHIN APRA SHOULD INCREASE IN THE RUNUP TO THE AUGUST 2-5 NATIONAL CONGRESS. CONTINUING INFLATION, DEVALUATIONS, AND SHORTAGES CAN BE EXPECTED TO STIMULATE MORE STRIKES AND LABOR MOBILIZATION.

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