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DOCUMENT ID: 33234067  
INQNO: DOC12D 00517646  
DOCNO: TEL 011462 89  
PRODUCER: LIMA  
SOURCE: STATE  
DOCTYPE: IN  
DOR: 19890804  
TOR: 201719  
DOCPREC: P  
ORIGDATE: 198908042332  
MHFNO: 89 3663736  
DOCCLASS: C

Dept. of State, RPS/IPS, Margaret P. Grafeld, Dir.  
 Release ( ) Excise ( ) Deny  Declassify  
Date 10/17/02 Exemption \_\_\_\_\_

HEADER

PP RUEAIIB  
ZNY CCCCC ZOC STATE ZZH  
TOU8180  
PP RUEHC  
DE RUEHPE #1462/01 2162332  
ZNY CCCCC ZZH  
P 042332Z AUG 89  
FM AMEMBASSY LIMA  
TO RUEHC/SECSTATE WASHDC PRIORITY 0713  
INFO RUEHBO/AMEMBASSY BOGOTA 3109  
RUEHCV/AMEMBASSY CARACAS 8631  
RUEHLP/AMEMBASSY LA PAZ 5545  
RUEHQT/AMEMBASSY QUITO 3256  
RUEHBR/AMEMBASSY BRASILIA 5332  
RUEHBU/AMEMBASSY BUENOS AIRES 7404  
RUEHSG/AMEMBASSY SANTIAGO 0278  
RUEHSJ/AMEMBASSY SAN JOSE 1599  
RUWMEGA/USAFSO HOWARD AFB PM  
RHLBAAA/USCINCSO QUARRY HTS PM  
RUEKJCS/DIA WASHDC  
BT

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SAN JOSE FOR JOHN HAMILTON

USCINCSO ALSO FOR POLAD JOHN YOULE

DIA FOR OA-5/OS-1D/DB-6D2/JSI-4B/DB-3C1

E.O. 12356: DECL: OADR

TEXT

TAGS: PGOV, PTER, PINR, ELAB, PREL, PE, NU  
SUBJECT: POLITICAL WRAP-UP: JULY 1-31, 1989

1. CONFIDENTIAL - ENTIRE TEXT.

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OVERVIEW  
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3. JULY CULMINATED ON THE 28TH WITH PRESIDENT GARCIA'S INDEPENDENCE DAY ADDRESS THAT MARKED THE BEGINNING OF THE APRA GOVERNMENT'S LAST YEAR IN OFFICE. THE MODERATE SPEECH ENDED SPECULATION THAT GARCIA MIGHT DROP A FINAL BOMBSHELL. THE PRESIDENT CONVOKED THE NEXT NATIONAL ELECTION FOR APRIL 8, 1990 AND ELECTIONS IN FOUR REGIONS TO BE HELD CONCURRENTLY WITH THE NOVEMBER 12 MUNICIPAL ELECTION. CABINET MEMBERS -- AS WELL AS GARCIA HIMSELF -- REPEATEDLY STATED THE ADMINISTRATION'S COMMITMENT TO ENSURING THAT ELECTIONS TAKE PLACE DESPITE THE SECURITY THREATS. NATIONAL ELECTIONS BOARD (JNE) PRESIDENT ALEJANDRO BUSTAMANTE WAS PESSIMISTIC ABOUT THE PROSPECTS FOR THE ELECTORAL PROCESS COMING OFF WITHOUT A HITCH, SAYING HIS SUCCESSOR WILL FACE INADEQUATE FINANCIAL RESOURCES, INSUFFICIENT PREPARATION TIME, AND UNTESTED LEGAL PROCEDURES. THE CONGRESS' FOURTH EXTRAORDINARY SESSION FROM JULY 10-20 PASSED ADDITIONAL LEGISLATION PERTAINING TO REGIONALIZATION AND AWARDED GARCIA SPECIAL TAXATION POWERS FOR 90 DAYS. ON JULY 26, THE NEW CONGRESS ELECTED ITS LEADERSHIP FOR THE REGULAR 1989-90 SESSION.

4. THE IMPENDING ELECTIONS KEPT THE PACE OF POLITICAL DEVELOPMENTS HUMMING ALONG THROUGHOUT JULY. MARIO VARGAS LLOSA RETURNED TO THE PRESIDENTIAL RACE AND TO PERU AFTER TRAVELLING IN EUROPE, AND HIS LIBERTY MOVEMENT ORGANIZED A NATIONWIDE DRIVE TO REGISTER OFFICIALLY AS AN INDEPENDENT ORGANIZATION, NOT AS A POLITICAL PARTY. FREDEMO ANNOUNCED THE FORMATION OF A NATIONAL EXECUTIVE COMMITTEE TO HELP COORDINATION AND PLANNING. LITTLE WAS HEARD OF APRA PRESIDENTIAL CANDIDATE LUIS ALVA CASTRO, EXCEPT THAT HE CONTINUES TO LAG BEHIND IN PUBLIC OPINION POLLS. ALFONSO BARRANTES, STILL THE RELUCTANT CANDIDATE, ANNOUNCED THAT HE MAY RUN FOR PRESIDENT (BUT AS AN INDEPENDENT). THE IU, ACCION POPULAR (AP), AND APRA HELD PRIMARIES ON JULY 9.

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5. NEWS OF TERRORISM AND STRIKES WAS NEVER FAR FROM THE HEADLINES, EITHER. THERE WAS THE ATTACK ON A BUSLOAD OF SOVIET FISHERMEN JULY 5, SL'S 24-HOUR ARMED STRIKE IN LIMA JULY 20, AND THE LONGER AND MORE FREQUENT BLACKOUTS IN MUCH OF LIMA AS A RESULT OF STEPPED-UP SENDERO ATTACKS ON PERU'S ELECTRICAL SYSTEM. NEVERTHELESS, A NEW STRATEGY OF JOINT POLICE/MILITARY OPERATIONS CONTINUED TO PRODUCE SOME [REDACTED] SECTION 02 OF 05 LIMA 11462

SAN JOSE.FOR JOHN HAMILTON

USCINCSO ALSO FOR POLAD JOHN YOULE

DIA FOR OA-5/OS-1D/DB-6D2/JSI-4B/DB-3C1

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SUCCESSFUL HITS AGAINST SUBVERSIVES. LIMA WAS ALSO JOLTED BY STRIKES BY GARBAGE COLLECTORS, MUNICIPAL EMPLOYEES, CEMETERY AND CIVIL CONSTRUCTION WORKERS, PERSONNEL OF THE BANCO DE LA NACION AND THE MINISTRIES OF FOREIGN RELATIONS, JUSTICE, AND HEALTH.

GARCIA STILL ON THE STUMP  
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6. LOOKING LIKE A CANDIDATE, PRESIDENT GARCIA CONTINUED SEIZING OPPORTUNITIES TO GIVE LAND TITLES (ABOUT 4,000) TO "CAMPESEINOS" AND TO INAUGURATE PUBLIC WORKS PROJECTS. AT EVERY STOP, GARCIA BLASTED PERU'S ELITES -- ESPECIALLY THOSE LINKED TO THE FINANCIAL NETWORK -- FOR STARTING AN IDEOLOGICAL WAR TO DESTROY THE APRA GOVERNMENT ECONOMICALLY. HE ALSO SIGNED A DECREE GUARANTEEING INTEREST ON AGRICULTURAL LOANS WILL REMAIN AT EARLY 1989 LEVELS FOR AN UNSPECIFIED LENGTH OF TIME.

7. WHILE IN ARGENTINA TO ATTEND MENEM'S SWEARING-IN ON JULY 8 AND AT THE OPENING OF THE ANDEAN PARLIAMENT IN LIMA ON JULY 13, A STILL DEFIANT GARCIA LASHED OUT AT THE IMF AND REITERATED HIS GOVERNMENT'S INTENTION TO CONTINUE LIMITING DEBT PAYMENTS TO TEN PERCENT OF EXPORTS. ALSO DURING THE ARGENTINA VISIT GARCIA REVIVED THE PRICKLY ISSUE OF GOP DIALOGUE WITH PERU'S TERRORIST GROUPS. IN CONTRAST TO CONTROVERSIAL STATEMENTS MADE DURING A LATE MAY VISIT TO COLOMBIA, GARCIA THIS TIME RULED OUT TALKS WITH THE SL.

CLEANING UP PERU'S BAD IMAGE  
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8. FOLLOWING JUNE'S EXCHANGE OF VERBAL FIRE BETWEEN PRIME MINISTER LUIS ALBERTO SANCHEZ (LAS) AND FOREIGN MINISTER LARCO COX OVER INADEQUATE EFFORTS BY PERUVIAN DIPLOMATS TO COUNTER PERU'S POOR REPUTATION AROUND THE WORLD, A COMMITTEE CALLED "PERU'S IMAGE ABROAD" WAS INSTALLED ON 17 JULY. MINISTER OF INDUSTRY AND TOURISM CARLOS RAFFO DASSO, THE HEAD OF THE COMMITTEE, ADMITTED THE GROUP FACES A DIFFICULT TASK. ALTHOUGH THE LAS-LARCO COX SPATE WAS WIDELY COVERED, THE COMMITTEE'S FORMATION WAS BARELY MENTIONED OUTSIDE THE GOP'S OFFICIAL PAPER.

FOREIGN AID SCANDAL  
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9. A SCANDAL INVOLVING THE SALE OF POWDERED MILK DONATED BY THE EUROPEAN COMMUNITY DOMINATED THE HEADLINES FOR SEVERAL DAYS. FIVE TONS OF THE MILK INTENDED FOR MUNICIPAL LIMA'S "VASO DE LECHE" (GLASS OF MILK) PROGRAM WERE FOUND IN THE WAREHOUSE OF A LARGE ICE CREAM AND CHOCOLATE MANUFACTURER ON JULY 11. OVERNIGHT THE SCANDAL WIDENED, IMPLICATING ANOTHER SIX FIRMS, A GOVERNMENT AGENCY, LIMA COUNCILMAN (IU) AND VASO DE LECHE PRESIDENT CONSTANTE TRAVERSO, AND POSSIBLY ANOTHER TEN TONS OF MILK. NO US-DONATED FOOD WAS INVOLVED.

A DARK INDEPENDENCE DAY  
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10. JULY HAS BEEN ONE OF THIS YEAR'S DARKEST MONTHS, AND NOT JUST BECAUSE OF THE USUAL, PERSISTENT GRAYNESS WHICH IS ENDEMIC TO LIMA WINTERS. IN THE DAYS PRIOR TO THE JULY 28 INDEPENDENCE DAY CELEBRATIONS, SENDERO LUMINOSO TERRORISTS BOMBED HIGH TENSION TOWERS IN THE MOUNTAINS SURROUNDING LIMA,  
C O N F I D E N T I A L SECTION 03 OF 05 LIMA 11462

SAN JOSE FOR JOHN HAMILTON

USCINCSO ALSO FOR POLAD JOHN YOULE

DIA FOR OA-5/OS-1D/DB-6D2/JSI-4B/DB-3C1

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DESTROYING TRUNK LINES INTO THE CAPITAL. SOME DEPARTMENTS WERE WITHOUT POWER FOR DAYS AND THE ALREADY FREQUENT POWER RATIONING IN LIMA INTENSIFIED. NONETHELESS, THE PRESIDENT'S JULY 28 SPEECH WAS HEARD BY NEARLY ALL BECAUSE ELECTROLIMA FIRED UP OIL-POWERED GENERATORS TO KEEP THE CITY IN LIGHTS. SENDERO'S CAMPAIGN OF DESTRUCTION RESUMED ON

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JULY 31. A GOP OFFICIAL ESTIMATED THAT SL USED 200 POUNDS OF DYNAMITE PER TOWER TO ACHIEVE THE DAMAGE LEVEL OBSERVED BY ENGINEERS AS THEY BEGAN THE REPAIR WORK. MULTIPLIED BY THE ESTIMATED 30 TOWERS DESTROYED DURING THE LAST TWO WEEKS OF JULY, THE TERRORISTS MAY HAVE USED A TOTAL OF 3 TONS OF EXPLOSIVES.

THE LEFT TRIES TO GET ORGANIZED  
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11. BARRANTES APPEARS TO HAVE FINALLY GOTTEN SERIOUS ABOUT SEEKING THE PRESIDENCY. HIS "INDEPENDENT SOCIALISTS" HAVE ALREADY REGISTERED 250,000 SIGNATURES IN SUPPORT OF THIS CANDIDACY, BUT BARRANTES IS SUDDENLY HAVING PROBLEMS REPAIRING THE DAMAGE OF SEVEN MONTHS OF INFIGHTING AND NAME CALLING AMONG THE WARRING IU FACTIONS.

12. BARRANTES CONVOKED A SERIES OF MEETINGS WITH UNITED LEFT LEADERS WILLING TO TALK TO HIM. THE MEETINGS ENDED WITH SMILES FOR THE PRESS AND UNANIMITY ON ONE POINT, THAT BARRANTES SHOULD BE THE IU'S CANDIDATE. BUT THE COMMUNIST PARTY, THE INDEPENDENT CHRISTIANS, AND THE RENEGADE MARIATEGUISTAS HAVE NOT BEEN ABLE TO WORK OUT WITH BARRANTES A FORMULA TO GET HIM NOMINATED BY THE IU. THE FACT THAT THREE OF THE SIX GROUPS NOW ON THE IU BOARD OF DIRECTORS HAVE NOT BEEN A PART OF THE BARRANTES LOVE-FEST HAS COMPLICATED THE PROCESS. BARRANTES SCHEDULED A FINAL NEGOTIATING SESSION WITH HIS TENTATIVE ALLIES AUGUST 1. BARRANTES ARRIVED THREE HOURS LATE AND LED WHAT WAS DESCRIBED TO US BY BARRANTES INSIDERS AS "AN ESPECIALLY UNFRUITFUL MEETING." JORGE DEL PRADO, ROLANDO AMES, AND GUSTAVO MOHME ISSUED A TERSE STATEMENT AFTER THE MEETING REPEATING THEIR SUPPORT FOR BARRANTES BUT ONLY IF HE FINDS A WAY TO WIN THE GRACES OF THE IU NATIONAL BOARD.

LIMA'S SEARCH FOR A MAYOR  
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13. WITH MUNICIPAL ELECTIONS JUST OVER THREE MONTHS AWAY, LIMENOS STILL DO NOT KNOW WHICH CANDIDATES WILL RUN IN THE RACE FOR MAYOR OF THEIR CITY. SO FAR, THE ONLY DEFINITE CONTENDER IS THE IU'S HENRY PEASE, AN INDEPENDENT CHRISTIAN LEFTIST. PEASE GOT A RUNNING MATE ON JULY 31, AFTER VILLA EL SALVADOR MAYOR MICHEL (AKA MIGUEL) AZCUETA ANNOUNCED THAT HE WOULD RUN WITH THE MAN WHO DEFEATED HIM IN THE IU PRIMARY JUNE 11. THE PEASE-AZCUETA TICKET APPEARS TO BE THE PAIR TO BEAT. PEASE WAS ALFONSO BARRANTES' DEPUTY MAYOR IN THE EARLY 80'S. SOME SAY HE WAS THE REAL BRAINS IN THE MUNICIPALITY. AZCUETA IS A VERY POPULAR MAYOR OF

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A ONE TIME SLUM THAT IS RAPIDLY DEVELOPING INTO AN ESTABLISHED COMMUNITY OF 30,000 PERSONS. EVERYONE IN THE IU (INCLUDING PEASE) ADMITS THAT AZCUETA IS THE MORE POPULAR OF THE TWO AND WOULD HAVE WON IF THE MODERATE LEFT HAD NOT BOYCOTTED THE MAYORAL PRIMARIES. 14. WHO WILL REPRESENT APRA AND FREDEMO REMAINS UP IN THE AIR. CURRENT APRA MAYOR JORGE DEL CASTILLO ANNOUNCED ON JULY 23 THAT HE WILL NOT SEEK REELECTION BUT INSTEAD INTENDS TO RUN FOR A CHAMBER OF DEPUTIES' SECTION 04 OF 05 LIMA 11462

SAN JOSE FOR JOHN HAMILTON

USCINCSO ALSO FOR POLAD JOHN YOULE

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SEAT. THE PRESIDENT OF APRA'S ELECTORAL COMMISSION AND NEWLY-ELECTED CHAMBER PRESIDENT FERNANDO LEON DE VIVERO CHASTISED DEL CASTILLO PUBLICLY, SAYING THE MAYOR, "LIKE A GOOD APRISTA, SHOULD ACQUIESCE" TO THE PARTY'S WILL. DEL CASTILLO, HOWEVER, IS STANDING FIRM. WITHIN FREDEMO, MANY, INCLUDING AP PRESIDENT FERNANDO BELAUNDE TERRY AND VARGAS LLOSA, ARE LAMENTING ORREGO'S ABSENCE FROM THE RACE. (BY A LATE JUNE AP-PPC AGREEMENT, FREDEMO'S CANDIDATE FOR MAYOR OF LIMA WILL BE FROM THE AP. THE AP PRIMARY ON JULY 9 SELECTED RAUL DIEZ CANSECO, A LITTLE KNOWN PARTY FIGURE.) ORREGO, WHO IS TRAVELLING IN EUROPE, AND AP HAVE UNTIL AUGUST 14 TO ANNOUNCE A DECISION. BUSINESSMAN AND FORMER BOXING PROMOTER RICHARD BELMONT CASSINELLI, WHO RECENTLY KICKED OFF HIS MOVEMENT "OBRAS" IN A SHOWY TV EVENT, HAS LET IT BE KNOWN HE IS WILLING TO RUN FOR MAYOR UNDER ALMOST ANY BANNER, INCLUDING FREDEMO'S. (AP DEPUTY PEDRO VILLA DURAND SAID NO THANKS TO THE OFFER.)

CENTROMIN DECLARED IN STATE OF EMERGENCY

15. ON JULY 14, SENDERO LUMINOSO TERRORISTS DESTROYED KEY, SOPHISTICATED EQUIPMENT AT CENTROMIN'S MOROCOCHA MINE. TWO DAYS LATER, THEY BLEW UP AN ELECTRICAL TOWER THAT SUPPLIED ELECTRICITY TO LA OROYA, ANOTHER CENTROMIN INSTALLATION. ON JULY 21, THE GOP-OWNED ENTERPRISE WAS DECLARED IN A STATE OF EMERGENCY FOR THE REMAINDER OF THE YEAR. THE GOVERNMENT TOOK ACTION AFTER REPEATED TERRORIST ATTACKS AND PROTRACTED STRIKES IN 1988 "SEVERELY DETERIORATED THE ENTERPRISE'S PRODUCTIVE CAPACITY." UNDER THE MEASURE, CENTROMIN WILL BE ABLE TO PURCHASE

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THE NECESSARY EQUIPMENT TO RESTORE PRODUCTION WITHOUT HAVING TO GO THROUGH THE USUALLY LENGTHY BIDDING PROCESS.

WHAT IF YOU HELD A REVOLUTION (CELEBRATION) AND NOBODY CAME?  
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16. THE TENTH ANNIVERSARY OF THE JULY 19 SANDINISTA REVOLUTION CAME AND WENT IN LIMA WITH BARELY A RIPPLE. THE NICARAGUAN EMBASSY SET THE TONE FOR LOCAL OBSERVANCES WHEN IT ANNOUNCED THAT IT WOULD NOT HOLD A DIPLOMATIC RECEPTION "FOR REASONS OF EXTREME AUSTERITY." THE PERUVIAN-NICARAGUAN FRIENDSHIP HOUSE SPONSORED A SPARSELY-ATTENDED ALL-DAY "GRAND FESTIVAL OF SOLIDARITY WITH NICARAGUA" IN ONE OF LIMA'S MAIN DOWNTOWN PARKS, SATURDAY, JULY 22. AT PEAK SOME 200 WANDERED AMONG THE STALLS OF SANDINISTA-SUPPLIED PHOTOS, POETRY AND STATISTICS. THE EVENT FAILED TO RECAPTURE THE ENTHUSIASM OF THE EARLY YEARS OF THE GARCIA ADMINISTRATION FOR THE NICARAGUAN REVOLUTION.

17. JULY ALSO WITNESSED THE ARRIVAL OF A NEW NICARAGUAN AMBASSADOR TO PERU, WITH OCTAVIO CALDERA REPLACING OUTGOING MAURICIO CUADRA SHULTZ. ACCORDING TO PRESS ACCOUNTS, CALDERA PREVIOUSLY "WAS ELECTED A DEPUTY BY THE FSLN AND PLAYED A MAJOR ROLE IN THE ESQUIPULAS NEGOTIATIONS AS ADVISER TO VICE FOREIGN MINISTER VICTOR HUGO TINOCO."

ARMY "DESAPARECIDOS"  
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18. WHEN THE MRTA KIDNAPPED CORDE-SAN MARTIN PRESIDENT DEMETRIO TAFUR IN JULY, IT ANNOUNCED THAT HE WOULD BE RELEASED ONLY IF THE MILITARY EXPLAINED  
[REDACTED] SECTION 05 OF 05 LIMA 11462

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THE WHEREABOUTS OF SEVERAL MRTA ACTIVISTS WHO HAD BEEN CAPTURED BY THE MILITARY. NORTHEASTERN SECTOR MILITARY COMMANDER ALBERTO ARCINIEGA RESPONDED THAT THE MRTA HAD SOME ACCOUNTING OF ITS OWN TO DO: THE 52 SOLDIERS DISAPPEARED AT THE HANDS OF THE MRTA.

19. ARCINIEGA'S DISAPPEARED ARE ACTUALLY SOLDIERS

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BELIEVED TO HAVE DESERTED FROM UHV DETACHMENTS OVER THE PAST SEVERAL YEARS. MILITARY AND POLICE SOURCES IN THE VALLEY HAVE DESCRIBED TO US INCIDENTS IN WHICH ENTIRE PLATOONS HAVE WALKED AWAY FROM THEIR BARRACKS, WITH THEIR WEAPONS, APPARENTLY TO JOIN THE SL OR MRTA. SOME OF THOSE SOLDIERS OR POLICE HAVE REAPPEARED AS VICTIMS IN LATER CLASHES WITH SECURITY FORCES. FOR THE RECORD, TAFUR WAS RELEASED UNHARMED JULY 28, FOLLOWING CATHOLIC CHURCH INTERVENTION WITH THE TERRORISTS. THE ISSUE OF THE "DISAPPEARED" TERRORISTS AND SOLDIERS REMAINS UNRESOLVED.

OUTLOOK AND COMING EVENTS  
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20. THE PACE OF PREPARATIONS FOR THE MUNICIPAL AND REGIONAL ELECTIONS WILL QUICKEN WITH COMPROMISES AND ALLIANCES WITHIN THE POLITICAL GROUPINGS BECOMING INCREASINGLY LIKELY AS THE WAY AROUND SOME OF THE CURRENT STICKING POINTS. THE MONTH OF AUGUST SHOULD ALSO BRING EDUARDO ORREGO BACK IN THE COUNTRY. HE WILL BE UNDER THE GUN TO RESPOND TO THE CLAMOR TO REJOIN LIMA'S MAYOR RACE. IN THE FIRST DAYS OF AUGUST, APRA SHOULD NAME ITS FIRST AND SECOND VICE PRESIDENTIAL CHOICES AND PUBLISH ITS LIST OF CONGRESSIONAL CANDIDATES. APRISTAS WILL ALSO GATHER AROUND PARTY FOUNDER HAYA DE LA TORRE'S TOMB AUGUST 5 TO COMMEMORATE THE 10TH ANNIVERSARY OF HIS DEATH.

21. THE LAST DAY FOR THE INSCRIPTION OF MUNICIPAL CANDIDATES IS AUGUST 14. FEW SURPRISES ARE EXPECTED. A POTENTIALLY CRIPPLING MINERS' STRIKE IS TENTATIVELY SCHEDULED TO BEGIN THAT SAME DAY. THEY WILL BE PROTESTING THE ASSASSINATION OF MINER LEADER SAUL CANTORAL AND THE THUS FAR INDUSTRY-IGNORED REQUEST FOR AN INDUSTRY-WIDE COLLECTIVE BARGAINING AGREEMENT.

THE SADDEST EVENT WILL BE, HOWEVER, AMBASSADOR WATSON'S DEPARTURE FROM POST.  
WATSON

ADMIN  
END OF MESSAGE

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