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MEMORANDUM

TO: Policy Coordinating Committee of Latin America
Participants

FROM: Bernard Aronson, Chairman, PCC on Latin America

SUBJECT: PCC Meeting on Peru

A meeting of the Policy Coordinating Committee on Latin America was convened April 10 to review our policy on Peru in light of President Fujimori's extra-constitutional maneuvers of April 6. On April 7, the United States suspended all new assistance to the Government of Peru and embarked upon a comprehensive review of all assistance to Peru. The United States has urged Fujimori to immediately release all of those detained, permit full freedom of the press, and start a dialogue immediately with the political opposition as a prelude to reestablishment of full constitutional democracy.

Given the situation, the PCC sought to decide which USG projects/activities with Peru should continue and which should be curtailed. The PCC reached decisions on a number of AID and trade and investment-related matters, but largely referred decisions on military/narcotics matters to a working group to be composed of representatives from NSC, DOD, State/INM, State/ARA, and PM.

The following decisions were made by the PCC:

(1) Development and Humanitarian Assistance

Humanitarian efforts will be continued at current levels and possibly expanded in view of ongoing floods and drought. A hold will be put on new government to government activities which are not humanitarian in nature. Investments in development institutions outside of the government which will be valuable partners when conditions change will be protected. Certain NGO's whose work has positive foreign policy implications (CEDRO, ILD), will continue to receive assistance at current levels. The PCC made the following project-specific decisions:

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-- Development of a national registry of military and police detainees will be put on hold at least until a new attorney general is appointed. ILANUD advisors presently in Peru will remain in place.

-- AID will continue to explore innovative ways to assist with human rights and justice outside of the government during the period.

-- AID will proceed with its "accelerated impact" development activities which were planned to start immediately under the current Upper Huallaga Valley Development Project, as with the current operational plan of PEAH, the implementing entity for alternative development in the Valley. Current pipeline under the project is about \$1.1 million in previously committed NSD18 dollar funds and \$3.7 million in currently available Title III local currency.

-- Disbursements of FY 92 ESF will be suspended except for \$1.3 million of FY 92 projectized ESF and design activities. The Selva Economic Revitalization Project design will be carried out by private contractors and AID personnel. Portions of the \$1.3 million also will be used to pay for human rights efforts (\$300,000), design of a modified justice project (\$100,000), and support for the counter narcotics monitoring and information system (\$500,000). In addition, \$2 million of FY 92 project ESF will go to the NGO CEDRO for drug awareness programs.

-- AID agreed to examine ways in which PL-480 Title III government-to-government assistance could be re-channeled to private voluntary organizations that would in turn use the currency generated for humanitarian purposes.

(2) Trade and Investment Issues

-- OPIC Agreement: We will not sign the OPIC agreement. OPIC will bring to the attention of State any potential investment that would be irrevocably lost for lack of timely coverage. As there is a pipeline of \$900 million in requests for Peru, OPIC will continue discussions with potential investors. All applications will be subject to a case by case review, and OPIC will not insure any projects in Peru without first consulting with State.

-- ATPA: Benefits under the ATPA will not be granted to Peru for the time being. Peru's application for ATPA benefits will be put on hold, either at USTR or the NSC. The ATPA applications for Bolivia, Colombia and Ecuador will be reviewed at the same time.

-- GSP for Copper Wire: Numerous agencies, including NSC and State, supported the idea of putting a hold Peru's petition for according GSP treatment for copper wire imports. These agencies emphasized that any decision otherwise would risk sending the wrong signal to the GOP and the public. USTR agreed to bring these concerns to the attention of USTR Carla Hills.

-- Bilateral Investment Treaty: Further negotiations will be reviewed at a later date.

-- Bilateral Taxation Treaty: We will not initiate talks on a double taxation treaty with the GOP.

-- Bilateral Civair Agreement: The USG will seek another extension of the agreement as the current extension expires in June. USG will also seek to conclude a new, liberalized agreement.

(3) IFI and Financial Issues

-- IMF Board Meeting: The PCC decided that the USG would try to get the IMF to postpone the Board meeting on Peru set for April 27. If postponed, the next available date for Board consideration would be May 6.

(4) Military Assistance and Activities

-- Razor Vision: The PCC decided to discontinue the Razor Vision program, which provides military-type counter-narcotics training for the Peruvian National Police at Mazamari base. DoD will recall the trainers from Mazamari in an orderly fashion.

-- IMET and Training Purchased with National Funds: The twelve Peruvian students presently in the United States on IMET programs will be allowed to remain to finish their courses. All other courses for Peruvian students will be re-scheduled for a later date. No new travel orders for IMET training will be approved.

-- 506(a)2 Drawdown Authority and Excess DoD Articles (EDA): Both will be put on hold. A subgroup on military and narcotics assistance (see below) will examine ways some of the 506 and EDA can be used for counternarcotics purposes.

-- Human rights training: Southcom will continue to draw up course outlines and plans for JAG to JAG training, but all exchanges and other travel/activities are on hold.

-- Foreign Military Sales with national funds and commercial requests: To be reviewed on a case-by-case basis.

-- FMF: Disbursement of FMF to remain on hold.

The PCC agreed to defer a decision on counter-narcotics programs, including how to handle the radars deployed at Andoas and Iquitos. The radars will continue in place until their scheduled pull-out date of May 1. It referred discussion of narcotics policy, along with several outstanding military-assistance issues, to a working group with participants from NSC, DOD, State/INM, State/ARA and PM. The issues the working group will examine include, but are not be limited to, FY-92 FMF, commercial and official requests for export licences, radar deployment, deployments for training, subject matter expert exchanges (SMEEs), military exercises, military visits, personnel exchanges, San Antonio summit followup, anti-terrorism assistance, and counter-narcotics programs, including routine rotations of Snowcap personnel.

-- FY 92 FMF: FY 92 FMF is subject a rescission bill. If Peru is named in the law, FY 92 would be lost and would go for deficit reduction. Reprogramming FY 92 FMF would allow it to remain available until the end of FY 92. Two options are to reprogram the monies into the Andean Narcotics Account or to other Andean countries. NSC asked that the possibility of reprogramming be looked at in principle.

(5) Addenda to the Minutes: April 13 Working Group Meeting

-- Paris Club: It was decided that in our letter to the Paris Club Secretariat agreeing to Peru's request for an extension of the agreed minute, we would include language indicating our deep concern about recent developments in Peru. The PCC did not take any position on signature of the US-GOP Paris Club bilateral.

-- FMS Cases: Lethal and non-lethal FMS cases were held, with an option to review at any time. As all lethal equipment is easily and continuously available, DSAA has determined that it is feasible to return already selected equipment to stock and restart requisition process at any time decided. This requires no storage costs.

-- New contracts: Same as above.

-- Counterdrug FMF Cases (Paid for by us for CN purposes) were all tied to A-37 supply. As it appears that without radar from Support Justice III or a replacement system, the A-37's will be ineffective, there was no immediate need to send this equipment. However, as A-37 equipment is very limited, and it could be reassigned to another country if returned to general stock, it was agreed that all 9 counterdrug cases would be selected, packed for shipment and stored separately in the DSAA warehouses. Storage costs, estimated very roughly at 100,000 dollars a month, would be deducted from unobligated FMF funds. The US will review the value of continued storage.

-- Counter-Narcotics Activities: DEA agreed to draft an options paper covering Operation Snowcap and other activities.