

Washington (DC) 20545

DIRECTORATE OF INTELLIGENCE

2 December 1983

PERU: PRESIDENT BELAUNDE'S PROSPECTS

Summary

A deteriorating economy, persistent insurgency, and massive electoral setbacks have badly eroded Peruvian President Belaunde's popular standing and political base.

[REDACTED]

The economic crisis, which has been well-chronicled by the US mission in Lima, is at the root of many of Belaunde's problems.

- Unparalleled climatic disasters this year have aggravated two years of stagnation by destroying infrastructure, causing food shortages, contributing to inflation, and curbing needed export earnings.
- Economic contraction and high inflation are sparking consumer protests and intensifying labor agitation.
- Strong public reaction to the IMF-mandated economic program is increasing pressure on Belaunde to scrap some

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[REDACTED]

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[REDACTED]

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austerity measures in favor of more populist economic policies. [REDACTED]

Although not a direct threat to the government, the ability of the Maoist Sendero Luminoso (SL) insurgent group to continue attacks, despite heavy losses inflicted by government security forces, has damaged Belaunde's popular standing and relations with the military, in our judgment.

- The President's decision in December 1982 to yield to the armed forces' desire to enter the fight against the 1,000 to 1,500 insurgents has led to heavy fighting in the southeastern highlands Emergency Zone and caused significant guerrilla, and probably civilian, casualties.
 - The police in Lima have scored substantial successes against urban SL cells, which have reduced terrorist capabilities there.
 - The SL's failure to disrupt the national municipal elections on 13 November (except for eight provinces of the highlands Emergency Zone) demonstrates its largely localized appeal.
 - To date, however, the military's efforts have not significantly damaged the insurgents' leadership structure, terrorist-capabilities, or popularity in their highlands stronghold. [REDACTED]
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