

CRIME

Kidnapings

Lima has become the kidnaping capital of the world. In the last four months of 1985 kidnapings became an absolute craze with Lima criminals, though one can trace the beginnings of the wave back to 1984 when wealthy banker Jose Antonio OBRUBIA was held captive for months, supposedly by Colombians. Perhaps as a result of the publicity, there was a gradual increase in kidnapings reported during 1985 -- four in May, seven in June and ten in July, but the real upsurge followed the late July inauguration of the new APRA government. The reasons for the end-of-the-year upsurge in kidnapings were twofold -- the government fired many corrupt police who resorted to kidnaping to make a living, and the extensive and sensational media reporting of kidnapings planted the idea in the minds of those members of the underworld who previously had been earning their living in other illegal pursuits. There were 22 known kidnapings in October, 26 in November, and probably as many in December. The monthly average seems to have leveled-off at 20 to 25, which means that there could be as many as 250 kidnapings in 1986. Although we estimated twice this number in Colombia, there is a difference. More than half of the Colombian kidnapings are outside of Bogota, while almost all of the Peruvian kidnapings occur in Lima. That is why Lima today can be termed the world's "kidnap capital".

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There are at least seven identified gangs of kidnapers with such names as "Los Relatos", and "Los Republicanos". In early December the head of the Republican Guard admitted that many policemen, both officers and lower ranks, also have been involved in kidnappings and extortions. Enough of them have been captured to prove this statement correct. In 1985 the government was forced to create a specialized anti-kidnap unit within the Peruvian Investigative Police (PIP) called the DIVESE. But perhaps symptomatic of Peru today is that within a few months a number of the DIVESE police were fired on suspicions that they too had turned to kidnaping. (The first head of DIVESE, Colonel Cesar ANCO, was transferred, and there are strong rumors that he too was involved.)

The targets of the kidnappings have been almost entirely Peruvian, and with the exception of the Bayer case, multinationals have not been effected. The principal targets are the affluent industrialists and businessmen who live in Lima's southern suburbs, along with their families. Students at the University of Lima in Surco from wealthy families have been especially hard-hit. A scattering of Jewish and Asian merchants have been victimized. In the vast majority of cases the victims have been specifically targeted and surveilled before being seized. There has been a smattering of random kidnappings, but these are believed the work of newcomers to the industry and not the professionals. Some of the more professional gangs are believed to have developed specialized units. One group does the spotting, another does the surveilling, a third makes the snatch, and a fourth provides the safe-house and guards the prisoners. One newspaper study showed that 63 percent of the kidnappings occurred when the victim was either entering his vehicle or traveling in it. Twenty-one percent of the victims were taken

from their place of work, and 16 percent from their homes. Thirty-eight percent of the kidnappings occurred between 0800 and 0900 hours, the next best grouping was the 21 percent which occurred between 2100 and 2200. The car cut-off is by far the most popular method of seizure, and in several known cases three vehicles have been used.

I will give a few examples of the more notorious cases, plus what I could find out about the Bayer kidnapping. This later case received almost no publicity. My news contacts were aware of it, but they said that the minister of interior squelched any mention of it.

- On 6 November at 1830 hours the Peruvian manager of the Bayer Chemical Plant, Mr. Fnu CORNEJO was driving home from his club with his Peruvian/German wife, their infant son, and the young daughter of the wife by a previous marriage. They were cut-off by two cars, and the armed men demanded that the wife and infant son get out and go with them. The young daughter requested that she be taken instead of the young son because the boy was ill, but one of the kidnapers demurred saying that she was not CORNEJO's true daughter. In the end, they took the wife, son, and daughter. The three were held captive for about two weeks, and a ransom of \$15 million was paid by German "negotiators" who apparently did not waste much time negotiating. The reason this case was so promptly squelched by the government probably was that this is the highest ransom paid to date, and they feared the publicity would result in higher demands for others. Most ransoms are \$100,000 or less, though there have been a few in the six-figure range.

• Another case which received exceptional publicity because the victim died was the 24 September kidnaping of Alejandro MUNCHER. MUNCHER had a set routine of playing handball in the morning at his club before going to his construction business, and it was while en route from club to office that he was cut-off front and rear by vehicles. MUNCHER was driving a powerful Mercedes, and when he realized what was happening he threw it into reverse pushing the lighter car behind him back several hundred yards. When he then attempted to disengage he discovered that the bumpers were locked. One of the kidnapers thrust a submachine gun in the window at MUNCHER, who grabbed the barrel and pulled causing a shot to be released. The bullet penetrated his leg, cutting a vein or artery. The kidnapers took him to their safe-house and attempted to stop the bleeding, but within two hours MUNCHER was dead. They buried the body on a beach south of Lima, and attempted to negotiate a ransom, dropping quickly from a multi-million dollar demand to \$300,000. Control Risks is said to have handled the case, and eventually advised the family not to pay anything, because the kidnapers were unable to prove that they had MUNCHER alive. His body subsequently was found.

• Another sensational case concerned the 26 November kidnaping of Alberto CARRION, a former Popular Action (AP) senator and well-known plastic surgeon. The captors demanded \$200,000, and CARRION was released after just four days captivity, presumably upon payment of the ransom. The CARRION kidnaping caused an especially strong stir in the congress, which reacted by drawing up a much stiffer anti-

kidnaping bill making 15 year sentences mandatory, and by demanding police protection for the several hundred legislatures. This, however, is beyond police capabilities.

- One of the few police successes followed the 15 October kidnaping of Spanish businessman Juan OSTAICDECHEA. Police were tipped-off by residents of the slum area called Villa El Salvador where OSTAICDECHEA was being held, that people in expensive cars had been driving up late at night to the hut. A dawn raid rescued OSTAICDECHEA and five kidnapers were captured. The kidnapers were asking a \$1 million ransom.

- The SCAVINO kidnaping received world-wide attention. Seventeen-year-old Herbert SCAVINO was kidnaped the evening of 23 October, and held 75 days before he was released. The original demand for \$5 million was negotiated down during this time to a preliminary payment of \$100,000 and a second payment of \$150,000. During the negotiations a portion of one ear supposedly was cut off by the kidnapers and mailed to the family along with a tape recording of SCAVINO pleading. Weeks later a supposed portion of his other ear was cut off as well. At one point, photographs of SCAVINO bleeding from these wounds was mailed to the parents and to local media. When SCAVINO was released, however, it turned out that no portion of his ears had been amputated, but rather they had been cut so as to bleed profusely for the photographs.

SCAVINO was well-known locally as a motorcycle racer, and when it became apparent that he was the third youth to be kidnaped who practiced this hobby, there was a noticeable thinning of the ranks at their weekend meets.

• To include an example of a random kidnaping, a security agent told me about some criminals who stopped a lawyer and his girlfriend merely because they were driving in an expensive car, a BMW. Several of them piled into the BMW, and were driving the kidnaped couple off to their safe-house when they spotted a second BMW, chased it down, and stopped it as well. They then kept the girlfriend and the man from the second BMW, releasing the lawyer to obtain the ransom money for his sweetheart. The lawyer, however, often represented affluent criminals, and because of his underworld contacts the girl was released the next day with no payment made. My friend did not know the fate of the man in the second BMW.

• An example of police involvement occurred the night of 7 January when a police patrol noticed a Toyota conducting a high-speed chase of a Mercedes-Benz. The patrol car chased down the Toyota and three men jumped out shooting. Two that were shot down turned out to be active duty members of the Republican Guard, and the third, who escaped wounded, was identified as a sub-lieutenant in the Guard. The three were pursuing a merchant from the affluent San Borjee who they had attempted to kidnap but escaped. There have been at least three other kidnap cases in which active duty police have been identified as the perpetrators.

The government is taking what measures it can. Patrol cars have been scrounged from other ministries, so that Lima can now count on 200 versus the 14 I mentioned in my last report. The air force has placed two helicopters at police disposal. The government asked the business community for financial support to counter kidnaping, and a group of private businessmen have hired Control Risks to provide training to the DIVESI section of the PIP. Control Risks is also conducting briefings of business associations on evasive tactics, etc. Weapon sales are reportedly way up, and many affluent families are sending their teenagers, who are considered especially vulnerable, out of the country during vacation periods.

There are indications that some gangs have cohorts in banks and finance circles. Some victims have reported that the kidnapers know precisely how much they are worth or have in bank accounts. A member of one gang was discovered working in the government's tax office.

Extortions

A wave of extortion attempts has accompanied the kidnapings. The pattern is that a well-to-do merchant receives a letter, sometimes containing several bullets, which names his children, the schools which they attend, and perhaps provides some indications of knowledge of their movements. The amounts demanded are usually quite nominal, within the family's ability to pay. Authorities suspect a great many are paying the shakedowns because of the wide-spread fear of kidnaping. Five local

executives of IBM and several in Citibank received extortion letters of this type

Routine Crime

Ironically, certain categories of armed crime have decreased as kidnappings have risen. There has been a marked decrease in armed invasions of homes and of bank robberies. The only explanation is that pickings are better with kidnapping.

Burglaries of the passive nature do continue, and homes require full protection. The Peruvian economy continues to be in disastrous condition, and with unemployment and underemployment exceeding 60 percent, all types of crime will continue high. Although armed home intrusions are down, burglaries continue at the same rate, and any vulnerable property will eventually be hit.

Street crime is high, and Control Risks is said to consider it second only to Brazil. I still consider Bogota above Lima, especially in violent street crime, but again, the unemployment and underemployment, plus police inefficiency will keep overall street crime at a high level. The interior cities are just as bad as Lima, and in many cases worse. There have been robberies of the Cuzco to Macchu Picchu train, hikers along the Inca Trail now must accept a government escort because of robberies, and 60 percent of the tourists that go to Cuzco are hit in some way. The current hot-spot, now that it is summer, are the Lima beaches. Police are receiving 100 reports every day of robberies on the beach, which means that 200 to 300

probably are occurring. Police estimate that at least 100 thieves are working the Lima beaches stealing items from bathers and jimmying open car doors, windows and trunks. Thieves even pose as bathers, and it is foolhardy to ask people on the next towel to watch your goodies while you go into the water.

The new government has made an effort to clean up corruption at the international airport and I heard nothing about passenger shake-downs. The only current problem there is the theft of bags -- both unwatched and those turned over to curbside porters who are really thieves.

One category of armed theft which has increased rather than decreased is that of automobiles. There has been quite a surge in armed car heists, and it is not clear whether these are being carried out by terrorists, by would-be kidnapers who need the vehicles, by common criminals, or by all of the above. Car thefts, armed and not, average ten per day.

The embassy's security officer mentioned six different cases. In two of them local embassy employees had family members killed when resisting groups attempting to rob them of their cars. In one incident, the man was waiting for his daughter at a school, and in another the man was waiting for his wife outside of a store. Apparently the thieves targeted them because they knew the keys would be in the car. In a third case an embassy wife went into a pharmacy and left her seven-year-old in the car. Men approached it and looked in for the keys. Seeing they weren't in the car the men went into the pharmacy and took the keys from the wife at gunpoint. Fortunately, the seven-year-old had the sense to abandon the car. In the

fourth case a female embassy staffer was stuck up in front of her apartment building by men who took her valuables and then attempted to start the car while still holding her at gunpoint. She had to get in to show them how to do it. In a fifth incident a man was dropping off a friend on a side street in Miraflores when he was cut off by two cars who apparently had been following him. Both men were robbed, and the car was taken. In this case civilian-clothed police (PIP) were suspected. In the sixth case a local tailor who does work for the embassy was stopped in heavy traffic in the underpass between the embassy and the Sheraton Hotel. Two men got out of the car ahead of him and forced their way into his. He was robbed and his car was taken. The lesson, apparently, is not to struggle and you probably won't be hurt.

Embassy advice is not to drive around at night unless you are on a very, very important mission.

Analysis

As stated above, Lima now leads the world in kidnappings, at least of the urban variety. Until the police can get a handle on this, if ever, it will continue to be a danger. The number of kidnappings can only increase, because the press is giving it very sensational treatment and is publicizing large ransoms paid. This can only attract others to share in the wealth. A multinational must inevitably be affected, because while the majority of kidnapers will continue to target wealthy Peruvians, as more and more gangs become involved, inevitably ^{some will} be less cautious. Since these are criminal kidnappings, wives and children are just as vulnerable, if not more.

than the executive himself. Teenagers are especially difficult control, as witnessed by the number of kidnappings of university students 16 to 19-years-old. Also bad news is the training which Control Risks is providing to the PIP. Families and firms will be led to believe that the police are experts in hostage retrieval and ransom negotiations, which will never be true. The police will continue to attempt to seize the kidnapers at the time the drop is made -- in the hopes of capturing them. The other danger with the PIP is that they will concentrate on seizing the ransom money, so that it never reaches the kidnapers. In either event the hostage's life is in danger.

TERRORISM

Overall, I saw little change in the status of terrorism. The government continues to claim that it is dealing resounding blows to the Sendero Luminoso (SL), which is not borne out by statistics. Tupac Amaru Revolutionary Movement (MRTA) supposedly is a very small organization, but the government seems unable to suppress it, and I believe it is expanding. A splinter has broken off from the MRTA to form a third terrorist organization.

One of the SL's favorite activities is destroying electric pylons to cause blackouts. In 1980, its first year of guerrilla activity, it knocked down five. This increased over the years to 99 in 1984 and 175 in 1985. Total bombings increased from 505 in 1980 to 1,760 in 1984, and 1,820 in 1985, of which the majority were in Lima. One bright spot was the decrease in deaths which fell to 1,062 in 1985 from 3,587 in 1984. Much of this can

be attributed to a decrease in the mass slaughters of peasants by both SL and the authorities, though these have not ceased entirely

Multinational Incidents

There were four bombing attacks on multinationals during the last six months, which does not indicate a trend either up or down. Three were believed the work of the MRTA and one of the SL

• IBM has an excellent security system which includes a guard on the roof and a patrol car which circles their block-sized property. At 0500 on 7 October the guard on the roof noticed two suspicious cars and notified the guard car. They thought that one or both were stolen. One car parked along a side fence and two men got out to run to the second vehicle. The IBM guard car shouted at them to stop, whereupon one did and raised his hands, but the other pulled a pistol and began shooting. With that, both escaped in the second vehicle, and as the guard car was turning around to inspect the parked car it blew up. The distance from car to the building was about 40 meters, and although the dynamite charge was sufficiently strong to completely destroy the car the building suffered only a few broken windows. No one claimed credit, but other targets bombed that night were typical of the SL.

• The evening of 5 November passersby observed men pushing a pickup truck against the front of a Citibank branch in the San Isidro neighborhood of Lima. The men then scattered MRTA propaganda.

around, and warned the passersby to flee because a bomb would explode. Minutes later a 10 kilo charge of dynamite in the truck exploded damaging the front of the Citibank branch and destroying many windows in the neighborhood.

- The evening of 9 November guards at Texaco's administrative office in the Surco neighborhood of Lima noticed a suspicious car, and challenged it. One of the occupants then threw a small bomb towards Texaco, but it exploded alongside the street wall and did little damage to the building other than a few broken windows. MRTA propaganda was later found on the site.

- Several people remembered that a Coca-Cola bottling plant was targeted about the same time as the Texaco incident, but no one could remember the date or any further details. This presumably was the work of the MRTA.

SL Activities

SL Activities in Lima follow the usual pattern. There was at least one blackout every month during which numerous bombs were set off around the city, as many as 51 on one occasion. An increasing use of car-bombs was noticeable, with an SL car-bomb exploding outside Lima police headquarters on 8 August, another outside of a Callao police station on 31 August, a truck-bomb which rammed through the entrance of a naval base near the Lima airport on 21 September, the 7 October car-bomb at IBM, the deactivation of a car-bomb on 16 October in front of the

headquarters of the Combined Command of the Armed Forces, a car-bomb which exploded at the international airport on 23 December (injuring three persons and destroying eight cars), and on 29 December the first in the interior -- a car-bomb near the Republican Guard barracks in Ayacucho. Favorite targets of the SL in Lima continue to be bank branches, APRA offices, police posts, and an occasional supermarket. The SL carried out several machinegun attacks on government forces, killing eight sailors waiting for a bus on 16 August, four policemen killed while riding on a public bus on 31 August and shooting up the home of APRA founder Victor Haya de la TORRE on 3 December and a statue of him on 23 December. There have been numerous other killings of police and military guards. Fortunately, the sophistication of the SL armament changes little, and their only innovation in the past year has been the use of car-bombs. Even these are rather crude, consisting of 10 to 40 sticks of dynamite lit by fuse.

In the interior little change is noticeable. The government claims to have pushed the SL out of the Huallaga Valley, and in fact it has raised the state of emergency in that area. This has reduced the number of provinces under it from 26 to 19, but this is probably more a propaganda maneuver than a permanent clean-up. The SL continues to carry out attacks from one end of the country to the other, and in 1985 only the departments of Moquegua in the far south and Madre de Dios in the eastern jungles were spared attacks. The government claims to have dealt the SL severe blows in its home base in Ayacucho, and it is true that there has been a decrease in SL activity at least in the principal towns of the department, but this is because the military occupy them in vast numbers. Most highland roads continue to be quite hazardous for nighttime travel.

On 11 November the SL initiated the country version of the car-bomb -- a burro-bomb. A burro was led into a market place and left tied to a post. Minutes later the dynamite pack it was carrying exploded spreading pieces of the burro all over the plaza. No one else was injured.

In July the Control Committee of the SL held its third national conference in Lima. Abimeel GUZMAN, who now calls himself president, announced himself satisfied with progress to-date and said that the "fourth campaign" would now begin, continuing with agitations, sabotage, and armed actions. According to captured documents, GUZMAN claimed that the SL had carried out more than 7,200 armed actions, captured 472 towns, conducted 1,200 popular trials, and had executed 5,400 persons. The documents disclose that the SL will especially concentrate on the government party APRA in its fourth campaign, which explains why several bloody attacks were carried out in subsequent months on APRA neighborhood offices in Lima. Authorities also point to the increased use of car-bombs from July onwards as another result of this conference, and they believe that 1986 will see an increase in SL's urban sabotage and assassination activities.

The SL may finally be in touch with foreign governments. As I previously reported, in March 1984 the SL participated in a meeting in Paris of 18 member organizations of a Maoist group called the International Revolutionary Movement (IRI). In November 1985 SL delegates surfaced at another meeting of the IRI in Paris, and they held a press conference. The two Peruvians who held the conference claimed only to be SL sympathizers, but one was identified from photographs as Hildebrando PEREZ, the leader of

the SL's northern front. This person claimed that the SL had established a number of liberated zones in Peru which now had an autonomous government, which may explain why GUZMAN now calls himself "president". PEREZ said that since the SL cannot govern and fight both, the principal mission of its two representatives in Europe is to obtain economic and military help in Europe in preparation for the arrival of its combatants. They said that the SL had established a political and military formation school in a friendly country. According to a French newspaper reporter, five days after the SL press conference the two representatives and 10 other Peruvians left Paris towards Belgium, from where they flew to Tripoli.

The above report lacks confirmation, but if it turns out to be true that the SL has sent 12 militants to Libya for training, the SL in 1986 will become much more dangerous.

MRTA

On 17 August the MRTA announced that it was suspending military actions against the new government and APRA so long as the people were not attacked. They said, however, that the MRTA would continue fighting the imperialist companies. Following two months of inactivity the MRTA got back into the game on 4 November by occupying the newspaper [El Nacional] briefly to harangue the workers. The following night they exploded a car-bomb in front of Citibank (described above) and shot up a military commissary near the Lima airport. In subsequent days the MRTA shot up a police club and attacked a police station in Rimac, a poor neighborhood of Lima, and then culminated the week with a two-pronged attack on the U.S.

Embassy the night of 8 November. While one group threw sticks of dynamite the other raked the facade with machineguns. None of these attacks resulted in victims. The following week the MRTA bombed Texaco, as described above, and on 14 November they bombed the offices of Avianca and shot a guard in front of the Colombian Embassy. The MRTA claimed the first action, but did not claim the second -- though the two had to be linked. In early December police raided a MRTA safe-house in the Miraflores district of Lima, confiscating weapons, ammunition and bomb-making materials. Unfazed, the MRTA on 23 December occupied a large supermarket in Lima and urged all present to help themselves free -- few did so.

The MRTA continues to be confined primarily to Lima, though it did carry out some propaganda activities in Cuzco, which may indicate that it is recovering from the major roll-up of its Cuzco apparatus a year ago. There is as yet no proof of foreign links despite M-19 claims in Colombia to have ties to an unnamed Peruvian group, but persons I queried believe it probable that the organizations have at least conferred. The MRTA is not believed to be involved in kidnappings, and the source of its funds remains a mystery.

New Group

In my last report I said that on 14 July the U.S. Consulate in Miraflores had been shot up from a passing vehicle by a group calling itself the "Javier Heraud Revolutionary Command". This turned out to be the "Comandos Revolucionarios del Pueblo" (CRP) which on 19 July occupied the offices of the news agency EFE and forced it to broadcast a message. On

19 October the CRP seized a Lima radio station for an anti-APRA message. The CRP is a splinter from the MRTA, which broke away in early 1985, not for ideological reasons, but in protest of MRTA leader Luis VARESE's dictatorial style. It is very small.

Other Territorial Activity

In October there was a flurry of articles about the seizure of a large arms shipment in southern Peru which was headed for Chile. Speculation that the MRTA was passing weapons, possibly from Ecuador, to the MIR. This had nothing to do with the MRTA. For several years the MIR has been shipping arms into Chile through Peru. The arms in question, which included automatic rifles, submachine guns, grenade launchers, and explosives, had arrived from Ecuador, probably by sea and were to be smuggled into Chile.

Analysis

As one can see, there has been little change in the overall size or threat of the Peruvian terrorist groups. The government occasionally rolls up a column or a section, but the terrorists also achieve an equal or greater number of victories. An occasional second level leader of the SL or the MRTA is arrested, but top management continues to escape. Nineteen-hundred and eighty-six may see some dialogue between the small MRTA and the government's newly formed peace commission, which would be good because this group is the more active against multinational interests. The SL, however, has announced that it will have no part in any dialogue, and it has in fact stepped up its campaign against the ruling APRA party. I see no

diminution in SL capabilities, and in fact the indications are that 1986 will be an even hotter year. The SL should continue to concentrate its attacks on the government forces, civilian and military, with foreign interests such as embassies and multinationals, a secondary target.

POLITICS

President Alan GARCIA Perez, the winning candidate of the American Revolutionary Popular Alliance (APRA), fortunately took office with a tremendous popular mandate, because the problems he faced were truly horrendous. During the last year of his predecessor, Fernando BELAUNDE Terry, the government had floated and the economy was rapidly spiraling down the drain. Per capita income was down to 1965 levels, two out of three workers were without full-time jobs, the annual inflation rate was approaching 200 percent, and all payments on the foreign debt had ceased. With seemingly boundless energy, GARCIA attacked on all fronts. He announced that Peru would limit foreign debt payments to 10 percent of export earnings for at least one year (which was more than had been paid during the previous year) announced that he would not accept the dictates of the IMF, froze the prices of basic goods, granted emergency wage increases, curbed imports, demanded back tax payments from the major oil companies and even made some cuts in the military budget by cancelling a part of an expensive purchase of French fighter planes.

The 36-year-old president is undoubtedly a populist. His first measures were those which directly touched the lives of the poor. To the dismay of his security guards he has developed the habit of frequent appearances on the balcony of the presidential palace where he carries out a dialogue with whoever cares to gather below. He frequently uses this audience to announce new measures. With the third world as much in mind as his own people, GARCIA does not hesitate to lambast the United States.

while secretly reassuring the American Embassy that what he says is not necessarily what he believes. This, however, is wearing a little thin.

In August GARCIA began a much needed purge of the three police forces -- the Civil Guard, the Republican Guard, and the Peruvian Investigative Police. Many rank-and-file were dismissed, but the principal victims were 196 senior officers of the PIP, 42 of the GR, and 125 of the GC. GARCIA plans to reorganize the three services, possibly combining them into one, and possibly making them responsible to the military. To improve their effectiveness he is purchasing 40,000 weapons and additional automobiles. He already has scrounged up additional patrol cars to raise the current number circulating in Lima from 14 to 216.

GARCIA appears to have a good relationship with the military, but he has made it clear that they are subject to civilian rule. Several senior military have been charged with human rights violations because of the execution of highland peasants in the combat areas. Military guilty of atrocities will be put on trial.

GARCIA's popularity is almost embarrassingly high. In October 77 percent approved of him and 18 percent opposed. He has given the country new confidence. A late December poll which asked people if they expected 1986 to be better, worse or equal to 1985 showed that 66 percent expect the year to be better and only 2 percent worse. The business class was at first concerned with the Wall Street Journal interview in which GARCIA was quoted as saying he was a Marxist, but it was assuaged by GARCIA's denial that he had ever made such a statement. Later statements

that he was anti-imperialist and a socialist were taken in stride, and people prefer to interpret this as meaning social democrat. Fifty years ago the APRA party was considered extremely radical, today it is best classified as center-left.

One of his biggest problems will how to terminate the guerrilla war. The SL has flatly said that it will not negotiate, and GARCIA has replied that he has no desire to do so either. His current direct relations with the military would certainly suffer were he to say otherwise. He has, however, formed a peace commission which he has empowered to establish contacts and to hold and carry out discussions with the guerrillas. There is little chance that the SL will meet with these worthy gentlemen, but observers believe that the MRTA may be more approachable.

GARCIA is facing other problems as well. The unions are not APRA-controlled and he has been having trouble with some of them. The bank workers union (FEB) is among the best organized and the most rambunctious of the unions and it continues to hold periodic work stoppages for higher wages and other benefits. This is currently the Peruvian summer, and GARCIA announced that government employees this year would not observe a reduced work day. This has caused screams of agony from the confederation of state workers (CITE), and last week there was a one-day work stoppage in protest. Much to the chagrin of the state workers, the bank workers did not join them, as they had expected. The state workers union and the bank workers union are allied with the General Workers Confederation (CGTP) in the National Workers Coordinating Board (CSN). The CSN is definitely tied to the Leftist Unity (IU), the coalition of eight Marxist groups headed by Lima's

Communist mayor, Alfonso BARRANTES. Some of the these IU leaders are labor leaders, and it is to the IU advantage that not all goes swimmingly with GARCIA. Still, the issue of reduced working hours for state workers seems a poor choice for confrontation with the president, and this explains why the FEB and the CGTP left the CITE dangling.

APRA has a majority in congress, and the opposition so far has been powerless to challenge the president. Unless there are large scale schisms in his own party, GARCIA should continue for the foreseeable future to have all the support he needs to get his measures passed. This is not to say that he does not have problems with his home base. The party faithful have been claiming that he has not done enough for them, pointing out, for example, that only 30 percent of the responsible government positions are filled by APRA members. The president attempted to point out that it is essential to appoint the best men for these jobs despite their party affiliation, but he has promised to review the executive positions of the 170 public enterprises and banks and insure that there is APRA representation in each of them. In the meantime, every APRA member elected to office is under siege by the party's rank-and-file. One politician said that he is petitioned by at least 20 office seekers every day of whom he can help no more than one.

Analysis

GARCIA has given the country new hope, and for the moment is riding high on the crest of popularity. In time, the honeymoon must end. His problems are enormous, and their resolution will be difficult. Labor already

is agitating for higher wages, his own party's hunger for positions has not been filled, the international financial community is deeply concerned about Peru's ability to repay its debts and will not be forthcoming with needed new funds, and there certainly is no solution to the guerrilla problem in sight. It is fortunate that GARCIA has seemingly boundless energy, he is going to need it.

Economy.

Peru achieved a GDP growth rate of 19 percent in 1985, not bad considering its numerous problems. It still has a long way to go to recover from the drastic 12 percent drop in 1983. Next year is expected to be somewhat better, and if there are no major set backs Peru should achieve a growth rate of 25 to 3 percent. Inflation for 1985 was somewhere in the neighborhood of 160 percent -- the final figures are not yet in -- but more significant is that it had dropped by December to an annualized rate of 40 percent because of the government imposed price controls. The government is hoping to keep this at 40 percent for 1986 though private industry believes that it will be between 50 and 100 percent. The problem will be the price controls which were at first imposed for 90 days, then extended to the end of 1985, and now prolonged until mid-1986. These are rapidly wrecking the economy, causing shortages, and the longer they continue the harder it will be to remove them without major upsets.

Unemployment and underemployment are still estimated loosely at 60 percent of the workforce, and there is little chance that this will change in 1986. One of GARCIA's major headaches is, of course, what to do

about the \$13.5 billion international debt. Peru currently is making some small payments, but it is giving first priority to the interest owed to international institutions rather than the banks. In late October the U.S. government forced the private banks to take the long overdue step of declaring their loans "value impaired". Peru has not said that these loans will not be repaid, but rather that Peru will pay only what it can -- currently limited to 10 percent of export proceeds, or about \$300 million rather than the \$1 billion needed for interest payments alone. Furthermore, Peru has said that it will give priority to institutions and countries which are agreeable to providing it with fresh loans which exceed the amount repaid. So far, only Germany has agreed to provide new funds in this weird and uninviting arrangement. Peru is holding talks with the international banks, but it is refusing to allow the IMF any role. Peru is believed to be asking for at least a five-year grace period and 15 year repayment terms at a favorable rate of interest.