

# Department of State

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ACTION ARA-16

CIAE-00 55-10 INR-10 COME-00 A10-07 NSAE-00 COPY-01 ADS-00 NSC-01 OPIC-07 EXIM-06 OCT-00 PM-08 DODE-00 H-01 INFO TRSE-00 FRB-03 AGRE-01 DOE-10 LAB-04 EB-08 SIL-01 L-03 STR-14 /127 W HA-08 OMB-01 PRS-01 DEPARTMENT OF STATE A/CDC/MR CEA-01 SNP-01 PA-01 SP-02

0301117 /70 USIE-00 JUS-01 ---254457

P 0222257 SEP 83 REVIEWED by ( ) DECLASSIFY ( ) MELMASE

FM AMENBASSY LIMA TO SECSTATE WASHOC PRIORITY 857 INFO AMEMBASSY LA PAZ AMENBASSY QUITO

AMEMBASSY SANTIAGO

SECRET SECTION 01 OF 04 LIMA 9213

O DECLACIFY in PART Kemptions (D) (X) EXCISE TOTIN FOI ) OO PA exemptions -TS authority to: , OADR

( ) DOWNGHADE TS to ( ) S or ( ) C, OADR

E.O. QWETYC DECL: OADR SUBJECT: PERU: ASSESSMENT OF SHORT TERM PROSPECTS TAGS: PGOV, PTER, ECON, HILI, PE

REFS: A) STATE 241033N(NOTAL);

- B) LIMA 8980: N
- C) LIMA 8432; N
- D) LIMA 8707; N

### SECRET - ENTIRE TEXT

2. SUMMARY: PERU IS PASSING THROUGH WHAT IS CERTAINLY ITS MOST DIFFICILT PERIOD SINCE RETURN TO CONSTITUTIONAL GOVERNMENT IN 1980. POLICY MAKERS DID NOT ANTICIPATE DEPTH OF CURRENT ECONOMIC CRISIS OR RESISTANCE TO NEEDED AUSTERITY MEASURES; THEY COULD NOT HAVE PREDICTED RECENT DEVASTATING FLOODS IN NORTH AND DROUGHT IN SOUTH: AND FOR LONG TIME THE UNDERESTIMATED THREAT
POSED BY SENDERO LIMINOSO (SL). GOVERNMENT LEADERS
HAVE NOT SUCCEEDED IN RECENT HOSTHS IN PROJECTING IMAGE OF
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BEING FIRMLY IN CHARGE

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SECURITY FORCES APPARENTLY SUCCEEDED RECENTLY
IN DAMAGING SENDERO LUMINOSO (SL) STRUCTURE IN LIMA
AND ELSEWHERE, BUT UNLESS TOP LEADER SHIP IS CAPTURED,
CURRENT LULL IN TERRORIST ACTIVITY IN LIMA MAY PROVE NO
MORE THAN RESPITE. TERRORISTS REMAIN ACTIVE IN SEVERAL
IMPORTANT SOUTH-CENTRAL PROVINCES.

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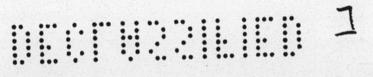
SENDERO
LUMINOSO PRESENTS ONLY SIGNIFICANT RISK TO SURVIVAL OF SYSTEM
AND PROBABLY WILL DO ITS BEST TO SABOTAGE FORTHCOMING
ELECTORAL PROCESS. BY INFLICKTING ESCALATION AMOUNT
OF DAMAGE ON LIMA
INSTALLATIONS AND PEOPLE, TERRORISTS COULD PROVOKE
CLAMOR FOR MILITARY TO TAKE OVER TO ASSURE POBLIC ORDER
IF THIS DEVELOPS, WE BELLEVE ARMED FORCES WILL DEMAND AND
OBTAIN A FREER HAND TO DEAL WITH TERRORISTS RATHER THAN

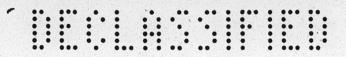
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SELZE POWER. END SUMMARY.

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INFO OCT-00 COPY-01 ADS-00 AID-07 INR-10 SS-10 CIAE-00 EB-08 DODE-00 H-01 EXIM-06 NSC-01 NSAE-00 COME-00 HA - 08 L-03 LAB-04 DOE-10 TRSE-00 PM-08 OPIC-07 PA-01 CEA-01 OMB-01 STR-14 SIL-01 AGRE-01 FRB-03 JUS-01 USIE-00 SP-02 SNP-01 PRS-01 /127 W -----255124 0301317 /70

P R 0222257 SEP B3
FM AMEMBASSY LIMA
TO SECSTATE WASHDC PRIORITY 0858
INFO AMEMBASSY LA PAZ
AMEMBASSY QUITO
AMEMBASSY SANTIAGO

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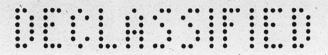
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8. NATURE OF SENDERO LUMINOSO'S JULY ATTACKS IN LIMA FUNDAMENTALLY ALTERED THE TERRORISM EQUATION. THEY SUCCEEDED FOR FIRST TIME IN SCARING PEOPLE BADLY IN CITY WITH BULK OF PERU'S WEALTH AND ALMOST ALL ITS POLITICAL POWER. MOST IMPORTANT RESULT THUS FAR HAS BEEN TO INCREASE SUBSTANTIALLY PRESSURES ON GOP TO BE MORE AGGRESSIVE IN COMBATING TERRORIST MENACE. PRESSURES EMANATE NOT ONLY FROM ELITE, BUT ALSO FROM AVERAGE CITIZENS WHOSE LIVES ARE DISCOMBOBULATED BY BLACKOUTS. ETC., AND WHO FEAR BECOMING INNOCENT VICTIMS OF A SENDERO CAPER. AT DARKEST MOMENTS IN JULY SENIOR POLITICAL FIGURES WERE SAYING IN PRIVATE THAT SURVIVAL SECRET

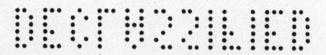
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OF DEMOCRATIC SYSTEM IN PERU DEPENDED ON GOVERNMENT'S SUCCESS IN STOPPING SENDERO. THEIR CONCERN WAS THAT IF TERRORISTS WERE TO CONTINUE TO BE ABLE TO ATTACK WITH APPARENT IMPUNITY TARGETS OF THEIR OWN SELECTION IN LIMA, MILITARY MIGHT SEE ITSELF OBLIGED TO STEP IN TO PRESERVE PUBLIC ORDER.

9. POLICE INVESTIGATIVE EFFORTS IN LATE JULY AND EARLY AUGUST WERE APPARENTLY HIGHLY SUCCESSFUL AND RESULTED IN CAPTURE OF SIGNIFICANT NUMBER OF SL (11 OF 18 SPECIAL DETACHMENT) COMMANDOS AND IN DISRUPTING SL NETWORK IN LIMA. SINCE ATTACK ON MORAFLORES PIP STATION JULY 25. THERE HAVE BEEN NO FURTHER TERRORIST ATTACKS



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P R 0222257 SEP 83
FM AMEMBASSY LIMA
TO SECSTATE WASHDC PRIORITY 0859
INFO AMEMBASSY LA PAZ
AMEMBASSY QUITO
AMEMBASSY SANTIAGO

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IN LIMA. LULL HAS PERMITTED POLITICAL ATMOSPHERE TO DECOMPRESS SOMEWHAT. SECURITY FORCES, SHOUGH, HAVE NOT YET SUCCEEDED IN KILLING OR CAPTURING MEMBERS OF SENDERO NATIONAL LEADERSHIP. ORGANIZATION SEEMINGLY RETAINS CAPABILITY TO REGENERATE WHERE IT HAS SUFFERED DEFEATS AND REMAINS ACTIVE IN SEVERAL IMPORTANT PROVINCES. SENDERO'S COMMAND STRUCTURE HAS RENDERED EFFORTS BY SOVERNMENT FORCES TO OBTAIN PRIOR INTELLIGENCE ON TERRORIST STRIKES UNAVAILING. UNTIL NOW, POLICE HAVE BEEN LIMITED, AT LEAST IN LIMA, TO REACTING EFFECTIVELY IN AFTERMATH OF TERRORIST ACTIONS. WE CANNOT BE SURE HOW LONG IT WILL TAKE FOR SENDERO TO RECONSTRUCT ITS CADRES AND REINITIATE OPERATIONS IN LIMA. ALTHOUGH BEST GUESS IS THAT IT MAY TAKE A FEW MONTHS. IF AND WHEN SE LAUNCHES ANOTHER SELLES OF CONCERTED ATTACKS IN CAPITAL THERE MAY WELL BE A REPEAT OR EVEN AN ESCALATION OF PRESSURES AND TENSIONS WHICH AROSE IN JULY.

10. GOVERNMENT'S PRIMARY TACTIC AT PRESENT TIME APPEARS SECRET
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TO BE TO INTENSIFY WITHOUT BREAT PUBLIC FAMEARE PLIE, ARMY, AND MARINE ANTITERRORIST CAMPAIGNS, PRIMARILY IN MOUNTAIN



DEPARTMENTS WHICH ARE SENDERO HEARTLAND. WE HAVE EVIDENCE OF SUBSTANTIAL INCREASES IN FORCE COMMITMENTS AND DEPLOYMENTS IN REGION, WHICH, ACCORDING TO REPORTS, HAVE YIELDED POSITIVE RESULTS IN A NUMBER OF LOCALITIES. BUT UNDERLYING PROBLEMS REMAIN. POLICE FORCES IN AYACJCHO ARE BASICALL

CONTINUE TO COMPLICATE OVERALL EFFORT. AND SENDERO REMAINS ELUSIVE, DRAWING ON COMBINATION OF ALMOST MYSTICAL APPEAL TO A FEW ANDEAN YOUTH AND BRUTE COERCION. OVER TIME GOVERNMENT MAY HAVE TO DO MORE THAN STEP UP REPRESSIVE EFFORT TO DEFEAT SENDERO, BUT WITHOUT SUCH AN EFFORT BY SECURITY FORCES NOW, THERE IS LITTLE DOUBT THAT SENDERO WILL SOON BECOME AN EVEN GRAVER THREAT TO PERUVIAN SOCIAL FABRIC AND DEMOCRACY.

11. INTERNATIONAL PRESSURES MOTIVATED BY HUMAN RIGHTS CONCERNS ARE A COMPLICATING FACTOR. IN COURSE OF CARRYING OUT ANTITERRORIST CAMPAIGN. IT IS ALMOST CERTAIN

AS POINTED OUT ON SEVERAL OCCASIONS, BELAUNDE CONSIDERS HIMSELF FIRST AND FOREMOST A HUMANIST AND A CHAMPION OF HUMAN RIGHTS. RECENT ACCUSATIONS BY AMNESTY MAY BE SUBJECT TO DOUBT, BUT THEY WILL CERTAINLY LEAD TO CLOSER SCRUTINY OF GOP ANTITERRORIST CAMPAIGN BY INTERNATIONAL HUMAN RIGHTS COMMUNUNITY AND, PERHAPS. TO FURTHER ACCUSATIONS.

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12. EVEN IN EVENT OF RENE ED SENSER STRIKES IN JIMA.
WE DO NGT BELIEVE MILITARY WILL SELZE PONERLYNLESS.
SENDERO ATTACKS ARE DEVASTATING IN NATURE AND PROLONGED

OVER WEEKS OR MONTHS. ARMED FORCES RECOGNIZE THAT
MILITARY TAKEOVER IS WHAT SENDERO WANTS. IT WOULD PLAY
INTO SENDERO HANDS BY STRIPPING CENTRAL AUTHORITY OF
LEGITIMACY, POLARIZING COUNTRY, AND EXPANDING SENDERO'S
POTENTIAL SUPPORT BASE. FURTHERMORE, IN CRISIS SITUATION
BROUGHT ABOUT BY TERRORIST ACTIONS, MILITARY
COULD ALMOST CERTAINLY OBTAIN FROM BELAUNDE IMPOSITION OF
A STATE OF SEIGE AND FREER HAND IN DEALING WITH PROBLEM
PRESIDENT HAS THUS FAR REFUSED TO GRANT. A "GOLPE". IN
THOSE CIRCUMSTANCES, WOULD ADD LITTLE TO MILITARY
CAPABILITIES TO CONFRONT SENDERO MENACE. A FURTHER
SIGNIFICANT FACTOR IS THAT TAKING POWER ENTAILS ACCEPTING
RESPONSIBILITY FOR HOST OF NATIONAL PROBLEMS
UNRELATED TO TERRORISM. BASED O

13. AT WHAT IS TIME OF PARTICULAR CHALLENGE, BELAUNDE ADMINISTRATION FAILS TO PROJECT PUBLIC IMAGE OF BEING SOLIDLY IN CHARGE. THERE WERE SOME NOTABLE EXAMPLES OF SEEMING CONFUSION AT TOP RANKS WITHIN PAST FEW WEEKS.
--PRESIDENT INSISTED REPEATEDLY THAT THERE IS FOREIGN SUPPORT FOR SENDERO LUMINOSO (SL). ON SEPARATE OCCASIONS PRIME MINISTER SCHWALB AND INTERIOR MINISTER PERCOVICH TOLD PRESS DAY AFTER BELAUNDE'S COMMENTS TO THAT EFFECT

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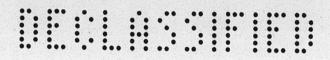
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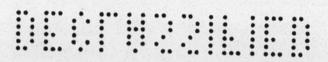
THAT GOP HAS NO EVIDENCE OF SUCH FOREIGN INVOLVEMT.

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PAGE 01 LIMA 09213 04 0F 04 030130Z ACTION ARA-16

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P 022225Z SEP 83
FM AMEMBASSY LIMA
TO SECSTATE WASHDC PRIORITY 860
INFO AMEMBASSY LA PAZ
AMEMBASSY QUITO
AMEMBASSY SANTIAGO

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STATEMENTS REGARDING LIKELY 1983 INFLATION RATE.

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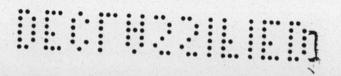
KEYNOTE OF PRESIDENT'S JULY 28 (STATE OF UNION ) ADDRESS TO NATION WAS PROPOSED CONSTITUTIONAL AMENDMENT TO EXPAND APPLICATION OF DEATH PENALTY TO CONVICETD SECRET

PAGE 02 LIMA 09213 D4 0F 04 0501302 TERRORISTS. A MONTH LATER, DEATH PENALTY AMENOMENE HAS.

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CONCLUSION OBSERVERS DRAW IS THAT EITHER BELAUNDE DID NOT COUNT VOTES IN SENATE ADEQUATELY BEFORE MAKING PROPOSAL. OR THI HIS RHETORIC WAS MERELY INTENDED TO TO GIVE FLEETING SENSE OF MOTION IN AREA IN WHICH GOVERNMENT HAS FEW IMAGINATIVE IDEAS. NEITHER CONCLUSION STIMULATES CONFIDENCE.

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