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MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY
UNITED STATES TRADE REPRESENTATIVE
DIRECTOR OF CENTRAL INTELLIGENCE
DIRECTOR OF NATIONAL DRUG CONTROL POLICY
THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF
ADMINISTRATOR OF THE AGENCY FOR INTERNATIONAL
DEVELOPMENT

SUBJECT: U.S. Policy Toward Peru (S)

The purpose of this policy review is to define a coherent strategy in support of our objectives in Peru: return to constitutional government, strengthening of democratic institutions, promotion of human rights, self-sustaining economic recovery, an end to political violence and a sustained effort against the illegal narcotics infrastructure. The strategy must be broad enough to encompass all of these goals; efforts on one front should complement and be consistent with our efforts across-the-board. (S)

BACKGROUND

In many respects, Peru represents a test case for United States policy in the hemisphere. On April 5, 1992, Peruvian President Fujimori closed the congress, intervened in the judiciary to bring it under executive control, and initiated an indefinite period of government by executive fiat. In so doing, he presented a serious challenge to U.S. regional and bilateral interests such as democracy, human rights, and constitutional processes. (S)

Peru remains in a profound, multifaceted crisis, without any clear path toward resolution, despite Fujimori's continuing popularity. Human rights abuses and political violence both from government security forces and insurgent groups are pervasive. The economy is depressed, ravaged by acts of violence and political instability. The Sendero Luminoso remains a potent threat in spite of the capture of Abimael Guzman. The government's narcotics efforts, while enjoying some successes, so far have not produced dramatic results against traffickers, in

part because of the higher priority assigned to defeating insurgent groups by both the government and army. A failed military coup in November of 1992 and a major challenge by the military to the authority of the constituent assembly (CDD) on April 21 are indicators of ongoing unrest prevalent among sectors of the armed forces, and a military coup remains a possibility.

(S)

We need to identify and implement policies that will help to restore democracy and constitutional processes to Peru, improve human rights, support self-sustaining growth, deal with narcotics trafficking and production, and reduce, and eventually eliminate, the political violence that has impeded progress toward these goals. (S)

I. ASSESSMENT

1. What are U.S. interests in Peru? What are our priorities? Do these interests justify a major commitment of U.S. prestige and resources to help assure democracy, respect for human rights, and sustained economic recovery? (S)
2. What are the prospects for full achievement of the goals outlined in the response to question #1 above? What are the factors prejudicing achievement of these goals? (U)
3. What are the consequences for Peru, for the region, and for U.S. policy if these goals are not achieved? (S)
4. What are our sources of influence in Peru, and especially with the Peruvian Government and military? How can we maximize this influence to achieve our policy goals? (S)
5. What are Fujimori's medium- and long-term objectives? What would be the impact of his re-election on our policy objectives? What are his sources of support in Peru? Externally? (S)
6. What are the sources and causes of political alienation and violence in Peru? What measures has the government taken to deal with this phenomenon? Do Peruvian security forces exacerbate the situation? (S)
7. What were the consequences for the political parties in Peru of Fujimori's seizure of power in April of 1992? Does any single party or coalition of parties offer an alternative to Fujimori in the immediate future? For the next elections (scheduled for 1995)? (S)
8. What role do NGOs now play in Peruvian politics? How can they play a significant role in rebuilding democracy in Peru? (S)
9. How effective have the various elements of U.S. policy been? (U)

- a. What levels of assistance have been provided to the Peruvian government from U.S. and other external sources since Fujimori's election? How has assistance been conditioned? How effectively has the assistance been used? (S)
 - b. Has conditioning assistance proved an effective source of leverage and influence in the past? If not, why not? In those cases where the Peruvian government accepted conditions linked to assistance, has it implemented these commitments? Specifically, has the GOP kept its commitments on democracy made to the OAS last June, and its commitments to the U.S. in February on human rights? (S)
 - c. Have there been conflicts between U.S. goals in the political area, such as democracy and human rights, and narcotics? What efforts have been made to assure both policy priorities have been achieved? Have they been successful? (S)
 - d. How do the various political and military factions in Peru view the United States and U.S. policy? What do they believe we want to achieve in Peru? (S)
 - e. Has our strategy of working through the Organization of American States been effective? What have been the reactions of other states, including Peru's neighbors, other OAS members and Japan? (S)
 - f. Has the United States tried to promote reconciliation between the Peruvian government and insurgent groups? If so, what were the results? If not, why not? (S)
 - g. Describe the essential components of our drug policy in Peru, including interdiction, alternative development, money laundering, and other elements. How effective has the policy been in achieving our goal of stemming the flow of drugs from Peru to the United States? What are the problem areas? Funding? Management of the programs from the U.S. end? The Peruvian response? (S)
10. What is the current economic situation and outlook for Peru? Include:
- a. A summary of Peru's economic reform program and an assessment of its results. Please include numbers on balance of trade and payments, international reserves, debt, inflation, GDP growth, per capita income, income distribution, domestic and foreign investment, and social indicators. (S)
 - b. The state of Peru's relations with the international financial community, including the IMF and other international institutions; bilateral donors;

commercial banks. Please provide tables which indicate trends in net resource transfers, by source. (S)

- c. The importance of narcotics to the Peruvian economy as a source of hard currency. As a source of employment? In terms of government revenue gains or losses? (S)
- d. The sources of potential U.S. financial assistance, including balance of payments support, project assistance, security assistance, and narcotics assistance. (S)
- e. An estimate of the assistance Peru is likely to need over the next five years to help assure sustainable economic recovery. Are there other sources of support (e.g., trade concessions) that could be helpful to Peru? (S)

II. POLICY OPTIONS

- 1. What broad policy options are available to the United States to pursue our goals on democracy, human rights, narcotics, economic stabilization, and an end to political violence? (U)
- 2. How do we assure that efforts and strategies in the narcotics area are consistent with and complement our goals in the political, economic and human rights areas? If there is a conflict, should narcotics cooperation enjoy priority over other goals? (S)
- 3. How can we tailor our strategy to assure maximum Congressional and non-government organization support for our policies? (U)
- 4. How can we engage the OAS, the United Nations, the International Financial Institutions, Peru's hemispheric neighbors, and other countries (e.g., Japan, the EC) in support of our policies? (S)
- 5. President Fujimori is often described as a popular political leader with strong authoritarian instincts who dominates the Peruvian political landscape. How do we respond to his efforts to perpetuate himself in power through a constitutional change allowing reelection of incumbent Presidents? (S)
- 6. How can we influence the work of the CDD, including the development of a constitution that establishes strong and viable democratic institutions? Should we try? (S)
- 7. What conditions should be applied to future U.S. assistance to Peru? Design a matrix of conditions on security assistance, narcotics assistance, financial assistance through 1995. (S)

8. What other measures can the United States take to assure progress toward achievement of our fundamental policy goals? (U)
9. The President has said we need to do more to support advocates of grassroots democracy. How can this commitment be implemented in Peru? Specifically, how can we strengthen the political party system in Peru? Non-governmental organizations such as human rights organizations, rural cooperatives, and labor organizations? The delivery of basic government services, such as justice? (S)

III. TASKING

1. The Assistant Secretary of State for Inter-American Affairs should convene an Interagency Working Group to review these issues and assign specific drafting and other responsibilities for both assessments and policy options. (U)
2. If possible, identify a preferred policy option or options. Should there be differences among agencies that cannot be resolved at the IWG level, they should be clearly spelled out in the papers submitted to the NSC. (U)
3. Pros and cons for each policy option should be clearly summarized. (U)
4. After review by the IWG, assessment and options papers should be submitted to the NSC to serve as a basis for future decisionmaking. Assessment and options papers are due ten days after issuance of this PRD. (U)



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