

### 313. Intelligence Assessment Prepared in the Central Intelligence Agency<sup>1</sup>

PA 80-10207

Washington, May 1980

*Peru: Prospects for Democracy [Portion marking not declassified]*

#### *Key Judgments*

Peru's military government, in office since 1968, will hold elections on 18 May and restore civilian rule in July. This transition will end the longest-lived military regime in the Andes since World War II. [*Portion marking not declassified*]

Prospects for the successful introduction of civilian government are enhanced by the positive trends of recent years:

- The regime has shown a willingness to compromise and work with political leaders and has improved the economy through a tough austerity program.
- A centrist trend has brought leading generals and politicians closer together along the political spectrum.
- The heads of the major moderate parties have taken preliminary steps to prevent the election of a leftist President and have begun a dialogue with the armed forces.
- Peru's Andean Pact neighbors support the Peruvian electoral process. [*Portion marking not declassified*]

The incoming administration, however, will inherit serious problems. Labor unrest, sparked by high inflation and unemployment, is expected to intensify after July. This will pose a particular challenge because the political party system—characterized by ephemeral, personalistic groupings—tends not to produce the well-planned, cohesive programs needed to solve national problems. [*Portion marking not declassified*]

High-ranking skeptics of democratization within the military stand ready to intervene if the civilian government fails to satisfy their expectations or proves unwilling to allow the armed forces a voice in the formation of major policy initiatives. At the moment, however, forces that in the past have undercut democracy appear about equally bal-

---

<sup>1</sup> Source: National Archives, RG 59, Bureau of Human Rights and Humanitarian Affairs, 1976–1977 Human Rights Subject Files and Country Files, Lot 80D177, Peru. Confidential. Prepared in the Latin America Division, Office of Political Analysis and coordinated with the Office of Central Reference, the Office of Economic Research, [*less than 1 line not declassified*], and the NIO for Latin America.

anced by factors favoring Peru's continued evolution toward a functioning democratic system. [*Portion marking not declassified*]

Neither of the leading contenders for the presidency<sup>2</sup> is fundamentally hostile to the United States, and both have indicated a willingness to work with Washington when interests converge. Any new Peruvian president may seek more economic aid from the United States as he comes under pressure from a public restive after three years under an austerity program. The United States may be forced to decide whether to place primary emphasis on encouraging fiscal responsibility or whether to support some of the new government's efforts to placate the public. In this case, some forbearance by Peru's creditors may be crucial to the government's survival. [*Portion marking not declassified*]

[Omitted here are sections entitled "Introduction," "The Military Prepares for Elections," "The Political Actors," and "Troubled Economy, Restive Labor."]

#### *Relations with the US and the Andean Pact*

Both Washington and the Andean Pact countries want to encourage the formation of moderate civilian governments in Latin America and both want to strengthen the Pact organization itself, which is emerging as a spokesman for democracy in the hemisphere. In addition, both are particularly interested in ensuring political stability in the Andes, the Latin American region that has made the most significant progress in recent years toward democratic rule. [*Portion marking not declassified*]

For the United States, no crucial bilateral issues are at stake in the Peruvian democratization process. The United States should be able to establish a reasonably satisfactory working relationship with any of the leading civilian contenders for the presidency, and their policies probably will not reflect an anti-US bias. [*Portion marking not declassified*]

Of the two leading presidential candidates, Belaunde is perhaps more favorably disposed toward the United States. He generally maintained a moderate foreign policy during his first administration,<sup>3</sup> and his sympathy for the United States attitude may have grown during the several years he lived in Washington following his exile in 1968. Nonetheless, mindful of military criticism that he gave away too much in negotiating petroleum leasing rights, Belaunde may be cautious about appearing too amenable to foreign interests. [*Portion marking not declassified*]

Because of Villanueva's short tenure as party chief, and because APRA itself has never been in power, neither the candidate nor the

---

<sup>2</sup> Belaunde and Villanueva.

<sup>3</sup> 1963-68.

party has a proven record of performance. Villanueva's abrasive personality, however, and his determination to project a leftist nationalist image, suggest that he would be more erratic and more difficult to deal with than Belaunde. Moreover, Villanueva often has criticized US policies in the hemisphere.<sup>4</sup> Nevertheless, he does not appear to have an inflexible ideological hostility to the United States and has indicated a willingness to work with Washington when interests converge. [*Portion marking not declassified*]

A new Peruvian president probably will seek additional economic assistance from the United States as he comes under pressure at home for increased government spending. A recent poll conducted in Lima showed that the military regime's popularity declined markedly after adopting the austerity program. A civilian government cannot afford to ignore such indications of public disapproval and will be inclined to return to some of the expensive social reform programs of the early 1970s or initiate new ones. [*Portion marking not declassified*]

Under these circumstances, the United States may be forced to decide whether to place primary emphasis on encouraging fiscal responsibility in Peru, or whether to support some of the civilian government's efforts to placate the public. Because of the popular pressures to which the new administration will be subjected, a measure of forbearance on the part of Peru's creditors may be crucial to the government's survival. [*Portion marking not declassified*]

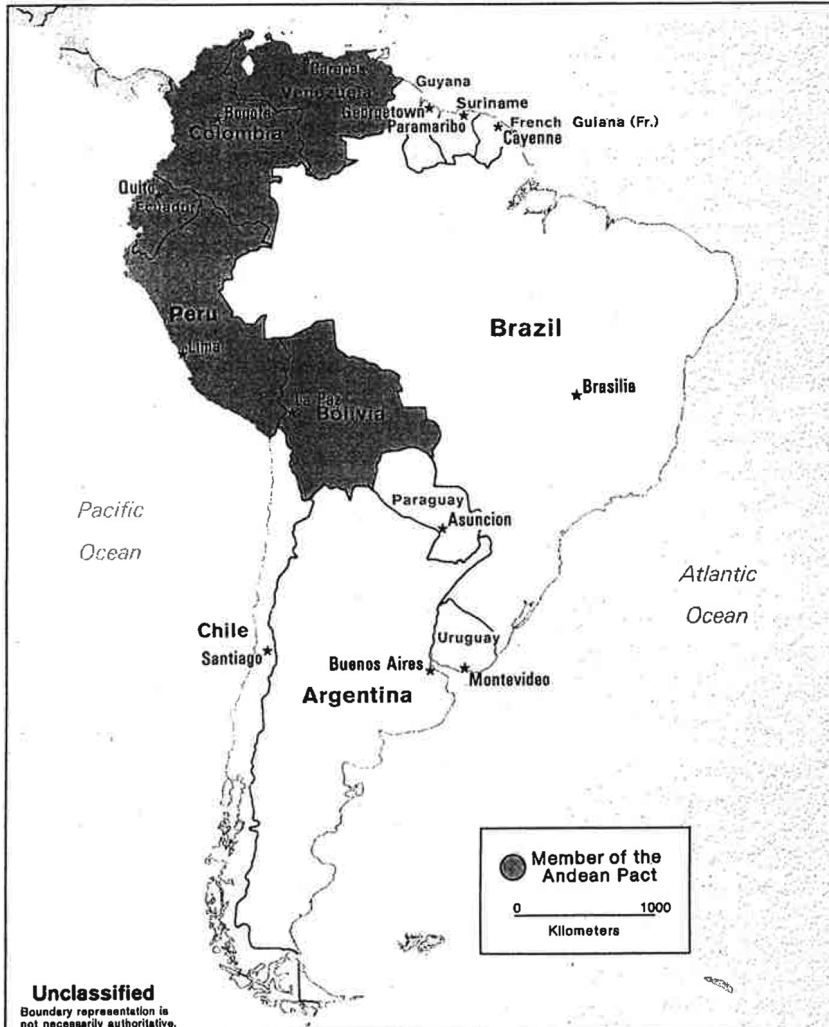
The new administration in Lima will be able to count on assistance from the Andean Pact, which has shown particular solicitude toward democratic governments within its own ranks. All the individual Andean countries have backed the Peruvian military's previous steps toward elections, and such support will act as a moral barrier against future Peruvian military designs against the government. The Pact, or its individual members, also may offer economic aid. Venezuela, in particular, has shown an interest in the Peruvian electoral process and has the financial resources to provide some assistance to the new government. [*Portion marking not declassified*]

If Peru joins the ranks of the democracies, all the Pact's member states—for the first time in the organization's history—will be under civilian rule. The Pact's new political dimension as a spokesman for democracy in Latin America has been, in fact, predicated on the assumption that Peru was well along the road toward restoring democracy. Better prepared politically and economically for the transition

---

<sup>4</sup> Last summer, for example, he scored Washington's ties to former Nicaraguan President Somoza and urged members of his party not to attend the Fourth of July reception at the US Ambassador's residence in Lima. (Footnote in the original.)

## Peru and the Andean Pact



than Bolivia or Ecuador—the Pact's other two fledgling civilian governments—Peru was expected to provide an example of a successful shift from military to civilian rule. [*Portion marking not declassified*]

The failure of the Peruvian electoral process would undercut advocates of the Pact's political role in the hemisphere at a time when that role is already under scrutiny within the organization. Some leaders in each member country are discouraged by their failure to ensure the implantation of moderate regimes in Central America. During the past year, for example, the Pact mediated in Nicaragua and lobbied for moderate positions at the nonaligned summit in Havana. More funda-

mentally, the leaders are concerned that political objectives are absorbing energy that should be spent furthering economic integration in the Andes, the purpose for which the Pact was originally founded. If the Peruvian elections are canceled or if the incoming government is overthrown, disillusionment within the Andean countries about the prospects for democracy and the wisdom of the Pact's pursuit of political goals will become more widespread. [*Portion marking not declassified*]

### *Prospects*

Peru's continued evolution toward democracy depends on whether the positive trends of recent years—the movement of civilians and the military toward the center and the tentative steps toward more pragmatic and sophisticated political positions—prove dominant over longstanding mutual distrust among political actors and a century-old tradition of periodic military intervention. At the moment, the old and new forces appear about equally balanced. [*Portion marking not declassified*]

The performance of the government scheduled for inauguration in July will do much to set the tone for civilian-military relations and mark the path Peruvian politics will follow for the next decade or so. The development of civilian political maturity does not seem to have kept pace with that of the military since the mid-1970s, but growth is difficult for those denied the exercise of power. Once in office, civilians must demonstrate that they can deal effectively with national problems. [*Portion marking not declassified*]

The new government's life expectancy also depends on its ability to work within a restricted environment dictated by the military's continuing role in public life. Whether the generals intend to reach a specific agreement with the new government defining the role of the armed forces remains unclear,<sup>5</sup> but with or without such an agreement, the military will insist on having a voice in government policy. Military officers have indicated that they expect the new regime to leave intact what they view as their major achievements—such as nationalization of some mines and industries and social welfare programs—and to consult them on major policy initiatives. They will insist on having something close to a veto on national defense matters, on the military budget and institutional structure, and perhaps on key economic questions. [*Portion marking not declassified*]

---

<sup>5</sup> In telegram 3405 from Lima, April 16, Shlaudeman referenced reports "indicating that at least some elements of the armed forces are talking among themselves and with politicians about imposing on the three major presidential candidates conditions looking toward the policies and actions of the next government. There undoubtedly has been such talk, but I am skeptical that it has produced any formal demands or responses." (National Archives, RG 59, Central Foreign Policy File, D800197-0583)



*Rafael Hoyos Rubio*

Unclassified ©

Should civilians fail to satisfy military expectations, backing for intervention could coalesce around one of several high-ranking skeptics. For example, Army Chief of Staff Rafael Hoyos Rubio, the most powerful regime critic of democratization, is scheduled to become Army commander in January 1981—a logical position from which to launch a coup. Support for the democratization process, however, is fairly strong today among officers of all ranks and in all service branches. Ambitious military leaders will be reluctant to intervene as long as majority sentiment in the armed forces continues to favor civilian rule. [*Portion marking not declassified*]

---