

Things Get Rough for Alan García

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The prison massacres caused an uproar for Alan García's government; will Peru's new democracy survive the challenge?

The incident didn't attract much attention at first. Some 300 members of the Peruvian guerrilla group, *Sendero Luminoso* (known in the U.S. media as "Shining Path"), inmates in the Lurigancho, El Frontón and Santa Barbara prisons, all near Lima, rioted simultaneously to demand better conditions in the prisons and to prevent their transfer to a maximum security installation in Cantogrande. But events soon took a dramatic turn.

The government, headed by President Alan García, sent a commission to negotiate with the riotors. Maintaining their loyalty to typically intransigent *Sendero* positions, the inmates refused to negotiate. Thus, the government decided to send in army and police (the Republican Guard) forces to restore order in the prisons.

No one expected the security forces to act with such a vengeance. In El Frontón, the army and navy attacked with artillery. In Lurigancho, the military communique' was concise and macabre: "There were no survivors." The total number of victims from the three prisons has not been made public, but estimates range from 150 to 300. Included in the total are at least 60 who were summarily executed after having surrendered.

The military's wrath partially obscured other factors related to the incident. For example, the prison areas used to hold members of the guerrilla organization were virtually territories controlled by the inmates, with authorities having no access to them. They were operated under a set of rules established by the prisoners, who held political activities, carried out high-level meetings of the organization's leadership and even had their own cells where they punished members who broke discipline. In El Frontón, *Sendero* had created an arsenal stocked with arms carried in by inmate's relatives, as well as a system of trenches and parapets.

News of the massacre, combined with news of *Sendero's* logistical privileges in the prisons, provoked a situation that was summed up in the following manner by the French newspaper, *Le Monde*: "In just a few short days, President Alan García has lost the prestige that he had so arduously worked to gain during his eleven months in office." That prestige was symbolized by the fact that the Socialist International was scheduled to meet in Lima just one day after the massacre. It was the first time that the socialist organization was to hold its meeting outside of Europe. They had chosen Peru because of its young and dynamic president who had adopted original and independent measures to confront his country's \$12 billion foreign debt. It must

be added here that the meeting was held without further problems; but that was the least of the government's worries. For now, the governing APRA party (Peruvian Alliance for Revolution in the Americas) faces its worst crisis since coming to power, and it is still too soon to know what the final outcome will be.

CAUGHT BETWEEN TWO FIRES

When APRA won the 1985 elections, it took over a country facing serious problems. Peru had been governed for an entire decade by a series of military juntas of varying political persuasions, before a civilian government was finally reinstated in the early 1980s. That first civilian administration, headed by veteran, right-wing politician, Fernando Belaunde Terry, had more vices than virtues, inflating the country's foreign debt from \$8 billion to \$12 billion. Peru's traditional social contrasts had become even more striking: the Andean region, submerged in shocking poverty and the coastal region, with a significantly higher economic level. All of this was combined with the rise in 1980 of one of the world's most violent guerrilla organizations and the intensification of narcotics trafficking. Both the guerrillas and the drug dealers focused their recruitment efforts on the Andean population, where the lack of job opportunities made people willing to consider desperate solutions.

When it first took over the government, APRA seemed to hold promise for dealing effectively with the country's multiple problems. The new President, Alan García, announced the first important measure in his inauguration address. He revealed that Peru would make payments on its foreign debt at a fixed rate of 10% of its export earnings. That provoked an uproar in the international banking community, the applause of others and scorp-

ticism of the majority. But thirty-six year old García has proven that it wasn't just talk. He took on the international banks, and especially the IMF, and has managed to improve some of the nation's economic indicators. Funds destined originally for debt payments were reoriented to help beef up the country's monetary reserves, cut the inflation rate, subsidize basic goods and increase salaries.

Nonetheless the country's most serious problems were, and continue to be, internal ones. García took some steps to address these problems when he merged the three police forces into one and when he fired or retired military officers known for their abuses of power or corruption. Other measures were taken to attract investment and funds were set aside for development programs in Peru's southernmost, Andean provinces.

Some of these steps helped to reduce internal pressures, but the country's most serious problem continues unchanged. *Sendero Luminoso* intensified its operations, and actually controls some parts of the Andes, organizing what they call "liberated territories." The attacks have been so serious that the García government decided to impose a curfew in Lima and Callao in February, although it has since been lifted. Similar measures had been implemented earlier, allowing the army to establish effective control in 19 provinces. The complexity of the situation has meant that APRA is really caught between the frying pan and the fire. On the one hand, it is necessary to control *Sendero's* growth; but as long as there are not enough funds to create jobs in the rural areas, the government must turn to the army. And thus, the army grows more and more powerful, to such an extent that it has repeatedly demanded that García do something about

the security situation in Lima and Callao. Even more worrisome, after the massacre at Lurigancho and El Frontón, a number of leaders, Willie Brandt among them, warned of the imminent possibility of a coup.

QUO VADIS, ALAN GARCÍA?

For now, Peru's democratic institutions are being eroded, as part of a process that seems to be a necessary evil. But "necessary evils" always imply risks. It is acknowledged, for example, that the Peruvian press has a gentleman's agreement with the government to apply self-censorship in an attempt to limit public knowledge of *Sendero Luminoso's* activities.

In addition, the APRA government's relationship with Izquierda Unificada (Unified Left, IU) had taken a difficult turn even before the prison massacre. Several APRA legislators had accused the IU of collaborating with the guerrillas. Since then, relations had soured, and after the massacre, the IU accused the government of having acted with

precipitation and demanded that the cabinet resign. When García ordered trials for ninety-five policemen involved in the incidents, the IU reacted indignantly, charging that APRA was ignoring those who bore the greatest responsibility and who were to be found within the army's ranks. It is important to recall that the IU is the country's second strongest political force and that its leaders hold important public posts, among them the mayor of Lima.

APRA has definitely felt the effects of recent events in its own ranks. After the massacre, the Minister of Justice and several other high-level officials from the Ministry, resigned. There are persistent rumors of other imminent resignations, including the Ministers of the Interior and of Defense.

Given this situation, if Alan García loses political support from major parliamentary forces, he may be obliged to take measures that could cost him what *Le Monde* called his hard-won prestige or even his popularity in the country. While other parties,



President Alan García of Peru surrounded by elements of his Army.

particularly those of the center-right, also criticized APRA's handling of the prisons incident, they haven't written off the possibility of taking advantage of an opportunity to draw closer to the governing party. Another option would be to tie the army more closely to the government, in an effort to control it through the

alliance. But that, in effect, would mean to cut a deal with the devil. In any case, García will have to draw once again on his proven political prowess. He is a man who must play with two fires at once, both of them voracious and burning on highly flammable terrain.★

Irving Roffe

non-orthodox economic plan.

"When José Sarney became president earlier this year, he tried to contain inflation by resorting to traditional means," said the ambassador. He admits that failure of these mechanisms led the government to adopt more radical measures.

Latin America's most populous nation was the first to sign letters of intent with the International Monetary Fund, but it has also been known for bending the letter of the institution's "recommendations." During 1981 and 1982, Brazil underwent the bitter experience of applying liberal monetary policies which led the country into its worst crisis in history, with three-digit inflation and outright insolvency by the end of 1982. The economy had a negative growth rate of 3.4% in 1983, while the debt swelled by 10%. Despite all of this, Brazil still signed another four letters of intent between December 1982 and the end of 1983, but never fulfilled the commitments.

Brazil signed its seventh letter of intent with the IMF during the last quarter of 1984 and managed to meet conditions half-way.

Brazil's Controversial "Cruzado" Plan

As payment of Latin America's vast debt becomes increasingly difficult, all eyes turn towards the southern giant's bold experiment to check inflation

Geraldo Holanda Cavalcanti, Brazilian ambassador to Mexico, granted **Voices of Mexico** an interview on the subject. He explained that the plan, put into effect last February 28, is basically a mechanism aimed at wiping out the tremendous loss in the purchasing power of wages because of inflation. He also made clear the reasons why it was necessary to put into effect such a

Is spontaneous public support sufficient guarantee for the success of a long-term economic plan? This is a question being asked about the Brazilian Cruzado Plan. Whereas the government is euphoric over the plan's initial results, critics are frankly skeptical.

Brazil is more than the home of the samba, carnivals and soccer; it is also the nation with the largest debt in the world. The South American giant owes \$104 billion, and must pay out \$12 billion a year in interest, as well as another \$8 billion on account.

The effort to meet payments to the more than 600 creditor banks was dragging the economy into chaos and runaway inflation, which in 1985 reached 235%. Estimates for 1986 indicated the inflation rate could reach 400%.

SOME FACTS ABOUT BRAZIL

	GNP	Inflation	Trade	Foreign Debt Interest and	Foreign Exchange Reserves	Net foreign Debt
	% annual	% annual	Balance USmillions	Principal Payments	USmillions	Export Earnings
1958	9.2	23.8	- 1128	2 942.7	4 502.3	1.7
1978 (1)						
1979	6.4	54.0	- 2717	11 732.2	9 688.7	2.6
1980	7.2	98.0	- 2823	9 753.6	6 912.5	2.3
1981	- 1.6	110.0	1594	16 741.5	7 506.8	2.3
1982	0.9	100.0	817	19 502.1	3 994.4	3.3
1983	- 3.4	211.0	6472	19 383.0	4 562.9	3.5
1984	4.5	224.0	13068	17 917	11 995.3	4.0
1985	8.5*	235.0 *	12000 *	10 700 *	8 200 *	3.8 *

Observations: (1) Average for the period
* Estimates

Sources: FEV, Brazil
IDB