

103
PERU: U.S. PRIORITIES AND POLICY

Y 4. F 76/1:P 43/21

Peru: U.S. Priorities and Policy, 1...

HEARING
BEFORE THE
THE SUBCOMMITTEE ON
WESTERN HEMISPHERE AFFAIRS
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
FIRST SESSION

—————
MARCH 10, 1993
—————

Printed for the use of the Committee on Foreign Affairs



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PERU: U.S. PRIORITIES AND POLICY

WEDNESDAY, MARCH 10, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to call, at 1:35 p.m. in room 2200, Rayburn House Office Building, Hon. Robert G. Torricelli (chairman of the subcommittee) presiding.

Mr. TORRICELLI. The subcommittee will please come to order. Today we are going to do something that is rare in this institution: We will step aside from the events of the day to look from a larger perspective at some basic and lingering questions. Our purpose is not simply to evaluate drug strategy in Peru, it is not to devise a battle plan for defeating Shining Path alone, or solely to evaluate human rights progress in Peru.

INEFFECTIVE PAST POLICY

Rather, we want to look at what is behind all of these questions, to attempt to understand why Peru is plagued with the hemisphere's most violent insurgency, why we are unable to make real progress in the drug trade, indeed why such extreme poverty persists in a country that is rich in so many other ways.

Until we begin to understand the causes of Peru's problems, I believe that we cannot devise a policy that effectively addresses our nation's interests. Our policy toward Peru has been largely ineffective because it is not based on the realities of the situation in Peru. We have pursued the drug war at the expense of our other objectives.

Unfortunately, and not surprisingly, we have nothing to show for our effort and assistance. In fact, not only have we not made progress with the drug trade; it has expanded. We have failed to develop a comprehensive policy that treats Peru as a complex country and we have ignored many of the difficult internal problems that Peru faces.

NEW POLICY

But today is a new day. A new administration has an opportunity to reconsider our priorities and our policy. The first signs from the administration are good. Recent policy decisions demonstrated a sophisticated understanding of the situation. The new administration required Peru to meet specific human rights conditions before agreeing to a meeting of international donors.

After the conditions were met, the administration moved quickly to evoke a meeting of the support group and to set in motion a bridge loan for Peru. These steps will help Peru clear its arrears with the international financial institutions and set its course for economic recovery.

Possibly the most important aspect of this new policy is that it is developed in consultation with the Peruvian Government. It was not dictated in Washington and delivered to Lima. As a result, the Peruvian Government not only agreed to make important human rights reforms, but has already begun implementing them.

As we begin to devise new policy toward Peru, I hope that it can be done in the spirit of cooperation and respect that characterized the administration's recent actions. We should use our influence to help Peru bring itself back into the democratic fold, however we need not use threats and ultimatums to achieve our policy. They have not worked and they should not be tried.

I look forward to the testimony of our witnesses. I thank each of you for being with us today to help us in this process. At this point I would like to yield to Mr. Smith for his opening comments.

HUMAN RIGHTS CLIMATE

Mr. SMITH. Thank you very much, Mr. Chairman and I would like to join you and my distinguished colleague, Ms. Ros-Lehtinen, in welcoming the panel to the committee.

I am pleased that again we have the opportunity to hear testimony about another country in our hemisphere whose relations with the United States are under review and whose human rights record is under close scrutiny.

Peru is a nation which is ravaged and terrorized by armed insurgencies, the most noted being Sendero Luminoso, the Shining Path. Additionally, the democratic birthright of Peruvian citizens was suspended by the auto-coup instigated last April by the democratically elected President Fujimori himself. Peru has had a history of abhorrent human rights practices, and yet, Fujimori's disregard for constitutional government has exacerbated the human rights climate.

The suspension of the constitution, the dissolution of both the Congress and the judiciary, and the establishment of rule by presidential decree have marked the beginning of a new generation of human rights abuses by police, security forces and the insurgency. The military continues to enjoy complete impunity with the exceptional powers in the name of "counterinsurgency," especially in the rural emergency zones.

More than 80 extra judicial killings by the police and military force and as many as 170 disappearances were reported to human rights officials. Of course, the terrorist activities by Sendero continue to be the major threat to most Peruvians.

Through November of last year, more than 650 assassinations by Sendero had been reported to the National Coordinating Committee for Human Rights. Mr. Chairman, the Sendero forces are striking at the soul of the nation, targeting teachers, community leaders, clergy, human rights leaders and public servants.

These statistics, which only represent the known cases, are tragic. They are appalling and they are sobering. What is the appro-

ropriate response of U.S. policy toward Peru? I supported, along with many others, the suspension of military assistance. While Fujimori did schedule and conduct elections with the constituent Congress and municipalities, I remain concerned about the constitutional role he will allow the Congress to have.

The jury is still out as to whether President Fujimori will insist that the constitution be changed so he can stand again as a candidate at the end of his term in 1995.

The freedom of the press has been severely curtailed in the wake of last April's auto-coup. In fact, one decree that has been issued holds journalists liable to criminal prosecution should they allegedly assist seditious forces in any way. Independent journalists are few in number and live with great fear of assassination and harassment.

Throughout my years of working on behalf of human rights, the curtailing of the freedom of the press persistently arises as an issue where governments have something to hide from their people and the rest of the world.

U.S. POLICY

Though the auto-coup, or Fuji-coup as it is sometimes called, was orchestrated in the name of rooting out corruption and battling the threats of Sendero, progress on protecting human rights has not been seen. The agreements with the U.S. Government that we have received from the Peruvian Government on certain human rights concerns must be carefully watched. We must insist that these basic agreements are adhered to and maintained.

I think it is important that Mr. Fujimori be held accountable for his agreement with the ICRC and that they have access to prisons and that the meetings at the ministerial level be held with the human rights organizations so that we can move forward in this area. Mr. Clinton clearly has outlined his foreign policy with an understanding that human rights will be a high priority and I think Members on both sides of the aisle are very pleased with that.

I look forward to working with my colleagues and other interested parties in sending a strong message to that government that human rights matter and matter dearly.

Mr. TORRICELLI. Thank you, Mr. Smith, very much for your comments.

With that I would like to welcome to the committee, Francisco Sagasti, Senior Researcher, Development Analysis Group, Coletta Youngers, Senior Associate, Washington Office on Latin America, Carol Graham, visiting scholar of the Brookings Institution; and Felipe Ortiz de Zevallos, President, APOYO.

Welcome. We appreciate your testimony and your being with us today. Your entire presentation will be entered into the record. We would, however, invite you to briefly summarize it for the subcommittee, hoping that you can do so in 5 minutes so that we may have ample time to engage in a discussion with you.

Mr. Sagasti, would you like to proceed, please?

STATEMENT OF FRANCISCO R. SAGASTI, SENIOR RESEARCHER, DEVELOPMENT ANALYSIS GROUP

CAUSES OF PROBLEMS IN PERU

Mr. SAGASTI. Thanks very much, Mr. Chairman. Considering that my colleagues are probably going to enter into some specific aspects of the human rights situation, I will give a general presentation, answering the first question that your subcommittee put to us: what are the causes, what is behind the variety of the multiple-manifestations of problems that we are all aware of.

The first point I would like to make to the chairman is that Peru is an extremely messy and complex society. It is a product of cross currents and cultural mixes that are seldomly seen in other countries of the region. It also has a diverse geography. As a result, the variety of the manifestations. The Peruvian Crisis takes place in a culturally, socially, and geographically fractured setting.

COMMUNITY RESPONSES TO CRISIS

The list of problems that we have: terrorism, economic decline, human rights violation, and so on, is very familiar. What is not so familiar is the enormous range of creative responses that have emerged to face the manifestations of the crisis. We have seen grassroot movements, community organizations, and nongovernmental institutions which respond vigorously and give testimony to the resilience of Peruvians facing a most complex and difficult situation.

We do not normally acknowledge and realize that, in the middle of this set of crises, a streak of stubborn hope combined with a capacity for organization, and with expressions of solidarity, are transforming Peru. It is essential that you, here in the United States, see not only the problems but also the responses that Peruvians are devising for themselves.

PROCESS OF SOCIAL CHANGE

Now, at the root of this paradoxical combination of terrible problems and creative responses lies a fundamental fact of Peruvian political life: the formal institutional framework of Peruvian society has been incapable of accommodating the accelerated process of social change that has taken place during the last four decades.

An explosion of social demands, a consequence of rapid population growth over the last four decades,—together with the increasing unwillingness to tolerate social injustice: which has been characteristic of Peru for several centuries—overran the capacity of government organizations, legislative institutions, the judiciary, the private sector, and so on. This has been called by some analysts the "Popular Overflow and Crisis of the State," "A Failure of the Elites" or "Rise of the Informal Sector."

This configures a fundamental problem of governance, one that is becoming all too familiar to us in the Western Hemisphere and elsewhere in the world. Simply put, we do not have in place in Peru the array of institutions that are necessary to process the social demands that emerge from below, in a peaceful and just way, and in a Democratic fashion.

"POLITICAL DISINTERMEDIATION"

One of the manifestations of the crisis of governance is a process "political disintermediation," something that you recently experienced, to a certain extent, here in the United States. This is that the demands for jobs, social services, security, resources, a sense of order, and so on are not processed through established political channels, but projected directly on the national scene by a variety of pressure groups and specific constituencies.

This has led, in the case of Peru, to the practical, I wouldn't say disappearance, but marginalization of established political institutions. The elections of 1990, in which two complete outsiders to the political system, Mr. Mario Vargas Llosa and Mr. Alberto Fujimori, faced each other in a runoff election, exemplifies the crisis of the political setup in Peru.

However, we have to accept Mr. Fujimori's achievements that, faced with such a messy situation of governance, Mr. Fujimori, in the first few months of his government, took a series of very courageous actions with regards to the economy. He succeeded in stabilizing the economy, stopping hyperinflation, liberalizing the economy, and reducing the fiscal deficit.

Of course, this was achieved at the cost of a severe recession which was compounded by the drought in 1991-1992. Mr. Fujimori also improved tax collection, reformed customs, resumed debt service to international institutions, and so on. These are on the plus side of Mr. Fujimori.

IMPOSITION OF AUTHORITARIAN GOVERNMENT

The main problem, as has been pointed out by Mr. Smith before, is that when you have apparent political chaos in Peru, the knee-jerk reaction has been to impose a dictatorial regime or authoritarian government, rather than let Democratic forces play and process all those demands in a sensible way.

This is the case with Mr. Fujimori. Because of his tendency to confuse "governing" with "giving orders," he became very close to the armed forces and basically laid a foundation for the coup of April 5, which by the way, from any perspective, can be seen as a major political miscalculation; he added unconstitutional rule to a country already facing many problems.

PROCESS OF DEMOCRATIZATION

A combination of external pressures and internal reactions forced a series of changes in Mr. Fujimori's open-ended program for return to democracy. Elections for a Constituent Congress, and elections at the municipal level, were held at least in a fair way without interference with regards to procedures. These elections give some sort of formal legitimacy to Mr. Fujimori's regime.

However, I should add that in the Congressional elections, the campaign showed evidence of gross imbalances in access to mass media, with government-backed candidates enjoying advantages. For example: practically free access to several hours of prime time daily television coverage in the week before the election something that we denied or was not available to the opposition. I could imag-

ine if that were the case in the United States, you would start protesting loudly—very loudly.

I would say, in summary, that in Peru we do not have the checks and balances that are essential for a fully working and viable democracy. We do not have the full independence of the three branches of government, although we can move in that direction over the next 2 years.

You are much more aware than we are in Peru that the end of the cold war has altered in a fundamental way the parameters to evaluate national conduct, and Mr. Fujimori's government is beginning to be much more aware of internationally accepted standards for human rights behavior and democratic practices.

This is a positive development and the key question is how the international community, and the United States in particular keeps on evolving standards that we can all agree with, and find ways to support the process of democratization in countries like Peru.

U.S. POLICY VIS-A-VIS PERU

There are two main options. The first one is to keep the type of engagement that you have had in the past with countries like Peru, through dialogue, discussions, influence, requests, and questions. This must continue, and should be an essential component of any future U.S. policy toward Peru.

But the second option is even more important. It refers to the support you can provide directly to independent institutions, compromising nongovernmental organizations, human rights activists, grassroots groups and organizations, independent think tanks, worker's organizations, and organizations representing the business community, as a way of strengthening the new manifestations of civil society in Peru. This is the only way in which a viable and fully working democracy is going to be constructed in Peru, especially at a time when we see so much power being amassed in the hands of the government.

I think that in short, Mr. Chairman, I do believe that Peru and the United States have an interesting and extraordinary opportunity, a possibility for a new beginning, as you pointed out. I think in Peru we need to do what we are doing right now in these hearings: to take a look and to examine our situation in a dispassionate way. The most important thing we can do here, is to find ways in which—without impositions and respecting our autonomy—we could jointly move toward more democratic forms of governance in Peru.

Thank you, Mr. Chairman.

Mr. TORRICELLI. Thank you, Mr. Sagasti.

[The prepared statement of Francisco R. Sagasti appears in the appendix.]

STATEMENT OF COLETTA YOUNGERS, SENIOR ASSOCIATE, WASHINGTON OFFICE ON LATIN AMERICA

Mr. TORRICELLI. Ms. Youngers.

Ms. YOUNGERS. Mr. Chairman, thank you for the opportunity to testify today on the Western Hemisphere Subcommittee on U.S. Policy toward Peru. My name is Coletta Youngers. I am a Senior

Associate at the Washington Office on Latin America, WOLA, and I have been working in or on Peru for over a decade now.

The international community has a unique opportunity to promote democratic change in Peru. President Fujimori has staked his government's success on Peru's reinsertion into the international financial community. To do so he depends on the support of major donor countries, particularly the United States.

BUSH ADMINISTRATION'S POLICY

Although the Bush administration brought significant pressure to bear on the Peruvian Government at different points in time, its credibility and hence its effectiveness was undermined by inconsistencies. Prior to the April 1992 coup, U.S./Peruvian relations were defined by misguided drug policy. The severity and character of the human rights situation were soft peddled by the Bush administration as it struggled to meet conditions mandated by the U.S. Congress, while, more often than not, ignoring the spirit of the law.

POLICY OF THE CLINTON ADMINISTRATION

The Clinton administration has taken the initiative to strengthen human rights conditions on U.S. support for Peru in the international arena. WOLA commends the new administration for linking human rights and democracy in Peru to its participation in the Support Group of Peru's major donors.

It sent a strong message to the Fujimori government that democracy and human rights are at the forefront of U.S./Peruvian relations.

We also support the administration's decision to continue withholding U.S. assistance until further progress is seen in these areas. Likewise the Fujimori government's agreements to meet the human rights conditions is a welcome step forward. However, past experience has shown that the Fujimori government's promises do not necessarily translate into action.

UNFULFILLED PROMISES

To date, none of the human rights conditions laid out by the U.S. Congress in September 1991 have been fully met despite the statements made by Fujimori at the time to get aid released. Over the coming months the U.S. Congress must work with the administration to monitor closely the Peruvian human rights situation to determine whether or not progress has been made in stemming abuses.

I would like to make just three points regarding the present situation in Peru. These are analyzed in detail in my written statement. First, the installation of a new Congress in December, 1992, and the municipal elections held in January, 1993, do represent important steps forward in restoring democratic institutions in Peru.

However, the independence of the new Congress and its ability to check executive power are far from assured. To date, the Congress has taken few legislative initiatives and the executive branch continues to dominate all crucial areas of policymaking.

Second, the judiciary remains completely under the control of the executive branch which appoints and dismisses judges and prosecutors at will and intervenes in judicial decisions. A series of decrees issued by Fujimori while the Congress was shut down essentially eliminated due process.

Third, the human rights situation in Peru remains bleak. The Shining Path was responsible for 946 political assassinations last year alone. With regard to government forces, in 1992 there was a slight increase in the number of disappearances and extrajudicial executions by state agents.

Since the April 5th coup, there has been increased persecution of those viewed as in opposition to the regime, including human rights monitors, journalists and political activists.

NEED FOR DEMOCRATIZATION

The primary U.S. interest in Peru is to support the restoration and strengthening of effective democratic institutions and to promote respect for fundamental human rights. From the experience of the last two decades we know that democracy is crucial to the protection of basic human rights. Getting democracy back on track is a necessary condition for pursuing other U.S. interests: defeating the Shining Path, achieving cooperation in multilateral antinarcotics initiatives, and promoting equitable economic growth.

ECONOMIC SUPPORT

In the long run, the U.S. Government can best support democratic developments in Peru through economic support. In an era of diminishing resources for direct assistance, the U.S. Congress and the administration must look toward other tools for promoting beneficial economic growth, including debt relief and the extension of trade benefits.

In addition, once an independent Peruvian Congress and judiciary are restored, the U.S. Government should support programs designed by the Peruvian Government and local organizations to promote democratic institution building and the rule of law through AID's Democratic Initiatives program.

In the short to medium term, the U.S. Government must use its economic and diplomatic leverage to promote the restoration of democratic institutions and respect for basic human rights. At the same time, significant levels of humanitarian and development assistance can be provided to help meet Peru's pressing economic needs.

U.S. POLICY RECOMMENDATIONS

I list and explain 11 specific policy recommendations in my written testimony. I would like to put forward five at this time.

First, the provision of all nonhumanitarian aid to Peru should be conditioned upon the restoration of an independent Congress and judiciary and on significant progress in curtailing human rights violations by state agents. In my testimony I provide specific benchmarks which could be used to gauge progress in these areas.

Second, the U.S. Congress should urge the Clinton administration to continue to reiterate its concerns regarding human rights

and democracy in Peru and should work with the administration to monitor closely compliance with human rights conditionality.

Third, AID should provide increased levels of humanitarian and development assistance to Peruvian community and nongovernmental organizations through United States and international organizations which have a sound track record in working with these groups.

Four, no military assistance should be allocated to Peru in fiscal year 1994 and no U.S. military trainer should operate in Peru. Technical assistance being provided to Peru by the U.S. military as part of antinarcotics programs should be discontinued.

And five, all covert aid to Peru should be discontinued as well. Thank very much.

Mr. TORRICELLI. Thank you Ms. Youngers.

[The prepared statement of Coletta Youngers appears in the appendix.]

STATEMENT OF CAROL GRAHAM, VISITING SCHOLAR OF THE BROOKINGS INSTITUTION

Mr. TORRICELLI. Mrs. Graham.

Ms. GRAHAM. Mr. Chairman, I thank you for the opportunity to testify before the subcommittee on U.S. policy toward Peru. In particular, I would like to emphasize what I see as two prerequisites to meeting any policy objectives in Peru.

PREREQUISITES TO POLICY OBJECTIVES

The first is a successful completion of a market-oriented reform program which depends on the establishment of adequate mechanisms to protect the poor from its extremely high social costs, and the second, although not second in priority, is the establishment of genuine democratic regime with full respect for civil liberties and human rights.

Progress toward establishing these two conditions will be essential to attaining whatever we define as the primary U.S. interests in Peru, be they drug interdiction, an improved human rights situation, or an end to civil unrest in the region.

Our aid program is relatively small compared to Peru's population size and resource needs. Unless we refocus it clearly on realistic objectives, it will have a marginal, if any, positive impact. Details about Peru's current situation appear in my written testimony and have also been addressed to some extent by other members of the panel.

Suffice is to say here that while Peru is not first and foremost among the U.S. foreign policy priorities, the ongoing war between the Shining Path guerilla movement and the quasi democratic Government of Peru makes us uncomfortable at the very least.

In addition, events such as two coup attempts in Venezuela last year clearly demonstrate that democracy and stability in the region are far from guaranteed. As we attempt to redefine our priorities in a changed world order, the Peruvian situation is precisely the kind of conflict that generates international security concerns. The change in administration in the United States creates a window of opportunity to take a preventive approach to international security crises, and to contribute to the resolution of the root causes of polit-

ical instability in Peru, and these are endemic poverty and a lack of credibility of state institutions.

NEED FOR ECONOMIC REFORM

Peru has undergone an economic decline of unprecedented proportions in the past decade. Suffice us to note here that per capita income levels are below their 1968 levels, when they were already low by regional standards; and that less than 10 percent of the population of the capital city, Lima, has adequate employment.

Since August, 1990, Peruvians have been making enormous sacrifices with little external aid to transform their crippled economy into a viable market system. Economic reform is essential to overcoming Peru's crisis, yet failure to address its social costs may ultimately undermine it, playing into the hands of Shining Path.

While the Peruvian Government has made a great deal of progress on the macroeconomic front, it has done very little to address the high social costs of its reforms. This is in sharp contrast to other successful economic reformers in the region, including Chile, Bolivia and Mexico. Only recently has a social fund, modeled on Bolivia's highly successful Emergency Social fund, been set up in Peru with support from the international community.

QUESTIONABLE COMMITMENT TO DEMOCRACY

The democratic government, meanwhile, was brought to a halt by President Fujimori's implementation of marshal law on April 5th 1992. Due largely to international pressure, elections for a constituent assembly were held in November, and as Mr. Sagasti noted, there was a great deal of manipulation of rules prior to the elections and harassment of opposition leaders and journalists continues today.

Given President Fujimori's rather questionable commitment to democracy, international pressure, and in particular U.S. pressure, will be key to guaranteeing a democratic turnover in Peru in 1995. Yet because our aid resources have been concentrated on a drug strategy which Peruvians have little stake in, our leverage on the situation is quite limited.

COUNTER-NARCOTICS ASSISTANCE

Peruvians not surprisingly, see their ability to curb coca production as directly linked to their ability to provide alternative employment to their people.

Until now, U.S. interests have been defined strictly in terms of drugs, and all aid, including balance of payments supports, is earmarked as counter-narcotics assistance. The \$100 million in aid allocated for 1992 and the \$40 million for 1993 are stretched quite thinly between balance of payment supports and a variety of alternative development programs which have, I think, an erratic record. This policy was prolonged and the exposure of U.S. military personnel increased despite its ineffectiveness. The number of hectares under cultivation has grown in recent years, as has the amount of cocaine transported annually to Columbia.

AID CONDITIONAL ON HUMAN RIGHTS SITUATION

The Clinton administration recently indicated it was moving toward reextending the aid that was halted after November 5, and that it would support a \$2 billion bridge loan to Peru, as well as to contribute to an ongoing donor support group. The extension of aid is correctly, I think, being made conditional on improvements in the human rights situation. The bridge loan is merely an accounting transaction that enables Peru to receive desperately needed fresh capital from the World Bank and IMF. The funds never leave the United States. The entire transaction takes a little over an hour. The U.S.' donor support group donation meanwhile comes out of the \$105 million already allocated for balance of payment supports to Peru for 1992, 1993. So we are not really talking about new money being allocated to Peru.

PERU'S ECONOMIC REFORM PROGRAM

However, because the Peruvian economic reform program hinges on reinsertion into the international financial community, our support for this process is our most important policy instrument, much more so than is our limited aid program on its own. At the same time, a change in the direction of our aid program is essential.

The United States would have far more leverage over the Peruvian situation if it focused its aid efforts in an arena that the Peruvian Government was firmly committed to, the economic reform program. It should also make support conditional on the implementation of a viable social fund to protect poor and vulnerable groups.

IMPLEMENTATION OF SOCIAL FUND

We should of course concurrently continue our focus on improvements in the human rights arena. The successful implementation of a demand-based social fund would have impact on both economic development and on the fostering of democracy at the local level, which are integral to defeating Shining Path.

Until now, our food aid program is the only aspect of U.S. policy that has aided in such initiatives. A concentrated focus on such initiatives, through support for the social fund, would be far more effective than any of our ongoing programs are, such as the vaguely defined Democratic Initiative Program run by AID, or the alternative development program for the Upper Huallaga Valley.

ADVANTAGES TO CHANGE IN DIRECTION OF OUR AID PROGRAM

And the recent setbacks to the leadership of Shining Path give us a window of opportunity, I believe, to succeed with this kind of development initiative. As long as our aid is linked to the solution of our domestic drug problem, it will have limited ability to address and indeed may even be counterproductive to the processes of pacification, democratic stability and economic development that are necessary to resolving the crisis in Peru.

Focusing our aid on the economic reform program and the social emergency program as an integral component would be far more cost effective, than if we mistakenly continue to define our primary interests in Peru as curbing the production of coca leaf, the end result of such a refocused aid strategy would be a nation that was

far better equipped, economically and politically, to stem the supply of drugs.

As a starting point, a strategy that focused on economic reform and addressed the costs of economic reform within that would cost nothing less than the reallocation of resources currently being utilized in Peru and would entail far fewer risks than our current policies.

Thank you.

Mr. TORRICELLI. Thank very much, Mrs. Graham.

[The prepared statement of Carol Graham appears in the appendix.]

STATEMENT OF FELIPE ORTIZ de ZEVALLOS, PRESIDENT, APOYO

Mr. TORRICELLI. Mr. Ortiz de Zevallos.

Mr. DE ZEVALLOS. Thank you, Mr. Chairman. My name is Felipe Ortiz de Zevallos. I am the President of APOYO, a private firm in Peru providing economic consulting and public opinion polling. I appreciate your invitation to testify on the current situation in Peru and U.S. policy.

CRISIS OF GOVERNANCE

I agree fully with Mr. Sagasti's statement that the main problem Peru has had to face in recent years has been a crisis of governance. In 1990 when President Fujimori was elected, the economy had the second longest hyperinflation recorded for any country during this century. GDP per capita had regressed to the values it had attained in the 1960's. The state was bankrupt. Minimum public services had stopped functioning adequately. Armed groups, belonging to the most cruel and fanatical terrorist organization of the hemisphere, occupied part of the national territory. Summing up, Peru was on the verge of social and political collapse. Seventy-three percent of Peruvians considered the country to be in decadence.

In 1990, some analysts considered the possibility of a reenactment in Peru of the killings in Cambodia with hundreds of thousands, if not millions, dead. It is against that backdrop and the risk of its resurgence that the present situation must be evaluated.

PUBLIC OPINION IN SUPPORT OF FUJIMORI

On April 5, 1992, President Fujimori—supported by the military—dissolved congress, reorganized the judicial power and suspended part of the constitution of 1979. The president's argument was that the old political system was incapable of fighting terrorism, corruption and economic decay. I have been a severe critic of that action since I considered that the government had not exhausted all the possibilities allowed by the system to face such difficult problems. The decision, however, was amply supported by public opinion. The vast majority of Peruvians did not then and have never considered Fujimori's government a dictatorship.

Since April 5, thanks in part to international pressure by the OAS, elections for a constituent Congress were held in November, which was installed on January 1 of this year. On January 29, municipal elections were held; mayors were elected in 187 provinces

and 1,600 districts. The majority of Peruvians consider that the situation in Peru has improved.

At present, the president has 62 percent approval; his government on the whole, 58 percent; and the new congress, 55 percent. These percentages are significantly higher than those of similar countries in the region.

SUPPORT OF NEW JUDICIARY

The main institutional problem that Peru faces is the judiciary. For several decades, the system has been contaminated by political influence, corruption, and, since the appearance of terrorist groups, by fear.

After April 5, the government dismissed approximately one-half of the members of the supreme court judges accusing them of corruption. Like in any drastic measure, some innocent judges may have paid for the sins of many. However controversial, this action received the support of 81 percent of public opinion. In my view we have now a cleaner court, if not a smarter one.

U.S. STATE DEPARTMENT REPORT

Last month, the U.S. State Department presented a Report on Human Rights in Peru for 1992 and the Peruvian National Coordinating Committee on Human Rights (La Coordinadora) issued a public statement on the subject.

I disagree with La Coordinadora when it says that the Peruvian Government has "systematically violated human rights." In fighting one of the most cruel subversive groups in world history, human rights violations have been frequent and in some cases inexcusable. But the word "systematically" implies that the violation of human rights has been an implicit policy of the government, a statement for which there is no real support.

With respect to the report from the U.S. State Department covering the 1992 period, the last 2 months have shown some favorable developments which are described in my written statement.

ECONOMIC REPERCUSSIONS

On the economic front, Peru's GDP fell last year by almost 3 percent. This was a consequence, in part, of the drastic stabilization program in progress. Inflation fell to under 60 percent annually, from 140 percent in 1991 and 7650 percent in 1990. The goals of the "shadow program" agreed upon with the IMF for years 1991-1992 were adequately met. The government has started an ambitious plan of reforms conducive to the deregulation, liberalization and privatization of entrepreneurial activities previously under state administration. The Lima stock exchange last year was the second most profitable in the world. IMF projects a GDP growth of 3 percent for this year, increasing to 5 percent in the following 2 years. By 1995, inflation could be down to international levels and Peru should be on its way to overcoming the most dramatic symptoms of its greatest crisis in recent history.

EFFECTS ON TERRORISM

The counter-insurgency has achieved important advances in the war against the Shining Path. Public opinion not only approves of the antisubversive strategy but considers that it will achieve a reduction in terrorist activities in the immediate future.

GOALS FOR PERU

What should be the goals for Peru in the immediate future? I think that is not impossible for my country to meet the following goals: First, the drafting of a new constitution that ratifies the economic reforms that have been enacted, that increases the power and quality of the Judiciary and that establishes a framework for the improvement of democracy and welfare; b, the approval of such a draft by popular referendum; c, a long-term and feasible arrangement for the payment of its foreign debt; d, a recovering of exports and investment so that growth by 1995 rises to 5 percent a year; e, continuing with fiscal austerity so that inflation goes down to international levels; f, a continuous pacification of the country by recovering full governance over its territory and by limiting the menace of the Shining Path; and finally, g, democratic elections to be held for the President and Congress in 1995.

U.S. ASSISTANCE NEEDED

I think the U.S. Government should help Peru in achieving these goals not because of benevolence alone but to protect its own interests and the future of democracy and development in the region. Few things could be more rewarding for the hemisphere than to get Peru back on a normal track by 1995. This, in my opinion, is an achievable goal.

It is not possible to eliminate instantly the various circumstances that make up the present and future of any society. It is always easier to make a neutral judgment than to effectively promote human dignity in a society as removed as has been Peru by the blows imposed by terrorism, narcotraffic and corruption.

Peru, I believe, will survive this process through decency, the courage and industriousness of its people.

In this process, it needs both the rational clarity of its critics and the emotional support of its friends.

It has been getting plenty of the first but not enough of the latter.

Thank you very much.

Mr. TORRICELLI. Thank you very much for your comments.

[The prepared statement of Felipe Ortiz de Zavallos appears in the appendix.]

EFFECT OF FUJI-COUP

Mr. TORRICELLI. Ms. Youngers and Ms. Graham, and I guess to the greatest extent also Mr. Sagasti, it would appear that some approach the actions by Mr. Fujimori as if the country that existed before his constitutional coup were an operating democracy, with some level of international acceptability. In my judgment, it was not.

I suppose I would characterize my own feelings much as Mr. Ortiz de Zavallos, that however disappointing Mr. Fujimori's actions, isn't it possible at this point to come to the judgment that in some important respects a completely unacceptable situation was made marginally acceptable? We measure progress in small ways.

Ms. Youngers, would you not concede even that small point?

Ms. YOUNGERS. I would concede that the situation prior to the coup was extremely difficult. We have discussed the situation here. I need not reiterate those points. What I would say, however, is that instead of making the situation marginally better, in the long run, I think Fujimori's actions have made the situation considerably worse, particularly if you look at the issue of confronting the Shining Path.

I think the pattern of human rights violations in Peru and the overthrowing, if you will, of democratic institutions, only serves to further the goals of that organization. In the long run, it is only—

POSITION OF JUDICIARY UNDER FUJIMORI

Mr. TORRICELLI. I agree with that. Let us discuss it briefly by sectors. Because we may largely have concurrence on this, I won't direct these questions to you, Ms. Youngers, but to others on the panel. Let me take it by the three individual sectors.

I left Peru convinced that not only was the judiciary not part of the effort against narcotics, they were working for the narcotraffickers. It was nearly impossible to get people convicted and to stay in confinement. I recognize from each of your testimonies the judiciary is undoubtedly now operating too much under the direction of the executive for any of our concepts of constitutional government; there is no doubt that must change. But will you not concede the point that indeed the judiciary now is in a relative superior position in dealing with the problem of narcotraffickers, Ms. Youngers?

Ms. YOUNGERS. No, I don't think that it is. I think it is fair to say that in certain areas of the country, there is less corruption as a result of the actions that the government has taken. But from what I can gather in talking to people in Peru and in my trips to Peru, the major criteria for the dismissal of judges and the replacement of judges and public prosecutors is allegiance to the Fujimori regime.

Mr. TORRICELLI. I conceded that point. The executive is clearly now dominating the judiciary.

Ms. YOUNGERS. The point I am trying to make is in some cases that may have resolved issues of corruption that existed before, but in most cases, it has not. I have not seen any evidence to show that there is less corruption in the judiciary than there was prior to April 5th.

Mr. TORRICELLI. None of you will concede the point that in fact we are getting more convictions of narcotraffickers?

Ms. YOUNGERS. I have not seen statistics on convictions of narcotraffickers. I have seen statistics on convictions of alleged members of Sendero, many of whom we believe to be innocent.

Mr. TORRICELLI. So the only change then that you are willing to concede in the operation of the judiciary is that the Shining Path is facing a more effective judiciary?

Ms. YOUNGERS. I would say that in fact more members of the Shining Path are probably being convicted, but more innocent people are being convicted as well.

MILITARY CORRUPTION

Mr. TORRICELLI. On the question of corruption of the military, I take it that none of you think that this has led to any appreciable improvement at all in the operation of the military. I am not addressing human rights at the moment. I will return to that, but in dealing with the problem of the cooperation of the military with the narcotraffickers.

Ms. GRAHAM. I would say certainly not, because if anything, you have just given the military a free hand with no judicial oversight at all. I would concede the point that the judiciary before this was nothing to write home about, but I don't think you have made the situation marginally better, and particularly in terms of the military, one of the most notable trends is the increasing influence of a former military officer within Fujimori's circle of advisors, Vladimiro Montesinos, who has actually questionable links to the drug traffickers, who seems to have a virtual free hand within the administration. He is also being protected by the administration to the extent to which journalists who have attempted to discover his links to drug trafficking have been harassed or jailed. So I would certainly say not.

SIGNIFICANCE OF POLLS

Mr. TORRICELLI. Miss Youngers, you raised the concern for the legitimacy of the government after the coup the alienation of the electorate and how it might help Shining Path.

Given the numbers that Mr. Ortiz himself has cited and where I have read elsewhere concerning public support for Mr. Fujimori and his actions, does that not at all undermine your confidence and conclusions of the United States Government and myself after the coup?

Ms. YOUNGERS. Nobody is questioning that the Fujimori government has support. I don't think that should be the focus of U.S. attention in terms of making decisions on its policies. While at the same time that Fujimori does clearly have popular support, there are polls that indicate in marginal rural and urban areas, support for guerillas has also gone up.

I have seen polls where as much as 20 percent of residents in these areas are willing to express support for the guerillas, this in a country where making such a statement could be a warrant for arrest or discipline or that sort of thing. So what I think you see is a polarization of the situation which only serves to enhance the guerillas in the long run.

Mr. TORRICELLI. To each of you: the human rights conditions that evolved out of this control-group meeting on access to prisoners and the publishing of lists of the operations of the international community, do you all find that to be an appropriate list for the international community with which to proceed?

Mr. SAGASTI. Mr. Chairman, let me perhaps go back to one of your earlier questions, then I will be glad to answer this one, but let me take issue with your summary, your statement about April 5, which I think is really the point to start the discussion.

SENSE OF PUBLIC RESPONSIBILITY OR LACK THEREOF

I do not believe that, in political terms, the situation has improved marginally after the coup. When you sever the connection between the responsibility that any citizen exercises in the elections of officers, then you are undermining the democratic process in a fundamental way.

After April 5, I think that few Peruvians feel responsible for what Mr. Fujimori does. One of the essential connections between the democracy and the public and elected authorities is precisely that you *choose* representatives, you are *responsible* for your choices, and then you can vote them out of offices if they do not perform.

The moment that a military officer or a democratically elected president severs that link, the learning process necessary to consolidate democracy is interrupted—

COMPLIANCE WITH HUMAN RIGHTS CONDITIONS

Mr. TORRICELLI. I don't think that is an issue here. We probably all concur with that. When I visited Peru before all this took place, I found that human rights conditions that we have now put forward were not met and the judiciary was operating much as it is now being described.

This is the milestone that we are facing. Now my question to you is if we achieve a compliance with these human rights conditions and the judiciary is functioning against Shining Path, haven't we made some small but albeit measurable movement.

Mr. SAGASTI. Probably, yes, in a very small way, as you were saying. The question is whether we have an alternative way of solving the problem.

Mr. TORRICELLI. That is not available to us. What has happened has happened.

Mr. SAGASTI. You are asking about future policy, and what is important in terms of future policy is to see what other options are available to us now. I would suggest the following, that with regards to human rights conditions, the way you are suggesting is a sensitive one, and Peru and the United States should continue on working in this way in the future.

SUITABILITY OF LIST OF CONDITIONS

Mr. TORRICELLI. But do you find this list that the international community has agreed upon with improving government to be appropriate?

Mr. SAGASTI. These conditions were agreed with the Peruvian Government, so I have no objection to them.

Mr. TORRICELLI. I am told from the Peruvian Government that a list of detainees is being published within 24 hours, and the international committee of the Red Cross is getting access to jails. Do any of you know that to be or not be the case?

Ms. YOUNGERS. May I first respond to the issue of the human rights conditions, then I will address that directly? In terms of the conditions that were recently agreed on, in WOLA's point of view, these were an important first step. We must remember, however, that there are a whole list of other conditions that go along with aid to Peru in addition to those just agreed on.

While recognizing the importance of the administration's actions over the last couple of weeks, we also have to recognize that the Fujimori government does not have a track record of compliance with such conditionality. I would have preferred to have seen the administration wait before going ahead with the support group meeting and the bridge loan to allow the government time to get those—

LIST OF DETAINEES

Mr. TORRICELLI. I know that is your position, but they did proceed. And since they did proceed, I am looking for assurance from you that in this brief time that has transpired, whether or not a list is being published of people who are being detained and there is access to these prisoners. It is one thing to keep an agreement which you may think was inadequate, it is another when it is both inadequate and is not being kept.

Ms. YOUNGERS. The central registry of detainees was not on this list of conditions but goes back to 1991. As I understand it, there are three separate lists functioning in the Ministry of Defense, Ministry of Interior, and the Public Ministry that have not yet been combined. There are a lot of problems with access to those lists and as regards to the validity of the list. It does not appear that all detainees are actually being registered. You cannot say at this time that there is a functioning registry.

With regards to ICRC access, as you know, the ICRC had gained access, then it was taken away. A recent agreement was reached as a result of these new conditions which states that the ICRC—

Mr. TORRICELLI. Are they getting access?

Ms. YOUNGERS. I do not know to what extent it is functioning because the agreement was just signed last week.

Mr. TORRICELLI. I am going to yield to other Members and leave the room briefly. When I come back, I hope we get a chance to continue with this discussion. Mr. Smith, I am going to yield to you and make the comment that if indeed the Peruvian Government seeks better relations with this committee, they would be wise in their future documents not to refer to themselves as the GOP.

DRUG TRAFFIC BOOM

Mr. SMITH. Thank you very much, Mr. Chairman. I just wanted to ask a couple of questions. Thank you for your testimony, which has been very enlightening. Recently, I read an article in the *Washington Post* written by Francisco Reyes, a Lima-based correspondent. Mr. Reyes was unable to get this basic information published in Lima, and he suggests that since the coup, and I am quoting from him, "Drug trafficking in Peru has increased, particularly in the coca-growing Huallaga Valley."

He points out that the longstanding links between military officers and drug traffickers have been strengthened according to nu-

merous reporters who have been there, basically he states that there is no war on drugs there. Essentially, that is his bottom line. Ms. Youngers, I have noted in your testimony, you pointed out U.S. policy ought to be oriented to multilateral efforts at curbing money laundering, in addition to other initiatives.

Could you—and all of you—address the issue of antinarcotics, efforts of the U.S., and Fujimori's work in this regard. The headline of this story was, "Peru's Deadly Drug Habit Behind the Fujimori Front, Corruption and Cocaine Trafficking are Booming," and it seems that one thing is being said for national consumption, perhaps another is being done locally.

U.S. DRUG POLICY RE-EVALUATION

What can this government do? It seems to me that if the war is not being won, perhaps we are not waging it effectively. Rather than simply conceding defeat and allowing Peru to become another Colombia, perhaps we ought to look at how we might make it more effective, especially at this crucial time when Fujimori is looking for U.S. assistance. In terms of opening up access to international banking funds, it is time to put more pressure on Fujimori rather than less. Do you agree that his military is becoming more complacent in this narcotics trafficking? I fully agree that we need to be doing more in drying up demand and focusing attention here in the United States so that there is less of a demand. Drug education certainly helps.

Nonetheless, it seems too soon to fly the white flag and say it just can't be done. Ms. Youngers, you might want to start off, and perhaps others would like to comment.

Ms. YOUNGERS. Perhaps I will just say a few general comments about U.S. drug policy. For some time, WOLA has critiqued the Bush administration's approach to antinarcotics activities. We basically feel that you need a two-pronged approach. You need to look at the problem of drug abuse and drug-related violence in this country, which as you point out, requires that we pay greater attention to education and treatment and demand side efforts, and in the case of Latin America, you need to look at how the United States can best support efforts by local governments to combat the impact of drug-related violence on their societies. I would say that the militarized approach prescribed by the Bush administration has actually aggravated those situations as opposed to allowing for a successful so-called war on drugs.

NEED FOR ECONOMIC DEVELOPMENT PROGRAMS

I would say that what needs to be done in the case of Peru and other countries is to focus on the economic routes of coca production and the profits that allow drug trafficking to be such a popular activity, particularly in countries like Peru. Promoting alternative economic development programs targeting coca growers and providing economic alternatives to people is the best way you are going to confront the drug problem in Latin America and in Peru in particular where you are mostly talking about coca growers.

Ms. GRAHAM. I want to agree with the general thrust of Ms. Youngers' statement. I think that the current war on drugs is like the Dutch boy holding his finger in the dike. Until you have some

semblance of economic growth in Peru, realistically you cannot make any progress in terms of curbing coca production, and in terms of the military's role, the Peruvian military's first priority, understandably I think, is defeating one of the most fanatic guerrilla movements we have ever seen in this century and certainly ever seen in this hemisphere.

Until that is done, it is very difficult to expect the military as an institution to combat drug trafficking. The fact that there is corruption within the military is, I agree, a problem, but you also have to look at what does it stem from. When an officer doesn't make enough money in a day to buy Coca-Cola, you are probably going to have corruption in the military. It is going back to the chicken or the egg.

Do you address the root problem, which is the economic problem, or do you focus on the war on drugs which is what we have been doing for over a decade with very little success. If anything, I would say with quite a lot of failure.

BEWARE OF OPINION POLLS

Just a point I would like to followup on that was made earlier but I think it is an important one when looking at the Peruvian situation, the point about opinion polls, because I am not sure we addressed it fully. If you look, the Peruvians are desperate for a solution to their crisis, it is a desperate society at this point. When you look at the political violence statistics, it is no surprise.

If you look at support for dictators after plebiscites, Napoleon Bonaparte, Hitler and Duvalier, all got over 90 percent popular support. So I think you have to be careful before you start allowing somebody like Fujimori to govern by opinion poll. His popularity is as much due right now to the fact that by luck they were able to capture the leader of Shining Path as to anything else, so I think that those opinion polls really need to be taken with a large grain of salt.

Mr. DE ZEVALLOS. Well, polls create debate everywhere. There is ample support for the government which is due to improving expectations for the future, both on the economic front and the real menace of Shining Path.

UNSUBSTANTIATED ACCUSATIONS AGAINST MR. MONTESINOS

On the topic of corruption, I do not agree fully with prior views and the accusations that have been made against Mr. Montesinos as being related with the drug traffickers. Mr. Montesinos is by many good reasons the bad guy of the Peruvian Government for everyone, but the accusations regarding his connection with the coca traffic are weak. They refer to the fact that as a lawyer he defended a couple of narcotic traffickers back in 1982.

When he was asked about this matter, Mr. Fujimori answered that Mr. Montesinos was very well connected with the American intelligence service and that if the American Government had given him a clean record on drugs, he had no reason to distrust him. I see Mr. Montesinos as someone who is very autocratic and with little respect for democratic values, but I don't know of any evidence that relates him with the drug traffic.

REASONS FOR MR. FUJIMORI'S PUBLIC SUPPORT

Mr. SAGASTI. Two small points, one on public support. Why does Mr. Fujimori have so much apparent support? First, as we said before, opinion polls are not a source of political legitimacy. There is no comparison between a few hundred people giving an opinion and millions voting. For example, Mr. Fujimori's candidates in the congressional elections received only 38 percent of the popular vote in spite of a very biased campaign for congress and the fact that Mr. Fujimori had more than a 70 percent approval rating.

But the reasons are, first, that he succeeded in introducing some sense of order into Peruvian society, particularly by shopping hyperinflation, which was ravaging the economy. There was a sense of insecurity and by having someone who took tough positions as he did, you restore the sense of order and that counts in public opinion.

DICTATORSHIP OR ANARCHY, WITH NOTHING IN BETWEEN

Second, he has succeeded in a way which I find puzzling, paradoxical, and difficult to understand in completely polarizing the country by posing false choices: you either support Mr. Fujimori and his economic policies or the economic policies of his predecessor, Mr. Gracia. You either support Mr. Fujimori's anti-subversial policies with all their human rights problems, or you do nothing. You either support Mr. Fujimori and a Congress which basically responds to him or you support the mess that parliament was before. What we Peruvians must realize is that these are not the only choices.

But Mr. Fujimori has succeeded in presenting to public opinion the fallacy that there is no third option. One of the things that can be done is to help the public realize that there is a middle ground between those sets of extreme options. If that were the case, I think you would see the public's support for Mr. Fujimori decline.

This explains to a large extent, without giving him political legitimacy why opinion polls give him a 60 percent approval rate. However at the same time, only 38 percent vote for government candidates in elections for congress, and practically no one supported government candidates in municipal elections.

DRUG WAR IS WRONG WAR

On the war on drugs, just one comment. I think as was pointed out by the other panelists, the war on drugs is the wrong war to fight. More important are the war on poverty and the war on terrorism. By winning those two, you win the war on drugs, but by attacking on the drug front leaving the two other fronts completely open, we are never going to solve the problem of drugs, because as Mrs. Graham pointed out, you will still have people who are desperately poor and need to earn something to survive and terrorists protect drug traffickers.

Mr. SMITH. I thank you for your answers, but I am not sure that it is wise to jettison one part of the policy. I do agree we need to get at root causes. Part of the Bush policy was, and I am sure part of the Clinton policy will be, to do just that, provide alternative development. But the question remains—how much is enough and

what does it take to achieve those results? My second question, in light of Guzman's capture and incarceration and many of the other leaders of Shining Path, how do you rate the progress on that front? According to reports I have read it seems that the number of attacks have actually gone up rather than decreased, is this a short term phenomenon or do you believe that the insurgency has gotten more militant and is likely to become even more of a threat?

ECONOMIC REFORM PROGRAM IS ESSENTIAL

Ms. GRAHAM. Two comments. To the first, in terms of how much is enough, I think I detailed that in my testimony, recognizing that we are not going to give more aid to Peru in the coming years, it looks like we are giving less aid to Peru, and that is a constraint within foreign policy, how we are defining our foreign policy objectives and aid being limited in general.

I think it is a question of how we focused our aid and I think right now it is spread very thinly over a lot of initiatives, most of them linked to drug interdiction, or vaguely termed as alternative development programs, which should all be focused on the economic reform program. That would be the how much is enough question.

THE THREAT OF THE SHINING PATH

In terms of Guzman's capture, I think two things are clear. One is that by eliminating not just Guzman but about six other top members of Sendero, you have eliminated Sendero's capacity for taking over the Peruvian state in the foreseeable future, which was becoming a realistic threat before that.

On the other hand, you now may have one Sendero, you may have six Senderos, but if you go to the urban slums of Lima, for example, where I have done research for several years, Sendero is very much present, it is very much in control, and until the Peruvian state has a capacity to demonstrate some presence, some credibility, both in providing judicial services and in providing basic social welfare services, the phenomenon of Sendero as pervasive political violence in Peruvian society will continue for the foreseeable future.

Ms. YOUNGERS. I would just reiterate that clearly the threat of the Shining Path has been reduced today as compared to say last summer when tensions were running so high, but it does represent a real threat to the Peruvian society. Many analysts in Lima fear that given the level of attacks and killings we have seen in recent months in particular, that the central committee has been reestablished, and they are operating with a central command structure, probably with a new cadre of leaders who are not known to government authorities. The young leadership, in other words, has moved up and filled the rank of those who have been taken prisoner.

With the reduction in the immediate threat, I think there is a very important opportunity for the Peruvian Government to reorient its counter insurgency strategy along the lines I have laid out in my testimony. Fujimori hasn't done that and what you see is the Shining Path regaining its strength at an alarming rate. And I would not be surprised that if there is not a change in strategy, the threat we saw last summer would reemerge.

SHINING PATH IS A LONG-TERM PROBLEM

Mr. SAGASTI. In other places, like Northern Ireland, we see terrorism after many years and much more resources to combat it. In Peru, I don't expect Sendero or political violence to vanish completely from the scene in 2 or 3 years. It is necessary to recognize that this is going to be a long process.

Now, when you allocate resources and you know that we are going to have a long war, you make choices with one set of criteria. If you believe we are going to win the war in 2 years, you allocate resources in a different way. It seems to me what is missing in the government is a realization that the problem of Sendero is a long-term problem that has deep social, cultural, and economic roots: that it cannot be solved through homogenous policies, for Sendero adapts to diverse local and cultural conditions; that the respect for human rights must be an integral component of the strategy, so as to establish moral superiority over those you are battling; and that it requires also a skillful and patient use of intelligence and police actions which is what led to, after several years, the capture of Abimael Guzman.

I do not see, as yet, a comprehensive strategy that would be required to view the Sendero threats in a systematic and sensible way. What I see is a great deal of rejoicing over winning one battle, without thinking that perhaps we could lose the long-run war.

CIVIC CULTURE AND VALUES STILL EXIST

Mr. DE ZEVALLOS. I want to make a comment. Mr. Guzman was captured by a police general that makes \$150 a month who did not touch him with a finger and who rejected \$1 million that was offered as a reward by Peruvian businessmen. He donated it to the orphans of Ayacucho. So there is something going on in this crisis that is not always negative in civic culture and values.

SHINING PATH HAS LOST CREDIBILITY WITH PAST SUPPORTERS

I think that the capture of Guzman has been very important in terms of the way the people now feel. I think that Sendero from their own point of view committed a mistake by bombing a television station and by killing Maria Elena Moyano.

Polls, that in my opinion are useful to understand Peru's paradox, show that the justification of Sendero in slum neighborhoods went down from 15 percent a couple of years ago to 3 percent in June of last year. So when people found out that Sendero was willing to kill a popular leader out of their own base, it was rejected almost unanimously.

I think that the perception at least of Sendero's menace has diminished significantly.

Mr. SMITH. Thank very much. Yield back.

Mr. MENENDEZ. [Presiding]. Thank you, Mr. Smith. Mr. Torricelli has left. I have been asked to chair. We will turn to Mr. Wynn.

COVERT AID

Mr. WYNN. Thank you, Mr. Chairman. Miss Youngers, looking at your policy recommendations, first, item six, you suggested all cov-

ert aid should be discontinued. Is it your understanding currently that the covert aid is being utilized for anti-insurgency efforts?

Ms. YOUNGERS. Obviously we don't have a lot of information on the covert aid program since that information is kept confidential. Fujimori himself, as was mentioned earlier, has recognized that Montesinos and the Peruvian Army's intelligence service is receiving CIA support. There is evidence indicating that, although it was originally intended for counter narcotics activities, that support is destined toward counter-insurgency activities.

I think the important point about covert aid is that if covert aid continues to go to Peru, it is undermining conditionality on other forms of assistance, in addition to obviously supporting a very brutal counter insurgency campaign and for both those reasons should be discontinued as soon as possible.

I would encourage the Members of the committee to inquire into this, obviously our capacity to do so is limited, and to make any recommendations you can to the appropriate congressional committees along these lines.

CONDITIONALITY OF AID APPEARS CONTRADICTORY

Mr. WYNN. On that same frame, your first recommendation conditioned all nonhumanitarian aid, economic aid seems to be advocated generally by the panelists on curtailing human rights violations.

I guess what I am seeing and I am very new to this is what appears to be a contradiction in that you are citing an increase in insurgency threat, advocating discontinuance of covert presumably intelligence aid and also saying, we won't give the economic aid that you need unless you discontinue your human rights violations.

Aren't those contradictory positions and from a practical standpoint, if in fact the insurgency threat is as great as you suggest, isn't it very unlikely that the human rights situation is going to improve?

Ms. YOUNGERS. No, I don't think it is contradictory. As I lay out in my written statement, I believe the experience we have had in Latin America in the last 2 decades illustrates that promotion or respect for human rights and democracy are crucial elements in the war against any subversive group, be it the Shining Path or any other group.

If you look at El Salvador, for example, it was not the U.S. backed military that ultimately ended the war. It was a process of dialogue, it was democratic development that brought the two sides together to reach an end to that conflict. I think we can apply what we have learned in El Salvador to the situation in Peru. The best way the United States can combat the Shining Path in Peru is through support for democracy and respect for human rights.

REQUEST FOR DEVELOPMENT AND HUMANITARIAN ASSISTANCE

The other point I would like to make is that I state very clearly in my testimony that Peru needs U.S. economic assistance. Until now, Peru has primarily been allocated economic support funds which are classified as security assistance within the budget and therefore has had all of these different conditions placed on its disbursement. That funding cannot go forward because Peru has not met

the conditions yet. Although, we hope that Peru will meet the conditions in the near future so that it can, in the meantime I very much want to stress that the United States can provide economic support to Peru via other channels, primarily development and humanitarian assistance, which in my opinion would best be distributed through nongovernmental organizations.

Mr. WYNN. But would that achieve the objective of providing economic assistance that you say is a foundation? And I am not trying to pose an unreasonable position, but I am trying to understand whether or not we have contradictory objectives.

What is most important, dealing with the human rights violations or getting the economic aid in, which presumably reduces ultimately the human rights violations?

Ms. YOUNGERS. Economic assistance—and I think I would support what Miss Graham said along these lines—economic assistance is not going to have the desired impact if you don't have respect for democracy and human rights in Peru. That is why the U.S. Congress and the U.S. administration have continued to condition U.S. economic assistance to Peru along those lines, but I do think we have to distinguish between forms of economic assistance to the government, such as economic support funds, and nongovernmental activity which is being carried out in Peru.

I used to work for Catholic Relief Services as a project manager in Peru and at that time had the opportunity to get to know the range of development organizations which are carrying forward very effective grassroots work in that country, and in the end, that is exactly the kind of activity that can best stem the support for the guerillas.

AID CONDITIONAL ON HUMAN RIGHTS SITUATION

Ms. GRAHAM. I would just followup. I might slightly disagree in terms of emphasis. I think the economic aid is important and it should go forward the way that the Clinton administration has planned that it should—or has said that it will go forward—conditional on meeting certain human rights conditions, and I think the two issues have to be looked at concurrently, but I would look at cutting—significantly cutting—any levels of economic aid at this point with a great amount of reticence unless the human rights situation deteriorated.

I would just place a slightly different emphasis on that because I think that there is limited capacity on the Peruvian end in terms of meeting some of these human rights conditions.

Mr. WYNN. Would you favor then going forward with perhaps in the first year with the expectation that subsequently there would be an improvement, rather than withholding the aid conditioned on improvement? .

NEED FOR PERIODIC PROGRESS REPORTS

Ms. GRAHAM. Right now we have basically said we will go forward with the aid, but with continual progress reports. The way the aid is spelled out, at least with the donor support group, which is where part of U.S. aid is now focused, there are different times in terms of meeting conditions of the economic program where support from the donors' support group will be critical, and that gives

us, I think, periodic times to look at what is going on in the human rights situation.

In other words, a few months from now, we will have time to review it again. Our support—the donor support group—is an ongoing process which therefore gives us an ongoing method to implement human rights conditionality without necessarily withholding aid at this point.

Ms. YOUNGERS. Could I add one thing to that?

Mr. WYNN. Sure.

MINIMAL CONDITIONS MUST BE MET BEFORE GIVING AID

Ms. YOUNGERS. First of all, it is my understanding that the U.S. Government—although the U.S. Government pledged \$105 million in the support group meeting—has not agreed to release any of that money until the conditions have been met. I think it is important that conditions be met before aid goes forward or you lose your credibility, particularly given the fact that we have seen with the Fujimori government that he repeatedly has not met the conditions that he has pledged himself to.

The other point I would just like to make very briefly is, if you look at the benchmarks which I have laid out in my testimony and which are in the U.S. law with regard to progress in promoting human rights and democracy, these are very minimal benchmarks. These are not things that are difficult to achieve. Nobody expects the Peruvian Government to be able to completely create a functioning democratic society or completely eliminate human rights violations overnight.

What we do expect is that there are minimal indicators of democracy such as an independent congress, that the Congress is initiating legislation, that there is a judiciary where people are appointed for a certain period of time and are not subject to dismissal if they make a recommendation that the government doesn't like, and where you see a serious effort on the part of the government to curtail abuses. These are minimal conditions. They are not difficult to meet in the short to medium term.

Mr. WYNN. Thank you, Mr. Chairman.

Mr. MENENDEZ. You want to comment, Mr. Ortiz.

PERU'S UNIQUE SITUATION

Mr. DE ZEVALLOS. I just wanted to say that I agree fully with Ms. Youngers' view that aid, without an improving record in human rights could not be worthy. Now, what I also believe is that human rights should be analyzed in the case of Peru taking into account its special characteristics.

The Report on Human Rights published by the State Department, which is factually valid, doesn't really take into account the fact that in Peru we do not have a civil war of party A against party B fighting a war. This is a society of 99.8 percent of normal people surrounded by 0.2 percent of fanatics. And, for instance, if the government extends its control over the territory and, in doing this, doesn't fully comply with international standards for human rights, the situation would have improved because you have now more territory under law and order.

I agree fully with the statement that human rights should be monitored by Peruvians and from abroad, but consideration should be given to the fact that this is not a civil war but a group of terrorists fighting against society.

Mr. SAGASTI. I should comment, Mr. Chairman, that you brought the United States here to get our point of view as Peruvians, to complement those of experts in the United States. On this I would like to make a comment.

AVOID MICROMANAGEMENT OF ASSISTANCE

I think that you should resist the temptation to micromanage assistance conditions in situations that are rapidly changing, are very complex, and that are impossible—even for us Peruvians—to follow closely. When I was working at the World Bank and visited Peru every 2 or 3 months, I used to say I went to a different country each time, for Peru has been and is changing very quickly.

I think it is more important to have a basic framework of general conditions that are acceptable and negotiated with the Peruvian Government and representatives of civil society, and to resist the temptation of micromanaging and intervening in one or another institution or indicate that money should be spent in this or that specific way. In addition to not being effective, this can also be resented by Peruvians.

The other alternative I think we all have emphasized, is to provide financial and technical support to independent institutions, grassroots organizations, human rights groups, social compensation programs, environmental projects, and so on, which will build a base for us to fight against terrorism, against drug traffic, against corruption, against economic decline, and against social deterioration.

Mr. MENENDEZ. Mr. Ballenger.

COULD GROWING COTTON BE MORE PROFITABLE FOR FARMERS?

Mr. BALLENGER. Thank you, Mr. Chairman. Just a couple questions if I may. First of all, at one time my wife and I were studying both Bolivia and Peru, and had come to the conclusion—and I would like somebody to tell me if this is still true—that the profit margin in growing coca leaves was not the farmers. The farmers weren't making any money; it was the converters in Colombia and Brazil and those areas, and what we tried to do at the request of Tar Hill, which is a very large agricultural firm in the United States, was the idea of providing seed and fertilizer to grow cotton, which I know they can do. They have long staple cotton. It is very valuable.

Is that assumption wrong that they can't make—I mean you might come close to making as good a living growing cotton as you do coca. Is that possible?

Mr. SAGASTI. I would argue in principle, yes, but this requires the infrastructure of the roads working to take the cotton out to the market and, for that, you require resources, technical assistance, and so on. What is missing—and this is one of the key problems of Peru—is that even if you were able to grow the cotton instead of growing coca, you don't know what to do with it. Economic support is required to repair and build infrastructure.

Mr. BALLENGER. I am just talking about a private firm in this country that was willing at one time, also willing to go to Nicaragua and do the same thing, offered the possibility of fertilizer, seed, and any technical knowledge that was necessary if they would be willing to sell the cotton back to this firm.

Mr. SAGASTI. I would think so. I don't see any difficulty in doing it.

AN HONEST MAN—A RARE COMMODITY

Mr. BALLENGER. I should say my wife offered it to both Bolivia and Peru when she was there. She delivered a hospital to Ayacucho, to this orphans' home there, which actually had an honest general. It appears to me, just listening to the four of you talk, that corruption is so rampant down there that finding the honest man, who is the fella walking around with the lantern trying to find the honest man in the world—would be the most difficult; is there one? Is there an honest person in Peru that is not corrupt?

Ms. YOUNGERS. We have heard today of one, General Kerin Vidal.

Mr. BALLENGER. He is the one who arrested Guzman.

Ms. YOUNGERS. Yes. Like any other place, you have individuals who are corrupt and individuals who are not.

Mr. BALLENGER. Maybe it is because of the drug trade, but it appears to be rampant in Peru much worse than places elsewhere.

QUESTION OF OPPORTUNITY AND NEED

Mr. SAGASTI. I would say human nature is the same here as it is in Peru or anywhere. Corruption has to do with opportunity and need. If you are hungry, if you have no opportunity, you get involved in illegal activities because there is not enough food and no possibility of earning a decent living.

So, I think to characterize Peru as a corrupt society without taking into consideration the dual forces of need on the one hand and opportunity on the other, is unjust. I think we have the normal percentage of corrupt or people prone to corruption as anywhere else in the world.

Mr. BALLENGER. What bothers me—and you have to realize, I have been working in Central and South America for 25 years—what has always bothered me is that I have never felt that it was proper to send money because, when money got there, it was stolen. But if you sent things like hospitals, they accomplished what the purpose was and so forth, and I would question the change, because I don't know with Fujimori's government whether it is—maybe he is not—corrupt. Maybe he is. I don't know whether he is or is not, but when you compared El Salvador and the peace movement that grew there, I think it came, at least in my considered opinion, having dealt there for 15, 20 years, in the fact that you got a president who was completely honest and was collecting no money, was making no profit and wasn't stealing from anybody, offering to make peace to a group of people who said, well, here is a trustworthy person.

I don't know whether you would say that flies or doesn't fly.

Ms. GRAHAM. I guess what I would tell you is that I would certainly not characterize Peru as a corrupt society. I think there are hundreds upon thousands, probably millions of Peruvians, often the very poorest Peruvians, that are working very hard, very honestly, trying to eke out a very meager living and they often do so by pooling their resources and trust between them is an inherently necessary part of survival in Peru, certainly for the poorer Peru.

CREDIBILITY OF STATE INSTITUTIONS

But I think there are two other issues. One is just the credibility of state institutions. They have been so eroded, both by poor government and also by lack of financing, that state institutions basically don't function, so if the judiciary system or if the criminal justice system doesn't reach 95 percent of the country, it is very difficult to establish any kind of societal respect for those institutions.

And then on the other hand, the general societal perception is that if these institutions aren't functioning, it becomes increasingly costly to behave honestly. If you were in a situation where nobody else is stopping at traffic lights or nobody else is paying taxes, it is increasingly costly for you to do so. You might spend all day before you get across the street.

So it is a dynamic that feeds on itself and I think you can't really look at Peru or Bolivia or any society where state institutions have broken down and say that is an inherently corrupt society, or that Peruvians are more corrupt than are Bolivians.

PROBLEM OF CORRUPTION

Mr. BALLENGER. What I was trying to bring out is the fact that each and every one of you in your presentation kept talking about corruption, which is very difficult on our part, considering that what we send down there is cash, and if you are talking about the American taxpayers' cash money that we have to collect from them to give to an area where it may not get there.

Ms. GRAHAM. If it makes you feel any better, if you actually break down our aid package, which is in a footnote in my testimony, we are actually giving more in food aid than we do in cash to Peru, and that is distributed largely honestly by the kind of organization I am referring to.

POSSIBILITY OF SELF-SUFFICIENCY

Mr. BALLENGER. Let me ask one more question. I don't have a great deal, but having been to Lima before and we were talking about the unemployment—I mean, the employment rate now is 10 percent as compared to 1968. That might have been when I was there. The unemployment rate was pretty terrible at that time.

Is it possible for the country of Peru to grow enough food to feed itself?

Ms. GRAHAM. Very definitely.

Mr. BALLENGER. If it just had peace?

Ms. GRAHAM. Peru, if it had peace and if it had—I think they are on the road to getting there—a macroeconomic situation in which the incentives were are there for local food production and imported food, for example. Peru used to be one of the largest sugar

exporters in the world in the 1960's and I would say mismanaged economic policies since then have skewed incentives such that now Peru imports sugar.

There is certainly the land, capacity for all kinds of things, for Peru to be exporting sugar, to be exporting much larger quantities of oil than it produces and a lot of it has to do with getting macro-economic incentives right.

NO INVESTMENT WITHOUT PEACE

Mr. BALLENGER. Can you get the macroeconomics operating with the Shining Path stirring? One thing I found in all of Central America, especially in Latin America, is without stability of some sort, and I am speaking of Nicaragua, El Salvador in the past, Peru now, nobody wants to invest, and you can't build a viable economy, first of all, without investment of money, and second of all you can't get that without some kind of peaceful situation.

Mr. SAGASTI. You are right. I think what you need to do is to have a concerted attack on the economic front, a concerted attack on the security front, and so on. It is not possible to solve a single problem, and this is what I tried to convey in my testimony in the beginning: that you cannot simply focus on one thing and then expect the others to be solved by themselves.

SOCIAL DEBT REQUIRES SPECIAL STRATEGY

I would go a little further than some of the other witnesses today. Even if you succeed in reforming the economy of Peru and in growing for several years at 10 percent per year, as China is doing at present, you still are going to have, at least for a decade and a half or even longer, a tremendous social problem in Peru.

The accumulated social debt over the last 20-30 years, which now leads to an unemployment and underemployment rate of about 85 percent of the economically active population of Peru, is such that in addition to economic reforms, you require a special strategy aimed at reducing poverty, working with grassroots organizations, and providing social services. All of these can use outside assistance very effectively. This implies giving the social components of development strategies as much weight as economic modernization and economic policy reform.

The problem that we see now is that, for a variety of reasons, the government has not been able, or willing, or simply doesn't realize the tremendous importance, of dealing with the social components of a development strategy with as much emphasis as has been put in the solution of macroeconomic imbalances.

NAPOLEONIC CODE CAN WORK

Mr. BALLENGER. One last question, then I will be quiet. With the Napoleonic code operating as it does in Central and South America, does it really make any difference whose judiciary is there? In the fact that I, generally speaking, have found that it doesn't work. It is the greatest system in the world to avoid doing anything legally. How is that for a choice of words?

Ms. GRAHAM. I think it works in Chile very well.

Mr. BALLENGER. Works in Chile?

Ms. GRAHAM. Chile has a tradition of a judicial system that has worked since the 1920's.

Mr. BALLENGER. Is that Napoleonic?

Ms. GRAHAM. I believe so.

Mr. SAGASTI. I think it worked up to the 1950's or 1960's. The problem is we look at Peru only with the eyes of the last few decades. There was something there before that worked. So I think, yes, it can work. The key question is to have a combination of vision, of strategy, of management capabilities, of commitment, and I would add respect and tolerance for democratic institutions, for we know that these are the conditions that can take root and do something for Peru.

SUPPORT OF INDEPENDENT INSTITUTIONS IS THE KEY

Let me come again to the main point I want to emphasize in this testimony. The best way of supporting the efforts in Peru to confront terrorism, drug traffick, economic deterioration, and so forth is the support of independent institutions. This implies building up on the loosely created capacity that Peruvian society has developed to confront this enormous crisis. With a strategic framework, with support and with freedom, these loosely-bound networks of organizations can take off very quickly. We have many examples of honest and industrious people who are really working at solving their own problems.

Should we establish the proper framework, and with support from Peruvians and from the international community, I think Peru will take off very, very quickly in spite of the long-term problems that are going to remain with us.

Mr. BALLENGER. As I turn it back, let me just say that I was looking for something positive as far as Peru is concerned. In everything we have heard and I guess your effort that I guess a hope and a prayer is what you are expressing there. I wish you all the luck in the world, because I haven't seen anything good about it myself. Pardon me.

Mr. DE ZEVALLOS. Can I give you one reason for hope?

Mr. BALLENGER. Sure.

Mr. DE ZEVALLOS. Tax collections. Income tax reports were only 15,000 until 1991; in 1992 there were 350,000.

Mr. BALLENGER. Thank you.

AUTHORITARIAN DEMOCRACY OR ARMY COUP, IS THERE A DIFFERENCE?

Mr. MENENDEZ. Before I turn to Ms. McKinney and Mr. Martinez, I want to ask you a question. Earlier today the full committee had a hearing on human rights and one of the panelists suggested that human rights and democracy issues, while they go hand in hand, are not necessarily—there are examples, and they cited Peru as one of those examples—in which one may have democracy but one also has human rights problems, and I have certain concerns when I look at a description by Mr. Fujimori's own defenders that say his authoritarian brand of democracy is an evil far less significant than an army coup or takeover by the Shining Path, and certainly I would not want to see an army coup or a takeover by the Shining Path, but I don't know that the choice of

an authoritarian democracy, which is like being a little pregnant in my view, is something that is desirable. I have concerns about embracing very quickly someone who would suspend the constitution and close the Congress and the courts; I have concerns about when Peru's television and magazines were giving glowing coverage to the police general who directed the manhunt for Mr. Guzman, that he was quickly shoved aside and put into what some of the journalists called a closet, broom closet office; that when the economy minister, Mr. Boloña, was starting to get a large part of the credit for what you like to point out in terms of the improving economic situation in Peru, that in fact he was dismissed, and as a result of the uproar that came from that, that the response then was, well, we will have *bellisimo* without Boloña.

I am concerned about Peru under Mr. Fujimori's watch. He justified the dismissal of 20 percent of Peru's diplomatic corps by suggesting that they were homosexuals. I am concerned with the charges that he has made that some human rights advocates were apologists for terrorism and permitted one of his important ministers to say that in fact some of the reporters were information terrorists.

WHAT IS THE THRESHOLD LEVEL OF HUMAN RIGHTS VIOLATIONS?

Now, in the context of all of that, my question then is, what is it that—what are the threshold levels that the United States should consider? I have heard parts of your statement that we shouldn't micromanage. I have heard Mr. Ortiz as well. Miss Youngers has a list of policy recommendations. One of them I know was an agreement with the Lawyers Committee for Human Rights, which talked about us not pursuing the administration of justice initiative, because they feel that in fact not enough progress has been made, certainly virtually no progress has been made, that they should be retained.

I am wondering if the rest of the panelists could look at Miss Youngers' recommendations. What do you agree with within that context, and by the same token, tell us what is the threshold level by which we decide how to continue to pursue U.S. aid vis-a-vis Peru as we continue to be part of the support group, and as we continue to have some significant assistance requests by Peru?

What is the threshold or what can you agree on as it relates to Miss Youngers' recommendations?

Mr. SAGASTI. First of all, to say that you as a Peruvian, I am also concerned about the same issues you raised here and I think many Peruvians are concerned about those problems.

ALTERNATIVES TO MICROMANAGEMENT

Secondly, I would say that there is no need, for you in the United States or the U.S. Congress to embrace Fujimori. I think that between embracing Fujimori and simply disengaging completely, there is a wide range of options and I think that is where your question—

Mr. MENENDEZ. I am not suggesting to disengage, but—

Mr. SAGASTI. Taking a look at the list, I would say that I agree in principle with many of the points. I think the first one—now, the extent to which you or even many Peruvians can determine wheth-

er the Congress is behaving in an independent fashion or not—will get you into a “micromanagement” situation that I would suggest to avoid.

I mean, you could find some indicators that say they are independent, and others that they are not. What you want to avoid is to set policy and cast it in stone. Assessing independence requires complex, difficult, and subtle interpretations and judgments.

Rather than trying to put that as detailed formal conditions. It is much better to keep at a more general level and engage in active dialogue, not only with the government but with other groups in Peruvian society.

The constituent Congress has been working only for 2 months, so it is difficult to say at this moment whether over the next 9 months or so it is going to be independent or not. So I couldn't tell you definitely at present.

However, there are some indications that it doesn't show a willingness to be independent. At the same time, I couldn't say they want to be subservient. This is the difficulty you are going to follow if you follow to the letter with a very detailed list of conditions for the provision of aid. I would urge you to remain at a level of basic principles and allow the flow and exchange of views between your own administration and the Peruvian Government to give you a sense of what is happening as time passes, as time goes, rather than setting milestones in advance.

VOTE RECESS

Mr. MENENDEZ. We have to go for a vote. What I would like to do is give us 10 minutes or so, then there will be a vote, give you an opportunity to look at the list and formulate your opinions. We will be right back.

Mr. MENENDEZ. [Presiding]. I want to thank the panelists for being so patient. Obviously you know we don't control the system. I know we heard Mr. Sagasti's response to my question, talking about a threshold, what we agree on, don't agree on. I would like to hear the rest of the panel.

CONTINUE DEVELOPMENT ASSISTANCE THROUGH COMMUNITY ORGANIZATIONS

Ms. GRAHAM. I just briefly would like to—rather than respond to all 12 recommendations which might take quite a bit of time, I would just like to make a couple of points in response to some of them specifically. One, recommendation three, about continuing humanitarian and development assistance through community organizations and nongovernment organizations in Peru, I very strongly agree with that. They have a strong and vibrant NGO community that has been critical in providing basic survival mechanisms for the poorer Peru, and I think anything to support those efforts should be continued and strengthened to the extent that it can be.

SOCIAL EMERGENCY PROGRAM TO BE FOCUS OF ECONOMIC
ASSISTANCE

Secondly, economic assistance allocated to the Peruvian Government for fiscal year 1994 and beyond should be used in support of the government's social emergency program, I agree with this at least in part. I think the program has been slow to get off the ground. It now looks like it has a chance of being a viable program and I strongly feel we should support that process, but also be very careful in terms of in what direction is that program going. I would not give it unconditional support.

I very strongly agree with the recommendation in this sense, the support for that program is very important and that is where our economic assistance should be most focused.

MAINTAIN SOME MILITARY SUPPORT

In terms of military assistance, I think military trainers operating in Peru is fine. I don't feel all that strongly about that, but I think that military cooperation: cooperation between militaries in the region between the U.S. military and militaries in the region, can actually be quite important, and I would be hesitant to withdraw all kinds of contacts, because I think that there is room for training, for better practices in the Peruvian military, and I think if you limit all contact, you are not going to have any positive influence on the situation.

I would agree with the same recommendation about combining military support and antinarcotic support. I think the antinarcotics side of our policy should be discontinued until the primary factors, everything from economic reform, human rights, to a social program and basic military practices are much more important than antinarcotics. Even if antinarcotics is our primary goal, I don't think we can achieve that goal until these other conditions are met first.

MONITOR LIMITED CONDITIONS

In terms of the general conditionality on human rights, again, I think I agree with the basic tone of the recommendations, but I would also stress how much I agree with what Francisco Sagasti said about focus—focus on limited conditions that you know you can monitor. Don't start to micromanage a complex situation.

You can monitor the holding of elections, for example. That is something that we have actually not done a very good job of. In November when the constituent assembly elections were held and a lot of irregularities occurred, we didn't even have a U.S. Ambassador in residence. What kind of message did that yield about how important we felt those elections were?

That is a very simple thing without getting involved in extensive conditionality. I think we should put a lot of focus on 1995, on making sure that there are elections in 1995 and that they aren't sort of a mockery for Fujimori to get himself reelected.

Some other simple conditions would be in terms of human rights, basic freedoms of the press. That is something we can monitor, it is very straightforward. Letting the ICRC into prisons. Things like that, I think we have every right to expect and also I think can

easily agree on conditions with the Peruvian Government and those are things that can be monitored. But, again, I would not get involved in micromanagement.

THE PROCESS OF PERU'S REINSERTION INTO THE INTERNATIONAL FINANCIAL COMMUNITY

Just a last point about monitoring human rights progress, something I mentioned before, I think the whole process of economic support for Peru's reinsertion into the international financial community is a process, it is not a one-shot deal.

So if we agree to support that process now, we have a lot of chances along the road to withdraw our support. So I think we can ask for some of these initial conditions to be completed now, prior to support, such as letting the ICRC into prisons and an immediate halting of harassment of opposition journalists, but I would not take that too far.

I think the support is necessary now. I think the reinsertion process is going forward, it is integral to Peru's economic success. So it is a delicate game and I think a lot of caution has to be made before we put too much baggage in terms of conditionality. I think some basic conditions are what we should aim for.

Thank you.

Mr. MENENDEZ. Mr. Ortiz.

CHARACTERISTICS OF SUPPORT GROUP

Mr. DE ZEVALLOS. Well, it is also very important to define the characteristics of the Support Group that is needed for the IMF and World Bank restructuring. The Support Group is a Balance-of-Payment Support Group, so really aid could be given to anyone: to the Peruvian Government or to nonprofit organizations or to elected mayors. It is just a number that needs to add up in the balance of payment figures.

RELATION VARIES BETWEEN LEVEL OF DEMOCRACY AND RESPECT FOR HUMAN RIGHTS

Regarding the statement that democracy and human rights are not necessarily an absolute correlation, it is also true that improvement on one will probably bring improvement on the other. I think Peru faces a very unusual situation that should be adequately considered.

There were some comments regarding freedom of the press. A journalist that was unjustly accused of being in favor of subversion and was freed some weeks ago. There is a trial against Mr. Zileri of Caretas in order to block information that was going to be published regarding Mr. Montesinos. Mr. Montesinos asked for his rights for privacy and the court supported him. But, in spite of these cases, one cannot deny that there is freedom of the press in Peru.

Caretas, for instance, has published all kinds of critics against Mr. Fujimori. They had a front page that was very much commented last year where they had Mr. Fujimori coming out of a toilet. Well, that would not be allowed in many other countries of Latin America, so this relation between levels of democracy and re-

spect for human rights varies all through. I think that this is a very, very important issue. Peru should be looking forward in the next 2 or 3 years, for defending its freedom of the press.

I wanted to add one more thing. We are not really having a Congress that will obey Mr. Fujimori across the board. In discussing the constitution, there was a paragraph regarding freedom of the press. The members of Mr. Fujimori's party suggested that this should be restricted to the apology of terrorism. Critics opposed this proposal and, finally, the government accepted that the new constitution should defend freedom of the press with no limitations.

RE-ESTABLISHMENT OF THE JUDICIARY

One of the basic short cuts that Peru could do in the way of reestablishing a better government is the Judiciary. I think that right now Mr. Fujimori does have an argument when he limits the autonomy of the courts because of corruption. If we are able, through this new constitution, to bring in honest men to the Supreme Court from all different ideological positions, we could improve significantly Peru's democracy.

Mr. MENENDEZ. Can I ask you something? Let's assume for argument's sake that the courts are corrupt, but that when you suspend the entire judicial process, even though it may be corrupt, isn't there an other way, other alternatives, to seek to move the justice system to one that is not corrupt? But to just suspend it, then what system of justice is there—even if it is one that is certainly imperfect?

I have difficulty understanding the juxtaposition of some of your arguments. I know that you said before, well, Peru should not be judged in the same context in reference to civil or human rights as are those countries with a civil war going on. My view is that a human rights violation is a human rights violation is a human rights violation. So, I am trying to understand how you justify those actions. There are many judicial systems that are imperfect but they are not suspended. What system of justice do you have if there is no system?

Mr. DE ZEVALLOS. Can I have your last statement?

Mr. MENENDEZ. What system of justice do you have if there is no system at all? I agree that you should move to improve it and that there are safeguards—as an attorney who has practiced in the criminal field as well, there are ways to improve a judicial system, but to have no system?

Mr. DE ZEVALLOS. Yes, but I think there is a turning point in the sense that during the last 30 years, thousands of pages have been written about Latin American economic development with not a single page given to the need to have a good judiciary system.

There was a lot of talk about planning and the economic strategies and ways for industrialization and decentralization. But before the last change in attitudes regarding the future development of Latin America, very little importance was given to the need of having a good judiciary.

The judges we had in the Supreme Court were nominated by the two democratic administrations that have governed Peru in the 1980's. In the past decade, it was not important for the Congress

nor for the democratic presidents to have respected men in the Judiciary.

I agree that institutions have to work themselves from the bottom up, but you may have some short cuts. I think that it is not impossible to have, 10 months from now, a year from now, you may have a Supreme Court which all Peruvians could respect. This may be the most important factor in improving the overall performance in democracy and human rights.

Mr. MENENDEZ. Mr. Sagasti.

REFORM PROCESS WAS INEFFECTIVE

Mr. SAGASTI. Let me make two comments on that. One on the press, one on the courts. I think that nobody disagrees with the idea we need a better judiciary, fully functioning court system, and so on, and that we also agree that it was neglected for a very, very long time. But what we are talking about is methods, and I think your question refers to ways about achieving those objectives with which we all agree. When you dismiss 717 judges without having a plan to replace them, without having a conception of how is it that you are going to induct new judges, how is it that you are going to train them, you may end up making things worse. Many judges who were appointed to replace the ones dismissed had to be fired again because they were also found to be corrupt.

So here we are against a problem of methods, a problem of style. I believe that the best way—and here we are talking about an hypothetical, because we have a de facto situation now—would be to have a much more orderly process with priorities targeting specific aspects of the system for reform, rather than a wholesale dismissal of judges and prosecutors. At present, individuals appointed by the Executive know that they have no stability. Even if there is not open interference from above, their own perception of the way that they should behave is colored by the fact that they can be removed by Presidential decree at any moment. So we are not talking about whether you need a reform of the judiciary, but the way the process was carried out.

NOT FREEDOM OF THE PRESS WITHOUT LEVEL PLAYING FIELD

Freedom of the press is a complex subject. During the last few decades, with the explosion of the electronic media, our traditional concepts to define what is “freedom of the press” have become obsolete and require urgent updating. Freedom of the press used to be defined as not having a censor to strike out offensive texts in printed media. Those were the times when newspapers and magazines sometimes chose to print blank pages rather than to accept censorship. We don’t have that anymore.

In that sense, we have “freedom of the press,” but in the very limited sense that nobody tells directly someone “publish this or publish that.” But the advent of electronic media has brought forth subtle forms of intervention. When you have the chief of state, the President of a country going on national television every Sunday evening in prime time to level accusations at people, accusing people of everything from being homosexuals to corruption—including accusing a general who oppses him of being corrupt, simply because he had an account in the same Washington, D.C., bank

where some navy officials had embezzled money without the possibility of replying at all, you do not have a level playing field. Privileged access to radio and television means playing with advantage in the political marketplace. This, to me, is not having a totally free press. There is no possibility in which opposition groups can make their views known or respond adequately.

While there is no obvious censorship, playing with loaded dice, marked cards, or a stacked deck in terms of access to mass media which means not having a free press. The President controls a tremendous amount of influence and simply can issue anything with impunity. One final point, Mr. Chairman, during the first presentation that the cabinet made in Congress, we had a very interesting situation in which the national television channel, Channel 7, was televising the proceedings and then relaying them to the private stations, so you could view the debate at the national level.

When one congressman began to attack Mr. Fujimori's government because of corruption, lo and behold!, there was a "technical failure," which lasted exactly 7½ minutes—the 7½ minutes that the opposition congressman was speaking. A full broadcast was restored about 8 minutes later when the rebuttal from the government parliamentarians was being heard.

Perhaps it was an honest, technical mistake or honest technical problem, but by adding such instances, what you see is—I won't call it a systematic pattern—but mounting evidence of electronic media, radio, and television are used to make available to the public one set of views: the government's. This concerns me. To argue about "freedom of the press," we must work with other categories for which we still have not developed a fully satisfactory way of handling.

CHALLENGE TO SUBCOMMITTEE

Ms. YOUNGERS. I would like to make one brief comment linking these two issues. I would say that the unjust judicial system in Peru is being used to limit freedom of the press. For example, there is one case that was referred to earlier of Enrique Zileri. He is the director of *Caretas*, a weekly magazine. He was sued by Montesinos, who we have referred to earlier as well, for referring to him as Rasputin in an article. The court originally ruled in favor of Zileri. Following the coup it was taken back to trial and lo and behold the court ruled in favor of Montesinos. Zileri received a 1-year sentence which was then increased to 18 months at Montesinos' request.

He is on probation. He is not allowed to leave the country and similar proceedings are taking place against another journalist, particularly Ricardo Vceda, the head of *Si*. There are three weekly news magazines—in Lima—*Caretas* and *Si* are two of them. Zileri is not allowed to leave the country because of this.

I would challenge the subcommittee to test President Fujimori's recent promises of improvements in the human rights situation by inviting Enrique Zileri to testify before this subcommittee about freedom of the press in Peru.

Mr. MENENDEZ. Thank you very much. I want to thank all of the panelists for their comments and for their patience in being here.

I think it provided some insights for us and I appreciate all of your testimonies. The hearing is now adjourned.

[Whereupon, at 3:55 p.m., the subcommittee was adjourned.]

APPENDIX

DEVELOPMENT AND DEMOCRATIC GOVERNANCE IN PERU:

A Role for the International Community and the United States

Francisco R. Sagasti¹

Testimony at a Hearing of the Subcommittee on Western Hemisphere Affairs

on "Perú: U.S. Priorities and Policy"

March 10, 1993

Mr. Chairman and Distinguished Members of the U.S. Congress Subcommittee on Western Hemisphere Affairs:

Perú is experiencing one of the most complex processes of social transformation taking place in the Americas at the close of the 20th Century. Over a period of hundreds of years, many cultures have interacted in one of the most diverse geographies of the region, and have created a rather unique setting for the multiple manifestations of the crisis that exploded during the last decade. Perú has become a social laboratory in which the good, the bad and the ugly coexist and contrast sharply; a country of paradoxes that defies conventional habits of thought. As such, it can be considered a test case for development policies, both at the national and international levels, particularly at a time when the world community is searching for more effective ways of promoting economic development, democratic forms of governance and greater respect for human rights in the post-Cold War era.

The inventory of problems that accompany the most profound crisis Perú is enduring in more than a century is depressingly familiar. The economy has been stagnant for more than a decade, and incomes in the Lima metropolitan area have been halved since 1985; in 1991 about 85 percent of the economically active population is unemployed or underemployed, in comparison to the 33

¹ Senior Researcher, "Grupo de Análisis para el Desarrollo" (GRADE), and co-Chairman, "FORO Nacional/Internacional", Apartado 18-0572, Miraflores, Lima, Perú.

percent of a decade earlier; and inflation exceeded 7,000 percent in 1990, up from 60 percent in 1980. After showing improvement during most of the 1980s, social indicators --including nutrition levels, school attendance rates, and the incidence of contagious diseases-- began to lose ground in the late 1980s and early 1990s. In response to external demand and taking advantage of favorable agricultural conditions, drug traffic expanded rapidly, with its sequel of corruption, environmental damage and economic distortions. The 1980s also saw the emergence of the most vicious terrorist group in the Hemisphere and, in response, the rise of repressive violence by military and police forces.

What is not so familiar is the enormous variety of creative responses that Peruvians have devised to confront adversity. Community organizations, grass-root activism and self-help movements give testimony to the resilience and ingenuity of those who have been most affected by the process of accelerated economic and social deterioration. In the midst of the crisis, a stubborn streak of hope, together with a capacity for organization and expressions of solidarity, are transforming problems into challenges and opportunities. But this resilience cannot be taken for granted, nor can Peruvians withstand a continuous and precipitous decline in living standards without risking a total breakdown of the precarious social order now in place.

At the root of this paradoxical combination of crisis and creative responses lies a fundamental fact of Peruvian political life: the formal institutional framework of Peruvian society has been incapable of accommodating the accelerated process of social change that has taken place during the last four decades. The explosion of social demands --a consequence of rapid population growth and of the increasing unwillingness to tolerate social injustice-- overran the capacity of government organizations, legislative institutions, the legal framework, the judiciary system, political parties, private enterprises, trade unions and many other entities that are part of the social fabric. Students of the Peruvian situation have variously described this phenomenon as "Popular Overflow and Crisis of the State", the "Rise of the Informal Sector", and a "Failure of the Elites".

As a consequence, the ways in which power and authority have been exercised in the conduct of economic and social affairs have broken down, and Perú faces a fundamental crisis of governance. The familiar inventory of social problems is but a symptom of such crisis. At the same time, the creative but fragile responses that have emerged to confront these problems suggest that the capacity and initiative shown by social movements, nurtured in a climate of openness and democratic freedom, may provide a way out of the crisis of governance.

The current political situation can be better understood against the background of the crisis of governance in Perú. The inability of the political system, and of political parties in particular, to respond adequately to the growing need for jobs, social services, security and a sense of order paved the way for a process of political disintermediation, in which political parties lost ground to a variety of pressure and interest groups that projected themselves directly on the national scene, and in which outsiders displaced traditional politicians.

The 1990 Presidential election, in which two outsiders --Mario Vargas Llosa, and Alberto Fujimori-- faced each other in the second round, was a clear indication of the extent to which parties had lost legitimacy. Following Mr. Fujimori's election as President, the lack of viable political intermediaries in the Executive and in Congress led to a cacophony of political demands, to rapidly shifting and unstable political alliances, to improvisation and reactive political behavior, to conflicts and inflexible positions, all of which made it extremely difficult to agree on policies and strategies to confront the explosive combination of problems faced by Perú at the beginning of the 1990s.

However, considering such a messy and volatile political context, Mr. Fujimori must be given credit for backing a series of economic reforms introduced by his Ministers of Economics and Finance, which succeeded in stopping hyperinflation, liberalizing the economy, and reducing the fiscal deficit. These recessive measures stabilized the economy but had a negative

impact on economic growth, which was compounded by a severe drought in 1991-1992. The government also improved tax collection, reformed customs and resumed debt service to international financial institutions. As a result, the country will return to the international financial community next week, after clearing its arrears with the International Monetary Fund and the World Bank.

In Peruvian politics, the traditional, knee-jerk reaction to perceived "political chaos" has been the emergence of dictatorships or authoritarian governments. Mr. Alberto Fujimori proved to be no exception. His political inexperience became a major liability in dealing with the turbulent world of internal politics and the rapidly changing international scene. A tendency to confuse "governing" with "giving orders" drew him close to the armed forces early in his tenure, and laid the foundations for the coup of April 5, 1992.

International pressure forced a series of changes in Mr. Fujimori's open-ended program of return to democracy. Elections for a Congress that combines legislative with constitutional reform duties were held in November 1992, in which candidates backed by Mr. Fujimori obtained 38 percent of the valid votes, enough to have a majority in the new Congress. After considerable protest from political parties and pressures from a variety of national and international groups, municipal elections were held on January 29, 1993. Candidates backed by the government and by established political parties suffered major setbacks, with independent candidates winning in many municipalities, including Lima.

Municipal and congressional elections, held under the supervision of the Organization of American States, gave a formal but tenuous legitimacy to Mr. Fujimori's regime. The congressional election campaign showed evidence of gross imbalances in access to mass media, with government-backed candidates enjoying advantages --for instance, practically free access to several hours of prime time daily television coverage in the week before the election-- that were denied to the opposition.

At present, the checks and balances that are essential to a viable and working democracy are not in place in Perú. The Judiciary is under the control of the Executive, which decides on the appointment and removal of judges and prosecutors. In Congress a slim majority, elected with the backing of the President, exercises almost total control over legislative proceedings and has shown little inclination towards independence from the Executive.

Restoring a fully working set of democratic institutions, reversing economic decline, improving social conditions and defeating terrorism are primarily tasks for us Peruvians to accomplish. Other countries and international institutions have an important but supporting role in these processes. The end of the Cold War has altered in a fundamental way the parameters to evaluate national conduct and good international standing. In assessing how far to insist on policy changes in return for support and assistance, the international community must strike a difficult balance between respect for internationally upheld standards of human rights and democratic practices on one side, and respect for national autonomy and sovereignty on the other.

The international community, and the United States in particular, has a vast array of options to provide development assistance, ranging from financial resources channeled through multilateral institutions, to direct assistance to local non-governmental organizations, and to support for the provision of social services by the government. In exchange, it can expect that the political and economic behavior of the recipient governments and institutions be consistent with internationally agreed standards of human rights and democratic practices. In the case of Perú, without interfering unduly in the country's internal affairs and respecting its special characteristics, it should be possible to persevere in the efforts to bring Perú closer to a fully working democracy in which human rights are scrupulously respected.

The international community can also expand its support of local independent institutions, seeking to counterbalance the concentration of power in government hands. This implies strengthening a variety of organizations --

from community and grass-roots movements, to professional and business associations-- that have become a clear expression of the creativity of Peruvian civil society.

The complex and paradoxical processes of social transformation under way in Perú will unfold until the end of the century. Whether the next five to seven years lead to a more humane, democratic and prosperous society depends, in the first place, on the actions of Peruvians. The support that the international community can provide, and the requests it can make in exchange, will play an important but subsidiary role. As the leading power in the Western Hemisphere, the United States is expected to maintain an active engagement in the economic, political and social evolution of the region, and particularly in a country like Perú where so much is at stake for the Hemisphere.

PREPARED STATEMENT OF COLETTA YOUNGERS

Senior Associate
Washington Office on Latin America (WOLA)

before the
Subcommittee on Western Hemisphere Affairs
Committee on Foreign Affairs
U.S. House of Representatives
Washington, D.C.

March 10, 1993

Summary of Policy Recommendations

The primary U.S. interest in Peru is to support the restoration and strengthening of effective democratic institutions and genuine reform efforts and to promote respect for fundamental human rights. Getting democracy back on track is a necessary condition for pursuing other U.S. interests: defeating the Shining Path, achieving cooperation in stemming the international drug trade, and promoting equitable economic growth.

1. The provision of all non-humanitarian aid to Peru should be conditioned on the restoration of an independent congress and judiciary and on significant progress in curtailing human rights violations by state agents.
2. In light of recent policy developments, the U.S. Congress should urge the Clinton administration to issue immediately a statement reiterating U.S. concerns for human rights in Peru and linking those concerns to the provision of U.S. assistance.
3. The Agency for International Development should provide increased levels of humanitarian and development assistance (DA) to Peruvian community and non-governmental organizations.
4. Economic assistance allocated to the Peruvian government for FY1994 and beyond should be used in support of the government's Social Emergency Program.
5. No military assistance should be allocated to Peru in FY1994, and no U.S. military trainers should operate in Peru. Technical assistance being provided to Peru by the U.S. military as part of antinarcotics programs should be discontinued.
6. All covert aid to Peru should be discontinued.
7. As soon as possible, the Clinton administration should appoint and the U.S. Senate should confirm an ambassador to Peru strongly committed to carrying out an effective U.S. policy promoting democracy and human rights.
8. The U.S. government should support multilateral initiatives to promote human rights in Peru.
9. The U.S. Congress and the Clinton administration should strongly condemn all attacks against human rights monitors in Peru.
10. The U.S. Congress should encourage the administration to withhold all Administration of Justice (AOJ) assistance to Peru, with the exception of the Office of the Special Prosecutor for Human Rights, and should not appropriate additional AOJ funds until an independent judiciary and due process are put in place.
11. U.S. drug policy should be reoriented toward supporting multilateral efforts at curbing money laundering and precursor chemicals, promoting alternative development in Peru and education, and treatment efforts at home.

Introduction

Mr. Chairman, thank you for the opportunity to testify today before the Western Hemisphere Subcommittee on U.S. Policy toward Peru. My name is Coletta Youngers, and I have been working in or on Peru for over a decade. Before joining the Washington Office on Latin America (WOLA), I was a project manager for an international development organization funding a range of local non-governmental organizations promoting socioeconomic development among the urban and rural poor of Peru. I worked in virtually every region of the country with the exception of the more remote jungle areas. In 1987 I joined WOLA, which provides me with the opportunity to conduct research in Peru two or three times a year. WOLA is a non-profit, non-governmental organization working since 1974 to promote U.S. policies that support human rights, democracy and social justice in Latin America. The complex problems confronting Peru are of particular concern to WOLA, as noted in our previous testimony on Peru to this subcommittee.

I wish to commend the Western Hemisphere Subcommittee both for its interest in Peru over the years -- long before it was brought to the fore of the congressional agenda as a result of U.S. drug policy -- and for providing an opportunity to step back and assess U.S. interests and concerns towards Peru as a new U.S. Congress and a new administration take office. The policy challenges for the period ahead go well beyond international drug control, which shaped the Bush administration's policies towards Peru. When the Andean Initiative was announced in September 1989, WOLA raised concerns that the corrupt and abusive track record of the Peruvian military and the presence of the Shining Path in coca growing regions would preclude its successful implementation. Indeed, four years later, coca production has expanded significantly, Peru is reportedly developing (for the first time) its own cartel, and the brutal Shining Path insurgency has become even more entrenched in the Huallaga Valley.

Peru provides both a challenge and an important opportunity for the new congress and the Clinton administration to demonstrate their commitment to democracy and human rights in Latin America. After a decade of policies tragically distorted by the Cold War, the United States has a new opportunity to forge a consistent policy toward Latin America in support of the democratic development needed to foster peaceful and mutually beneficial hemispheric relations. In both Peru and Haiti -- two countries where Washington faces immediate policy challenges -- the U.S. government has an important opportunity to send a clear message in support of participatory democracy and in opposition to efforts at undermining it. The path chosen by the United States in Peru will be closely watched by others in the region.

Opportunities for U.S. Influence

In testimony before this subcommittee one year ago, WOLA Executive Director Alex Wilde pointed out that the U.S. ability to influence events in Peru is limited. Peru is the fourth largest country in size in Latin America, fifth largest in population, and located nearly 2,000

miles from our borders. The U.S. can and should play an important role in supporting Peruvian initiatives to promote democratic and socioeconomic development. Ultimately, however, the solutions to Peru's myriad of problems must be developed at home, in Peru, and the outcome of such initiatives will depend on the Peruvian people and the Peruvian government.

Nonetheless, the international community has a unique opportunity to pressure the Peruvian government for democratic change. President Fujimori has staked his government's success on Peru's reinsertion, as it is referred to in Peru, into the international financial community. To do so, he depends on the support of major donor countries, particularly the United States, which has taken a leading role in pulling together the Support Group of Peru's major donors.

Two recent examples illustrate the importance of international pressure. In August 1991 when the U.S. Congress temporarily suspended assistance to Peru, Fujimori announced a series of reforms intended to improve the country's human rights situation and, in fact, the incidence of disappearances attributed to state agents went down in some areas of the country. However, once the aid was released (albeit with further conditions) and U.S. attention subsided, disappearances went back up. More recently, following the April 5, 1992 *autogolpe*, or presidential coup, Fujimori agreed to call congressional elections in the face of intense international pressure. Without such international scrutiny, those elections would most likely have not taken place.

The U.S. Government's Track Record in Peru

Although the Bush administration brought significant pressure to bear on the Peruvian government at different points in time, its credibility -- and hence its effectiveness -- was undermined by inconsistencies. Prior to the April 1992 coup, U.S.-Peruvian relations were defined by a misguided drug policy and, hence, an overriding desire to maintain good relations. The U.S. Congress -- and this subcommittee in particular -- took the lead in pressuring for compliance with U.S. legislation linking the provision of military assistance and acceptable human rights practices and for higher levels of cooperation with antinarcotics programs. The severity and character of the human rights situation were soft-pedaled by the Bush administration, as it struggled to meet conditions mandated by the U.S. Congress while, more often than not, ignoring the spirit of the law.

The coup, however, elicited a strong response from the Bush administration, which suspended most non-humanitarian aid and played a very important role in garnering international opposition from the major donor countries to Peru. Unfortunately, the U.S. role in pressuring for a meaningful restoration of democratic institutions in Peru diminished considerably following Fujimori's announcement to hold elections for a new congress, significantly reduced in size and in power. Decreased international pressure allowed Fujimori to set the terms of the elections, ultimately assuring his "victory" and leaving in doubt the true autonomy of the congress.

The U.S. government reversed this backsliding in a January 6, 1993 teleconference between Assistant Secretary of State Bernard Aronson and Peruvian journalists. Aronson clearly linked renewed U.S. bilateral support to Peru to progress in restoring democratic institutions and improving a trend of "disturbing human rights violations." Moreover, he went one step further by linking progress in these areas to broader U.S. support for Peru in the international arena. The new administration followed through with Aronson's statements by postponing the convening of the first Support Group¹ meeting to take place since the coup and the provision of a short-term \$2.1 billion bridge loan (to be provided by the United States and Japan) until the Peruvian government met a number of human rights-related conditions. Peru agreed to those conditions,² and the Support Group came together the next week, while plans went forward for providing the bridge loan.

WOLA commends the Clinton administration for pressing for additional human rights conditions on U.S. support for Peru, sending a strong message to the Fujimori government that democracy and human rights are at the forefront of U.S.-Peruvian relations. We also support the administration's decision to continue withholding U.S. assistance until further progress is seen with regard to reestablishing democratic institutions and promoting human rights. Likewise, the Fujimori government's agreement to meet the human rights conditions is a welcome step forward.

However, we are concerned that the Clinton administration moved too quickly to call together the Support Group and to move forward with the loan, given the Fujimori government's track record of non-compliance with human rights conditionality. (To date, none of the human rights conditions on assistance laid out by the U.S. Congress in September 1991 have been fully met, despite the actions taken by the Fujimori government at the time to get aid released.) Time should have been provided to allow the Fujimori government to carry through on its promises. Moreover, the administration missed an important opportunity to highlight U.S. concerns with democracy and human rights via a public statement at the time of the Support Group meeting.

The conditions which the Fujimori government agreed to can be complied with easily and should lead to more meaningful human rights reforms. **Over the coming months, the U.S. government must closely monitor the Peruvian human rights situation to determine whether**

¹ The Support Group of Peru's major donors was originally composed of the United States, Japan, Canada, France, Germany, the Netherlands, Sweden, Italy, Spain, Switzerland and Belgium.

² These include guaranteeing the International Committee of the Red Cross access to all detention centers, accepting advisory services from the United Nations Human Rights Commission and an on-site visit by the Inter-American Commission of Human Rights of the Organization of American States, initiating a dialogue with Peru's National Human Rights Coordinating Committee and publicly recognizing the important work of national and international human rights organizations.

or not progress has been made in stemming abuses. The U.S. government continues to have significant leverage within the international financial community and with its aid package. The U.S. Congress must work with the administration to use that leverage to promote democracy and human rights in Peru.

Peru's Political and Socioeconomic Crisis

Peru is in the midst of a profound, multifaceted crisis with no clear path toward resolution. Plagued with the hemisphere's bloodiest insurgency, Peru has suffered billions of dollars in economic losses from guerrilla attacks. Since the Shining Path launched its insurgency, more than 24,000 Peruvians have lost their lives to political violence -- 3,101 in 1992 alone -- and over 6,000 have disappeared following detention by state agents. Both the Shining Path guerrillas and the Peruvian military and police are responsible for one of the worst human rights records in the hemisphere at the present time.

In recent years, the Shining Path has been responsible for the majority of political killings. The Shining Path was responsible for 946 political assassinations in 1992 alone, according to Peru's National Human Rights Coordinating Committee³, a coalition of over 30 of Peru's leading human rights groups. Since the April 1992 coup, the Shining Path has carried out 27 car bomb attacks, claiming nearly 100 lives and causing about 1,000 injuries and millions of dollars in damages. The Shining Path continues to target popular leaders and members of civil defense patrols. In one of the bloodiest massacres of 1992, last October the guerrillas killed 47 peasants from a civil defense patrol in the town of Huayllao in the Ayacucho region of Peru.

The Shining Path seeks to destroy democratic institutions in Peru. Ongoing human rights violations by the Peruvian security forces -- military and police -- and the April 1992 *autogolpe*, or coup, have, ironically, served to further that objective. On April 5, 1992 Fujimori shut down the Peruvian congress, purged the judiciary and suspended those elements of the Constitution seen as hampering executive efforts. To date, democratic institutions have not been fully restored in Peru, and despite the Peruvian government's recent promises with regard to human rights, significant reforms must be carried forward, particularly within the judiciary, for those promises to bear fruit.

The installation of a new congress in December 1992 and the municipal elections held in January 1993 do represent an important step forward in restoring democratic institutions in Peru. However, the independence of the new congress and its ability to check executive power are far from assured. Elections for the new congress, responsible both for legislating and drafting

³ *Coordinadora Nacional de Derechos Humanos*

a new constitution, took place in November without the participation of major political parties⁴ and in the midst of widespread irregularities (including, among others, last minute changes in the electoral rules, delays in verifying signature lists required to participate which resulted in the campaign period being limited to two weeks, and the reported use of public funds to support the government's candidates).

To date, the new congress has taken few legislative initiatives and has refused to review the hundreds of decrees issued by Fujimori while the congress was shut down. The executive branch continues to dominate all crucial areas of policymaking, and the constitutional reform process is moving forward under strong executive tutelage. On one occasion the congressional commission on the new constitution did overturn a proposal by the Fujimori government which would have further limited freedom of the press in Peru. That proposal had received widespread national and international condemnation.

As of yet, there are no hopeful signs within the judiciary. Following the coup, Fujimori purged hundreds of judges and prosecutors. The executive branch now names and dismisses judges and public prosecutors at will and intervenes in judicial decisions. A series of decrees issued by Fujimori after April 5 essentially eliminates due process.⁵ The decrees criminalize "provoking anxiety" and "affecting international relations," as well as "apology for terrorism." Those accused are tried before secret military or civilian courts, depending on the severity of the charges, where evidence purportedly used in convictions is confidential. Habeas corpus is essentially eliminated, and lawyers are limited to defending one terrorism case at a time. Suspected guerrillas can be held by the police in incommunicado detention -- when torture most frequently occurs -- for up to 30 days.

President Fujimori -- who recently stated in the Peruvian press that conditions do not exist in Peru to allow for an independent judiciary -- claims that 2,000 suspected guerrillas are being tried under the new decrees. As of February 1, over 100 Peruvians had been convicted and sentenced to life imprisonment by secret military tribunals. Peruvian human rights groups are handling dozens of cases of individuals who are being unjustly prosecuted and, in the meantime, are held in subhuman conditions in Peruvian jails and usually face sentences ranging from twenty years to life imprisonment. Those unjustly prosecuted include individuals specifically targeted because they are viewed in opposition to the regime -- including human rights monitors, journalists, politicians and community leaders -- and those randomly targeted as a result of shoddy or deliberately misleading investigative work. The actual number of unjust cases is undoubtedly much higher.

⁴ Three of Peru's leading parties -- APRA, *Acción Popular* and the PUM -- abstained from the Congressional elections.

⁵ Prior to the April 1992 coup, the judiciary, more often than not, failed to address human rights concerns. However, due process did exist on paper if not in practice.

Despite President Fujimori's past promises with respect to human rights, there has been no improvement in the number of abuses by state agents. According to the U.S. Embassy in Lima, in 1992 there was a slight increase in unresolved cases of disappearance attributed to state agents, from 279 reported in 1991 to 282 (Human rights groups also reported increased difficulty in gathering and verifying information on human rights abuses after the coup). According to the National Human Rights Coordinating Committee, documented cases of extrajudicial executions by state agents increased from 99 in 1991 to 114 in 1992. More often than not, those disappeared or killed by either side are poor peasants or shanty-town dwellers.⁶

At the root of the Peruvian crisis -- as has been recognized by the Fujimori government -- is deep economic poverty and inequity, and decades of economic mismanagement. Unlike other Latin American countries which experienced economic decline over the last decade, the Peruvian economy has been in a tailspin for nearly two decades. Peru's economic growth rates peaked in the 1950s -- its income levels in the 1960s.

Peru has one of the worst income distributions in the world. Poverty levels are more comparable to those found in Africa than to those of Peru's Latin American neighbors. According to the Peruvian government's own figures, 70 percent of the population lives in poverty. Seven out of 10 children under the age of six suffer from malnourishment, and Peru's infant mortality rate is more than 120 per 1,000 live births. Such poverty has provided fertile recruiting ground for the guerrillas.

U.S. Policy Objectives in Peru

The primary U.S. interest in Peru is to support the restoration and strengthening of effective democratic institutions and genuine reform efforts and to promote respect for fundamental human rights. From the experience of the last two decades, we know that democracy is crucial to the protection of basic human rights. This relationship has been spelled out in a whole range of legislation, including several provisions applying specifically to Peru. Getting democracy back on track is a necessary condition for pursuing other U.S. interests: defeating the Shining Path, achieving cooperation in stemming the international drug trade, and promoting equitable economic growth.

In recent policy debates over Peru, some people have argued that protecting human rights and restoring democracy are somehow inimical to defeating the Shining Path. In fact, human rights and democracy should be seen not as obstacles but rather as crucial weapons for that fight. U.S. experience in Latin America has shown that democratic systems have been most effective in undertaking the reforms necessary to address the socioeconomic and political inequities that fuel guerrilla movements. El Salvador provides just one example of the failure of a brutal

⁶ The State Department's 1992 human rights report provides a good summary of the ongoing human rights crisis in Peru.

military counterinsurgency campaign. Ultimately, democratic negotiations brought an end to that conflict.

In the case of Peru, the Shining Path has clearly benefitted from Fujimori's authoritarian tendencies and the Peruvian military's dismal human rights record. Human rights violations by state agents have generated support for the insurgents, particularly in rural areas. While Fujimori clearly enjoys the support of the majority of the population, the percentage of the population willing to express sympathy for the insurgents -- in a country where such a statement is grounds for arrest -- has increased alarmingly under the present government, reaching as high as 20 percent in some urban squatter settlements.

The Fujimori government points to the capture of Shining Path leader Abimael Guzmán and most of its national leadership last fall as evidence of the success of its hardline approach to combatting the guerrillas. These arrests clearly represent an important victory against the Shining Path. However, the capture of Guzmán and others was not the result of the military's counterinsurgency strategy, but rather sustained detective work carried out by an investigative police unit, DINCOTE, that had received little, if any, official support since Fujimori assumed the presidency. Shortly after Guzmán's capture, the head of DINCOTE was removed from his post and "promoted" to an inconsequential position as Inspector General of the Peruvian police.

The Shining Path has clearly been hurt by the capture of its leadership, and the pervasive tension and fear generated by Shining Path attacks has subsided somewhat, particularly in Lima. As a result, the Peruvian government has an important opportunity to build upon the recent gains against the Shining Path to construct a sustained political strategy against the guerrillas. Unfortunately, Fujimori has not yet done so and the guerrillas are regaining strength at an alarming rate, as was evident in the violence around the January 1993 municipal elections.

Nor has Fujimori made significant gains against drug trafficking, although it was cited as a justification for the April 5, 1992 coup.⁷ Indeed, a February 28 op-ed in the *Washington Post* by Peruvian journalist Francisco Reyes points to the enhanced ties between corrupt military and police personnel and drug traffickers and the increase in drug trafficking since the coup. The Shining Path, which collaborates with traffickers as well, has effectively exploited persistent abuses against local coca growers to boost its own ranks.

The new administration has promised to reorient U.S. antinarcotics efforts towards education and treatment at home -- a welcome change in approach that signals an understanding that supply control strategies have proven essentially irrelevant to trends in U.S. drug consumption. In previous testimonies, WOLA has advocated that funds allocated for eradication and interdiction efforts in the Andes instead be spent on demand-oriented programs. Nonetheless, the U.S. government will still need Peru's cooperation in multilateral initiatives to stem

⁷ Only about one-half of one percent of semi-processed cocaine is interdicted in Peru, and less than one percent of all drug flights are intercepted.

international drug trafficking, particularly with regards to controlling money laundering and precursor chemicals. The U.S. has learned from its experience in Southeast Asia that it is difficult to achieve such collaboration with non-democratic governments.

Finally, Peru will be an important test case for the growing belief in the international community that democracy should be a condition for aid. The United States has been a global leader in this since the Carter administration. The multilateral development banks, with the encouragement of European countries, have increasingly cited "governance" considerations in denying aid to countries such as Malawi and Kenya. The Peruvian economy can only get back on the path to recovery -- and ultimately thrive -- within the context of a stable democratic system of government that assures a more equitable distribution of the nation's resources. Both the U.S. government and the international financial institutions recognized this in their response to the April 5 coup.

Policy Recommendations

In the long-run, the U.S. government can best support democratic developments in Peru through sound economic relations. In an era of diminishing resources for direct economic assistance, the U.S. Congress and administration must look toward other tools for promoting mutually-beneficial economic growth. Once democracy is back on track, the U.S. government should support a significant debt relief program for Peru, further extend trade benefits, and continue to seek cooperation from other wealthy nations to provide development and other forms of economic assistance to Peru.

Once an independent Peruvian congress and judiciary are restored, the U.S. government should support programs designed by the Peruvian government and local organizations to promote democratic institution building and the rule of law through AID's Democratic Initiatives program. The Peruvian judicial system and, in particular, the Office of the Special Prosecutor for Human Rights within the Public Ministry could greatly benefit from additional resources once their independence has been assured.

In the short-to-medium term, the U.S. government must use all available tools to pressure for a restoration of democratic institutions and respect for basic human rights. At the same time, significant levels of humanitarian and development assistance can be provided to help meet the pressing needs of the Peruvian poor. The U.S. Congress should work with the Clinton administration to adopt the following guidelines for U.S. policy toward Peru.

- 1. The provision of all non-humanitarian aid to Peru should be conditioned on the restoration of an independent congress and judiciary and on significant progress in curtailing human rights violations by state agents.**

The administration should draw up a list of benchmarks which must be met for aid to go forward. The list should be communicated to the Fujimori government as soon as possible and should include the following:

- **The Peruvian congress** should be provided sufficient resources to carry out its work effectively, should review the decrees issued by Fujimori after April 5, 1992, should demonstrate autonomy in considering legislation, and should initiate independent investigations of questionable government activity and of human rights violations.
- Interested opposition parties and others should be provided an opportunity to have input into the **constitutional reform process**. As is the case with the 1979 constitution, the new constitution should include guarantees for basic human rights. If the new constitution allows for the reelection of the president, it should not be applied retroactively but rather to future presidents.
- With regard to the **judiciary**, due process should be restored and mechanisms should be established to assure the independence of judicial authorities. These should include a guaranteed period in office for judicial appointees and the restoration of the Council for the Judiciary or a similar body to provide independent assessments of potential appointees and allegations of wrongdoing. Sufficient resources should be provided to public prosecutors for human rights to allow them to carry out their work effectively.
- All of the **human rights conditions** laid out by the U.S. Congress in September 1991 should be met, progress should be made in prosecuting military and police officials responsible for human rights violations, and persecution of human rights workers, journalists and others viewed as in opposition to the government should cease. Fujimori should follow through with the conditions accepted in the most recent round of negotiations and make a good faith effort to respond to the requests put forward by the National Human Rights Coordinating Committee. Disappearances attributed to state agents should decrease significantly.

If any aid to Peru goes forward before these conditions are met, disbursal of additional funds should be clearly contingent on meeting future benchmarks, which are publicly and explicitly laid out to the Fujimori government.

2. In light of recent policy developments, the U.S. Congress should urge the Clinton administration to issue immediately a statement reiterating U.S. concerns for human rights in Peru and linking those concerns to the provision of U.S. assistance; a trip to Peru by a high-level U.S. official bearing this message would be appropriate.

According to administration officials, that message has been clearly conveyed to the Fujimori government. The Peruvian government should be held accountable to

agreements reached in private through open, public communications. The importance of human rights for U.S. policy toward Peru should be reiterated by high-level U.S. officials, once confirmed, including: Assistant Secretary (DOS) Alexander Watson, Assistant Secretary (DOD) Morton Halperin and U.S. Ambassador to the Organization of American States, Harriet Babbitt. If trips to Peru are not feasible, communication by teleconference would also be effective.

- 3. The Agency for International Development should provide increased levels of humanitarian and development assistance (DA) to Peruvian community and non-governmental organizations through U.S. and international organizations which have a sound track record in working with those groups.**

The Inter-American Foundation and Catholic Relief Services, U.S.C.C. are just two of the many excellent intermediary organizations working to help meet the needs of Peru's poor majority. Given the Peruvian government's consistent inability to meet the conditions necessary to qualify for security assistance, balance of payments support (ESF) could be rechannelled towards humanitarian and development assistance to be distributed through non-governmental organizations.

- 4. Economic assistance allocated to the Peruvian government for FY1994 and beyond should be used in support of the government's Social Emergency Program.**

The Peruvian poor have borne the brunt of the government's economic austerity program -- yet there are no effective government programs providing relief to the very poor. The Fujimori government created a Social Emergency Program to provide food and other services to the very poor, but it has never functioned effectively or received adequate resources. The Peruvian government has promised to triple social spending this year. The U.S. government could effectively reinforce that promise by targeting the government's Social Emergency Program. In addition, WOLA would support efforts to further condition U.S. economic assistance to Peru on the successful implementation of the Social Emergency Program.

- 5. No military assistance should be allocated to Peru in FY1994, and no U.S. military trainers should operate in Peru. Technical assistance being provided to Peru by the U.S. military as part of antinarcotics programs should be discontinued.**

The U.S. Congress has greatly restricted U.S. military aid to Peru because of the Peruvian military's dismal human rights record, rampant corruption within the Peruvian armed forces and lack of cooperation with U.S.-backed antinarcotics programs. Historically, the U.S. and Peruvian militaries have not had close relations and despite increased U.S. technical assistance, relations remain tense. Following the April 5, 1992 coup by President Fujimori and the subsequent attack on a U.S. plane by the Peruvian air force (which killed one and wounded two U.S. military personnel), the Congress eliminated military aid which had been appropriated for FY1992 and from the proposed FY1993

appropriations bill. In addition, all U.S. military programs in Peru should be discontinued until Peru meets the human rights standards laid out in section 502B of the Foreign Assistance Act of 1961 as amended. The Congress should encourage the administration not to resume U.S. Green Beret training of Peruvian antinarcotics police (also suspended following the coup).

6. All covert aid to Peru should be discontinued.

Although no public information is available, President Fujimori has stated that the National Intelligence Service (SIN), run by Fujimori's right-hand man, Vladimiro Montesinos, has received significant levels of CIA support. It is also likely that other forms of covert aid are being provided to Peru through antinarcotics channels. Covert assistance undercuts U.S. leverage achieved by conditioning other forms of assistance and may be backing up a brutal and largely ineffective counterinsurgency campaign.

7. As soon as possible, the Clinton administration should appoint and the U.S. Senate should confirm an ambassador to Peru strongly committed to carrying out an effective U.S. policy promoting democracy and human rights.

The U.S. Ambassador to Peru was pulled in a routine rotation prior to the November elections, leaving the U.S. without an effective spokesperson at a crucial time. In order for the U.S. Congress and the Clinton administration to communicate effectively its concerns to Peru and to evaluate the progress of the new Peruvian congress, the constitutional reform process and the U.S. role in the Support Group, an effective U.S. ambassador must be in place.

8. The U.S. government should support multilateral initiatives to promote human rights in Peru.

The Fujimori government recently agreed to accept advisory services from the United Nations Human Rights Commission and an on-site visit by the Inter-American Commission of Human Rights of the Organization of American States (OAS) -- conditions put forward by the State Department. The U.S. government should continue to support a stronger role for the OAS Inter-American Commission of Human Rights and should support requests by Peruvian human rights groups that the U.N. Human Rights Commission appoint a Special Rapporteur for Peru in order to enhance international scrutiny of human rights violations by both sides in that country.

9. The U.S. congress and the Clinton administration should strongly condemn all attacks against human rights monitors in Peru.

Since the April 5 coup, attacks on human rights monitors, journalists and others seen as opposing the present government have increased significantly. Fujimori recently came out in support of human rights efforts in Peru; however, in the past he repeatedly

criticized both national and international human rights groups for being "apologists of the Shining Path," essentially condoning such persecution. Peru's major human rights organizations, grouped in the National Human Rights Coordinating Committee, have an excellent reputation for accurate, unbiased reporting. They deserve clear and sustained U.S. support.

10. The U.S. Congress should encourage the administration to withhold all Administration of Justice (AOJ) assistance to Peru, with the exception of the Office of the Special Prosecutor for Human Rights, and should not appropriate additional AOJ funds until an independent judiciary and due process are put in place.

At this time, such funding only serves to legitimate a system that fails to meet even minimal international standards of due process. Under no circumstances should funding be provided to either civilian or military tribunals composed of "faceless," or secret, judges.

11. U.S. drug policy should be reoriented toward supporting multilateral efforts at curbing money laundering and precursor chemicals, promoting alternative development in Peru and education and treatment efforts at home.

As noted above, U.S.-backed antinarcotics operations in Peru have been a dramatic failure. U.S. drug policy toward Peru should be conceived in terms of how the U.S. can strengthen Peruvian democratic institutions against the influence of the criminal drug trafficking organizations, rather than as a means of reducing U.S. drug consumption, which must be tackled here at home. Any U.S. law enforcement or judicial sector assistance should be contingent on respect for human rights and judicial autonomy. Military aid for anti-drug purposes should be discontinued, and law enforcement aid should emphasize investigation and apprehension of major traffickers, not para-military training and operations in the coca zones.

Prepared Statement of Carol Graham
Guest Scholar
Foreign Policy Studies Program
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Before the Subcommittee on Western Hemispheric Affairs
Committee on Foreign Affairs
U.S. House of Representatives
Washington, D.C.
March 10, 1993

Mr. Chairman:

I very much appreciate the subcommittee's invitation to testify on U.S. policy towards Peru and on the current situation in that country. In particular I will focus on what I see as the two pre-requisites to meeting any policy objectives in Peru: the successful completion of a market-oriented economic reform program, which depends on the establishment of adequate mechanisms to protect the poor from its extremely high social costs; and the establishment of genuine democratic regime with full respect for civil liberties and human rights. Establishing these conditions will also be a pre-requisite to meeting whatever we define as our primary interests in Peru, whether they be drug eradication, an improved human rights situation, or an end to civil unrest in the region. Our aid program is small relative to Peru's population size and resource needs. Unless we focus it clearly on realistic objectives, it will have marginal, if any, positive impact. Attaining these objectives will entail a shift in policy focus, and a re-orientation of resources currently earmarked for Peru.

A New U.S. Policy for Peru:
A Preventive Approach to Regional Instability

The Current Situation

Peru is clearly not first and foremost among the United States' foreign policy priorities. Yet the ongoing war between the fanatical Maoist Shining Path guerrilla movement and the quasi-democratic government in Peru, South America's third largest nation, makes policymakers uncomfortable at the very least. And, our national security concerns have shifted from bipolar conflicts to pockets of civil violence stemming from ethnic or nationalistic rivalries which become international security problems, such as Yugoslavia and Somalia. The Peruvian case fits into the category of conflicts which challenge our ability to define our interests in the "new world order", and to respond in a timely manner. More than half of Peru is under martial law, and since 1980 over 26,000 lives have been lost in the war with Shining Path. The escalation of such a conflict would raise the moral and strategic dilemmas that the United States faces in

Yugoslavia and Somalia in our own hemisphere. The change of administration in the U.S., and the setback to Shining Path caused by the recent capture of its leadership, create a window of opportunity to convert a decade-long counter-productive policy into a strategy which aims to address the root causes of political instability in Peru: endemic poverty and the lack of credibility of state institutions.

Peru's economy has undergone a crisis of unprecedented proportions in recent years: GDP fell 25% from 1988-90, and has yet to register positive growth since then; real wages are well below their 1968 levels, when they were already among the lowest in the region; less than 10% of the economically active workforce in the capital city, Lima - which is home to over one third the nation's population - is adequately employed¹; and over one half of the nation's population of 22 million is below the poverty line.² Since August 1990, Peruvians have been making enormous sacrifices,³ with almost no external aid, in an attempt to transform their crippled economy into a viable market system and to reestablish relations with the international financial community.

Economic reform is essential to Peru's overcoming its crisis. Yet failure to address its social costs may ultimately undermine it, playing into the hands of Shining Path or other insurgent groups. While the Peruvian government has made notable strides in implementing market-oriented macroeconomic reforms, it has done very little to address their social costs. This stands in sharp contrast to other successful reform programs in the

¹ Adequate employment implies full employment as, in the absence of a social security system in Peru, no one can afford to be unemployed. Millions, however, are underemployed: they work long hours - often at several different informal, low productivity jobs - and still earn insufficient income to rise above the poverty line.

² The poverty line is determined by a minimum expenditure basket. One third the population, or seven million people, are in extreme poverty, meaning that they do not earn enough to purchase even a minimum food basket, exclusive of other expenditures. For detail see Ajuste y Economía Familiar: 1985-90 (Lima: Instituto Cuanto, 1991).

³ While the highest social costs stemmed from the 1985-90 deterioration, when per capita consumption dropped on average 53%, there were additional consumption drops of 24% after the shocks, as gasoline prices were raised 3000% overnight and food prices by 500%. For detail see, C. Graham, "Economic Austerity and the Peruvian Crisis: The Social Costs of Autocracy", The SAIS Review, Winter-Spring 1993.

region - Chile and Bolivia for example - where extensive efforts were made to provide temporary employment and other essential service provision to protect poor and vulnerable groups during the economic transition.⁴ These efforts were important to alleviating poverty and to the political sustainability of the reform process. Instead, in Peru, a number of insurgent groups increasingly serve as alternatives for frustrated, unemployed youth.

Lack of progress on the social policy front has been largely due to the Fujimori government's failure to attribute importance to it, but is also a result of resource constraints. The government has had to give repayment of international debts priority over any social expenditure; more was spent per month - \$60 million - on debt payments than was spent in an entire year on the social emergency program. Only recently has a social fund, modelled on Bolivia's Emergency Social Fund, been set up under the auspices of the Inter-American Development Bank and the World Bank; progress has been very slow to date. Yet the experience of other countries has shown that once a credible agency is set up, external donors are usually willing to contribute to the effort.⁵

Democratic government, which was re-initiated after twelve years of military dictatorship in 1980, was brought to a halt by President Fujimori's closing of all legislative and judicial institutions on April 5, 1992. Due largely to international pressure, Fujimori held elections for a new Congress and Constituent Assembly in November. His party garnered forty-four of the eighty Congressional seats in a process the OAS declared free and fair. Yet there was a great deal of manipulation of electoral rules by the Fujimori government, which, coupled with the protest boycott by most of the major political parties and

⁴ For detail on the Chilean case, see C. Graham, "From Emergency Employment to Social Investment: Alleviating Poverty in Chile", Brookings Occasional Papers, November 1991; and for the Bolivian case, see C. Graham, "The Politics of Protecting the Poor During Adjustment: Bolivia's Emergency Social Fund", World Development, Vol. 20, No.9, September 1992.

⁵ The Chileans were able to employ hundreds of thousands of people - up to 13% of the country's labor force in 1982 - at a cost of approximately \$20 million per year. Bolivia's Emergency Social Fund (ESF) had approximately \$300 million for its four years of operations and it benefited 1.2 million people. In the case of the ESF, the setting up of a credible, non-politicized agency, which had a private sector director and operated on a demand-led basis: responding to proposals and initiatives from communities rather than implementing its own projects, was key to unleashing millions of dollars in external donations.

the 40% of voters that abstained or cast null and blank ballots, gave the government a distinct advantage in the electoral competition. He now has a virtual free hand in the Congress and Constituent Assembly. There have also been several cases of harassment of opposition journalists, and international monitors such as the International Red Cross have been denied access to Peru's prisons. Given the President's rather questionable commitment to democracy, international pressure - and constant U.S. attention in particular - will be key to guaranteeing a democratic turnover of power in 1995. Yet because our policy has been based on a drug strategy to which Peruvians have a very limited commitment, our leverage on the situation is quite limited.

Peru is the world's largest producer of coca leaf.⁶ Not surprisingly, most Peruvians link their ability to eradicate coca production with the economy's ability to provide alternative employment. Indeed the main incentive that the Peruvians have for cooperating with the U.S. on the drug policy front is the need for U.S. cooperation within the international financial institutions so that Peru's reintegration into those institutions can go forward.

U.S. Policy

To date U.S. interests in Peru have been defined strictly in terms of drugs. All aid has been linked to progress on combatting the drug trade, and a great deal of our efforts go to eradication of coca fields and interdiction of trade in Peru's Upper Huallaga Valley.⁷ Our economic assistance, which also

⁶ The majority of the processing, which entails the largest profits, is done in neighboring Colombia, however.

⁷ Total U.S. economic aid for fiscal year 1991 was \$60 million, and was specifically defined as counter-narcotics assistance: economic stabilization assistance, drug interdiction, and alternative development programs falls into this category. Fifty million of the aid was balance of payments support (ESF) and \$10 million was tied to specific projects. Of the \$50 million, \$20 million have been disbursed and \$30 million are still pending. This \$30 million will comprise part of the U.S.'s contribution to Peru's "support group" in the international financial institutions (discussed below). In addition, Bureau for International Narcotics Matters support (INM) was \$19 million and military aid was 6.2 million in 1991. For 1992, \$100 million in economic aid was allocated, but \$5 million was re-allocated to Colombia. This left \$65 million for balance of payments support and \$30 million for project-linked aid. Most of this was suspended after the April 5 coup; some of it was then released as elections support in November and January; \$55 million remain to

falls under the rubric of counter-narcotics assistance, is less than \$100 million for 1992 and \$40 million for 1993, and is stretched quite thinly between balance of payments support and a variety of "alternative development" programs which have had varying degrees of success, ranging from a development program for the Upper Huallaga valley to the Administration of Justice and Democratic Initiative programs. Our drug-focused policy has been prolonged, and expenditure and exposure of U.S. military personnel increased, despite its ineffectiveness: the number of hectares under cultivation has grown as has the amount of cocaine transported to Colombia.

Our policy has not only failed to make a dent on drug trafficking, but it has also proved counter-productive to the war against Shining Path. Firstly, by directly involving U.S. military personnel in the destruction of the livelihood of Peruvian peasants, it contributes to support for Shining Path - which accuses the U.S. of "imperialist designs" - among coca growers. It has also brought U.S. personnel directly into conflict with Shining Path: there have been several shoot-outs between Shining Path and drug eradication or interdiction missions. Thirdly, it creates tensions in relations with the Peruvian military, who see the war against Shining Path as a far greater priority than drugs. They reluctantly cooperate with U.S. drug policy because they are severely strapped for resources, yet their commitment is limited at best. The Shining Path, meanwhile, has steadily advanced, establishing a strong presence in the drug-producing regions of the country; it is now a national level force with the capacity to challenge the Peruvian state. While the capture of the movements' top leadership in September of this year dealt a severe blow to the movement, it continues to pose a serious threat to political stability in Peru.

The Clinton Administration recently indicated that it was moving towards re-extending the aid that was withheld after President Fujimori implemented martial law on April 5, 1992, and that it will support a \$2 billion "bridge" loan to Peru, as well as contribute \$105 million to an ongoing donor support group. Aid

be disbursed, and will also comprise part of the U.S.'s support group contribution. INM support was \$12 1/2 million and military aid, which was projected at \$34 million, was not disbursed. For fiscal year 1993, \$100 million was originally programmed but has been cut back to \$40 million. Of this, \$25 million is balance of payments support (which will also be part of the support group contribution) and the rest is project linked. INM support is projected at \$17 1/2 million. Humanitarian or food aid was \$124, \$110, and \$77 million for 1991, 1992, and 1993 respectively. [Source: U.S. Department of State. These totals are approximate, as are relative weights of ESF versus project-linked aid, and will change over time as project-linked aid is disbursed.]

is being restored due to the successful completion of elections for a Constituent Assembly in November, and municipal elections in January. The extension of aid is being made conditional on improvements in the human rights situation - allowing international monitors like the Red Cross to operate freely, and an end to the ongoing harassment of opposition journalists. The Administrator has indicated that it plans to monitor progress on the human rights front closely, and that its contribution to the support group will be contingent on such progress. To date no new directions in the allocation of aid vis-a-vis drug policy been determined.

Support for the \$2 billion bridge loan is primarily an accounting transaction: the money from a support group of friendly countries is deposited in accounts in Peru's name at the World Bank and International Monetary Fund, and the money is immediately lent back to Peru by these organizations so that Peru can repay the countries that contributed to the bridge loan. The transaction, which is scheduled for March 17, is of vital importance to Peru, as it is a pre-requisite to receiving desperately needed fresh capital from the Bank and the Fund, as well as to a Paris Club settlement with private creditors. In addition to the bridge loan, the donor support group has pledged to make up for any balance of payments short-falls - and therefore gaps in payments to the international financial institutions - in the next year. The total amount needed for the support group is just over \$400 million; the Japanese contribution is \$110 million; the U.S.'s \$105 million contribution comes directly out of the economic support funds in our aid package. On its own, our aid package gives us only limited leverage to its small size and its linkages to drug eradication activities. Yet its role in supporting the process of Peru's re-integration into the international financial community gives it increased significance and is our most important policy instrument.

A New Policy Focus?

Neither the drug trade nor the Shining Path can be stopped in the absence of viable employment opportunities for the majority of Peruvians. And the capture of Abimael Guzman has not addressed the root causes of Shining Path: widespread endemic poverty and the absence of a credible state presence in arenas ranging from basic services such as water and sewage to judicial services, such as police protection. Instead the Fujimori government's counter-insurgency strategy has been strictly military in nature, and it concurrently has ignored the high social costs of its economic policies. Past U.S. policy has not been a positive force in this dynamic.

A change in strategy is essential. The U.S. cannot force the Peruvians to give more importance or resources to the social

emergency program. It can, however, make its economic support - which would have more leverage if it were supplemented by the money currently going to fight drugs - contingent on the implementation of such a program, in addition to continuing its emphasis on compliance with the human rights conditions the Peruvian government has promised to meet. The successful implementation of such a program would be a starting point for restoring the Peruvian people's faith in the state. In conjunction to providing temporary employment and socially useful infrastructure, demand-based social funds, such as Bolivia's, have important side-effects of stimulating local government and grass-roots initiatives. Such initiatives are integral to defeating Shining Path as well as to political and economic development. Diverting a significant proportion of U.S. assistance to the fledgling emergency social fund would be a far more cost-effective way to spend the approximately \$100 million we spend annually on so-called counter-narcotics activities. Indeed, the effects of such a social fund on local democratic development would probably be far greater than the activities of the vaguely defined, region-wide "democratic initiatives" program that is mandated by the U.S. Congress and administered by AID, or the development program for the Upper Huallaga Valley, which given available resources, is unlikely to make a noticeable difference in that vast region.

As long as our policies towards Peru are linked to the solution of our domestic drug problem, they will have limited ability to address - and indeed may be counterproductive to - the process of pacification, democratic stability, and economic development that is necessary to resolving the crisis in Peru. The Fujimori government is firmly committed to market-oriented economic reform; it is far less committed to a drug policy which could accentuate an already explosive political violence situation. Focusing our policies on economic reform would give us a great deal more leverage on the Fujimori government - and therefore the course that democracy takes in Peru. And as our aid to Peru is minimal, it makes much more sense to focus it all in an arena where we can have a guaranteed effect. A policy which supported economic reform and helped to alleviate its social costs would be more cost-effective in fostering political and economic stability and in providing alternatives to coca-growing activities than any of our drug-related policies are. In addition, an extensive social emergency program would be an appropriate means to develop economic and social components to the counter-insurgency strategy at a time that recent setbacks to Sendero provide a window of opportunity.

Even if we mistakenly continue to define our primary interest in Peru as curbing the production of coca leaf, the end result of an aid strategy that focused on economic reform rather than on drugs would be a nation that was far better equipped, both economically and politically, to cooperate in efforts to

stem the supply - and the demand for - drugs. A broader definition of our interests in the region would seek to prevent the Peruvian situation from degenerating even further into endemic poverty and political violence, as it could de-stabilize neighboring countries such as Bolivia and Ecuador, and pose difficult moral and strategic dilemmas in our own hemisphere. At minimum it would jeopardize our other national interests: without democratic stability and economic growth in the region, there will be no market for U.S. exports, for example. The recent coup attempts in Venezuela demonstrate that democracy and stability in the region are far from guaranteed. While Peru has little strategic importance in the traditional sense, it is precisely the kind of conflict that poses a challenge as we attempt to define our interests and strategies in the "new world order". It would be an ideal case in which to try preventive medicine for a change. As a starting point, it would cost nothing more than the reallocation of resources currently being utilized, and there would be fewer risks entailed than there are with our current policies.

Embargoed Until Delivered

Prepared Statement of Felipe Ortiz de Zevallos M.
 Chairman of APOYO
 before the
 Subcommittee on Western Hemisphere Affairs
 Committee on Foreign Affairs
 U.S. House of Representatives
 Washington D.C.
 Wednesday March 10, 1993

1. I appreciate your invitation to testify on the current situation in Peru and US policy. You have asked me to focus on the reasons behind the problems that Peru currently faces and to answer the following questions:

- a) What is the current situation in Peru with respect to democracy, human rights, economic growth, counter insurgency and drug control?
- b) What do I believe should be the policy objectives and the priorities of the United States government with respect to Peru?
- c) How effective has US policy been at accomplishing those objectives?
- d) What are my specific recommendations for improving the accomplishment of those objectives?

2. The main problem that Peru has had to face in recent years has been a crisis of governability. In 1990, when President Fujimori's government assumed functions, the economy was affected by the second longest hyperinflation recorded for any country during this century. GDP per capita had regressed to the values it had attained in the 60's. Exports were 40% lower than those of a decade before and oil production had fallen by 60%. The State was bankrupt with a fiscal revenue no greater than 5% of GDP. Minimum public services had stopped functioning adequately. The Central Bank lacked any foreign currency in spite of arrears in the payment of the foreign debt of over US\$14,000 million. Armed groups, belonging to the most cruel and fanatical terrorist organization of the hemisphere, occupied part of the national territory. Summing up, Peru

was on the verge of social and political collapse. 73% of Peruvians considered the country to have entered into frank decadence (See Table 1).

Table 1

Would you say that your country is progressing, stagnant or in decadence?				
	Argentina Nov. 88 (1)	Uruguay Nov.88 (1)	Chile Dec.89 (2)	Peru Feb.90 (3)
Progressing	9	13	44	6
Stagnant	52	55	41	18
In decadence	37	31	15	73
No answer	2	1	0	3

(1) Source: Proyecto Cono Sur, November 1988
 (2) CEP-Adimark, October 1989
 (3) APOYO poll in Lima

In 1990 many predicted a military coup or growing civil disorder. Not few analysts considered the possibility of a reenactment in Peru of the killings in Cambodia with hundreds of thousands, if not millions, of dead. It is against that backdrop and the risk of its resurgence that the present reality must be evaluated.

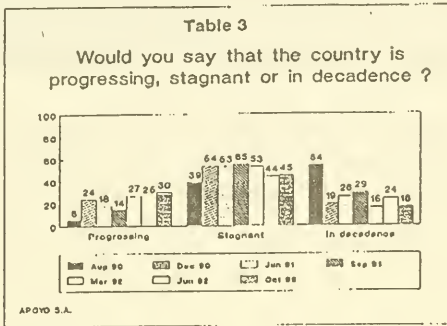
3. On April 5, 1992, President Fujimori -supported by the military-dissolved Congress, reorganized the Judicial Power and suspended part of the Constitution of 1979. The President's argument was that the old political system was incapable of fighting against terrorism, corruption and economic decay. I have been a severe critic of that action since I considered that the government had not exhausted all the possibilities of measures allowed by the system to face such difficult problems. The decision, however, was amply supported by public opinion, the majority of which has never recognized Fujimori's government as a dictatorship (See Table 2).

Table 2

What do you consider the government to be at present, democratic or dictatorial ?										
	Total %	Socioeconomic status				Sex		Age		
		A %	B %	C %	D %	Male %	Female %	18-24 %	25-39 %	40-more %
Democratic	61	54	66	65	55	66	75	59	63	
Dictatorial	30	33	26	24	35	24	22	29	35	
No answer	9	13	8	11	10	10	3	12	12	
Total: 100%	450	64	123	160	105	222	228	121	170	159
	Weighted base	100%	4.1%	18.7%	36.1%	41.1%				

Lima, february 1993

Afterwards, thanks in part to international pressure channeled through the Organization of American States (OAS), elections for a Constituent Congress were held (November 22, 1992), and the latter was installed on January 1 of this year. On January 29 municipal elections were held; through them, mayors were elected in 187 provinces and 1600 districts. The majority of Peruvians consider that the situation in Peru has improved with time (See Table 3).



4. Democracy will be fully re-established when the people give their approval to the new constitution that the Constituent Congress is drawing up. At present, the President has 62% of approval; his government on the whole, 58%; and the Congress, 55% (See Table 4). These rates are significantly higher than those of similar countries in the region.

Table 4

Do you approve of the performance of...?	Do you approve of the performance of...?		
	Yes	No	No answer
Government as a whole	58	27	15
President Fujimori	62	18	10
Political opposition	30	51	19
Congress	55	19	26
Prime Minister	31	27	42
Economic policy	35	49	16
Counter-insurgent policy	63	25	12

Source: APOYO poll in Lima.
February, 1993

The main problem faced by political institutionalism is the Judicial Power. For several decades, the system has been contaminated by political influence, corruption, and, since the appearance of terrorist groups, fear. This has been clearly favored by the low salaries of judges; the conditions in which many of them work; and the lack of professional ethics on the part of some lawyers working for well-known law firms who have achieved success in their careers by trying to find a price for each and every judge. After April 5, the government dismissed approximately one half of the members of the Supreme Court accusing them of corruption. Like in any drastic measure, some innocents paid for the many guilty. This measure received the support of 81% of public opinion (See Table 5). In my view we have now a cleaner court if not a smarter one.

Table 5

Approval of the dismissal of the magistrates of the Supreme Court							
	Total sample	Lima	Arequipa	Cusco	Trujillo	Piura	Iquitos
Approves	81	82	81	84	70	79	84
Disapproves	11	9	8	9	22	16	7
No answer	8	9	11	7	8	5	9
April, 1992							

Congress is, at present, reviewing the norms that should allow the Judicial Power to recover a minimum of legitimacy and autonomy. Perhaps the most important article of the new constitution should be the one that shall address the composition of the Supreme Court. A distinguished lawyer suggested a few days ago that it should be conformed by 11 members for-life, elected without political interference and suitably remunerated; this proposal has received editorial backing in the daily newspaper EXPRESO and the support of a prominent leader of the opposition.

5. Last month, the U.S. State Department presented a Report on Human Rights in Peru for 1992 and the Peruvian National Coordinating Committee on Human Rights (La Coordinadora) issued a public statement on the subject.

I would like to comment on these documents:

a) I disagree with La Coordinadora when it says that the Peruvian government has "systematically violated human rights". I agree that in fighting with an autocratic style one of the most cruel subversive groups in world history, human rights violations have been frequent and in some cases unexcusable. But the word "systematically" implies that the violation of human rights has been an implicit policy of the government, a statement for which there is no real support. The slowness with which some of the reported cases have been reviewed and sanctioned should not be necessarily interpreted as a disposition from the government granting impunity to the violation of human rights by the armed forces and the police.

b) With respect to the report from the US State Department covering the 1992 period, the last two months have shown some favorable developments which should be taken into consideration:

i) the report comments on the fact that the new system of military courts against those accused of terrorism had, until December 1992, condemned all of the cases. In the last few weeks, however, there have been cases in which those accused have been declared innocent.

ii) Little progress was reported in the case of Santa Barbara where an army officer and five others were accused of the killing of 14 peasants. These suspects have been recently condemned and are now in jail.

iii) It has been recently decreed that policemen found guilty of violating the law should serve their imprisonment-sentences in ordinary prisons.

iv) Magno Sosa, a journalist that was unjustly imprisoned under suspicion of subversive activities in September, 1992, was recently liberated.

v) The Constituent Congress eliminated from the text of the New Constitution the provision for accusations on the grounds of "apology of terrorism" as a limitation upon freedom of press.

6. Peru's GDP fell last year by almost 3%. This was a consequence, in part, of the drastic stabilization program in progress. Inflation fell to under 60% annually, from 139% in 1991 and 7,650% in 1990. The Central Bank has accumulated over US\$2 billion in reserves. The goals of the "shadow program" agreed upon with the IMF for years 1991-92 were adequately met. The government has started an ambitious plan of reforms conducive to the deregulation, liberalization and privatization of entrepreneurial activities previously under State administration. The Lima stock exchange last year was the second most profitable in the world. The Extend-Fund Facility program to be approved next week by the IMF projects a GDP growth of 3% for this year, increasing to 5% in the following two years. By 1995, inflation should be down to international levels and Peru should be on its way to overcoming the most dramatic symptoms of its greatest crisis in recent history.

7. The counter-insurgency has achieved important advances in the war against the Shining Path and the MRTA (Movimiento Revolucionario Túpac Amaru). Public Opinion in its majority not only approves of the anti-subversive strategy but considers that it will achieve a reduction in terrorist activities for the future. (See Table 6).

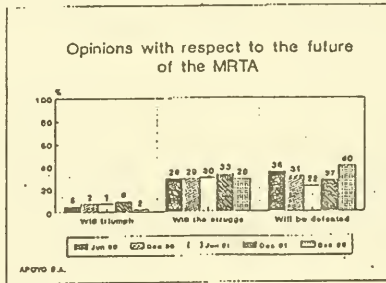
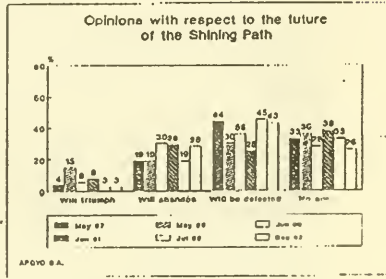
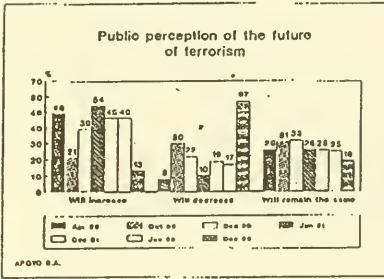
This improvement in the perspectives would have not been achieved if the strategy had implied, since April 5, an increase in the violation of human rights. Instead, substantial improvement has been obtained in the work of the intelligence service and the procedures of the Judiciary. The exemplary action of honest and capable police officials, such as General Antonio Ketin Vidal, allowed the capture of Abimael Guzmán. Shining Path has been given a severe blow with the imprisonment of its top leader and other important members of his political clique, as well as that of various death-squads it used in the assassination of several leaders of Peruvian society. Its military capacity, however, has remained largely unaffected on a national level. Its future actions shall depend on the new leadership to be established within it and on the response of the State. To fulfill President Fujimori's objective of defeating this subversive movement definitively by 1995, an ampler political concert is required, especially with the new municipal authorities, for the complementation of actions by the military, the police and the intelligence service. The government should call for the participation of all political parties in this matter.

Table 6

In the present situation of the country, do you think terrorism shall increase, decrease or remain the same ?

	Total %	Socioeconomic status				Sex		Age			
		A %	B %	O %	O %	Male %	Female %	10-24 %	25-39 %	40-more %	
Increase	13	11	12	14	12	11	14	13	12	13	
Decrease	57	68	62	58	52	62	51	60	61	50	
Remain the same	19	20	20	20	19	19	20	20	17	21	
No answer	11	1	0	8	17	8	15	7	10	10	
Total: 100%	Real base	500	44	138	105	133	253	247	135	181	184
	Weighted base	100%	4.1%	10.7%	36.1%	41.1%					

Lima, December 1992



8. Regarding drugs, the Peruvian society shares the interest of Americans in fighting the coca trade. In recent years, the main interest of the US government in Peru has been to restrict the export of coca. A problem we face is that if this policy is pursued too narrowly, the repressive action in coca-growing areas may only serve to strengthen the grip of the subversive groups on the population of the Huallaga Valley as the poor people who depend on coca for their income may increasingly come to see the State as an enemy. Growing coca as a crop in Peru has been in recent years three times more profitable than growing cocoa or oranges, and six times more profitable than banana cultivation. Shining Path and the drug traffickers operate an alliance of mutual interest to protect themselves against US-Peruvian anti-drug operations in the Huallaga Valley. The Shining Path has perhaps 3,000 trained soldiers in the area and earns an estimated US\$30-50 million a year from coca-related activities.

Data on the cocaine trade are neither precise nor easy to come by, but Peru probably exports about 2,000 tons of coca basic paste a year. In Colombia, it is transformed into pure cocaine for export to the US and Europe. However, for every US\$100 spent in the US market for cocaine produced from Peruvian coca, less than US\$1 goes to the peasants who grew the plant. The producer of basic paste and exporter obtains US\$3 more. About 90% of all income from the cocaine business - grossly estimated at US\$80 billion annually - remains in the United States.

In the most recent anti-drug agreement, signed in May 1991, the US government accepted that Peruvian peasants growing coca should not be prosecuted as criminals. An economic replacement for coca cultivation is to be sought in the long term because band-aid assistance and enforcement programs will not, by themselves, cure the drug epidemic.

9. What should be the policies of US government regarding Peru? I think that it is not impossible for any country in the next years to meet the following goals:

- a) the drafting of a new constitution that ratifies the economic reforms that have been enacted, that increases the power and quality of the Judiciary and that establishes a framework for the improvement of democracy and welfare.
- b) the approval of such a draft by popular referendum.
- c) a long-term and feasible arrangement for the payment of its foreign debt.
- d) a recovering of exports and investment so that growth by 1995 rises to 5% a year.
- e) keeping-on with fiscal austerity so that inflation goes down to international levels.
- f) a continuous pacification of the country by recovering full governability over its territory and by limiting the menace of the Shining Path.
- g) an alleviation of the dramatic effects that the crisis has generated among Peru's poorest.
- h) democratic elections to be held for President and Congress in 1995.

I think the US government should help Peru in achieving these goals not because of benevolence alone but to protect its own interests and the future of democracy and development in the region. Few things could be more rewarding for the hemisphere than to get Peru back on a normal track by 1995. This, in my opinion, is not an impossible goal.

10. The monitoring of political events by the OAS in Peru last year could be considered successful in inducing the Peruvian government to set a specific time-table for the return to a full democratic system. The participation of the US with Japan as co-leaders of a Support Group and one-day lenders of funds will allow Peru next week to clean up its arrears with the IMF.

11. In a longer term, I share a common worry with many Latin Americans regarding the commitment of the new administration to hemispherical free-trade, the NAFTA agreement and the proposals of the past administration contemplated in the Enterprise for the Americas Initiative.

12. Last but not least, let me express a personal comment on human rights and their role in bilateral or multilateral policy. Since the end of the Cold War and the fall of the Berlin Wall, many Latin American radical idealists are no longer working for the coming-up of a socialist or communist revolution but are centering their energies in the defense of human rights and environmental protection. This is a development everyone must celebrate. However, the US government should improve the application of its policy in human rights so as to promote its universal recognition. Partial and selective fiscalization with a static focus on particular events may convey the impression that its main aspiration is to play a role as neutral arbiter in a war, simply with the aim of reducing human rights violations to a minimum in that war, without properly recognizing a dynamic fact that the positive extension of governability achieved by the Peruvian State will make possible an advance towards situations in which human rights are progressively less injured. Not to speak of the insufficient emphasis given in this last report mentioned to the distressing knowledge that the advance of the Shining Path, partial as it could be, would imply a genocide without precedents in the history of the hemisphere.

Reports in the case of a war imposed on a society by a group of fanatic terrorists, apart from statistics on the missing and on extra-judicial executions -which are, of course, utterly unjustifiable- should include information on how much of the territory has been pacified, how many kilometers of Peruvian routes can now be traveled on without danger of being kidnapped, what is the attitude of the population with respect to the Armed Forces, the governmental policies, etc.,

It is not possible to eliminate the various circumstances that configure the present and future of any society. It is always easier to make a neutral judgement than to effectively promote human dignity in a society as removed as has been Peru by the blows imposed by terrorism, narcotraffic and corruption.

Peru, I believe, will survive at the end through the decency, the courage and industrialness of its people.

In this process, it needs both the rational clarity of its critics and the emotional support of its friends.

It has been getting too much of the first and too little of the latter.

Thank you very much for your time. I am ready for questions.

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WORK EXPERIENCE:

6/87 to present

**Senior Associate
Washington Office on Latin America (WOLA)**

Monitor, analyze and disseminate information on human rights and political developments in the Andes, primarily Peru, and U.S. foreign policy toward the Andes, particularly international drug policy; produce briefs for U.S. Congress; write and speak widely on these topics; organize conferences, seminars and delegations; travel regularly to Andes.

6/85 to 6/87

**Project Manager
Catholic Relief Services, U.S.C.C.
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Developed, monitored and evaluated rural and urban development and human rights projects by Peruvian NGOs; administered potable water program; liaison to church community, Catholic bishops and government representatives. One-third of time spent in the field, primarily Peruvian highlands.

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**Staff Assistant
International Planned Parenthood Federation
Western Hemisphere Region**

5/84 to 6/84

**Community Development Volunteer
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11/83 to 4/84

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Latinamerica Press/Noticias Aliadas
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The Woodrow Wilson School
Princeton University
Master in Public Affairs, June 1985

The University of the South
Bachelor of Arts, June 1982

Graduated third in class, *Summa Cum Laude*; *Phi Beta Kappa*; *Omicron Delta Kappa*; E.G. Richmond Prize for Social Science.

OTHER: Fluent Spanish; Frequently interviewed on World Monitor News, CNN-Spanish, NPR, CBC and BBC, among others; Published in *World Policy Journal*, *Los Angeles Times*, *Christian Science Monitor*, *Que Hacer*, among others; book chapters in *Coca, Cocaína y Narcotráfico* (Andean Commission of Jurists, 1989), *Derechos Humanos y Democracia* (Inter-American Institute of Human Rights, 1991), and *Espacios Internacionales para la Justicia Colombiana* (Andean Commission of Jurists--Bogotá Section, 1990).



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Carol Graham is Guest Scholar in the Foreign Policy Studies Program at the Brookings Institution and Adjunct Professor in the Department of Government at Georgetown University. She is the author of Peru's APRA: Parties, Politics, and the Elusive Quest for Democracy (Boulder: Lynne Rienner, 1992); as well as several articles on the political economy of Peru, Bolivia, and Chile in journals including the Journal of Latin American Studies, the Journal of InterAmerican Studies and World Affairs, World Development, The Brookings Review, and the SAIS Review. She has written a chapter on government in Peru in Rex Hudson, ed., Peru: A Country Study (Library of Congress Area Study Series, forthcoming); on civil society in Chile in a forthcoming volume on democracy, economy, and society edited by Larry Diamond; and on the political economy of adjustment in Chile in a forthcoming World Bank volume on adjustment in new democracies. She has served as an advisor to the InterAmerican Development Bank on the setting up of a social emergency program in Peru. She has discussed the political situations in Chile and in Peru on National Public Radio, CNN, and local television, and has written articles on the situation in Peru in the Wall Street Journal, The Christian Science Monitor, The Miami Herald, and The Washington Post. Her current project at Brookings is on the politics of poverty alleviation during market transitions in Latin America, Africa, and Eastern Europe. She recently received an award for that research from the John D. and Catherine T. MacArthur Foundation's Research and Writing Competition.

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