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## PERU'S FLEDGLING DEMOCRACY NEEDS U.S. HELP

### INTRODUCTION

On April 14, Peruvians went to the polls and elected Alan Garcia their new President.<sup>1</sup> This election marked Peru's first constitutional succession from one civilian government to another in 40 years. It is a considerable achievement and demonstrates strong popular support for the electoral process. Yet Peru's democracy still remains threatened. In addition, there are questions about the affect of the Garcia government on U.S. interests in the region.

Among the worst enemies of Peruvian democracy are such terrorist organizations as the Sendero Luminoso and the Tupac Amaru, which openly oppose any form of democracy. Other groups such as the many Marxist parties comprising the United Left coalition inherently oppose democratic rule but participated in the election because they view it as their surest route to power.

Peru's prospects for maintaining a stable democracy are also threatened by the worst economic crisis in its history. Workers' strikes, political assassinations, and terrorist attacks, on top of a debt crisis that has brought economic hardship, could in time diminish the legitimacy of the government and produce an increasingly alienated citizenry. Meanwhile, there is still an intellectual and ideological legacy from the pro-socialist military government that ruled from 1968 to 1980. Most political parties

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<sup>1</sup> The results of the April 14 election did not give Alan Garcia the constitutionally required 50 percent of votes; he fell short with 49 percent. But after considerable debate, on June 2, the Electoral Board pronounced Garcia to be President, thus circumventing a costly second round of elections.

and politicians advocate a statist, if not socialist, approach to the economic crisis.

The loss of Peru to undemocratic forces could have serious consequences for U.S. and hemispheric security. Peru offers the only friendly Pacific port for U.S. Navy ships between San Diego, California, and Valparaiso, Chile. Should the Panama Canal be unavailable during a global or regional crisis, U.S. ships would be forced to sail around the tip of South America to join Atlantic coast forces, and access to Peruvian ports would be crucial.

U.S. policy toward Peru and the Andean region must derive from a strategy reflecting a long-term commitment to Latin American economic growth and political stability. At the same time, the U.S. must appreciate the varied political and cultural realities of each nation.

In the immediate term for Peru, however, Washington should provide assistance in the form of bridge loans to meet shortfalls of external debt payments, credits for private sector development, and technical training and educational opportunities for Peru's students, professionals, and military personnel. The U.S. should also provide technical and financial assistance to Peru in its efforts to reform the judicial system and combat terrorism. Corruption in the courts and some abuses by the military in the war against terrorism should concern Washington but should not result in its denying or cutting back aid. Its economic crisis leaves Peru with few resources to manage its critical problems; to deny aid would only weaken the new government's efforts to grapple with these issues.

In 1984, total U.S. assistance to Peru was \$107 million; this year the Reagan Administration has requested and Congress should approve \$223 million. It is particularly important, moreover, that the U.S. avoid joining the creditor banks and the International Monetary Fund efforts to force Peru to pay its \$13.5 billion debt without considering the political and long-term economic repercussions. U.S. aid and advice for Peru should aim at economic growth, not austerity.

#### HOW THE REVOLUTION STARTED

Since the 1930s, leftist ideology has played an important role in Peruvian politics. Two major leaders in Peru's modern political development, Victor Raul Haya de la Torre and Jose Carlos Mariategui have greatly influenced the perceptions and actions of Peru's politicians. Both essentially advocated socialism for Peru but in a form that would reflect Peruvian reality.<sup>2</sup>

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<sup>2</sup> Many writers have tried to understand the appeal of Marxism to many Latin American leaders. Miguel Jorin and John D. Martz are two who believe that: "As a philosophical construct Marxism has made substantial

Considered one of the most important Marxist theoreticians of Latin America, Mariategui founded the Peruvian wing of the Communist International in 1923. Although he was denounced just before his death by the Peruvian Communist Party because of doctrinal differences, communists and socialists in Peru today claim him as their source of inspiration.<sup>3</sup>

Haya de la Torre, the founder of the American Popular Revolutionary Alliance (APRA), also advocated socialism for Peru. He felt that the most critical issue facing Latin America was North American or "Yanqui" imperialism and that its instrument, international capitalism, was to blame for the retarded development of most Latin American countries.

Haya later tempered his anti-Americanism, largely as a result of the improving U.S. image under the Good Neighbor policy of the 1930s. Then in the late 1950s, desirous of official status and a chance at the 1962 presidential elections, Haya formed an alliance with the conservative Manuel Prado government in what became known as the concordancia. This shift to the right caused major defections from Haya's party and undercut much of its support from the left. But APRA's original revolutionary ideas continued to find fertile ground among the various leftist organizations. Although the left was barred from actively participating in Peru's politics, the influence of its ideas steadily grew, particularly among the educated.

By the 1960s some members of the military and the Catholic Church began to accept the idea of reform and even revolution<sup>4</sup> and to argue for a larger role of the state in achieving social and economic equality through redistributive state economic policies. The extent to which the military embraced socialist ideology during this period surprised most observers. When the military overthrew the democratically elected government of Fernando Belaunde Terry in 1968, it launched a program of reform

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inroads upon the thinking and attitudes of Latin America. Taken in terms of non-revolutionary emphasis upon planning and economic progress, it has been faithful to the deep rooted cultural bias favoring collectivization and centralized control by the state....Insofar as Marxism advocates economic centralization and industrial development, its acceptance is widespread." Miguel Jorin and John D. Martz, Latin American Political Thought and Ideology (Chapel Hill, North Carolina: The University of North Carolina Press, 1970), p. 276.

<sup>3</sup> Mariategui also provided the origin for the name given to Peru's terrorist group "Sendero Luminoso," which means "Shining Path," when he wrote that Marxism-Leninism will open the shining path to revolution.

<sup>4</sup> A leading exponent of liberation theology, Gustavo Gutierrez, is a Catholic priest of considerable influence in Peru. Adherents of liberation theology, of whom there are many in Latin America, seek to give Marxist-Leninist practices legitimacy by applying to them the language of Christian theology.

so far-reaching that it was hailed by the left as a genuine revolution.<sup>5</sup>

## THE MILITARY ERA

Headed by General Juan Velasco, the new military government proclaimed, in 1969, a "revolutionary" program. It was to include the expropriation of the International Petroleum Company, a subsidiary of Standard Oil Corporation, and the establishment of state enterprises to direct the most important economic sectors, such as mining, fishing, banking, and foreign trade. Foreign investment was subject to strict control and in many cases entirely prohibited. Most of Peru's arable land was confiscated and turned over to peasant cooperatives supervised by the state.<sup>6</sup> The result: in several swift steps, mainly in the form of expropriations, state participation in Peru's economy increased dramatically. In 1965, its share of total investment had been 16 percent; a decade later it was 50 percent.

The revolutionary military government also expropriated the major newspapers and placed all communications under strict government control. Political parties were outlawed. Breaking with traditional anti-communist foreign policy, the new military government established relations with Cuba and the Soviet Union. These ties were enhanced when Lima turned to Moscow for military hardware after the Nixon Administration refused to sell Peru the spare parts needed on U.S. equipment it had already purchased. The U.S. was upset by the leftward shift in Peru's foreign policy. In 1974, General Velasco stated that his administration sought a "phased revolution" that would lead to a "Peruvian socialism" that would be neither capitalist nor communist.

This revolution, not surprisingly, failed to improve the economic well-being of most Peruvians; in fact, by 1975 conditions had worsened considerably. Emphasis on public spending and external financing, along with the inefficient and wasteful management of state enterprises, a stagnant export market, and the decline in private investment, accounted for much of the economy's decline.

In the face of these problems, General Velasco stepped aside in 1975 in favor of a new military government led by General

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<sup>5</sup> Jorge del Prado, Secretary General of the Peruvian Communist Party, wrote at the time: "By virtue of our Marxist-Leninist analysis, we Peruvian Communists hold that the changes now in process affect the socioeconomic structure, that is, possess revolutionary content." World Marxist Review, January 1971, p. 17.

<sup>6</sup> The program for agrarian reform instituted by the Velasco government was considered by the radical left and the Communist Party of Peru to be "the most progressive in Latin America, after Cuba." See Cesar Jimenez, "Seeking Radical Changes," World Marxist Review, March 1984, p. 70.

Morales Bermudez. Announcing a program of "moderation," the new government removed the more radical officials in the administration, although it did not attempt to undo the major policy changes of the previous government.<sup>7</sup> Then, in recognition of the eroding legitimacy of the military, the new government called for Constituent Assembly elections, to be followed by general elections in 1980 in which all parties could participate.<sup>8</sup>

## DEMOCRACY IN PERU

The five years of democratic rule under the administration of Fernando Belaunde Terry, who won the 1980 presidential elections with a substantial majority, was beset with serious problems, many beyond his government's control. A depressed world market for Peru's major export, copper, soaring interest rates, severe drought and floods added greatly to Peru's foreign debt and the consequent economic crisis. In addition, the Belaunde government inherited a host of deficit ridden state enterprises and a massive military spending program that have compounded problems in resolving the debt crisis.

Under the weight of these problems, many social and economic programs had to be shelved. Belaunde's efforts to liberalize and reactivate the statist economy were plagued by the lack of government resources and the scarcity of capital needed for private sector investment. His policy of free trade and openness to foreign direct investment helped improve Peru's relations with the U.S. but led to few economic benefits because of Peru's economic emergency. Lack of government resources also weakened government efforts to control drug traffic and corruption and to reform the judiciary. Although Belaunde's term was marked by only modest success, Peru for the first time enjoyed political and press freedom. These were maintained despite the steady onslaught of vicious terrorism and continuous attacks by international human rights organizations over government efforts to stop terrorism.

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<sup>7</sup> Although the leftists were dismayed by the "revolutionary setbacks" caused by the overthrow of the Velasco government, they gave their support to the new government because "there are still enough revolutionary forces mobilized during the radical period eventually to retake political positions and continue the process in the future," Luis E. Aguilar, Marxism in Latin America (Philadelphia: Temple University Press, 1978), p. 304.

<sup>8</sup> Members of the far left and particularly those in the Communist Party of Peru criticized this move toward elections as an effort by a "reactionary military" to institutionalize control by the oligarchy and the domination and oppression of the masses.

## THE NEW GOVERNMENT

Alan Garcia was elected President as head of the American Popular Revolutionary Alliance or APRA. It is Peru's oldest and largest political movement, but this election marked the first time that it won the presidency and a majority of both houses of the National Assembly. APRA's bids for power in the past have been thwarted by military coups and fraud, and in 1980, it lacked political support. APRA's overwhelming success this year is the result mainly of Garcia's charismatic leadership, which attracted considerable support from those dissatisfied with his predecessor's policies. In addition, he mobilized APRA's deep-rooted strength throughout Peru.

Garcia has gained control over his party, removed much of the old guard that surrounded Haya de la Torre, and replaced them with personally loyal younger men. As such, he has created an image of a modern, forward-looking party patterned after present-day social democratic parties in Spain and elsewhere in Latin America. Garcia has been careful, however, to keep intact APRA's doctrines of anti-imperialism, Latin American integration, and economic planning.

### APRA's Domestic Policy

Alan Garcia's approach to domestic issues probably will reflect less party ideology and more the economic realities of Peru. Like the socialist Felipe Gonzalez of Spain, whom Garcia admires, Garcia likely will have to set aside socialist goals in favor of a more pragmatic and less ideological course to solve the problems of his country. Garcia's party, in a break with much of the past, has indicated an interest in denationalizing state-owned enterprises and encouraging the private sector. The extent to which Garcia and his colleagues proceed toward a market-oriented economy and eliminate subsidies and protectionist measures will depend on their control of political and social forces. They must proceed cautiously because the new power of the left in Congress and the huge Communist Labor Federation (CGTP) are likely to oppose free market policies. For APRA, the road to privatization and a free market system could be politically treacherous.

Garcia's major focus will be on food production, rather than on the export industries, to offset Peru's substantial food imports. While he wisely has eschewed the large development projects of the previous government and promised more assistance to small producers, he has not yet rejected the farm cooperative model established by the socialist military government.

Garcia promised during the campaign to tackle guerrilla insurgency with social, economic, and military measures. He also stated, somewhat ambiguously, that he would ban "anti-constitutional" counterinsurgency measures.

## Foreign Policy

Garcia has articulated three principles to guide Peru's foreign policy: (1) anti-imperialism, (2) Latin American integration, and (3) Third World nonalignment.

Anti-imperialism forms the basis of APRA's nationalism and is primarily directed against the U.S. While Garcia and his party accept the need for foreign capital to develop Peru's oil production, mining, and agriculture, he has stated that foreign investment will be strictly controlled by the government to protect Peru's perceived interests and natural resources. APRA spokesmen specifically have stated that the government will try to reduce deficits and improve revenue income by eliminating tax exemptions to foreign oil companies such as Occidental Petroleum and Belco. While Garcia appears pragmatic enough to avoid alienating foreign investors and has rejected the left's immediate call for outright nationalization of foreign-owned companies in Peru, the shift back to protectionist controls and a state-planned economy will discourage potential investors.

Garcia has tapped APRA's traditional call for Latin American integration, this time to deal with the debt situation. Despite the repeated failure of Latin American debtor governments to form a debtor's cartel, Garcia asserts that Latin American unity is essential "to negotiate the debt on an equal footing with the industrialized countries and the international banking system."<sup>9</sup> Two days after his election, Garcia told foreign correspondents that his government would bypass negotiations with the International Monetary Fund and would promote joint action by Latin American countries to seek new conditions for debt repayment.

Garcia has said that he will reject IMF policies that would reduce tariff barriers to imported manufactured goods. He claims that such imports would destroy the country's industry and agriculture and eliminate jobs. IMF monetarist and neoliberal economic policies have been, he asserts, imposed on Peru to obtain debt payment to creditors without regard for the impoverishment and political instability such policies cause. The new government, he says, will seek to negotiate separately with each creditor and will pursue the soft loans available from the multilateral banks.

To improve Latin America's bargaining power in negotiations with the U.S. and other industrialized countries, Garcia has called for reactivated and strengthened regional organizations such as the Andean Pact and the Latin American Economic System (SELA). An independent organization based in Caracas, SELA would serve as an intermediary in political and economic negotiations with the U.S., while the Andean Group would function as a regional common market that would enhance economic independence from the U.S.

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<sup>9</sup> FBIS Latin America, April 23, 1985, p. J1.

Although he has said little so far about specific U.S.-Peruvian relations, Garcia has been very critical of U.S.-Latin American policy, particularly with respect to Central America. He also charges that Washington lacks long-term strategies for Latin American economic development. With regard to Nicaragua, Garcia has gone farther than any other democratic leader in Latin America in his stated support for the communist regime, which he has called the "progressive affirmation of democracy in Central America."

### The Strength of the United Left

The first runner-up in the election was Alfonso Barrantes, the mayor of Lima. His party, the United Left, is a coalition of Marxist groups with strong ties to Peru's main Communist Party. Barrantes received approximately 22 percent of the total vote, while his party gained 16 of the Senate's 60 seats and 48 of the Chamber of Deputies' 180 seats. If the United Left's seats are combined with the majority held by APRA, itself left of center, the left will have an unprecedented voice in Peru's next government. "The right has been erased from the scene in this country," proclaimed an exuberant Barrantes just after the election.

The United Left can be expected to press Garcia's administration on a number of key issues. Among them: nationalization of the banks and foreign-owned companies, especially oil and mineral extracting companies; higher tariffs; expansion of money supply; and a moratorium on debt interest payments to foreigners. Recognizing that the more pragmatic Garcia is likely to resist many United Left proposals, Barrantes has vowed that his party will be the "democratic opposition force that will check the actions of the future APRA government."<sup>10</sup>

## FUTURE PROSPECTS FOR DEMOCRACY

### Internal Factors

One of the critical issues affecting the future of Peru will be the behavior of the left, in both Garcia's APRA party and the United Left coalition. While not espousing Marxism, Garcia has acknowledged APRA's Marxist roots emphasizing that APRA's Marxism is Peruvian. According to him, this means that it is based on "Indo-American" realities in contrast to the European "realities" that Karl Marx originally perceived. APRA, however, still has an influential old guard within it that is more Marxist than democratic. As the first party leader to bring APRA to national power, Garcia is unlikely to be challenged by this faction, at least, initially. Should his policies fail and Peru's problems worsen, the pressure from the left may force official policy leftward.

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<sup>10</sup> FBIS Latin America, April 29, 1985, p. J4.



This may provide the Marxists the opportunity to regain control of the party.

### Peru's Institutions Are Collapsing

Peru's institutions are breaking down under the weight of corruption, centralism, and bureaucratic inertia. This has given rise to the "informal sector" where commerce and trade is carried on profitably in a kind of gray underground system operating beyond the heavy-handed grasp of state control. Those institutions, common to all democratic nations, created to protect the individual in the pursuit of his livelihood, have ceased functioning in Peru. The judiciary, for example, is thoroughly corrupt and ineffective; a businessman cannot hope for redress if he sues for breach of contract or if his property taken from him.

A study of the informal sector by Peru's Institute for Liberty and Democracy, an independent think tank, observed: "The enormous informal sector, the rigid social structures, the discriminatory use of the law to favor the privileged, the subjugation of the Andean population, the restrictions on economic opportunities and the lack of competition are not the result of laissez-faire, but the creatures of the present pattern of [state] regulation."<sup>11</sup> Unless the Garcia government reduces state barriers to the legal economy and fully integrates the informal sector into Peruvian society, the institutions of the state could lose their legitimacy and cease functioning. Peru then would be ungovernable.

The liberal democratic government of Belaunde Terry was unable to redress this problem primarily because it was stymied in its attempts to reform the inflexible state bureaucracy. If Garcia fails to govern effectively, some Peruvians in desperation may turn to radical solutions, possibly even to such extremist alternatives as the terrorists Sendero Luminoso or the arising pro-Cuban/Moscow Tupac Amaru.<sup>12</sup>

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<sup>11</sup> Hernando de Soto, "Legacy of Mercantilism Stymies Market Creativity in Peru," The Wall Street Journal, January 4, 1985, p. 15.

<sup>12</sup> After nearly five years of waging a bloody terrorist campaign against the government of Peru, the Sendero Luminoso or Shining Path has shown no signs of weakening and is believed unlikely to participate in any kind of negotiation with the new government. They have, however, changed tactics, attacking and targeting for assassination prominent citizens and officials. See also Edward Lynch, "Is Peru Next?," The Heritage Foundation Backgrounder No. 314, December 9, 1983.

The lesser known Tupac Amaru Revolutionary Movement is also staging attacks against the government; they are more orthodox Marxist-Leninist and have ties with Cuba and Nicaragua. The more autonomous Sendero Luminoso has refused Tupac Amaru's overtures to form an alliance.

### The Military

Given Peru's enormous problems, it is not likely that the military relishes the thought of governing the country. The generals admit that they have no ready solutions. Intervention may be their only option, however, if Garcia attempts to trim government spending by cutting the military budget, which represents at least one-fourth of the national budget. Belaunde recognized this threat and gave in to military requests for sizeable appropriations despite heavy pressure from foreign creditors and the IMF to cut public expenditures. There are, of course, security considerations that could keep military outlays high. While Garcia advocates Latin American disarmament, he is worried about the intentions of Chile's military government. Relations between the two countries have been strained since the 1879-1883 War of the Pacific in which Peru lost considerable territory to Chile. Garcia also needs military support against terrorism.

### External Threats

The efforts of creditor banks, the IMF, and the Reagan Administration to extract interest payments out of Peru's debilitated economy without weighing the political consequences could undermine popular support for democratic governments. "If economic crises continue", writes Alan Riding, chief of The New York Times's Rio de Janeiro bureau, "a familiar scenario may be repeated: the radical left will feed off the resulting frustration, demands for military intervention will grow, and the centrist option will again disappear."<sup>13</sup> Despite the immense political and economic difficulties facing Peru, the U.S. and the financial community have been unwilling to extend to Peru the same flexible terms for repayment of its nearly \$300 billion in loans that they extended to Brazil, Argentina, and Mexico.

The debt situation inherited by the Belaunde government in 1980 was critically affected by natural disasters, such as drought and floods, and the escalating violence of the Sendero Luminoso. Making matters worse were high world interest rates and plummeting world commodity prices for Peru's copper and silver. As a result, in 1984, debt service claimed 72 percent of Peru's export earnings. Peru naturally has had difficulty making these payments and meeting the economically austere conditions required by the IMF. In retaliation, Peru has been cut off from further IMF and foreign bank credits, which in turn makes economic growth even more difficult, thus ensuring greater poverty and political instability. But because Peru's foreign debt is small in comparison to the \$100 billion debt of Brazil, for example, the bankers and the U.S. Treasury may not be worried about Peru's fate or the effect of its default on the world financial system.

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<sup>13</sup> The New York Times Magazine, July 14, 1985, p. 23.

## POLICY RECOMMENDATIONS

Countries such as Peru point out, with considerable justification, that U.S. foreign economic policy is crisis oriented and lacks a coherent long-term perspective. The result is U.S. inconsistency and sporadic quick fixes that often do more harm than good. This inconsistency undercuts those leaders and groups in Latin America, willing to cooperate with Washington, who share the commitment to democracy, economic growth, and hemispheric security.

Such inconsistency and shortsightedness is most evident in the U.S. approach to the Latin American debt crisis. While the State Department correctly follows the Reagan agenda for long-term economic growth and democratic stability, the Treasury undermines this by reflexively backing punitive IMF measures to extract payments from already impoverished debtor nations like Peru. The Treasury's delegation at the IMF supports programs that destabilize their political structures and weaken their productive economic sectors--the opposite of what the Reagan White House proclaims as U.S. goals in Latin America.<sup>14</sup>

It is time for the U.S. to end this contradiction in its policies. With a new government about to take power in Peru, it may be possible to regain the confidence of that country and the rest of Latin America.

First, the U.S. must be more flexible about the role of the IMF. It can assure Peru's new Garcia government that, while the U.S. will continue within the IMF to negotiate Peru's debt repayment terms, Washington will not insist that IMF conditions be met before U.S. assistance is given. By balking at unconditionally supporting the IMF, the U.S. can induce the creditor banks to absorb some loss on the loans to Peru, which these bankers now admit were imprudent. The banks can absorb the loss on Peru's debt without collapsing. This will impose badly needed market discipline on the banks and, more important, give Peru the chance to recover. A more reasonable U.S. approach to the debt crisis also could thwart the left's attempt in these countries to blame the U.S. and IMF for Latin America's economic ills, poverty, and underdevelopment.

Second, U.S. Agency for International Development (AID) programs should no longer be linked to Peru's compliance with IMF conditions. The AID programs are crucial to Peru's recovery from severe drought and other debilitating circumstances beyond its control. AID also must assist in developing the private sector in the urban and rural areas. Without continued U.S. assistance, Peru will be in an even weaker position to comply with IMF require-

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<sup>14</sup> See Edward L. Hudgins, "An Agenda for the IMF Conference," The Heritage Foundation Background No. 381, September 21, 1984.

ments and thus will not be eligible to receive the credits needed to sustain investment and long-term economic growth. A healthy private sector is the key to stable and long-term economic growth and the best insurance against a future debt crisis.

Immediately following Garcia's inauguration on July 28, President Reagan should invite him to Washington to discuss these issues. Responding to Peru's concerns could defuse much of Garcia's criticism of Washington's policies and provide the common ground for cooperation between the two countries. This is particularly important if Garcia is to be dissuaded from pursuing protectionist economic programs and embracing the rhetoric and policies of Third World radicals. The U.S. should stress to Garcia that cooperation is essential to make U.S. assistance programs work. For example, much of the aid going to the agricultural sector is targeted at private sector development through financial and technical assistance. These programs will be undercut if Garcia's government emphasizes large state-managed enterprises to increase agricultural production. A better understanding of AID programs, their rationale, and their goals may ensure the new government's support and helpful participation.

Third, the U.S. must redevelop targeted military aid. In the early 1970s, the U.S. stopped giving military assistance to Peru because it opposed Peru's foreign policy. Since then, the Soviet Union has sold Peru enormous amounts of military hardware, such as jets, tanks, and helicopters, and provided training and 150 advisors. While the influence of Soviet advisors on Peru's military is difficult to gauge, their presence along with considerable numbers of KGB and GRU espionage agents could threaten U.S. security interests, particularly if Peruvian democracy should fail.

The best way for the U.S. to undercut Soviet influence would be by providing an alternative source of military training and hardware. Some of Peru's military leaders have indicated a new interest in Western suppliers and technical know-how. While the U.S. should encourage Garcia's attempts at regional disarmament, it could, at the same time, foster closer ties through the U.S. international military and educational program (IMET). This program offers Latin Americans an opportunity to participate in U.S.-sponsored training and educational programs.

And fourth, on the political level, the National Endowment for Democracy should develop programs and grants to bolster Peru's new democratic institutions and political parties. Given the role of the Socialist International in influencing and assisting the political groups in Latin American countries, the U.S. should not refrain from offering similar assistance.

## CONCLUSION

Without significant U.S. assistance, Peru may be the first new democracy in the Western Hemisphere to fall. The impact

would ripple far beyond Peru and affect the region's other struggling democracies. The failure of democracy in Peru also could harden attitudes against democratic rule in Chile and Paraguay where peaceful transition toward democracy seems less and less assured.

A breakdown in Peru surely would encourage terrorist groups throughout Latin America, many of which have been dormant for some time, to renew their destabilizing activities. In such a scenario, the military may feel compelled to retake power. More dangerous to the future of Latin American societies is the possibility that in those cases where the protective role of the military has lost its legitimacy there will be a vacuum of power, and terrorism and violence will go unchecked.

Support for democracy within Peru is strong. With encouragement from the U.S. and other Western democracies, Peru's democratic experiment could succeed. President-elect Garcia has wide political support and is believed by many Peruvians and American analysts to be essentially pragmatic, despite his penchant for left-wing rhetoric. Greater U.S. interest in Peru's concerns, particularly the debt issue, could ensure that the next Peruvian administration will be a significant and dependable ally in efforts to bring economic and democratic stability to the Western Hemisphere.

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