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**Eradicating Cocaine In Peru:
The Role of American Foreign Assistance**

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April 12, 1990

Policy Analysis Exercise
John F. Kennedy School of Government
Harvard University

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

1. AGENCY USE ONLY (Leave Blank)	2. REPORT DATE	3. REPORT TYPE AND DATES COVERED
	12 April 1990	Final Report 5 Sep 89 – 15 Feb 90

4. TITLE AND SUBTITLE
Eradicating Cocaine in Peru: The Role of American Foreign Assistance

5. FUNDING NUMBERS
None. It was completed at graduate school.

6. AUTHOR(S)
Captain Robert F. Ruck, U.S. Army

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
None

8. PERFORMING ORGANIZATION REPORT NUMBER
None

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)
Major Richard Saunders, U.S. Army
Assessment and Initiatives Group
Office of the Chief of Staff of the Army

10. SPONSORING/MONITORING AGENCY REPORT NUMBER
None

11. SUPPLEMENTARY NOTES
None

12a. DISTRIBUTION/AVAILABILITY STATEMENT
Unlimited distribution

12b. DISTRIBUTION CODE

13. ABSTRACT (Maximum 200 words)

This report is an analysis of the current U.S. policy regarding foreign assistance provided to Peru as part of the drug war. There are two conclusions in the report. First, the current U.S. policy will fail because it was not developed with any consideration of Peru's interest. Second, the U.S. policy should focus more assistance toward economic development in Peru rather than toward military aid.

[illegible], Political Science [illegible] Plan, [illegible] Assistance

14. SUBJECT TERMS
Peru, [illegible] Foreign Policy, South America, Eradication [illegible]

15. NUMBER OF PAGES
54

16. PRICE CODE

17. SECURITY CLASSIFICATION OF REPORT	18. SECURITY CLASSIFICATION OF THIS PAGE	19. SECURITY CLASSIFICATION OF ABSTRACT	20. LIMITATION OF ABSTRACT
UNCLASSIFIED	UNCLASSIFIED	UNCLASSIFIED	UNLIMITED

NSN 7540-01-280-5500

Standard Form 298, 880922 Draft
Prescribed by ANSI Std. 239-18

EXECUTIVE SUMMARY

Foreign Assistance for the Drug War

In September 1989, President George Bush announced the Andean Plan as a part of America's overall strategy to fight the drug war. Under the plan, the U.S. will provide $2 billion in foreign assistance over five years to curtail the supply of cocaine produced in Bolivia, Colombia, and Peru.

The success of the Andean Plan depends largely on what happens in Peru because it alone grows more than 50 percent of the world's coca, the base component of cocaine. Eradicating coca plants in Peru will be very difficult, however, because of three interrelated problems -- the dire state of the economy, the power of the cocaine traffickers, and the presence of a potent insurgent group. Peru's government does not have the resources to simultaneously fight these three problems and so U.S. foreign assistance is vital if coca production is to be reduced there. The purpose of this study is to recommend what the U.S. policy should be regarding the provision of foreign assistance to Peru.

To narrow the scope of this study, the range of policy options considered was limited to some form of the President's Andean Plan. This is a reasonable constraint because no major U.S. policy makers have called for a smaller foreign supply reduction program and few have called for a larger one. There has been debate, however, on the appropriate mix of economic and military assistance to best achieve the objective.

Recommendation

The recommended policy for providing foreign assistance to Peru is a modified version of the Andean Plan which in this study is called the Alternative Andean Plan. Under this plan, half of all Andean Plan spending, $1 billion, would be spent in Peru. Ninety percent of Peru's assistance would be economic. It would be spent to assist the macroeconomic structural adjustment of the economy and to fund development projects. The remaining 10 percent would be spent on military assistance to train and equip Peruvian military and law enforcement forces.

Using a four phased implementation strategy, the Alternative Andean Plan would address Peru's economic, insurgent, and cocaine problems in a sequence and with the positive incentives needed to give it a high probability of receiving the active support of the Peruvian government and people. A key to this plan is that it does not view the eradication of coca plants in Peru as a technical problem, but as a political one. Peru derives great economic benefits from the cocaine trade and so it must be persuaded with positive incentives that it has an interest in cooperating with the U.S. to reduce coca production or the reduction will not occur permanently.

Situation in Peru

As mentioned above, Peru faces severe economic and insurgent threats. A few facts will illustrate the severity of the economic situation. In 1988, the nation's foreign debt was larger that its gross national product (GNP). In 1989, the GNP shrank by 12 percent and the debt grew by 8 percent. By the end of 1989, inflation was running at an annual rate of 5,900 percent. Unemployment in 1988 was 12 percent with another 55 percent underemployed.

Exacerbating the economic situation is the Maoist-oriented Shining Path insurgency. This determined group is estimated to have killed 17,000 people since it started its effort to overthrow the government in 1980. Large parts of Peru are now under martial law, including the major coca growing areas, as a result of the insurgency. Also in the coca growing areas, the insurgents have made themselves the protectors of the growers against the traffickers and the government, requiring payments from the former and disrupting the control of the latter.

Faced with these two overwhelming problems, Peru's outgoing president and the man most likely to be elected in April 1990 as the next president do not consider cocaine to be a major problem. Neither man ever mentions it when discussing the nation's problems and it is not hard to understand why. Peru's cocaine trade provides the nation with over one-third of its desperately needed hard currency and directly employs about 14 percent of the work force

Criteria

To evaluate the possible policy options, five criteria were used. They are listed below in sequence of their importance.

- Ability to Achieve a Permanent, Substantial Reduction in Coca Production. The key to this criterion is that to be permanently effective, the selected policy must treat Peru's economic, insurgent, and cocaine problems as interrelated. A policy that ignores one of them will have a low probability of substantial, long term success.

- Ability to Achieve and Maintain Peruvian Governmental and Public Support. A policy which has the active support of both the Peruvian government and people will have a much higher probability of being implemented successfully than one which does not. The adopted U.S. policy should be one which encourages the Peruvians to support it because of positive incentives rather than negative ones.

- Minimum Direct Involvement of U.S. Personnel. The adopted policy should require as few Americans as possible to implement it in Peru. The reasons for that are because that will help keep the primary burden of the program on Peru, it will minimize the chance of Americans getting killed by the Shining Path insurgents, and it will minimize the chance for U.S. involvement in incidents which could undermine U.S. public or congressional support for the policy.

- Ease of Implementation. To maximize the probability of success, the adopted policy should be one which can be reasonably implemented. Characteristics such as its ability to be sustained politically, its complexity in terms of the number of agencies involved and the sequencing of actions, and its susceptibility to fraud will affect its ease of implementation.

- Dollar Cost to the U.S. Given the current U.S. federal budget deficit and the sudden desire to provide foreign assistance to Eastern Europe and the emerging democracies in Central America, the cost of the policy matters. Right now, fully funding the Andean Plan is politically popular, but that could change. Therefore, an expensive, lengthy policy may not be sustainable if future budget priorities change.

The Proposed Andean Plan

In this study, the policy proposed by the President is called the Proposed Andean Plan to distinguish it from the Alternative Andean Plan described earlier. Under this five year plan, an estimated $560 million, 28 percent, of the total Andean Plan spending would be used in Peru. A majority of the assistance would be in the form of military and law enforcement aid. Economic assistance could be provided during the third, fourth, and fifth years of the plan, but only if acceptable progress was made in reducing the coca crop.

U.S. military and law enforcement personnel would be stationed in Peru to train and support Peruvian police and military forces which eradicate coca fields, destroy jungle airstrips and cocaine processing labs, and arrest people involved in the drug trade. Equipment such as radar, radios, and helicopters would be given to Peru. In some cases, Americans might operate the equipment. If requested by Peru, U.S. combat units could be deployed.

Difference Between the Policy Options

The Proposed and Alternative Andean Plans differ in one underlying way which makes the Alternative the favored policy. That difference is that the Alternative policy selected technical methods and an implementation strategy to fight the cocaine trade which were politically feasible in Peru and the U.S. Those methods and the strategy may not be the most efficient ones, but they are ones which offer a high probability of success.

Despite seeking to use the most efficient technical means of reducing coca production and a strategy seeking to implement them quickly, the Proposed Andean Plan is not very feasible politically. Because of that, it has a low probability of being successful.

The reduction of coca production in Peru is a political problem, not a technical one. The Proposed Andean Plan did not consider that sufficiently enough; the Alternative Andean Plan did. Therefore, the latter is the recommended U.S. policy for providing foreign assistance to Peru to reduce the amount of coca grown there.

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I. INTRODUCTION

Policy Question

On September 5, 1989, President George Bush presented his administration's National Drug Control Strategy to the American people. Among the proposals was a plan to reduce the production of coca and therefore the amount of cocaine that could potentially enter the United States. That proposal is called the Andean Plan. It is a five year plan which would provide two billion dollars in foreign assistance to the Andean nations of Bolivia, Colombia, and Peru to eradicate coca plants.

Peru is by far the single largest producer of cocaine and so coca eradication there is the key to making significant progress in slowing the flow of cocaine into America. Making eradication in Peru especially difficult are the interrelated problems of the dire state of the Peruvian economy, the power of the drug traffickers, and the presence of a potent insurgent group. Because the Peruvian government does not have the resources necessary to simultaneously address these, American foreign assistance is vital if Peru's coca production is to be reduced. The purpose of this study is to recommend what the U.S. policy should be regarding the provision of foreign assistance to Peru.

Structure of the Study

This study is divided into nine sections. Section II defines foreign assistance as it is used in the study so that there is a common understanding of what is included and what is not. In Section III is a description of the current situation in Peru with regard to the economy, the insurgency it faces, its cocaine trade, its national political scene, and the foreign assistance the U.S. has provided during the past five years. This section is important because it helps one to understand what will and will not be the characteristics of an effective U.S. foreign assistance policy.

Section IV determines and analyzes the national objectives of both Peru and the U.S. in order to uncover differences which would affect America's foreign assistance policy. The five criteria which will be used to analyze the policy options are described in Section V. Section VI describes the characteristics and implementation strategy of both of the policy options. Section VII is an analysis of each policy option using the criteria.

In Section VIII, the two policies are compared to each other using the analysis of Section VII and a numerical relative decision matrix. Section IX contains the policy recommendation.

Scope of the Study

An assumption was made about the range of possible policy options to consider in order to limit the scope of this study. That assumption was that some form of the President's Andean Plan would be implemented. This assumption is a reasonable one because domestic pressure for some kind of cocaine supply reduction action is strong. In addition, there have been no major U.S. policy makers saying that the plan should be cancelled completely or replaced with a smaller effort.

There have been some, however, calling for a restructuring of the plan to change its focus. Therefore, because the national policy discussion is centered around the current plan or a modified version of it, this study will limit itself to those options.

II. FOREIGN ASSISTANCE DEFINED

Foreign assistance is the rubric for the programs "through which the United States, in the pursuit of its own national interests, aids other nations to defend and preserve their own national security."[1] Underneath the foreign assistance heading, are three broad categories of assistance: military, economic support, and economic development. Although technically not correct, for simplicity the categories will be reduced to two -- military and economic. They are listed and described below according to those two categories.[2]

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1 U.S. Department of Defense, Congressional Presentation for Security Assistance, Fiscal Year 1990 (Washington, DC: US Government Printing Office, 1989), p. 1.

2 The definitions come from two sources: Congressional Presentation for Security Assistance, Fiscal Year 1990, pp. 11, 12, 18, 24, 43, 56; and U.S. Department of Defense, Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts (Washington, DC: U.S. Government Printing Office, 1988), pp. iv-v.

Military Assistance

1. Excess Defense Articles- Military equipment not used by the U.S. any more which is sold at or below 50 percent of the original acquisition cost.

2. Foreign Military Sales (FMS)- Defense articles and services sold for cash or on credit to a foreign nation in response to its request.

3. Foreign Military Sales Financing Program (FMSF)- Grants and concessional interest rate loans for purchasing FMS, FMCS, or commercial exports. Nearly all of the FMSF funds are grants.

4. International Military Education and Training Program (IMET)- A grant program in which foreign military students and units are trained in the U.S. or overseas by the U.S.

5. Military Assistance Program (MAP)- Grants which can be used for FMS or FMCS purchases.

6. International Narcotics Control (INC)- Funds which are not given to a country, but are allocated to finance law enforcement and related operations within a particular country.

Not included above are commercial military exports which are direct purchases of U.S. military goods by foreign governments. In a broad sense, they are a form of foreign assistance because the U.S. State Department must issue a license for each sale. However, the program is self-financed and is not included in budget decisions for foreign assistance.

Economic Assistance

1. Development Assistance (DA)- Grants which are used to support specific development programs such as agricultural technology, child survival, education, and nutrition.

2. Economic Support Funds (ESF)- Grants primarily used to provide balance of payments support. They can also be used to finance the import of critical capital, commodities, or technical assistance when foreign exchange is not readily available. [Before fiscal year 1989 (FY89), there were also ESF loans.]

3. PL 480 Titles I and II - U.S. food given to foreign governments which can then be sold locally with the money used to fund development projects (Title I); or food given as compensation for work done on local development projects or for disaster relief (Title II).

III. Peru Today

Peru in 1990 is facing very dire circumstances. Its economy is declining, it faces an expanding insurgency, and coca production and trafficking continue to grow. Politically, the situation is brighter. Those four conditions are described below along with the current and recent past U.S. foreign assistance programs.

Economic Crisis

Over the past two years, Peru's economic situation has deteriorated to the point that it now faces an economic catastrophe. A large foreign debt, the presence of an active insurgency, and failed government policies have all combined to create chaotic economic conditions. Because of the great economic inequality between them, the current situation has struck the countryside even more than the capital city of Lima. In contrast to all the dire economic statistics, there is one bright spot -- the booming cocaine trade.

Peru is considered by the World Bank to be one of the world's 17 major debtor countries and justifiably so.[1] In 1988, Peru's foreign debt of $16.6 billion was larger than its gross national product (GNP) of $16 billion.[2] By late 1989, Peru had a foreign debt of $18 billion and was about $5 billion behind in its interest payments.[3] That is a debt burden of $845 per capita. In comparison, Peru's per

[1] Susan Dentzer, "IOU's and the Third World Blues," U.S. News & World Report, October 2, 1989, p. 51.
[2] U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States: Peru, Department of Commerce Publication FET 89-41 (Washington, DC: U.S. Government Printing Office, 1989), p. 2.
[3] Gerald Marzorati, "Can a Novelist Save Peru?," The New York Times Magazine, November 5, 1989, p. 45.

capita debt is larger than Brazil's $797[1] and Bolivia's $578[2], both of which are also among the world's 17 major debtor countries. Peru has fallen behind on its debt payments because it simply does not have the hard currency needed to make them. Not surprisingly, foreign exchange reserves are perilously low, new international loans have been denied, and private capital is fleeing the country.

In addition to the debt and foreign exchange crises, Peru faces an insurgency, fully described beginning on page 7, which costs the nation economically in three ways. First is the opportunity cost of fighting the guerrillas. Money which could be used to for a peaceful purpose or saved must be spent to hire, train, and equip police and military forces to protect the people and strike at the guerrillas. Second, terrorist attacks by the insurgents have scared away foreign tourists who in previous years have flocked to Peruvian archaeological sites such as Machu Picchu and brought in much needed hard currency.[3] Third, physical damage done by the insurgents has to be repaired. These costs to the nation are enormous. In 1989 alone, the Peruvian Senate's Human Rights Commission estimated that the insurgency cost the nation $3.2 billion.[4]

Certain government policies have also contributed to Peru's economic problems. In 1987, in an attempt to halt the flight of capital, the president announced that he would nationalize all Peruvian banks. In the end, capital fled even faster and no banks were actually nationalized because Peru's Congress and courts derailed the plan.[5] Other government actions causing problems are consistently large fiscal deficits, 1988's was estimated to be 12 percent of the GNP; an overvalued exchange rate which discourages exports, but encourages imports; and negative real interest rates.[6]

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1 U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States: Brazil, Department of Commerce Publication FET 89-80 (Washington, DC: U.S. Government Printing Office, 1989), p. 2.

2 U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States: Bolivia, Department of Commerce Publication FET 89-81 (Washington, DC: U.S. Government Printing Office, 1989), pp. 2, 6.

3 James Brooke, "Where Ancient Infants Lie, Grave Robbers Thrive," The New York Times, February 3, 1990, p. 4.

4 James Brooke, "Ex-Defense Chief of Peru is Killed," The New York Times, January 10,1990, p. A7.

5 Carla Anne Robbins, " Cocaine, Communism and Crisis in Peru," U.S. News & World Report, September 18, 1989, p. 47.

6 Foreign Economic Trends and Their Implications for the United States: Peru, p. 3.

The effect of all these strains on Peru's economy has been devastating. Following an 8.5 percent decrease in 1988[1], Peru's GNP declined by another 12 percent in 1989.[2] By the end of 1989, inflation was running at an annual rate of 5,900[3]; up from 63 percent in 1986.[4] Unemployment in 1988 was 12 percent with an additional 55 percent of the work force estimated to be underemployed.[5] With those economic conditions, it is not surprising that "hunger is commonplace (and) violent street crime epidemic."[6]

As the economy has declined, coca production and cocaine trafficking have become increasingly important to the Peruvian economy. Peru's cocaine exports were recently estimated to be worth about \$1.5 billion a year compared to legal exports of \$2.5 billion.[7] The cocaine generated hard currency makes its way to the parallel financial market in Lima where "hundreds of informal money changers" exchange it for Peruvian *intis* at the rate of about \$3 million per day (\$1.1 billion annually).[8] Two years ago, the government gave official recognition to the importance of the parallel dollar market when it began allowing importers to buy dollars off the street and then use them in lieu of official foreign exchange to buy imports.[9] This releases dollars deposited in the formal banking system earned from sources such as legal exports, foreign aid, and worker's remittances to be used for government purposes such as paying foreign debt.

Not only does the cocaine industry provide Peru with approximately 37 percent of its hard currency, but it is a major source of employment. As many as one million people, or about 14 percent of

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1 Foreign Economic Trends and Their Implications for the United States: Peru, p. 3.

2 James Brooke, "Human Rights Abuses Raising Little Alarm in Peru," The New York Times, March 25, 1990, p. 23.

3 Marzorati, p. 45.

4 Foreign Economic Trends and Their Implications for the United States: Peru, p. 6.

5 Foreign Economic Trends and Their Implications for the United States: Peru, p. 2.

6 Robbins, p. 46.

7 Gustavo Gorriti, "How to Fight the Drug War," Atlantic Monthly, July 1989, p. 71.

8 Peter Andreas and Colette Youngers, "U.S. Drug Policy and the Andean Cocaine Industry," World Policy Journal, Summer 1989, p. 539; Michael Massing, "In the Cocaine War, the Jungle is Winning," The New York Times Magazine, March 4, 1990, p. 92.

9 Foreign Economic Trends and Their Implications for the United States: Peru, p. 11.

the work force, are directly involved in cocaine production in occupations from farming to flying and many more, such as shop owners and bankers, are indirectly profiting from it.[1]

Much of the wealth and many of the jobs that the nation does enjoy are concentrated in the capital, Lima. The disparity between "Lima, a wealthy, European enclave on the coast and the desperately poor Indian interior"[2] is immense. Lima contains 39 percent of the nation's population[3], yet has 75 percent of the doctors, 76 percent of the telephones, 80 percent of the banking offices, and 90 percent of the private investment. Sixty percent of its families have clean water and sewage systems versus 15 percent and 2.3 percent respectively in the interior. Curiously enough, the federal Ministry of Agriculture has over half its 25,000 employees working in Lima, a city with few farms.[4]

Given Peru's economic situation, two points are clear. First, the Peruvian government needs the jobs and hard currency it derives from the cocaine trade. Therefore, it is going to be reluctant, if not hostile, to embrace attempts to greatly suppress the trade unless beforehand, alternative forms of employment are available and there is a reduction in the importance of the hard currency it generates. Second, that any U.S. foreign assistance should be given in the form of grants, not loans or even concessional loans. Peru cannot afford any more debt.

The Shining Path

Peru's second most pressing problem is the threat posed by a Maoist insurgent group called the Shining Path which began conducting active operations in May 1980. The Shining Path is only one of five known insurgencies operating in Peru, but it is the most brutal and the only one threatening government control.[5]

Although regularly operating primarily in Peru's rural departments, including all of the ones in

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1 Gorriti, p. 71.
2 Robbins, p. 47.
3 World Bank, World Development Report 1989 (New York: Oxford University Press, 1989), p. 225.
4 Raymond Bonner, "A Reporter at Large: Peru's War," The New Yorker, January 4, 1988, p. 31.
5 Gordon H. McCormick, The Shining Path and Peruvian Terrorism (Santa Monica, CA: Rand Corporation, 1987), p. 1.

the central part of the country where the coca is grown, the Shining Path's operations are felt throughout the country. The recent assassination of a former defense minister in Lima indicates both their reach and their audacity.[1] Nationwide causality figures show that they are very active in their campaign of terror to overthrow the government. In 1989 alone, there were 3,198 people killed in political violence. Overall, a January 1990 estimate was that the Shining Path insurgency has claimed 17,000 lives since 1980.[2]

Despite its opposition to drugs and capitalism, in the upper Huallaga Valley the Shining Path has allied itself with coca growers to fight their exploitation by drug traffickers and harassment by U.S. sponsored eradication programs.[3] To help achieve their objective, they have reportedly offered a $50,000 bounty for the killing of any of the U.S. Drug Enforcement Agency (DEA) agents who work in the upper Huallaga Valley.[4]

There are an estimated 3,000 to 5,000 Shining Path militants and another 20,000 active supporters throughout Peru.[5] Beyond those supporters, the Shining Path does not have much domestic support because it "has killed too many innocent people, too many elected officials."[6] Internationally, the insurgents have no supporters because they do not want any.[7] In fact, they have denounced Cuba, the Soviet Union, and post-Mao China for having "revisionist tendencies."[8] They think that any foreign help would taint their ideology and therefore, any weapons, explosives, or other supplies they need are stolen from within the country.[9]

In response to the threat, the Peruvian government has declared all or parts of four departments to be emergency zones. This means that most constitutional rights are suspended and that ultimate political and administrative authority are in the hands of a military general.[10] There have also been many

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1 Brooke, "Ex-Defense Chief of Peru is Killed, p. A1.
2 Brooke, "Ex-Defense Chief of Peru is Killed," p. A1.
3 Peter T. White, "Coca -- An Ancient Herb Turns Deadly," National Geographic, January 1989, p. 22.
4 Prime Time Live TV Show Transcript, ABC Television, December 14, 1989, p. 5.
5 Bonner, p. 40.
6 Bonner, p. 41.
7 Eliab S. Erulkar, "The Shining Path Paradox," Harvard International Review, Winter 1990, p. 44.
8 Erulkar, p. 44.
9 McCormick, pp. 12-13.
10 Bonner, p. 56; Marcorati, p. 47.

accusations by human rights organizations of human rights abuses committed in the course of fighting the Shining Path. The most extreme incident occurred in June 1986 when Shining Path inmates at three different prisons simultaneously rioted. In the ensuing police counterattack, 260 inmates were killed with as many as 130 killed after being captured. The government of President Alan García responded by arresting more than 100 policemen believed to be involved in the murders.[1] Those arrests and other attempts by the García administration to restrain the police and military led one police commander to complain, "We cannot fight to win with Amnesty International looking over our shoulders."[2]

Despite President García's efforts, human rights violations remain a serious problem. Amnesty International's latest report on Peru stated that "torture, mutilation, disappearances, murder and rape have become a hallmark of the armed forces' campaign against terrorism."[3]

Its ability to strike anywhere in the country, its close ties to coca growers in the upper Huallaga Valley, and its targeting of Americans make the Shining Path an important factor to weigh when considering any foreign assistance program which might involve putting American citizens in Peru. Also, the U.S. must be cautious not to alienate the people of Peru with any of its programs. The Shining Path will be ready to exploit any such alienation. If the U.S. programs are perceived as unfair, harsh, or aiding the Peruvian authorities' human rights abuses, Peruvians could be pushed into the Shining Path's open arms.

Cocaine

Coca production and cocaine trafficking present a third problem facing Peru. Coca production has been expanding each year for many years despite government law enforcement efforts to prevent it.

Virtually all of the world's coca is grown in Bolivia, Colombia, and Peru. Estimates of the actual acreage under cultivation and the amount grown vary which is why Peru's share has been reported to range from 50 to 65 percent. All of the estimates, however, show that Peru is the key coca producing country. Its upper Huallaga River Valley has the perfect growing conditions for the *Erythroxylum coca* variety *coca*

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[1] McCormick, p. 16.

[2] Robbins, p. 49.

[3] Brooke, "Human Rights Abuses Raising Little Alarm in Peru," p. 23.

plant which is the favored strain because of its high cocaine content and the ease with which it can be extracted.[1] Figure 1 compares the production of the three producing countries and Peru's changing share.

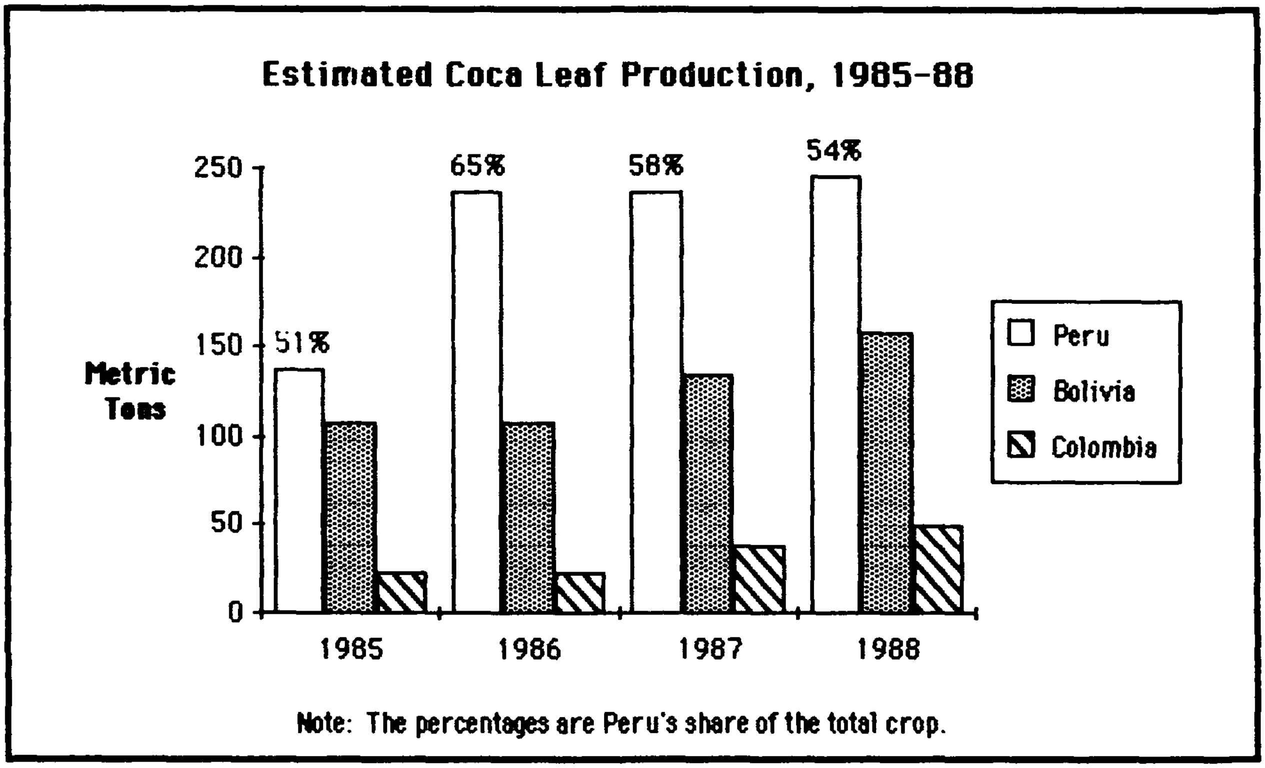

Figure 1[2]

Coca is grown in other parts of Peru outside the upper Huallaga Valley, but nowhere else are the conditions so perfect for the most favored variety. Other varieties either have a lower cocaine content or other chemicals hinder extraction.[3] Gustavo A. Gorriti, a Peruvian journalist who has done extensive research on the cocaine problem, says this means that coca production could not shift very easily and profitably if it was effectively suppressed in the upper Huallaga.[4]

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[1] White, pp. 24, 35.

[2] Office of National Drug Control Policy, National Drug Control Strategy (Washington, DC: U.S. Government Printing Office, 1989), p. 62.

[3] White, p. 24.

[4] Gorriti, p. 71.

Peru has been fighting the cocaine trade for the past 20 years. It began joint eradication programs with the U.S. Drug Enforcement Agency (DEA) in the mid-1970s.[1] The current administration has continued the collaboration with a joint effort called Operation Snowcap being conducted in the upper Huallaga Valley. Peru's cooperation with the DEA, however, is not total. General Alberto Arseniega, the military commander in the Huallaga Valley, said, "they (the DEA) have helped the drug traffic to grow."[2] He thinks their eradication efforts have just driven people with no comparable means of earning a living into the hands of the Shining Path. Until U.S. tactics for fighting coca change from law enforcement to the providing of economic incentives to switch crops, he will fight only the Shining Path.[3]

Peru's Minister of the Interior, Augustín Mantilla, is responsible for the national police force and he broadly agrees with General Arseniga. He thinks there must be economic development assistance or else "all the money (the U.S.) spends on controlling drugs will be for naught."[4]

The regular increase in Peruvian coca production despite the continuous effort to suppress it indicates that past methods of suppressing it were ineffective. Either a more massive law enforcement effort or a different approach is necessary. On the positive side, the Peruvian government does have a long record of at least partial cooperation with U.S. drug eradication efforts.

Politics

Peru has a functioning democracy for now and it appears it will stay that way unless the economic, insurgent, or drug trafficking problems produce a national paralysis. If that happens, the military will probably take control.

Military rule is common in Peru. Fifty-two of Peru's seventy-nine presidents since its independence from Spain in 1826 have been military officers.[5] And it was just ten years ago, in July

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1 Foreign Area Studies, Peru: A Country Study (Washington, DC: U.S. Government Printing Office, 1981), p. 241.
2 Prime Time Live, p. 5.
3 Prime Time Live, p. 5.
4 Messing, p. 92.
5 Foreign Area Studies, p. 211.

1980, that the military gave up power after 12 years of ruling the nation. An inability of the president and legislature to address the nation's economic crisis and potential insurgent problems in 1968 was the reason given by the military for seizing power on that occasion.[1] Its first seven years in power were characterized by very leftist, populist policies such as land reform and nationalization, but in its final five years it became more moderate and even conservative in many ways.[2] In January 1989, the military briefly considered a coup, but decided not to, choosing to let the elected government continue to handle the nation's problems, at least for now.[3]

Alan García Pérez, Peru's current president, was elected in 1985 on a leftist platform. He is a vocal anti-imperialist (U.S., Soviet or other) and a leader in the non-aligned movement; he is anti-communist, believing that Peru's leftist insurgents are its greatest threat; and he favors the redistribution of wealth within Peru as a means of helping to solve its other pressing problem -- the seemingly perpetual economic crisis.[4]

Despite his non-aligned stance, Mr. García is willing to accept foreign assistance to help his nation solve its problems -- up to a point. For example, he would not accept covert help that U.S. Central Intelligence Agency Director William Casey offered several years ago to fight the Shining Path.[5] To counter cocaine trafficking, however, he has allowed a joint Peruvian-U.S. DEA effort called Operation Snowcap to operate from a base at Santa Lucía in the upper Huallaga Valley.

It was with Operation Snowcap that he showed his determination to fight what he perceives as U.S. imperialism when in the wake of the December 1989 U.S. intervention in Panama, he suspended the anti-drug effort. Domestic support for that action, however, was weak and Mr. García allowed the operations to resume several days later.[6]

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1 Foreign Area Studies, pp. 38-9.

2 Foreign Area Studies, pp. 54-6.

3 Robbins, p. 46.

4 Bonner, pp. 52-3; Alan García Pérez, Mario Vargas Llosa, Rolando Ames, "On Peru's Future: Three Competing Visions," World Policy Journal, Fall 1988, pp. 747, 750.

5 Bonner, p. 53.

6 Steve Fainaru, "U.S. Action Hits Nerve in Peru," The Boston Globe, December 31, 1989, p. 2.

Peru's next presidential election will be in April 1990 and Mr. García, who is limited by the Peruvian constitution to one term, will leave office when the new president is inaugurated in July 1990. From the current polls, it appears that a Peruvian journalist, Mario Vargas Llosa, will be the next president.[1] Mr. Vargas' politics are to the right of Mr. García's and he is more pragmatic. Realizing that antagonizing foreign bankers is not a good way to get the loans Peru desperately needs, he intends to negotiate with them and to pay the nation's debts. Domestically, he wants to liberalize Peru's economy by privatizing state-owned industries and dismantling large parts of the government bureaucracy.[2]

Beyond the economy, Mr. Vargas knows first hand of the threat posed to Peruvian democracy by the Shining Path. He travels with military and personal guards wherever he campaigns. His strategy for addressing this problem seems to be to focus on getting the economy growing while maintaining control of the rural areas with local militias.[3]

Currently, the political climate in Peru is at least tolerable for joint U.S.-Peruvian anti-drug efforts. It appears that it will get better in July 1990, assuming the polls are right and Mario Vargas is inaugurated. In any case, the U.S. must be aware of the potential for anti-imperialist resentment to rise up in the nation as it did when Mr. García was elected in 1985. To guard against this, it seems prudent to keep the number of Americans involved in foreign assistance programs to a minimum. Also, the U.S. must keep in mind that the new president's first priority is to get the economy growing again. Foreign assistance which helps him do this will probably be much more welcome than other types. Finally, it must be remembered that the Peruvian military will probably take over the government if the nation slides much closer to economic chaos.

U.S. Foreign Assistance

In recent years, U.S. foreign assistance to Peru has consisted of seven of the nine types described in the first section of this study. Included were four categories of military (FMSF grants, IMET, MAP,

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1 Marzorati, p. 47.
2 Marzorati, pp. 100, 106.
3 Marzorati, p. 100.

INC) and three forms of economic (DA, ESF, and PL 480 Titles I and II) assistance. Table 1 shows the types and amounts in nominal terms for the current fiscal year (FY) and the four previous ones. Figure 2, at the top of the next page, shows very clearly that the preponderance of recent assistance has been economic and that the total amount of assistance has fluctuated widely from year-to-year. Despite the lack of a stable amount of assistance, the trend over the past two years has been favorable from Peru's perspective.

U.S. Foreign Assistance to Peru, FY86 to FY90

(Figures in thousands of 1990 dollars)

Type of Assistance	FY86	FY87	FY88	FY89	FY90	Total
Military						
FMS (Grant)	0	0	0	0	5,000	5,000
IMET	641	166	460	547	525	2,339
MAP	2	0	0	1,577	0	1,579
Intl Narc	0	0	0	0	10,000	10,000
Economic						
DA	28,244	16,117	14,495	16,049	14,155	89,060
ESF	51,750	6,032	547	2,102	5,000	65,431
PL480 I	23,000	22,620	10,930	16,816	10,000	83,366
PL480 II	10,810	9,485	8,727	10,409	18,190	57,621
Total	114,447	54,420	35,159	47,500	62,870	314,396

Table 1[1]

[1] Sources: Congressional Presentation for Security Assistance, Fiscal Year 1990, pp. 11-30, 230, 299-304; U.S. Agency for International Development, Congressional Presentation, Fiscal Year 1986, Annex III Latin America and the Caribbean, Volume I (Washington, DC: U.S. Government Printing Office, 1985), p. 193; U.S. Agency for International Development, Congressional Presentation, Fiscal Year 1989, Annex III Latin America and the Caribbean (Washington, DC: U.S. Government Printing Office, 1988), p. 326.

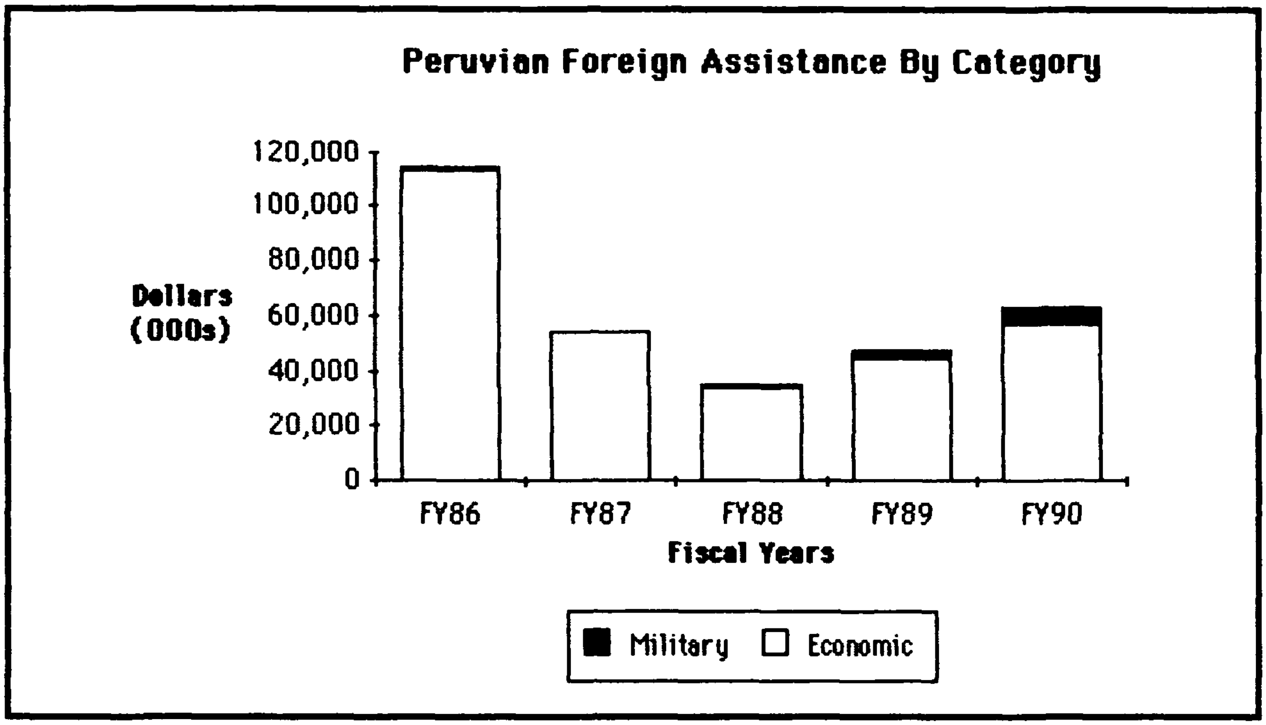

Figure 2

IV. POLICY OBJECTIVES

Before examining various policy options for U.S. foreign assistance for Peru, it would be useful to know explicitly what are the U.S. policy objectives in Peru. Also, what are the Peruvian government's national objectives? Ideally, there would be a perfect match between the two. Policies always work more smoothly and have a better chance of being successful if both parties involved agree on the objectives.

U.S. Objectives

American foreign assistance objectives for Peru are updated and presented each year to Congress when the Department of Defense (DoD) and the U.S. Agency for International Development (AID) make their assistance budget presentations. During the past two years, common objectives of the two documents fell into the three categories which are listed below.[1]

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[1] Sources: Congressional Presentation for Security Assistance, Fiscal Year 1990, p. 229; Congressional Presentation, Fiscal Year 1989, Annex III Latin America and the Caribbean, p. 328.

- Anti-narcotics: support and strengthen Peru's anti-narcotics effort;

- Economy: improve the economy by working with Peru to reestablish good relations with its creditors and to increase and sustain economic growth, particularly in the agricultural sector;

- Human Rights: improve justice administration and respect for human rights.

Only AID had an objective explicitly stating support for maintaining a democratic government in Peru, although it seemed to be implicit in DoD's. Only DoD's objectives explicitly stated improving Peru's counterinsurgency capability, nevertheless in AID's discussion of the problems facing Peru, the Shining Path insurgency is acknowledged. There is then, a consensus between the two U.S. agencies involved in foreign assistance that there are five U.S. objectives for Peru -- maintaining democracy, reviving the economy, promoting human rights, improving Peru's counterinsurgency capability, and enhancing Peru's ability to fight the cocaine trade. Neither agency put them in a sequence of priority.

Peruvian Objectives

As discussed in the politics section of this paper, Peru's current president, Alan García, views the Shining Path insurgency as the nation's biggest problem. He sees the deteriorating economy as the second most pressing. Mario Vargas, probably Peru's next president, also views them both as problems, but he would reverse the order of priority. Neither man explicitly states that the maintenance of democracy is an objective, but surely that is an implicit objective, otherwise they would not make the effort to serve as a freely elected president.

A second objective neither man explicitly discusses is the elimination of the cocaine trade. The drug traffickers are sometimes mentioned in the same breath as the Shining Path, but the coca farmers are not. Coincidentally, the comments and actions of the government's military commander in the upper Huallaga Valley, General Arseniega, seem to confirm that combating coca production and cocaine trafficking is not a major government objective.[1] In Lima, the officer in charge of Peru's anti-narcotics efforts admitted the same when he said that the government's top priority in the upper Huallaga was fighting

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[1] Prime Time Live, p. 5.

guerrillas, not cocaine production.[1] That is not hard to believe when the employment and hard currency income derived from the cocaine trade is considered.

Finally, neither the president nor his probable successor mention the problem of human rights violations as being a problem. Mr. García even goes so far as to say it is not currently a problem, that "there have been no massacres during my government."[2] He say does say, however, that it certainly was a problem during the previous presidential administration. He makes these comments despite the recent Amnesty International report that "abuses (by the armed forces) have been frequent and harsh."[3]

Peru and the U.S. do have some common ground on their national objectives. Both want to maintain democracy, revive the economy, and defeat the Shining Path insurgency. They differ, however, on the need to emphasize a greater respect for human rights and that combating coca production and cocaine trafficking is a major priority. If the U.S. wants to permanently eradicate coca in Peru, it must either convince the Peruvian government that it is in its interest to do so or provide them with positive incentives to make it so.

V. Criteria for Evaluating the Policy Options

There are five criteria that will be used in this study to evaluate the U.S. policy options for providing foreign assistance to achieve the U.S. objective of coca eradication in Peru. They are listed and described below in sequence of importance. Following the descriptions of all five criteria is a discussion of the relative numerical weight assigned to each one.

Criterion 1: Ability to Achieve a Permanent, Substantial Reduction in Coca Production

The most important criterion of the five is the probability that the policy will achieve its objective. When considering policies to adopt to end Peru's status as a major cocaine producer, the

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1 Andreas, p. 555.

2 Bonner, p. 49.

3 Marzorati, p. 47; Brooke, "Human Rights Abuses Raising Little Alarm in Peru," p. 23.

National Drug Control Strategy reminds us that cocaine trafficking, economic instability, and the political insurgency in Peru all pose challenges to its stability and existence as a democracy. It states that "the three are interrelated; addressing (cocaine trafficking) without also addressing the others is unlikely to achieve (a) reduced cocaine supply."[1]

The Strategy's reminder makes sense. Economically, for example, farmers and others involved in cocaine trafficking need to have an alternative means of earning a comparable level of income or else they do not have an incentive to leave the business. That could happen either by reducing the profitability of growing coca and processing cocaine to the level of existing cash crops and legal businesses; or by helping to introduce and develop other equally profitable cash crops and legal businesses. Also, the government needs the estimated $1.5 billion in hard currency generated annually by the cocaine trade in order to pay its foreign debt and buy imports. Unless the debt is reduced or an alternative source of hard currency is developed, the government does not have an economic incentive to enthusiastically fight the trade.

With the Shining Path serving as the protector of the coca growers in the upper Huallaga Valley, asserting positive government control there is necessary if coca production is to be stopped. Respecting human rights, publicizing the brutality of the insurgents, and providing basic government services are some of the ways the government can do that.

Finally, breaking the ability of the traffickers to bribe military, civilian, and police officials throughout the country is necessary. Reducing traffickers' profits and increasing the incentives for officials to be honest will help achieve this. Then, if they are unable to bribe officials, the traffickers will not be able to operate as blatantly and profitably as they do now. Striking the traffickers will also reduce the number of buyers of coca leaves. In turn, the price for coca leaves will fall leading to fewer growers and, in theory, to a supply and demand equilibrium at a much lower level than today.

The key to this criterion is that cocaine trafficking must be attacked as part of a broad strategy to address all three interrelated problems. A policy which focuses only on eradicating coca plants and

[1] Office of National Drug Control Policy, p. 63.

eliminating cocaine trafficking will have a much smaller probability of permanently reducing Peru's cocaine trade than one which addresses them all.

Criterion 2: Ability to Achieve and Maintain Peruvian Governmental and Public Support

America's policy must have Peruvian public support not only in the capital city, Lima, but also in the rural coca growing areas in order for it to work. The U.S. might be able to force a distasteful policy onto Peru through the threat of sanctions[1], but without public support, the policy will be undermined during its implementation.

Public support will be actively enhanced by a policy which attacks the drug trade by offering alternative sources of employment and hard currency rather than law enforcement. This is because the weak economy is perceived as a bigger danger than cocaine trafficking. Support from Peruvian policy makers will be enhanced if the anti-drug effort can be made a major Peruvian national objective perhaps by linking the strategy for solving it with a strategy to mitigate the economic problem. A passive measure to maintain support is to keep the number of Americans in Peru to a minimum, and then only in economic development roles rather then law enforcement or military ones.

There are many ways a U.S. policy could hurt public support. For example, the presence of U.S. law enforcement or military personnel in destructive operations against Peruvian property would make the public resentful. Another dangerous pitfall is becoming linked to human rights violations either directly on an operation or indirectly through the training of police or soldiers who later commit them.[2] A policy the U.S. is actively pursuing right now which is alienating both the García administration and the coca growers is the test spraying of the very effective herbicide, Tebuthiuron, commonly known as

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1 The 1986 Anti-Drug Abuse Act requires the president to certify each year that Peru is fully cooperating with U.S. anti-drug efforts. If it is not certified, it faces having half its foreign assistance suspended, the imposition of trade sanctions, and U.S. opposition to its applications for loans from multilateral lending institutions. Office of National Drug Control Policy, p. 68; Andreas, p. 553.

2 The Omnibus Antidrug Abuse Act of 1988 waived a 1974 ban on aid to foreign police thereby making this situation possible. Andreas, p. 554.

"Spike." Despite U.S. pressure, Spike has not been approved for widespread use because of environmental and economic concerns.[1]

Criterion 3: Minimum Direct Involvement of U.S. Personnel

There are three reasons that as few as possible U.S. personnel should be involved in Peru helping to combat the cocaine trade. They are to put the primary burden of the program on Peru, the Shining Path wants to kill Americans, and mishaps by American personnel in Peru could undermine U.S. public or congressional support.

That Peru must bear the burden of fighting the cocaine trade within its borders is imperative. The U.S. must only provide assistance. The U.S.'s National Drug Control Strategy states that clearly,[2] as does U.S. military doctrine for defeating insurgencies and eliminating the domestic conditions that create them.[3] If Peru does not accept that, the program will not be successful. Alone or even as the primary partner, the U.S. cannot eliminate the cocaine trade in Peru. Defeating it must become one of Peru's major national objectives if it is to be done at all.

Second, U.S. personnel in Peru are targets for death, a probable source of weapons, and a potential propaganda bonanza for the Shining Path. They are targets because the Shining Path is opposed to any foreign influence in Peru and already has a $50,000 bounty on DEA agents in the Huallaga Valley. It is reasonable to expect that any more Americans would be treated the same. Not only the Shining Path, but drug traffickers would also target Americans involved in combating their trade.

American law enforcement or military personnel in Peru will have personnel weapons as a minimum for protection and so are a possible source of weapons for the Shining Path because of its policy of requiring all its weapons to be stolen from within the country. A jailed Shining Path member, Jorge, made that point when he said, "The more arms (the Americans) send, the more arms we liberate."[4]

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1 Prime Time Live, pp. 6-7; Andreas, p. 530.
2 Office of National Drug Control Policy, p. 63.
3 U.S. Department of the Army, Military Operations in Low-Intensity Conflict, Field Manual 100-20 (Washington, DC: U.S. Government Printing Office, 1989), p. 1-19.
4 Robbins, p. 46.

Killing an American would provide the Shining Path a propaganda victory by demonstrating to the people of Peru that the insurgents are able and willing to attack the "North Americans." Another Shining Path propaganda victory could be had if Americans could be linked in some way to human rights violations committed by the Peruvian police or military.

Finally, any U.S. deaths, links to human rights violations, or ties to corruption in Peru could undermine U.S. public and congressional support. A small number of any of those incidents may be forgiven as long as they happened under exceptional circumstances and the perpetrators were brought to justice, but several of them would weaken domestic support. With a minimum of U.S. personnel in Peru, the chance of one of those incidents happening in the first place is reduced. Therefore, a policy which requires few Americans is preferred to one which requires many.

Criterion 4: Ease of Implementation

Three characteristics will affect the ease of implementation of the policy selected -- its ability to be sustained, its complexity, and its susceptibility to fraud. A policy of short duration is going to be easier to sustain until completion in terms of U.S. public and congressional support and Peruvian support simply because there is less time for attitudes toward it and votes on it to change. Also, the longer the policy is designed to last, the more interim adjustments it will require as the cocaine trafficking situation in Peru evolves. That makes its ability to be sustained less certain because institutions and people in both nations must agree to the changes and to adjust funding and priorities as needed.

In terms of the number of U.S. and Peruvian agencies involved, the more there are, the more complex the policy will be to implement. For instance, if the policy mandates only military assistance, it reduces the number of agencies requiring coordination for the initial plan and any changes. That reduces the chance that an agency would be able to obstruct the policy either out of disagreement with it or because of bureaucratic maneuvering. It also reduces the probability of different agencies' plans from working against each other.

Finally, a policy which involves a lot of money flowing into Peru in just a few years could be undermined by fraud making it more difficult, if not impossible, to implement as planned. Tight controls on the expenditure of money can reduce the chance of problems, although that would probably mean more Americans would have to be in Peru. A policy involving less money per year is less susceptible to fraud in the first place, because money is simply not available to be misused.

Criterion 5: Dollar Cost to the U.S.

With the current U.S. concern about its federal budget deficit and the sudden desire to provide foreign assistance to Eastern Europe and Central America's new democracies, foreign assistance for Peru is not unlimited. Therefore, the overall cost of any anti-drug foreign assistance proposal is important. This criterion is, however, the least important of the five because right now there is widespread U.S. public and political support for the drug war. For example, when President Bush announced his $7.9 billion budget for the drug war for FY90, no one complained that too much was being proposed.

Despite the current enthusiasm, a policy with a high dollar cost could become unsustainable in the future if the budget deficit becomes a more critical problem or political support for foreign assistance to another part of the world outweighs that for Peru.

Criteria Weights

Each of the five criteria was assigned a numerical weight relative to the others as a way of designating their relative importance. The weights will be used when the criteria are used to compare the policy options in Section VIII of this study.

The weights were assigned based on each criterion falling into one of three categories. It is either the "most important", "very important", or "important." Those categories were given weights of three, two, and one respectively. Table 2, at the top of the next page, shows the criteria with their weights.

Criteria Weights

Criteria	Weight
1. Permanent, Substantial Reduction in Coca Production	3
2. Achieve and Maintain Peruvian Support	2
3. Minimum Direct Involvement of U.S. Personnel	2
4. Ease of Implementation	1
5. Dollar Cost to the U.S.	1

Table 2

VI. POLICY OPTIONS

Two distinct policy options exist for the U.S. to use as a framework for providing foreign assistance to Peru under the Andean Plan to try to achieve the objective of stemming the supply of cocaine. They have been given the names "Proposed Andean Plan" and "Alternative Andean Plan". They vary in several ways including duration, cost, and the number of personnel involved. They are each described below with their vital characteristics listed first and then a description of other features and how each would be implemented.

Under the vital characteristics section, the duration is defined to be the planned length of the program. All the annual and total costs shown are in millions of nominal dollars. The present value of each option is what it would cost if paid for completely in FY90. It was computed by discounting the expenditures for each year of the policy using a nominal discount rate of 8.68 percent and then adding them up.[1] The primary focus comment indicates under which category, economic or military and law enforcement, the majority of the money for that policy will be spent and its percentage.

Greater detail on the money spent under each option is given in Appendices B and C for the Proposed Andean Plan and Alternative Andean Plan respectively. The dollar amounts listed each year for

[1] The 8.68% nominal discount rate was derived using the equation: Nominal interest rate = Real interest rate + Inflation rate + (Real interest rate)x(Inflation rate). The real interest rate used was 4%. The inflation rate was assumed to be 4.5% per year for the next 10 years. Therefore, nominal interest rate = .04 + .045 + (.04)(.045) = .0868 or 8.68%.

both options include an amount which was assumed would have been spent on ongoing economic development and military programs in the absence of the Andean Plan.[1] This is defined as "old" money.[2] To calculate the annual amounts, a further assumption was made that the FY90 level of funding would be maintained for the next five years in real terms. A calculation of the "old" money is in Appendix A.

Policy Option 1: Proposed Andean Plan

Vital Characteristics

Duration: 5 years

Annual Cost:	FY90	FY91	FY92	FY93	FY94
	136.3	154.9	177.0	203.4	234.9

Total Cost: $906.5 million

Present Value: $755.5 million

Primary Focus: Military/Law Enforcement (62.2%)

Description

Based on the assumptions spelled out below, this is an estimate of how the policy that has been proposed by the Bush Administration would be implemented. Details regarding the amount of money Peru would actually receive and what it would be spent on under the Andean Plan have not been made public yet.

Four assumptions were made to estimate the size and nature of this policy option. They are that:

- The Andean Plan money would be spent primarily for military and law enforcement purposes because in President Bush's September 5, 1989 speech to the nation, he said FY90's $261.1 million was to "be the first part of a five-year, $2 billion program to counter the producers, traffickers and the smugglers."[3]

- Peru would receive a 28.1 percent share of the total $2 billion dollars based on the fact that

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1 This was done based on the statement by a spokesman from the Department of State's Bureau of Inter-American Affairs, Mr. Richard Sanders, who said in a phone conversation on January 16, 1990 that he thought it was additional money, but he was not sure.

2 In contrast to the "old" money, the $2 billion dollars to be spent under the Andean Plan is "new" money meaning that it is in addition to what would have been spent there during those five years anyway.

3 "Text of President's Speech on National Drug Control Strategy," The New York Times, September 6, 1989, p. B6.

the Bush Administration proposed that Peru would get $73.4 million of the $261.1 million (28.1%) to be spent in FY90.[1]

- The annual Andean Plan spending would increase from FY90's $261.1 million at a constant rate of 21.5 percent each for the next four years so that the whole $2 billion would be spent within the five years of the plan.

- Some economic assistance would be offered if Peru cooperated in the anti-drug effort and after sufficient progress was made in reducing coca production and cocaine trafficking. That assistance would comprise 10, 25, and 25 percent of the total Andean Plan assistance in FYs 92, 93, and 94 respectively.

Motivating this policy is the thought that cocaine supply reduction is vital, but that it cannot be done with a the kind of short duration, limited efforts used in the past. Therefore, an extended plan which focuses primarily on advising, assisting, training, and equipping the Peruvian military and law enforcement agencies was proposed. The thinking is that once the producers and traffickers have been substantially suppressed with direct American help, the Peruvians will be able to keep them suppressed on their own. For Peru, the incentive to do so is so that it can maintain internal control of the country. A secondary focus is to help Peru adjust to the economic disruptions that halting the cocaine trade would cause.

This policy uses both sources of money, "old" and "new." Eighty-five percent of the "new" money would be spent on military and law enforcement programs and purposes with the remainder spent for economic purposes. The "old" money would be spent for the programs and projects for which it was originally proposed. The emphasis of this policy is primarily military and law enforcement oriented as indicated by the fact that 62.2 percent of the total spending would be on that category. All of the foreign assistance under this policy would be in the form of grants.

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[1] Michael Isikoff, "Drug Plan Allows Use of Military," The Washington Post, September 10, 1989, p. A20.

Under this policy, several things would happen. Military and intelligence equipment such as helicopters, radar and communications gear would be given to Peru's police and military. American trainers and in some cases, operators, would accompany the equipment. Other American trainers would be sent to provide Peruvian police instruction on how conduct raids on cocaine labs and trafficker's bases.[1] Beyond trainers, American combat troops could possibly deploy to Peru if requested.[2]

All this equipment and training would allow Peru to attack traffickers in all phases of their operations. Their planes would be tracked and intercepted, their communications monitored, their labs and airstrips would be destroyed, and they would be arrested. In addition, money laundering would be investigated and the sale and transport of chemicals used in cocaine processing would be tightly controlled.

Not only would trafficker's be targeted, but crop eradication efforts would be expanded to include all coca growing areas. If the Peruvian government gave its permission, the herbicide Spike would be used.[3]

Besides the military and law enforcement aid, the policy could possibly provide economic assistance in its latter three years. That assistance would be offered if Peru actively participated in fighting the drug trade and progress was made. Its purpose would be to soften the social and economic blows the country would have have suffered.[4] There have been no publicly discussed dollar amounts of economic aid or in what fiscal years it would be offered.

Foreign assistance would be given to Peru for five years under this plan. By then, the cocaine trade would be virtually decimated. With the cocaine trade much smaller and Peru's own police and military forces having received training and equipment for five years, it is anticipated that they will be able to keep the trade suppressed.

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1 Isikoff, p. A20.

2 This has not yet been discussed publicly for Peru, but it has for Colombia and presumably would be true for Peru as well.

3 Andreas, p. 530.

4 Isikoff, p. A20.

Policy Option 2: Alternative Andean Plan

Vital Characteristics

Duration: 10 years

Annual Cost:	FY90	FY91	FY92	FY93	FY94	FY95 to FY99
	136.3	215.2	367.6	370.6	254.3	20.5 annually

Total Cost: $1,446.6 million

Present Value: $1,174.2 million

Primary Focus: Economic (90%)

Description. The idea behind this policy is that the cocaine trade in Peru will only be eliminated only after the economic forces driving it are changed. Give all those now employed in the drug trade the opportunity to earn a living legally and eliminate the government's dependence on the hard currency that cocaine provides and Peru will not need cocaine the way it does now. Therefore, the focus is first to improve Peru's economy and then to eliminate the cocaine trade.

Under this policy, Peru would receive 50 percent of the total Andean Plan money, primarily because of the huge share of cocaine grown there. In addition, this policy would use the "old" money that would have been spent from FY90 to FY94. For five years starting in FY95, funding would be less than what the "old" amount of money would have been. A predominate share, 90 percent, of the foreign assistance in this policy is for economic programs and projects. All the assistance would be in the form of grants.

The dollar amounts of "new" money to be spent each year were determined after making three assumptions. They are that the:

- $1 billion would be spent in five years, from FY90 to FY94;
- FY90 spending would be the same as already planned for the Proposed Andean Plan; and
- yearly percentages spent of the remaining money would be 16% in FY91, 32% in FY92, 32% in FY93, and 20% in FY94.

Strategically, this policy would be implemented in four phases. Phase I, during FYs 90, 91, and 92, would focus on achieving two objectives -- to get the nation's economy growing again and to provide the foundation for economic development in the rural areas.

Some of the macroeconomic actions would be to devalue the currency, privatize many of the state owned industries, reduce the government budget deficit, get foreign debt relief, and encourage foreign aid and investment. In theory, these actions would reduce the need for foreign exchange,[1] reduce inflation, and increase employment in industries producing exports. Microeconomic actions would include rural development projects such as building roads, extending electricity to remote areas, and providing agricultural extension services. These economic actions will not guarantee economic growth in Peru, but they have worked in other nations.

Also during this phase, coca crop eradication would not take place, although raids against processing labs and airfields would continue at the current rate.

Phase II, which would begin in FY92 and continue throughout FY93, would seek to achieve two objectives. First is to build on the rural development started in Phase I and second is to break the drug economy. The development focus in this phase would be to provide government services such as primary education, potable water, and electricity to the countryside in order to help the people and to begin the process of reestablishing positive government control. Traffickers would be struck on all fronts by Peru's police with supplements of American equipment as needed, but without American trainers.[2] Processing labs, chemical shipments, money laundering schemes, airstrips and airplanes would all be intensively attacked. Coca crops would be left alone. By the end of this phase, cocaine trafficking would be virtually eliminated, coca leaf prices would be severely depressed, and the Shining Path's relationship with coca growers and others in the rural areas would be fraying.

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[1] There are at least three ways the need for foreign exchange would be reduced: capital flight would decline, foreign debt payments would be reduced, and there would be an increase of exports relative to imports.

[2] Any training that needed to be done would have been done in the US during FYs 90 and 91. Any future training would be done there too.

Phase III, in FY94, would continue the actions of Phase II and act to reestablish full government control in all areas. Suppressing the Shining Path itself would become the main objective of the phase and should be feasible because the Shining Path would no longer useful to the coca growers and rural grievances with the government would no longer be so serious. By the end of this phase, Peru would have control of its rural areas, cocaine traffickers would remain out of business, many economic development programs would be ongoing, and Peru's military and police would have the equipment and experience necessary to contain the drug trade and the Shining Path.

Foreign assistance during Phase IV, from FY95 through FY99, would be almost entirely economic. Its purpose would be to provide money to help maintain the development programs which had been initiated during the previous five years.

This policy would require a number of American civilians to work in Peru during the first five years to assist with the economic development programs. It would not allow any additional U.S. law enforcement or military personnel to go there.

VII: ANALYSIS OF THE POLICIES

In this section, both of the policy options are analyzed individually in terms of the five criteria. The options are not compared with each other here, that will be done in the next section.

The structure of this section is to first list the policy option, then to list each of the five criteria with a discussion of the option in terms of that particular criterion, and finally to summarize the overall feasibility of the option. This analysis is based on the situation in Peru now and the particular characteristics of the each policy.

Proposed Andean Plan

<u>Criterion 1: Ability to Achieve a Permanent, Substantial Reduction in Coca Production</u>. It is not very probable that this plan will achieve a permanent, substantial reduction in the production of coca in Peru.

There are three reasons. First, it does not attempt to treat Peru's economic, insurgent, and cocaine problems as interrelated. This is especially surprising because it is the Bush Administration's own National Drug Control Strategy which clearly states that this is necessary for reducing the supply of cocaine in Peru.[1]

The Proposed Andean Plan focuses almost entirely on fighting cocaine trafficking with military and law enforcement assistance during the first two years and then maintains a very high percentage of spending on the same category for the next three years. Economic assistance will be offered only after progress is made on reducing coca production. What that means to the Peruvian government and people is that the U.S. wants them to support action which will negatively affect the employment of 14 percent of its people and a principal source of its hard currency before any job and hard currency alternatives are promoted.

Despite its minimal attention to the economic crisis Peru is facing, this policy does address the Shining Path insurgency in two ways. If the insurgents were to interfere with the actions taken against traffickers and growers, they would be attacked as well. Second, much of the training and equipment provided to the Peruvians could be used against either the Shining Path or the drug traffickers. This degree of U.S. involvement against the insurgents is probably sufficient because the primary burden of that struggle must be on the Peruvians.

Criterion 2: Ability to Achieve and Maintain Peruvian Governmental and Public Support. This policy is unlikely to achieve and maintain widespread Peruvian support for several reasons. As described above, it attacks the drug trade prior to reducing Peru's dependence on cocaine for hard currency and jobs. Neither the Peruvian government nor the public will actively support the policy under those conditions.

Second, Peru's top leaders do not view cocaine as a major national problem. Included in this group of leaders is the current president, the most probable next one, the military commander in the Huallaga Valley, and the nation's Interior Minister who is responsible for the national police. Presumably these

[1] Office of National Drug Control Policy, p. 63.

leaders also reflect the attitudes of common Peruvians. This policy gives no incentive for those attitudes to change. Without such an incentive, as the Interior Minister said, all the money the U.S. spends to control cocaine will be for naught.[1]

Third, this policy would expand the U.S. military and law enforcement presence in Peru into activities such as the destruction of property (coca fields, processing labs) and possibly lives (traffickers, insurgents). Although most of these actions would be against those whose political influence is limited, they and their neighbors can undermine the implementation of the policy through lack of cooperation with the authorities.

Criterion 3: Minimum Direct Involvement of U.S. Personnel. To implement the Proposed Andean Plan, many U.S. personnel would have to be stationed in Peru. U.S. personnel would be required in Peru as trainers, operators, administrators, and possibly as combat troops. That is a disadvantage of this option for three reasons. First, the burden of and responsibility for the cocaine fight could shift incrementally from the Peruvians to the Americans if strict precautions are not taken before Americans arrive in large numbers to prevent it.

Second, the Shining Path targets Americans now in the hope of gaining weapons and for propaganda purposes. With certainty, they would strike the isolated radar and communications sites which would be built under this policy. Even if Americans were not posted at the sites, destroying installations which were American financed and possibly American built would yield a propaganda victory.

It is also reasonable to expect that cocaine traffickers would target Americans because this policy calls for many Americans to be directly involved in law enforcement and military activities. Traffickers are now able to bribe government officials to carry out their business. Assuming the Americans would not succumb to corruption, they would then have to be threatened or killed to remove them as a hindrance to the cocaine trade.

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1 Massing, p. 92.

Finally, with this policy's emphasis on law enforcement and military assistance as advisors and as participants in anti-trafficking actions, the probability of becoming involved in a human rights violation incident increases. That can be considered as part of the risk to be taken to reduce the flow of cocaine to America, but it could also lead to an undermining of U.S. domestic support for the policy.

Criterion 4: Ease of Implementation. In terms of this policy's complexity or its susceptibility to fraud, there are no major problems that will affect its implementation. In terms of its ability to be sustained, however, there are some potential problems which could prevent it from being implemented.

This policy is complex in the sense that its implementation would involve many U.S. and Peruvian military, law enforcement, and economic development agencies over a number of years. Coordinating the actions of the various agencies as priorities and programs change during the life of the plan would be complicated, but would not be expected to exceed the administrative ability of either government.

Fraud should not be a problem because the amount of money being spent each year is not so great that it would overwhelm administrators. Actions such as routine auditing and the inspection of projects and equipment on which the money is spent ought to suffice to prevent fraud.

Sustaining support for this policy in the U.S. is not expected to be a major obstacle to implementing it because support for the plan appears strong and should remain strong enough to support the program for its duration. There are a few outspoken critics in Congress, such as Senator Joseph Biden, but they have not been able to enact any changes to the administration's plan so far. It is possible that the current support may waver, however, unless the flow of cocaine out of Peru begins to subside within a year or two. On the other hand, support can reasonably be expected to be maintained if the Bush Administration makes it clear to the nation that the results of all the money being spent may not appear for a few years.

Sustaining support for the policy in Peru, however, is not likely. That will seriously undermine the plan because it is in Peru, obviously, where the plan must be implemented. For the economic reasons cited previously, any plan in Peru which sequences its major anti-trafficking and crop eradication efforts before aiding the economy is bound to receive the weak official and public support such efforts have received for the past twenty years. Without active Peruvian support, the obstacles to successfully implementing the plan will be immense.

Criterion 5: Dollar Cost to the U.S. The cost of the Proposed Andean Plan is not a problem. So far, there have been no complaints that $2 billion over five years is too much for the Andean Plan. In fact, the congressional and public complaints that have been voiced are that not enough is being spent on the drug war in general. The drug war is popular and will probably remain so as long as drugs and drug related violence continue to create such mayhem in American communities. It seems popular enough to retain a higher priority than the competing needs to cut spending to reduce the federal deficit or to provide aid to the emerging democracies in Eastern Europe and Central America.

Summary. The overall feasibility of the Proposed Andean Plan is low. It does have several positive aspects, the chief one being the current high level of U.S. congressional and public support. Other advantages are the plan's multi-year duration, the fact that from an organizational and administrative point of view it is able to be implemented, and the American willingness to spend a significant amount of money on it. Greatly offsetting these advantages, however, are many disadvantages.

The failure to treat the cocaine problem in the context of Peru's other major problems is the plan's primary drawback. By not first addressing the collapsing economy, in which the cocaine is one of the few bright spots, before trying to attack the drug trade, the plan will not have the unqualified Peruvian support that it needs to succeed. Peru's leaders and citizens may provide the token support necessary to avoid U.S. sanctions, but unless their hard currency and employment needs are addressed they will not give their full support.

Another drawback is the provision to introduce more U.S. military and law enforcement personnel into Peru. Americans, especially those armed and involved with anti-trafficking raids, are and will continue to be high priority targets of the Shining Path. More Americans in Peru also increases the risk of America taking on the primary burden for fighting the cocaine trade. It must be primarily Peru's if it is to be successful.

Alternative Andean Plan

Criterion 1: Ability to Achieve a Permanent, Substantial Reduction in Coca Production. The Alternative Andean Plan was designed to maximize its ability to achieve a permanent, substantial reduction in Peru's coca production. It does this by addressing the economic, insurgent, and cocaine challenges facing Peru in a sequence that offers the best chance of mitigating them all. The economic crisis is addressed first because only after Peru's need for alternative employment has begun to be met and its need for the hard currency generated by cocaine is reduced will Peruvians as a whole actively support the anti-drug effort.

This is an essential part of the plan because if Peru lacks the political will to make the economic reforms needed and to adhere to them, the plan will have a very, very low probability of success. Given the likelihood that Mr. Vargas be Peru's next president and the fact that he has campaigned for precisely the economic reforms needed, it is reasonable to assume that the economic problems will be overcome to a great enough degree to implement the plan beyond Phase I.

Next, with the economy better positioned to adjust to the shock of the reduction of the cocaine trade the cocaine traffickers themselves are struck. Attacking every aspect of their business maximizes the likelihood of effectively suppressing them and driving down the demand for coca leaves.

Reducing the magnitude of the economic crisis and the price of coca leaves will weaken the appeal of the Shining Path to the rural residents. It is then that the insurgents can be struck with a greater probability of denying them the ability to protect the coca growers and their control of the upper Huallaga Valley. Finally, the plan provides funding to maintain the programs which were initiated in earlier phases as the emphasis shifts.

A key aspect of this plan is that it provides positive economic and counterinsurgent incentives to encourage the government and people of Peru to actively participate.

Criterion 2: Achieve and Maintain Peruvian Governmental and Public Support. It is very likely that this plan would be able to achieve and maintain Peruvian support for four reasons. First, as described above, the plan is comprehensive. It addresses all of Peru's major problems in a sequence and in a way that gives the government and the people a positive incentive to participate.

Second, the plan does not include coca crop eradication which is a passive way of not alienating the rural farmers. Instead, it relies on demand reduction and legal, alternative types of employment to induce farmers to not grow coca. This means that the herbicide Spike would not be used nor would teams of government agents descend on a field of coca tearing up its bushes as the owner watched his livelihood being destroyed.

Third, the predominant share of Americans who will be in Peru to implement this program will be in economic development roles dispensing money and advice for projects. These sorts of actions are likely to build goodwill among the people of Peru.

Finally, the expected election of Mr. Vargas means that there will be a Peruvian president in office by July 1990 who has campaigned on a platform of restructuring the macro economy as a way to invigorate it and promoting economic development in rural areas as a means of diminishing the appeal of the Shining Path.[1] Both of these initiatives would coincide with the strategy of this policy.

Criterion 3: Minimum Direct Involvement of U.S. Personnel. This policy requires that the number of Americans in Peru be increased, but it attempts to minimize their number by requiring that military and law enforcement training be conducted in the U.S. rather than in Peru. As stated above, of the additional Americans who would have to come to Peru, most would be involved in economic development roles.

There are three benefits of this characteristic of the policy. First, it keeps the burden of the effort squarely on Peru. There would simply not be enough Americans in Peru in military or law enforcement roles to assume the responsibility for carrying out the anti-trafficking or counterinsurgent parts of the plan. Second, the number of targets for the Shining Path are kept to a minimum. Americans would not be positioned at remote radar or communication sites and fewer than now would be at bases such as Santa Lucía. Americans would be exposed when they made inspection visits to the various development projects, but they could stay in secure areas much of the time.

The third benefit is that the potential for U.S. involvement in human rights violations would be

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[1] James Brooke, "A Portrait of the Writer as the Rising Political Star," The New York Times, March 12, 1990, p. A4.

virtually eliminated. With a bare minimum of military and law enforcement people in Peru, the opportunities for such situations would rarely, if ever, arise.

Criterion 4: Ease of Implementation. The Alternative Andean Plan would be difficult to implement in terms of its ability to be sustained. A minor weakness affecting its implementation is its susceptibility to fraud. Its degree of complexity should not be a problem.

Sustaining this plan will be difficult for two reasons -- its ten year length and the fact that it will not have much effect on the production of cocaine for three to four years. Ten years is a long time to support a program. At best, it would involve two different U.S. presidential administrations, but it could involve three. It would also involve three different Peruvian presidential administrations.[1] Maintaining presidential, legislative, and public support for that long would be a challenge, especially since the tangible results of a reduced supply of cocaine will not be immediate. U.S. policy makers and the public may not understand why it will take until late in the third year or early in the fourth to see the expected results. Peruvian policy maker and public support should be easier to sustain because they will see economic results within the first year.

Although the amount of money spent each year under this plan is moderate, the decentralized nature of the economic development projects and the absence of a resident American presence in many of the law enforcement operations could lead to money being wasted through fraud. On the positive side, awareness of this potential problem means that active measures can be taken to minimize it.

Quite a number of U.S. and Peruvian military, law enforcement, and economic development agencies would be involved in implementing this policy over its ten year life. In addition, it will involve a wide range of projects and programs and a shifting of priorities as it moves through its four phases. Despite the complexity of coordinating all these actions and agencies, it should not exceed the administrative ability of either government.

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[1] Peru's presidents are limited to one five year term and the current president serves until July 1990.

Criterion 5: Dollar Cost to the U.S. The cost of the Alternative Andean Plan is not a problem for the same general reasons as the Proposed Andean Plan.

Summary. The Alternative Andean Plan is a feasible one. It has three major strengths which improve the chance that Peru's government and people will give it their active support. This in turn increases the probability that it will achieve a permanent, substantial reduction in Peru's coca production.

Its first strength is that it is a comprehensive plan addressing all three of Peru's interrelated problems. Second, it confronts each problem in a sequence that maximizes the probability that the problem can be overcome. Lastly, it minimizes the number of U.S. personnel who will be required to be in Peru to implement it.

The plan's primary disadvantage is its ability to be sustained over ten years. Peru's and America's commitment to defeat cocaine could change as the result of the domestic or international situation facing each country. Also, the reduction in coca production will take several years to become noticeable. Americans may become impatient and want to abandon the plan for something which promises faster, though fleeting, results.

An underlying potential pitfall of the plan is that it requires significant macroeconomic reforms to arrest the decline of the economy and get it growing again. Sufficient political will to undertake them, however, has a high probability of being present starting in July 1990 when Mr. Vargas will likely be inaugurated.

VIII: Comparison of the Policies

In this section, the policy options are directly compared with one another in two ways, numerically and in terms of their strengths and weaknesses. Of the two methods, more weight should be given to the strength and weaknesses comparison. This is because the numerical method can possibly be manipulated to make it show whatever the person using it wants it to show. Further, the assignment of criteria weights is somewhat arbitrary. Despite these potential drawbacks, the reason it is included here is that it does help to give an indication of the issues and the tradeoffs involved with each policy.

Numerical Comparison

The numerical comparison of the policies was done using a relative decision matrix. In this matrix, which is shown in Appendix D, the policies were rated relative to each other for each of the criteria. A rating of one was given if the policy was the weaker of the two for a given criterion. A rating of two meant that the policy was the stronger of the two. The matrix ratings were then multiplied by the criteria weights listed in Table 2, Section VII. The results are summarized below in Table 3. This method shows that the best policy is the Alternative Andean Plan.

Policy Option Decision Matrix Results
(A Higher Rating Is Better)

Policy	Rating
Proposed Andean Plan	11
Alternative Andean Plan	16

Table 3

A sensitivity analysis was done to find out whether the outcome would change if the criteria weights were changed. The result was that for a change of ±3, the favored policy would always be the Alternative Andean Plan.

Strengths and Weaknesses

Just to summarize what was written in Section VII, the major strength of the Proposed Andean Plan is its currently strong congressional and public support. Its minor strengths are that it takes a multi-year approach to the problem, that from an organizational and administrative standpoint it can be implemented, and the willingness of the U.S. to spend a lot of money on it.

Its major weakness is that it fails to treat the cocaine problem in Peru in the context of Peru's economic and insurgent problems. By failing to do that, it dooms itself to very little Peruvian public and governmental support. And without active Peruvian support, the policy has a very low probability of achieving its goal.

The Alternative Andean Plan's major strengths are that it treats the cocaine problem in the context of Peru's other problems, its implementation strategy sequences the addressing of each problem in a manner that maximizes the probability that the problem can be overcome, and it minimizes the number of additional U.S. personnel needed in Peru. Its weaknesses are the intended duration of the plan and the fact that tangible results probably will not be noticeable for several years.

The key issue between the two policies is the probability of the policy achieving the goal of reducing coca production in Peru. With everything considered, a strong case can be made that the Alternative Andean Plan has a much higher probability of achieving that goal than the Proposed Andean Plan. It cannot be emphasized enough that Peru's economic and insurgent problems must be squarely addressed if coca production is to decrease. The Proposed Andean Plan does not do that, the Alternative Andean Plan does.

IX: POLICY RECOMMENDATION

Both methods of comparing the policy options lead to the conclusion that the Alternative Andean Plan is the best policy for the U.S. to adopt to accomplish its goal of eradicating coca production in Peru. *Therefore*, it is the *recommended* policy.

It is important to point out after all the preceding discussion and analysis that eradicating coca in Peru is not a technical problem, it is a political one. The technical means of eradication are well known -- the spraying of Spike herbicide, the destruction of covert airfields and coca processing labs, and the arrest and imprisonment of people involved in the cocaine trade. These are the methods advocated to be used under the Proposed Andean Plan. Politically, however, these methods are simply not feasible in Peru in 1990. Therefore, the Proposed Andean Plan has a low probability of being successful.

The Alternative Andean Plan seeks to integrate U.S. and Peruvian political reality with the technical eradication methods. By combining what is technically feasible with what is politically feasible, the Alternative Andean Plan has a high probability of success.

Appendix A: Estimated Foreign Assistance for Peru

The table shown below shows what the estimated foreign assistance levels of funding would have been for Peru in the absence of the Andean Plan. The figures are based on the assumptions that the:

- FY90 level of spending for each category of assistance, military and economic, would be maintained in real terms; and
- inflation rate would be 4.5% per year.

The present value figures are listed because they are necessary for calculating the total present values in Appendices B and C.

The dollar amounts here are the ones referred to as "old" money in Section VI and in Appendices B and C.

Foreign Assistance Per Year
(000s dollars)

	Economic	Military	Annual Total	Present Value
FY90	47,345	15,525	62,870	62,870
FY91	49,476	16,224	65,699	60,452
FY92	51,702	16,954	68,656	58,127
FY93	54,029	17,717	71,745	55,891
FY94	56,460	18,514	74,974	53,742
Total	259,012	84,934	343,946	291,082

Appendix B: Proposed Andean Plan Annual Funding

The table below shows what the foreign assistance funding levels are estimated to be under the Proposed Andean Plan. Because the details of spending under the plan for all five years have not been made public, four assumptions were made. These are the same ones listed in more detail in Section VI.

- The Andean Plan money would be spent primarily for military and law enforcement purposes.

- Peru would receive a 28.1 percent share of the total $2 billion dollars based on the fact that the Bush Administration proposed that Peru would get $73.4 million of the $261.1 million (28.1%) to be spent in FY90.

- The annual Andean Plan spending would increase from FY90's $261.1 million at a constant rate of 21.5 percent each for the next four years so that the whole $2 billion would be spent within the five years of the plan.

- Some economic assistance would be offered if Peru cooperated in the anti-drug effort and after sufficient progress was made in reducing coca production and cocaine trafficking. That assistance would comprise 10, 25, and 25 percent of the total Andean Plan assistance in FYs 92, 93, and 94 respectively.

The funding provided under the Proposed Andean Plan is listed below as "new" economic or military assistance.

Foreign Assistance Per Year

(000s dollars)

	Old Economic	New Economic	Old Military	New Military	Annual Total	Present Value
FY90	47,345	0	15,525	73,400	136,270	136,270
FY91	49,476	0	16,224	89,181	154,881	142,510
FY92	51,702	10,835	16,954	97,520	177,011	149,865
FY93	54,029	32,913	17,717	98,738	203,397	158,451
FY94	56,460	39,989	18,514	119,967	234,930	168,399
Total	259,012	83,737	84,934	478,806	906,489	755,495

Appendix C: Alternative Andean Plan Annual Funding

The table below shows what the foreign assistance funding levels would be under the Alternative Andean Plan. The dollar amounts to be spent each year were determined after making seven assumptions. They are that:

- 50 percent, $1 billion, of the total Andean Plan money would be spent in Peru;
- the $1 billion would be spent in five years, from FY90 to FY94;
- FY90 spending would be the same as already planned for the Proposed Andean Plan;
- yearly percentages spent of the remaining money would be 16 percent in FY91, 32 percent in each FY92 and FY93, and 20 percent in FY94;
- that military assistance would comprise 5, 10, and 10 percent of the total assistance in FYs 92, 93, and 94 respectively;
- funding for FY95 would be slightly less than 10 percent of the FY94 level to provide some help to Peru as it begins to bear the full burden of maintaining its new economic development programs and law enforcement equipment; and
- funding for FY96 through FY99 would be maintained at the FY95 level in nominal terms which means that each year Peru would receive a smaller amount of real assistance.

The funding provided under the Alternative Andean Plan is listed below as "new" economic or military assistance.

Foreign Assistance Per Year

(000s dollars)

	Old Economic	New Economic	Old Military	New Military	Annual Total	Present Value
FY90	47,345	73,400	15,525	0	136,270	136,270
FY91	49,476	149,500	16,224	0	215,200	198,012
FY92	51,702	283,955	16,954	14,945	367,556	311,189
FY93	54,029	269,010	17,717	29,890	370,646	288,742
FY94	56,460	161,370	18,514	17,930	254,274	182,265
FY95	20,000	0	525	0	20,525	13,537
FY96	20,000	0	525	0	20,525	12,456
FY97	20,000	0	525	0	20,525	11,461
FY98	20,000	0	525	0	20,525	10,546
FY99	20,000	0	525	0	20,525	9,704
Total	311,667	937,235	87,559	62,765	1,446,571	1,174,182

Appendix D: Relative Decision Matrix

Matrix 1 shows the relative values assigned to each policy for the given criteria. A value of one was given if the policy was the weaker of the two for that criterion. A rating of two meant that the policy was the stronger of the two.

Matrix 2 shows the initial relative values multiplied by the criteria weights that are listed in Table 2, Section VII and in parenthesis underneath the criteria.

Matrix 1: Non-Weighted Relative Decision Matrix

Criteria

Policy Options	Reduction in Coca	Peruvian Support	U.S. Personnel	Ease of Implementation	Dollar Cost	Total
Proposed Andean Plan	1	1	1	2	2	7
Alternative Andean Plan	2	2	2	1	1	11

Matrix 2: Weighted Relative Decision Matrix

Criteria

Policy Options	Reduction in Coca (3)	Peruvian Support (2)	U.S. Personnel (2)	Ease of Implementation (1)	Dollar Cost (1)	Total
Proposed Andean Plan	3	2	2	2	2	11
Alternative Andean Plan	6	4	4	1	1	16

Matrix 2 shows that the best option is the Alternative Andean Plan. The results were checked to see if they would be sensitive to changes in the criteria weights. It was found that they are not sensitive through a range of ±3.

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