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ACTION SCT-00

INFO	LOG-00	ACDA-10	ACDE-00	AID-00	ARA-01	A-00	CA-02
	CCO-00	CG-00	COME-00	CTME-00	OASY-00	DOEE-00	DOTE-00
	SRPP-00	DS-00	EAP-01	EB-00	EUR-01	E-00	FAAE-00
	FRB-00	IMMC-01	TEDE-00	INR-00	INSE-00	IO-00	LAB-01
	L-01	MCO-01	ADS-00	MMP-00	M-00	NRCE-00	NSAE-00
	NSCE-00	OCS-03	OIC-02	OIS-01	PA-00	PM-00	PRS-00
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FM AMEMBASSY LIMA
TO SECSTATE WASHDC PRIORITY 5099
INFO AMEMBASSY OTTAWA
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AMEMBASSY PARIS
AMEMBASSY CARACAS
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AMEMBASSY LONDON

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: DONALD A. JOHNSTON
DATE/CASE ID: 19 OCT 2001 200102083

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JUSTICE FOR TVCS - J LANCASTER
SOUTHCOM ALSO FOR POLAD
PARIS FOR FIN - GOLDBERGER

E.O. 12958: DECL:01/02/06

TAGS: PTER, CASC, AMGT, EFIN, PE

SUBJECT: U.S.-PERU BILATERAL DEBT RESTRUCTURING AGREEMENT SIGNED
AND TOUR D'HORIZON WITH ECONOMY MINISTER CAMET

REF: LIMA 0006

1. (U) CLASSIFIED BY DENNIS JETT, AMBASSADOR, AMEMBASSY LIMA.
REASON 1.5(B,D).

2. (C) SUMMARY. DURING A WIDE-RANGING CONVERSATION DECEMBER 31,
ECONOMY AND FINANCE MINISTER JORGE CAMET AND THE AMBASSADOR COVERED
THE WATERFRONT, TOUCHING ON THE ONGOING HOSTAGE CRISIS, U.S.
EMBASSY TAX LIABILITIES, PERU'S "BRADY" STYLE COMMERCIAL DEBT
RESTRUCTURING AND PROSPECTS FOR A DEBT-SWAP AGREEMENT BETWEEN THE
UNITED STATES AND PERU. CAMET AND THE AMBASSADOR SIGNED TWO
ORIGINAL COPIES OF THE U.S.-PERU BILATERAL DEBT RESTRUCTURING

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AGREEMENT DURING THE SESSION. END SUMMARY

HOSTAGES

3. (C) ECONOMY AND FINANCE MINISTER JORGE CAMET AND THE
AMBASSADOR COVERED THE WATERFRONT DURING A DECEMBER 31 MEETING ON
THE MARGIN OF A SIGNING CEREMONY FOR THE U.S.-PERU BILATERAL DEBT
RESTRUCTURING AGREEMENT (REFTEL). CAMET, WHO ARRIVED FROM THE
PRESIDENTIAL PALACE ONLY MINUTES BEFORE THE MEETING BEGAN,
EXPRESSED HOPE THAT THE MRTA'S UNSCHEDULED DECEMBER 31 PRESS
CONFERENCE WOULD LEAD TO THE RELEASE OF MORE HOSTAGES IN THE NEAR
FUTURE. (NOTE: LATER ON DECEMBER 31, THE MRTA RELEASED TWO
HOSTAGES, INCLUDING THE HONDURAN AMBASSADOR. ON JANUARY 1, THE
TERRORISTS FREED AN ADDITIONAL SEVEN INDIVIDUALS, LEAVING 74
REMAINING HOSTAGES. END NOTE.) HE SAID THAT FUJIMORI WAS NEARLY
ONE HUNDRED PERCENT OF HIS TIME ON THE HOSTAGE SITUATION.

3. (C) THE AMBASSADOR COMMENTED THAT THE MRTA'S STRONG DESIRE FOR
PUBLICITY APPEARED TO GIVE THE GOVERNMENT A BARGAINING CHIP WHICH
COULD BE USED IN NEGOTIATIONS. HE UNDERLINED THE U.S. VIEW THAT
THE GOP SHOULD SEEK TO RESOLVE THE IMPASSE PEACEFULLY THROUGH

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NEGOTIATIONS, BUT WITHOUT MAKING CONCESSIONS. CAMET QUICKLY RESPONDED THAT HE BELIEVED THAT DIRECT, FACE-TO-FACE NEGOTIATIONS WERE DESIRABLE. THE GOP HAD TO TAKE A HARD LINE AT THE BEGINNING OF THE CRISIS, HOWEVER, TO DEMONSTRATE STRENGTH, HE REMARKED.

4. (C) IN RESPONSE TO A QUESTION, CAMET EXPRESSED CONCERN ABOUT THE POSSIBLE IMPACT OF THE HOSTAGE CRISIS ON PERU'S ECONOMY. IF THE CRISIS DRAGS ON (OR ENDS BADLY) IT WILL HAVE A VERY NEGATIVE IMPACT ON TOURISM, HE SAID. WE HOPE TO NEGOTIATE A WAY OUT OF THE

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CRISIS, PERHAPS BY IMPROVING JAIL CONDITIONS FOR MRTA PRISONERS, HE SAID. CAMET CLAIMED THAT PERU AND THE UNITED STATES BOTH JAILED THE "WORST" CRIMINALS UNDER THE "HARDEST" CONDITIONS. THE AMBASSADOR REJECTED THE NOTION THAT CONDITIONS IN THE TWO COUNTRIES WERE IN ANY WAY COMPARABLE, NOTING THAT THE U.S. GOVERNMENT SPENDS AN AVERAGE OF 25,000 DOLLARS ON EACH PRISONER ANNUALLY, ROUGHLY EQUAL TO PER CAPITA GNP IN THE U.S.

TAXES ON MISSION OPERATIONS

5. (SBU) THE AMBASSADOR OBSERVED THAT THE U.S. EMBASSY AND USAID CONTINUE TO EXPERIENCE DIFFICULTIES IN OBTAINING EXEMPTIONS FROM PERU'S EIGHTEEN PERCENT VALUE ADDED TAX (IGV). IN ADDITION, THE U.S. GOVERNMENT WOULD LIKE TO OBTAIN A REFUND ON 2.2 MILLION DOLLARS WHICH IT IS ABOUT TO PAY TO COVER IGV TAXES ON A LOCAL GUARD CONTRACT FROM 1991-1995. CAMET RESPONDED SYMPATHETICALLY, EXPRESSING SURPRISE THAT THE PROBLEMS HAD NOT BEEN SOLVED COMPLETELY. HE ASKED WHETHER THE EMBASSY HAD MET WITH VICE MINISTER ALMENARA AS HE HAD SUGGESTED PREVIOUSLY. ECONCOUNS RESPONDED THAT DESPITE REPEATED ATTEMPTS TO ARRANGE AN APPOINTMENT, WE HAD BEEN UNSUCCESSFUL. CAMET EXPLAINED THAT ALMENARA HAD BEEN

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NSCE-00	OCS-03	OIC-02	OIS-01	PA-00	PM-00	PRS-00
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AND TOUR D'HORIZON WITH ECONOMY MINISTER CAMET

EXTREMELY BUSY WITH SEVERAL NEW TAX PROVISIONS WHICH ENTER INTO EFFECT ON JANUARY 1. HE PROMISED TO ARRANGE AN APPOINTMENT FOR US WITH THE VICE MINISTER.

BRADY

6. (SBU) CAMET SAID THAT THE GOVERNMENT OF PERU MUST STILL ANNOUNCE A CLOSING DATE FOR ITS "BRADY" STYLE COMMERCIAL BANK RESCHEDULING. OBSERVING THAT THE GOP MUST "SHOW THE ACCOUNTS" TO THE IMF BEFORE ANNOUNCING A CLOSING DATE, CAMET EXPRESSED CONCERN

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ABOUT PRESS LEAKS AT THE FUND. THE ECONOMY AND FINANCE MINISTER WORRIED THAT IMF OFFICIALS WOULD LEAK PERUVIAN INFORMATION PRIOR TO THE SIGNING, WHICH MUST TAKE PLACE AT LEAST THIRTY FIVE DAYS AFTER ANY ANNOUNCEMENT. CAMET SAID THAT HE MAY TRAVEL TO WASHINGTON TO ASK FOR LIMITED DISTRIBUTION OF THE IMF REPORT IN THIS CASE IN ORDER TO AVOID LEAKS. THIS WOULD ALLOW THE SIGNING TO TAKE PLACE IN FEBRUARY RATHER THAN IN MARCH.

DEBT SWAP

7. (SBU) CAMET ASKED ABOUT THE STATUS OF U.S. GOVERNMENT DELIBERATIONS ON PERUVIAN PARTICIPATION IN THE DEBT SWAP/BUYBACK PROGRAM. THE AMBASSADOR RESPONDED THAT WASHINGTON IS CONTINUING TO CONSIDER PERUVIAN PARTICIPATION IN THE PROGRAM BUT THAT INTELLECTUAL PROPERTY RIGHTS CONTINUE TO REPRESENT A STICKING POINT. THE ECONOMY AND FINANCE MINISTER SAID THAT HE MAY CALL TREASURY DEPUTY SECRETARY LARRY SUMMERS TO DISCUSS THE MATTER THE NEXT TIME HE IS IN WASHINGTON. HE REITERATED HIS PRAISE FOR THE DEPUTY SECRETARY'S ROLE IN ORGANIZING INTERNATIONAL SUPPORT AMONG CLUB MEMBERS FOR EXTRAORDINARY TERMS AT THE JULY 20, 1996 PARIS CLUB RESTRUCTURING.

RUSSIAN DEBT

8. (SBU) THE AMBASSADOR REQUESTED A READOUT ON PERU'S RECENT DEBT

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RESCHEDULING AGREEMENT WITH RUSSIA. (NOTE: AS REPORTED IN THE PRESS, THE GOP AGREED TO PAY 162 MILLION DOLLARS TO RUSSIA TO

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ELIMINATE ITS ROUGHLY ONE BILLION DOLLAR DEBT WITH THAT COUNTRY.
END NOTE.) CAMET OBSERVED THAT THE IMF HAD PUSHED PERU TO REACH
AGREEMENT WITH THE RUSSIANS. DESPITE SEVERAL ROUNDS OF QUESTIONS
ON THE DEAL, CAMET DID NOT PROVIDE ANY FURTHER DETAILS.

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