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A/ISS/IPS, Department of State
E.O. 12958, as amended
September 4, 2008

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FOR ASSISTANT SECRETARY MEYER FROM SIRACUSA

REF: STATE 94400

SUBJECT: CALL ON PRESIDENT VELASCO

1. I WAS WITH PRESIDENT VELASCO FOR ABOUT 40 MINUTES. HE KEPT ME WAITING 35 MINUTES. I UNDERSTAND THE FINANCE MINISTER PRECEDED ME. AT FIRST HE WAS CAUTIOUS AND RESERVED BUT WARMED UP AFTER SOME SMALL TALK ABOUT HIS FAMILY AND GRANDCHILDREN. FINALLY, ALTHOUGH WE DID GET INTO TOUCHY SUBJECTS, HE WAS QUITE CORDIAL TO ME. WE MUTUALLY PLEDGED DEDICATION TO SOLVING THE PROBLEMS BETWEEN OUR TWO COUNTRIES AND HE INVITED ME TO CALL ON HIM WHENEVER I FELT TALKING TO HIM WOULD BE USEFUL. BEARING IN MIND SUGGESTIONS IN REFTEL, I DID NOT BRING UP SUBJECTS OF SEIZURES OF FISHERIES AND IPC. HOWEVER, THE CONVERSATION SEEMED NATURALLY TO FLOW INTO THEM, AS REPORTED BELOW.
2. WHEN I GAVE HIM YOUR BASIC MESSAGE ON AGREEMENT, HE WAS PLEASED. I RECALLED HIS CONVERSATION WITH AMBASSADOR JONES ON THIS SUBJECT AND THE CONCERNS EXPRESSED AT THAT TIME. I SAID THAT WHILE DETAILS HAD NOT YET BEEN CONCLUDED YOU WANTED TO REASSURE HIM OF OUR DESIRE TO CONTINUE RELATIONS WITH PERU AT THE AMBASSADORIAL LEVEL SOON. I TOLD HIM DELAYS IN NOMINATIONS FOR SUCH HIGH-LEVEL POSITIONS WERE NOT UNCOMMON AND ILLUSTRATED WITH THE PRESENT CASE OF OUR REPRESENTATION IN MEXICO.
3. FISHERIES CONFERENCE: VELASCO TOLD ME THAT FON MIN MERCADO

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PAGE 02 LIMA 04312 112000Z

HAD ADVISED HIM LATE FRIDAY NIGHT OF MY PROPOSAL AS OUTLINED IN AIDE-MEMOIRE THEN PRESENTED (LIMA'S 4226). I TOLD HIM THAT MERCADO SENT WORD TO ME YESTERDAY TO EXPECT HIS DETAILED COMMENTS UPON HIS RETURN FROM BUENOS AIRES (LIMA 4302) BUT WONDERED WHETHER I COULD REPORT ANYTHING AS TO THE PRESIDENT'S ATTITUDE. I SAID THIS WOULD BE OF GREAT INTEREST TO MY GOVT. I THEN SHOWED PRESIDENT A COPY OF THE AIDE-MEMOIRE WHICH I HAD IN MY POCKET. HE READ IT AND SAID THAT SO LONG AS THE PELLY (SIC) AMENDMENT IS LIFTED PERU WOULD HAVE NO PROBLEM GOING TO A CONFERENCE. HE THEN SPOKE AT SOME LENGTH ABOUT SUCH THINGS AS PELLY AMENDMENTS IN MOST UNCOMPLIMENTARY FASHION. HE SAID IT WAS A GOOD THING THE OTHER "PELLY" AMENDMENT HAD NOT BEEN PASSED OR PERU WOULD HAVE HAD TO "APPLY AN AMENDMENT OF ITS OWN". HE AGREED I COULD REPORT HIS AGREEMENT "IN PRINCIPAL" TO A CONFERENCE ONCE THE "AMENDMENT IS LIFTED", AND DEPENDING, OF COURSE, ON AGREEMENT WITH ECUADOR AND CHILE. HE SAID, HOWEVER, THAT WE SHOULD AWAIT MERCADO'S RETURN TO WORK OUT DETAILS SUCH AS EXACT METHOD OF ANNOUNCEMENT, ETC. VELASCO HAS A TENDENCY ANY TIME HE TALKS ABOUT SUBJECTS SUCH AS THIS ONE TO BECOME TENSE, SOMEWHAT EMOTIONAL AND VERY PRIDEFUL. HE LACES HIS CONVERSATIONS WITH OBSERVATIONS AS TO SOVEREIGNTY, DIGNITY AND THE RIGHT OF A COUNTRY SUCH AS PERU TO BE RESPECTED. ALTOGETHER, I WAS ENCOURAGED BY HIS REACTION WHICH SEEMED QUITE CONSISTENT WITH THAT DEMONSTRATED TO ME BY THE FON MIN LAST FRIDAY. DEUSTUA AND BERCKEMEYER, HOWEVER, SEEM SOMEWHAT OUT OF STEP.

4. IPC CASE: WHEN WE GOT INTO THIS ONE, THE PRESIDENT HAD SOME TROUBLE MAINTAINING HIS COMPOSURE. HE SPOKE AGAIN ABOUT RESPECT FOR SOVEREIGNTY AS WELL AS TYER # OSIC FRIENDSHIP BETWEEN THE US AND PERU. HE COMPLAINED BITTERLY THAT THE HICKENLOOPER AMENDMENT IS ALREADY APPLIED, EXCEPT FOR SUGAR AND THAT THE US HAD "PARALYZED" PERU'S ECONOMY. HE SAID WE HAD CAUSED GREAT DIFFICULTIES FOR HIS GOVT BUT IT WOULD SOLVE ALL ITS PROBLEMS. HE COULD NOT UNDERSTAND, HOWEVER, WHY WE SHOULD DO SUCH A THING TO A COUNTRY LIKE PERU WHICH ONLY WANTS TO BE FRIENDLY TO THE US. HE SPOKE OF THE PRESENCE OF OTHER AMERICAN COMPANIES HERE AND SAID HE WAS BEHIND MINISTER ARTOLA IN GUARANTEEING EVERY FORM OF WELCOME AND PROTECTION TO AMERICAN COMPANIES.

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PAGE 03 LIMA 04312 112000Z

AS FOR AMBASSADOR IRWIN, HE SAID PERU WOULD BE HAPPY
ALAYS TO WELCOMENIM. HOWEVER, HE HAD NOT BEEN INVITED TO
RETURN BECAUSE THE PERUVIAN TEAM HAD REPORTED HE
WOULD ONLY COME ON CONDITION PERU AGREED TO PAY COMPENSATION.
HE SAID PERU COULD NEVER ACCEPT "CONDITIONS" ABOUT ANYTHING.
I TOLD HIM I THOUGHT THERE MAY HAVE BEEN SOME MISINTERPRETATION
OF AMBASSADOR IRWIN'S FINAL PRESENTATIONS. I SAID HIS SUGGESTIONS
AND ILLUSTRATIONS GIVEN THEN HAD BEEN INTENDED TO SHOW POSSIBLE
WAYS TO A PRACTICAL SOLUTION. I SAID EACH SIDE HAD FULLY
EXPLAINED ITS POINT OF VIEW AND THAT A PRACTICAL SOLUTION
WHICH MIGHT TAKE MANY FORMS WAS WHAT WAS NOW NEEDED. I SAID
AMBASSADOR IRWIN IS READY TO COME AND THE UNITED STATES GOVT
READY TO SEND HIM ANY TIME GOP BELIEVES TALKS COULD LEAD TO
A PRACTICAL SOLUTION. THE PRESIDENT LISTENED BUT I FEAR WAS
NOT CONVINCED. I BELIEVE HE HAS FIRMLY IN MIND, AS RESULT
OF REPORT OF PERUVIAN TEAM, THAT AMBASSADOR IRWIN'S ILLUSTRATIONS
WERE "CONDITIONS". AT ANY RATE , MT HAS NOW REALIZED THAT US
OBJECTIVE IS COMPENSATION AND IS APPARANTLY AS DETERMINED AS
EVER THAT NBI #
IMHALL BE PAID. THEREFORE, WHY TALK FURTHER?

IN RESPONSE TO PRESIDENT'S CHARGES THAT WE WERE STRANGLING
PERU WITH PREMATURE APPLICATION OF HICKENLOOPER AMENDMENT
I TOLD HIM THAT NATURAL UNCERTAINTY IS WHAT IS CAUSING
RETICENCE ON PART OF CREDITORS, INVESTORS, ETC.
RATHER THAN ANY OVERT ACT BY USG. I SUGGESTED THIS WOULD
DISAPPEAR ONCE UNCERTAINTY WAS CLEARED UP BY A SOLUTION
TO OUR PROBLEMS. SIRACUSA

NOTE: # (PARA 4) CORRECTIONS TO FOLLOW.

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