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id: 28964
date: 3/16/2005 20:10
refid: 05PORTAUPRINCE713
origin: Embassy Port Au Prince
classification: CONFIDENTIAL
destination:
header:

This record is a partial extract of the original cable. The full text of the original cable is not available.

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C O N F I D E N T I A L SECTION 01 OF 02 PORT AU PRINCE 000713

SIPDIS

SOUTHCOM ALSO FOR POLAD
WHA ALSO FOR USOAS

E.O. 12958: DECL: 03/07/2015
TAGS: PGOV, PREL, HA, Elections
SUBJECT: HAITI: POLITICAL PARTIES MOVE TOWARD ELECTIONS PACT

Classified By: Ambassador James B. Foley, reasons 1.4 (B) and (D)

1. (C) Summary: With the help of a Norwegian-funded think tank, Haitian political parties are negotiating a "code of conduct" for participating in elections later this year. The agreement under discussion would commit signatories to approximately a dozen general guidelines covering campaign "fair play," respect for the electoral law and for decisions by the electoral council and judicial branch, and acceptance of the results of the elections. The effort includes leaders of all the major parties including Fanmi Lavalas, but it is not a done deal yet and could still be derailed. If successful, however, and particularly if FL leaders sign on, this political pact would be a significant boost for the election process and would achieve one of the initial goals of the yet-to-be launched National Dialogue process. End summary.

2. (U) The Norwegian-funded think tank ISPOS (Institute for Political and Social Studies) organized a well-attended gathering of political party leaders March 3-5 at the beach resort of Moulin sur Mer. This second such "colloquium" (an initial one was held in June 2004) focused on the challenges facing parties in the upcoming election and on their role in the national dialogue process. SRSR Valdes, PM Latortue, Minister of Justice Gousse, and CEP member Freud Jean all attended and made presentations. PolCounselor and poloff attended, as did representatives from the French and Canadian embassies and the Norwegian MFA. Discussions were spirited, sometimes angry, but over the course of the three days the

colloquium produced a serious dialogue among political adversaries the sort of that one rarely sees in Haiti.

3. (U) In the last panel of the last day, KID leader Evans Paul, MOCHRENA leader Luc Mesadieu, and MIDH leader Marc Bazin proposed different versions of an idea that most leaders had supported in earlier discussions: a concrete pact among political party leaders that would encompass a "code of conduct" for the election season and a "governability pact" to regulate the process of establishing a new government after the elections. At the suggestion of Fondation Nouvelle Haiti Executive Director Rosny Desroches, seconded by popular acclamation among the participants, ISPOS agreed to take the different ideas and develop them into a draft accord that could be negotiated and finalized as a follow-on to the seminar.

4. (C) In the ten days since, ISPOS director Garuedy Laguerre has done just that, and party leaders are now reviewing a 12-point draft accord that Laguerre hopes could be finalized in the near future. The accord is very general, committing parties, among other things, to renounce the use of violence, respect electoral laws, run clean campaigns, and accept the results of the elections, and outlining a mechanism to address those who violate the accord. Laguerre told PolCounselor March 10 that he had vetted his initial draft through the group of politicians who had participated in last year's "Oslo meetings" (reftel) and made some changes based on their feedback. He had received positive signals from most of the Moulin sur Mer participants and was now working to convince a "critical mass" of party leaders to sign on, in hopes of launching the agreement publicly as early as possible (his efforts have been complicated, regrettably, by a bout of food poisoning).

5. (C) Not surprisingly, Lavalas is one of the most difficult pieces of the puzzle, according to Laguerre and Norwegian MFA official Kristen Langsholt (who has been the GON's point person for Haiti and has remained in Haiti to work on the initiative). Father Gerard Jean-Juste was one of the FL representatives at the colloquium and made a very hard line presentation, arguing that FL would boycott elections unless Aristide were returned and several other conditions were met.

Other Lavalas members present took a more moderate line, arguing that Lavalas should participate in the elections but that conditions still needed to be improved. None of them openly rejected the idea of the electoral pact, however, and Laguerre believes he can convince at least some Lavalas leaders to sign on. Jean-Juste told us March 10 that he was reviewing the text and that "it was possible" he would sign, along with others, for Fanmi Lavalas.

6. (C) In addition to the still-open question of Lavalas participation, some of the parties who went on record last month calling for Latortue's resignation have so far refused to sign on to the political accord. In particular, Turneb Delpé, whose party (PNDPH - National Democratic Progressive

Party) insists that elections should be postponed until a "national sovereign conference" takes place on Haiti's future, did not want to endorse anything related to elections this year. Others tell us that they want the electoral accord to go further than the current draft. MRN leader Jean Henold Buteau, for example, said March 15 that the accord needed to encompass more detailed obligations and a more vigorous enforcement mechanism.

Comment

7. (C) The most encouraging thing about the proposed accord is the fact that a constructive dialogue among politicians with sharply diverging views is taking place at all. The Norwegians have been quietly but effectively pushing such dialogue for the past three years, bringing leaders from across the political spectrum to Oslo for week-long visits and funding training for party cadres through ISPOS. Because of the respect they (and ISPOS) have garnered, they are able to bring together the likes of Jean-Juste and other hard-line FL partisans with conservatives such as MOCHRENA's Luc Mesadieu. (The colloquium was even a forum for an impromptu hour-long meeting between PM Latortue and Father Jean-Juste, where according to one contact the two long-time Floridians shared warm stories about their adopted state and argued over "political prisoners.")

8. (C) This process is an effort to achieve quickly what most actors here see as the first objective of the yet-to-be-launched National Dialogue process: a political pact in support of elections. (The second phase would be a broader, grass-roots dialogue on Haiti's future that would likely not start until after elections.) This is a positive development and we are encouraging all sides to sign on to the proposed electoral pact as an important step toward a free and fair election. Precisely because it would be that, of course, Lavalas hard-liners will have difficulty accepting it. Unlike the April 4, 2004 Transition Accord that Lavalas refused to sign because it "legitimized" the IGOH, in this case Lavalas has been involved in the negotiating process from the beginning. Jean-Juste himself, despite his rhetoric, has given indications to some of our political contacts that he is looking for a way to participate in the electoral process. Given his close ties to Aristide, we do not think it likely that he will sign on to the electoral pact at this time, but we do not rule it out.

FOLEY

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C O N F I D E N T I A L PORT AU PRINCE 000511

SIPDIS

SIPDIS

STATE FOR WHA/CAR
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SOUTHCOM ALSO FOR POLAD
STATE PASS AID FOR LAC/CAR
INR/IAA (BEN-YEHUDA)
TREASURY FOR MAUREEN WAFER

E.O. 12958: DECL: 03/13/2011
TAGS: PGOV, PREL, KDEM, HA
SUBJECT: HAITI ELECTIONS: EMBASSY TURNS OFF NATIONALITY
COMMISSION FOR NOW

REF: A. 05 PAP 2690
B. PAP 459

Classified By: Ambassador Janet A. Sanderson for reasons 1.4(b).

1. (C) Provisional Electoral Council (CEP) President Max Mathurin told Charge on March 9 that "the executive" had prepared a letter from the nationality committee, an ad hoc group of cabinet members convened to prevent candidates holding foreign citizenship to run for office (ref A), requesting that the CEP remove two senatorial and three

deputy candidates from the ballot because of their dual citizenship. The Charge expressed grave concerns that any further CEP action to remove candidates on the basis of dual nationality could re-open a legal battle and further delay the second round. Mathurin, however, seemed willing to consider the request and unworried about the consequences. (Note: Mathurin confirmed that the letter included Rudy Boulos, the leading vote-getter for senator from the Northwest. Boulos acquired Haitian and American citizenship at birth, and is prepared to argue that he never committed an expatriating act by naturalizing or otherwise renouncing his Haitian citizenship. His removal and inevitable challenge would have further complicated the legal morass that surrounds the issue).

2. (C) The Charge subsequently contacted Prime Minister Latortue, who claimed to have no knowledge of such a letter, and that the nationality commission had completed its work with the removal of Dumarsais Simeus and Samir Mourra from the presidential race. Following up with Canadian Ambassador Claude Bouchard, who was accompanying the PM in Canada and Interior Minister Paul Magloire, Charge discovered on March 13 that Justice Minister Dorleans had drafted a letter to the CEP. The PM and Magloire assured Bouchard and the Charge that the letter would not go forward.

3. (C) Comment. This incident is the latest in a long list of examples of cabinet indiscipline and an exasperating lack of judgment on the part of key Haitian officials. We were fortunate to have learned of this issue in time to head off potentially serious consequences, but the incident serves as a reminder that we must monitor every step of the IGOH and the CEP as they stagger toward the completion of the transition process. Dorleans had now placed himself at the center of two contentious issues -- his denunciation the previous week of the police agreement signed by the PM and the UN (ref B) had already effectively ruined his relationship with the PM -- and his actions merit particular scrutiny.

SANDERSON

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SIPDIS
WHA/FO CMCMULLEN, WHA/BSC MDRUCKER, BFRIEDMAN, MDASCHBACH

E.O. 12958: DECL: 2034/12/31
TAGS: PGOV [Internal Governmental Affairs], PREL [External Political Relations],
ECON [Economic Conditions], PA [Paraguay]
SUBJECT: WHA A/S VALENZUELA TELLS PARAGUAYANS TO WORK TOGETHER TO
STRENGTHEN DEMOCRATIC INSITUTIONS

CLASSIFIED BY: Perry Holloway, DCM; REASON: 1.4(B), (D)

SUMMARY

¶1. (C) WHA Assistant Secretary Arturo Valenzuela visited Paraguay December 17-18. Congressional leaders from major political parties expressed frustration with their failed attempts to initiate dialogue with President Lugo on building a national agenda. They commented on swirling rumors of presidential impeachment, but consensus was that interrupting the democratic process was not in Paraguay's best interest. Several cited Lugo's lack of political experience as an enormous challenge. A/S Valenzuela encouraged congressional leaders to identify areas of consensus to advance Paraguay's national interests. In a separate meeting, private-sector representatives told A/S Valenzuela that Paraguay was wasting an historic opportunity for change. They were disappointed that Lugo had not implemented stronger economic policies, but agreed that he should finish his term. In a one-on-one meeting with the Assistant Secretary, President Lugo said Paraguay's relationship with the U.S. was important and "special." In the following meeting with the foreign minister and Ambassador Ayalde, Lugo said he has continued Paraguay's tradition of strong relations with the United States and expressed admiration for President Obama. FM Lacognata explained how important the Andean Trade Preferences Development Act (ATPDEA) was to Paraguay and the GOP's priority of creating jobs and attracting investment. While many are frustrated with the lack of progress under Lugo's

government, a muted optimism regarding Lugo's potential should safeguard him against impeachment in the immediate future. But Lugo needs to take action and deliver results if he wants to finish his term, or the volume on impeachment rumors will rise again.
END SUMMARY.

LUNCH WITH CONGRESSIONAL LEADERS

¶2. (C) Congressional leaders told A/S Valenzuela that they had made several unsuccessful attempts to initiate dialogue with President Lugo to build consensus on a national agenda. Senate President Miguel Carrizosa reported that Congress was working to improve governability and the credibility of the political class, as well as to define a national agenda, but that progress was difficult in the absence of presidential leadership and political dialogue. Participants said President Lugo's own advisors blocked many reform initiatives, and that his leftist advisors and allies are the root of many of his problems. One noted that the Liberal Party, the anchor of Lugo's governing coalition, is in reality his strongest opposition (as evidenced by the daily conflict between Lugo and his Liberal Party Vice President Federico Franco).

¶3. (C) Congressional leaders commented on swirling rumors of presidential impeachment, but consensus was that interrupting the democratic process was not in Paraguay's best interest. One underscored that the discussion centered on impeachment by constitutional means, not a coup. The Beloved Fatherland party did not think that impeachment was the right path at this moment. UNACE (Lino Oviedo's party) did not want to obstruct the democratic process, but noted that the people voted for change. Colorado Party representatives said they did not have a formal position on impeachment, but would discuss the issue within the party (one Colorado faction believed if the status quo continued, they would move to impeach Lugo). All purported to want Lugo to finish his term, but insisted that he lead a national dialogue. In general, there was optimism that Lugo could still turn the situation around.

¶4. (C) Several participants cited Lugo's lack of political experience as an enormous challenge. Senator and former Foreign

Minister Miguel Abdon Saguier said he was not sure if Lugo understands that he needs Congress to govern. Several noted that

Lugo frequently blamed Congress for his government's lack of progress, but said they had passed all of the reform bills the executive branch presented to Congress. Two participants mentioned that Lugo refused to sign a democratic pact drafted by Congress, instead participating in an event where social movements called for Congress' dissolution. Senator Alberto Grillon of Lugo's coalition recognized the government's errors to date, citing inefficiency as the primary cause of GOP missteps. He said the GOP had to work to capitalize on its resources (soy, beef, energy) and reduce poverty. In that context, he hoped that the U.S. Congress would pass ATPA trade legislation to benefit Paraguay.

¶5. (C) A/S Valenzuela told the Paraguayans that they had a daunting task to build democratic institutions that are bigger than individuals. He encouraged them to work together on 4-5 topics of national interest. A/S Valenzuela said that strengthening democratic institutions is the only way to immunize the country against the myopic political motivations of populist leaders. He underscored the Obama government's interest in a stable, prosperous Latin America and the importance of identifying themes of mutual interest. A/S Valenzuela understood that a constitutional impeachment process is not equal to a coup, but warned that Paraguay should not use impeachment as a mechanism to resolve short-term political problems without carefully thinking through the consequences. Senate President Carrizosa welcomed Valenzuela's message about dialogue and collaboration, but implied that he should deliver the same message to President Lugo.

ROUNDTABLE WITH PRIVATE SECTOR & CIVIL SOCIETY

¶6. (C) Private sector representatives told A/S Valenzuela that Paraguay was on the brink of wasting an historic opportunity for change. They wished for a stronger economic policy from the Lugo administration, but were grateful that Lugo's economic policy had at least been moderate to date. Two participants said Lugo's early discourse as president had not encouraged investment, and that he had pitted the poor against the rich, leaving the business sector uneasy and with low levels of confidence in government. One noted that Lugo's participation at a recent USG-sponsored business forum had sent the right signals. (NOTE: Lugo also had dinner with the private sector to follow-up on the forum. END NOTE). They expressed interest in a pragmatic, modern state, and cited several concrete initiatives - implementation of the personal income tax and investment in infrastructure - which could help achieve

economic goals. Participants said Paraguay's poverty rate (around 38 percent) was unsustainable, and noted that ATPA benefits would be beneficial to Paraguayan producers. They acknowledged the country's weak democratic institutions, and that neither the president nor his cabinet were prepared for the challenges that face them. Still, they said, if Lugo does not finish his term, it would be a giant step backward for the country. The country's problems were not impossible, but required leadership and civil society participation and contributions.

¶7. (C) One academic noted that Paraguayans elected a president with virtually no representation in Congress, indicating that the voters wanted a weak executive. He said Lugo doesn't understand his power or his place in history. Lugo must, he said, define his ideology and his foreign-policy goals, and negotiate or leave office. He thought Congress preferred to throw Lugo out rather than work with him. Another academic noted that the 61-year-old system had imploded, but that there was not a new system to replace it. She said Paraguay was not ready to hear the new voices that were expressing themselves from the poor and the left. She noted that in spite of high expectations and increasing criticism of Lugo, his approval rating is higher than his predecessor's at the same point in his term. The Archbishop of Asuncion noted that Lugo had not

been a great leader in the Catholic Church, and had "not even the minimum capacity to govern." He, like several others, believed the country was disoriented, confused and conflicted following Lugo's election.

VISIT TO USAID HEALTH SECTOR PROJECT

¶8. (U) A/S Valenzuela met with the Minister of Health Esperanza Martinez and Vice Minister of Health Edgar Gimenez at the Health Ministry's Central Warehouse for medicines and supplies. Martinez recounted corruption and accountability challenges in the public health sector, where overvaluation, theft, inventory control, and breaches of contract standards are significant problems. She discussed how USAID, in part through Millennium Challenge Corporation funding under the Threshold Phase II Program, is supporting her ministry's efforts to strengthen logistics supply system, improve internal controls, and increase transparency in the procurement of medicines and supplies. A/S Valenzuela congratulated the minister for her efforts and emphasized that the work is important not only because it increases the quality and availability of medicines, but because it increases the strength of

government institutions. He noted that by seeking to improve its procurement practices and mechanisms through more transparent and responsive systems, the health ministry will improve rule of law within the Paraguayan State.

¶9. (U) A/S Valenzuela also visited a health clinic of the Paraguayan Center for Population Studies (CEPEP), which has received USAID support since 1999. CEPEP has expanded its provision of services and established a social pharmacy to provide low cost medicines to its clients. The A/S met with Dr. Cynthia Prieto, CEPEP's Director, who was also the health minister from 1989- 1993, the first woman minister in the Paraguayan government. CEPEP presented A/S Valenzuela with a copy of the 2008 Demographic and Health Survey, which provides important data on access to and use of reproductive health services, as well as other public health data. The Survey was prepared by CEPEP with USAID funding and CDC technical assistance.

MEETING WITH PRESIDENT LUGO

¶10. (C) In a 15-minute, one-on-one meeting at the presidential residence, Lugo told A/S Valenzuela that Paraguay's relationship with the United States was important and "special." Lugo wanted A/S Valenzuela to know this personally, since there are many rumors to the contrary. He confided that before taking the job of president he knew there would be challenges, but he never knew it would be so difficult. A/S Valenzuela responded that he recognized Lugo's challenges. He told Lugo that everyone wanted his government to succeed for the good of Paraguay and the two agreed that for success to happen, Paraguay needs to develop strong democratic institutions, greater social justice, and employment generation. A/S Valenzuela recommended that Lugo "reach out more to others" and "build alliances." He told Lugo that some would reject such offers, but that he needed to be perceived as seeking solutions and not promoting failure as some characterize his presidency. The president agreed.

¶11. (C) Lugo then invited Foreign Minister Hector Lacognata, Vice Foreign Minister Caceres, and Director of Bilateral Relations Roberto Benitez to join the meeting. In addition to A/S Valenzuela, the U.S. side included Ambassador Ayalde, Executive Assistant to the Assistant Secretary Juan Gonzalez, and DCM

(notetaker).

¶12. (C) Lugo opened by saying that he has continued Paraguay's tradition of strong relations with the United States. He expressed admiration for President Obama and said he enjoyed seeing him at the last Summit of the Americas in Trinidad and Tobago. He said that he and Obama share a number of challenges: They both campaigned on change and they both are attempting to reform health care. He hoped that he would have the chance to meet with President Obama privately before the end of his term. FM Lacognata chimed in saying that they had already requested such a meeting. A/S Valenzuela thanked Lugo for receiving him and stressed that he was in Paraguay to listen and learn.

¶13. (C) Lugo told A/S Valenzuela that he had been travelling in rural Paraguay and that he had just attended the inauguration of the construction of a highway that the Government had been promising to build for 20 years. Lugo said that they normally get about 200 people at an event like this, but that 5,000 people were in attendance. Lugo then talked about the solicitation process for road construction, and the work that was being done to make the bidding process more open and transparent. A/S Valenzuela used this opportunity to talk about competition and investment. He stressed that a successful democracy needs a working justice system, good investment infrastructure, investment in people, and clean institutions that respect the rule of law. He acknowledged that even the United States struggled with these issues in the midst of the recent economic crisis.

¶14. (C) The foreign minister gave a brief overview of Paraguay's macroeconomic situation, describing it as positive in spite of some challenges. He explained that Paraguay has an abundance of electricity, but the infrastructure to deliver the electricity is lacking. Lacognata mentioned a potential Canadian investment in the steel sector and how the company was willing to build the infrastructure it needed to connect to Paraguay's electrical production facilities. Lugo then stressed the importance of the 20,000 plus jobs that this investment would create and how it would be the largest investment ever in Paraguay after the binational dams. A/S Valenzuela interjected that Paraguay had tremendous potential, but would have to work hard. Lugo then talked about investment potential in the overlooked Paraguayan Chaco. (Embassy Comment: The Chaco is the western 60% of Paraguay and much of the area is hot, sparsely populated, flat, and undeveloped. There is little infrastructure of government presence and attracting investment will be difficult unless mineral resources were found, which has not happened to date. End Comment).

¶15. (C) A/S Valenzuela shifted the discussion to his earlier visit to a health ministry warehouse and an NGO-sponsored clinic, complimenting Lugo on the systems that were being installed to increase efficiency and limit corruption, particularly in the area of procurement. He stressed how important it was for Paraguay to develop its institutions. Ambassador Ayalde explained that this was something we were working on under the Millennium Challenge Corporation (MCC) Threshold II program. She noted that we are trying to increase efficiencies and combat corruption with different institutions such as the health ministry, the police, customs, the public ministry and the IPR office. A/S Valenzuela stressed that we need to see how we could do more.

¶16. (C) At the president's behest, Lacognata explained how important the Andean Trade Preferences Development Act (ATPDEA) was to Paraguay. He said that the trade preferences would help create jobs, which is one of the GOP's top priorities. He thought that the textile industry would be the biggest benefactor if ATPDEA were to pass, noting that the textile industry employees women and single mothers who are a very vulnerable group in Paraguay. A/S Valenzuela told the group that he had met with Representative Engel and that while he recognized that trade preferences would be good for Paraguay, he did not know the bill's current status. He described the deficit situation with the United States and the high unemployment and how there was a perception in our Congress that

this would be difficult to pass without the direct support of the Obama Administration. Lacognata said that they would lobby for ATPDEA and Ambassador Ayalde stressed that the GOP should ensure coordination of its efforts with Paraguay's private sector and Congress.

¶17. (C) Lacognata told the A/S that the GOP wanted the United States to be the primary investor in Paraguay. (Note: The United States is the largest source of foreign investment in Paraguay with over \$600 million). Lugo interjected that countries like China had promised to invest in Paraguay, but rarely delivered. Ambassador Ayalde stressed that the Embassy helps U.S. companies seek out investment opportunities in Paraguay, but that the GOP needed to continue working on ensuring that there is a level playing field for all with transparent, consistent rules of the game. She noted that situations like that of Crescent Oil did not help. Lugo looked puzzled and Lacognata explained that the case involved litigation between an American oil company and the Paraguayan government. A/S Valenzuela added that institutions that respected the rule of law were the key to successful investment, citing the experience of Chile. Lugo said that his government was talking with Chile and that they would see what parts of the Chilean experience could help them. He said the GOP was particularly interested in Chile's experiences with concessions. Ambassador Ayalde mentioned that the USG was working with Trade Development

Assistance (TDA) to help Paraguay in the area of preparing large solicitations (i.e. airport concession) that would guarantee transparency and provide equal protections to all.

¶18. (C) Lugo thanked A/S Valenzuela for the visit and encouraged him to come back. He told the A/S that when he returned they would do a trip to the Chaco so he could see another part of Paraguay. A/S Valenzuela thanked Lugo for his hospitality and assured the president that he could count on U.S. support for democracy and developing institutions.

POSITIVE PRESS COVERAGE

¶19. (U) Paraguayan media extensively reported on A/S Valenzuela's meeting with President Lugo, private lunch with congressional leaders, and visit to CEPEP. The print press alone published 21 stories with the common theme being the Assistant Secretary's recommendation that all political, economic and social actors engage in a national dialogue. After their closed press meeting with the Assistant Secretary, Senators Orlando Fiorotto (Colorado Party) and Alberto Grillon (Progressive Democratic Party), and Deputy Carlos Liseras (Colorado Party) conveyed their impressions of possible presidential impeachment, comparisons of Paraguay to Honduras, and deterioration of political dialogue. The Assistant Secretary's message of U.S. support for Paraguay's democratic institutions reached key media outlets, and was overwhelmingly positive.

COMMENT

¶20. (C) The message delivered by both congressional and private sectors actors to A/S Valenzuela was that they want Lugo to reach out to them in the national interest. While frustrated with the lack of progress under Lugo's government, most remained somewhat optimistic. This muted optimism, it seems, should safeguard Lugo against impeachment for the immediate future. A/S Valenzuela's visit came at a moment when tensions seemed to be dissipating, and his encouragement for Paraguayans to focus on common ground and

democratic institutions was timely. But as we have said before, Lugo needs to take action and deliver results. If he does so, he could survive politically and tame his many political opponents (including some factions of the Liberal Party). If he does not, the volume on impeachment rumors will rise again. END COMMENT.

This message was cleared by A/S Valenzuela.

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HOLLOWAY

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UNCLAS HAVANA 000142

SENSITIVE

SIPDIS

E.O. 12958: N/A
TAGS: SMIG, PREL, CVIS, CMGT, SOCI, CU, MX
SUBJECT: ILLEGAL MIGRATION FROM CUBA IN SHARP DECLINE

REFS: (A) HAVANA 0047 (B) 08 HAVANA 751 (C) 08 HAVANA 0951

1. (SBU) SUMMARY. Illegal migration from Cuba to the United States appears to have peaked in FY 2008 and has declined significantly. Illegal migration fell 20 percent in FY 08 and is down by almost 50 percent thus far in FY 2009. The decline has affected migrant flows both through Mexico - the main point of entry for undocumented Cuban migrants - and across the Florida Straits. With much of the Cuban public still eager to leave the island, the fall in illegal migration appears to reflect expanded legal migration opportunities, especially through the U.S.-Cuba Migration Accords, and the cumulative impact of law enforcement action against migrant smuggling organizations in south Florida. The downward trend in illegal migration from Cuba may well continue, absent a catastrophic collapse of the Cuban economy or similar precipitating event, as the United States' Cuban Family Reunification Parole program and Spain's new nationality law create new opportunities for legal migration. Between 2009 and 2011, a quarter of a million Cubans out of a total population of eleven million will either legally emigrate or acquire a second nationality. END SUMMARY.

2. (U) According to Department of Homeland Security statistics,

illegal migration from Cuba to the United States, after growing steadily after 2003, peaked in FY 2008 and has declined significantly thus far in FY 2009. Through May last year, illegal migration in FY 08 was on pace to substantially exceed the record levels of FY 07. More than 20,000 undocumented Cubans either entered the United States in FY 07 or were interdicted at sea by the U.S. Coast Guard and were returned to Cuba under the U.S.-Cuba Migration Accords, the highest number since 1994. However, illegal migration began falling dramatically late in the third quarter of FY 08, both through the U.S. border with Mexico - the principal point of entry for undocumented Cuban migrants since FY 2005 - and across the Florida Straits. By the end of FY 08 the number of undocumented Cuban migrants attempting to enter the United States had fallen by 20 percent compared to FY 07 (from 20,621 to 16,336), the first year-over-year decline since FY 2003.

3. (U) The decline in illegal migration first detected in FY 08 has continued - and even accelerated - in FY 09. According to U.S. Customs and Border Patrol statistics, during the first trimester of the fiscal year (October through January) 2,504 undocumented Cubans arrived at U.S. Ports-of-Entry (90 percent of them at POEs on the border with Mexico), compared to 4,026 during the same period of FY 08, a decline of 37 percent. Even more dramatically, according to U.S. Coast Guard figures, 374 Cuban migrants were interdicted at sea during the first trimester of FY 09, compared to 707 during the same period of FY 08, a decline of 47 percent. During this same period, total migrant flow across the Florida Straits (interdictions plus estimated successful arrivals) fell by almost half, from 1,644 to 875.

4. (SBU) Accounting for the decline in Cuban migration is no easy task. While the U.S. economic downturn has hit south Florida - the main destination for Cuban migrants - very hard, Cuban migration historically has not been strongly influenced by economic fluctuations in the United States (see paragraph six). Nor has Cuban migration mirrored broader migration trends; the surge in illegal Cuban migration post-FY 2003, for example, coincided with a 25 percent decline in illegal migration to the United States from FY 2004-FY 2007 (as measured by Border Patrol apprehensions of undocumented aliens). Meanwhile, as suggested by the Cuban public's enthusiastic response to Spain's new nationality law (Ref A), emigration remains a virtual obsession with many Cubans, especially, but by no means exclusively, with the young, now thoroughly disillusioned with the pace of 'reform' under Raul Castro. On balance, with Cuban migration following its own dynamic and with interest in leaving the island - by almost any possible means - still endemic, declining illegal Cuban migration may reflect the expansion of legal migration opportunities, and the impact of law enforcement action against the Florida-based smuggling organizations that have dominated migration since 2005.

5. (SBU) In FY 08, U.S. fulfillment of its commitment under the Migration Accords to authorize 20,000 Cubans in Cuba for migration, sent an important signal to the Cuban public that the Accords remained in effect and were a viable mechanism for legal migration (Ref B). Cuban government interference with USINT operations had resulted in a significant shortfall during FY 07. Also during FY 08, USINT began implementation of the Cuban Family Reunification Parole (CFRP) program, designed to increase the percentage of migrants

admitted to the United States each year who have family members in the United States. Informal USINT surveys of migrants returned to Cuba in late 2007 found that about one-third of them had a relative in the United States eligible to file an immigrant visa petition for them. However, faced with the ten to 12 year wait times associated with certain immigrant visa categories, many such relatives apparently preferred to hire smugglers to extricate family members from Cuba, despite the cost (\$10,000 a head), the risks involved in the sea voyage, and the frequent ruthlessness of the smugglers. With CFRP, which created an immediate parole benefit for all beneficiaries of immigrant visa petitions, the significant minority of potential illegal migrants with qualifying relatives in the United States had an incentive to pursue legal migration.

6. (SBU) The Federal Registrar notice announcing the CFRP program was published in November 2007, and the response of the Cuban-American community to the opportunity to help family members in Cuba emigrate legally has since been overwhelming. According to DHS statistics, the number of immigrant visa petitions filed on behalf of Cuban beneficiaries nearly tripled from 5,798 to 16,288 (we estimate that each petition will result in the emigration of about 2.5 people) between FY 07 and FY 08. The dramatic increase in immigrant visa petition filings in FY 08 is particularly noteworthy given the economic downturn in southern Florida, which might have been expected to discourage U.S.-based relatives from assuming the financial obligations inherent in sponsoring relatives for immigration.

7. (SBU) For its part, USINT made rapid implementation of CFRP a Mission priority to encourage public confidence in the program in the Cuban-American community and among potential migrants. For example, specific commitments to process minimum numbers of CFRP cases were incorporated into USINT's Mission Strategic Plan (MSP). The first CFRP cases were interviewed in February 2008 and the first CFRP travel documents were issued in late March. For FY 08, CFRP cases accounted for 26 percent of all travel documents issued under the Migration Accords (a figure likely to increase to 60 percent during FY 09) and USINT over-fulfilled its MSP commitment by 75 percent.

8. (SBU) In addition to the expansion of legal migration opportunities, the decline in illegal migration in the past year may reflect the cumulative impact of law enforcement action against the organized smuggling networks responsible for much of the increase in illegal migration since 2003. Prior to that time, the great majority of attempts to enter the U.S. illegally across the Florida Straits were made on rafts and other 'rustic' vessels built (or stolen) by the migrants themselves. In 2003-2004, Mexican fishermen developed the smuggling route between Cuba and Mexico's Yucatan Peninsula using only slightly more sophisticated vessels. Florida-based organized smugglers had begun to gain control of both the Florida and Mexico routes by 2005 and Cuban rustics and Mexican fishing boats were progressively displaced by high-powered 'go-fast' boats, many stolen in south Florida. By 2007, Cuban migrant smuggling was dominated by organized criminal networks; in FY 07, for example, 'go-fasts' were used in 75 percent of all Cuban migrant incidents according to U.S. Coast Guard statistics.

9. (SBU) In Cuba, the growth in illegal migration after 2003 was

accompanied by the rigorous application of the country's severe anti-migrant smuggling laws, which carry sentences of up to 30 years in jail. According to the Mexican Embassy here, 31 Mexicans are incarcerated in Cuba, all but a handful convicted on migrant smuggling charges. Most are modest fishermen from the Yucatan and almost all were convicted in the period 2004-2006, prior to the full 'professionalization' of the Mexican route. Meanwhile, of 18 American citizen prisoners currently in Cuban jails, eight were convicted of migrant smuggling and are serving sentences ranging from eight to 28 years. Finally, aggressive prosecution of migrant smugglers caused the number of Cuban migrant smuggling-related indictments in south Florida to nearly quadruple, from 35 to 125, and the number of defendants to more than triple from 61 to 217, between 2006 and 2008.

10. (SBU) Looking forward, absent a catastrophic collapse of the Cuban economy or similar precipitating event, the downward trend in illegal Cuban migration could well continue. The fall in Cuban migration through Mexico predated the October 2008 signing of the Memorandum of Understanding on Migration between Mexico and Cuba, but implementation of that agreement could consolidate the decline. According to the Mexican Embassy, the reduction in illegal Cuban migration through Mexico has already been so substantial that Mexico has not needed to request any additional repatriations since 75 migrants were returned in two repatriations in December 2008 (Ref C). Also, the agreement with Mexico may lead Cuba to seek similar agreements with other countries, notably Honduras, that would further reduce Cuban migrant flows to the U.S. southern border. Meanwhile, the expected acquisition of Spanish nationality by 150,000 Cubans over the next three years represents a further significant expansion of legal migration options. Together with those processed under the U.S.-Cuba Migration Accords, and smaller immigration programs at other embassies in Havana, about a quarter million Cubans out of a total population of some eleven million either will legally emigrate from Cuba or acquire a second nationality between 2009 and 2011.

11. (SBU) COMMENT. We believe that the significant decline in illegal Cuban migration reflects the successful diversion of chronic migratory pressure in a "safe, legal, and orderly" direction, consistent with the purpose of the U.S.-Cuba Migration Accords. USINT will continue to work towards meeting U.S. commitments under the Migration Accords, and will continue to expedite implementation of the CFRP program, to discourage migrants from taking to the sea.

12. (SBU) To further discourage illegal migration, the United States government may wish to consider renewed processing, on a limited basis, of Special Cuban Migration Program cases. Until its suspension in 2006, the SCMP, a Cuba-specific visa lottery designed in 1995 to capture the "rafter profile", constituted the most viable means of legal emigration for Cubans without relatives in the United States and those not able to pay the going rate of \$10,000 to go by fast-boat. USINT will make a recommendation on this subject shortly, after further study. END COMMENT.

FARRAR

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RHEHNSC/WHITE HOUSE NSC WASHINGTON DC PRIORITY

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C O N F I D E N T I A L SECTION 01 OF 06 HAVANA 000592

SENSITIVE
SIPDIS

DEPT FOR WHA/CCA
DEPT FOR USAID/LAC

E.O. 12958: DECL: 09/25/2019
TAGS: PREL, CASC, EAID, ETTC, ODIP, OEXC, OFDP, PHSA, PHUM,
SNAR, AA
SUBJECT: GOC SIGNALS "READINESS TO MOVE FORWARD"

REF: A. A) HAVANA 511 ("USINT FOLLOW-UP ON MIGRATION
TALKS")
B. B) HAVANA 512 ("BRITISH EMBASSY SEEKS TO BUILD
CIVIL SOCIETY")
C. C) HAVANA 437 ("GOC RESPONDS TO TIP DESIGNATION")

Classified By: Political Counselor Joaquin Monserrate for Reason 1.4(D)

1. (C) SUMMARY. Avowing a "readiness to move forward in our relationship," the Government of Cuba granted us unprecedented access to its state institutions during the visit of Deputy Assistant Secretary of State Bisa Williams from September 16 to 22. To underscore the move, the GOC also offered the Mission quarterly consular access to jailed Cuban-Americans that we identified, and extended full diplomatic protections and multiple-entry visas to USINT's Marine Security Guards and temporary duty personnel. The country's leading opposition figures told DAS Williams that they were heartened by the increased lines of government-to-government communications and encouraged the United States to continue prying open these links. The key to normalizing relations, DAS Williams told the Cubans, was not to be found solely in the degree of bilateral engagement between the United States and Cuba, but in the Cuban Government's efforts to engage its own people and to respond to their wishes. The visit included DAS Williams, participation in the United States - Cuba Direct Mail Talks held in Havana on September 18 (Septel), and took place during the much talked-about "Peace Without Borders" musical concert held on September 20. END SUMMARY.

AN UNPRECEDENTED WEEK

2. (C) WHA Deputy Assistant Secretary Bisa Williams led the U.S. delegation to the Direct Mail Talks with Cuba on September 18. In the following four days, DAS Williams met with officials from the Foreign Relations, Justice, Agriculture, Health and Interior ministries, the Prosecutors' Office, the University of Havana, and local officials in the Province of Pinar del Rio. DAS Williams also held roundtables with the leading figures from Cuba's dissident and blogger communities, and with resident EU ambassadors. In addition, she was allowed to travel twice outside the Havana Province perimeter, to visit the Latin American School of Medicine and the areas hardest hit by hurricanes in 2008 in the westernmost province of Pinar del Rio.

"CONFIDENCE BUILDING" KEY TO MOVE FORWARD

3. (C) DAS Williams discussed the purpose and ramifications of her visit and the Mail Talks during an extended meeting with Vice Foreign Minister Dagoberto Rodriguez. They agreed that further "confidence building" was essential, and acknowledged the considerable work that lies ahead. When DAS Williams brought up the treatment of prisoners in Cuban jails, for instance, Rodriguez noted how dialogue on this would be possible but only with countries with which there is "sufficient confidence" and mutual respect. The same, he said, applied to scholarships and lifting reciprocal travel restrictions on U.S. diplomats in Cuba and Cuban diplomats in

Washington, to name just two areas.

4. (C) VM Rodriguez seemed optimistic that things were moving in a positive direction. "We see a change in the rhetoric," he told Williams. "Even within the existing diplomatic constraints, we see a way forward." In granting

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almost all of DAS Williams' requests for Government of Cuba (GOC) meetings, "we meant to show our readiness to move forward in our relationship," he added.

RELAXING RESTRICTIONS ON USINT

5. (C) At the meeting, VM Rodriguez announced that the GOC would grant the Mission, effective immediately, access to eight Cuban-Americans serving prison terms here (REF A), including those outside the confines of Havana Province, and extend diplomatic protections to our short and long-term temporary duty personnel, including granting them multiple-entry visas (Note: The GOC,s abrupt decision in 2007 to stop issuing multiple-entry visas to the U.S. MSG detachment has been a bilateral point of contention as well as a serious morale and operational challenge for post . End Note). That is as far as it goes for now, the VM said. Acknowledging that the USG has already indicated readiness to move from authorized to notified travel for Cuban diplomats in Washington, Rodriguez said that more confidence-building would be required before the GOC would be willing to lift long-standing restrictions on travel by USINT personnel outside Havana.

STILL WARY OF OUR HUMAN RIGHTS AGENDA

6. (C) Although VM Rodriguez said that the domestic travel restrictions had been placed in response to U.S. limits on Cuban diplomats in Washington, he complained about our emphasis on raising human rights wherever we go. "I would note that when those trips took place, they were only used for just one type of activity," he said, in reference to outreach to the island's political opposition. "Sometimes it seemed that the only purpose of the trip was to pursue that type of meeting." He went on to complain that "your policy until now has been that civil society is only made up of one type of people; Cuban civil society is much broader than these small circles."

7. (C) The Foreign Ministry repeatedly warned DAS Williams about meeting with leading dissident "criminals," and was especially sensitive to the idea that international media might portray such contact in a way that embarrasses the regime. VM Rodriguez showed no flexibility on the two specific human rights cases raised, requests for medical

leave for prisoner of conscience Ariel Sigler Amaya and an exit permit for the wife of prisoner of conscience Oscar Biscet to travel to Spain for medical treatment.

THE EU ON THE GROUND AND THE OPPOSITION

8. (C) The Ambassadors of Sweden, Spain, the United Kingdom, Hungary, France and the EU charge, told DAS Williams at a roundtable meeting that the access of their visitors to the GOC was always conditioned on shunning the opposition. When they learned that Williams would see opposition anyway, they announced that they would protest the "double standard" and would begin to demand similar leeway for their visitors.

9. (C) The meeting with the EU countries exposed the divisions between those that place human rights at the top of their agenda, like Sweden and the UK, and those that do not, like Spain and France. Some in the latter camp, joined by the EU representative at the meeting, dismissed the dissidents in the same terms as the GOC, insisting that "they

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do not represent anyone." The UK Ambassador told us that the EU was so divided that they could not even agree upon a set of specific human rights benchmarks. (REF B) "It's not that we're not doing human rights," the EU rep replied, "but we want to trade and invest." The UK Ambassador told us on the side that potential visitors from countries interested in meeting with civil society (e.g., UK, Hungary) are undercut with the GOC by visits from EU countries who are not interested (e.g., Spain, France). The EU group was uniformly critical of the U.S. embargo on Cuba, yet they volunteered that the embargo gave the USG leverage with the GOC which the EU lacked.

OPTIMISM IN THE CUBAN CIVIL SOCIETY

10. (C) DAS Williams met separately with a broad range of civil society activists, including dissidents, former political prisoners, independent journalists and bloggers. Although scathing in their assessment of the GOC's intentions towards the United States, they all strongly supported continued government-to-government engagement and expressed great appreciation for the opportunity to meet with a visiting high-ranking U.S. official. "For the first time Cuba has an administration in the U.S. which is dealing intelligently and eschewing rhetoric," dissident economist Oscar Espinosa Chepe told us. They also urged patience. "The process of change is afoot, I know it will be slow, but the top is crumbling," Espinosa Chepe's wife and diplomat-turned-dissident Miriam Leyva stated.

11. (C/NF) The bloggers, who partly out of self-preservation

do not want to be lumped in with the dissident community, were equally optimistic about the course of events. "An improvement in relations with the United States is absolutely necessary for democracy to emerge here," blogging pioneer and Time magazine's 100-most influential person Yoani Sanchez told DAS Williams in her modest apartment. "Restrictions only hurt us," she added. "Do you know how much more we could do if we could use Pay Pal or purchase things on-line with a credit card?"

POSSIBLE OPENING FOR ACADEMIC COOPERATION

12. (C) In DAS Williams, meetings with Cuban officials, the GOC criticized the USG,s "one-sided" approach to academic cooperation. VM Rodriguez said that, as confidence builds, the GOC would review whether to loosen its strict stance on U.S.-sponsored scholarships. "The key is what kind of relationship we have, it doesn't make sense to do scholarships now when relations are poor." He noted, however, that Cuba would prefer scholarships in the hard sciences, and in the past the USG had offered only social science courses.

13. (C) Despite this, DAS Williams, meeting at the University of Havana was positive, constructive, and frank, with a focus on learning from past failures and exploring avenues for future cooperation. The University was represented by the Vice Rector for International Relations, the Director of the Center for U.S. Studies, and other faculty and staff. The Vice Rector noted approvingly that this was the highest ranking U.S. visit ever to the University, and hoped that this indicated a positive change in posture towards academic cooperation. University officials appeared open to DAS Williams, suggestion that they invite USINT COM or other American speakers to the

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university to discuss topics of interest to students in an academic, symposium-like setting where there could be real give and take.

EXPLAINING THE SCHOLARSHIP PROGRAM

14. (C) DAS Williams told officials that the USG was concerned that Cuban students who had applied for the USG-offered scholarships were now being subjected to reprisals and discriminatory treatment at the university. She noted that although the university may not have sanctioned such treatment, we had credible reports of its occurrence. Responding, University officials denied reports of officially-sanctioned mistreatment of USG scholarship applicants. They said that the reason the students were prevented from accepting the scholarships stemmed from lack

of advanced coordination with the University. Noting that the USG scholarship program was course credit-oriented and was not compatible with the University's course structure which could not accommodate any lengthy absence during the academic year, the Vice Rector suggested that in the future we propose graduate-level research courses. University of Havana officials were surprised when DAS Williams noted that we had shared information with the Foreign Ministry regarding the proposed educational exchanges well in advance, forcing the a Foreign Ministry representative at the meeting to explain that the GOC had decided unilaterally as a matter of foreign policy that Cuban students would not be allowed to participate in the program.

LAW ENFORCEMENT COOPERATION

15. (C) The GOC pushed hard for increased law enforcement cooperation, especially in counternarcotics. The top drug fighter at the Interior Ministry, Colonel Jorge Samper, commented that bilateral cooperation was often one-sided, and that the GOC would like to be able to work more closely with the United States in sharing information about trafficking patterns in the region. Foreign Ministry officials told us that they would be submitting "next month at the latest" a proposal to increase cooperation in counter-narcotics trafficking, including money laundering. (Note: this is the same proposal that the Foreign Ministry promised to deliver the week after the Migration Talks in New York in July).

16. (C) The GOC also informed us that they had no objections to the voluntary repatriation of Amcit fugitive Luis Armando Pena Soltren who is wanted in the United States for hijacking an aircraft from the United States to Cuba in 1968. The GOC also received with obvious interest a request from the U.S. Department of Justice that Cuba provide evidence and witnesses in the case against Luis Posada Carriles, a request we made to the Foreign Ministry by diplomatic note during the visit.

CHALLENGING OUR TIPS, TERRORISM AND HUMAN RIGHTS LISTS

17. (C) DAS Williams told Justice and Foreign ministry officials that we were aware of the Cuban government's dissatisfaction with their ranking in the U.S. reports on trafficking in persons and human rights. (REF C) She encouraged the GOC to meet with USINT officials to provide data relevant to both reports, stressing in particular that the trafficking report required information on prosecutions that we had been unable to verify. They bristled at the mere

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suggestion. "Nowhere in international law does it say that the U.S. should or can prepare a report on Cuba," the

Director of the International Cooperation Division of the Justice Ministry stated. "With all due respect, we have no obligation to report anywhere except to the international bodies. When we get to the day of normalization, we could perhaps get to a point where we can discuss these things."

18. (C) On terrorism, the Cubans took a similar line. "What right do you have to judge other countries?" VM Rodriguez asked. "If we were to do our own list the U.S. would be there because in the United States there are thousands of Cubans who are truly terrorists." However, on terrorism the Cubans seemed slightly less reluctant to engage. DAS Williams stressed that removal from the sponsors of terrorism list would be possible if specific procedures were followed and she encouraged VFM Rodriguez to meet with COM Farrar to review the process. "You just told us to study how to get off the list without telling us how," Foreign Ministry's Director of the International Cooperation Josefina Vidal pleaded, leaving the door open to further discussions on this.

U.S. FUGITIVES

19. (C) DAS Williams took the opportunity to press the Cubans on the over 100 fugitives believed to be resident in Cuba. She told Interior and Foreign Ministry officials that the issue would not go away and that we would continue to seek their return. Noting that similar Cuban requests were ignored in the early 1960s, Vidal quipped: "We have a long list ourselves."

MAKING AN IMPACT IN THE HURRICANE IMPACT ZONE

20. (C) DAS Williams got a chance to visit the worst-hit areas by hurricanes Ike and Gustav in 2008, in Cuba's westernmost province of Pinar del Rio. Unlike in 2008, when we were kept at arm's length by the GOC, the regional authorities received us warmly, giving us a detailed presentation of the damage and rebuilding work. The Venezuelans supplied roofing material -- "they send us one container after another, week after week," Provincial Assembly Chairman Ernesto Barreto told us -- and even building a model 38-home neighborhood of aluminum-walled, steamy homes. Stiff and unsure of our intentions at first, the Chairman and his entourage became progressively affable as the visit went on, even riding in the USINT van with our delegation to encourage us to visit more often.

THE MEDICAL SCHOOL

21. (C) Despite having repeatedly denied USINT permission to visit the Latin American Medical School (ELAM) just outside the limits of Havana Province, the GOC consented to DAS Williams' request. At ELAM, we met a half-dozen American

students who enrolled in the six-year program through the U.S.-based Pastors for Peace program. They were enthusiastic with ELAM's focus on social work, and happy to see their country's representatives. They told us that they were unaware that USINT had been kept from visiting them at ELAM. The students had few complaints about the school, but at least one urged for assistance in easing the process of receiving funds from home. All of the students lamented that their academic study in Cuba does not qualify them to defer

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payment of their undergraduate student loans as they would have been able to if they had pursued medical training in the U.S. (Note: USINT Consular section will follow-up with CA on how to facilitate their ability to receive financial support from their parents in the U.S. End Note.)

THE CONCERT

22. (C) While the visit was taking place, another event --the "Peace Without Borders" concert organized by Colombian musician Juanes-- dominated the news. Cubans of all stripes read subtle messages everywhere, from the song selections to the statements proffered from the stage. What was unique was how universally praised the concert was here. Vice Foreign Minister Rodriguez and blogger Sanchez both agreed that the concert had turned a page in Cuban history. "The concert is a beginning, it's part of what are doing," Rodriguez said.

COMMENT: TIME TO TAKE STOCK AND FOLLOW UP

23. (C) It is hard to overstate just how markedly improved were our dealings with the Cuban Government and GOC institutions during the Mail Talks and subsequent meetings of DAS Williams' visit. Whether this presages a true operational shift on the part of the GOC remains to be seen. What is clear is that the GOC is willing to fine-tune its adversarial stance if it sees it in its interest to do so. This presents us with enormous opportunities to set and influence the terms of our future exchanges (Septel). As we did during the visit, we will continue to press the point that the GOC engagement with the Cuban people will do more to influence the bilateral relationship than its government-to-government engagement. Nonetheless, there are a number of action items from the various meetings that provide opportunity for us to test the GOC's willingness to continue to make progress on issues of interest.

FARRAR

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C O N F I D E N T I A L HAVANA 000768

SIPDIS

DEPT FOR WHA/CCA AND CA/OCS
DEPT PASS TO NSC

E.O. 12958: DECL: 12/24/2019
TAGS: CASC, PREL, PGOV, CU
SUBJECT: GOC GRANTS ACCESS TO ALAN PHILIP GROSS

Classified By: COM Jonathan Farrar for reasons 1.4 (b) and (d)

1. (C) SUMMARY: The Cuban Ministry of Foreign Affairs (MINREX) called in COM and CG on December 24 to inform the U.S. Interests Section (USINT) that access to arrested Amcit Philip Alan Gross had been granted for Monday, December 28. The Government of Cuba's (GOC) response to other outstanding consular access issues, including initial consular access to two arrested Cuban-Americans is still pending. END SUMMARY.

2. (C) On the morning of December 24, Chief of Mission Jonathan Farrar and Consul General Martha Melzow were invited to MINREX for a meeting to discuss consular access. MINREX officials present in the meeting were Director of the North America Office Josefina Vidal Ferreiro, Deputy Director of the North America Office Johana Tablada de la Torre, and Counselor Eduardo Martinez Borbonet. Vidal opened by mentioning that she was aware of USINT's request for consular TDY assistance from the U.S mission in Mexico. She said that the new CG in Mexico City, Sean Murphy, had contacted the Cuban Embassy there in this regard. The CG informed her that one request was being processed through the Cuban Interest Section (CUBINT) in Washington and the other through Mexico City.

3. (U) Vidal provided a positive MINREX response to the three USINT dipnotes requesting access for Consul General Martha Melzow and a consular assistant to visit arrested American Citizen Alan Phillip Gross. The consular visit will take place on Monday, December 28, 2009 at 10:30 A.M. at Villa Marista. Vidal confirmed that Gross had spoken to his wife for the second time the evening of Wednesday, December 23.

4. (C) When queried concerning USINT's request for a meeting on the repatriation process for incarcerated Cuban-Americans, Vidal informed the COM that MINREX was consulting with the legal department of the Ministry of the Interior (MININT) as well as the consular affairs section in MINREX to determine who would attend.

5. (C) The CG informed Vidal that USINT was still awaiting a response to requests for initial consular access to arrested American citizens Lazara Estrella de Armas (currently detained in Prision Occidental de Mujeres, Manto Negro) and Xiomara Pena (currently detained at 100 y Aldabo in Havana). Vidal responded that both requests had been forwarded to MININT and more precise details would be forthcoming.

FARRAR

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S E C R E T VIENTIANE 000487

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BANGKOK FOR LEGATT
BANGKOK FOR RSO
STATE FOR EAP/MLS (E. BESTIC)
STATE FOR DS/IP/ITA (G. MOODY)
STATE FOR DS/IP/EAP

E.O. 12958: DECL: 06/10/2017
TAGS: ASEC, LA, PGOV, PREL, PTER
SUBJECT: HMONG-AMERICAN LEADER PROVIDES INSIGHTS INTO COUP
PLOT, ASKS FOR PROTECTION

Classified By: Charge d'affaires, a.i. Mary Grace McGeehan for reasons
1.4 (b) and (d).

1. (S) Summary: The politics of the Hmong communities in both Laos and the United States are extremely complex. As a result, a conversation with even a well educated Hmong (or Hmong-American) leader involves exaggeration and guess work and often raises more questions than it provides answers. Nevertheless, a recent conversation with Hmong-American leader XXXXXXXXXXXX raises several issues that may be worth pursuing. XXXXXXXXXXXX also asks for police/FBI protection before agreeing to address a Hmong-American gathering in Fresno, California. Since he may be in possession of important, time-sensitive information and seems to be willing to pass a positive message -- that Hmong-American support for attempts to destabilize the Lao Government violates U.S. laws -- the FBI may have interest in contacting him, and the

Department may have an interest in supporting the dissemination of this message. XXXXXXXXXXXX asks the Department to write letters directly to Hmong groups in the United States to repeat this message. Please see our action requests in paragraph 13. End summary.

The Chao Fa

2. (S) A/DCM met with noted Hmong-American leader XXXXXXXXXXXX (strictly protect) three times during the week of the arrest of Hmong-American conspirators by the U.S. DOJ. XXXXXXXXXXXX, well known within the Hmong-American community XXXXXXXXXXXX in the United States XXXXXXXXXXXX, asked that Embassy Bangkok pursue an investigation into an investment in a company in Thailand that the Chao Fa group may be using to set up a base of operations to help support its activities in Laos.

3. (S) We understand the Chao Fa to be a group, originally set up in 1917 or so, espousing a more "pure" Hmong tradition, and a tradition more based on magic and spirits than that of the Neo Hom group led by General Vang Pao. The Chao Fa and Neo Hom have led very separate movements in opposition to the Government of Laos (GOL) over the years. Thus we view with concern reports from XXXXXXXXXXXXand elsewhere that the Chao Fa and Neo Hom may have started cooperating since the beginning of this year.

4. (S) XXXXXXXXXXXXreported a new sense of confidence on the part of the Chao Fa since the Presidency of the "Unrepresented Nations and Peoples Organization" (UNPO) accepted the Hmong Chao Fa Federated State as a member during a UNPO meeting held at the European Parliament in Brussels February 1-3. The "state" envisioned for the Chao Fa appears to include 320,000 Hmong people living on approximately 50,000 square kilometers north of Vientiane -- all or parts of Houaphan, Xieng Khouang, and Sayaboury Provinces and the city of Luang Prabang. (Note: The political front of the Chao Fa is apparently the World Hmong People's Congress (WHPC) headquartered in New York City.)

5. (S) According to XXXXXXXXXXXX, Chao Fa recruiters visited California, Minnesota, Wisconsin, and Michigan at the end of March and in early April looking for volunteers and promising that, now that the Hmong are recognized by UNPO, the USG will help them build a Hmong Nation in Laos. Apparently as part of this new level of confidence, earlier this year the Chao Fa invested in a Chinese company named "Borisat Wang Jing" ("Wang Jing Company") located in Chiang Saen in Chiang Rai Province in Thailand. The Chao Fa plan to use this company as a base from which they can enter Laos and undertake activities. XXXXXXXXXXXXnoted that the current Chao Fa leader is Pa Kao Moun, who fled from Laos to Thailand after the change of government in Laos in 1975. Pa Kao Moun has remained in Thailand since 1975 and is now roughly 60 years old. (Note: his name would indicate he is a close relative of former Chao Fa leader Pa Kao Her who was assassinated in late 2002.) XXXXXXXXXXXXhas heard that the Chao Fa leaders do not see the recent arrests of General Vang Pao and his group to have any implications for them or their future

activities.

Neo Hom (United Front)

6. (S) XXXXXXXXXXXX indicated that two leaders of General Vang Pao's Neo Hom organization in Thailand are XXXXXXXXXXXXand

XXXXXXXXXXXX, both of whom have homes (apparently in northern Thailand) that can be used as bases of operation for the Neo Hom. In addition, XXXXXXXXXXXX identified a "Mr. Bird" in Chiangmai, Thailand, as having worked with General Vang Pao for many years. Mr. Bird, whose mother is Thai and father American, is head of a Hmong Chao Khao Foundation (Hmong Mountain People Foundation) based in Chiangmai.

7. (S) XXXXXXXXXXXXpassed along a rumor he had been told by a Hmong contact from Thailand (who had reportedly been told in turn by a Thai undercover officer) that there are as many as 500 Hmong-Americans currently in Thailand, apparently as part of planned Neo Hom operations. When pressed, XXXXXXXXXXXX admitted the number was probably exaggerated but judged that there were probably at least 20 operatives. XXXXXXXXXXXX expressed particular concern about being told by his own contacts two days earlier that, of the 8200 Hmong at the Huay Nam Khao holding camp in Thailand's Petchabun Province, as many as 1000 were prepared to cross back into Laos to (re)join the insurgency. Asked how the Neo Hom could be operating with such apparent impunity, XXXXXXXXXXXX said his contacts report regular payments to Thai military officers at the level of colonel and general.

A Third Group

8. (S) XXXXXXXXXXXX mentioned to A/DCM for the first time that there is a third Hmong insurgent group which had broken off from the Chao Fa movement after the October 2002 assassination of Pa Kao Her. XXXXXXXXXXXX described this very small Thai-based group as being led by former Pa Kao Her secretary general Teng Yang.

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Playing Rough

9. (S) XXXXXXXXXXXX expressed strong concern about methods being used by both Chao Fa and Neo Hom in the last few months. He referred to Neo Hom activists who visited the Huay Nam Khao holding camp in February and recruited ten Chao Fa supporters to return to Laos on a scouting mission. After spending two weeks in Laos, they reportedly returned to Huay Nam Khao to tell the activists there was no chance the general Hmong population in Laos would support an uprising -- too many had achieved economic or political success (with more Hmong now in government positions than had been the case in 1975 -- ranging from Politburo Member Madame Pany Yathorthou to cabinet members, governors, deputy governors, mayors etc.). The activists told the ten scouts they all needed to go to Bangkok to report this -- and the ten have not been seen since.

10. (S) XXXXXXXXXXXX also mentioned another contact in Laos who called him in the United States in April saying Chao Fa operatives had visited his home to recruit him to help ambush busses. They left him 40 "files" of information to be passed on to other likely supporters. He called XXXXXXXXXXXX to ask what to do. XXXXXXXXXXXX told him to burn the files and avoid further contact with the Chao Fa operatives. When XXXXXXXXXXXX arrived in Laos last week, he called the contact only to find his number had been disconnected, and the contact is nowhere to be found.

Direct Mail

11. (S) XXXXXXXXXXXX assured A/DCM that, before leaving on this trip to Laos, he had stopped in Fresno and appeared on a local Hmong radio program XXXXXXXXXXXX to tell the audience (before the arrests of the General Vang Pao group) that actions against the GOL violated U.S. laws. He believes it important for the Department of State to send letters to all major Hmong organizations in the United States to repeat this message to them directly. XXXXXXXXXXXX remembered former EAP DAS Matt Daley delivering this message to a conference of Hmong Americans in 2004 with great impact. XXXXXXXXXXXX pointed out he appeared on radio programs and at Hmong-American gatherings after this conference to help repeat Mr. Daley's message.

Fresno

12. (S) XXXXXXXXXXXX also told A/DCM he has heard from his family that he is being invited to address a gathering of Hmong Americans in Fresno when he returns to the United States. (Note: he departs Vientiane tonight -- June 11). However, he is unwilling to do so without protection from the local police and/or FBI. Since he appears to be willing to deliver to the Hmong American community a strong message against helping the insurgency, supporting him would appear to be in USG interests.

Action Requests

13. (S) We recommend that the Department take the following actions:

a) instruct Embassy Bangkok to coordinate with Thai authorities to check on the company named in para 5 (Borisat Wang Jing) and the several Hmong leaders currently living in Thailand mentioned in paras 5, 6, and 8.

b) consider the proposal for letters from the Department to the main Hmong organizations in the United States delivering the message stated by EAP DAS Daley in 2004: that support of attempts to overthrow the GOL violate U.S. laws.

c) pass on to the FBI XXXXXXXXXXXX's request for protection if he addresses a gathering of Hmong Americans in Fresno California, a central location for General Vang Pao

supporters. XXXXXXXXXXXXmay be reached at phone number:
(XXXXXXXXXXXX. XXXXXXXXXXXX may be able to provide valuable
information to the FBI regarding the inner workings of these
Hmong organizations which may assist the ongoing FBI
investigation(s).

COMMENT

14. (S) XXXXXXXXXXXXknows all of these players well -- he
was a political advisor to General Vang Pao before 1975 and
was briefly a senior official in the Neo Hom organization in
the early 1980s before he broke with Neo Hom over tactics.
It is of course likely that he is attempting a balancing act:
using this opportunity to enhance his position within the
Hmong-American community and furthering his own personal
agenda while also attempting to keep the Hmong-American
community within the confines of U.S. law. Nonetheless, the
message he seems willing to deliver is a message we need
repeated in the Hmong-American community, so the Embassy
recommends the Department follow up on his information and
suggestions.

MCGEEHAN

=====CABLE ENDS=====

SIPDIS

DEPARTMENT FOR NEA/ELA, DRL/NESCA, INL AND INR/NESA
NSC FOR PASCUAL AND KUTCHA-HELBLING

E.O. 12958: DECL: 01/15/2029

TAGS: PGOV PHUM KDEM EG

SUBJECT: GOE STRUGGLING TO ADDRESS POLICE BRUTALITY

REF: A. 08 CAIRO 2431

¶B. 08 CAIRO 2430

¶C. 08 CAIRO 2260

¶D. 08 CAIRO 783

¶E. 07 CAIRO 3214

¶F. 07 CAIRO 2845

Classified By: Ambassador Margaret Scobey for reasons 1.4 (b) and (d).

¶1. (C) Summary and comment: Police brutality in Egypt against common criminals is routine and pervasive. Contacts describe the police using force to extract confessions from criminals as a daily event, resulting from poor training and understaffing. Brutality against Islamist detainees has reportedly decreased overall, but security forces still resort to torturing Muslim Brotherhood activists who are deemed to pose a political threat. Over the past five years, the government has stopped denying that torture exists, and since late 2007 courts have sentenced approximately 15 police officers to prison terms for torture and killings. Independent NGOs have criticized GOE-led efforts to provide human rights training for the police as ineffective and lacking political will. The GOE has not yet made a serious effort to transform the police from an instrument of regime power into a public service institution. We want to continue a USG-funded police training program (ref F), and to look for other ways to help the GOE address police brutality. End summary and comment.

A Pervasive Problem

¶2. (C) Torture and police brutality in Egypt are endemic and widespread. The police use brutal methods mostly against common criminals to extract confessions, but also against demonstrators, certain political prisoners and unfortunate bystanders. One human rights lawyer told us there is evidence of torture in Egypt dating back to the times of the Pharaohs. NGO contacts estimate there are literally hundreds of torture incidents every day in Cairo police stations alone. Egyptians are bombarded with consistent news reports of police brutality, ranging from high profile incidents such as accidental but lethal police shootings in Salamut and Aswan this past fall (refs B and C) that sparked riots, to reports of police officers shooting civilians following disputes over traffic tickets. In November 2008 alone, there

were two incidents of off-duty police officers shooting and killing civilians over petty disputes. The cases against both officers are currently making their way through the judicial system.

¶3. (C) NGO and academic contacts from across the political spectrum report witnessing police brutality as part of their daily lives. One academic at XXXXXXXXXXXX who is a member of the ruling National Democratic Party (NDP) policy committee told us of accompanying his sister to a Cairo police station to report her stolen purse. In front of this academic, the police proceeded to beat a female suspect into confessing about others involved in the theft and the whereabouts of the stolen valuables. A contact from an international NGO described witnessing police beat the doorman of an upscale Cairo apartment building into disclosing the apartment number of a suspect. Another contact at a human rights NGO told us that her friends do not report thefts from their apartments because they do not want to subject "all the doormen" in the vicinity to police beatings. She told us that the police's use of force has pervaded Egyptian culture to the extent that one popular television soap opera recently featured a police detective hero who beats up suspects to collect evidence.

¶4. (C) Contacts attribute police brutality to poor training, understaffing and official sanction. Human rights lawyer XXXXXXXXXXXX XXXXXXXXXXXX XXXXXXXXXXXX speculated that officers routinely resort to brutality because of pressure from their superiors to solve crimes. He asserted that most officers think solving crimes justifies brutal interrogation methods, and that some policemen believe that Islamic law sanctions torture. XXXXXXXXXXXX commented that a culture of judicial impunity for police officers enables continued brutality. According to XXXXXXXXXXXX, "Police officers feel they are above the law and protected by the public prosecutor." Human rights lawyer XXXXXXXXXXXX attributed police brutality against common criminals, including the use of electric shocks, to the problem of demoralized officers facing long hours and their own economic problems. He asserted that the police will even beat lawyers who enter police stations to defend their clients.

Criminals and Islamists

¶5. (C) XXXXXXXXXXXX explained that since the GOE opened a dialogue with formerly violent Islamists, such as the Islamic Group, following the 1997 Luxor terrorist attacks, torture of Islamists has decreased. XXXXXXXXXXXX claimed that the GOE now treats Islamists better than common criminals. Some Islamist detainees are "spoiled," he asserted, with regular access to visits from friends and family, decent food and education. Before the Luxor attacks, XXXXXXXXXXXX commented, the government would torture Islamist detainees on a daily basis.

¶6. (C) Attorney XXXXXXXXXXXXXXX commented that the GOE is more reluctant to torture Islamists, including Muslim Brotherhood (MB) members, because of their persistence in making public political statements, and their contacts with international NGOs that could embarrass the regime. XXXXXXXXXXXXXXX speculated that the exception to this rule is when MB members mobilize people against the government in a way the regime deems threatening, such as the April 6 Facebook strike (ref D). According to XXXXXXXXXXXXXXX, the MB-affiliated blogger and "April 6 Movement" member XXXXXXXXXXXXXXX whom police arrested November 20 (ref A) falls into this category, and the GOE is probably torturing him to scare other "April 6" members into abandoning their political activities. XXXXXXXXXXXXXXX's assessment tracks with "April 6" member XXXXXXXXXXXXXXX's accounts of his own torture and the alleged police sexual molestation of a female "April 6" activist this past November (ref A). Bloggers close to XXXXXXXXXXXXXXX told us that following his arrest he was tortured severely with electric shocks and needed to be hospitalized, but that security forces stopped the torture when he began cooperating.

GOE Awareness of the Problem

¶7. (C) Contacts agree that in the past five years, the government has stopped denying that torture exists and has taken some steps to address the problem. However, contacts believe that the Interior Ministry lacks the political will to take substantive action to change the culture of police brutality. XXXXXXXXXXXXXXX asserted that following alleged standing orders from the Interior Ministry between 2000 and 2006 for the police to shoot, beat and humiliate judges in order to undermine judicial independence, the GOE made a political decision in 2007 to allow the courts to sentence police officers to short prison terms. XXXXXXXXXXXXXXX described the 2007 Imad El-Kebir case as a turning point in influencing the government to permit the sentencing of police officers. (Note: Per ref E, a court sentenced two police officers to three years in prison in November 2007 for assaulting and sodomizing bus driver Imad El-Kebir. The case gained notoriety after a cell phone video recording of the torture was posted on YouTube. End note.)

¶8. (C) An estimated 13 cases of officers accused of brutality are currently working their way through the courts, and judges have handed down moderate sentences, usually the minimum three-year prison term, against policemen over the past few months, often for heinous crimes. For example, in October 2008, a court sentenced a policeman to three years in prison for beating and drowning a fisherman. In November 2008, a court sentenced two policemen to three years in prison for hooking a man to their car and dragging him to his death. XXXXXXXXXXXXXXX characterized the sentences as "light," in proportion to the crimes, but commented that any prison sentences are an important development toward holding the police responsible for crimes. XXXXXXXXXXXXXXX commented that the prison sentences demonstrate that the GOE is

providing political space for judges to operate somewhat independently, in response to criticism from foreign governments and international NGOs. XXXXXXXXXXXXXXX of the Egyptian Initiative for Personal Rights described the sentences as important in drawing public attention to brutal police crimes, and strengthening the hand of advocates who call for reforming systemic problems within the police force.

GOE Efforts

¶9. (C) Ambassador Ahmed Haggag, who is detailed from the MFA as the coordinator for the UNDP Human Rights Capacity Building Project, described for us the organization's efforts to train the Interior and Justice Ministries and the Public Prosecutor on human rights issues through lectures and workshops. Acknowledging that torture is a "problem, but not a daily occurrence," Haggag said the UNDP trains police officers on international human rights conventions, and is trying to convince police officers to solve cases using "legal and ethical means," instead of torture. Haggag told us he "doubts there is still torture against political prisoners." Staffers from the quasi-governmental National Council for Human Rights described the council's workshops for police officers where professors give lectures on human rights law and prisoner psychology. NGO contacts have privately criticized the UNDP project as ineffective, complaining that it has banned credible human lawyers from giving lectures to the police because of their political opposition to the NDP, and instead invites MOI officials complicit in torture to give human rights presentations.

¶10. (C) In late December 2008, the MOI announced it had suspended 280 police officers for human rights violations and fired 1,164 lower-ranking policemen for misconduct. Our NGO contacts doubted that the disciplinary actions were human rights related, and speculated that the officers were probably involved in taking bribes and other illegal activity. XXXXXXXXXXXXXXX asserted that this announcement does not amount to a serious MOI human rights policy. XXXXXXXXXXXXXXX expressed skepticism over whether these disciplinary actions will result in long-term positive changes, especially in light of rumors that one of the officers sentenced in the 2007 El-Kebir sodomy case will rejoin the police force as soon as he leaves prison.

¶11. (C) Former senior Interior Ministry official Ihab Youssef, Director of the NGO "The Police and the People for Egypt" told us in late 2008 that his NGO did not receive many proposals from the public in response to its solicitation for ideas on developing projects to build trust between the police and citizens. Youssef said that the NGO's Facebook site, which provides a forum for the public to complain about the police, has generated more interest. In September 2008, Youssef publicly announced the formation of his NGO, which counts establishment figures such as former FM Ahmed Maher among its board members (ref C). Youssef does not receive

GOE funding for the NGO, and has turned to private Egyptian businesses to raise money. Our NGO contacts have privately dismissed Youssef's efforts as non-substantive "propaganda," and in a recent magazine article, one of Youssef's own board members, retired Ambassador Shoukry Fouad, criticized the NGO as unsuccessful.

Comment

¶12. (C) The GOE has not begun serious work on trying to transform the police and security services from instruments of power that serve and protect the regime into institutions operating in the public interest, despite official slogans to the contrary. It seems that the government would have the strongest interest in preventing future accidental shootings of innocents, such as the Salamut and Aswan incidents that resulted in riots. We imagine that halting the torture of common criminals, who are usually poor and voiceless, is lower on the GOE's agenda. We want to continue USG-funded police training, and we will look for ways to help XXXXXXXXXXXX's NGO launch productive work.
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C O N F I D E N T I A L SECTION 01 OF 04 ROME 000525

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DEPARTMENT FOR EUR DAS BRYZA
DEPARTMENT FOR E EURASIAN ENERGY COORDINATOR STEVEN MANN
NSC FOR DEPUTY NSA JEFFREY
DEPARTMENT FOR P STAFF
USEU FOR SPECIAL ENVOY GRAY

E.O. 12958: DECL: 04/15/2018
TAGS: ECON, ENRG, IR, IT, PGOV, PREL, RU
SUBJECT: (C) DELIVERING TOUGH MESSAGES TO ENI CEO PAOLO
SCARONI ON RUSSIA AND IRAN

REF: A) ROME 451 B) 07 STATE 16018

Classified By: ECONOMIC MINISTER COUNSELOR TOM DELARE
FOR REASONS 1.4 B AND D

1. (C) SUMMARY: During his May 5-6 visit to Washington, Post believes it would be helpful to U.S. interests if Eni CEO Paolo Scaroni is told very clearly of serious USG concerns about 1) his company's close collaboration with Russia's Gazprom and 2) his company's continuing involvement in Iran. Eni is now a major collaborator in what many see as Gazprom's efforts to dominate the European energy market; Eni hopes to build Gazprom's South Stream pipeline, a project that threatens to scuttle the USG- and EU-supported Nabucco project. Eni recently gave Gazprom increased access to North African natural gas fields. Eni maintains long-standing investments in Iran. Post is preparing to push the new

Berlusconi government to use its equity stake in Eni and moral suasion to force Eni to make major changes in its involvement with Gazprom and Iran. Scaroni has returned from previous visits to Washington with the impression that Eni's business activities were not matters of grave concern for us. It would be very useful if he returns from this trip with raised awareness about USG unhappiness with his company. Scaroni has appointments with U/S Jeffery and U/S Levey, and tentative appointments with Acting U/S Fried, and Deputy NSA Jeffrey -- Embassy Rome recommends that these tentative appointments be confirmed. END SUMMARY.

SCARONI HOPES TO "MAKE ENI'S CASE" IN WASHINGTON

2. (SBU) On March 4, 2007, Ambassador Spogli spoke on energy security to a group led by Giulio Tremonti, the man widely expected to be Silvio Berlusconi's Economy Minister. The Ambassador spoke of the dangers of over-reliance on Gazprom and of the need to diversify Europe's sources of energy. The Italian energy giant (and parastatal) Eni, was not mentioned explicitly in the speech, but Eni knew we were talking about them. Eni reps contacted us immediately, asking for the chance to "clarify misunderstandings" about their relationship with the Russians. REF A reports on the briefing an ENI Vice President gave to Econ Counselor. Eni CEO Scaroni later called the Ambassador and asked for help in getting Washington meetings for May 5-6. Scaroni traveled to Brussels April 16 as part of the same effort to "clear up misunderstandings."

WHAT SCARONI NEEDS TO HEAR: USG UNHAPPY WITH GAZPROM
COLLABORATION, AND IRAN SUPPORT

3. (C) Post would like to push the new Berlusconi government to force Eni to act less as a stalking horse for Gazprom interests. Eni (which is 30 percent owned by the Government of Italy) seems to be working in support of Gazprom's efforts to dominate Europe's energy supply, and against U.S.-supported EU efforts to diversify energy supply. We think we have a chance of turning that around. Giulio Tremonti has told Ambassador Spogli that "Eni has gone too far" in its collaboration with Gazprom.

IMMEDIATE CONCERNS

4. (C) Of immediate concern is Eni's proposed construction of Gazprom's South Stream Black Sea pipeline, a project that threatens to scuttle Nabucco, the USG- and EU- supported effort to bring Caspian gas to Europe. Eni is much more than a mere contractor on this project -- on South Stream it is a 50/50 equity partner with Gazprom. A senior Eni official

recently told us that due to difficulty in reaching agreements with Serbia and Romania, Eni thinks there is now only a 60 percent chance that South Stream will actually be built (see REF A). We think that a strong statement of USG unhappiness with the project might further increase the odds against Eni building this pipeline.

5. (SBU) Eni will argue that South Stream does not threaten Nabucco. We have pointed out to Eni that Putin himself seems to think that it does. (See Eurasia Daily Monitor, 5 March 2008). Also, Gazprom CEO Alexi Miller stated on February 25, 2008 that South Stream "obviates" the need for Nabucco. Our position on South Stream's impact on European energy diversification was clearly stated by DAS Bryza on February 26, 2008: "South Stream definitely does not strengthen diversification. It strengthens dependence on one supplier." (See interview with DAS Bryza on USEU web page.)

6. (SBU) Eni recently announced an agreement with Gazprom under which Eni would give the Russians access to natural gas fields in North Africa in exchange for increased Eni access to gas fields in Russia. COMMENT: North African natural gas is often seen as an opportunity for Italy and Europe to diversify away from dependence on Russian gas. Giving Gazprom control of North African fields clearly does damage to EU energy diversification efforts.

AND THEN THERE IS IRAN....

7. (C) Eni has been in Iran for decades. It currently provides natural gas that is used to pressurize Iranian petroleum wells. Eni has escaped U.S. Iran Sanctions Act punishment because of a U.S.-EU understanding that in effect exempted countries with "old" investments in Iran that do not expand their operations. Eni's continued presence in Iran has been an irritant in the U.S.-Italian relationship, and without doubt helps the Iranian regime. We would like to see Eni leave Iran. Scaroni is likely to say that one of the alternatives to Russia as an energy supplier is Iran. A firm expression of USG unhappiness with Eni's current relationship with Iran is thus very important.

SCARONI IS TAKING WASHINGTON'S TEMPERATURE

8. (C) Scaroni traveled to Washington February 2007 and met with officials at State and Treasury, including DEPSEC Kimmitt (see Ref B). Most of the discussions during this visit were focused on Iran. We have heard from contacts here that the purpose of Scaroni's trip was essentially to take Washington's temperature and to make sure he had an understanding of where our "red lines" were regarding his company's Iranian operations. Scaroni reportedly came back from that trip convinced that his company was in no danger of

crossing any U.S. red-lines. He almost certainly has a similar purpose in this upcoming visit; his staff tells us he wants to talk about Russia, Iran, and about Eni's recent deal with Venezuela.

9. (C) Eni clearly has been trying to monitor USG reactions to its moves. On January 30, 2008, Eni VP for international affairs Enzo Viscuzi asked a senior USG official about USG reaction to Eni's involvement in the South Stream project, and asked if the USG is "mad at Eni." We expect Scaroni to pose similar questions during this trip.

SCARONI, BERLUSCONI...AND RUSSIA

10. (C) Paolo Scaroni was made head of Eni in 2005 by then-Prime Minister Silvio Berlusconi, so there is a good chance he will remain head of Eni after Berlusconi again becomes Prime Minister in May. But Tremonti's comment about Eni having "gone too far" may indicate discontent about Scaroni at high levels in the Berlusconi camp. Recent press reports indicate that Scaroni will stay on after the change in government, but this has not been confirmed. Whether or not he stays, our work on this issue will be complicated by Silvio Berlusconi's close relationship with Vladimir Putin. Putin stopped off in Italy to visit Berlusconi on April 17, 2008 (en route home from Libya). Contacts in the Foreign Ministry tell us that they expect Berlusconi to take direct control of most important aspects of the Italy-Russian relationship.

SCARONI -- CORRUPTION ALLEGATIONS

11. (U) Scaroni's bio is available on the Eni web site, but officials meeting with Scaroni should also know that according to press reports, in 1992 he pleaded guilty to bribery (kickback) charges in connection with an electrical power station project in Brindisi. This was part of the massive "Tangentopoli" scandal that brought down Italy's post-war political parties. Scaroni was reportedly sentenced to one year and four months in prison, but apparently served no time.

12. (SBU) Other reports of Eni corruption are much more recent: Eni owns a 25 percent share in the TSKJ consortium. TSKJ is under investigation by the SEC due to alleged

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improper payments to Nigerian officials. Also, in March 2008, British and Italian authorities launched a corruption probe regarding the sale of a large mobile phone system in Italy. Officers of the Italian energy parastatal ENEL allegedly received kickbacks from the Egyptian firm that was allowed to buy the system. Scaroni was CEO of ENEL at the

time of this sale.

SUGGESTED TALKING POINTS

13. (U) Post suggest the following talking points for use with Eni CEO Paolo Scaroni:

-- The U.S. government remains deeply concerned about Eni's involvement in Iran.

-- Our displeasure with Eni has been intensified in recent months by the way in which your company is collaborating with Gazprom's efforts to obtain a dominating position on the EU's energy supply.

-- The USG strongly supports EU efforts to diversify the EU's sources of energy supply. We are encouraging the development of the Nabucco pipeline, a project that will bring Caspian gas to the EU. But your company is poised to build Gazprom's South Stream pipeline, a project seen by many as a Russian effort to scuttle Nabucco.

-- We are also concerned about your role in giving Gazprom greater access to North African natural gas fields; along with Caspian gas, these fields are among the only other major alternative sources of natural gas for Europe.

-- You should understand that on two of our most important Eurasian security issues, we see your company as taking very short-sighted commercial decisions. We find it particularly disturbing that these positions are being taken by a company that is 1/3 owned by the Italian government.

-- We strongly urge Eni to re-consider its participation in the South Stream project, and, in a broader sense, we urge Eni to align its policy's and programs with EU efforts to diversify sources of energy supply. We also strongly recommend that you end your collaboration with the Iranian regime.

-- You should not interpret our concerns as being anti-Russian. However, we think Europe should diversify its sources of energy, and we are concerned that in its partnership with Gazprom (a firm that often seems to be an arm of government action) your company is not working in support of this objective.

-- You should know that we have similar concerns about other powerful market actors that, like Gazprom, do not have transparent decision processes.

COMMENT

13. (C) The current South Stream vs. Nabucco situation is eerily reminiscent of a similar struggle during the 1990s: In an effort to delay or prevent the construction of a trans-Caspian pipeline that could have helped bring Caspian gas to Europe, the Russians pushed forward their Blue Stream project (under the Black Sea). The Russians built Blue Stream not for commercial reasons (it always seemed like a money loser) but for strategic reasons (to stop the trans-Caspian pipeline). The Russians succeeded: Eni built Blue Stream, and the Trans-Caspian pipeline has never been built. Eni is now preparing to play a very similar role in another Russian strategic pipeline project, this time as an equity partner with Gazprom in the South Stream effort aimed at stopping Nabucco.

14. (C) Ambassador Spogli has made energy security one of Embassy Rome's top priorities. The election of the new Italian government, along with Eni's parastatal status, presents us with an opportunity to address what is clearly the most important Italian piece of the European energy security puzzle: Eni's role as facilitator for Gazprom's efforts to gain a semi-monopolistic and politically influential position in the European energy market. We would like to try to use our influence with the GOI (and with Eni) to change that, and to induce Eni to cooperate (not counteract) EU energy security efforts.

15. (C) We are still between governments in Italy, and many decision makers are not yet in place, Nevertheless, we have some reasons to think we might have some success in pushing a cautionary approach on Eni and Gazprom when we engage with the new Berlusconi team. Berlusconi is close to Putin, and that may be a problem, However, Berlusconi's people have been talking quite a bit about energy security, and this may provide an opening. Tremonti seems especially seized with this issue, and (as noted) has expressed unhappiness with Scaroni's approach to Gazprom. We were surprised to find Eni itself so uncertain about whether South Stream would actually be built. They seem to be "on the fence" regarding this project -- perhaps we can make them even more uncertain about it, and about the wisdom of their alliance with Gazprom. Eni also seems deeply concerned about the consequences of angering us -- the company has significant investments in the United States. It would be very helpful if Scaroni hears of our deep dissatisfaction (as outlined above).

16. (U) We understand Scaroni has a confirmed appointment with U/S Jeffery and U/S Levy, and tentative appointments with Acting U/S Fried and Deputy NSA Jeffrey. Post strongly recommends that these appointments be confirmed.

SPOGLI

====CABLE ENDS=====

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C O N F I D E N T I A L SECTION 01 OF 03 TRIPOLI 000031

SIPDIS

DEPT FOR NEA/MAG (JOHNSON)

E.O. 12958: DECL: 1/14/2019
TAGS: PGOV, PREL, PHUM, MASS, MARR, LY
SUBJECT: SENIOR REGIME FIGURES AMBIVALENT ABOUT U.S.-LIBYA RELATIONS

REF: A) 08 TRIPOLI 699, B) 08 TRIPOLI 992, C) TRIPOLI 22

TRIPOLI 00000031 001.2 OF 003

CLASSIFIED BY: Gene A. Cretz, Ambassador, U.S. Embassy -
Tripoli, U.S. Dept of State.

REASON: 1.4 (b), (d)

1. (C) Summary: XXXXXXXXXXXXX

recently expressed concern that Libya would miss a key window of opportunity for expanded cooperation and engagement with the U.S. because of limited human capacity and decision-making ability within the government and regime elites' lingering ambivalence about the nature of the relationship they want with the U.S. The "negotiations phase" to re-establish full diplomatic relations had run its course; the upcoming "cooperation phase" would in his view be even more difficult. Tired of intra-GOL machinations and turf wars and skeptical about his government's ability to capitalize on the chance to expand bilateral U.S.-Libya engagement, XXXXXXXXXXXXX said he personally hoped to leave his XXXXXXXXXXXXX post and turn to other, less frustrating pursuits. The GOL's lack of capacity and conflicted

views on expanded ties with the U.S. suggest that its reaction to U.S. initiatives is likely to be inconsistent and fitful, and argue for a clear prioritization of desired programs of cooperation and engagement and a persistent yet patient approach. End summary.

GOL'S CAPACITY LIMITED

2. (C) In a meeting in late December, XXXXXXXXXXXXX shared with A/DCM his "private view" that Libya would miss its window of opportunity for expanded cooperation and engagement with the U.S. because of disorganization within the regime and lingering ambivalence about the nature of the relationship Libya wants. The U.S. and Libya had completed the "negotiations phase" of the project to re-establish full diplomatic relations with the implementation of the U.S.-Libya claims compensation agreement in late October; the next step should be an expanded suite of training, cooperation and engagement in what he characterized as the "cooperation phase". The problem, however, was that the Government of Libya (GOL) "lacked the capacity to coordinate" such engagement and had not decided what it really wanted to accomplish in the cooperation phase.

3. (C) XXXXXXXXXXXXX said he had urged National Security Adviser Muatassim al-Qadhafi, son of Muammar al-Qadhafi, to organize an intra-GOL meeting after the upcoming session of the General People's Congress to determine what avenues of cooperation with the U.S. the GOL wanted to pursue and which GOL entities would have the lead for those projects. Disagreements between senior regime figures and within GOL institutions about who had the lead on various aspects of the U.S.-Libya bilateral account had complicated efforts to expand engagement. The more fundamental issue was that even in instances in which the desired outcome was clear, the GOL's limited human and bureaucratic capacity had circumscribed the ability of the regime to get what it thought it wanted.

SENIOR REGIME FIGURES AMBIVALENT ABOUT RELATIONSHIP WITH THE U.S.

4. (C) In addition to capacity constraints, senior regime elements remained conflicted about the nature of the relationship Libya wanted with the U.S., XXXXXXXXXXXXX said. There were "two strains" of thinking within the GOL with respect to U.S.-Libya ties: a pro-U.S. camp and a group that remained suspicious of U.S. motives and steadfastly opposed to a broader suite of engagement. The pro-U.S. group included Muammar al-Qadhafi, Qadhafi Development Foundation Chairman Saif al-Islam al-Qadhafi, National Security Adviser Muatassim al-Qadhafi, External Security Organization Director Musa Kusa, senior regime figure Abdullah Sanussi, and key Revolutionary Committee members and old guard fixtures Mustapha Kharrubi and al-Hweildi al-Hmeidi. XXXXXXXXXXXXX said Muammar al-Qadhafi generally supported increased U.S.-Libya cooperation, but with "conditionalities" born of an abiding concern that the eventual goal of U.S. engagement with Libya was regime change. He urged the U.S. to remain mindful of al-Qadhafi's remarks during his 2008 Revolution Day speech (ref A), when he stressed that Libya

seeks "neither friendship nor enmity from America, but just that they would leave us alone". The truth was more complicated than that, XXXXXXXXXXXXX offered. Al-Qadhafi was keenly focused on U.S.-Libya ties, in part because it afforded him a brighter spotlight in the international arena; however, he would not be dictated to, especially on core issues like security and human rights. Kusa and Sanussi supported more robust ties "to an extent", but had argued that Libya should not allow itself to become "dependent" on the U.S. Kharrubi and al-Hmeidi had initially opposed re-engaging with the U.S., but had become increasingly convinced that it was the correct policy since it had helped Libya begin to shed its image as an international pariah.

5. (C) Despite the rapid improvement in bilateral ties in 2008,

TRIPOLI 00000031 002.2 OF 003

significant opposition to engagement with the U.S. remained. Notwithstanding the key role he played in aggregating funds for the U.S.-Libya claims agreement fund, Prime Minister al-Baghdadi al-Mahmoudi remained "philosophically opposed" to broader engagement with the U.S. Colonel al-Tuheimi Muhammad Khaled, Director of the Internal Security Organization, believed cooperation on counterterrorism and extremism was beneficial, but was troubled by the Embassy's efforts to develop contacts with non-official Libyans, had expressed particular concern about the Embassy's engagement on high-profile human rights cases like Fathi el-Jahmi and suggested that the eventual goal of the U.S. was to "destabilize the Jamahiriya". XXXXXXXXXXXXX characterized several senior officials at the Temporary Committee for Defense (MOD-equivalent), including Minister of Defense-equivalent Abu Bakr al-Yunis and Major General Abdulrahman al-Zwayy, Director of the MOD's Bureau of Technical Cooperation and Head of the Staff College, as being essentially opposed to broader engagement with the U.S. Some of their reticence about military-to-military engagement with the U.S. stemmed from the greater degree of comfort they had with Russian/Soviet systems and doctrine; however, some of their opposition was also "ideological". (Note: See ref B for further detail on senior GOL figures' views on expanded U.S.-Libya military-to-military ties. End note.)

6. (C) Even Abuzeid Dorda (Chairman of the powerful Housing and Infrastructure Board and a former Prime Minister), who had awarded multi-million dollar project management contracts to U.S. companies AECOM and Tennessee Overseas Construction, had reservations about the extent to which Libya should broaden its official ties to the U.S. (Note: In a recent conversation with a visiting journalist, Dorda - whom XXXXXXXXXXXXX described as a "committed Arab nationalist" - dismissed the idea that the regime had embarked on a program of political-economic reform, arguing that the only change had been that the international community, upon lifting sanctions against Libya, had beaten a path to the Jamahiriya in pursuit of profits. End note.) Finally, XXXXXXXXXXXXX stressed that key elements of the Revolutionary

Committees (RevComm) - which remained a force to be reckoned with despite efforts by Saif al-Islam al-Qadhafi and, to a lesser extent, Muammar al-Qadhafi, to circumscribe their writ in the past several years - continued to oppose cooperation and engagement with the U.S. (Note: See ref C for recent reports on a joint attack by RevComm elements and members of Saif al-Islam's Libya al-Ghad (Libya of tomorrow) on Berbers, suggesting that Saif al-Islam may be balancing public calls on the regime to abandon heavy-handed tactics of the past with a quiet effort to curry favor with his most stalwart opponents. End note.)

TIRED OF THE GAME AND SKEPTICAL ABOUT CHANCES FOR SUCCESS

7. (C) As to his own future, XXXXXXXXXXXX flatly said he is tired of intra-regime machinations, the pervasive lack of human capacity and absence of clearly delineated lines of authority within the GOL. He was proud of his involvement in the negotiations leading to the U.S.-Libya claims compensation agreement, but was skeptical that U.S.-Libya cooperation in the near to mid-term would develop as quickly as the two sides hoped, mostly because the GOL was too disorganized and too ambivalent to capitalize on the potential window of opportunity created by implementation of the claims deal and the recent exchange of ambassadors. He personally had no desire to "beat his head against the wall" to try to expand cooperation and hoped to leave his position as XXXXXXXXXXXX after the upcoming session of the General People's Congress, at which a significant cabinet shuffle and other key personnel changes were expected to be announced. He intends to return to his work at XXXXXXXXXXXX and as director of XXXXXXXXXXXX in Tripoli. Noting Libya's proposal for a broad U.S.-Libya security framework agreement, he underscored the importance of developing "in the near future" some kind of security agreement that included language referring to security assurances. Such an agreement would help regime elements supportive of expanded U.S.-Libya ties rebut the arguments of the naysayers, and would constitute an important gesture from the perspective of skeptical old guard elements opposed to engagement with the U.S.

8. (C) Comment: XXXXXXXXXXXX personal relationship with Muatassim al-Qadhafi, together with the fact that he is U.S.-educated and instinctively intuits how we prefer to do business, lend him valuable perspective and make him an unusually astute observer of the bilateral state of play. His analysis of the GOL's critical lack of human and decision-making capacity is consistent with what we have experienced first-hand and heard from other well-informed interlocutors, including Dr. Mahmud Jibril, head of the National Economic Development Board and

TRIPOLI 00000031 003.2 OF 003

National Planning Council, and Ali Essawi, Secretary of the General People's Committee for Economy and Trade (minister-equivalent). Such limitations will continue to constitute a significant brake on the extent to which we are

able to expand cooperation and the speed with which we are able to do so. More broadly, XXXXXXXXXXXX's remarks on regime elites' lingering ambivalence about the pace and extent of desired engagement with the U.S. suggest that the GOL's reaction to U.S. initiatives is likely to be inconsistent and fitful. That fact, together with the GOL's pronounced lack of bureaucratic capacity, argue for a tightly disciplined approach from our side, to include clear prioritization of desired programs of cooperation and engagement and a healthy dose of patience. With the arrival of the Ambassador, we will have further opportunities to gauge the GOL's desire for expanded cooperation and engagement; however, even the afterglow of finally having exchanged ambassadors has been clouded by events in Gaza and the visceral Libyan reaction, which will complicate efforts to assess the GOL's druthers with respect to the bilateral relationship itself. End comment.
CRETZ

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C O N F I D E N T I A L TRIPOLI 000487

DEPT FOR NEA/MAG, NEA/PPD AND INR/NESA; NSC FOR MCDERMOTT

E.O. 12958: DECL: 6/17/2019
TAGS: PGOV, PREL, KPAO, PHUM, KDEM, LY
SUBJECT: THE KNIVES COME OUT? NATIONALIZATION OF SAIF AL-ISLAM'S
MEDIA GROUP A BLOW TO WOULD-BE REFORMERS

REF: A) TRIPOLI 359, B) 08 TRIPOLI 494, C) TRIPOLI 374, D) TRIPOLI 414
(NOTAL)

CLASSIFIED BY: Gene A. Cretz, Ambassador, U.S. Embassy -
Tripoli, U.S. Dept of State.
REASON: 1.4 (b), (d)

1. (C) Summary: Following in the takeover of quasi-independent satellite TV station al-Libia, the Government of Libya (GOL) also recently nationalized the remaining assets of Saif al-Islam's al-Ghad Media Group. It is hard to interpret the move as anything but the end of nominally independent media in Libya and a further degradation of press freedom in a country already ranked 160th out of 173 countries worldwide by Reporters Without Borders. Perhaps more significantly, it represents another serious blow against Saif al-Islam al-Qadhafi, who personally established the al-Ghad Group two years ago, and highlights the limits of the "soft power" approach he has taken in his effort to effect political-economic reform. His brother and reported rival, National Security Adviser Muatassim al-Qadhafi, may have helped orchestrate the timing (and perhaps more) of the government decree nationalizing the al-Ghad Group with Prime Minister-equivalent al-Baghdadi al-Mahmoudi, who has

been at daggers drawn with Saif al-Islam over the latter's proposed reforms for over a year. How it all plays out remains to be seen, but in this round of jockeying in what remains a very old-school state, hard power appears to have trumped soft power. End summary.

OPENING SALVO ...

2. (C) As reported ref A, the state-owned Jamariya Arab News Agency (JANA) satellite television channel took over the quasi-independent al-Libia satellite channel on April 24. Al-Libia's manager and the former Deputy Director of the al-Ghad Media Group, Abdelsalam al-Mishri, was arrested and remains under investigation in connection with the channel's activities and alleged financial improprieties. The newspaper "Quryna" featured front-page articles on April 28 attributing al-Mishri's arrest and al-Libia's reported efforts to move its newsroom and broadcasting to London to al-Libia's reports by sensationalist Egyptian reporter Hamdi Kandil on Egypt's role in enforcing the blockade of Gaza and ties between Egypt and Hezbollah.

3. (C) The seizure of al-Libia coincided with a visit to Cairo by Prime Minister-equivalent al-Baghdadi al-Mahmoudi and Foreign Minister-equivalent Musa Kusa to discuss bilateral trade and security issues. Egyptian Political Counselor Ahmed Abdel Halim recently confirmed that Ahmed Qadhafadam, cousin of Muammar al-Qadhafi and a leading Libyan interlocutor on Egyptian-Libyan affairs, had brokered a call between President Mubarak and Muammar al-Qadhafi during al-Mahmoudi and Kusa's visit to complain about al-Libia's reports on Egypt. Later that evening and shortly before the takeover, Muammar al-Qadhafi himself briefly visited al-Libia's broadcasting facility. XXXXXXXXXXXXX described for us the bizarre episode:

Al-Qadhafi entered the waiting room/reception area with a large entourage of security personnel, walked around the perimeter looking at the photographs and art, smiled cryptically at the receptionist and staff who had been quickly mustered to greet him, and then nodded and walked out without having spoken a word. Shortly thereafter, state-owned Jamahiriya TV began to simulcast its programming on al-Libia's signal.

... LEADS TO A BROADER BARRAGE AGAINST PRESS FREEDOM IN LIBYA

4. (C) In what Reporters Without Borders described as "a retrograde measure", Libya's state-owned media announced on June 1 that it was nationalizing the remaining assets of the al-Ghad Media Group (also known as the "1/09 Media Group"), which was established in 2007 by Saif al-Islam al-Qadhafi (son of Muammar al-Qadhafi). Opposition website Libya al-Youm posted a copy of Decree 226 of 2009, issued by Libya's General People's Committee (GPC -- Libya's Cabinet-equivalent), which "liquidated" the al-Ghad Media Group and established a new National Center for Media Services. The Center, to be funded by the GPC, will be "under the supervision of the GPC" and will "annex" all of al-Ghad's former assets. The al-Ghad Group comprised al-Libia TV, al-Shabibiya TV (focused on youth programming), al-Libia Radio and two daily newspapers, "Oea" and "Quryna". The

newspapers were groundbreaking in the context of Libya's sterile media environment, and had quickly established credibility and a loyal readership (they effectively became the newspapers of record) by publishing criticism of senior officials and discussing taboo subjects such as Islamic extremism and opposition elements among Libya's diaspora population. (Note: While forward-leaning by local standards, coverage was largely in line with state-owned media and criticism of officials was measured and, in many cases, tepid. End note.)

5. (C) Tension between Saif al-Islam's supporters and more conservative regime elements unaccustomed to and unhappy with such coverage had increased steadily during the past year. As reported ref B, XXXXXXXXXXXX (strictly protect) was arrested XXXXXXXXXXXX after the XXXXXXXXXXXX newspaper published an article XXXXXXXXXXXX that was mildly critical of PM al-Mahmoudi and the poorly-coordinated raft of housing and infrastructure development projects being funded by the GOL. (Note: Saif al-Islam intervened to have XXXXXXXXXXXX released from custody. End note.) Al-Libia's hortatory coverage of Muammar al-Qadhafi's recent visit to Italy suggests that the channel's content has quickly been brought into line with that of the more staid JANA. The channel devoted much less extensive coverage to al-Qadhafi's visits to Madrid, Paris and Moscow in 2007 and 2008. Al-Libia's coverage of Saif al-Islam has been reduced since the nationalization as well.

MUATASSIM - NOT HIS BROTHER'S KEEPER?

6. (C) The local correspondents XXXXXXXXXXXX (strictly protect sources) told us shortly after the nationalization was announced that they had been hearing for more than a week that it was coming. Their information was that Libyan authorities had only been "waiting for an official decree" from the GPC. Well-informed contacts have told us that Prime Minister al-Mahmoudi orchestrated at least the timing (and perhaps more) of the decree nationalizing the al-Ghad Group with National Security Adviser Muatassim al-Qadhafi, brother and reported rival of Saif al-Islam al-Qadhafi. Al-Mahmoudi and Saif al-Islam have been engaged in a mostly quiet struggle over the latter's proposed political-economic reforms for over a year. A contact with direct access to External Security Organization Director Abuzeid Dorda said she had been told by him that Mubarak's call to al-Qadhafi to complain about al-Libia's reports on Egypt had afforded the regime a useful pretext to do what it had intended to do for some time anyway - nationalize the al-Ghad Group.

AL-LIBIA LOOKS OFFSHORE, BUT HAVING TROUBLE FINDING A VENUE

7. (C) Saleh Abdulsalam Saleh, Chairman of the Qadhafi Development Foundation's (QDF) Human Rights Committee (and, according to Libya al-Youm, the new Director of the al-Ghad Group) claimed to P/E Chief on June 17 that al-Ghad had not/not been nationalized; however, he did confirm that al-Libia was actively looking for an alternative venue in which to house its news bureau and from which to broadcast. Confirming reports

we'd heard previously, he said al-Libia had narrowed the choices down to London, Dubai and Amman and were leaning toward the latter. (Note: We have heard from employees of al-Libia that negotiations with the company's potential Jordanian counterpart have encountered some difficulty and that it is unlikely that al-Libia will secure approval from the Jordanian Government -- which is anxious to avoid angering the GOL, particularly in the wake of the Fathi el-Jahmi case (refs C,D) -- to broadcast from Amman. End note.) Saleh did not respond when asked to explain the interruption of al-Libia's broadcast on April 24 and reports on June 1 (including the text of the government decree) that the rest of the al-Ghad Group had been nationalized.

8. (C) Comment: Informed observers here agree that it is difficult to interpret the nationalization of the al-Ghad Group as anything but the end of nominally independent media in Libya and a serious blow against Saif al-Islam al-Qadhafi. The annexation of al-Libia and the "Oea" and "Quryna" newspapers represents a further degradation of press freedom in a country already ranked 160th out of 173 countries by Reporters Without Borders. It also comes on the heels of an unwelcome (from Saif al-Islam's perspective) Cabinet shuffle, the failure of the General People's Congress to adopt a draft constitution he shepherded, Muatassim's successful visit to Washington in April (Saif al-Islam had wanted to maintain primacy on the U.S. account), Muatassim's premier role at his father's side during the recently-concluded Rome visit, and threats to Saif al-Islam's confidantes and business interests. His longtime business partner and adviser, Abdulrahman Karfakh, left Tripoli quickly earlier this year after having been threatened by Muatassim's confederates in connection with competition for a lucrative commercial contract. Karfakh is now in Houston "training" with U.S. project management company AECOM, but things have not yet quieted down enough for him to return to Libya.

9. (C) Comment (continued): The seizure of the al-Ghad Group is a significant development in the context of the ongoing struggle for primacy between Saif al-Islam and Muatassim, and is perceived as a signal to Saif al-Islam that his open criticism of conservative regime elements had gone too far. It is of a piece with the view that while Muatassim's star is waxing at the moment, Saif's is waning. Despite his high-profile involvement in the regime's most sensitive affairs (the Bulgarian nurses, the U.S.-Libya Claims Compensation Agreement, negotiations to resolve the Libyan-Swiss contretemps), Saif al-Islam holds no official title and has largely depended to date on "soft power" (the media group, the quasi-governmental QDF, his Youth Forum). The media group was a powerful asset that ensured that he was both the single most recognized figure in Libya after his father, and was seen as an agent of the reform that many Libyans quietly hunger for. It has been admittedly something of a mixed blessing, politically, for Saif: many Libyans viewed him as being too enamored of his role as a media darling, particularly since that was seen as further evidence that he was too Western and less authentically Libyan. While he has taken on conservative regime elements and eschewed a formal role,

Muatassim has taken his position as National Security Adviser and quietly aggregated more traditional "hard power", to include involvement in the Security Committee (which coordinates sensitive security issues) and military procurement (his primacy in the latter has not yet been definitively determined). How it all plays out remains to be seen, but in this round of jockeying in what remains a very old-school state, hard power appears to have trumped soft power. End comment.

CRETZ

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S E C R E T SECTION 01 OF 03 TRIPOLI 000599

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DEPT FOR NEA/MAG AND ISN/CTR; STATE PLEASE PASS USTR PAUL BURKHEAD;
ENERGY FOR
GINA ERICKSON

E.O. 12958: DECL: 7/27/2019
TAGS: PREL, PGOV, PHUM, CVIS, ABLD, ETRD, MASS, PARM, UNGA, LY
SUBJECT: MOVING FORWARD ON THE BILATERAL AGENDA WITH LIBYA

TRIPOLI 00000599 001.2 OF 003

CLASSIFIED BY: Gene Cretz, Ambassador, U.S. Embassy Tripoli,
Department of State.

REASON: 1.4 (b), (d)

1. (S/NF) Summary: FM-equivalent Musa Kusa assured visiting
Acting A/S Feltman July 27 that the Government of Libya was
prepared to launch a bilateral Human Rights Dialogue; would sign
the HEU-LEU agreement in time to meet the September deadline to
transfer its nuclear spent fuel; was ready to move forward on
security cooperation, including signing the end-use monitoring
agreement; was prepared to take a second look at some kind of
participation in the Trans Sahara Counterterrorism Partnership
(TSCTP); and was discussing a plan to expedite the visa approval

process for U.S. officials, business travelers, and technical experts. On signing a Trade and Investment Framework Agreement (TIFA), Kusa did not give a clear answer but stated that strategic dialogue was possible in the international sphere. Kusa confirmed that the GOL was planning to host a one-day AU Summit meeting in Tripoli August 31 to discuss crisis spots in Africa. Kusa also noted that counterterrorism and Darfur would be on the Leader's agenda for any possible meeting with POTUS on the margins of the upcoming UN General Assembly. Feltman asserted that any potential meeting would be enhanced by Libyan agreement to the several issues raised and that the Libyan side would be well-advised to make efforts to temper Qadhafi's rhetoric while in New York to the extent possible. End Summary.

2. (S/NF) During a July 27 visit to Tripoli, Acting A/S Feltman (accompanied by Ambassador and Pol/Econ chief) reviewed with FM-equivalent Musa Kusa U.S. strategic goals for the NEA region and specific areas for expanded bilateral engagement. Feltman opened the nearly two-hour initial interaction between the two with an overview of the priorities set out by POTUS during his Cairo speech, emphasizing the need to build strategic partnerships throughout the region. Kusa commented that the current positions of the U.S. vis-a-vis the Arab world were notably different than under the previous Administration and noted that U.S. policy toward the region led to the rift in U.S.-Libya relations. Kusa seized the opportunity to offer advice, explaining that the U.S. must be "fair and equal" in solving the problems of the Arab world. He said POTUS should "forget about the kings" and deal directly with the people (a clear allusion to Libya's "Jamahiriya" concept of direct governance by the people). Terrorism, he warned, stems from the people's grievances and can be controlled by shifting the mentality of the people rather than working with governments.

3. (S/NF) Kusa noted that the U.S. must treat Libya differently from other Arab nations, specifying that we could not treat Colonel Qadhafi the same way we treat Ben Ali in Tunisia or Mubarak in Egypt, given his unique background and experience. He commented that a man of Qadhafi's "caliber" could not be placed on equal footing with the King of Jordan or other traditional Arab rulers. Kusa stated that leaders in Egypt, Algeria, Turkey, and Pakistan could not rule without the support of their military establishments and that while Qadhafi had started out as a military figure, he had been able to change into a political figure. Kusa advised that a deep, correct understanding of Qadhafi's visions and aspirations would be of more benefit to the U.S. regionally than would engagement with other Arab statesmen.

4. (S/NF) Turning to bilateral issues, AA/S Feltman noted the U.S. desire to press the relationship forward by establishing a series of dialogues on human rights, political-military relations, trade and investment, and civil-nuclear engagement. Kusa commented that the U.S.-Libya relationship was at an "acceptable" level but that the pace of engagement was a point of concern. He reiterated the GOL's familiar refrain about the criticism it has received for its decision to give up its WMD

program and, in its estimation, not having been adequately compensated for that decision. However, he emphasized that Libya had made the correct decision and had done so with awareness and conviction. He acknowledged that giving up WMD was the safest decision for Libya.

HUMAN RIGHTS DIALOGUE

5. (S/NF) Kusa stated that the GOL had no objections to engaging in the bilateral human rights dialogue, a proposal that had previously been raised by the Ambassador, but he wanted to ensure that both governments would be "on equal footing" within the conduct of that dialogue. Confusing the goal of the dialogue with the Congressionally-mandated annual human rights report, he suggested that the GOL should be able to insert into any report on Libya's human rights situation comments on U.S.

TRIPOLI 00000599 002.2 OF 003

human rights issues. The AA/S explained that the human rights dialogue was designed to create a discreet bilateral forum for discussion on a broad range of issues, including specific cases of concern, which would be based on mutual respect. Kusa said that the GOL would agree to host the initial team of experts within the dialogue framework. He explained that the GOL did not disagree with the concept of a dialogue but was concerned about the manner in which the U.S. reported on human rights issues in Libya. Kusa insisted that all discussion of human rights issues should be done in diplomatic channels within the framework of the human rights dialogue and noted his disapproval of embassy attempts to collect information directly from the public (i.e., human rights reporting). Feltman urged Kusa to agree to a DRL-led interagency visit for one-day between August 10-20 to formally launch the dialogue. Kusa asked A/S-equivalent for the MFA Americas Department Ahmed Fituri to follow-up on scheduling.

SIGNING THE HEU-LEU AGREEMENT

6. (S/NF) Feltman urged the GOL to sign the HEU-LEU agreements with the U.S. and Russia as soon as possible in order to meet the September deadline for transfer of Libya's highly enriched fuel to Russia and in order to remove an obstacle to future cooperation in the civilian nuclear energy field. Kusa assured the AA/S that the GOL had already made the decision and indicated that meeting the September deadline would not be a problem.

SECURITY COOPERATION - TSCTP and 505 END USE AGREEMENT

7. (S/NF) The AA/S explained that one way to address Libya's requests for technical assistance was via the Trans Sahara Counterterrorism Partnership (TSCTP), clarifying that TSCTP was not a multilateral organization but rather a simple funding mechanism. The AA/S also noted the need for GOL signing an end-use monitoring agreement, which the GOL had been reviewing

for several months in order to move forward on our military and security relationship. Kusa asked the embassy to provide additional information via Fituri's office on TSCTP and to follow-up directly with Fituri on the end-use monitoring agreement.

VISAS AND EMBASSY TRIPOLI ADMINISTRATIVE ISSUES

8. (S/NF) Highlighting that over 1000 U.S. visas had been issued to Libyans by the embassy since it began full non-immigrant visa services on April 2, Feltman urged Kusa to work with us to improve the visa situation for American travelers and help establish a more transparent Libyan system. Kusa agreed that the visa issue needed to be addressed and assured the AA/S that the GOL was developing a plan to offer special processing services to U.S. officials, business travelers, and technical experts. Feltman reiterated the importance of the GOL's approval of a NEC site and for finalization of the deal to compensate the USG for expropriated properties. Kusa advised us to follow-up with Fituri.

Trade and Investment Framework Agreement

9. (S/NF) In response to Feltman's inquiry on GOL readiness to move forward on signing a Trade and Investment Framework Agreement, Kusa stated generally that the GOL was ready to develop investment opportunities and mentioned the possibility for strategic dialogue in the international arena.

ANOTHER AU SUMMIT: FOCUS ON PEACE AND SECURITY IN AFRICA

10. (S/NF) Feltman highlighted that African issues represented an intersection of interests between the U.S. and Libya. Kusa said that Libya was planning to host a special one-day AU Summit in Tripoli on August 31 that would focus on regional crises, particularly in Darfur, Somalia, and Ethiopia-Eritrea. He explained that the GOL was considering extending invitations to a number of regional and European leaders and ministers, and that an invitation may be forthcoming to Secretary Clinton. He highlighted that U.S. participation as a regional partner would be significant.

POSSIBLE POTUS-QADHAFI MEETING AT UNGA

11. (S/NF) On the possibility of a POTUS-Qadhafi meeting at

TRIPOLI 00000599 003.2 OF 003

UNGA, the AA/S said any meeting, if it were able to be arranged, would be significantly enhanced by GOL progress in the above areas, particularly on the launching of the bilateral human rights dialogue and the signing of the HEU-LEU agreement, noting that those two issues would provide substance and a reason for the meeting to take place. Feltman also urged that the Leader respect U.S. sensitivities during his remarks at UNGA, specifically avoiding any provocative language about the events

of September 11. Kusa indicated his agreement that a potential POTUS-Qadhafi meeting should be substantive, and he noted that issues for discussion from the Libyan side might include counterterrorism in the Sahel, the crises in Darfur and Somalia, and Qadhafi's overall vision for Africa and peace in the Middle East.

OTHER ISSUES - GUANTANAMO, WESTERN SAHARA

12. (S/NF) In responding to Feltman's assertion that the Libyan side could raise any human rights concerns it had about U.S. practices, Kusa mentioned that the embassy could work with the Qadhafi Development Foundation to address any Guantanamo-related issues.

13. (S/NF) The AA/S noted the U.S. interest in promoting greater regional cooperation and asked for Kusa's thoughts on the Western Sahara issue, especially how to improve relations between Algeria and Morocco so as to promote Maghreb unity. Kusa explained that Libya was trying to play a role in the situation in order to maintain the integrity of the Maghreb Union. Libya had spoken in detail with both Morocco and Algeria and thought the 5+5 Group may be the best negotiating forum for the issue. Kusa predicted that if the issue was not solved under Algerian President Bouteflika, then it would not be solved.

14. (S/NF) Comment: The meeting with Musa Kusa was positive and clearly signaled that the new administration was prepared to deal seriously with the Libyans to continue the normalization process. The GOL's agreement to participate actively in a bilateral human rights dialogue represents a significant step forward and will create a forum to address specific cases of concern as well as to press Libya to meet its international human rights commitments more broadly. Kusa clearly got the point that any potential meeting between POTUS and Qadhafi at UNGA would be enhanced greatly by agreement to the several issues Feltman raised. He also understood the necessity of finding a way to control Qadhafi's rhetoric while in New York; however, he did not promise anything on that score. Post will follow-up with the MFA on scheduling a one-day visit by a DRL-led interagency team between August 10-20 to launch the human rights dialogue; GOL's signing of the HEU-LEU agreement; approval on TSCTP; approval of the 505 end-user agreement; improvement of the bilateral visa situation; TIFA; and launching a political-military dialogue. End Comment.

15. (U) Acting A/S Feltman did not have the opportunity to clear this message prior to departure.

CRETZ

====CABLE ENDS=====

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date: 3/3/2009 6:54
refid: 09ISTANBUL83
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P 030654Z MAR 09
FM AMCONSUL ISTANBUL
TO RUEHC/SECSTATE WASHDC PRIORITY 8801
INFO RUCNIRA/IRAN COLLECTIVE PRIORITY

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S E C R E T SECTION 01 OF 02 ISTANBUL 000083

SIPDIS

LONDON FOR XXXXXXXXXXXXX; BERLIN FOR XXXXXXXXXXXXX; BAKU FOR
XXXXXXXXXXXXXX;
ASHGABAT FOR XXXXXXXXXXXXX; BAGHDAD FOR XXXXXXXXXXXXX AND XXXXXXXXXXXXX;
DUBAI FOR IRPO

E.O. 12958: DECL: 03/03/2019
TAGS: PREL, PGOV, PINS, KDEM, IR
SUBJECT: US-IRAN RELATIONS: WHY IRAN REFUSED THE US
BADMINTON TEAM

REF: IRPO DUBAI 95

Classified By: Deputy Principal Officer Sandra Oudkirk; Reason 1.5 (d)

1. (S) Summary: A trusted contact claims he was told by a close advisor to Iranian President Ahmadinejad that Iran denied visas for the planned February 4, 2009 visit of the US women's badminton because of the USG's "bad faith" in announcing the visit earlier than Iran had requested. According to the contact, Supreme Leader Khamenei only agreed to the visit after Ahmadinejad urged him to do so, and only on the understanding that no public announcements would be made until after the team's arrival in Iran. Instead, the USG announced the visit on February 2, as the team was awaiting Iranian visas in Dubai. The regime wanted to maintain full control of media coverage of the event, to avoid a replay of the 1998 US wrestling team visit, when Iranian crowds were filmed waving American flags and cheering the US team. The regime believed the USG issued the early announcement to create a similar dynamic, and now Khamenei and Ahmadinejad feel "burned." Comment: If accurate, this scenario underscores the challenges to building trust with a regime that feels an obsessive fear of losing control over

both the process and substance of possible engagement with the USG. End Summary.

2. (S) "A first test": A trusted contact of ConGen Istanbul's Iran Watcher who recently returned from a visit to Tehran recounted a detailed explanation he said he received from a close advisor to President Ahmadinejad over why Iran refused to issue visas in early February to the US women's badminton team. In comments that track with IRPO Dubai's refel reporting, our contact says he was told that Supreme Leader Khamenei was initially opposed to allowing the visit, but President Ahmadinejad urged him to accept it. Even though planning for this cultural exchange began before the Obama administration took office, the regime including Ahmadinejad believed this represented an important early gesture by the new administration to build confidence and show respect, and therefore a "first test" whether Iran could work effectively with the Obama administration.

3. (S) Maximum GOI control: According to the presidential advisor, the Iranian side insisted on a "carefully calibrated" sequence of timing as a key requirement for allowing the visit to proceed. Iran believes it had a clear understanding with the USG (working through the US and Iranian badminton federations, which in Iran's case took instructions directly from the President's office) that announcement of the badminton team's travel to Iran and participation in the Fajr Tournament would be embargoed until the tournament's opening ceremony on February 5. Iran demanded this condition because Iran's leaders still remember with discomfort the 1998 US wrestling team's visit to Iran, when -- because of what Iran now sees as a failure on its part to insist on airtight control over media coverage of the event -- Iranian and international press broadcast scenes of Iranian crowds cheering wildly as the US team entered the arena carrying an American flag and continued to cheer the US team during its matches, sometimes even waving American flags in support. Khamenei demanded that there be no possible repeat of such a scene within Iran. Given that the badminton tournament was a women's sporting event and women's sports are not televised in Iran, the regime felt confident it could maintain full control over the event itself, allowing press coverage only of the opening and closing ceremonies. To maximize its control, the regime insisted on an embargo over any announcement or media coverage of the US team's participation until the team's arrival, i.e., after the team had been issued visas in Dubai and flown to Tehran. This important detail was explicitly agreed between the sports federations, representing (in Iran's view) an understanding between the highest levels of the USG and GOI, the Ahmadinejad advisor insisted to our contact.

4. (S) "We were burned": Thus, when surprised regime leaders saw the February 2 State Department announcement of the badminton team's participation in the Fajr Tournament, according to our contact, they immediately assumed "bad faith" on the part of the USG, concluding that this was an

deliberate effort by the administration to gain advantage over the GOI and undercut the regime's control of media coverage of the event. The regime's immediate response, ordered by Khamenei, was to refuse to issue the visas. As the Ahmadinejad advisor explained to our contact: "Battles of this nature, when foreign visitors come to Iran to participate in sensitive or symbolic events, must be on our terms and under our full control. We had an understanding

ISTANBUL 00000083 002 OF 002

with the U.S. over how this would proceed, and we were burned." He added that Ahmadinejad, having personally persuaded a reluctant Khamenei to allow the visit, felt particularly aggrieved, and speculated to his close advisors afterwards that this was evidence of "anti-Iranian influence" among recently appointed foreign policy officials in the USG.

In typical Iranian fashion, GOI spokesmen blamed the cancellation on other factors, including (from the MFA) the "time consuming process" of visa issuance and (from Keyhan and other conservative mouthpieces) the USG's failure to condemn Israel over Gaza. But according to our contact, Tehran assumes Washington "fully understands the real reason" for the cancellation.

5. (S) Comment: Although it may seem far-fetched that such a non-political exchange visit would be cancelled over a seemingly mundane detail like the timing of the press announcement of the visit, in Iran's case this scenario is entirely plausible. If accurate, this scenario highlights the challenges to building confidence with a regime that feels an obsessive fear of losing control over either the substance or process of possible engagement with the USG. Indeed, this underscores that to Iran the process of negotiations may often be as critical to demonstrating "goodwill" and to ensuring eventual success as the substance of the negotiations. This scenario also illustrates the regime's rigid expectation that, with regard to early confidence-building measures from the USG (especially involving CBMs likely to generate press coverage), the GOI must feel fully in control over how such measures play out, and that at the first sign of any deviation from what it believes is an agreed process, its first instinct -- reflective of its acute fixation on self-preservation -- will be to shut the process down and blame the other side. End comment.

WIENER

====CABLE ENDS=====

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date: 11/25/2009 9:26
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classification: SECRET
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RUEHYN/AMEMBASSY SANAA IMMEDIATE 0011
RHMFISS/CDR USCENTCOM MACDILL AFB FL IMMEDIATE
RHMFISS/CDR USEUCOM VAIHINGEN GE IMMEDIATE
RUEAIIA/CIA WASHINGTON DC IMMEDIATE
RUEKDIA/DIA WASHDC IMMEDIATE
RUEKJCS/SECDEF WASHDC IMMEDIATE
RUEKJCS/JOINT STAFF WASHDC IMMEDIATE
RUEHDE/IRAN RPO DUBAI IMMEDIATE
RHEHNSC/NSC WASHDC IMMEDIATE

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S E C R E T SECTION 01 OF 02 BAKU 000915

SIPDIS

E.O. 12958: DECL: 11/22/2029
TAGS: PGOV, PREL, INRA, SA, YM, AJ, IR
SUBJECT: ALLEGED IRANIAN SNSC DEBATE ON SAUDI, USG ISSUES

REF: BAKU 909

Classified By: ACTING POL/ECON COUNSELOR SHANNON ROSS, FOR REASONS 1.4
(B) and (D)

Rising Saudi Tensions

1. (S) On November 23, Baku Iran watcher held a follow-up meeting with the Baku-based Iranian contact who provided the information related reftel. At the meeting source provided additional information concerning the alleged content of a November meeting of the Iranian Supreme National Security Council (SNSC), recent alleged bilateral incidents adding fuel to the fire, and other issues supposedly flowing out of a November 10 meeting of the Iranian Supreme National Security Council (SNSC). Source reported that approximately 80 Iranians on a pilgrimage to Mecca were detained in Saudi Arabia o/a November 20. The source said he did not know the reason for the detention, but speculated that these were indeed simply pilgrims, possibly with some kind of technical documentation problems. He claimed that, as of November 24,

the Saudis have not deported, charged, or released the detained Iranian "pilgrims." He claimed that that Tehran is furious, but is attempting to resolve the issue quietly via negotiation. He cited a XXXXXXXXXXXX working in the Haj Office in Tehran as his source for much of this information, but said it was confirmed by others.

Alleged Rock Throwing at Saudi Embassy

2. (S) As an example of concrete evidence backing his reftel reporting, source related that on the afternoon of November 22 a crowd of about 200 Iranians, demonstrated in front of the Saudi Embassy in Tehran and pelted it with stones. He said that this incident has also not yet been reported in the Iranian media, but may be later that day or the next. Note: A google check after this interview did not turn up any reports concerning this event; however an Embassy Baku FSN subsequently related that Iranian government-run Press TV ran a story on the Saudi Embassy incident on the night of November 23, including some footage of students denouncing alleged Saudi killing of Yemeni Sh'ia End Note.

Saudi UNGA Vote Angers Tehran

3. (C) Source added that on November 20 Saudi Arabia voted in favor of a UNGA Human Rights resolution critical of Iran. He noted that this was the first time it has done so (in previous years Saudi Arabia either abstained, or voted "absent" on such resolutions), and claimed (citing conversations with inside-the-beltway type Iranians) that the Saudi vote was received with "shock and anger" by some in Tehran.

More on Recent SNSC Deliberations

4. (S) Source reiterated reftel claim that stepped-up confrontation with Saudi Arabia was discussed at a meeting of the Supreme Security Council of Iran on November 10. He repeated that one option discussed at the meeting (attended by President Ahmedinejad, Speaker Larijani, and about fifteen others) was an Iranian "student seizure" of the Saudi Embassy, but claimed that this option was put on hold for now, due to strong opposition from some SNSC members, including Majlis Speaker Ali Larijani.

5. (S) He related that some in favor of the deploying the Embassy student occupation option argued that such an incident would help galvanize youth support for the regime. Apropos of this suggestion, source related that Ali Larijani observed sarcastically (either during or after the meeting, this was not clear) that "one experience occupying a foreign embassy is enough - in fact we have not yet extricated ourselves from the last (such) experience."

6. (S) Source again discussed the supposed "USG needs a war" policy memorandum and discussion referenced reftel, which

allegedly called on preparation for American and/or Israeli attacks and a stepped-up anti-America media campaign. He

BAKU 00000915 002 OF 002

said that recently announced military training exercises to defend nuclear sites flows directly from this document, adding that less-publicized Persian gulf naval exercises are also pending and flow from the November 10 meeting, as does an instruction to prepare options for attacking sites in Israel. He said that the decision document was strongly backed by Alaeddin Boroujerdi, the Chairman of the Security Committee of the Milli Majlis. He described Boroujerdi as a former Marxist activist (known to him personally as such during their student days) who remains dogmatically anti-capitalist and anti-American, and who regards Western compromise overtures as "imperialistic tricks." Baku contact said that Boroujerdi attends all SNSC meetings, and is regarded by some (and portrays himself) as an expert on understanding the U.S. and its goals.

7. (S/NF) FYI. The Baku contact provided more detailed information on the alleged source of his information on recent SNSC deliberations, as well as certain operational facts about the Council. This sensitive information will be provided septel. End FYI.

CIS Watch Group in Foreign Ministry

8. (S) Source noted that the SNSC sometimes turns to a strategic unit headed by former Ambassador to Azerbaijan Ahad Gazayi for expert advice on Russia and CIS issues (although Gazayi does not attend SNSC meetings). He explained that Gazayi, whom he has known since student days, now heads a CIS coordination center or think tank within the Foreign Ministry, which has branches in several Iranian Embassies in CIS countries. He said that Gazayi travels frequently to CIS countries, and at least once a month to Baku, where the main branch office of his CIS analysis group is situated. He remarked that Gazayi comes from a respected family in Ardebil, and is personally courteous and rather liberal.

Information on Baku Source

9. (S) Baku Iran watcher has known this contact for over a year. He was very helpful in networking with Iranians in Iran after the election fiasco, including a figure connected to the Rafsanjani clique. He also assisted a local Baku NGO in organizing a successful tri-nation conference on Iranian women's issues held in Istanbul last November, recruiting many of the Iranian participants (some prominent). He was formerly a journalist and magazine editor XXXXXXXXXXXXX, and was imprisoned for a year followed by judicial exile for his cultural nationalism (although he considers himself 100 percent Iranian, and is no separatist or autonomist). As a student he was Marxist anti-Shah organizer, though he says he

no longer believes in Marxism. Some of his contacts in his disparate network result from these three experiences, e.g. a Rafsanjani circle contact who was a prominent figure in the National Religious (Melli Mazhabi) group was in prison with him.

Comment

10. (S) Baku contact identified the purported main source for the alleged SNSC deliberation information. Specific data on this and other sensitive details concerning supposed SNSC operational practices will be conveyed septel. What can be said in this cable is that the purported original source of most of the above information is credibly in a position to have access to the information provided. However, while our strong impression is that the Baku contact genuinely believes his information is accurate, Iran we cannot yet assess the credibility of the information itself, or that the purported original source of the information is indeed the real one.
End Comment.
LU

=====CABLE ENDS=====

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INFO RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RHMFISS/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC PRIORITY

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C O N F I D E N T I A L OSLO 000428

SIPDIS

EUR/NB (MMCDOWELL), DEPARTMENT OF ENERGY (EROSI, TSARKUS,
JGIOVE), INR/I (SMCCORMICK), EEB/ESC (SGALLOGLY)

E.O. 12958: DECL: 08/01/2018
TAGS: ECON, ENRG, EPET, PGOV, SENV, IR, NO
SUBJECT: NORWAY: STATOILHYDRO AND IRAN

REF: A. OSLO 387
B. 8/1/08 TO EMAIL TO MMCDOWELL

Classified By: DCM Kevin M. Johnson, Reasons 1.4 (b) and (d)

1. (C) Summary. Following increasing USG pressure and Total's recent public decision to pursue no Iranian South Pars energy projects, StatoilHydro chief executive Helge Lund announced his company would not pursue any new Iranian projects. The executive telephoned the Ambassador, emphasizing Lund's decision to make this position known publicly.

Another StatoilHydro executive stressed the importance of Lund's statements, identifying them as a clear signal to where the company was heading--namely, out of Iran. End Summary.

Lund to FT: "No New Investments"

2. (C) A July 31 Financial Times interview with StatoilHydro's chief executive Helge Lund included the

Norwegian energy giant's commitment to no new Iranian investments. The FT reported Lund pledging StatoilHydro "will not make any new investments in Iran at this time." Referring to discussions with the U.S. and authorities in both Norway and the E.U., Lund stated that the company would soon reduce involvement in the South Pars gas project, transferring control to Iran's national oil company by early 2009. The interview concludes with reference that StatoilHydro, paid as a service contractor, will be involved in South Pars until it recoups its costs, possibly in four years. (Note StatoilHydro, the world's ninth largest energy company, is majority government-owned. The company invested over \$500 million in the South Pars project).

Norwegian Press Conference: We Made Our Own Decision

3. (U) On August 1 Lund held a press conference reflecting the company's now public decision to not seek new Iranian projects (Ref Email). Several questions emerged concerning the dialogue with the USG. Lund denied that USG discussions determined the discussion, and said ultimately the commercial decision to halt new Iranian projects rested with the company. The chief executive reiterated that StatoilHydro would extricate itself from South Pars following investment cost recapture.

4. (C) Econ Officer spoke with a senior StatoilHydro executive following the press conference. The executive stressed the import of Lund's statement, saying it was very clear that the company would not make any new Iranian investments. He reaffirmed StatoilHydro will pull out of South Pars after investment costs are returned. When questioned about the implications of Lund's statement on StatoilHydro's Anaran project, the executive was unclear. He reiterated that the company would not withdraw from its Anaran obligations, but yet not make any new project investments. He stressed that the Iranian government will "not make it easy" for the company to withdraw from Anaran, but the company would "refrain" from new business. The executive could not clarify the scope of its existing Anaran commitments.

Ambassador's Call with Lund

5. (C) Immediately after the press conference, the StatoilHydro chief executive called the Ambassador, emphasizing that he was being extremely proactive with the media in an effort to get out the message that StatoilHydro will have no new Iranian investments. Lund noted that he felt other companies made Iranian investments, but that his company faced "bad timing." He further stated that StatoilHydro had been, and would continue to be, extremely open with the USG as to the company's Iranian plans. The Ambassador raised the ongoing dialogue he and his staff have had with Lund and StatoilHydro over the years, which stressed

the negatives of any Iranian involvement. While the Ambassador welcomed StatoilHydro's public decision, he further cautioned Lund as to the risks of Iranian investments.

Risk Management?

6. (C) Comment. Lund's public statements and discussion with the Ambassador, particularly following U/S Burn's recent

Congressional testimony and the continued company dialogue with State officials (Reftel), reflects growing StatoilHydro concerns over possible Iran Sanctions Act implications. The company has made it clear that it wants to recoup costs, and get out of Iran. With expansion ambitions in its sizable Gulf of Mexico and Chukchi Sea projects, the company does not want those projects jeopardized by possible ISA sanctions. Nevertheless, the company should clarify when it will pull out of Anaran. End Comment.

WHITNEY

=====CABLE ENDS=====

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P 190931Z JAN 10
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RUCNIRA/IRAN COLLECTIVE PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

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C O N F I D E N T I A L SECTION 01 OF 02 KUALA LUMPUR 000037

SIPDIS

E.O. 12958: DECL: 01/19/2020
TAGS: ECON, EFIN, ENIV, ETRD, ETTT, IR, KNNP, MY
SUBJECT: MALAYSIA: ISA UPDATE - PETRONAS MOVING AWAY FROM
IRAN INVESTMENT

REF: 09 STATE 121808

Classified By: Econ Counselor Matt Matthews for reasons 1.4(b) and (d)

1. (C) Summary: Post approached the three Malaysian companies listed in Ref A that are reportedly doing business or contemplating doing business in Iran. Petronas told us January 11 that it has no active investments in Iran, no commitment has been made to invest in South Pars Phase 11 and its contractual obligations in the Munir block are complete, with no further investment under consideration. Petronas officials noted that Petronas is concerned about investing in Iran due to current political uncertainties there. Amona told us via telephone they sold their oil and gas (O&G) business, including any interest in the redevelopment of the Resalat Oilfield. Post has made contact with representatives from SKS Ventures, which will be reported septel. Ministry of Foreign Affairs (MFA) Principal Assistant Secretary and America Desk Officer Muhammad Radzi Jamaludin (Radzi) told post that the Ministry of International Trade and Investment (MITI) held a meeting with Petronas, Amona, and SKS Ventures and told them to cooperate with embassy inquiries on Iran investments. End Summary.

2. (C) Comment: Our meeting with Petronas was at a surprisingly high level and the information offered was unusually frank and forthcoming for such a sensitive topic. As a Petronas Board member, Azhar is well positioned to provide accurate information on Petronas' Iran investment plans. Post will continue to press for additional details on Petronas South Pars Phase 11 activity. End Comment.

Petronas

3. (C) Deputy Econcouns Salin and econoff Williams met January 11 with Petronas Board of Directors Member and Corporate Secretary Mohd Azhar Osman Khairuddin (Azhar) and his assistant, Head of Legal Research, Planning and Issues Management, Abdul Rahim Mydin (Rahim) to query Petronas about existing and planned investments in Iran, s oil and gas sector (O&G) and awareness of the Iran Sanctions Act (ISA). Deputy Econcouns delivered ref A points and provided additional background on our information request.

4. (C) Azhar said that Petronas does not have any investments in Iran at this time. Azhar explained that Petronas aspires to be a global company and desires a positive relationship with the USG. However, he related that Petronas was a relatively late entrant to the O&G business and was not competitive with international oil companies (IOCs) in most development areas. Petronas made the conscious decision in the mid 1990, s, with the blessing of the GOM, to compete in countries where Western sanctions precluded the largest IOCs from competing such as Iran, Sudan, Myanmar, and Mauritania, according to Azhar. He claimed that in 1996 the Petronas president met with Clinton Administration officials informing the USG of Petronas, plans to invest in Iran and that Secretary Albright gave Total, Gazprom, and Petronas ISA exemptions on South Pars Phases 2 and 3. Azhar said that Petronas developed the Siri field without an exemption and that both of Petronas, prior Iran projects are now finished. He mentioned that Petronas does have an ongoing trading relationship with Iran, exporting lubricants to Iran.

5. (C) Azhar told us that Malaysian O&G reserves are not large and are running out soon. (Note: Conoco Philips Malaysia confirmed that without new discoveries, Malaysian oil production will decline at approximately 10% per year, from 550,000 bpd in 2008 to roughly 490,000 bpd in 2009 and 450,000 bpd in 2010.) Azhar noted that revenues from Petronas accounted for 45% of the GOM budget last year and stated that the GOM is over-reliant on Petronas to fund its operations. He said Petronas feels tremendous pressure to grow its business in order to maintain Malaysia, s political status quo and added that Petronas wants to stay insulated from politics, but must comply with GOM policy. He acknowledged the large amount of liquid assets on Petronas, balance sheet and Petronas, concerns that those funds be

invested in productive O&G assets to promote future profitability rather than be spent now on domestic programs for political gain. He described Petronas as a stabilizing force in Malaysia and in ASEAN regionally and his desire that the USG recognize the important role Petronas plays in maintaining political stability in the region.

KUALA LUMP 00000037 002 OF 002

6. (C) Azhar was not aware of press accounts of Petronas investment plans in the South Pars Phase 11 gas field and was noticeably irritated that Petronas gas subsidiary Carigali had not mentioned Phase 11 when it briefed Azhar on its Iran activities. He was quite clear, from his position as a member of the Petronas Board of Directors, that no final investment decision had been made on any new project in Iran.

Azhar added that Petronas is closely following the political situation in Iran between President Ahmadinejad and the opposition and stated that Petronas is very concerned about investing in Iran at this point due to political uncertainties and the possibility of "disruptive changes."

7. (C) (Note: In a follow-up telephone call January 14, Rahim told econoff that investment in South Pars Phase 11 is still under consideration, but that Petronas has not committed to the investment. Econoff asked follow-up questions on the status, timing, and cost of due diligence, contract status with Iran/CNPC, and when a final decision could be reached. Rahim asked econoff to forward the follow-up questions via email and that he would try to respond. End Note.)

8. (C) Azhar was excited about Petronas successful bid with Shell to develop the Majnoon oilfield in Iraq. He praised the open and transparent competitive bidding process and said that Iraq's opening is putting a lot of pressure on Iran. Petronas is bullish on the political situation in Iraq and plans to compete for additional business in Iraq, according to Azhar.

Amona Claims O&G Business Sold

9. (C) Econoff and LES Tang Loon Lian contacted Amona December 9 via telephone regarding its announced investment in the Resalat Oilfield. An Amona representative told us Amona had sold its entire oil and gas business to Oil Corp., a publicly traded Malaysian company. Local news databases did not report announcement of a sale. A search of Bursa Malaysia publicly listed companies showed that Oil Corp. is losing significant amounts of money and appears near bankruptcy. Post will continue to check for additional details on the status of Malaysian participation in the Resalat transaction.

MFA and Trade Ministry Authorize Cooperation

10. (C) During a January 12 meeting, Ministry of Foreign Affairs Principal Assistant Secretary and America Desk Officer Muhammad Radzi Jamaludin (Radzi) told econoff that he had recently attended a MITI-led meeting, in which MITI called in Petronas, SKS Ventures and Amona and told them to cooperate with the embassy in our ISA inquiry. Radzi said that Petronas told MITI it does not have any investment in Iran now and that the private companies (SKS and Amona) claimed they had no financing sources for their projects in Iran. Radzi also described how Malaysian firms go to Iran with suitcases of money to purchase oil and gas concessions from the Iranians. He said that they bring too much cash to count the money, so they weigh it to determine if the amount is correct. Radzi did not offer why Malaysian firms would purchase an O&G concession from the Iranians for a project they are unable to finance.

KEITH

=====CABLE ENDS=====

id: 21806
date: 10/19/2004 21:53
refid: 04CARACAS3219
origin: Embassy Caracas
classification: CONFIDENTIAL
destination:
header:

This record is a partial extract of the original cable. The full text of the original cable is not available.

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C O N F I D E N T I A L CARACAS 003219

SIPDIS

NSC FOR CBARTON
USCINCSO ALSO FOR POLAD

E.O. 12958: DECL: 05/25/2014
TAGS: PHUM, PGOV, KJUS, VE
SUBJECT: VENEZUELAN PROSECUTOR INVESTIGATES 400 FOR
"REBELLION"

Classified By: cda stephen g. mcfarland FOR REASON 1.4 (d)

SUMMARY

1. (U) Venezuelan prosecutor Danilo Anderson took testimony from three media executives at the beginning of October as part of his investigation into the events of April 12-13, 2002. Anderson announced on September 17 that he was reopening the investigation of persons who had supported the interim government of Pedro Carmona. Anderson announced the investigation would involve some 400 people associated with the "Carmona Decree," which dissolved the GOV in April 2002. In addition to those that signed the decree, Anderson is targeting persons known to be present in Miraflores Palace at the time, having "signed in" or been caught on videotape. Sumate's Maria Corina Machado and Zulia Governor Manuel Rosales are perhaps the most prominent persons on the list. End Summary.

Case Reopened

2. (U) On September 17 prosecutor Danilo Anderson announced that Attorney General Isaias Rodriguez had ordered him to reopen the investigation into the events of April 12, 2002

surrounding the installation of the Carmona government. He told reporters he would investigate those people named as ministers in Carmona's government, those who signed the "Carmona Decree" and those who were present at Miraflores during Carmona's swearing in.

Background

3. (C) On April 11, 2002 Gen. Lucas Rincon announced President Chavez' resignation on national television. Hundreds of Chavez opponents had marched to the Presidential Palace and occupied it when military officers took the President into custody. Pedro Carmona, then president of the business federation FEDECAMARAS, swore himself in as president. This act broke the constitutional chain. Amidst the celebrating and negotiating, a decree was written. It is not clear who wrote it, though that is likely to be part of Anderson's investigation. The Carmona Decree, as it is now known, dissolved the GOV, the National Assembly, the Supreme Court, and the Citizen Power, including the prosecutor's office. The decree was signed publicly by the representatives of several institutions, and publicly proclaimed. This decree, and the political attacks against Chavista officials, is generally credited with sparking the reaction of loyal elements of the military, which led to Chavez' restitution on April 13. In 2002 the Supreme Court, sitting in Plenary Chamber, ruled that the events of April 11, 2002, did not constitute a coup, but rather a power vacuum, given Chavez' resignation. The decision halted attempts to try the military participants in the April events.

400 Blows

3. (U) On September 30 Anderson announced that he expected to call 400 persons to testify, possibly as suspects, over the course of two months. He said he intended to investigate Carmona's ministers first, then those who signed the decree publicly, then those who signed privately after Carmona was sworn in, and finally those who were present at Miraflores during Carmona's swearing in ceremony as president. For this last group, Anderson plans to use videos to identify people. Anderson told the press that the investigation was beginning from the assumption that the crime committed was civil rebellion. Depending on the level of complicity, suspects might be charged as author, co-author, participant or accomplice. Anderson said he would not call Gen. Lucas Rincon, who announced Chavez' resignation, or the Vice President at the time, Diosdado Cabello, to testify.

Media Execs Testify

4. (U) Globovision Director General Alberto Ravell testified before prosecutor Danilo Anderson on October 4, about an alleged meeting on April 13, 2002, between interim president Pedro Carmona and media executives, allegedly to design the interim government's communication policy. Anderson told reporters that he had learned of the meeting from testimony by Rafael Arreaza, Carmona's Health Minister. Anderson also summoned Globovision President Guillermo Zuloaga on October 5, Venevision President Victor Ferrer on October 7, and Venevision owner Gustavo Cisneros on October 8. The media executives told reporters that the meeting with Carmona was public, that they had not met to design Carmona's communication policy, and that they had not signed the decree. Some noted that the allegation did not make sense because as independent media their role is not to advise a government on a communication strategy.

Fear Abounds

5. (C) On October 5 PolOff spoke with Juan Martin Echevarria, who represents some of the potential suspects. He said he knew many people who were scared, and that some would follow Rafael Arreaza's step of coming forward and cooperating with Anderson to avoid being charged. Martin suggested that these testimonies could be manipulated by Anderson to implicate whoever he wanted in whatever crime he wanted. Martin suggested that the appointment of Anderson as prosecutor sent a powerful message, since people remembered that he sent Baruta Mayor Henrique Capriles to jail for 120 days. Martin said the case was an attack against the opposition rear-guard, designed to shut down sources of financing and other support for opposition leaders by bringing the real threat of prison close to home.

6. (C) Most of those alleged to have signed apparently signed blank pieces of paper, which press reports have said were left out for people to sign their adherence to the decree. Maria Corina Machado, of SUMATE, listed as a signer on lists that have appeared in the press, alleges that she signed only a visitors book, though her lawyer, Martin, told PolOff she physically signed a blank piece of paper. Martin confirmed that Machado's mother also signed a piece of paper in Miraflores, and would probably be called to testify.

7. (C) Several people signed the decree publicly in the name of various social and political groups, including: Cardinal Velasco in the name of the Catholic Church; Carlos Fernandez, in the name of FEDECAMARAS; Zulia Governor Manuel Rosales, in the name of the regional governments. MVR Deputy Saul Ortega told PolOff on October 6 that it would probably be impossible to convict those who signed the blank pieces of paper, or those who were physically present. The ministers, and those who signed publicly, however, were guilty of treason and should be convicted, Ortega said. Construyendo Pais deputy

Leopoldo Martinez, whom Carmona named Finance Minister, told PolCouns he did not believe Anderson would pursue a case against him because of his parliamentary immunity. Anderson, he asserted, was more intent on intimidating Chavez opponents than in ever taking the investigation to fruition.

Comment

9. (C) Capitalizing on winning the referendum, the GOV is turning to ensure that opponents understand there is a cost to participation in politics against the government. It is also important for Chavistas that April 11 be legally defined as a coup, and those who supported the Carmona government as coupsters. The prosecutor's office is being used to convey this message. The beginning of the parade of persons answering Anderson's summons appeared to be fairly innocuous. The list is long, however, and there are bound to be flare-ups, for example when SUMATE representative Maria Corina Machado is called. That moment, while solely at Anderson's discretion, will likely occur at an advantageous moment for the GOV and an inopportune moment for its opponents. Still unknown is how far the prosecutions are likely to proceed through the judiciary.
McFarland

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=====CABLE ENDS=====

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RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0420
RUEHJI/AMCONSUL JEDDAH PRIORITY 8317
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C O N F I D E N T I A L SECTION 01 OF 05 RIYADH 000313

SIPDIS

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DOE PASS TO KHARBERT, AHEGBURG, GPERSON
CIA PASS TO TCOYNE

E.O. 12958: DECL: 02/14/2017
TAGS: EPET, ENRG, EINV, SA
SUBJECT: ENERGY WORKING GROUP MEETS IN RIYADH, DISCUSSES
INTERNATIONAL OIL MARKET

Classified By: AMBASSADOR JAMES OBERWETTER FOR
REASONS 12958 1.4 B, D, AND E

Summary

1. (SBU) Assistant Secretary of Energy for Policy and International Affairs Karen Harbert and Prince Abdulaziz bin Salman al-Saud, Assistant Minister for Petroleum Affairs,

Ministry of Petroleum and Mineral Resources (MOPMR) convened an Energy Working Group (EWG) in Riyadh on February 3. The Energy Working Group is part of the Secretarial-level Strategic Dialogue. The meeting was warm and cordial, as the senior DOE, State and MOPMR officials meet regularly. Both parties forecast the international oil market will move into a period of slower growth in the medium term, with non-OECD nations continuing to drive oil market growth. The parties agreed the non-conventional oil sources are becoming a modest but more important part of the world's energy portfolio. The interlocutors expressed concern with the international oil companies (IOCs's) emphasis on enhanced oil recovery (EOR) and other technological improvements at the apparent expense of financing new exploration. The Saudis critiqued both alternative fuel proponents and peak oil theorists, cautioning against the high cost of biofuels and assumptions that economic policy can overcome fundamental pricing challenges. In light of supplier volatility in many regions in the world, the U.S. delegation emphasized the value the USG places on reliable suppliers such as Saudi Arabia.

2. (C) Assistant Secretary Harbert's meetings in Riyadh February 3 - including with Petroleum Minister Naimi (septel) - were well timed and responsive to Saudi policy-level concerns with the USG's increasingly stress on alternative fuels, and on the openness of the US investment climate to a Saudi proposed multi-billion dollar refinery expansion in Texas. End Summary.

Reviewing the Energy Working Group

3. (SBU) Technical presentations during the EWG highlighted oil market dynamics, forthcoming projects and opportunities in the upstream and downstream in both the U.S. and Saudi Arabia, and new U.S. energy policies with regard to alternative energy and fuel specifications. The parties also discussed climate change and U.S.-Saudi energy cooperation. This is the first of four cables reviewing the EWG discussions, covering:

- a. Forecasts and discussion of the international oil market
- b. Saudi plans for upstream and downstream expansion
- c. Climate change
- d. Cooperation between the U.S. and Saudi Arabia, with a focus on
the Joint Oil Data Initiative (JODI)

4. The following teams participated in the EWG:

Visiting USG Delegation:

- DOE Assistant Secretary for Policy and International Affairs Karen Harbert;
- DOE Deputy Assistant Secretary Alan Hegburg;
- DOE Director, Office of African and Middle Eastern Affairs George Person;
- DOE, Energy Information Administration, Director of Integrated Analysis and Forecasting Glenn Sweetnam;

--Department of State, Director International Energy and Commodity Policy Office, Stephen Gallogly.

Economic Counselor Silverman, DOE Deputy Director for

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Electricity Delivery and Energy Reliability Alvarez, Energy Attache Ross, and Economic Officer Pacheco also participated in the EWG for Embassy Riyadh.

The Saudi Working Group team consisted of:

- HRH Prince Abdulaziz bin Salman al-Saud, MOPMR, Assistant Minister for Petroleum Affairs;
- Dr. Majid Al-Moneef, MOPMR, OPEC Governor for Saudi Arabia;
- Dr. Ibrahim al-Muhanna MOPMR, Advisor to the Minister and Director of Public Relations;
- Dr. Mahmoud Al-Osaimy, MOPMR, Advisor to the Minister;
- Dr. Ahmed Al-Ghamdi, Advisor to the Minister;
- Advisor to the Minister on Climate Change Dr. Mohammed Al-Sabban;
- Abdulelah Abdulaziz Albuniyan, MOPMR;
- Yasser Mufti, Saudi Aramco, Corporate Advisor on Energy Outlook, Corporate Planning;
- Dr. Mohammed Yahya Al-Qahtani, Saudi Aramco, Manager, Reservoir Description and Simulation Department;
- Salahaddin Dardeer, Saudi Aramco, Engineering Superintendent, Riyadh Refinery.

Mature Economic Cycle Creates Cyclical Slowdown;
Demand Growth Continues in non-OECD, China

5. (SBU) Saudi Aramco's Yasser Mufti kicked off a series of technical presentations with the MOPMR's analysis of the international oil market. (Note: Saudi Aramco employees conducted all of the Saudi presentations, highlighting the tremendous depth and substance Saudi Aramco brings to the MOPMR's service. End note.) For 2007, the MOPMR forecasts the world economy's entry into a mature phase of the economic cycle will impact the international oil market, creating a cyclical slowdown for the foreseeable future. Mufti noted interest rates appear to be on the upswing worldwide, which will dampen increased demand in the oil sector. He stated the non-OECD countries, particularly China, will continue to be the crucial driver for increased oil consumption, with transport and feedstock key to their increased demand. Largely due to growth in the non-OECD market, the MOPMR forecasts increased demand for crude oil at 1.4-1.6 million barrels per day (mbpd) per year. Projecting over the next seven years, MOPMR forecasts up to 3 mbpd in demand uncertainty.

China and the Middle East Continue
Strong Demand Profile

6. (SBU) While noting China would continue to drive demand growth, Mufti described China's energy market as fragmented, with a huge urban-rural divide, and great regional variance. Gas oil and gasoline are the strongest growth components, driven by transport and the industrial sectors. Urban areas could reach saturation in the foreseeable future in absorbing additional petroleum products, but a predominantly impoverished population in the interior will remain locked out of the growth in energy consumption enjoyed by city dwellers. Due to a large population bulge at the bottom of the age pyramid, Mufti stated the Middle East, and Saudi Arabia in particular, will be among the strongest areas of demand growth. Aerial views of Riyadh from 1972 to 2000 vividly highlighted the city's dramatic growth and accompanying increase in energy demand.

Non-OPEC Supply Growth Forecast at 1.2 mbpd/year;
Industry Faces Serious Expenditure Challenges

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7. (U) Mufti then moved on to discuss supply side issues. In the non-OPEC states, OECD oil production declines are evident as fields mature. Growth in deepwater and non-conventional oil production has eclipsed production in the former Soviet Union (FSU). The MOPMR forecast non-OPEC supply growth 1.2 m/bpd per year in the medium term, with possible risks to supply growth including project delays, country risk, and normal production declines in maturing fields. Mufti reiterated the constant refrain heard at every oil industry event: the industry is stretched by expenditure costs, particularly for scarce rigs and manpower. The recent price environment first stimulated interest in enhanced oil recovery (EOR) projects. However, he noted, we have not yet seen the price environment drive much new exploration.

Non-OPEC Moving Beyond Conventional Oil, but
Economics of Alternative Fuels Remains a Challenge

8. (U) Mufti reviewed the MOPMR's analysis of alternative fuels, noting the resources and processes employed for alternative fuels were generally not new. He forecast output of alternative fuels to more than double in the next ten years, with a compounded annual growth rate of 8.8%. He included tar sands, extra heavy oil, gas-to-liquids (GTL), coal-to-liquids (CTL), oil shale, ethanol, and biodiesel within his forecast. Mufti highlighted the high capital costs of alternative fuels. He pegged the capital cost to maintain a daily barrel of production capacity for alternative fuel at \$25,000-\$60,000, stating that Saudi Arabia crude costs only \$5,000-\$10,000 to maintain the same

daily capacity. Mufti stated some European biodiesel cost up to \$120,000 per daily barrel of capacity. He attributed large capital cost variances to factors such as feedstock prices, technological efficiency, emissions, and fiscal incentives. Moving on to ethanol, Mufti's analysis indicated the \$60/barrel for crude oil was the breakeven point for U.S. corn-based ethanol.

Growth in OPEC Oil Supply: 4.5 mbpd in Three Years

9. (SBU) Mufti said the MOPMR expects OPEC supply to increase 4.5 mbpd in the next three years. Iraqi output will be driven by its internal ability to supply oil, not external market requirements. Natural gas liquids (NGL) and gas output will also rise. There will be significant upstream development in all of the "OPEC 10" nations (all OPEC members minus Iraq). Mufti forecast steady but moderate oil production growth until the end of the decade. He highlighted OPEC's spare oil production, indicating it will continue to grow.

Trade Increasingly Meeting Global Energy Needs

10. (U) The global economy is witnessing increased reliance on trade to meet its energy needs. Mufti noted ten years ago, the global economy imported 53% of its oil, but now imports 61%. New supply areas are geographically remote from major demand centers, and mature oil provinces in developed countries continue to experience production declines. These factors, coupled with limitations on refining capacity in major demand centers, continue to drive increased trade in oil. Mufti indicated the MOPMR expects growth in the oil trade will be three to four times the rate of global GDP growth.

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Oil Increasingly Integrated into the
Global Financial Markets

11. (SBU) Mufti described the explosive growth in crude oil futures since 2003, noting about 2 billion paper barrels are now in trade. The Saudi analysis indicated a link between higher oil prices and the influx of investor funds into the oil markets. He remarked that as commodity markets become increasingly mature, investors tended to view oil futures as just another asset class, ripe for investing. He described the forward curve for oil futures as "weirdly shaped," stating "a lot of money believes prices will be higher going out." As the oil futures markets play an increasingly large role in setting world oil prices, he remarked his team was

now obtaining better insights into prospective oil prices from banks than from those working in the real oil sector, such as refiners.

Saudis Cast Aspersions on Biofuel and Peak Oil
Proponents; Policy Won't Wean the Public Off Oil

12. (SBU) In a presentation aimed at both proponents of alternative and biofuels, as well as peak-oil theorists such as Matt Simmons, Mufti concluded by quoting from a 2002 article, "A Half Century of Long-Range Energy Forecasting Errors." The authors identified a number of common errors in long-range energy forecasting, such as underestimating the size of world energy resources, underestimating the role of prices and the adaptability of markets, substantial overestimate in primary energy consumption, strong influence of events and trends at the time of the forecast, overzealous assumptions regarding changing people's behavior, and assumptions that economic policy can overcome economics.

EOR: Making the Most of What you Have; but
Declines in Exploration Worry EWG Participants

13. (SBU) Both U.S. and Saudi EWG interlocutors expressed concern with a precipitous fall in new exploration. Mufti stated oil service company Schlumberger has sold off its seismic unit, and is no longer engaged in exploration work. Instead, Schlumberger contacts have told him all of their clients have now contracted with Schlumberger for EOR activities. Assistant Secretary Harbert noted the percentage of IOC budgets devoted to exploration fell from 30% to 10% from 2000 to 2005. DAS Hegburg remarked the key to exploration was, "access, access, access," and, with the closure of Russia, Venezuela, and other nations to the IOCs, there were simply fewer opportunities to access new fields.

EIA Market Forecast: Non-OECD Outstrips
OECD Oil Consumption by 2015

14. (U) EIA Director Sweetnam presented the EIA forecast on oil market growth. He projected OECD oil consumption to grow at 1 percent, with non-OECD consumption growing at 3 percent. By 2015, the non-OECD nations will surpass OECD nations in total oil consumption. Sweetnam noted the EIA modeled oil demand forecasts for three economic growth scenarios: a reference case at 3.8% global economic growth, a high growth scenario at 4.6% annual global growth, and a low growth scenario at 3.1% growth. Underscoring the difficulty of planning for oil consumption growth over the long term, Sweetnan told us the difference in projected demand between the high and low growth scenarios was 50 million barrels of oil equivalent.

Growth in Coal Creates Environmental Challenge

15. (SBU) Sweetnam noted the EIA expects less oil in the world energy mix as coal, gas, and alternative fuel consumption increases. The rise in natural gas prices in tandem with oil prices during recent years will lead more of the developing world, especially India and China, to turn to coal. Assistant Secretary Harbert remarked that 80% of the world's new coal plants were being built in India and China, a significant environmental challenge, given their failure to date to adopt clean coal technology. China, she noted, was firing up one new coal power plant every week. She added that China currently had 9 million passenger cars on the road, a figure expected to grow to 100 million by 2030, "a figure we think is too low," she remarked.

Deliverability of Oil is Focus for U.S. Delegation

16. (C) Moving onto non-OPEC oil growth, Assistant Secretary Harbert remarked, "the question in Russia is, will

SIPDIS

investment occur?" She stated the conditions for energy investment there have taken a dramatic turn for the worse. She indicated in Venezuela, the government of Hugo Chavez was increasing social spending by 100% per year, while decreasing petroleum investment by 8% a year - a trend with inevitable results for Venezuelan production. The USG delegation conveyed the value the USG placed on Saudi Arabia's reliability as a supplier. In discussing suppliers such as Nigeria which experienced difficulty in meeting their contract terms, or Venezuela, which may experience such problems in the future, Sweetnam highlighted the market impact on reliable suppliers. He concluded, "reliable suppliers such as Canada and Saudi Arabia will have a bigger call on their oil."

Comment

17. (C) The relationship between DOE, State and the MOPMR is long-standing and very solid. However, the Saudis have been frustrated with recently-announced U.S. programs and public statements designed to accelerate research into alternative fuels. Mufti countered by emphasizing that consumers won't be weaned off of oil unless other options are price competitive, and appraising that USG policy won't alter market fundamentals. The technocrats who run Saudi Aramco understand there is room for biofuels and other alternatives in a growing U.S. and world energy portfolio. Nonetheless, the political leadership within MOPMR kicks back against the

USG saying so in too public a fashion.

18. (U) DAS Hegburg has cleared this message.

OBERWETTER

=====CABLE ENDS=====

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INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE

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C O N F I D E N T I A L SECTION 01 OF 04 RIYADH 000903

SIPDIS

DEPT FOR NEA/ARP, EEB/ESC/IEC(SULLIVAN), AND INR/EC(WOOD)

E.O. 12958: DECL: 07/08/2019
TAGS: EPET, ENRG, PREL, OVIP, OPEC, SA
SUBJECT: SAUDI OPEC GOVERNOR PROVIDES CODEL TOUR D'HORIZON

Classified By: DCM David Rundell, reasons 1.4 (b) and (d).

1. (SBU) Summary and comment: Congressman Alan Grayson (D-FL) met OPEC governor for Saudi Arabia Dr. Majid Al-Moneef with DCM June 29. Moneef provided an unusually detailed tour d'horizon of his views on the oil business and OPEC. He expressed satisfaction that the price of oil was moving back up towards the \$70 - \$80 range Saudi leaders say they consider fair, although he noted with mild amazement that the Kingdom's excess production capacity has risen from its longtime target of 1.5 - 2 million barrels of oil per day to around 4 million. Overall the U.S.-educated OPEC governor seemed confident but not complacent about the health of his country's most important economic sector. End summary and comment.

OPEC GOVERNOR BRIEFS CONGRESSMAN

2. (SBU) Congressman Alan Grayson introduced himself to Saudi OPEC governor Dr Majid Al-Moneef as a member of the House Financial Services Committee, saying he long had been interested in Saudi Arabia and energy and was pleased to visit the country as part of his first official visit abroad.

SAUDI ENERGY POLICY: MAINTAIN
EXCESS PRODUCTION CAPACITY

3. (SBU) Moneef said that the Kingdom was "important" not just because of its vast oil reserves and huge production but because of the ability it had demonstrated over many years to increase production capacity while international demand has grown. The Kingdom, he said, has been able to avoid political and technical problems that have hampered production in other oil producing countries, allowing it to provide needed increments when others could not.

4. (C) Moneef explained that the fundamental tenet of Saudi Arabia's energy policy for decades has been to maintain a 1.5 to 2 million barrels of oil per day (mbpd) excess production capacity. He said the Kingdom's excess production capacity today is approximately 4 mbpd, with current production around 8 mbpd. Comparing this large surplus to the country's average daily production in the 1980s, which he described as "around 5" mbpd revealed just how large this idle capacity is, and how expensive it is to maintain. Nevertheless, he explained, "We were able to use our spare capacity during the Iranian revolution, the Iran-Iraq war, the Iraq-Kuwait war, and the turmoil in Venezuela in 2003" to stabilize oil markets. He said the secret of Saudi success was to continue building and maintaining additional production capacity even when demand has fallen. He emphasized, "We don't mothball," and to the contrary, he said, Saudi Arabia is the "Federal Reserve of oil."

5. (C) Financial Services Committee Professional Staff Member Dennis Shaul asked how much of the current 4 mbpd excess production capacity was heavier grades of crude. Moneef replied that overall 65% of Saudi crude produced was Arab Light, and the country sought to maintain this ratio, even last year when it cut production relatively deeply. Only if it attempted to produce at levels approaching its maximum sustained production capacity would that ratio begin to shift significantly in the direction of heavier grades of crude, Moneef said. He concluded that although current Saudi policy means the Kingdom is stuck with 4 mbpd excess production capacity "slack,... at least we have it."

OPEC DECISIONMAKING

6. (SBU) Asked if it was harder for OPEC to agree on production increases or decreases, Moneef explained that most OPEC members were producing at or near their marginal capacity, and Saudi Arabia was one of the few countries that still had flexibility on production decisions. Consequently, the Kingdom had increased production from 2002 to 2008 while other countries had been unable to do so. Nevertheless, decreasing production was hard for most other OPEC members, since they did not have the Kingdom's fiscal discipline or financial freedom to reduce oil sales voluntarily. Moneef said most OPEC members were willing to increase production, "even Angola and Libya," but in general terms, investment in these countries has been insufficient.

7. (C) Asked which countries were hardliners within OPEC (in

terms of opposing production increases), Moneef replied that this had changed over time; however, in addition to Iran and Venezuela, which he said both were "happy to see oil at

RIYADH 00000903 002 OF 004

\$100," Libya increasingly was joining the hardliners' camp as a vocal opponent of proposals to increase production. Saudi Arabia, he claimed, frequently had to remind other members that the agreement that founded OPEC set an objective to keep the oil market balanced, and not to maximize prices.

8. (C) When asked about quotas, Moneef replied that OPEC meetings result in decisions on production levels but do not impose quotas. He told the Congressman that OPEC identified production targets for its members by studying world demand and production among non-OPEC members and then allocating production for members at levels that in theory would fulfill the residual demand. Asked if therefore OPEC production deliberations occurred "automatically," Moneef replied, "In practice, yes, but coordination and meetings remain necessary." He continued, "The market does not work on its own. When we want to increase production, we talk to our customers and call an OPEC meeting... There's a decision element to it." Asked which member countries had outlooks similar to the Saudis within OPEC. Moneef cited the GCC, as well as "Nigeria, sort of."

GOVERNOR SAYS INTERNATIONAL DEMAND
SHAPES SAUDI PRODUCTION AND PRICING

9. (C) Moneef said that in early 2008 when oil prices were soaring to record levels, demand was falling, and although current demand for oil has recovered somewhat from when it "tanked" later in 2008, it still remains "below 2008 levels." The OPEC Governor estimated that overall there had been a 3.2 mbpd decrease in demand. Chinese demand for oil was up significantly, with U.S. demand up somewhat less. Moneef said that U.S. requests had declined from mid-2008 to May 2009 but now were picking up. He said incremental demand was expected to mainly be from China, and to a lesser extent the U.S. but that European demand for Saudi crude was expected to drop.

10. (C) Moneef said the price formula that Saudi Aramco sent its customers had resulted in fewer requests (in Aramco parlance, "nominations") for Saudi oil. As a result, the OPEC governor said, the Saudis cut production 1.7 mbpd and the rest of the reduced demand had been absorbed by production cuts in other countries. Moneef asserted that Saudi Arabia does not typically "cut production" but instead raises prices to reduce demand. Aramco customers, he said, mainly want Arab Light oil, and often they are reluctant to buy the medium/heavy oil that the Saudis sell in addition to higher grade product. However, he said over the past two months, nominations had gotten "better, much better."

11. (C) Moneef predicted that the current 2.5 mbpd reduction in international demand would not persist, since it was due to the international financial crisis, which he said would be over in a few years. Chinese demand in particular would pick up soon. Nevertheless, in 10 or 15 years oil prices would return to record levels set last year. European production was declining. Maybe Abu Dhabi could increase somewhat, and the Iraqis even more. Russia would not increase production. Brazil would be able to increase production further by exploiting unconventional and deep-sea reserves.

12. (C) Asked whether it was true Saudi oil only cost \$1-2 per barrel to produce (excluding indirect costs), Moneef emphasized that Aramco's costs had increased significantly in recent years. Operating costs were higher (labor, materials, and technology), and it was necessary to drill more development wells than before. The cost to bring each new barrel of oil to market, he said, had grown much more expensive. Development costs for the Shayba field in the Saudi Empty Quarter had cost \$5K/barrel, which he estimated translated to \$5 billion overall. In any case, Saudi marginal production costs for petroleum differ by field. The Khurais field brought back on stream had been producing before and therefore production infrastructure already was in place. In contrast, the isolated Shayba field in the Kingdom's barren southeastern Empty Quarter had double or even triple the operating cost. Although capital costs were increasing, the OPEC governor acknowledged that Saudi "and someday Iraqi" oil still had the lowest production costs of any country.

13. (C) Asked what oil price Saudi Arabia assumed for planning, Moneef said the Finance Ministry and MinPet used separate numbers and for the latter the estimates varied over time. The 2004 MinPet price plan assumed \$40/barrel, he said. Assumptions for the Manifa field were "higher," while the price for Shayba had been based on a conservative price of \$15-18/barrel. Asked for Saudi oil's break even price,

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Moneef said that last year the Saudi budget assumption was \$45/barrel, but that was based on the government running a "small" deficit. For a balanced budget, he said the price would need to be \$55/barrel.

DECLINE RATES AND PEAK OIL

14. (C) Asked about the peak oil theory, Moneef said the decline rate for Saudi oil fields averaged 4% for the Kingdom, compared to 6-8% worldwide. He said "peak oil exists since petroleum is a depletable resource but the peak is not around the corner. Maybe 10-20 years from now. The UK has peaked already but most OPEC members have not. However, the important thing is it's not what's underground that counts for this. Investment is what matters. Also technology. Saudi assessments of their reserves are much

higher than they used to be." He said Saudi Arabia used to think that its production would peak circa 1980-95 but this turned out to be "totally" inaccurate. He concluded that "the human factor" remained the most important resource in the oil business.

SPECULATION

15. (C) Moneef was asked for his views on the role speculation has played in "volatile" oil markets in recent years. The Saudi OPEC governor noted that the fundamentals currently did not support wild price swings, while the close correlation with both falling value of the dollar against other currencies and the international crisis affect on oil prices was prima facie evidence of a link between these factors. This happened along with a sharp increase in activity on energy markets. Oil has become an investment medium, he said. Moneef asserted that Saudi Arabia supports increased oversight of energy markets. The Saudi government was happy to see steps taken to study strengthening regulations, he said, and there always were going to be geopolitical factors as well as fears of peak oil. Now geopolitical fears were decreasing and/or have been factored into prices. Moneef said the Saudi view was that speculation represented approximately \$40 of the overall oil price when it was at its height. Now that was lower. He said the Saudi government was following this issue closely and considers improving transparency and communication to be two of the best actions that could be taken to reduce speculative volatility.

16. (C) Asked what regulatory reforms the U.S. could institute in Moneef's view, to reduce impact of speculation on oil markets, he said transparency and cooperation amongst exchanges would be best. Perhaps strong position limits. He said the Saudis are watching discussion of this in the United States with great interest.

TECHNOLOGY, RENEWABLES, AND THE FUTURE

17. (C) On Saudi use of advanced technology in the oil sector, Moneef explained that from 1998 onwards, the Kingdom began using horizontal drilling and now was injecting water and in some cases gas to increase production. He described how Saudi Arabia has been financing experiments in Canada on carbon capture and storage (CCS) on a project with Canada, Norway, the UK, and the Netherlands (called by others the "Four Kingdoms" project). Moneef said the Saudi government also was "looking for" a CCS project to undertake in Saudi Arabia. However, "We don't need it yet," he said. (NB: A senior International Oil Company executive posted to Riyadh told Econoff July 7 that the Saudis expected foreign firms to pay for any CCS projects implemented in the Kingdom.)

18. (C) Moneef said that Saudi Arabia remains interested in solar energy and the King Abdullah University of Science and Technology (KAUST) opening in September was being built with

solar panels for "heating and other" purposes. However, the OPEC governor expressed skepticism about solar energy as a technology in general. Although Saudi Arabia was working hard to develop its use of the technology further, he said, the technology remains uneconomical for the Kingdom while fossil energy remains so plentiful and cheap domestically. Asked about the break-even point for renewable energy sources, Moneef said U.S. biofuel began to make sense only with oil costing \$80-90/barrel. He estimated that oil costing \$70 would make developing "some" tar sands and Brazil's deepwater oil reserves economical, "but not with oil at \$40-50."

19. (SBU) Asked whether the Saudi oil business would be

RIYADH 00000903 004 OF 004

fundamentally the same 50 years from now, Moneef said in 20 years oil's share in the international energy mix will have declined. He said he saw unconventional oil production increasing significantly around the world by 10-15 years from today. Tar sands, heavy oil, and deep water production off the coasts of Brazil and West Africa will have begun to have a significant effect on the overall petroleum market, he said. In Saudi Arabia, gas liquids likely would play a much more significant role in the future. He estimated that 70% of future increments would be unconventional.

FINANCE

20. (C) Asked how Saudi Arabia financed energy projects, Moneef explained that upstream projects all were internally financed out of Aramco's budget. In contrast, downstream projects were 60% borrowed and 40% equity, with joint ventures organized differently. For example, he said, refinery construction projects typically were planned to have an internal rate of return of 14-15%. When the financial crisis hit, Saudi Aramco and MinPet had reexamined pending refinery investments, including the Total refinery project (in the Eastern Province) aimed at sending refined products to Asia, and the Conoco refinery project (along the Red Sea) that was to supply product to the Mediterranean and other points West. Luckily, he said, the previous \$12 billion Conoco project's cost had dropped \$2.4 billion. This mainly was due to reducing material costs as many regional projects had been cancelled. While the 2007 price of oil had averaged \$70, he said, MinPet had assumed \$50 for these projects. On the Fujian refinery project in China, he said, Saudi investment had led to a doubling of capacity at the refinery, and there eventually would be a tripling of capacity.

FUTURE OF SAUDI OIL SALES

21. (C) Asked if the Saudis would consider participating in commodity markets directly (instead of dealing with established customers via nominations), Moneef said this

would not happen. Saudis view themselves as physical producers and sellers of petroleum, and if they sell directly into commodity markets, they will unduly affect prices and be blamed even more for high prices. He emphasized, "We don't want to get involved in that." Asked what was the "right price" of oil, Moneef said oil's price needs to provide sufficient revenue for producers and encourage investment, including in alternative energy sources. Therefore the Saudi view was that it would be good for oil to be around \$70. However, he reiterated that the Kingdom's main energy policy hinged not on price but on maintaining a 1.5 - 2 mbpd spare capacity, which he described as a mandate by the Kingdom's most senior policymakers for the past 30 years.

NOPEC

22. (C) Moneef mentioned the recurring U.S. draft NOPEC legislation as an example of an issue that would be considered by the Saudi economic deputies committee of the Saudi Supreme Economic Council (described septel). In addition to MinPet Assistant Minister for Petroleum Affairs HRH Prince Abdulaziz bin Salman, who is a regular Post interlocutor on this issue, Moneef said MFA Under Secretary for Economic and Cultural Affairs Yousef Saadon and Deputy Minister of Finance for Economic Affairs Hamad AL-Baz'y were key players. He also mentioned Abdulrahman Abdulkarim (counselor to Oil Minister Naimi, with rank equivalent to Deputy Minister) as a key player in NOPEC discussions.

23. (C) Moneef was asked how Saudis set compensation for energy sector personnel. Why not sharply increase salaries, and how were they set? Moneef said Aramco had faced significant employee attrition a few years ago, mainly to the financial sector. It updated its survey of "similar employers," looking at (among others) banks and the country's petrochemical giant SABIC. Aramco updated the survey, adjusted salaries, and now tries to "stay a little ahead" of other firms in terms of salaries. He joked that the financial sector no longer was luring away candidates (thanks to the financial crisis).

24. (U) Congressman Grayson did not have the opportunity to clear this telegram.

ERDMAN

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C O N F I D E N T I A L SECTION 01 OF 02 TRIPOLI 000078

SIPDIS

STATE FOR NEA/MAG. COMMERCE FOR NATE MASON.

E.O. 12958: DECL: 1/27/2020
TAGS: PGOV, PREL, PHUM, EAID, ECON, CVIS, PINR, LY
SUBJECT: SENIOR LIBYAN JUSTICE OFFICIAL: LESS TALK, MORE ACTION IS
BEST

TRIPOLI 00000078 001.2 OF 002

CLASSIFIED BY: Gene A. Cretz, Ambassador, U.S. Embassy Tripoli,
Department of State.

REASON: 1.4 (b), (d)

1. (C) Summary: Libya's Justice Minister-equivalent, Mustafa
Mohammad Abduljalil, told the Ambassador on January 25 that as
Libya opens its economy to other countries, it needs
international assistance in developing its private sector and
strengthening the commercial legal environment. The Ambassador
thanked Abduljalil for his support of the USG-funded Commercial
Law Development Program's (CLDP) work in Libya, including
securing visas for the recent second visit to Libya of a U.S.
federal judge and the CLDP program manager. Abduljalil said an
upcoming February trip to the U.S. of three Libyan judges (at
the invitation of CLDP) would provide the Libyans with new ideas
and generate proposals for future cooperation. Abduljalil said

Libya's reform of its Criminal Code had moved to the General People's Congress (Libya's parliament-equivalent) for discussion. While Abduljalil has given the green light to his staff to work with us, he noted that many Libyans are still "concerned" about the USG's support for Israel, and that terrorism stems from the perception that Europe and the U.S. are "against" Muslims. End Summary.

POSITIVE COOPERATION IN COMMERCIAL LAW PROGRAMS

2. (C) On January 25, the Ambassador (accompanied by econoff) met for the first time with Mustafa Mohammad Abduljalil, Secretary of the General People's Committee for Justice (Minister of Justice-equivalent). The Ambassador stressed the importance of a sound commercial legal environment to Libya's economic development. He noted that CLDP is an example of the type of bilateral program that can improve the legal environment, and thanked the Secretary for his help in obtaining Libyan visas for the U.S. participants of recent CLDP workshops. Abduljalil expressed his own support for the CLDP programs and bilateral cooperation in general, stating that "less talk and more action is best" when it comes to moving the relationship forward.

3. (C) The Ambassador previewed for Abduljalil the upcoming CLDP-sponsored trip to New York and Washington of three Libyan judicial officials. Abduljalil said that as Libya was now opening up its economy and developing a private sector, it needed to strengthen its commercial laws, and that such trips to the U.S. would provide the Libyans with new ideas. This was "essential" as, after many years of sanctions and international isolation, the Libyans know very little about the U.S. system of government. He said they were also interested in discussing a system for prisoner exchange to provide for the repatriation of Libyans imprisoned in the U.S. and for U.S. citizens in Libyan prisons. (Note: We are not aware of any Americans currently in Libyan prisons. End note.) He said Libya had negotiated such agreements with other countries and hoped to do the same with the U.S. He would ask the three officials to write a report after their upcoming trip, including proposals for other areas of cooperation.

STATUS OF LIBYA'S CRIMINAL LAW REFORM PROJECT

4. (C) Abduljalil said the GOL has been working on reforming Libya's Criminal Code for 4-5 years and that the revised legislation is currently being discussed in the General People's Congress. He noted that Libya is trying to incorporate alternatives to prison sentences for some crimes, including a system for imposing fines instead of jail-time, as well as community service. Ideally, the death penalty would be a sentence reserved only in cases of murder, he explained. Regarding other penalties, such as charges brought against those who speak against the government, Abduljalil maintained that Libyans could "say anything they wanted" in the forum of the General People's Congress. He insisted that journalists were free to write anything they chose, provided they did not make

personal accusations against anyone (i.e., slander).

FROM CRIMINALS TO ISRAEL: JUDGE ACCUSES U.S., EUROPE OF BEING AGAINST ISLAM

5. (C) In the course of the discussion of the Criminal Code, Abduljalil abruptly changed the subject from freedom of speech to the "Libyan people's concern about the U.S. government's support for Israel." He averred that Libya cares deeply about Muslims everywhere, and about Muslim countries. In his view, the root cause of terrorism stems from the perception that Europe and the U.S. are against Muslims. He believed that "justice is for everyone," and that if Libya does not uphold that tenet, then terrorists will find a foothold in Libya. The Ambassador replied that the U.S. is committed to a positive

TRIPOLI 00000078 002.2 OF 002

relationship with the Muslim world, referencing the President's 2009 speech in Cairo. He said it is important to continue the discussion of sensitive topics in order to develop a mature relationship between our two countries. Through the Human Rights Dialogue (HRD), the U.S. hopes to continue the discussion with Libya on such topics in a discreet, mutually respectful manner, which Abduljalil appeared to appreciate. The Ambassador gave Abduljalil a copy of the diplomatic note proposing the HRD working groups and invited his input.

BIO NOTE AND COMMENT

6. (C) Abduljalil was named Secretary of the General People's Committee for Justice in January 2007. He does not speak English, and spoke only Arabic in our meeting. According to a recent report by Human Rights Watch (HRW), he has expressed reformist ideas about eliminating corruption within the GOL and bringing security organizations in line with the rule of law. In HRW's assessment, Abduljalil's drive to change the system is driven more by his conservative point of view rather than a reformist agenda. According to his staff and several judges, he is well-regarded and considered to be fair. The Ambassador's initial meeting with Abduljalil was positive and encouraging. Through his staff, including Director of International Cooperation Kamal al-Bahri, Abduljalil has demonstrated an interest in working with us on the Commercial Law Development Program over the past year and a willingness to allow his staff to communicate with emboffs outside of official channels. This was evidenced by his securing visa approvals for visiting CLDP officials. (Note: His organization seems to have a parallel track in securing visa approvals, bypassing Protocol and the MFA, as the Embassy received the approval numbers for the CLDP visitors directly from the GPC for Justice and not through the MFA as usual; in fact, the visas for the two CLDP visitors are among the very few USG visas we have received in the past few months. End note.) The next step will be to continue the discussion of how we can work with the GPC for Justice in other, more sensitive areas, such as the Human Rights Dialogue. We

also committed to providing the Minister with U.S. laws and explanations showing how we handled the issues of free association and free speech balanced against the security needs of the nation. End comment.

CRETZ

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S E C R E T SECTION 01 OF 03 MEXICO 000674

NOFORN
SIPDIS

E.O. 12958: DECL: 09/18/2028
TAGS: ECON, ETRD, IR, MARR, MX, PARM, PINR, PREL, PTER, SNAR
SUBJECT: MEXICO'S RELATIONSHIP WITH IRAN (C-AL8-02836)

REF: STATE 6423

Classified By: Political Minister Counselor Charles V. Barclay. Reason
: 1.4 (b),(d).

1. (S/NF) Summary: Mexican President Calderon has not/not made enhancing ties with Iran a priority of his administration notwithstanding Iran's efforts to increase its political and religious influence in the region. The Iranian Ambassador to Mexico has taken an activist role in promoting Iran's interests, but nearly all of the cooperation and agreements between Mexico and Iran are symbolic and lacking in substance. Mexico has agreed to low-profile exchanges with Iran designed to improve their bilateral relationship, but resists efforts by the Iranian ambassador to play Mexico off of the U.S. Mexico agrees with the need to maintain consistent pressure on Iran to comply with its international nuclear nonproliferation obligations but as a rule prefers to work through the IAEA. The Israelis are watching closely

for any security risks associated with Iran's attempts to increase its presence in Mexico, but they also believe that Mexico's intelligence service (CISEN) has the security portion of the situation under control. End summary.

Mexican-Iranian Relations

2. (C) As part of its charm offensive in Latin America, Iran is seeking to improve its bilateral relationship with Mexico. According to Mexico's intelligence service (CISEN), the Iranian Ambassador to Mexico, Mohammed Hassan Ghadiri Alyaneh, is an activist interested in establishing science, technology and business exchanges in Mexico and possibly a new Consulate in Tijuana. CISEN also notes Iranian Embassy efforts to promote commercial links in a number of Mexican communities, particularly in the State of Durango. Mexico is responding by looking for ways to enhance cultural and educational contacts, and is also prepared to improve commercial and trade ties working within the context of applicable UN resolutions. Most statements from Mexican officials calling for increased cooperation with Iran focus on soft issues like a shared appreciation of culture and history. Concrete economic cooperation between Mexico and Iran is quite limited -- trade between the two countries is at USD 40 million, three fourths of which are Mexican exports to Iran.

3. (S/NF) The Iranian Ambassador's public statements sometimes have been problematic for Mexico -- such as quoting President Ahmadinejad's comment in 2007 that the "Zionist regime would soon end." The GOM has asked (with mixed results) that the ambassador moderate his rhetoric. According to CISEN, the Iranian Embassy supports groups like the Movimiento Mexicano de Solidaridad con el Pueblo Irani (MMSPI), which consists of 53 Mexican leaders and social organizers. Key leaders are located in Mexico City and Torreon, Coahuila, where Mexico's only Mosque (allegedly tied to Hezbollah) is also located. Mexico's security services are concerned about Iran's influence in Mexico and its attempts to engage and influence the country's Shia Muslim population, including offering to send young Mexicans to Iran for education and training. CISEN indicated that Iranian organizations in Mexico also receive support from the Iranian Embassy in Cuba.

4. (S/NF) Although Iran already has established close ties with Cuba, Venezuela, Bolivia, Ecuador and Nicaragua, a similar relationship with Mexico is unlikely because President Calderon's is significantly more focused on Mexico's relationships with Latin America, the United States, and other important economic players. Mexico recognizes that Iran has made inroads promoting its cause in Latin America but will resist any efforts to become "the third corner in a triangle" between Iran and the United States. Mexico will agree to improve relations with Iran, but only as long as the latter respects Mexico's policies.

5. (S/NF) CISEN has watchlisted Dr. Edgardo Ruben Assad (aka Shaykh Soheil Assad) to prohibit his future travel to Mexico because his name appears on various international terrorism watchlists linking him to the bombings in Argentina in the early 1990s. Mexican immigration honored CISEN's request to

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prevent his entry, though CISEN has no information of its own regarding his case. CISEN indicates that the Iranian Embassy continues to urge the Mexican Government to allow him back into Mexico. The Soraya Mosque in Torreon, Coahuila has petitioned to grant Assad residency status so he can serve as cultural and educational attache to the mosque. CISEN says this is the first time they have observed the Muslim community acting with such unity and harmony of purpose, and they attribute this unity to the Iranian Ambassador. Such activism enhances CISEN and the broader GOM's view of the Iranian presence in Mexico as increasingly troublesome and counterproductive to relations.

Iran and Nuclear Weapons

6. (C) Mexico places great importance on a diplomatic solution to Iran's non-compliance with its international obligation on nuclear issues. Mexico believes Iran is tactics of delay and deception and in a way that is inconsistent with its international obligations. The GOM supports the reaffirmation of U.N. Security Council Resolutions on Iran. However, Mexico's longstanding and robust support of sovereignty, non-interference, and self-determination at the international level prompts GOM to support, in principle, Iran's right to develop a nuclear energy program. Iranian officials appear to understand Mexico's sensitivities on these issues and strives to frames its case for Mexican support for Iran's nuclear program invoking these principles. The Iranian Ambassador himself said that, because Mexico spoke out against U.S. intervention in Iraq, he expects that Mexico will maintain that commitment to non-intervention in the future.

Israeli's Influence in Containing Iranian Influence

7. (S/NF) Israel monitors Iranian influence in Latin America in large measure out of concern over the Iranian role in the attacks on its Embassy and a Jewish community center in Argentina in the early 1990s. The Israeli Embassy has expressed confidence in CISEN's handle on security issues related to the increased Iranian presence in Mexico. The Israelis worry thought that Iran's increasing influence in Latin America could provide it a beachhead or network for future nefarious activities targeting Israel or its allies in

the region. To their view, Iranian Ambassador to Mexico's bold approach has proven mistake-ridden. It also appears to have contributed to a backlash, drawing the attention of Mexican officials to the Iranian Ambassador and to Iranian activities in Mexico and causing some Mexican Muslims to shy away from associating with him out of fear that his presence and activities will do more harm than good.

Comment

8. (S/NF) The GOM has agreed to low profile exchanges with Iran as part of its broader foreign policy to establish and maintain friendly relations with all countries. However, Mexico is also sensitive to Iran's geo-strategic goals in the hemisphere and appears concerned about the Iranian Ambassador's antics. Mexican relations with Iran remain largely symbolic. Nevertheless, Iran continues to seek deeper ties -- even if they are merely symbolic -- given the importance it assigns to establishing a presence on the U.S. border. Mexican authorities, especially CISEN, track potential Iranian related security concerns closely, keeping an eye out for any undesirable Iranian activities or persons.

Despite all the talk of sovereignty and self-determination, GOM will not want to be held responsible for any nefarious Iranian activities within its borders or in neighboring countries. Mexico is committed to working with the international community to blunt an Iranian nuclear weapons program, but also is wary about becoming a pawn used by either side in the evolving dispute.

Visit Mexico City's Classified Web Site at <http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at

MEXICO 00000674 003 OF 003

[http://www.intelink.gov/communities/state/nap /](http://www.intelink.gov/communities/state/nap/)
BASSETT

Visit Mexico City's Classified Web Site at <http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at [http://www.intelink.gov/communities/state/nap /](http://www.intelink.gov/communities/state/nap/)
BASSETT

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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 005350

SIPDIS

SIPDIS

DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT,
EUR/CARC, SCA (GALLAGHER, SUMAR)
DOE FOR HARBERT, HEGBORG, EKIMOFF
DOC FOR 4231/IEP/EUR/JBROUGHHER
NSC FOR MCKIBBEN

E.O. 12958: DECL: 11/07/2017
TAGS: EPET, ENRG, ECON, PREL, RS
SUBJECT: THE END OF YUKOS

REF: MOSCOW 5973

Classified By: Econ MC Eric Schultz for Reasons 1.4 (b/d)

SUMMARY

1. (SBU) In a November 7th meeting, Yukos receiver Eduard Rebgun told us the company will cease to exist as soon as the court acknowledges receipt of his final report, which he submitted November 2nd. Rebgun asserted that he had merely performed a professional duty to carry out a Russian court decision to liquidate a bankrupt company, and he was neither qualified nor interested in making any moral or legal judgments about the affair. He said the October 31st Dutch

court ruling (related to Yukos Finance, a Dutch subsidiary, reftel) against Monte Valle, owned by Amcit Steve Lynch, is "Lynch's problem," but that he would be willing to help with pending appeals. Rebgun has filed his own appeal in the case, because he believes "the decision is wrong."

THE END OF YUKOS

2. (SBU) Eduard Rebgun, the court-appointed Yukos receiver in charge of liquidating the company recently announced that the process is complete. He confirmed to us in a November 7th meeting that he submitted his final report to responsible Russian court on November 2nd. When the court acknowledges receipt (he implied this is a formality and would occur very soon), Yukos Oil Company will officially cease to exist.

3. (SBU) Rebgun said the bankruptcy auctions brought in 877 billion rubles (approx. \$35 billion), out of which creditors were paid 873 billion rubles. According to Rebgun, 76 billion rubles (approx. \$3.1 billion) of creditor claims, most of which was owed to the tax authorities for minor taxes and fees, went unpaid. He said the 4 billion ruble (approx. \$160 million) difference between the revenues and payments of the proceedings was for expenses and fees for lawyers, consultants, accountants, etc. (N.B. Rebgun did not clarify how much of that was fees paid to him.)

"JUST CARRYING OUT A VALID COURT ORDER"

4. (SBU) Rebgun cited his experience as a prominent consultant to a variety of international companies and banks, including experience with other bankruptcies, as the reason he was appointed to manage this high-profile bankruptcy. Separating his role from the decisions that brought Yukos down, Rebgun emphasized that he was "just carrying out a valid court order." "If someone has a problem with the court decision on Yukos back-taxes or the court decision declaring Yukos bankrupt, they need to take that up with the courts." He added that he is not qualified to judge the court decisions because he does not know the facts, but said he trusts that Russian law was carried out properly.

YUKOS FINANCE "IS LYNCH'S PROBLEM"

5. (SBU) Rebgun said he believes the October 31st Dutch court ruling that challenged his authority to auction off a Netherlands-based Yukos asset, Yukos Finance, is wrong and he is appealing. However, he said his motives were a matter of principle, and because he is a "warrior," not because there is any legal consequence for him. (Note: The ruling effectively gave control of Yukos Finance to its former

directors. Monte Valle, a company owned by American Steven Lynch and backed by Moscow- and Cyprus-based Renaissance Capital, had bought Yukos Finance at auction for about \$300 million. The Dutch court ruling casts doubt over the ownership of this asset, which includes a 49% stake in Slovakia's oil pipeline company, Transpetrol -- see reftel. End note.)

MOSCOW 00005350 002 OF 002

6. (SBU) Rebgun said there is no provision to repay Monte Valle should it not be able to gain control of Yukos Finance.

"They knew quite well what they were buying," he said, referring to the risks involved. "This is Lynch's problem." He added, however, that he would, "as a professional, help Lynch with the case if he asks for it." He suggested Yukos Finance could be tied up in the courts for years. Rebgun also downplayed the significance of the case, noting that the \$300 million paid for the company was less than 1 percent of the bankruptcy proceeds.

COMMENT

7. (C) Rebgun is probably correct in calling the Yukos saga over, certainly with respect to its existence in Russia. That doesn't preclude continuing challenges in international courts. However, those challenges will ultimately deal with minor issues, like Yukos Finance. Any attempt to revive the company or reverse Russian court decisions would almost certainly be doomed to failure.

BURNS

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C O N F I D E N T I A L SECTION 01 OF 03 BRATISLAVA 000501

SIPDIS

SIPDIS

E.O. 12958: DECL: 06/21/2016
TAGS: ENRG, ECON, EPET, PREL, PGOV, LO, RS
SUBJECT: SLOVAK GOV'T AIMS TO REPURCHASE TRANSPETROL
PIPELINE

REF: A. BRATISLAVA 494

- B. VALLEE/PEKALA EMAILS
- C. WARSAW 1167
- D. VILNIUS 512

Classified By: Ambassador Rodolphe M. Vallee for Reasons 1.4 (B) and (D)
)

1. (C) Summary - The Slovak government is negotiating with Yukos to re-purchase the 49 percent stake in the oil pipeline that was originally sold to Yukos in 2002. Economic Minister Jirko Malcharek, who has the lead in the negotiations, is attempting to finalize an agreement before the current government's mandate ends in the coming days or weeks. Although the Russian oil company Russneft had an agreement with Yukos Finance to buy the 49 percent stake in February for USD 103 million, Slovakia maintains veto authority over any deal for the Yukos stake, and has used this power to stop the pending sale to Russneft. In addition to the Russians, who remain interested in the Transpetrol stake despite the recent rejection, Polish oil company PKN Orlen and a possible consortium or U.S. equity investors are also pursuing a deal. A non-Russian investor would be more inclined to utilize the

pipeline's full capacity through a connection to the Odessa-Brody pipeline and Caspian light crude. End Summary.

TRANSPETROL IS STILL UP FOR GRABS

2. (C) Yukos Board Chairman Viktor Gerashchenko announced two weeks ago that the company had failed to sell its 49 percent stake, which includes management control, of the Slovak oil pipeline firm Transpetrol to Russian oil firm Russneft. Yukos Finance, a Yukos subsidiary that is based in the Netherlands, had originally purchased the 49 percent stake for USD 74 million in 2002. Russneft reached an agreement in February with Yukos Finance to buy the stake for USD 103 million. The Slovak Anti-Monopoly Office approved the sale to Russneft on May 19. The Slovak government, led by the Ministry of Economy, maintains veto authority over any sale of the Yukos stake until April 2007 and has not yet approved the Russneft deal.

3. (C) The Transpetrol pipeline system is a part of the Druzba pipeline and runs 515 km from the Ukrainian border in the east to the Czech Republic in the west. The pipeline has branches to the Slovnaft refinery in Bratislava and refineries in the Czech Republic, as well as a connection to the Adria pipeline system running south through Hungary into Croatia. The pipeline currently has a throughput capacity of 20 million metric tons per year (Mta), but has historically been operating at less than half of this amount, approximately 10.7 million Mta of heavy crude from western Siberia. In 2005, 5.57 million Mta went to the Bratislava Slovnaft refinery owned by the Hungarian energy company MOL, and 5.04 million Mta went to Czech refineries (4.26 million Mta went to Ceska Rafinerska). This output would increase by another 2 million Mta if a planned Bratislava-Schwechat extension to an OMV refinery in Austria were to become operational. (Note: Environmental issues and Yukos problems have put this project on hold for the time being.)

4. (C) According to an article in the daily SME on June 16, Russian Ambassador to Slovakia Alexander Udalcov said that Russia remains interested in Yukos' stake and Russian companies were not out of the running for the deal. It is widely believed that under Russian control all of the oil traveling the pipeline would continue to be heavy crude from western Siberia. A non-Russian investor, on the other hand, would be more inclined to diversify to other sources. The main proposal involves connecting the Odessa-Brody-Druzha route to transit Caspian light-crude oil through Ukraine's Odessa-Brody oil pipeline and along the southwestern branch of the Druzha pipeline for delivery to refineries in the Czech Republic, and eventually Austria and southern Germany. While this would require a significant investment to upgrade Transpetrol's transit capacity from 20 to 28 Mta, it could result in additional transit volumes of more than 17 Mta through the Transpetrol pipeline system.

LAME DUCK MINISTER CONTINUES TO PURSUE A DEAL FOR SLOVAKIA

5. (C) Minister of Economy Jirko Malcharek has taken the GOS lead in negotiations with Yukos. According to his top advisor and MOE spokesman, Robert Beno, Malcharek's top priority in his remaining days in office is to cancel the deal with Russneft so that the Slovak government can

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repurchase the Yukos stake in Transpetrol. (Note: Malcharek's political party, Nadej or "Hope", did not meet the five percent threshold in last Saturday's parliamentary elections and will therefore not be a part of the next government.) 100 percent GOS ownership of Transpetrol would not only allow Slovakia to diversify supply, but it would also help towards meeting the EU goal of having at least 90 days of reserves. One expert told us that the oil in the pipeline alone could be counted as 10 to 15 days of reserve supply. Transpetrol also owns several back up tanks that could be used for this purpose, and would save the government from having to build additional storage facilities. In Slovak Crowns the price of the 49 percent stake is actually less today (approx. SKK 3 billion) than the GOS sold it for in 2002 (approx. SKK 3.5 billion) due to exchange rate differences.

6. (C) According to an article in the June 21 SME newspaper, Malcharek met last Thursday (6/15) with Yukos Finance CEO Steven Theede to discuss the potential re-purchase of the 49 percent Transpetrol stake by the Slovak Government. Malcharek said that Slovakia needed to act quickly because the Russian courts will decide on the Yukos bankruptcy in mid-July. (Note: Yukos chief Stephen Theede has argued that since the Transpetrol stake is held by Netherlands-based Yukos Finance it is not subject to the bankruptcy proceedings in Moscow. This is the same entity that recently sold Lithuania's Mazeikiu Nafta oil refinery to PKN Orlen, as outlined in Reftel D.) The SME article also quotes Malcharek as saying that he is not sure that Yukos has actually canceled its deal with Russneft despite the recent statements by Yukos' Board Chairman.

7. (C) Malcharek cannot finalize arrangements with Yukos on his own and would eventually need the support of the government to approve any deal. We heard before the June 17 election from sources in the Prime Minister's office that the current government could take a final decision on the Transpetrol sale during the interim period between the election and formation of a new government, especially if it appeared that the Prime Minister's SDKU party would not be a part of the next government (See Reftel A for the latest political developments). SDKU feels it should at least

consider finalizing deals of "strategic importance" to Slovakia before turning over the reigns to a possible Smer-led government. Robert Kalinak, the vice-chair for the leading opposition party and top vote-getter Smer, told us last week that he did not expect Malcharek to take a decision in his final days on the job. Kalinak noted that Smer would prefer that the GOS buy back the shares from Yukos, which is ultimately the same goal that Malcharek says he is pursuing. Malcharek acknowledges in the SME article that although he would like to reach an agreement with Yukos in the coming weeks, ultimately the next government would finalize the deal over the coming months.

MORE THAN JUST THE SLOVAKS AND RUSSIANS ARE INTERESTED

8. (C) In addition to Russian and GOS interest in the Transpetrol stake, Polish oil company PKN Orlen is reportedly pursuing a deal for Transpetrol (Reftel B). In 2005 PKN Orlen acquired a 63 percent stake in Unipetrol, the biggest refinery and chemical company in the Czech Republic which receives two-thirds of the Transpetrol throughput. The chairman of the board at the Bratislava-based refinery Slovnaft, Marian Jusko, told us that a Polish bid could be politically problematic. Anything that makes PKN Orlen more competitive in the neighboring Czech Republic would likely face significant opposition in both Slovakia and Hungary. Slovnaft is owned by the Hungarian oil company MOL and supplies 70 percent of the Slovak market directly or indirectly. Over the last year Russneft has become a major supplier to Slovnaft, and Russians are rumored to have close ties with the MOL leadership. MOL's influence over the deal would be strengthened if SMK, the Hungarian party, were a part of the next government.

9. (C) A U.S. company, GlobalNet Financial Solutions, has recently contacted us regarding their interest in putting together a consortium of U.S. private equity investors to make a bid for the Transpetrol stake. GlobalNet's Managing Director in Ukraine, Geoff Berlin, has been working on projects related to the Odessa-Brody pipeline for several years. Berlin had not yet presented its proposal to either the GOS or to Yukos when we spoke with them last week. A lack of ties to specific suppliers and refineries, if that is indeed the case, could be one advantage that GlobalNet brings to the table.

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COMMENT

10. (C) Ambassador is scheduled to meet with Malcharek on

Friday (6/23) and will have a chance to hear his plans firsthand. With the exception of the Prime Minister, MOE has kept other GOS ministries in the dark on their intentions. This seems a bit strange since a GOS repurchase of the Transpetrol stake has widespread political support (except for SMK) and increases the options for diversification of oil resources for Slovakia and the region. Such an acquisition by the GOS - which is not directly connected to competing refineries or suppliers - would be consistent with U.S. energy security goals in the region. End Comment.

VALLEE

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C O N F I D E N T I A L BRATISLAVA 000618

SIPDIS

SIPDIS

E.O. 12958: DECL: 07/27/2016
TAGS: ENRG, ECON, EPET, PREL, PGOV, LO, RS
SUBJECT: FM KUBIS: SLOVAKIA FOCUSED ON REGAINING MANAGEMENT
CONTROL OF TRANSPETROL

REF: BRATISLAVA 000613

Classified By: DCM Lawrence Silverman for reasons 1.4 (b) and (d)

1. (C) At their July 28 meeting, Ambassador Vallee and Minister of Foreign Affairs Jan Kubis discussed next steps for the Slovak government in the Transpetrol situation. Ambassador Vallee emphasized that the impending sale of Yukos shares in Transpetrol needs to be carried out in a transparent manner that reflects market forces, and questioned whether GOS approval of a possible deal between Yukos and Gazprom would meet that criteria. The Ambassador expressed concern that, in his July 27 meeting with Minister of Economy Lubomir Jahnatek, the new Minister had shown considerable trepidation about offending Russian business interests (see reftel). The Ambassador stressed that Slovakia maintains significant leverage due to its veto authority over Yukos sales, the Russian court's lack of jurisdiction over Yukos Finance, and other factors.

2. (C) In response, Kubis emphasized that Slovakia's top

priority in this process would be regaining management control of Transpetrol. Currently Slovakia owns 51 percent of Transpetrol shares, but Yukos holds management control. He said that Yukos Finance had shown no willingness to sell back its shares to Slovakia, so the GOS had to look for the next best solution. (Comment: We are not sure of the basis for this belief. Though his opinion was firm, Kubis admitted at the same time that he is not an energy expert. End Comment.) Kubis lamented that Slovakia's veto authority over any possible sale of Yukos shares runs out on May 1, 2007, so it would be necessary to finalize a solution before then. While concerned about the loss of veto power next year, Kubis did not, however, fully share Jahnatek's view that Slovakia absolutely needed to strike a deal before Yukos liquidation proceedings begin in early August.

3. (C) Minister Kubis said that he thought Gazprom could be convinced to grant management authority to the GOS as part of a deal, and believed that the Russians would fulfill their contractual obligations. Kubis added that a sale to the Polish firm PERN or another firm is still a viable option if Slovakia would gain management control of Transpetrol in the process. The Minister noted that the EU wanted Slovakia to buy back its shares from Yukos, but said that it was not realistic to expect Slovakia to stand up to Russia on energy contracts when all other EU members had failed to do so.
VALLEE

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C O N F I D E N T I A L SECTION 01 OF 04 BRATISLAVA 000657

SIPDIS

SIPDIS

E.O. 12958: DECL: 08/07/2016
TAGS: ENRG, ECON, EPET, PREL, PGOV, LO, RS
SUBJECT: SLOVAKIA APPEARS TO CHANGE COURSE ON TRANSPETROL.

REF: A. A) BRATISLAVA 613
B. B) BRATISLAVA 618
C. C) VILNIUS 727

Classified By: Charge D'Affaires Lawrence R. Silverman for reasons 1.4(b) and (d).

1. (C) Summary. On August 3-4, Special Advisor Steve Hellman met with high-ranking GOS officials, including Prime Minister Robert Fico and Minister of Economy Lubomir Jahnatek, to discuss the benefits of buying back shares in Transpetrol from Yukos Finance rather than approving a quick sale to Gazprom Neft. Before Hellman's visit, all indications suggested that the GOS would shortly approve a sale to Gazprom Neft, because they felt browbeaten by the Russians and had come to believe they had limited choice and leverage in the matter. Through the series of meetings, GOS officials started to seriously reconsider the buy-back option. To address GOS concerns that Yukos Finance did not want to negotiate with the GOS, Hellman offered to intercede with

company officials on behalf of the GOS -- if the GOS was certain it wanted to pursue a buy-back option. On August 7, Jahnatek announced that he will be meeting with Yukos Finance in Bratislava on August 9. On August 8, Jahnatek expressed to CDA that the GOS fully supports the buy-back option and will pursue such a deal with Yukos. End Summary.

Pre-Visit State of Affairs

2. (C) Hellman's visit was precipitated in large part by a July 27 meeting between Ambassador Vallee and Minister of Economy Jahnatek, in which the Minister implied that sale of Yukos stock to Gazprom Neft was imminent, and might take place before Yukos International bankruptcy proceedings started in early August (see reftel A). Subsequent contacts with the GOS -- including Charge's August 2 meeting with Minister of Economy State Secretary Peter Ziga -- tempered our concerns about a quick GOS decision. It still seemed apparent, however, that Gazprom Neft would gain the 49 percent share from Yukos sometime in the next month unless strong action was taken. Prior to the visit, Ambassador Vallee and Hellman decided to simplify USG strategy: rather than discuss two options -- buying back the shares or selling to a non-Russian competitor (such as the Polish firm PERN, the American firm MEZI, etc.) -- we would focus specifically on the buy-back option. This was decided on the basis that selling Yukos shares to a non-Russian third party would not be a politically viable option in the minds of GOS officials, and mentioning it would dilute our central message.

Opening Meetings

3. (C) On August 3, Hellman and CDA met with Minister of Foreign Affairs Jan Kubis to discuss the Transpetrol situation. On July 24-25, Kubis travelled to Moscow with Jahnatek and met with Gazprom representatives; upon his return he had suggested to Ambassador Vallee that sale to Gazprom might be acceptable as long as Slovakia regains management control of Transpetrol (see reftel B). To counter this line of reasoning, Hellman focused on our major reasons for supporting a buy-back, including Slovakia's energy security and the financial benefits of Transpetrol ownership. Kubis responded by saying, "Your basic premise is we can buy back the shares. But no one is selling." It became apparent that Kubis and other high-ranking GOS officials had become convinced that meaningful conversation with Yukos Finance had been cut off, and that any arguments in favor of a buy-back were purely theoretical under the circumstances. The major challenge in upcoming meetings would be to convince the Prime Minister and the Minister of Economy that Yukos Finance could in fact be brought to the table.

4. (SBU) The following morning, Hellman and Emboff met with the Marian Jusko, CEO of Slovnaft, and later with Stefan Czucz, Chairman of the Board of Directors at Transpetrol.

Slovnaft, through its parent company MOL, had itself expressed tentative interest in purchasing Transpetrol shares from Yukos. Slovnaft said their basic relationship with Yukos and Russian suppliers had been positive, and they wanted to continue receiving oil from the Urals without difficulty. They believed that re-equipping their refinery to process Caspian crude would not be feasible, though Hellman tried to disabuse them of that notion. In general,

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Slovnaft executives left an impression that they would be content with a Gazprom purchase as the path of least resistance.

Prime Minister not-so-Sinister

5. (C) After the GOS finally concluded its extended opening session of Parliament in the wee hours of the the morning on August 4, Prime Minister Fico agreed to meet with Hellman and CDA at the Parliament building. The Prime Minister was alone, and held the meeting entirely in English without translation. Fico appeared relaxed (albeit tired), and open to further points of view on the Transpetrol issue. He opened remarks by quickly running through the range of possible options for the GOS, including re-purchase of Yukos shares for \$110 million (noting that this would create a hole in the budget), and sale to a variety of business interests from Russia, Poland, and the Czech Republic. He added that his Cabinet planned to discuss Transpetrol in its first meeting on August 9, but he could not say when a decision would be reached.

6. (C) In response, Hellman made the key arguments favoring a buy-back. He noted that Transpetrol has an annual net cash flow of \$30 to \$40 million per year and has no debt, meaning that the 49 percent stake would return \$15 to \$20 million annually -- an amount that could easily facilitate financing of a buy-back without having to use one korun of state funds.

Simply put, a buy-back makes economic sense. He then started to discuss Yukos Finance's self interest, at which point the Prime Minister interjected, "would Yukos be interested in selling to us?" Hellman emphasized the company's need to liquidate assets and its strong dislike of businesses affiliated with the Russian government. Hellman also suggested that he could talk with key people in Yukos as needed, if the GOS were serious about a buy-back. He also emphasized that after a buy-back the GOS would have the option to announce re-privatization of Transpetrol in 2009, which would give Slovakia leverage as it renegotiated its gas and nuclear fuel contracts in 2007.

7. (C) The arguments we provided narrowed Fico's focus in a helpful way. The Prime Minister concluded that, given his country's needs, he has two "relevant options": 1) to buy

back the shares from Yukos, or 2) to approve a sale to Gazprom or another Russian firm. Fico observed that selling to a Polish firm would only infuriate the Russians without benefit to Slovakia. Selling to a Czech firm would be less problematic, he said, but would not be a strategic decision. He thanked us for providing additional information, particularly on the financial aspects of a Transpetrol buy-back, and asked us to discuss the situation with the Minister of Economy in greater detail.

Three Hours with the Minister

8. (C) Which we did. In a meeting that lasted nearly three hours, Hellman laid out the reasons for a buy-back with Minister of Economy Jahnatek and Maros Kondrot, Chairman of the Parliamentary Committee on the Economy. Janhatek was still feeling the pressure from the Russians, as he had emphasized in his first meeting with the Ambassador. Kondrot's presence at the meeting was important since he has been strongly in favor of a buy-back, and had expressed concern to the Embassy that Jahnatek might be about to sign off on a bad deal. (Note: Kondrot has been in regular communication with the Embassy on Transpetrol over the past two weeks, and we would not have secured the meeting with Prime Minister Fico without Kondrot lobbying for it.)

9. (C) As Hellman made the arguments for pursuing a buy-back option, Jahnatek seemed visibly stressed and brow-beaten, as if to say: "I know. I know. But how can I possibly do this?" Jahnatek offered that his first idea was to buy back the shares, but he lamented that Yukos never gave an official response to his request last month for a meeting to discuss re-purchasing Transpetrol shares. He feared Yukos' seeming lack of interest was part of a strategy to freeze the Minister of Economy out of the negotiating process until his veto power over Transpetrol expires in April 2007. Jahnatek said that, under the circumstances, he was forced to find the best deal in which: 1) Slovakia could regain management control of Transpetrol; 2) pipeline flow would be increased

BRATISLAVA 00000657 003 OF 004

from 10.4 to over 16 million tons per year, 3) the extensions to Schwechat and Odessa-Brody would be completed and operational.

10. (C) Hellman stripped down the Slovaks' perceived problems and explained the real possibilities of a buy-back. He also why Gazprom was not the best vehicle for reaching the goals outlined, particularly goal #1. He also discussed the threats that Russia had made toward Lithuania, and explained how Slovakia actually had a much better hand of cards than Lithuania in this situations (see reftel C). As Jahnatek slowly became convinced that it would be able to co-exist with Russia in the case of a buy-back, he asked if Hellman

could arrange a response from Yukos Finance to his meeting requests. He said it had always been his personal preference to buy back the shares, but he only had two weeks in which to reach a decision. Hellman responded by telling Jahnatek that he would do his best to help with Yukos if the GOS was sure it would follow through on the buy-back option. Jahnatek nodded and said, "for the first time I understood exactly what you said (before the translation)." The Minister said that he would speak further with the Prime Minister on the subject later that day.

11. (C) After the meeting concluded, Hellman held a separate short meeting with Kondrot to ensure he stays in close touch with us on this matter. An hour later, Hellman met briefly with Peter Kazimir, State Secretary at the Ministry of Finance, to drive home the point that a buy-back of Yukos shares could be financed without breaking into the state budget. The message was well received. Also, before leaving for Russia, Hellman met briefly with PERN board member Marcin Jastrzebski to make sure they were clear about the direction we were taking.

Jahnatek in Action

12. (C) On the afternoon of August 4, our meeting with Jahnatek was announced in the local press. Interestingly, the article said that Jahnatek delivered to us the message that the GOS preferred to buy back its shares; the U.S. position on the matter was not specifically mentioned. (Note: Hellman requested to Jahnatek during the meeting that, if asked by the press, he should say that we were there to advance U.S. commercial interests.) The meeting between Hellman and Prime Minister Fico did not make the local papers. Also that afternoon, Jahnatek made a request to Bill Shoff, Director of Finance at Yukos Finance in London, to come to Bratislava next week for consultations. On the afternoon of August 7, after meeting with President Gasparovic earlier in the day, Jahnatek announced to local journalists that he would be meeting with representatives of Yukos in Bratislava on Wednesday, August 9. Jahnatek added that buying back Transpetrol shares was the top priority for Slovakia.

13. (C) On August 7, Ambassador Vallee heard from Steve Theede, the recently departed CEO of Yukos International, who is still involved in Yukos Finance's decision-making process. Theede indicated to the Ambassador that selling Transpetrol shares back to Slovakia would be the preferred option for himself, and for other Yukos colleagues. On the morning of August 8, CDA relayed this information in a telephone conversation with Minister Jahnatek. Jahnatek was enthused by the news. He added that he had just met with Prime Minister Fico and President Gasparovic, and that they were all in favor of pursuing the buy-back option. The Minister said that he would like to reach a quick decision with Yukos Finance -- possibly in the next two days -- in order to avoid

further complications. He also asked if Hellman could talk to his contacts at Yukos to facilitate reaching such a deal.

14. (C) Comment: It is striking that Minister of Economy Jahnatek has suddenly scheduled a meeting with Yukos Finance for August 9, after taking the position for several weeks that he couldn't strike a deal with Yukos because no one would talk with him. The USG did not intercede with Yukos to make the meeting happen, but the credible suggestion that Hellman could do so seemed to spur Jahnatek into action. It is still possible that this meeting with Yukos Finance is for show, but mounting evidence suggests that the GOS has really altered its course. There is still much that needs to happen in order for the buy-back to become a reality, especially considering that a few days ago the GOS had all but decided

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to strike a deal with Gazprom. Janhatek's present concern seems to be whether the GOS can come to a deal before the Russians intervene somehow. In any case, we have gotten across the idea that the GOS has more and better options on Transpetrol. Given our general concern that PM Fico tends to undervalue Slovakia's international role and potential influence, the GOS response to our message sends positive signals for the future. End Comment.

SILVERMAN

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RUEHDX/MOSCOW POLITICAL COLLECTIVE PRIORITY
RUEHSL/AMEMBASSY BRATISLAVA PRIORITY 0220
RHEHNSC/NSC WASHDC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY

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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 005173

SIPDIS

SIPDIS

DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT
DOE FOR HARBERT, HEGBORG, EKIMOFF
DOC FOR 4231/IEP/EUR/JBROUGHHER
NSC FOR MCKIBBEN

E.O. 12958: DECL: 10/25/2017
TAGS: EPET, ENRG, ECON, PREL, RS
SUBJECT: (C) YUKOS FINANCE BUYER: NO PRE-ARRANGED DEAL WITH
ROSNEFT

REF: A. BRATISLAVA 561
B. BRATISLAVA 420

Classified By: Econ MC Eric Schultz for Reasons 1.4 (b/d)

SUMMARY

1. (C) One of the major investors behind the August 15 purchase of Yukos Finance assets at auction told us October 23 that the investors hoped to "unwind" the various lawsuits and other claims against the company. They planned to use the \$1.5 billion in cash assets and the 49% stake in Slovakia's Transpetrol to settle the debt claims, leaving

them with a substantial profit. He added that the investors intended to sell the Transpetrol stake but had no pre-arranged deal with Rosneft. End Summary.

VERY COMPLICATED, VERY PROFITABLE

2. (C) XXXXXXXXXXXXX (Amcit, protect), XXXXXXXXXXXXX of Renaissance Capital, confirmed October 23 that Renaissance and Amcit investor Richard Dietz were the financial backers of Monte Valle, the investment firm which bought Yukos Finance at auction on August 15. Monte Valle's owner, Amcit Steve Lynch, had profitably purchased a previous Yukos lot. XXXXXXXXXXXXX said Renaissance had been brought in by Lynch.

3. (C) According to XXXXXXXXXXXXX, the main assets of Yukos Finance are about \$1.5 billion in cash and a 49% stake in Slovakia's Transpetrol, which XXXXXXXXXXXXX indicated has a market value of \$100-150 million. Those assets are currently tied up in lawsuits, including especially a suit by Yukos International (former Yukos Finance) directors Dave Godfrey and Bruce Misamore, both Amcits, who are claiming the Yukos bankruptcy proceedings were illegitimate. The assets are also offset by debt claims from creditors Rosneft and another investment group, Menatep (reftels).

4. (C) XXXXXXXXXXXXX said Monte Valle already has an agreement in place with Rosneft and Menatep to settle the debts and drop various related lawsuits. He said it would cost about \$1.25 billion to retire the debts. In addition, a Dutch court is expected to rule on October 31 on Godfrey and Misamore,s suit. If the investors are able to successfully "unwind" the various claims and lawsuits, and to sell the Transpetrol stake for market value, XXXXXXXXXXXXX said they stand to make a profit of \$50 - \$100 million on their approximately \$300 million investment in the purchase.

SELLING TRANSPETROL STAKE

5. (C) XXXXXXXXXXXXX said that contrary to widespread speculation, Monte Valle had not been acting as a proxy for Rosneft and the deal in place was simply to settle the debts and related lawsuits. There was, for instance, no agreement to sell or turnover to Rosneft the pipeline stake. That said, none of the investors were interested in keeping the asset. On the contrary, XXXXXXXXXXXXX said, they needed to sell it for a "material sum" to realize their profits. Rosneft was a potential purchaser of the stake, but it was just one of many.

6. (C) XXXXXXXXXXXXX said that given the continuing uncertainties surrounding Yukos Finance's assets, the investors have yet to focus on the sale of the stake in Transpetrol. He indicated the investors were wary of the political interest in the pipeline stake. They might be interested in a "negotiated

solution" (as suggested in ref A) but only at a market price.
Moreover, they were also sensitive to the reaction of the
Russian government.

COMMENT

MOSCOW 00005173 002 OF 002

7. (C) The investors are planning on a quick and profitable deal and in that regard selling the Transpetrol stake for market value would seem to be a key. They are therefore unlikely to be willing to sell to anyone at a discount and would not want politics to interfere in their purely commercial affair. On a general note, this complex deal is typical of Yukos "auctions." The owners, purchasers and details all tend to be very opaque, often deliberately, and all involved tend to profit handsomely from the demise of Yukos. End Comment.

Burns

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C O N F I D E N T I A L SECTION 01 OF 03 BRATISLAVA 000631

SIPDIS

SIPDIS

E.O. 12958: DECL: 11/27/2017
TAGS: ENRG, ECON, EPET, PREL, LO, RS
SUBJECT: TRANSPETROL NEGOTIATIONS OFF TO SLOW START
FOLLOWING FAVORABLE COURT DECISION

REF: A. BRATISLAVA 561

B. MOSCOW 5350

BRATISLAVA 0000631 001.5 OF 003

Classified By: Deputy Chief of Mission Lawrence R. Silverman for reasons 1.4 b) and d)

1. (C) Summary - As a result of the October 31 Dutch Court decision that returned control of Yukos Finance (YF) to the Khodorkovsky-appointed directors Dave Godfrey and Bruce Misamore, YF and Slovak government officials have restarted negotiations that were halted in 2006. The court decision will certainly be contested by Monte Valle, the American-led investment group that purchased the stake from Yukos Oil in a Moscow auction in August, but even the Slovak Government now recognizes that the situation has again shifted and Godfrey and Misamore are once again the recognized representatives of YF. The November 20 meeting between Economy Minister Lubomir Jahnotek and YF representatives did not achieve the aim of

rebuilding goodwill and kickstarting more detailed negotiations. Each side left frustrated, feeling that the other was inflexible in its position and unwilling to engage in a constructive dialogue. The GOS knows that it will regain management control whether it buys back the stake or if it is sold in an auction, but the buyback remains the least risky option and would finally give the government the control it has sought for the last 16 months. End Summary.

KHODORKOVSKY-APPOINTED DIRECTORS REGAIN CONTROL OF YUKOS
FINANCE

2. (U) In a much-anticipated October 31 court decision, the District Court of Amsterdam returned control of YF to the Khodorkovsky-appointed directors Godfrey and Misamore. The successful appeal overturned an August 11, 2006, decision that had given the Russian court-appointed Yukos receiver Eduard Rebgun control of Yukos Finance. The Amsterdam court ruled that the Russian bankruptcy order that had appointed Rebgun as the bankruptcy trustee was not in accordance with Dutch principles of due process, and thus cannot be recognized. All actions taken on behalf of Yukos Finance by Rebgun, including the appointment of Shmelkov and Hogerbrugge as directors, were deemed null and void by the 10/31 decision.

3. (SBU) The sale of the 49 percent stake in the Transpetrol pipeline has been held up since the August 2006 decision over competing claims to the asset by Godfrey and Misamore, who maintained control of the YF daughter company Yukos International (YI), and Rebgun. After the positive court decision, Godfrey and Misamore are moving quickly to regain control of YF and to lay the groundwork for an eventual sale. As a first step they need to get themselves re-appointed as the official directors of the company and have their names put back on the Dutch Commercial Registry, which is the official document that the Slovak Government refers to in determining who can represent YF's shareholders' rights at Transpetrol shareholders' meetings. Godfrey and Misamore have appealed to the court for this to happen and expect the issue to be resolved by the end of December, according to local YF representative Jan Kridla.

BUT LEGAL HURDLES REMAIN

4. (C) As outlined in Reftel B, Rebgun has announced that he will appeal the October 31 decision, but he ultimately views this as a problem for the American investment group Monte Valle, which purchased the Yukos Finance stake in an August auction in Moscow. Monte Valle reportedly recognizes that its chances of succeeding in the appeal of this decision are slim, and that YF could go ahead with a sale of Transpetrol and disburse the cash while the appeal is being heard. The American investors behind Monte Valle are reportedly taking

other steps to block Godfrey and Misamore from regaining full control of YF. Monte Valle has received a court extension to provide evidence as to why Godfrey and Misamore should not be listed on the Dutch Commercial Registry. They have also filed a separate appeal with the Enterprise Chamber, which is an independent branch of the Dutch Court of Appeal that was created to resolve corporate disputes. The Enterprise Chamber is scheduled to decide November 29 whether it will accept case. If the case goes forward Godfrey and Misamore would not be able to complete a sale of Transpetrol until the Enterprise Chamber issued a final decision, which would not be expected until spring 2008.

BRATISLAVA 00000631 002.2 OF 003

TWO-PARTY NEGOTIATIONS OFF TO A CONTENTIOUS START

5. (C) Despite the pending legal challenges, Minister Jahnatek has essentially accepted that Godfrey and Misamore once again control YF. In a November 15 meeting with Ambassador, Jahnatek noted that the Dutch court decision brought them back to the situation in August 2006, when the GOS and previous YF director Steve Theede had tentatively agreed on a deal to for the GOS to buy back the 49 percent Transpetrol stake for USD 111 million. State Secretary Peter Ziga noted in a separate conversation with Econoffs that the GOS still has questions about what the October 31st decision means and how the appeal process will work, but he also recognized that there was now only one legitimate claim to YF. (Note: The GOS has never heard directly from Monte Valle and does not appear to be aware of the Enterprise Chamber process in the Netherlands. End note.) Ziga reiterated his earlier position that the GOS cannot officially recognize Godfrey and Misamore until they are listed in the Commercial Registry in the Netherlands.

6. (C) On November 20 Jahnatek met with YF's Dutch Managing Director, Martin Parr, to resume negotiations toward a GOS buyback. Each side separately told Econoff after the meeting that it had not gone well, and that the other side came across as inflexible and unwilling to engage in a productive dialogue. Jahnatek's starting position was that the talks should pick up where they left off in 2006, with a price of USD 111 million. He initially agreed with YF's suggestion that the price also needed to account for exchange rate differences and accumulated cash, but questioned YF's on-the-spot calculations of USD 190 million. (Note: YF used USD 130 million as the August 2006 price and the wrong exchange rate to come to this figure, which is close to the bottom range of USD 195 million from the valuation that YF received from Muse Stancil in July. The actual difference due to exchange rate changes should be USD 143 million plus cash/dividends of approximately USD 25 to 30 million, which would put the price somewhere in the range of USD 170

million. End Note)

7. (C) The differences in the two sides' positions extended beyond the price, however. Ziga later commented that the GOS would only recognize YF as the legitimate owner, and were frustrated that YF was moving ahead with the transfer of the Transpetrol shares from YF to YI, even though both are controlled by the same directors. The GOS also did not appreciate the threat by Parr that YF would auction off the 49 percent Transpetrol stake if it could not reach an agreement with the GOS. Parr complained that the GOS did not come prepared to negotiate and offered no viable process for coming to a fair price. Jahnatek rejects YF's valuation, but is not willing to get his own independent valuation or agree to an auction, even if the GOS were given an opportunity to approve the list of participants and offered the right of first refusal.

8. (C) The meeting ended with Jahnatek rescinding his initial price offer and requesting clarification on several legal questions and confirmation that Godfrey and Misamore are the legitimate representatives of YF. Jahnatek said that he would ask the Government Council how much the GOS would be willing to pay, arguing that the political perception that the price is fair is more important than any economic analysis. (Note: Prime Minister Fico has asked the Chair of the Parliamentary Economics Committee, Maros Kondrot, to provide him an analysis of the benefits of a GOS buyback and an estimate of a fair price by the end of the week. Kondrot, who has questioned Jahnatek's handling of Transpetrol since the initial negotiations in 2006, has asked the well-respected energy analyst, Karel Hirman, to prepare the analysis. Hirman has long-favored GOS control of the pipeline as the only way to have a real option for diversity of supply. End Note) Ziga told Econoffs afterward that Jahnatek is not willing to meet with Parr again, whom he does not trust, but only with the legally-appointed directors of YF. The most likely timeframe for such a meeting is January 2008, assuming that YF is able to reinstate Godfrey and Misamore as directors.

GOS BUYBACK NOT THE ONLY OPTION

9. (U) The GOS will regain majority control of Transpetrol whether or not it buys back the 49 percent stake, which has been the government's top condition throughout the process. If YF were to auction the stake to a third party, the

BRATISLAVA 00000631 003.2 OF 003

shareholder's agreement, which specifies that YF controls three of the five board seats, would be terminated. As the owner of 51 percent of the share the GOS would take over majority control of the board.

10. (SBU) Czech Ambassador-at-large for Energy, Vaclav Bartuska, discussed Transpetrol with Jahnatek on the margins of the November 26-27 EU Nuclear Energy Forum in Bratislava. Bartuska told Econoffs that Jahnatek sought confirmation from him that the Czech government had not entered into a consortium with Ukraine for the purchase of Transpetrol, noting that Jahnatek strongly opposed such an arrangement. Bartuska said that he had stressed to Jahnatek that a GOS buyback was the best option, and made clear that his government would not enter into any deals that were unacceptable to the GOS. Bartuska noted that Jahnatek seemed interested in his suggestion that Czechs and Slovaks could jointly purchase the pipeline if the GOS was reluctant to go it alone. Although no other parties have publicly expressed interest in buying the stake following the recent Dutch court decision, YF is confident that it would get enough bids for a viable auction.

COMMENT

11. (C) Jahnatek's sit-back-and-wait approach to Transpetrol since he last negotiated with Steve Theede in August 2006 has, in retrospect, served him well. He has avoided angering the Russians, which has been his top concern throughout, but he also did not complete a deal with Rebgun, which would have been voided by the recent Dutch court decision. The question now is whether he can shift gears and take proactive steps to negotiate a deal with YF while a window of opportunity exists. If YF does not receive positive signals from the GOS by the time Godfrey and Misamore are fully reinstated as directors, then they will likely go ahead with an auction. Even though GOS will regain management control under this arrangement, they could end up with a partner that is undesirable for either political or strategic reasons. End Comment.

VALLEE

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S E C R E T PANAMA 000699

NOFORN
SIPDIS

E.O. 12958: DECL: 09/16/2029
TAGS: PGOV, PREL, SNAR, PM
SUBJECT: MARTINELLI MOUNTS DOMESTIC SPY OPERATION, PUTS DEA
WIRETAP PROGRAM AT RISK

REF: PANAMA 639

Classified By: Ambassador Barbara J. Stephenson for reasons 1.4 (b) and
(d)

Summary

1. (S//NF) President Martinelli is following through on his intention to expand the duties of Panama's Council of Public Security and National Defense ("Consejo") to include spying on domestic political enemies (reftel). Martinelli has told the Ambassador that he no longer needs USG help to establish

a wiretap program to eavesdrop on his enemies, and that he can do so with help from other sources. He has replaced the director of Consejo and fired some 25 Consejo professionals for alleged links to Consejo's former managers under the Torrijos administration, with indications of more firings to come. Among those fired was the manager of DEA's Matador judicialized wiretap program. The loss of that person and the re-orientation of Consejo to domestic political targets puts at risk the integrity of the Matador program, and we believe that Consejo is no longer an appropriate home for Matador. We are exploring options for transferring control of Matador to Panama's drug prosecutor and removing Consejo from operational involvement in the program. End summary.

Where's the Dirt?

2. (S//NF) Following the Ambassador's August 12 meeting in which Martinelli requested USG help with establishing a politically-oriented wiretap program (reftel), the president again raised the subject with Ambassador on September 16. This time, Martinelli announced that he no longer needed USG help to set up his wiretap operation, and that he would be doing so with help from other sources. Martinelli complained that after 75 days in office, he was still not receiving the kind of information he wanted about perceived domestic threats and political enemies. For that reason, he said he had removed Consejo chief Jaime Trujillo and replaced him with Olmedo Alfaro, head of the Institutional Protection Service (SPI), the GOP's VIP protection service. Trujillo will move to SPI and take over Alfaro's position. Martinelli said that Trujillo was a "good guy" who was "completely honest" and had worked for Martinelli for 22 years, but that he could not provide the kind of information the president wanted because he was "too honest." At the same time, Martinelli told Ambassador he had fired 25 Consejo employees because of their connections to former Consejo deputy director Javier Fletcher.

We Can't Help You

3. (S//NF) As she had done in the August 12 meeting, the Ambassador made clear to Martinelli that DEA's wiretap program cannot be compromised by involvement with a domestic political surveillance operation. The Ambassador noted that one of those fired was the veteran Consejo staffer who managed the Matador wire room, and she asked whether the president would consider reinstating that person. Martinelli refused, saying that the person had maintained a personal relationship with Fletcher's brother and was therefore untrustworthy.

Who's Sleeping With Whom?

4. (S//NF) Separately, DEA chief met with new Consejo head Alfaro on September 16. Alfaro told DEA chief, "I know why you are here. I made some changes and I am not going to change them." Alfaro said he had orders from the president to

find out who "was sleeping with his wife." At the same time, he wanted to make sure he and the president were "covered" and that someone else would be responsible if something bad

happened. He said that he was trying to change the process for approving the judicial wiretaps by bringing a special judge into the wireroom to approve taps. (Comment: This would cut DEA out of the approval process. End Comment.) Alfaro made it clear that Martinelli had tasked him to collect information on the president's political adversaries, and that Trujillo had been removed for failing to deliver what the president wanted.

Comment

5. (S//NF) In light of Martinelli's actions, it is clear to us that Consejo is no longer an appropriate home for the DEA Matador program. We believe it will be more appropriately housed with the office of the drug prosecutor, under Panama's independent Attorney General. We will be discussing options with senior GOP leaders for removing Consejo from operational involvement with Matador, and permanently replacing the fired Consejo manager with a vetted officer from the Attorney General's office. That change of supervision would be the minimum requirement to maintain operation of Matador, and if the GOP does not agree to that change, we will be compelled to suspend operations until a permanent solution can be found.
STEPHENSON

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C O N F I D E N T I A L PANAMA 000879

SIPDIS

E.O. 12958: DECL: 2024/12/04
TAGS: PREL, PGOV, EAID, MASS, ECON, SNAR, ASEC, PINR, PM
SUBJECT: Ambassador's November 25 Meetings with President, Vice
President, and Minister of the Presidency

REF: PANAMA 777; PANAMA 829; PANAMA 831
NOVEMBER 10, 2009 BROWNFIELD-STEPHENSON E-MAIL

CLASSIFIED BY: Debra L. Hevia, Political Counselor, State, POL;
REASON: 1.4(B), (D)

1. (C) Summary/Introduction: The Ambassador and DCM spent six hours in meetings with top government officials on November 25 to persuade them that neglecting to focus attention and resources on Panama's burgeoning crime and gang problems would be disastrous. The Martinelli Administration has taken on many tasks since July and it has not prioritized security issues. However, the window is narrow to reverse the alarming trend of rapidly increasing narco-trafficking and the related violence. (Note: Director of the Panama Canal Authority (ACP) Alberto Aleman recently told the Ambassador that in the past, the ACP assessed silting and other physical problems as the main threat to Canal operations. Recently that assessment shifted, and the ACP now considers violent crime and insecurity the major threat.) The Ambassador stressed that the GOP must address these issues with urgency before it is too late to bring the situation under control. Rather than hiring Israeli

company Global CST to address security issues, Panama should understand that the U.S. is the logical partner in these efforts given our long-standing close relationship and the tremendous resources we have invested in Panama through many years. End summary/introduction.

The U.S. Is Panama's Partner

2. (C) The Ambassador and DCM met first with Vice President/Foreign Minister Juan Carlos Varela and Minister of the Presidency Demetrio "Jimmy" Papadimitriu, after which they all joined President Ricardo Martinelli for lunch. The Ambassador explained once again that narco-trafficking is not a U.S. problem, as the government seems to believe. The top concern of Panamanian citizens is security; the Embassy's top priority in Panama is security; violence threatens long-term governance and prosperity; and Panama's best strategy is to push trafficking away from its shores and make it difficult for organized crime networks to operate. She assured the GOP that the Embassy would strongly support both aggressive efforts against traffickers, and robust programs to keep youth out of gangs. However, she expressed concern that many initiatives have been stalled due to divisions within the government or a lack of internal coordination, and in the case of the Council for Public Security and National Defense (Consejo), leadership that has worked directly counter to our bilateral information-sharing programs (ref A).

3. (C) The Ambassador detailed the many programs the USG provides to assist Panama on security issues, including NAS assistance, Coast Guard and Navy patrols, Southcom humanitarian and development projects, gang-prevention initiatives, and 30 U.S. federal law enforcement agents working side-by-side with Panamanian counterparts. The Ambassador underscored that Panama does not need to search for a partner on security issues; it already has one.

GOP: No Plan or Leadership on Security

4. (C) Papadimitriu acknowledged the lack of GOP coordination, saying that there is no consensus about security and no plan to address it. He said the Ministry of Government and Justice (MOGJ) was too unwieldy, and that Minister Jose Raul Mulino did not have the full support and confidence of the government, but no one else wanted the job. Papadimitriu added, "We don't have anyone who wakes up thinking about security in the way you do. No one feels accountable or responsible." Martinelli ridiculed Mulino, saying that at Cabinet meetings he often talks for 20 minutes nonstop, with an attitude that he knows more than everyone else because he served in government previously, causing the other ministers to stop listening and start working on their blackberries.

5. (C) The Ambassador asked who the GOP was considering naming as the new minister of security, and Martinelli admitted he had not thought about it, but it would not be Mulino. He said Director of the Panamanian National Police Gustavo Perez wanted to remain in his job, and Martinelli was happy to leave him there. The Ambassador and DCM urged Martinelli to choose a strong manager, who did not necessarily have to be a security expert.

Joint Task Force/Maritime Bases

6. (C) The Ambassador detailed how our efforts to help the GOP stand up a small maritime task force that could operate off the Darien's Pacific coast using existing Panamanian security resources had spiraled into a vitriolic public debate about U.S. involvement in "maritime bases" (ref B). Papadimitriu was dismayed, and asked for a paper detailing the operation that the President could sign off on as a direct order to Mulino and the service chiefs. (Note: DCM provided a NAS-drafted paper the same afternoon, which Martinelli signed.) Papadimitriu had not paid close attention to the bases controversy but nor was he alarmed, as his internal polling showed most Panamanians were not greatly concerned about the bases. He agreed with the Ambassador and DCM that the GOP needed to have a credible spokesperson on security issues, and coordinate its messaging both internally and (where appropriate) with the Embassy.

Global CST and Israeli Involvement

7. (C) The Ambassador expressed concerns about the proposals made by Israeli security company Global CST, citing negative experiences in Colombia and our inability to work with Israeli presence in GOP ministries (ref C and D). Varela said the GOP could solve its own problems without relying on contractors. Papadimitriu expressed surprise at the reports from Colombia, as he believed CST had been hired with Plan Colombia funds with the USG's blessing. He said he did not want to do anything to harm Panama's relationship with the U.S. and would ask CST president Ziv to stand down, though he later admitted it would be difficult since CST had spent its own money sending a large team to Panama to complete a survey. In particular, Papadimitriu was receptive to the argument that Panama did not need to buy expensive coastal radars or other hardware recommended by CST. However, he liked CST's ideas about creating a ministry of security and reorganizing the GOP security structure, as well as their suggestion to recruit management talent from the private sector. To sum up, Papadimitriu said he was shocked by the conversation, and would not let Israeli influence damage the U.S.-Panama relationship. Martinelli was similarly taken aback, and emphasized that he did not want to endanger relations with the

USG, saying "We don't want to change friends." He said he would call Colombian President Uribe to get the straight scoop on CST.

Matador Judicialized Wiretap Program

8. (C) Martinelli asked for additional wiretap assistance, saying the GOP needed to catch ordinary criminals in addition to drug trafficking organizations. The Ambassador and DCM suggested that our judicialized wiretap program could be expanded, but it must still be moved out from under the control of Consejo. If the GOP did not agree to put it under the control of the public ministry, perhaps it could be administered under police control.

Moving Forward

9. (C) The GOP and Embassy will continue this on-going dialogue

through a bi-weekly security meeting including Varela, Papadimitriu, and Mulino on one side and the Ambassador, DCM, and political-security officer on the other. Martinelli said that he, Varela, and Papadimitriu were the "circle zero" of the GOP, and that no important decisions were taken unless the three of them had discussed it and agreed on a course of action.

Bio notes

10. (C) In general, Martinelli seemed more relaxed overall and less aggressive than we have seen him in previous meetings. His general tone was respectful and positive, in contrast with his previous argumentative, drive-a-hard-bargain manner.

11. (C) Regarding the recent arrest of his cousin Ramon Martinelli in Mexico on money laundering charges, Martinelli said he was satisfied. If the Mexicans had not arrested him, the GOP had plans to arrest him. He said Ramon had always been a "black sheep" and was sullyng the good Martinelli family name.

STEPHENSON

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C O N F I D E N T I A L ISLAMABAD 003791

H PASS RICHARD FONTAINE

E.O. 12958: DECL: 12/07/2018
TAGS: PREL, PGOV, PTER, IN, PK
SUBJECT: PM GILANI TELLS CODEL MCCAIN PAKISTAN WILL ACT
AGAINST MUMBAI PERPETRATORS

Classified By: Anne W. Patterson for reasons 1.4 (b,d)

1. (C) Summary: Prime Minister Gilani told Senators John McCain, Joseph Lieberman and Lindsey Graham the GOP will take action against individuals implicated in the Mumbai attacks as Secretary Rice had urged. On December 6, the Prime Minister, joined by Foreign Minister Qureshi, said the government had already begun the process of seeking the arrest of individuals named by the Secretary during her December 4 meetings in Islamabad and had already agreed to work through the United Nations 1267 Committee to designate these individuals. The Senators said they were reassured by

these commitments of GOP action. GOP efforts to improve contact and relations with neighbors Afghanistan and India would continue despite the high tensions over Mumbai, pledged Gilani and Qureshi. End Summary.

2. (C) Gilani told the Senators he spoke with Indian Prime Minister Singh immediately after the Mumbai attacks and committed Pakistan's full intelligence cooperation. Secretary Rice had told the GOP the USG wanted Pakistan to place no holds in the UN 1267 Committee for individuals suspected of involvement in the Mumbai attacks. The GOP has already agreed, informed Gilani. The Secretary also wanted individuals arrested. "We have already taken steps," Gilani told the Senators. He added that the 1267 process in the UN will give the GOP's actions further legitimacy. Foreign Minister Qureshi asked the Senators to keep this news -- that GOP actions against individuals named by the Secretary were already underway -- private, and not to repeat it to the media.

3. (C) The Prime Minister said he was meeting with opposition leader Nawaz Sharif after his meeting with the CODEL because actions also needed to be taken in the provinces. Gilani told the Senators that all political leaders were on board with the GOP approach. He asked Senators McCain and Graham about their meeting earlier the same day in Lahore with Nawaz Sharif. McCain confirmed Nawaz had pledged to support the government's action against extremists in Pakistan, including those responsible for the Mumbai attacks.

4. (C) Senator McCain told the Prime Minister he was reassured that the GOP was in the process of taking action. The Pressler amendment had undermined past USG relations with Pakistan. McCain understood why some in Pakistan were now suspicious about America's interest but both President Bush and President-elect Obama were vested in Pakistan for the long-term. Success in Afghanistan would not be possible without a solid relationship between Pakistan and the United States.

5. (C) The attacks in Mumbai, however, had shaken Prime Minister Singh. McCain believed if action were not taken by Pakistan, sooner or later the Government of India would respond. He was deeply concerned that action be taken as there is evidence the perpetrators used Pakistani soil as a base for the attacks. "There are training camps in Pakistan; there are phone intercepts," said McCain. He hoped that information could be shared and made public. "Pakistan is a sovereign nation," added McCain, "we will always act in tandem."

6. (C) The Prime Minister agreed that PM Singh is under tremendous pressure. Gilani said he was very sorry about the attacks and the loss of foreign lives. As to the training camps, Gilani had given his assurance to the Secretary that Pakistan will take action against non-state actors.

7. (C) Gilani underscored that Pakistan's military was also fighting on the Afghanistan border and is "totally committed to fight against terrorism." The Frontier Corp has been strengthened, as has law enforcement. It is Pakistan's resolve which is now causing a reaction. This explains the Marriott bombing, said Gilani, and why the pace of bombings is increasing -- the militants are feeling the heat. "We want to combat terrorism," Gilani told the Senators, but, "we don't have the capacity." In Afghanistan the warlords are loaded with money that is going to the militants. "My strategy is to separate the militants from the local tribes." The strategy is working; the army, the people, and the government are working in unison. Gilani told the Senators the GOP has asked President Bush and General Petraeus for assistance to enhance capability. "If we fight our own war, it won't give rise to anti-Americanism."

8. (C) Senator Lieberman told Gilani he had "more than answered directly" his concerns. He had been concerned that if Pakistan did not act, India would have felt compelled to take counter measures. There is increasing, bi-partisan interest in Pakistan and his fear had been that the attacks in Mumbai would succeed in increasing Pak/India tension and in causing Washington to view Pakistan negatively.

9. (C) Senator Graham pledged the three Senators' support for the Biden/Lugar bill. He had been impressed with the lawyers' movement and if Pakistan could assimilate the Federally Administered Tribal Area (FATA) into the nation's legal system and prosecute those involved in the Mumbai attacks, it would show that Pakistan had changed to become a rule-of-law nation.

10. (C) Foreign Minister Qureshi underscored Pakistan's commitment to improve relations with India. There could be elements who wanted to scuttle these efforts, but the government's intent is to diffuse the situation.

This cable was drafted after CODEL McCain departed Pakistan and they did not clear it.

PATTERSON

=====CABLE ENDS=====

NEA FOR FO; NSC FOR KUMAR AND SHAPIRO

E.O. 12958: DECL: 05/17/2019

TAGS: PREL PGOV KDEM ECON EG IS IR IZ

SUBJECT: SCENESETTER: PRESIDENT MUBARAK'S VISIT TO WASHINGTON

Classified By: Ambassador Margaret Scobey for reasons 1.4(b) and (d).

1. (S/NF) Introduction: President Mubarak last visited Washington in April 2004, breaking a twenty year tradition of annual visits to the White House. Egyptians view President Mubarak's upcoming meeting with the President as a new beginning to the U.S.-Egyptian relationship that will restore a sense of mutual respect that they believe diminished in recent years. President Mubarak has been encouraged by his initial interactions with the President, the Secretary, and Special Envoy Mitchell, and understands that the Administration wants to restore the sense of warmth that has traditionally characterized the U.S.-Egyptian partnership. The Egyptians want the visit to demonstrate that Egypt remains America's "indispensible Arab ally," and that bilateral tensions have abated. President Mubarak is the proud leader of a proud nation. He draws heavily from his own long experience in regional politics and governance as he assesses new proposals and recommendations for change.

MUBARAK'S PROFILE

2. (S/NF) Mubarak is 81 years old and in reasonably good health; his most notable problem is a hearing deficit in his left ear. He responds well to respect for Egypt and for his position, but is not swayed by personal flattery. Mubarak peppers his observations with anecdotes that demonstrate both his long experience and his sense of humor. The recent death of his grandson Mohammad has affected him deeply and undoubtedly will dampen his spirits for the visit which he very much wants to make. During his 28 year tenure, he survived at least three assassination attempts, maintained peace with Israel, weathered two wars in Iraq and post-2003 regional instability, intermittent economic downturns, and a manageable but chronic internal terrorist threat. He is a tried and true realist, innately cautious and conservative, and has little time for idealistic goals. Mubarak viewed President Bush (43) as naive, controlled by subordinates, and totally unprepared for dealing with post-Saddam Iraq, especially the rise of Iran,s regional influence.

3. (S/NF) On several occasions Mubarak has lamented the U.S. invasion of Iraq and the downfall of Saddam. He routinely notes that Egypt did not like Saddam and does not mourn him, but at least he held the country together and countered Iran. Mubarak continues to state that in his view Iraq needs a "tough, strong military officer who is fair" as leader. This

telling observation, we believe, describes Mubarak's own view of himself as someone who is tough but fair, who ensures the basic needs of his people.

4. (S/NF) No issue demonstrates Mubarak's worldview more than his reaction to demands that he open Egypt to genuine political competition and loosen the pervasive control of the security services. Certainly the public "name and shame" approach in recent years strengthened his determination not to accommodate our views. However, even though he will be more willing to consider ideas and steps he might take pursuant to a less public dialogue, his basic understanding of his country and the region predisposes him toward extreme caution. We have heard him lament the results of earlier U.S. efforts to encourage reform in the Islamic world. He can harken back to the Shah of Iran: the U.S. encouraged him to accept reforms, only to watch the country fall into the hands of revolutionary religious extremists. Wherever he has seen these U.S. efforts, he can point to the chaos and loss of stability that ensued. In addition to Iraq, he also reminds us that he warned against Palestinian elections in 2006 that brought Hamas (Iran) to his doorstep. Now, we understand he fears that Pakistan is on the brink of falling into the hands of the Taliban, and he puts some of the blame on U.S. insistence on steps that ultimately weakened Musharraf. While he knows that Bashir in Sudan has made multiple major mistakes, he cannot work to support his removal from power.

5. (S/NF) Mubarak has no single confidante or advisor who can truly speak for him, and he has prevented any of his main advisors from operating outside their strictly circumscribed spheres of power. Defense Minister Tantawi keeps the Armed Forces appearing reasonably sharp and the officers satisfied with their perks and privileges, and Mubarak does not appear concerned that these forces are not well prepared to face 21st century external threats. EGIS Chief Omar Soliman and Interior Minister al-Adly keep the domestic beasts at bay, and Mubarak is not one to lose sleep over their tactics. Gamal Mubarak and a handful of economic ministers have input on economic and trade matters, but Mubarak will likely resist further economic reform if he views it as potentially harmful to public order and stability. Dr. Zakaria Azmi and a few other senior NDP leaders manage the parliament and public politics.

6. (S/NF) Mubarak is a classic Egyptian secularist who hates religious extremism and interference in politics. The Muslim Brothers represent the worst, as they challenge not only Mubarak's power, but his view of Egyptian interests. As with regional issues, Mubarak, seeks to avoid conflict and spare his people from the violence he predicts would emerge from unleashed personal and civil liberties. In Mubarak's mind, it is far better to let a few individuals suffer than risk chaos for society as a whole. He has been supportive of improvements in human rights in areas that do not affect public security or stability. Mrs. Mubarak has been given a great deal of room to maneuver to advance women's and children's rights and to confront some traditional practices

that have been championed by the Islamists, such as FGM, child labor, and restrictive personal status laws.

SUCCESSION

7. (S/NF) The next presidential elections are scheduled for 2011, and if Mubarak is still alive it is likely he will run again, and, inevitably, win. When asked about succession, he states that the process will follow the Egyptian constitution. Despite incessant whispered discussions, no one in Egypt has any certainty about who will eventually succeed Mubarak nor under what circumstances. The most likely contender is presidential son Gamal Mubarak (whose profile is ever-increasing at the ruling party); some suggest that intelligence chief Omar Soliman might seek the office, or dark horse Arab League Secretary-General Amre Moussa might run. Mubarak's ideal of a strong but fair leader would seem to discount Gamal Mubarak to some degree, given Gamal's lack of military experience, and may explain Mubarak's hands off approach to the succession question. Indeed, he seems to be trusting to God and the ubiquitous military and civilian security services to ensure an orderly transition.

MUBARAK'S EGYPT: 1982 -- 2009

8. (C) Egypt continues to be a major regional economic, political, and cultural power. However, economic problems have frustrated many Egyptians. Egypt's per capita GDP was on par with South Korea's 30 years ago; today it is comparable to Indonesia's. There were bread riots in 2008 for the first time since 1977. Political reforms have stalled and the GOE has resorted to heavy-handed tactics against individuals and groups, especially the Muslim Brotherhood, whose influence continues to grow.

9. (SBU) Economic reform momentum has slowed and high GDP growth rates of recent years have failed to lift Egypt's lower classes out of poverty. High inflation, coupled with the impact of the global recession, has resulted in an increase in extreme poverty, job losses, a growing budget deficit and projected 2009 GDP growth of 3.5% - half last year's rate.

10. (S/NF) Mubarak himself refuses to discuss economic assistance to Egypt, but other interlocutors may raise it. On May 7, Egypt formally and publicly accepted FY 2009 and FY 2010 assistance levels, ending a stalemate over the FY 2009 program, linked to levels, a perceived lack of consultation, and political conditionality. Based on our assessment of Egypt's most pressing assistance needs, and broad public consensus in Egypt that the educational system is seriously deficient, we would like to focus on education. We believe the Egyptians would welcome a new presidential level initiative in this area, which would also be in U.S. national interests given the critical role education will play in Egypt's political and economic development.

MUBARAK'S REGIONAL OUTLOOK

11. (S/NF) Israeli-Arab conflict: Mubarak has successfully shepherded Sadat's peace with Israel into the 21st century, and benefitted greatly from the stability Camp David has given the Levant: there has not been a major land war in more than 35 years. Peace with Israel has cemented Egypt's moderate role in Middle East peace efforts and provided a political basis for continued U.S. military and economic assistance (\$1.3 billion and \$250 million, respectively). However, broader elements of peace with Israel, e.g. economic and cultural exchange, remain essentially undeveloped.

12. (S/NF) Camp David also presented Mubarak with the perpetual challenge of balancing Egypt's international image as a moderate with its domestic image as pan-Arab leader. Mubarak has managed this strategic dichotomy most effectively in times of regional stability. However, the Gulf wars, and especially post-Saddam regional crises, have taxed this equation. For example, during the 2006 Lebanon war, the Bush Administration asked Egypt to side against Hizballah; at the same time Egyptian protestors demanded the peace treaty with Israel be vacated. The Egyptians were frozen, and relegated to waiting for the situation to stabilize. More recently, with Iran bringing the battlefield closer with Hamas' actions in Gaza and discovery of the Hizballah cell in Egypt, the Egyptians appear more willing to confront the Iranian surrogates and to work closely with Israel.

13. (S/NF) Mubarak has been effective as an intermediary during various phases of the Israeli-Arab conflict. In the Arafat era, Egypt worked between the Palestinian Authority and Israel. At the outset of the Abbas era, Egypt's role was unclear as the Israelis and Palestinians communicated directly, and Mubarak for a time was left with no deliverable either to the West or his public. He firmly believes, incorrectly, that the Bush Administration "forced" the Palestinian legislative elections of 2006 (which Hamas won). Hamas' June 2007 takeover of Gaza allowed the Egyptians back into the game as a go-between, and Mubarak's team has made clear they will not cede the "Palestinian file" to another Arab state. In general, the Egyptian-Israeli strategic relationship is on solid ground, as they face a shared threat from Hamas.

14. (S/NF) The ongoing intra-Arab dispute, which pits Egypt and Saudi Arabia against Syria and Qatar and is primarily driven by Iran's regional influence, is the current test for Mubarak. For the moment the Egyptian-Saudi moderate camp is holding. Mubarak has maneuvered with reasonable effectiveness, brandishing Egyptian clout through a hastily prepared but effective summit in Sharm el Sheikh in February, but Iran's Arab surrogates (especially Qatar) continue to unsettle the Egyptians. Mubarak will rail against President Bush's decision to invade Iraq, contending that it opened the door to Iranian influence in the region. That said, the Egyptians recently told Special Envoy Ross they expect our

outreach to Iran to fail, and that "we should prepare for confrontation through isolation." Mubarak and his advisors are now convinced that Tehran is working to weaken Egypt through creation of Hizballah cells, support of the Muslim Brotherhood, and destabilization of Gaza. Egypt has warned that it will retaliate if these actions continue.

15. (S/NF) Egypt views the stability and unity of Sudan as essential to its national security because of concern over its access to Nile waters and the potential for increased Sudanese refugee flows. The GOE is using development assistance in South Sudan to encourage unity. Here too, the Egyptians are jealous and sensitive to the Qatari foray into resolving Darfur, a crisis squarely in Egypt's backyard. Mubarak may ask about the potential for cooperation with the U.S. on Sudan and will probably want to hear how the Administration will approach the issue. If he agrees, Mubarak can use his stature and credibility with Bashir to make progress on Darfur and human rights issues.

16. (S/NF) MUBARAK REGIONAL TALKING POINTS

Israeli-Arab peace: He will ask for continued U.S. leadership and highlight Egypt's role as moderate interlocutor. He will stress the primacy of the Palestinian track over efforts with Syria. He will press for concrete action on settlements and resist Arab gestures to Israel until the Arabs can see whether or not Netanyahu is credible.

Iran: He will rail against Iranian regional influence and express pessimism about U.S. outreach to Tehran. He will make clear that there should be no linkage between Israeli-Arab peace and Iran but will agree with the President's assessment that such linkage as does exist argues for progress on the Israeli-Palestinian track to undermine Hamas and Hizballah.

Sudan: He will highlight Egypt's role as provider of humanitarian and military assistance, and stress the need to maintain stability.

Intra-Arab strife: He may criticize Qatar, and perhaps Syria, as Iranian surrogates. He may ask about our plan to engage Damascus and suggest we coordinate our efforts.

Iraq: He may be circumspect, but harbors continuing doubts about Maliki and his Iranian ties. He will say Egypt is open to bilateral improvement but is awaiting Iraqi actions.

SCOBEY

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C O N F I D E N T I A L SECTION 01 OF 03 ADDIS ABABA 000166

SIPDIS

DEPT FOR AF/FO, AF/RSA, AF/E

E.O. 12958: DECL: 01/31/2020
TAGS: PREL, PGOV, MARR, MOPS, PTER, SOCI, KE, SO
SUBJECT: ASSISTANT SECRETARY CARSON'S JANUARY 30, 2010,
MEETING WITH KENYAN FOREIGN MINISTER WETANGULA

Classified By: Assistant Secretary for African Affairs Johnnie Carson f
or reasons 1.4 (b,d).

1. (C) Summary: A high-level Kenyan delegation headed by Foreign Minister Wetangula used a long January 30 meeting on the margins of the AU Summit to lobby Assistant Secretary for African Affairs Johnnie Carson's support for the GOK's long-incubating Lower Juba initiative. Wetangula, the Minister of Defense, the Director of the National Security and Intelligence Services, and the military's chief-of-staff each in turn highlighted the dangers to Kenya emanating from Somalia and advertised an incursion into Somalia by the roughly two thousand Somali forces currently being trained by the GOK as the best solution. The Kenyan delegation assured A/S Carson that both Somalia's Transitional Federal Government (TFG) and the Government of Ethiopia supported Kenya's efforts and insisted that A/S Carson's longstanding concerns about the Kenyan plan had all been addressed.

2. (C) Summary and comment continued: A/S Carson tactfully, but categorically refused the Kenyan delegation's attempts to enlist USG support for their effort. He worried that the

Lower Juba initiative could be very expensive, that it could catalyze clan and sub-clan rivalries, that success could create a rival to the TFG, that the GOK could be unwittingly providing training to future or current ONLF members, and that the GOK was not prepared to handle the domestic repercussions should their effort fail. The January 30 meeting marked Wetangula's third attempt to enlist A/S Carson's support and was only the latest in a long-running campaign by the Kenyan government to win USG agreement to its initiative. The persistence with which the GOK is courting the USG suggests, if nothing else, that they have finally awakened to the implications for Kenya of long-term instability in Somalia and are attempting belatedly to address the problem. End comment and summary.

Wetangula Previews GOK's Domestic
Achievements Before Discussing the
Lower Juba Initiative

3. (C) GOK Foreign Minister Wetangula kicked off a long January 30 meeting with Assistant Secretary for African Affairs Johnnie Carson by highlighting Kenya's comparative stability and reporting progress that the GOK has made on its domestic reform agenda. Wetangula noted that a draft constitution had been submitted to the committee of experts and guessed that Parliament would be called back from recess in order to examine the draft.

4. (C) The constitution would introduce a "U.S.-type" presidential system and would reserve 47 seats in Parliament for women and 12 seats for members of "vulnerable groups." Under the draft, cabinet members would not be permitted to serve as members of Parliament, an upper house of 47 seats would be created, a five-year election cycle would be instituted, and there would be judicial reform. Wetangula recalled that A/S Carson had criticized the GOK's tendency to confuse "process with progress," but insisted that the reform now underway in Kenya was genuine.

Domestic Progress Threatened by
Continuing Problems in Somalia

5. (C) Wetangula contrasted the progress being made on the domestic agenda with the threat posed to Kenya by continuing instability in Somalia. He alleged that six - ten thousand refugees enter Kenya from Somalia each month, pointed to the over-extended Dadaab refugee camps in northeast Kenya, that the GOK had intercepted ten attempts to smuggle in bomb-making materials in the past year, recalled the domestic unrest triggered by the recent visit of a controversial Jamaican muslim cleric to Kenya, and forecast repercussions from Kenya's good-faith efforts to meet its obligations under the memorandum of understanding on piracy as extremely worrisome.

TFG, Government of Ethiopia
Support Kenyan Initiative

6. (C) Wetangula alleged that the Somalia Transitional Federal Government (TFG) had proposed the Jubaland initiative to Kenya and that the Government of Ethiopia, after some

ADDIS ABAB 00000166 002 OF 003

initial questions, had endorsed it as well. The Kenyan effort was being coordinated by a team based in Prime Minister Odinga's office, Wetangula said, but the Prime Minister and President Kibaki co-chair the effort in order to make it truly bi-partisan. That team had recently met with Prime Minister Meles for over two hours, Wetangula said, and had successfully addressed all of the GOE Prime Minister's concerns.

7. (C) While he acknowledged that the TFG had limited capacity, Wetangula argued that strategic concerns meant that Kenya had to support it. He briefly reviewed evidence of Kenyan terrorist trails that led to Somalia, including the Somali Dane who had been expelled from Kenya at the time of the Secretary's visit in August, then attacked the Danish cartoonist in December 2009.

A/S Carson's Questions About
Kenyan Plan

8. (C) A/S Carson reviewed the history of excellent U.S. - Kenya cooperation and praised the GOK's efforts to discharge its international obligations. The USG shared the GOK's concerns about Somalia and strongly supported the TFG and the Djibouti peace process. The U.S. was the largest contributor to AMISOM and was attempting to induce TCCs to contribute troops to the AU's effort.

9. (C) Noting that he had carefully weighed the pros and cons of the Kenyan proposal, A/S Carson worried that the initiative could backfire, warning that we did not want to create situations we cannot control, then highlighted his concerns:

- the undertaking could be more complicated and much more expensive than the Kenyans forecast.
- an incursion could trigger clan and sub-clan rivalries that could worsen matters in Lower Juba.
- if successful, a Lower Juba entity could emerge as a rival to the TFG.
- it was possible that the GOK could be unwittingly providing training to present or future members of the ONLF.
- did the GOK have a plan should their troops be defeated?
- was the GOK willing to persevere if their was a negative outcome?

-- what would be the domestic repercussions of a defeat?
-- what would be the GOK's response if the TFG or the GOE had a change of heart?

He concluded by suggesting that there should be more conventional and convenient ways to accomplish the same end. Could, for example, the trained Somalis help Kenya to re-take Kismayo?

10. (C) NSC Senior Director for African Affairs Michelle Gavin praised the GOK's willingness not to be passive and to think through the challenge, rather than allowing pressures to build. She expressed USG willingness to think through other strategies with the GOK.

Kenyan Delegation Responds to
USG Skepticism

11. (C) In response to A/S Carson's questions, Wetangula insisted that the GOK had simulated the campaign and was satisfied that all potential stumbling blocks had been addressed. Minister of Defense Haji highlighted the financial importance of Kismayo port in Lower Juba to al-Shabaab, the unpopularity of al-Shabaab, and the inability of the TFG to combat al-Shabaab in Lower Juba as reasons for backing the initiative. Creating a Kenyan-controlled fiefdom in Lower Juba was not part of the Kenyan plan. The GOK faced a very serious security threat, which had to be addressed.

12. (C) Chief of the Armed Forces General Staff General Kianga in turn argued that an attack into Lower Juba would relieve pressure on the TFG in Mogadishu. Resources spent on the initiative, he said, would do more to improve the TFG's fortunes than money sent to Mogadishu. As to the domestic reaction, Kianga believed that the GOK would be accused by its population of irresponsibility if it ignored the threat posed by al-Shabaab.

13. (C) National Security and Intelligence Service Director

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Major-General Gichangi reasoned that it would take time for the international community and AMISOM to build a capable TFG security force, but al-Shabaab's increasing links with al-Qaeda argued for action now. Gichangi alleged links between Pakistan, Yemen, and al-Shabaab in Somalia and noted that cost to the USG should Somalia become another source of international terrorism.

14. (C) Gichangi believed that the GOK had done its clan homework. It was engaged at the grassroots in the Juba area. It had sponsored a "major Ogaden clan" meeting, and a similar conclave was scheduled with the Marehan the following week.

15. (C) Wetangula acknowledged that the Kenyan undertaking was risky. He argued that it would not, however, create a rival to the TFG, as it was a TFG initiative and there would not be a single Kenyan boot on the ground in Somalia. Frequent consultations with the GOE had allayed fears that work with the Ogaden would inadvertently create problems for Meles's government. Wetangula alleged that the Kenyan effort was not just military. The GOK was training administrators, teachers, and nurses, and wanted to ensure that a capable administration was in place should the initiative succeed. The GOK would persevere regardless, as it "had no choice." "This is a constitutional responsibility," Wetangula said.

16. (C) The GOK was not inviting the USG to get involved, Wetangula concluded, but to support the Kenyan effort. "The threat is there," Wetangula said, "We can see it, we can feel it."

17. (C) A/S Carson praised the delegations "powerful, thoughtful" arguments and agreed that the GOK and the USG share common concerns. The USG was grappling with the threats posed to the region by developments in Somalia but, A/S Carson concluded, "I would be wrong if I suggested encouragement" to you. He promised to consult further in Washington, however. Wetangula concluded by "imploring" A/S Carson to consider assistance. "I may not have been as convincing as I should have been," he said, but "the threat is real." After a strong plea by Wetangula A/S Carson said he would look into the feasibility of a U.S. Team going to Kenya to review the technical details of the Kenyan plan. However, A/S Carson said he still maintained deep reservations about the success of Kenya's efforts.

Comment

18. (C) The January 30 meeting marked Wetangula's third attempt to win A/S Carson's support for the Jubaland initiative. To do so, he brought a very high-level team to Addis Ababa, and each of the team members made passionate, if not always persuasive, arguments for supporting the Kenyan effort. The persistence of the Kenyan campaign to win backing for their undertaking suggests, if nothing else, that they have finally become aware that years of increasing instability in next-door Somalia have serious implications for their own country's future, and that the problem must somehow be addressed. The GOK's proposed solution continues to raise more questions than it answers, but the desire of the GOK to do something about Somalia seems genuine.

Participants

19. (U) USG:

Assistant Secretary for African Affairs Johnnie Carson

NSC Senior Director for African Affairs Michelle Gavin
Ambassador to the African Union Michael Battle
Charge d'Affaires, Embassy Addis Ababa, John Yates
Counselor for Somalia Affairs, Embassy Nairobi, Bob Patterson
(notetaker)
DCM, U.S. Mission to the African Union, Joel Maybury

Government of Kenya:

Minister of Foreign Affairs Moses Wetangula
Minister of Defense Yusuf Haji
Director, NSIS, Major-General Michael Gichangi
Chief of Kenyan General Staff, General Jeremiah Kianga
YATES

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C O N F I D E N T I A L SECTION 01 OF 05 NAIROBI 000147

SIPDIS
STATE FOR S/CT AND AF/E

E.O. 12958: DECL: 2020/02/08
TAGS: MCAP, MARR, PGOV, PREL, PTER, KE, SO
SUBJECT: S/CT AMBASSADOR DANIEL BENJAMIN AND GOK OFFICIALS DISCUSS
SOMALIA, REGIONAL SECURITY AND BILATERAL COUNTERTERRORISM COOPERATION

REF: 09 NAIROBI 2203; 09 DJIBOUTI 1391; 10 ADDIS ABABA 0166

CLASSIFIED BY: Samuel A. Madsen, POL EARS; REASON: 1.4(B), (D)

Summary

1. (C) During a one-day visit to Kenya Ambassador-at-Large for Counterterrorism Daniel Benjamin discussed threats from Somalia, Islamic extremism inside Kenya, border security and Kenya's efforts to aid the Somalia Transitional Federal Government (TFG). Amb Benjamin met with George Saitoti, Minister of Interior and Provincial Administration, and commanders of the Kenyan police and intelligence services, as well as Brigadier Phillip Kameru Director of Military Intelligence (DMI). All of the Kenyan officials emphasized the threat that Kenya faces from Somalia and from domestic radicalization, praised United States/Kenya counterterrorism cooperation, and requested additional resources to confront extremism and criminal activity. End Summary.

2. (SBU) Amb Benjamin met with George Saitoti, Minister of Interior and Provincial Administration, January 29. Saitoti was joined by Mathew Iteere, Commissioner of Police, Commandant K. Mbugua, Administration Police (AP), MG Michael Gichangi, Director General of the National Security Intelligence Service (NSIS), and Nicholas Kamwende, Chief of the Anti-Terrorism Police Unit (ATPU). The delegation met separately with Brigadier Phillip Kameru, Director for Military Intelligence (DMI). Accompanying Amb Benjamin to these meetings were Lee Brudvig, Nairobi Deputy Chief of Mission, Mark Thompson, S/CT Deputy Coordinator for Counterterrorism (Operations) , COL Rich Clarke, Joint Special Operations Command, MAJ Craig Miller, Liaison to S/CT, and Samuel Madsen, East Africa Regional Strategic Initiative Coordinator. Matt Thompson, Defense Intelligence Agency Resident Analyst, also accompanied the group to the meeting with the DMI.

Somalia Concerns

3. (C) Minister Saitoti noted that Kenya has seen Somalia as a problem since 1991. The Government of Kenya (GOK) has tried to help Somalia from time-to-time since then and fully supports the TFG now. The activities of al-Shabaab inside Somalia are a major concern for the GOK, particularly given Al Shabaab's links to al-Qaida, foreign fighters and other radicals. An additional concern is the 5000 to 6000 Somali refugees crossing into Kenya each month, adding to the more than 360,000 who are already there. The GOK is particularly worried that at least some of those entering Kenya are extremists rather than refugees.

4. (C) In a related note, Saitoti said the GOK views the recent case of the Jamaican extremist Abdullah al-Faisal, who entered Kenya illegally from Tanzania, as destabilizing public harmony. He claimed that radicals, including al-Shabaab, were behind violent demonstrations in protest of al-Faisal's arrest.

5. (C) Saitoti also noted that Somali piracy has hurt Kenya. He claimed proceeds from ransoms paid to Somali pirate syndicates are being used to purchase expensive commercial and residential properties in Kenya at inflated prices, thus affecting the Kenyan economy by distorting the real estate market. In addition, quantities of small arms and light weapons from Somalia are entering the black market in Kenya. Saitoti appealed for greater USG tactical and technical assistance for the Kenyan police, noting that the ATPU is limited in size and capabilities and "can't be everywhere."

6. (C) Siatoti added that the GOK sees Somalia as a security problem not just for Kenya but for the entire region. He referred to the 1998 bombing of the U.S. Embassies in Nairobi and Dar es Salaam and the 2002 attacks on the Israeli owned hotel and airliner in Mombasa as examples of the terrorist threat coming from Somalia. The presence of al-Qaida operatives and foreign fighters in Somalia are causing increased concern. Saitoti lamented that international peacekeepers left Somalia in the mid 1990s, thus losing the opportunity to "resolve the situation" years ago. He added that the instability in and threats from Somalia are likely to get worse if the problem is not resolved now. While the TFG is weak, Saitoti said he believes they could do better with more help. However, the international community has not adequately supported the TFG. Unless the TFG receives increased international support al-Shabaab is likely to defeat it eventually. Saitoti noted that the GOK has proposed ways to assist the TFG, most recently with the Jubaland Initiative (see reftels), which is intended to train and equip a force of Somalis to drive al-Shabaab fighters from areas near the Kenyan border (further discussed below).

Confronting Extremism Inside Kenya

7. (C) Turning to Kenya's own concerns regarding religious extremism, Saitoti stated that al-Shabaab's control over most of southern Somalia reinforces the perception of TFG weakness and allows al-Shabaab to spread its ideology freely. He noted that Kenyan youth are susceptible to al-Shabaab propaganda if that message is not countered. While most Kenyan Muslims and ethnic Somali Kenyans are loyal citizens and reject extremism, Saitoti declared there is still a need to show that extremist ideology is false and wrong, particularly to the youth.

8. (C) Saitoti noted that Kenya faces serious economic difficulties stemming from violence following the December 2007 presidential elections. Foreign investment and Kenya's vital tourism industry both suffered large declines following the unrest and recovery has been slow. The economic downturn has led to high unemployment among youth in all communities. He believes youth are easily misled by promises of opportunity from extremists. Saitoti claimed the GOK is implementing youth programs to create jobs. He did not offer details of specific programs but stated that these efforts need USG assistance, either directly or through NGOs. He observed that there is a particular need for micro financing initiatives to empower youth and reduce the appeal of radical ideologies.

NSIS Director Alarmed over Civil Society

9. (C) Maj. Gen. Michael Gichangi, Director General of the National Security Intelligence Service (NSIS), noted that the GOK is concerned by the global rise of radicalization, and fears this could spread to Kenyans, particularly the growing youth population. He stated that over the last seven years Kenya has developed a much more open civil society. He expressed concern, however, that this greater openness can be exploited by radicals and U.S. efforts to support an open civil society can potentially "create space" for extremists.

10. (C) Gichangi said the financial aid provided by the United States and others to nongovernmental organizations (NGOs) operating in Kenya needs to be carefully monitored and directed in order to prevent radicals from using these NGOs as covers for extremist activities. He encouraged the United States to target carefully its assistance to Kenyan civil society, suggesting that the USG "partner" with the GOK in directing aid to civil society in order to insure it does not go to radicals. He asked that the Embassy share information with the GOK regarding which NGOs are currently

NAIROBI 00000147 003 OF 005

receiving assistance and specifically mentioned the Muslim Human Rights Forum as an NGO he believes to be affiliated with Islamic extremists. Saitoti endorsed MG Gichangi's remarks, noting that terrorist front organizations operate around the world and the United States and other donor nations must avoid empowering them.

Law Enforcement and Border Control

11. (C) Commissioner of Police Iteere noted that the border area is made up of an ethnic Somali culture divided by the border. He praised the aid provided through the U.S. Anti-Terrorism Assistance (ATA) program but said he needs more, particularly additional resources such as equipment and vehicles to empower the ATPU. He also said there is a need for increased resources for border security, noting that the crossing point where Jamaican extremist Faisal entered Kenya is not monitored around the clock and lacks computer based systems for tracking entries and exits. Iteere also pointed out that Kenya has supported the trial and imprisonment of

Somali pirates but these efforts pose a burden on the GOK.

12. (C) Administration Police (AP) Commandant Mbugua seconded Iteere's appreciation for USG capacity-building assistance, particularly the recent donation of patrol boats and the efforts by the U.S. Department of Homeland Security/Customs and Border Protection to help train a new AP border patrol unit. He noted, however, that the AP's border agents still lack basic equipment, particularly vehicles and aircraft for border monitoring. Mbugua stated that the international community and USG need to appreciate that in confronting the problems of Somalia Kenya is dealing with an international issue. The GOK has done what it can with existing resources but requires more.

13. (C) Saitoti recommended that the United States and Kenya work together to develop a joint strategy to address Somalia issues. He concluded by stating that the GOK is committed to political and security reforms. The violence that followed the 2007 elections damaged Kenya's tradition of peace and acted as a wake-up call regarding the need for reform. He said the GOK is committed to the fundamental reforms now underway, including the new constitution that has been drafted and is now undergoing the review process.

The Threat from Somalia and al-Shabaab's Motivation

14. (C) Phillip Kameru, Director for Military Intelligence (DMI), characterized Somalia as Kenya's primary foreign threat and noted that the Kenyan military is working to improve security along the border. Kameru claimed that the medical school bombing in Mogadishu had reduced al-Shabaab's stature within Somalia, but top leaders remain firmly committed to their course. There has been some al-Shabaab recruitment inside Kenya, including at the Dadaab refugee camp, particularly for local Somali clan militias. Most of these recruits sign up with al-Shabaab for the pay as opposed to ideological reasons. Al-Shabaab senior leaders obtain much of their funds from the port of Kismayo. Al-Shabaab also skims money and supplies from humanitarian assistance and charges tolls for trucks carrying humanitarian aid and commercial cargo in areas under their control.

15. (C) Maritime infiltration of suspected extremists from Somalia has declined since mid-2009, largely due to increased patrolling by the Kenyan Navy and Maritime Police Unit. Some infiltrators still utilize existing smuggling routes. Many of these involve sailing

far out to sea then running straight into Kenyan ports, versus the traditional infiltration routes through coastal areas.

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16. (C) Kameru claimed there are signs of increasing radicalization among rank-and-file al-Shabaab members, largely as a result of proselytizing by Whabbists. While many al-Shabaab fighters are still motivated by money, Kameru believes an increasing number are fighting for ideological reasons. Al-Shabaab is also working to indoctrinate the populace in areas under its control.

17. (C) Kameru added that the DMI sees significant numbers of Tanzanians, Ugandans and Kenyans among the foreigners fighting alongside al-Shabaab. Many are Muslim converts who have been radicalized. He also claimed to have seen evidence of non-Muslim Nigerians working with al-Shabaab, although possibly not as fighters. He said al-Shabaab members receive basic military training from Somali al-Shabaab members and foreigners, but specialized and advanced training is largely provided by the foreign fighters.

The Jubaland Initiative

18. (C) Kameru extensively discussed the Kenyan government's Jubaland Initiative, under which the Kenyan military is training and equipping a force of Somalis whose mission will be to enter Somalia and drive al-Shabaab militias away from the areas along the Kenyan border. He began by stating that al-Shabaab views the Kenyan government as a threat that it needs to deal with. He added that the DMI expects al-Shabaab to begin cross border incursions into Kenya and he claimed to have received reports indicating al-Shabaab has plans to use improvised explosive devices and landmines against security personnel and civilian traffic inside Kenya. Kameru said there are other reports of al-Shabaab stockpiling weapons in border regions.

19. (C) Kameru said Kenya wants to develop a buffer zone inside Somalia to prevent al-Shabaab infiltration and incursions. He claimed that the TFG agrees with the initiative because it wants to reduce al-Shabaab pressure from the Juba region. In addition, many in the region reject al-Shabaab's ideology and would like to see them driven out.

20. (C) Kameru noted that the initiative cannot succeed as just a

military operation. A viable political process must be established as follow-on to the military operations, he said. The force will need the support of the local population in order to prevent a prolonged guerrilla campaign. He also stated that, while Kenyan military trainers are training the force in conventional military tactics and operations, veteran Somali and TFG personnel are also providing instruction in unconventional military tactics employed by al-Shabaab.

21. (C) Kameru stated that the original Jubaland Initiative called for 3000 trained fighters but only 2000 are now available. These include 600 police and trained civil administrators to provide security and government services following the operation. He added that the DMI estimates al-Shabaab to have about 1000 to 1500 fighters in the Juba area and approximately 6000 nationwide. According to Kameru, the GOK is also concerned about reports indicating that al-Shabaab is activating old training camps in the Juba region. If true this would allow al-Shabaab to mobilize and train large numbers of additional fighters.

22. (C) Saitoti noted that he was aware of USG skepticism regarding the Jubaland Initiative. He insisted, however, that Kenya intends to press forward. He defended the program by pointing out that Kenya shares a long, poorly defined border with Somalia and sees a trend toward increasing numbers of Somali

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refugees crossing into Kenya. The GOK is seriously concerned by the possibility that Somali militants may be crossing the border hidden among the refugees. He noted that the GOK is willing to consider alternative USG proposals to the Jubaland Initiative.

23. (C) COMMENT: Amb Benjamin's interlocutors universally emphasized that they view al-Shabaab and Somalia as their primary external security threat and that external threat is interconnected with the growing menace posed by domestic Islamic extremism. Post shares these concerns and views Kenya as a vital partner in regional counterterrorism efforts. However, post believes efforts intended to counter extremism in Kenya must take place within a framework of fundamental political, judicial and security sector reform.

24. (U) Amb Benjamin did not clear this cable.
RANNEBERGER

=====CABLE ENDS=====

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S E C R E T NAIROBI 000181

SENSITIVE
SIPDIS
NOFORN

E.O. 12958: DECL: 2020/02/17
TAGS: PREL, EAID, KE, XW, ECON, EINV, ENRG, EFIN, PGOV, CH, PINR
SUBJECT: Chinese Engagement in Kenya

REF: 10 STATE 10152

CLASSIFIED BY: Christopher Walton, Economics Officer, State, Econ;
REASON: 1.4(B), (C), (D)

1. (S/NF) Summary: China's engagement in Kenya continues to grow exponentially. China enjoys a large trade surplus with Kenya; exports increased by more than 25 percent a year from 2004 to 2008. The China National Offshore Oil Company (CNOOC) is drilling for oil in the Isiolo region. China may be a potential partner in the development of the new mega-port at Lamu. In addition, China is heavily involved in various infrastructure projects across Kenya primarily with roads. China is also providing weapons to the GOK in support of its Somalia policies and increasing their involvement with the Kenyan National Security and Intelligence Service (NSIS) by providing telecommunications and computer equipment. Recently, China signed an economic and technical cooperation agreement with the GOK providing new development grants. To date, China and the U.S. do not collaborate on development projects in Kenya. End summary.

2. (U) China enjoys a large trade surplus with Kenya, exporting more than 30 times its imports. For 2008, China exported \$917

million of goods to Kenya while China imported \$29 million worth of Kenyan goods. China's exports in 2008 grew by 39 percent over 2007 capping the fourth straight year of at least 25 percent export growth, including a 54 percent increase in 2007 and a 79 percent increase in 2005. China is now the third largest exporter to Kenya after the United Arab Emirates, which principally exports oil to Kenya, and India. In comparison, the U.S. exported \$440 million worth of goods to Kenya in 2008 while importing \$343 million worth of Kenyan goods.

3. (U) The CNOOC is drilling for oil in the Isiolo region of Kenya (see ref A). The exploratory well will cost \$26 million dollars and drilling will be complete in April 2010. Numerous oil companies have drilled 31 exploratory wells in Kenya over the last 50 years without success. However, CNOOC is making a credible effort to find oil in an area geologically similar to Southern Sudan, with its substantial oil finds. As reported ref A, we had heard that CNOOC would announce results from the exploratory well by January 2010; we are now hearing an announcement may come in April.

4. (U) The GOK is highly interested in developing a major port complex in Lamu, which has much greater potential as a deep water port than Mombasa. The GOK originally held discussions with Qatar over the development of the Lamu port in return for a substantial allocation of farm land. Negotiations involving development of the Lamu port reportedly occur inside the "black box" of President Kibaki's inner circle at State House. We understand, however, that talks with Qatar are off, and that the Chinese are in play as a potential partner for the port development project and associated regional infrastructure (road and rail infrastructure to Southern Sudan and Ethiopia, and pipeline infrastructure to Southern Sudan and Uganda). China's interest in the Lamu project is reportedly linked to the presence of oil in Southern Sudan and Uganda which could be exported via Lamu as well as the greater export potential to Ethiopia, Southern Sudan and Uganda. The addition of oil from Isiolo would add additional impetus to China's interest in the port development which is estimated to cost more than \$5 billion.

5. (SBU) China is currently developing a number of infrastructure projects in Kenya. Currently, China Wuyi, Syno Hydro, and China Overseas Engineering Corporation are working on the Thika Road project, a major eight lane highway from Nairobi to Thika town. Another Chinese firm, Shengli Engineering & Consulting Company was the prime contractor for the Mombasa-City Centre-Gigiri road upgrade project. In addition, the second phase of a project to upgrade the Jomo Kenyatta International Airport (JKIA) is being worked by China National Aero-Technology International Engineering Company (CATIC). The first phase of the project was completed by the Chinese company, China Wu Yi. TBEA International, another Chinese firm, is developing a 120 MW thermal plant in Longonot and

600 MW coal-fired power station in Mombasa as an independent power producer. TBEA is also undertaking projects that involve construction of 132 kV lines and sub-stations in the Rift Valley, Central, Western and Coast provinces. During a recent visit to the Olkaria geothermal development site in the Rift Valley Province, Econoff observed that Great Wall Drilling, another Chinese company, was exploring for geothermal energy. The KenGen Olkaria Geothermal Development Manager told Econoff that while he would prefer to buy quality American drills, pipes, and other geothermal-related products, American companies could not compete with China on price and price won every time in Kenya.

6. (S/NF) In January 2010, the GOK received from the GOC via CATIC weapons, ammunition, supplies, and textiles for making uniforms in support of the GOK's Jubaland initiative.

7. (S/NF) As of late August 2009, Telkom Kenya awarded Zhongxing Telecommunications Equipment Company (ZTE) a contract to provide landline telephone monitoring equipment to the NSIS. Telkom Kenya awarded the contract to ZTE after being pressured to do so by the NSIS Director General Michael Gichangi and the NSIS Director of Operations Division Joseph Kamau. Gichangi's preference for ZTE is based on kickbacks he received from the company while on a visit to China. Kamau received monthly payments of over \$5000 from ZTE which were used to pay medical bills.

8. (S/NF) As of September 2008, ZTE was building e-Government infrastructure on the NSIS headquarters compound. The project involved a secure network for Kenyan e-Government activities, including software and computer-based security, and a two-story complex that would house the entire Kenyan governments' network files. As of early March 2009, Chinese technicians were working on a project in the basement of the NSIS headquarters. The presence of the technicians was well known throughout the NSIS and was causing some concern over the level of cooperation between the NSIS and its Chinese counterparts.

9. (U) The GOK and GOC recently signed an Economic and Technical Cooperation Agreement. The agreement provides a \$7.3 million grant from China to Kenya. Of the grant, \$150,000 will finance a computer program for the Ministry of Finance while the remaining funds can be used by the GOK to fund development projects of their choice. The agreement also covered Chinese funding of feasibility studies for the potential development of Lamu port. In addition, China committed to funding portions of the Northern Corridor road project, which links Mombasa and Nairobi to Ethiopia and Southern Sudan, as well as parts of the new Mombasa-Kampala standard gauge railway. Currently, China's Shengli Engineering Construction is refurbishing The Moi International Sports Complex at Kasarani with

\$12.8 million of grant-in-aid money from China. In Early 2009, China provided a \$1 million grant to the GOK for the construction of a 100 bed hospital in Nairobi. In 2008, the GOK received approximately \$381 million in interest-free and preferential loans, with \$145 million intended for the planned ring roads aimed at decongesting Nairobi. Since 2008, the GOK has implemented campaigns to attract investment from the \$1 billion China-Africa Development Fund.

10. (U) China's companies working in Kenya tend to import a substantial number of Chinese workers. This importation of labor from China tends to limit the number of Kenyans who directly benefit with wages and knowledge transfer from the projects. The low Chinese bids on major projects also push local firms out of the process, especially in infrastructure areas where capacity building of local firms would be useful. In addition, the Kenya Wildlife Service (KWS) noticed a marked increase in poaching wherever Chinese labor camps were located and in fact set up specific interdiction efforts aimed to reduce poaching (see ref B). KWS also reports that 90% of the ivory smugglers detained at JKIA are Chinese nationals.

11. (U) The U.S. mission in Kenya has no current or pending development partnership arrangements with the GOC or any informal collaboration at the program or project level. The GOC does not participate in donor coordination in Kenya. Donors have encouraged the GOK to bring China into the donor coordination process, but no progress has been made to date. While we do not recommend it, a potential area for collaboration could include agricultural development, a USG strength and an area of Chinese interest in Africa. However, the GOC does not participate in the multilateral agricultural donors group in Kenya. The GOC could be invited to join this donors group, predicated on their willingness to sign a Memorandum of Understanding ensuring their support of Kenya's long term agriculture strategy. The World Bank recently announced a new initiative to work in cooperation with Chinese infrastructure development in Africa. This new effort seems to be aimed at working with China and African countries to maximize the benefits of Chinese development aid to the African people.

12. (SBU) Comment: Collaboration between the USG and China in Kenya should be approached cautiously as there appears to be little dovetailing of our interests to date. The GOC has been silent on the implementation of the reform agenda, which we consider essential to Kenya's future stability and prosperity; the GOC turns a blind eye to the flooding of the Kenyan market with Chinese counterfeit goods, such as batteries, which directly damage U.S. market share here; and the GOC has not demonstrated any commitment to curb ivory poaching. We expect China's engagement in Kenya to continue to grow given Kenya's strategic location. If oil or gas is found in Kenya, this engagement will likely grow even faster.

Kenya's leadership may be tempted to move ever closer to China in an effort to shield itself from Western, and principally U.S., pressure to reform. Given the possibility of a backlash by the Kenyan people against China, perhaps over the issue of imported Chinese labor or mishandling of natural resources, there may be benefits to keeping our distance, at least publicly, from China.
RANNEBERGER

=====CABLE ENDS=====

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RUEHTV/AMEMBASSY TEL AVIV PRIORITY 0694
RHEHNSC/NSC WASHDC PRIORITY
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEHAAA/WHITE HOUSE WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 0055

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C O N F I D E N T I A L SECTION 01 OF 02 DAMASCUS 000068

SIPDIS

SENSITIVE
SIPDIS

NEA/ELA
NSC FOR ABRAMS/DORAN/SINGH
TREASURY FOR GLASER/LEBENSON
EB/ESC/TFS FOR SALOOM

E.O. 12958: DECL: 12/15/2015
TAGS: EAIR, ECON, ETTC, SY, SANC
SUBJECT: APPLYING TARGETED SANCTIONS TO SYRIA

REF: A. A: DAMASCUS 5567
B. REF B: DAMASCUS 6224

Classified By: CDA: Stephen Seche for Reasons 1.5

1. (C) Summary. As post has reported previously, the average Syrian would welcome targeted sanctions that focus on regressive elements within the Asad regime. The best mix in our judgement would be sanctions that are phased, multi-lateral, and widely publicized. Most of our Syrian interlocutors concur that if done correctly, these sanctions would delegitimize those elements within the SARG perceived to be obstacles to change, strengthen progressive elements both within the regime and the wider society, and increase pressure on the SARG to substantively change its

destabilizing behavior. End summary.

2. (C) Financial and travel sanctions that target individuals remain popular with the majority of our Syrian interlocutors (ref A, B). They argue that targeting individuals would make clear for the average Syrian that the international community opposes the regime and its policies, but does not wish to punish the Syrian people. At the same time, targeted sanctions would also help delegitimize those individuals who pose the greatest internal and external threat to progress. Additionally, if designated individuals could neither travel nor conduct legitimate business, they would become an increasing liability for President Bashar al-Asad's regime. Popular resentment against the sanctioned individuals would add to the pressure to change.

3. (C) Syrians we speak with argue that future designations should be multi-lateral. Some tools for doing so already exist. UNSCR 1636 makes provision for designation of individuals named under the Hariri investigation. A case should be made for additional designations under existing or new UNSC resolutions. The USG designated Dhu al Himma as-Shaleesh and Asif Issa as-Shaleesh, cousins of President Asad, under E.O. 13315) a derivative of UNSCR 1483 - for their role in procuring defense-related items for Saddam Hussein. We should lobby our allies to pursue similar designations, under the umbrella of new or existing UNSC resolutions of both the Shaleeshes and any new Syrians we designate concerning Lebanon, Iraq, WMD, and the peace process. Though it is unlikely that any significant financial resources would be frozen by these designations (ref B), the naming and shaming of the most recalcitrant elements within the regime would delegitimize them internationally, which in turn, would work to undermine the hardliners domestically.

4. (C) Pursuing multilateral designations would greatly multiply the effectiveness of targeted sanctions, but a carefully timed campaign to widely publicize the designations is equally important. Without media coverage and publicity to raise the profile of designations, the effort would lose its most effective element - name and shame.⁸ The Shaleesh case mentioned above is a case in point. Despite the Shaleesh family having a high profile within Syria, very few Syrians at any level are aware the USG imposed financial sanctions on them. The head of one of the leading Sunni business families in Damascus approached us recently to ask why the USG did not aggressively pursue sanctioning criminal elements within the regime. When asked for examples of who should be sanctioned, our contact pointed to Dhu al Himma as-Shaleesh who, he asserted, took much of the 580 million USD in Iraqi funds the Commercial Bank of Syria illegally paid out in 2003 and has yet to reconcile with the Iraqis. Needless to say, our contact was surprised to find out Dhu al Himma as well as his nephew, Asif Issa Shaleesh, were already sanctioned.

5. (C) Phasing in future targeted sanctions can maximize their impact. The first phase could start with those most clearly the architects of objectionable SARG policies relating to Iraq, Lebanon, WMD, and support for the Palestinian rejectionist groups, and then extend to those continuing to support the original group in an ever widening circle. In addition to all of the Mehlis suspects, the first batch of new designees might include a core group of eight to

DAMASCUS 00000068 002 OF 002

ten, such as Asif Shawkat (Asad,s brother-in-law and head of Syrian Military Intelligence), Maher Asad (President Asad,s brother and commander of the Republican Guard), Rami Makhlouf (Asad,s first cousin and Syria,s poster boy for corruption), Mohammad Makhlouf (Rami,s father), Riyad Issa Shaleesh (principal director of SES International) an entity already designated under E.O. 13315; in addition, we should push our allies to sanction the other two Shaleeshes mentioned above), Hisham Ikhtiyar (chairman of the Regional Command's National Security Bureau), Abdel Fatah Qudsia (Presidential advisor on Palestinian issues), and Mohammad Suleiman (Presidential advisor responsible for procurement). A second tranche of designations could then move on to this group's lieutenants and business partners.

6. (C) Most Syrians we talk to believe that President Asad still represents their best hope for change without instability. It is their fear of instability that stops the majority of Syrians from pushing harder for internal change. For this reason, they argue that sanctions focusing on individuals would help empower Asad to scuttle the regime,s pariahs. According to this school of thought, Bashar himself should not be designated at this point as it would limit our options and signal that the USG is intent on regime change, greatly limiting the number of Syrians willing to join us in pressuring the SARG for change.

7. (C) Comment. Pursuing targeted sanctions would send a powerful message to the regime and those associated with it: "if you are perceived to be proponents of the policies causing regional instability, you will be designated. If you provide aid and assistance to those designated, you risk designation yourself." Both internal and external pressure on the regime to change would likewise increase incrementally as the number of designations increased. If conventional Syrian wisdom is correct, the obstacles stopping Bashar from doing the right thing would proportionally decrease as targeted sanctions progressed. Even if that view is wrong, the same result will occur, as the supports of Bashar,s failed policies are eroded. In the end, the USG will advance its policy objectives by undermining the regime,s ability to pursue policies at odds with regional stability.

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S E C R E T SECTION 01 OF 03 DAMASCUS 000251

SIPDIS

SIPDIS

PARIS FOR JORDAN; LONDON FOR TSOU

E.O. 12958: DECL: 04/13/2018

TAGS: PREL, PGOV, SY, IZ

SUBJECT: PREMATURE RUMORS OF ASIF SHAWKAT'S DEMISE

REF: DAMASCUS 142

Classified By: CDA Michael Corbin, per 1.4 b,d.

1. (S) Summary: Widespread reports that Syrian Military Intelligence Chief Asif Shawkat is under house arrest and that Shawkat's wife (and Bashar Asad's sister) Bushra al-Asad is trying to flee the country likely reflect Bashar's successful moves to limit Shawkat's influence. While our sources suspect both stories are untrue and blame the external opposition for stirring the rumor mill to weaken Bashar, Shawkat's star definitely appears to be on the wane.
End Summary

The Rumor Mill Working Overtime

2. (SBU) Many Embassy contacts point to a report published by opposition website "Free Syria" as the original source of a number of news stories reporting Shawkat's house arrest. Sources here also contend that former Syrian VP (and now leader of the expat opposition group National Salvation Front) Abdel Halim Khaddam has attempted to weaken Bashar by repeating this rumor during recent anti-SARG interviews on SkyTV and Lebanese TV station al Moustaqbal in which he alleged Shawkat's house arrest and predicted Shawkat would suffer the same fate as now deceased head of Syrian intelligence operations in Lebanon, Ghazi Kanaan.

3. (SBU) Opposition website "al Haqiqa" published an April 6 story reporting that President Asad would replace Shawkat with SMI deputy Ali Yunis, a story similar to a "Debka" website report on Bashar's decision to fire Shawkat. Saudi daily "Sharq al Awsaat" reported Shawkat's house arrest; according to this version, Shawkat overstepped his authority in negotiating (via the Turks) with the USG about withdrawing Syria's support for Hizballah in exchange for agreement that the International Tribunal would not indict senior Syrian officials. Another version reported by the French-based opposition website "Ihraar Suriya" (the Free People of Syria) alleged that Shawkat had been implicated in the assassination plot against Hizballah leader Imad Mugniyah and that Hizballah and Iran were demanding his prosecution.

4. (C) Another rumor circulating in diplomatic circles (perhaps reflecting wishful thinking) is that Bashar has decided to turn Shawkat over to the International Tribunal for the murder of former Lebanese PM Rafiq Hariri in exchange for immunity.

Bushra al-Asad to Flee the Country?

5. (C) Different stories regarding Shawkat's arrest also allege that his wife (and Bashar older sister) has or is attempting to leave the country and seek political asylum in possibly France or a Gulf country such as the UAE. The Kuwaiti daily "al-Siyasiya," for example, reported that Shawkat allegedly told his wife, Busra, to leave Syria with the couple's children, and she had applied for asylum in France (later denied by the French government, according to an April 13 story in "al Hayat.") According to a few contacts here, however, Bushra remains in Syria and her children are still attending school. A French Embassy contact told us that Bushra had been to Paris earlier in the year on a routine shopping excursion but there was no truth to stories that she had sought political asylum.

Rumors Discounted Here

6. (SBU) In what many are viewing as a SARG response to the growing wave of rumors, an April 10 Syrian TV evening newscast showed footage of Shawkat attending a military academy graduation ceremony. The footage highlighted Shawkat

DAMASCUS 00000251 002 OF 003

wearing his military uniform and appearing with Minister of Defense Hasan Turkumani, who delivered the key note address. Meanwhile, pro-government Syrian website "Shafaf al-Sham" ran a story describing Shawkat as the "most powerful man in Syria" and reporting government plans to appoint Shawkat as Vice President for National Security Affairs. (Note: This position was a job briefly held by Bashar's paternal uncle Rifa't al-Asad before being exiled by the late Hafez al Asad.)

7. (S) Most of our contacts heavily discount reports of Shawkat's dismissal and house arrest. Well connected As-Safir correspondent Ziad Haydar called the reports "rubbish." Ihsan Sanker, a longtime Embassy contact who claims occasional access to Asad family members, reported April 10 seeing Shawkat at the funeral of a mutual friend a week earlier. According to Sanker, mutual acquaintances say they have seen Shawkat "regularly" over the last month.

Shawkat's Star on the Decline?

8. (S) Describing Shawkat as "dejected and withdrawn," Sanker said Shawkat was "not even trying to hide" his unhappiness over his continuing loss of influence. The assassination of Hizballah luminary Imad Mugniyeh led to a series of accusations between SMI and GID, with the outcome coming out in GID's favor, Sanker reported. Additionally, Sanker said he had heard Shawkat's portfolio had been pared down to military issues, while Bashar's cousin Hafez Makhluf had all but taken over the national security portfolio. As-Safir correspondent Haydar reported he had heard the same thing, saying Bashar had recently further marginalized Shawkat's national security role.

9. (S) Orient Center Director and MFA Advisor Samir al-Taki told us recently that Shawkat and GID chief Ali Mamluk had exchanged mutual recriminations of blame and negligence in the wake of the Mugniyeh assassination (reftel). In an attempt to discredit GID, Shawkat ordered SMI to question a number of Syrians with ties to France and the U.S. (including al-Taki) under possible suspicion of involvement in the Mugniyeh affair. In the meantime, al-Taqi added, the GID had

assumed primary responsibility for investigating the Mugniyeh killing, under the overall direction of Bashar's cousin, Hafez Makhluf, a prominent GID officer. Against the backdrop of these recent events, an ongoing reorganization of security organizations has made it difficult to determine who was up and who was down, al-Taqi explained. Separate reporting and diplomatic circles point to Mamluk's rise and Shawkat's relative retreat. But Al-Taqi cast doubt on reports of Shawkat's removal, saying "we've heard such reports before," only to see Shawkat maintain his position as a key insider.

Shawkat in the Dog House?

10. (S) A UK-Syrian business contact with low level regime ties told us April 13 that Shawkat's problems with Bashar had come to head before the Arab League Summit. According to this source, SMI arrested a Saudi national suspected of involvement in the Mugniyeh assassination. This Saudi died in SMI custody, complicating Bashar's already strained relations with the Saudi royal family. A variant of this rumor which has appeared in the press was that the deceased Saudi was a diplomat working in the Saudi Embassy. Our contact discounted this rumor because "not even Shawkat would be stupid enough" to apprehend someone with diplomatic immunity.

11. (S) Comment: It seems highly unlikely that Bashar would arrest Shawkat unless he perceived a direct challenge to his authority, especially at a time when Syrians are openly talking about the possibility of war with Israel and worsening economic conditions that require greater regime cohesion. Moreover, we strongly doubt Bashar feels pressured

DAMASCUS 0000251 003 OF 003

enough on Lebanon to be preparing to turn over Shawkat to the Tribunal. Rather, we believe Bashar's continuing efforts to erode Shawkat's influence reflect his perception of Shawkat as a potential threat that must be managed. Separately, we assess that Bashar is most comfortable with Bushra here in Syria under his thumb and that he would not cause her to flee. We also believe that unless family matters worsen, Bushra prefers to reside in Syria, particularly given her desire to stay close to her elderly mother.

CORBIN

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S E C R E T PARIS 001717

NOFORN

SIPDIS

E.O. 12958: DECL: 09/05/2018
TAGS: PGOV, PREL, PINS, PINR, FR, SY, LE
SUBJECT: FRENCH BELIEVE THAT ASSASSINATION OF SYRIAN
GENERAL SLEIMAN WAS AN INSIDE JOB

REF: PARIS 1703

Classified By: Political Minister Counselor Kathy Allegrone
for reasons 1.4. (b), (d).

1. (S/NF) As Washington readers and others ponder French policy toward Syria, and as an expansion of para 3 in reftel, we pass along the previously unreported views of two of our GOF interlocutors from meetings in late August on the mysterious assassination earlier in the month of Syrian brigadier general Muhammad Sleiman and its potential significance for the regime of Syrian President Asad. NEA adviser at the French presidency Boris Boillon, on August 20, asserted that the killing seemed to be some sort of inside job. He flatly rejected the notion that the Israelis had taken out Sleiman, particularly the theory that a sniper had shot him on a boat situated somewhere off the coast of the Syrian coastal city of Tartus. Boillon claimed that French information was that the hit was more "classic" and "mafia-like" with police stopping traffic in the immediate vicinity, bodyguards looking the other way, and the assailant pumping a slug into Sleiman's head.

2. (S/NF) When asked how he interpreted the killing,

Boillon said that several theories presented themselves, the only common denominator of which was internecine rivalry in the entourage close to Bashar al-Asad. Although Bashar's disgruntled brother-in-law and sidelined head of Syrian Military Intelligence 'Asif Shawkat seems to have the most compelling motive for knocking off someone he might have regarded as a rival and source of his reputed downfall in recent months, Boillon thought Bashar's brother Mahir was a more likely suspect. Boillon described Mahir as ambitious, a bit of a wild man, and determined to increase his power and influence within the inner circle. Inasmuch as Mahir might have contrived to bring down Shawkat, he might also have decided to take out his next key rival, Sleiman, in a more permanent way.

3. (S/NF) Boillon further referred the related possibility that Mahir had rubbed out Sleiman in the same way he might have rubbed out Hizballah leader 'Imad Mughniyah) possibly even on Bashar's orders. The latter explanation would tie in with the notion of cleaning house as Syria needed to present a more respectable image while it pursued its rapprochement with France and/or needed to remove those who "knew too much" (in the case of Sleiman, about the clandestine nuclear program). Of course, Boillon added, one could never rule out the notion that Sleiman's death was related to a bloody struggle over control of lucrative criminal activities.

4. (S/NF) Pouille on August 28, meanwhile, was less forthcoming than Boillon in terms of offering interpretations of Sleiman's death, but he was equally categorical in disputing the theory that the Israelis were responsible. He cited the French ambassador in Damascus as his source for the contention that the killing was an inside job to "settle old scores" as well as conveniently get rid of someone who might have information of value to the UNIIIC on Lebanon or to the IAEA on Syria's nuclear program.

5. (S/NF) Comment: We offer these insights, some of which have appeared in abridged form in the French press, less for the light they may shed on Sleiman's assassination than they do about the French perception of the Asad regime. Indeed, Boillon's rundown of the various theories sounded like he had recently read a finished French intelligence assessment of the situation. Both Boillon and Pouille sought, in these conversations, to stress that France does not judge the Asad regime dangerously unstable or Asad's grip on power slipping. Nonetheless, they believe that the internal situation is fragile enough to warrant concern and a nuanced approach. We believe this could partly account for Sarkozy's decision to move so quickly to cultivate his personal relationship with Bashar and to "gamble" (as the French media have put it) on Bashar's willingness to change course on Lebanon, peace with Israel, and even Syria's relationship with Iran. For what it may be worth, former Lebanese military intelligence chief Johnny Abdo recently contended the assassination was an inside job and pointed to the absence of the sort of mass arrests inside Syria that would normally accompany this type

of killing by criminal or non-regime elements. End comment

Please visit Paris' Classified Website at:
<http://www.intelink.sgov.gov/wiki/Portal:France>

STAPLETON

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S E C R E T DAMASCUS 000274

SIPDIS

DEPT FOR NEA/ELA; NSC FOR SHAPIRO/MCDERMOTT; PARIS FOR
WALLER; LONDON FOR TSOU

E.O. 12958: DECL: 04/08/2019
TAGS: ETRD, EFIN, ETTC, PGOV, PREL, SY
SUBJECT: CORRUPTION INVESTIGATION RATTLES BUSINESS COMMUNITY

REF: A. DAMASCUS 168
B. DAMASCUS 218
C. 08 DAMASCUS 541

Classified By: Charge d'Affaires Maura Connelly for reasons 1.4(b,d)

Summary

1. (S) The recent imprisonment of a prominent businessman thought to be close to President Asad has rattled the Syrian business community. Although the high-profile arrest was not reported by Syrian media, Prime Minister Utri made a veiled

reference to it in a daily newspaper, saying, "we will cut off the hand of any who dare to abuse the public funds." Business contacts report that two other business elites are currently under investigation for corruption charges linked to the February arrest of Customs Directorate Chief Brigadier General Hasan Makhoul, including the current Chairman of the Damascus Chamber of Industry. Adding to their concern, a popular local business magazine recently published profiles of "The Top 100 Syrian Businessmen," which many feared would raise their profile to the regime. Conspicuously absent from the article was Syria's most famous tycoon, Rami Makhoul. End summary.

Computer Magnate Imprisoned

2. (C) Syrian business elites are abuzz with the news that SARG security officials jailed Engineer Firas Bakour (DOB: 01/30/1966) in late March, along with former Minister of Communication and Technology Amro Salem and two unnamed employees of Syria Telecommunications Establishment (STE). Contacts report that Bakour's arrest stemmed from a USD 65 million SARG tender that he was awarded to provide a Voice Over Internet Protocol (VOIP) service to STE. According to the reports, SARG officials were angered at the slow pace of Bakour's progress in fulfilling the contract -- particularly when his "winning" bid for the tender had been over twice as high as those of several foreign companies. A close friend of Bakour's offered a different take, claiming that the Sunni Bakour's Alawi enemies had grown jealous of the virtual monopoly his company enjoyed over IT in Syria and the USD 10 million that he was reportedly earning each month.

3. (C) The President and CEO of INANA Group -- an umbrella of eight subsidiary companies that offer a variety of information technology, telecommunications, marketing, entertainment and business development lines -- Bakour was close to President Bashar al-Asad in the mid-1990s when Asad headed the then-nascent Syrian Computer Society (SCS). A longtime Embassy contact with a sister living in Florida, Bakour's presence at Embassy rep events in 2007 had a chilling effect on other guests due to his alleged ties to SARG security services. While Syrian media has not reported the high-profile arrest, Prime Minister Utri made a thinly-veiled reference to it in the March 31 edition of daily Tishreen, saying, "we will cut off the hand of any who dare to abuse the public funds."

4. (C) In 2008, former Minister of Communications and Technology Amro Salem told us that he was asked to resign from his ministerial post in December 2007 because he had launched an investigation into Bakour's suspicious business activities. He claimed then that President Asad had personally cleared him of any wrongdoing and had ordered the investigation of Bakour to proceed. (Note: It would not be unusual for Syrian security forces to arrest all suspects

while sorting out individual stories. End note.)

Known By the Company You Keep

5. (C) Adding to the business community's case of the jitters, the locally popular Syrian business magazine al-Iqtissadi (the Economist) dedicated this week's edition to profiling "The Top 100 Syrian Businessmen." Listing the businessmen alphabetically, the 55-page article contained photographs and 3-5 paragraph corporate biographies of each prominent businessman and his family. Firas Bakour was featured in the magazine, as was one-time SyriaTel Chief Operating Officer Nader Qa'lai, who is reportedly himself under investigation for embezzlement. Syria's most infamous tycoon -- Rami Makhlouf -- was conspicuously absent, as were Muhammad and Abdulsalam al-Haykal, who own the media company that publishes al-Iqtissadi. The website "Syrian Informer," which is blocked in Syria, commented disparagingly on the list as largely comprising nouveaux riches who have acquired wealth through opportunism and corruption, presumably in contrast to the more "virtuous" Damascenes who inherited their fortunes.

6. (C) Embassy contacts who were listed in the article expressed nervousness at having their profiles publicly elevated, while others were relieved to have not been mentioned. The head of one featured family lamented that the article was probably already in the hands of the SARG's equivalent to the Internal Revenue Service (IRS), which he claimed would be examining the tax returns of each listed family over the last several years. (Note: The only Syrians who consistently pay the correct amount of income tax seem to be public servants, whose taxes are withheld automatically from their government salaries. End note.)

Wider SARG Campaign Underway?

7. (S) Bakour's arrest is the latest event in what contacts report is a wide-ranging SARG crackdown on "corruption" that began with the January sacking of Political Security Department Chief Major General Muhammad Mansurah and mid-February arrest of Chief Customs official Brigadier General Hasan Makhlouf (refs A,B). (Note: By all accounts, Hasan is not close to his more famous cousins Muhammad, Rami and Hafiz Makhlouf. End note.) The oft-heard rumor on the Damascus streets is that Hasan Makhlouf attracted the ire of Maher Asad after the President's brother learned from a real estate agent that the Customs Director's driver had tried to purchase a multi-million dollar property in Lattakia. Investigators allegedly discovered some USD 50 million hidden in the driver's home, which -- according to the story -- enraged Maher and prompted the Palace to act.

8. (S) The rumor of Hasan Makhoulouf's millions is strikingly similar to another story that circulated around Damascus following the August 2008 assassination of Brigadier General Muhammad Sulayman (ref C). Sulayman, who was Asad's top security aide and reportedly managed several sensitive military projects, was killed by sniper fire in the coastal city of Tartous while Asad was visiting Tehran. The subsequent investigation into Sulayman's slaying reportedly uncovered USD 80 million cash in a basement room of the general's home in the mountains between Damascus and the Lebanese border. Asad was said to be devastated by the discovery, and, fearing Sulayman had betrayed him, redirected the investigation from solving his murder to finding out how the general had acquired so much money.

Car Importers Under Suspicion

9. (S) Embassy contacts report that two prominent businessmen are under suspicion in the Makhoulouf/Mansourah investigation -- Ammar Karkour and Chairman of the Damascus Chamber of Industry Imad Ghreiwati. Karkour, the Syrian agent for Audi/VW, and Ghreiwati, who owns the Ford dealership and represents LG electronics, are both suspected of bribing the Customs Director to accept grossly reduced invoices on their imported cars and electronics in order to avoid paying customs duties on the goods' actual value. The Ghreiwati family may have had a falling out with the Asad clan in fall 2008, as Imad's brother Issam then complained bitterly to us about the President, the SARG's decision to close Damascus Community School -- where the Ghreiwati children studied -- and revealed that the entire family was considering emigrating to the U.S. (Note: Ghreiwati's fall from grace would be cheered by many of his class-conscious peers, who resent his family's meteoric ascent to social prominence and his once-favored status among the Alawis. End note.)

Comment

10. (S) While there does not yet appear to be a direct link between Bakour's arrest and the Makhoulouf/Mansourah investigation, our contacts believe that his incarceration is part of a broader "anti-corruption" campaign ordered by the Palace to re-assert Asad's authority and to shake-up the status quo. The Palace has probably already chosen the eventual winners and losers in this investigation, the timing of which may coincide with a long-anticipated cabinet reshuffle. Regardless of the SARG's motivation, the business community's concern is illustrative of their tenuous relationship with the Syrian government. While Bakour's and Ghreiwati's situations demonstrate that proximity to the regime is no guarantee of long-term security, other businessmen equate Syria's byzantine legal and tax codes -- and not their lack of compliance to them -- to a sword of

Damocles the regime dangles over their heads to keep them in line.

CONNELLY

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S E C R E T GUATEMALA 000538

SIPDIS

E.O. 12958: DECL: 06/07/2019
TAGS: MARR, PGOV, PTER, MCAP, PREL, PINR, MOPS, GT
SUBJECT: ROGUE ELEMENTS OF GUATEMALAN MILITARY SELLING
WEAPONS TO NARCOS

REF: GUATEMALA 407

Classified By: Political Officer George Mathews for reasons 1.4 (b.d)

1. (S) SUMMARY. In the wake of a recent deadly shoot-out between GOG anti-drug agents and Zetas, the embassy has received new information indicating rogue elements within the Guatemalan army are selling military-grade weapons and munitions to narcotraffickers. The Embassy DAO has learned that 12 junior officers were recently relieved by their commanders for suspicion of selling armaments under their control to drug organizations. The 12 officers have not been arrested, but were instead "sent home," while Guatemalan military intelligence (D2) continues its investigation. END SUMMARY.

2. (U) On April 24 agents from SAIA (Counternarcotics Analysis and Information Service) conducted a raid on a warehouse located 30 kilometers south of Guatemala City. The agents encountered a number of heavily-armed Zetas, the military arm of the Gulf Cartel, and the ensuing firefight left 5 SAIA agents dead. Following the raid, GOG authorities confiscated a large quantity of weapons, including: 11 light machine guns, a Light Anti-tank Weapon (LAW), 563 rocket-propelled grenades, 32 hand grenades, 8 Claymore

anti-personnel mines, almost 8,000 rounds of small arms ammunition, and 3 fully armored Suburbans.

3. (S) NAS reports that senior officials in the Attorney General's office (MP) were receptive to allowing DAO and ATF personnel access to the weapons cache. As a result of this access, DIA analysts were able to determine with a high degree of confidence that many of these weapons and munitions came from Guatemalan military stocks. For example, the 3,812 rounds of 5.56mm ammunition, used by M-16s and other military-style assault weapons, were found sealed in packaging bearing the stamp of the Guatemalan military industrial facility (IMG.)

4. (S) Senior Guatemalan military leaders ordered D2 to initiate an investigation into the sources of the Zetas' weapons and munitions. In the course of their investigation, D2 determined that 12 junior military officers were likely involved in selling armaments to narcotraffickers. A number of the rocket-propelled grenades recovered following the April 24 shoot-out can be tied directly to weapons storage facilities under the control of these officers. However, none of the 12 officers have, at this point, been arrested for their involvement in these activities. (NOTE: As is standard practice in the Guatemalan military, these officers have not been prosecuted. Rather they have been relieved of their positions and sent home. In similar cases in the past, officers have not faced courts martial and were either allowed to retire or were quietly shifted to other assignments. Furthermore, there is a high level of distrust between D2 and civilian law enforcement agencies, which makes any prosecution in the civilian legal system unlikely. END NOTE)

5. (S) DAO reports that the senior leadership of the Guatemalan military has been fully supportive of efforts to determine if narcotraffickers are receiving weapons from Guatemalan military stocks. However, D2 has been much less supportive, claiming they are still investigating the matter. They also have been hesitant to reveal significant details, such as the names of the 12 officers, what units they are assigned to, or where they are stationed.

6. (S) On May 12, DAO spoke with Major General Abraham Valenzuela, the Guatemalan Minister of Defense, about the investigation. Valenzuela said he is very concerned about the matter and will ask President Colom to request that an outside agency, possibly the International Commission against Impunity in Guatemala (CICIG) investigate. Valenzuela believes a small ring inside the Guatemala military is involved in the sale of arms to narcotraffickers. However, Valenzuela did not comment on the number of officers involved. He did say that he will do everything possible to see that the 12 officers implicated in the D2 investigation are prosecuted. He also offered to provide the names of the 12 officers to the embassy so they can be prohibited from being issued visas to the United States.

7. (S) COMMENT: The involvement of Guatemalan military officers in the sale of weapons to narcotraffickers raises serious concerns about the Guatemalan military's ability to secure its arms and ammunition. The National Police (PNC) are already outgunned by the narcotraffickers, and now have to go up against weapons from Guatemala's own military

stockpile. While we are currently only aware of this isolated case, we will press Ministry of Defense officials to review its procedures for securing weapons and ensure the problem is not widespread. The increased willingness of the Guatemalan military to punish corruption with vigorous prosecution would also send a strong message and preserve institutional integrity. To further this goal, the embassy will press the GOG to refer this case to CICIG, with the expectation that high-profile prosecutions could deter others in the Guatemalan military from cooperating with narcotraffickers.

Lindwall

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RHEBAAA/DEPT OF ENERGY WASHDC

RHEHAAA/WHITE HOUSE WASHINGTON DC

CONTENT:

C O N F I D E N T I A L SECTION 01 OF 03 OTTAWA 000189

SIPDIS

NOFORN

SIPDIS

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STATE PLEASE PASS TO EPA WASHDC

EPA FOR OFFICE OF THE ADMINISTRATOR AND INTERNATIONAL

AFFAIRS

E.O. 12958: DECL: 02/01/2112

TAGS: SENV, PGOV, PINR, ENRG, CA

SUBJECT: CANADA'S NEW ENVIRONMENT MINISTER HITS THE GROUND

RUNNING

Classified By: Classified by Economic Minister-Counselor

Brian J. Mohler for reasons 1.4 (b) and (d)

1. (C) Summary: Canada's new Environment Minister John Baird

seems delighted to have responsibility for the politically charged environmental portfolio which is expected to be a key issue in the national election anticipated for later this year. Already, he has demonstrated his skills on the floor of Parliament strongly defending the Conservatives' environmental program from the rhetorical barbs of the new Liberal leader and former Environmental Minister Stephane

Dion. Baird told the Ambassador during a courtesy call that he "loves" partisan debate. Most observers felt that Baird's predecessor, Rona Ambrose, had not been effective in defending the Harper policy in Parliament. The Minister said that although the Conservatives reject Kyoto as unworkable, they do care about the environment and want to put into place effective programs that go beyond neutralizing the issue and help Canadians. The new Minister confirmed that Canada wants to join the Asia Pacific Partnership on Clean Development and Climate (APP) as well as the Coalition Against Wildlife Trafficking (CAWT). Baird said he had been impressed by the CAFE standards the President announced in his State of the Union speech and applauded the White House's skill in marketing some of Bush's proposals in ways readily understandable by the public. As a Minister new to his portfolio, Baird said that he would go to Paris to attend the Inter-Governmental Panel on Climate Change (IPCC) meeting to learn about the scientific basis of global warming. In an aside, Baird expressed strong support for the Canadian military effort in Afghanistan. Comment: Baird is a young, ambitious and dynamic minister who should be one of the Conservatives' top leadership prospects in the future. It is clear that Baird hopes a strong performance handling the politically sensitive environmental file will eventually be rewarded by his appointment to an even higher profile Ministry. End Comment and Summary.

A New Minister Happy in His Job

2. (SBU) The Ambassador, accompanied by Economic Minister-Counselor, paid a courtesy call on newly appointed Environment Minister John Baird at his Parliamentary office on January 31. Baird came to the meeting after enduring a tough grilling on the Harper government's environment policy during the daily Question Period in the House of Commons. Although he had fielded 25 opposition questions on his portfolio, he was energized by the experience. Embassy comment: Baird clearly enjoys and is comfortable with the rough-and-tumble of Parliamentary debate in contrast to his predecessor Rona Ambrose. End comment. The Minister commented that he "loves" partisan debate. During Question Period, he had countered many questions from Liberal opposition leader Stephane Dion and others by quoting back to them their own past statements (Kyoto will be much too expensive for Canada to implement, etc.) which undercut their pro-Kyoto arguments and by questioning the Liberals' own record on the environment during their 13 years in power.

The Conservative Environmental Game Plan

3. (SBU) Baird said that he is working hard to get NDP

support for the government's clean air legislation. This has not been achieved yet, but he was hopeful. The Harper government sees the environment as a potential political winner for the Conservatives. Although they reject Kyoto as unworkable, the Conservatives do care about the environment. Baird wants government to act and not be satisfied by simply neutralizing the environment as an issue.

4. (C) The Minister recently saw Al Gore's environmental film and thought it was a great example of effective publicity. But he thought that the former Vice President was being disingenuous about the need to adhere to Kyoto since President Clinton never moved the agreement to the Senate

OTTAWA 00000189 002 OF 003

where he knew it would not be ratified. The Conservatives, Baird continued, do not intend to mention Kyoto any more and will ask the Canadian voter to judge them on what they are doing, including the Clean Air act and the eco-ENERGY initiatives recently announced. Baird sees his Ministerial job as 51% developing good policy and political strategy and 49% selling the Conservative environmental agenda to the public.

Surprised To Be At Environment

5. (C) Baird volunteered that he had not asked to be environment minister. He had been happy as Treasury Board President where, as a fiscal conservative, he could cut "stupid" spending. When the Prime Minister called Baird to 24 Sussex Drive before last month's Cabinet shakeup, he would not have chosen the Environment Department as his next portfolio. Now that he has the job, however, he's delighted by its challenges. He regards it as a "first-line" Ministerial position and recognizes that the environment and Afghanistan may be the two most important issues in the next election, which he does not anticipate happening before the fall unless one of the opposition parties makes a tactical mistake and forces an election no one wants now.

APP

6. (SBU) The Minister said that Canada is interested in joining the U.S. and other nations in the Asia Pacific Partnership on Clean Development and Climate (APP) and appreciates the U.S.'s support. Harper, he said, is interested in environmental work being done by non-Kyoto signatories, including China and India. Baird disclosed that he discussed the matter by phone with Council of Environmental Quality (CEQ) Chairman Jim Connaughton a few

days ago.

CAWT

7. (SBU) Baird confirmed that he had received a letter from OES A/S McMurray, asking him to help launch Canada's joining the Coalition Against Wildlife Trafficking (CAWT) at the UN Environmental Program General Council in Nairobi on February 10. He said that Parliamentary business will prevent him from going to Nairobi, but confirmed that Canada will join the CAWT.

Impressed by U.S. Energy Initiatives

8. (SBU) The Minister was especially interested in President Bush's State of the Union announcement to increase CAFE standards for cars. He said that the GoC is under a lot of pressure to align its fuel efficiency standards with those of California, but implied that this may be more than the Conservatives could stomach. His staff is working with the Prime Minister's Office on Governor Schwarzenegger's spring visit to Ottawa. Baird said that he was impressed by the simplicity of the message of some of the President's energy initiatives, especially the "20 in 10" proposal (reducing gasoline consumption by 20 percent in ten years). He thought that this kind of catchy phrase using benchmarks everyone

understands is more tangible to the public than vague Kyoto pledges to reduce greenhouse gas emissions by a given percent.

IPCC

9. (U) Baird said that he would go shortly to Paris to attend Q9. (U) Baird said that he would go shortly to Paris to attend the Inter-Governmental Panel on Climate Change (IPCC) (Baird flew to Paris on February 1.) He said that as an Environment Minister new to this complex file, he wants to talk to scientists and get educated on the science behind global warming.

Afghanistan

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10. (SBU) As the meeting ended, the Minister recounted his December trip to visit Canada's forces in Afghanistan. He sees Canada's involvement in the NATO force fighting the Taliban as an essential national commitment and is impressed by the high morale and determination of the troops he visited. He also applauded the great cooperation with the

USG on this mission. Baird described how he spent a cold night trying to sleep in a tent with the soldiers and said that he was proud to fire an artillery piece (although he did not think that the shell had caused casualties). He quipped that when he was called to the Prime Minister's residence shortly after his return, he wondered whether he would be switched to the Department of National Defense in light of his Afghan trip. He got Environment instead, but was not dissatisfied.

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