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B1, 1.5(D), 1.5(C)

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ACTION ARA-01

INFO	LOG-00	INLB-01	AID-00	CG-00	CIAE-00	CTME-00	INL-01
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TO SECSTATE WASHDC IMMEDIATE 3191  
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E.O. 12958: DECL: 08/28/06  
TAGS: PINR, SNAR, PGOV, PE  
SUBJECT: INTELLIGENCE CHIEF MONTESINOS ACCUSED OF  
PROTECTING DRUG TRAFFICKERS

1. SECRET - ENTIRE TEXT. CLASSIFIED BY CHARGE JAMES MACK FOR  
REASONS 1.5 (C) AND (D).

2. SUMMARY: DE FACTO PERUVIAN INTELLIGENCE CHIEF MONTESINOS FINDS  
HIMSELF AT THE CENTER OF A SWIRL OF DRUG-RELATED CHARGES THAT WILL  
NOT DIE AWAY, DESPITE GOP EFFORTS TO CALM THE PRESS STORM. WHILE

THE CHARGES MADE RECENTLY BY A JAILED DRUG TRAFFICKER CAN BE  
REFUTED WITH THE INFORMATION AVAILABLE TO US, THE CURRENT

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CONTROVERSY MAY FORCE PRESIDENT FUJIMORI TO REEVALUATE THE ROLE  
THAT THIS BEHIND-THE-SCENES MANIPULATOR PLAYS IN THE INNER  
PRESIDENTIAL CIRCLE. THE CHARGES AGAINST MONTESINOS AND THE  
ENSUING MEDIA FEEDING FRENZY ALSO HAVE IMPLICATIONS FOR THE USG'S  
COUNTERNARCOTICS WORK WITH THE GOP. END SUMMARY.

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THE CHARGES  
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3. TWICE IN RECENT WEEKS, THE PERUVIAN MEDIA HAVE HEADLINED CHARGES THAT VLADIMIRO MONTESINOS, THE DE FACTO HEAD OF THE PERUVIAN NATIONAL INTELLIGENCE SERVICE (KNOWN AS "SIN" BY ITS SPANISH ACRONYM), HAS BEEN INVOLVED IN PROTECTING NARCOTICS TRAFFICKERS OPERATING OUT OF PERU. MONTESINOS IS A JUICY TARGET FOR PUBLIC AND MEDIA ATTENTION AS HE HAS BEEN A MEMBER OF AN EXCLUSIVE THREE-MAN CIRCLE OF PRESIDENT FUJIMORI'S CLOSEST ADVISORS. THE OTHERS WERE PRESIDENT OF THE ARMED FORCES JOINT COMMAND GENERAL HERMOZA RIOS AND FIRST BROTHER SANTIAGO FUJIMORI (UNTIL HE WAS FORCED OUT OF THE PRESIDENTIAL INNER CIRCLE THIS PAST APRIL DUE TO INTERNAL POLITICAL MANEUVERING).

4. MONTESINOS, UNLIKE THE OTHER TWO, HAS CULTIVATED AN IMAGE OF THE SHADOWY, BEHIND-THE-SCENES "I CAN MAKE IT HAPPEN" INTELLIGENCE CHIEF, KNOWN BY A VARIETY OF NICKNAMES CONNOTING BOTH FEAR AND RESPECT: "RASPUTIN," "DARTH VADER," OR SIMPLY "THE DOCTOR" (A TITLE GIVEN TO LAWYERS, WHICH MONTESINOS IS). GIVEN THE PERSONA HE HAS DEVELOPED AND THE POWER HE WIELDS, MONTESINOS FINDS HIMSELF IN THE POSITION OF "HAVING TO PROVE THE NEGATIVE" WITH REGARD TO THE DRUG LINK ACCUSATIONS. HOWEVER, IN BOTH OF THE RECENT INSTANCES, HE HAS RECEIVED PUBLIC BACKING FROM WITHIN THE FUJIMORI

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ADMINISTRATION AND, IN AN OBLIQUE FASHION, FROM THE USG.

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5. IN THE FIRST CASE, LOCAL MEDIA REPLAYED AN ARTICLE THE WEEKEND OF 3-4 AUGUST THAT HAD FIRST APPEARED IN THE MEXICAN PRESS, ALLEGING THAT ACCORDING TO "U.S. LAW ENFORCEMENT SOURCES" BOTH MONTESINOS AND SANTIAGO FUJIMORI HAD PROTECTED THE LOPEZ PAREDES DRUG ORGANIZATION, PERUVIAN TRAFFICKERS THAT CONDUCTED MULTI-TON SHIPMENTS OF HCL TO MEXICO. THE PERUVIAN DRUG POLICE (DINANDRO) BROKE UP THE LOPEZ PAREDES GROUP IN EARLY 1995, AFTER AN EXTENSIVE INVESTIGATION. BOTH THE PERUVIAN INTELLIGENCE SERVICE AND MONTESINOS WERE AWARE OF AND SUPPORTED THE INVESTIGATION. EMBASSY LIMA RESPONDED TO THE INACCURATE PRESS REPORTS BY PROVIDING A LETTER TO THE GOP DENYING THAT U.S. LAW ENFORCEMENT AGENCIES HAD INFORMATION LINKING "SENIOR PERUVIAN OFFICIALS" TO DRUG TRAFFICKING AS ALLEGED IN THE PRESS.

6. SEPARATE CHARGES SURFACED IN THE WEEKEND PRESS OF 17-18 AUGUST, THIS TIME VIA A SENSATIONALISTIC ACCUSATION MADE IN COURT BY JAILED DRUG TRAFFICKER (AND FORMER LINEAR TARGET) DEMETRIO CHAVEZ PENAHERRERA (AKA "VATICANO") THAT HE PERSONALLY PAID MONTESINOS AND OTHER SIN MEMBERS FOR PROTECTION. "VATICANO" WAS CAPTURED IN COLOMBIA IN JANUARY 1994 AND EXPELLED TO PERU. BECAUSE OF CONCERNS

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THAT THE DRUG CASE AGAINST "VATICANO" WAS NOT LEGALLY AIRTIGHT, PERUVIAN AUTHORITIES CHARGED HIM WITH TERRORISM FOR ALLEGEDLY ASSISTING THE SL TERRORIST ORGANIZATION WHICH OPERATED IN THE SAME ZONE AS "VATICANO'S" DRUG TRAFFICKING RING. A PERUVIAN MILITARY COURT CONVICTED "VATICANO" OF TREASON IN 1994 AND SENTENCED HIM TO LIFE IMPRISONMENT, THOUGH THAT WAS LATER REDUCED TO 30 YEARS. IN A BID TO LESSEN HIS HARSH TREATMENT AS A CONVICTED TERRORIST, "VATICANO" HAS ADMITTED TO BEING A DRUG TRAFFICKER AND A TRIAL ON THE TRAFFICKING CHARGES IS NOW UNDERWAY. **THE EFFORT TO ARREST**

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**"VATICANO" AND DISMANTLE HIS OPERATIONS RELIED ON EXTENSIVE COOPERATION AMONG U.S. LAW ENFORCEMENT AND INTELLIGENCE AGENCIES, THE PERUVIAN DRUG POLICE AND INTELLIGENCE SERVICE, AND COLOMBIAN LAW ENFORCEMENT ELEMENTS.** THE INVESTIGATION ALSO REVEALED CORRUPTION BY THREE PERUVIAN POLICE OFFICIALS.

7. AS PART OF THE COURT PROCEEDINGS IN THE DRUG TRAFFICKING CASE, "VATICANO" CLAIMED ON AUGUST 16 THAT HIS TRAFFICKING OPERATIONS IN THE HUALLAGA VALLEY WERE CONDUCTED IN 1991-1992 WITH THE FULL KNOWLEDGE AND PROTECTION OF MONTESINOS AND THE SIN. "VATICANO" SAID THAT HE PAID MONTESINOS \$50,000 PER MONTH THROUGH AN INTERMEDIARY, THOUGH HE HAD MADE THE FIRST PAYMENT IN THE PRESENCE OF MONTESINOS DURING A MEETING AT A LIMA RESIDENCE. (HOWEVER, UNDER QUESTIONING FROM THE JUDGE, "VATICANO" PROVIDED AN INACCURATE PHYSICAL DESCRIPTION OF MONTESINOS, SAYING HE WAS TALL AND HEAVY, WHILE HE IS OF MODERATE HEIGHT AND SLIM.) "VATICANO" ALSO ALLEGED THAT HE SPOKE ROUTINELY WITH MONTESINOS ON HF RADIO AND THAT MONTESINOS, USING THE CODENAME "RUBEN," WARNED "VATICANO" DIRECTLY OF PLANNED COUNTERNARCOTICS OPERATIONS. THE RELATIONSHIP BROKE OFF, ACCORDING TO "VATICANO," WHEN MONTESINOS PRESSED FOR A DOUBLING OF THE MONTHLY PAY-OFF AND "VATICANO" WAS UNABLE TO COMPLY.

8. THE ALREADY CONFUSED PLOT TOOK AN EVEN MORE BIZARRE TURN THE WEEK OF AUGUST 25 WHEN -- AGAINST ADVICE OF HIS LAWYER -- A SEEMINGLY DAZED "VATICANO" TOLD THE COURT THAT HE WAS RETRACTING HIS CHARGES AGAINST MONTESINOS. DESPITE A COURT-ORDERED MEDICAL EXAMINATION AND A CLEAN BILL OF HEALTH, THE PRESS, AIDED BY STATEMENTS FROM "VATICANO'S" FAMILY, SPECULATED THAT HE HAD BEEN COERCED EITHER THROUGH PSYCHOLOGICAL THREATS OR SUBJECTED TO PHYSICAL INDUCEMENTS TO ALTER HIS TESTIMONY.

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9. WHEN THE "VATICANO" CHARGES WERE LEVELED AGAINST MONTESINOS, MISSION ELEMENTS, SOME OF WHICH HAVE WORKED DIRECTLY WITH MONTESINOS ON THIS AND OTHER CASES, REVIEWED ALL INFORMATION AVAILABLE ON THE "VATICANO" INVESTIGATION, ARREST, AND TRIAL. THE CONCLUSION REACHED WITHIN THE MISSION WAS THAT THE CHARGES LEVELED BY "VATICANO" WERE SPURIOUS. MISSION ELEMENTS CAN ATTEST TO MONTESINOS' PERSONAL KNOWLEDGE AND INVOLVEMENT THROUGHOUT THE "VATICANO" INVESTIGATION AND HIS DECISIVE ROLE IN ORDERING THE TERRORISM POLICE (DINCOTE) TO FILE TERRORISM RELATED CHARGES WHEN IT BECAME APPARENT THAT THE SUBSTANTIVE CASE AGAINST "VATICANO" WAS WEAK.

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10. IT IS DIFFICULT TO BELIEVE THAT SOMEONE AS ASTUTE AS "THE DOCTOR" WOULD CONTACT A KNOWN DRUG TRAFFICKER VIA AN OPEN RADIO SIGNAL. LIKewise, WERE THE TWO TO HAVE BEEN WORKING TOGETHER EVEN IN THE DISTANT PAST, WE DOUBT THAT MONTESINOS WOULD HAVE ALLOWED, INDEED OVERSEEN, AN OPERATION WHICH LED TO "VATICANO'S" ARREST IN COLOMBIA, EXPULSION TO PERU, AND, SUBSEQUENTLY, HIS "DAY IN COURT" WHERE HE MADE THESE CHARGES.

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IF NOT TRUE, WHY THE CHARGES?  
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11. BEYOND THE OBVIOUS EXPLANATION THAT "VATICANO" IS ATTEMPTING TO LESSEN HIS SENTENCE OR AMELIORATE THE CONDITIONS OF HIS IMPRISONMENT, SPECULATION ABOUNDS AS TO WHO IS BEHIND THE CAMPAIGN TO DISCREDIT MONTESINOS AND, BY EXTENSION, FUJIMORI. POSSIBLE CULPRITS RANGE FROM OTHER MAJOR TRAFFICKER INTERESTS WANTING TO DESTROY A POTENT ENEMY AND TARNISH THE PERUVIAN INTELLIGENCE  
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SERVICE TO ROGUE MILITARY OR POLICE OFFICIALS JEALOUS OF MONTESINOS' POWER OR, LIKE THE TRAFFICKERS, HOPING TO REMOVE A CHECK ON THEIR CORRUPT PRACTICES. ALTERNATIVELY, BUT A POPULAR THEORY FOR CONSPIRACY-MINDED PERUVIANS, MONTESINOS AND SANTIAGO FUJIMORI ARE SUBJECTS OF AN INTERNAL POWER STRUGGLE BY YET UNIDENTIFIED RIVALS TO THE INFLUENCE THEY HAVE WITHIN THE INNER CIRCLE. ALTHOUGH THE POLITICAL OPPOSITION TO FUJIMORI IS PROBABLY NOT POWERFUL ENOUGH TO GET A "VATICANO" TO DO ITS BIDDING, IT CERTAINLY IS MAKING A FULL COURT PRESS TO KEEP THE "VATICANO" CASE BEFORE THE PUBLIC AS AN ISSUE WITH WHICH TO ATTACK THE STILL VERY POPULAR FUJIMORI.

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MEDIA FIELD DAY --- AND THE GOP TO THE RESCUE  
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12. THE LIMA PRESS KNOWS A GOOD THING WHEN IT SEES IT AND HAS NOT YET SHOWN ANY INCLINATION TO DOWNPLAY THE MONTESINOS STORY. INDEED, THE FURTHER WE MOVE FROM THE ACTUAL DATE THAT "VATICANO" STOOD UP IN COURT TO ACCUSE MONTESINOS, THE MORE IMAGINATIVE THE PRESS REPORTING HAS BECOME. FROM INITIAL STRAIGHT FORWARD REPORTING ON THE CHARGES AND EDITORIAL CALLS FOR A FULL INVESTIGATION INTO THE MATTER, WE ARE NOW TREATED TO FRONT PAGE ARTICLES LINKING MONTESINOS TO THE C.I.A. AND CATALOGUING PRESIDENT CLINTON'S SUPPOSED "PREOCCUPATION" WITH THE "VATICANO"-MONTESINOS AFFAIR. IT HAS EVEN SERVED AS A MEANS FOR ONE LIMA PAPER TO ATTACK ANOTHER'S TRUTHFULNESS IN REPORTING THE STORY.

13. SHORTLY AFTER THE "VATICANO" CHARGES WERE MADE, THE GOP LAUNCHED A CONCERTED CAMPAIGN OF DENYING THEM AND SUPPORTING MONTESINOS. GOVERNMENT MINISTERS AND SENIOR OFFICIALS -- FROM THE  
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ATTORNEY GENERAL TO THE CHIEF OF NATIONAL POLICE (WHO OVERSEES DINCOTE AND DINADR) TO THE FOREIGN MINISTER -- ALL SPOKE IN DEFENSE OF MONTESINOS. EFFORTS BY OPPOSITION CONGRESSMEN TO FORM AN INVESTIGATIVE COMMISSION WERE SUCCESSFULLY TURNED ASIDE BY FUJIMORI MAJORITY IN THE CONGRESS. WE WERE TOLD BY A PUBLIC AFFAIRS CONSULTANT WHO WORKS WITH FUJIMORI'S PUBLIC RELATIONS ADVISOR THAT THE GOP'S PRINCIPLE CONCERN, AT LEAST IN THE IMMEDIATE AFTERMATH, WAS TO GET THE MONTESINOS STORY OFF THE FRONT PAGES AND LET IT FADE AWAY. ONE OF THE PROPOSALS FROM THE P.R.- TYPES WAS TO DROP A PRESS "BOMBSHELL" BY HAVING THE SUPER-SECRETIVE MONTESINOS GIVE AN EXCLUSIVE INTERVIEW TO LIMA'S MOST RESPECTABLE DAILY, "EL COMERCIO."

14. WE SPECULATED WHETHER THE SUDDEN ACTION BY THE CONGRESS TO PASS LAST WEEK A LEGAL INTERPRETATION OF THE CONSTITUTION PERMITTING FUJIMORI TO SEEK ANOTHER PRESIDENTIAL TERM IN THE YEAR 2000 (SEPTTEL) WAS CALCULATED TO ECLIPSE THE MONTESINOS STORY. IT DID NOT AND PROVED TO BE A 24-HOUR NEWS STORY.

15. DESPITE THE GOVERNMENT'S PRO-MONTESINOS PRESS BLITZ, THE MOST IMPORTANT VOICE OF SUPPORT -- FUJIMORI'S -- WAS NOT TO BE HEARD. FUJIMORI, WHEN ASKED FIRST ABOUT MONTESINOS AND "VATICANO," RESERVED ANY DIRECT COMMENT, THOUGH HE LAUDED THE WORK OF THE PERUVIAN POLICE AND INTELLIGENCE SERVICES IN THE FIGHT AGAINST DRUG

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TRAFFICKING. FINALLY, IN A TV INTERVIEW AIRED SEPTEMBER 1, FUJIMORI SAID THAT MONTESINOS SHOULD CLARIFY THE SITUATION BY SPEAKING DIRECTLY TO THE CHARGES ON TELEVISION. FUJIMORI SPOKE FAVORABLY OF MONTESINOS' WORK IN DISMANTLING THE "VATICANO" TRAFFICKING OPERATION, BUT REFUSED TO DEFEND HIM DIRECTLY. INDEED, THE PRESIDENT SAID THAT HE CANNOT VOUCH FOR ANYONE BEYOND HIS OWN CHILDREN AND MUST CONSTANTLY MONITOR THE ACTIONS OF ALL GOVERNMENT

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OFFICIALS. SUCH STATEMENTS TRACK WITH THE SNIPPETS WE WERE BEGINNING TO HEAR THAT FUJIMORI WAS ASSESSING THE SITUATION -- PROBABLY BOTH WITH REGARD TO THE VERACITY OF THE CHARGES AND AS TO WHETHER MONTESINOS HAS MOVED FROM THE POSITIVE TO THE NEGATIVE COLUMN IN TERMS OF BECOMING A POLITICAL LIABILITY.

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MONTESINOS: VALUED ALLY IN THE DRUG FIGHT, BUT NO CHOIRBOY  
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16. MONTESINOS HAS BEEN A CLOSE COLLABORATOR WITH US ON COUNTERNARCOTICS MATTERS. HIS PERSONAL INVOLVEMENT IN SOME HIGH-PROFILE CASES, INCLUDING THAT OF "VATICANO," AND HIS ROLE IN PROMOTING COUNTERNARCOTICS RELATED LEGISLATION HAS PROVEN KEY IN BREAKING MAJOR TRAFFICKING RINGS. LIKewise, THERE IS GENERAL RECOGNITION THAT SINCE ASSUMING HIS POSITION AS NATIONAL INTELLIGENCE GURU, MONTESINOS HAS ENHANCED THE EFFECTIVENESS OF THE SIN AND THE PERUVIAN NATIONAL INTELLIGENCE APPARATUS.

17. MONTESINOS, THOUGH, CARRIES A SIGNIFICANT AMOUNT OF NEGATIVE BAGGAGE WITH HIM. IN THE 1970'S, HE WAS DISMISSED FROM THE ARMY AND JAILED FOR ONE YEAR ON CHARGES THAT HE PROVIDED THE USG WITH SECRET INFORMATION ABOUT THE PERUVIAN-SOVIET MILITARY RELATIONSHIP. REINVENTING HIMSELF AS A LAWYER, MONTESINOS SPENT SOME TIME SUCCESSFULLY DEFENDING ACCUSED DRUG TRAFFICKERS AND CORRUPT POLICE OFFICERS. IN 1990, HE MANAGED TO INGRATIATE HIMSELF WITH THE THEN-UNKNOWN PRESIDENTIAL CANDIDATE ALBERTO FUJIMORI. ACCORDING TO HEARSAY, HE DID THAT BY "TAKING CARE OF" OUTSTANDING TAX PROBLEMS FUJIMORI HAD. AFTER FUJIMORI'S COME-FROM-BEHIND VICTORY, MONTESINOS BECAME THE PRESIDENT'S FONT FOR INTELLIGENCE, NOT ONLY ON CRIMINAL AND TERRORIST ACTIVITIES, BUT ALSO ON POLITICAL RIVALS

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AND MEDIA CRITICS. AS THE DE FACTO INTELLIGENCE CHIEF -- HE NEVER TOOK THE ACTUAL TITLE OF HEAD OF THE SIN, THOUGH HE IS THE TACITLY ACKNOWLEDGED DIRECTOR -- HE WAS FURTHER RUMORED TO HAVE BEEN BEHIND, EITHER IN PLANNING OR IN COVERING UP, THE BARRIOS ALTOS AND LA CANTUTA EXTRA-JUDICIAL KILLINGS OF SUPPOSED SENDERO LUMINOSO SYMPATHIZERS.

18. MONTESINOS IS A MASTER AT CULTIVATING INFORMATION ("CARPETAS" OR "FILES" AS PERUVIANS LIKE TO SAY) ON EVERYONE THAT MATTERS. SHOULD SOMEONE PROVE A NUISANCE TO THE PRESIDENT, MONTESINOS MAY WELL HAVE THE INFORMATION NECESSARY TO QUIET THE PROBLEM. SHOULD THE STORIES OF HIS INITIAL ASSISTANCE TO FUJIMORI BE TRUE, WE WOULD ASSUME THAT MONTESINOS HAS THAT "CARPETA" CAREFULLY HIDDEN AWAY.

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LIABILITY? FOR WHOM?  
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19. WITHOUT KNOWING THE NEXT TWISTS IN THE MONTESINOS-"VATICANO" AFFAIR, WE POSE TWO QUESTIONS ABOUT THE DEGREE TO WHICH MONTESINOS MAY HAVE (OR MAY STILL) BECOME A LIABILITY. FIRST, FOR FUJIMORI AND, SECOND, FOR THE UNITED STATES.

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20. FOR THE PRESIDENT, MONTESINOS HAS BEEN A TRUSTED, AND IN RETURN, A LOYAL ADVISOR, THE OPERATIVE IN THE SHADOWS WHO KNOWS THE SECRETS AND MAKES THINGS HAPPEN. LIKewise, HE HAS ALWAYS HAD THE POTENTIAL FOR BECOMING A PROBLEM, THE OPPORTUNISTIC MANIPULATOR WHO MAYBE KNOWS TOO MUCH ABOUT EVERYTHING AND GENERATES NEGATIVE PRESS FOR THE ADMINISTRATION. TO DATE, HIS VALUE HAS OUTWEIGHED HIS LIABILITY QUOTIENT. THOSE SCALES MAY BE SHIFTING AS FUJIMORI LOOKS MORE TO THE YEAR 2000 AND THE PROSPECTS FOR A THIRD RUN AT THE  
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PRESIDENCY. IF THE NEED TO BREAK WITH MONTESINOS IS BEING CONSIDERED, THE SCENARIO MAY FAVOR DOING IT NOW AND ALLOWING THE DUST TO SETTLE OVER THE NEXT THREE YEARS BEFORE THE MICROSCOPE OF A POLITICAL CAMPAIGN BECOMES TOO INTENSE.

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IMPLICATIONS FOR USG OPERATIONS  
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21. FOR THE UNITED STATES, THE QUESTION OF WHETHER OUR RELATIONSHIP WITH MONTESINOS WILL BECOME A LIABILITY LOOMS BEFORE US. THERE IS LITTLE DOUBT IN THE MINDS OF THE PERUVIAN PRESS, ELITE OR,

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PROBABLY, THE INFORMED CITIZEN, THAT MONTESINOS AND SIN HAVE AN ONGOING RELATIONSHIP WITH U.S. INTELLIGENCE AGENCIES. BUT GIVEN THE SUPER-HUMAN QUALITIES TO DECEIVE OR INFLUENCE EVENTS THAT PERUVIANS ASCRIBE TO THE UNITED STATES AND THE C.I.A., WE ALWAYS STAND TO BE ACCUSED (AS ALREADY HAS HAPPENED IN THE PRESS) OF BLINDLY SUPPORTING MONTESINOS. AS USG POLICY IS NOT TO COMMENT PUBLICLY ON INTELLIGENCE MATTERS, WE CAN ONLY LOOK BAD AGAINST SUCH ACCUSATIONS. THE MISSION HAS CAREFULLY CONSIDERED ALL ASPECTS OF USG LINKS (REAL AND OTHERWISE) TO MONTESINOS. IN THE PARTICULAR CASE OF "VATICANO," THE MISSION HAS NOT FOUND THE CHARGES CREDIBLE BASED ON THE INFORMATION AT HAND. HOWEVER, THIS REVIEW PROCESS IS ONGOING AND WILL CONTINUE TO ASSESS OTHER INFORMATION WHICH MAY COME TO LIGHT. IN THE MEANTIME, THE MISSION WILL CONTINUE TO WORK WITH ALL APPROPRIATE PERUVIAN GOVERNMENTAL AGENCIES ON COUNTERNARCOTICS MATTERS.

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