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UNCLASSIFIED

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Release in Part
~~DENIED IN FULL~~
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FM AMEMBASSY LIMA
TO SECSTATE WASHDC 1604

~~C O N F I D E N T I A L~~ SECTION 01 OF 02 LIMA 14271

NODIS **DECAPTIONED**

E.O. 12356: DECL: OADR
TAGS: SNAR, MASS, PE
SUBJECT:
KICK-BACK SCHEME DELAYING MILITARY AGREEMENT SIGNING

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT

SAID THAT THE PRESIDENT OF THE COMBINED STAFF, ADMIRAL LUIS MONTES, IS TRYING TO PREVENT THE SIGNING OF THE BILATERAL MILITARY AGREEMENT ON DRUGS IN ORDER TO SECURE A KICK-BACK FROM A PENDING ARMS PURCHASE.

3. ACCORDING TO THE NAVY HAS A USD 31 MILLION PURCHASE PENDING. THE NEED FOR THE EQUIPMENT TO BE PURCHASED WOULD BE LARGELY OBIATED BY SIGNING THE U.S. MILITARY AGREEMENT. ADMIRAL MONTES OPPOSES SIGNING THE U.S. AGREEMENT BECAUSE THE EQUIPMENT TO BE PURCHASED BY THE NAVY CONTRACT IS OVERPRICED BY 30 PERCENT. MOST OF THE PROCEEDS OF THIS SALE WOULD GO TO MONTES.

4. SAYS THE ARMS MERCHANT IS A RETIRED

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PERUVIAN ARMY GENERAL NAMED "SCORTH" SAYS THE SPELLING IS PHONETIC, BUT THAT IT IS A GERMAN-SOUNDING NAME). ACCORDING TO MONTES' DEPT OF STATE APPEALS REVIEW PANEL (ARP)

Current Class: ~~CONFIDENTIAL~~ FOIA/PA Mandatory Review
() Release () Declassify
() Excise () Declassify in Part
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Exemptions B1
ARP Action Cert. C/A Date 8/22/02

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SON WORKS FOR "SCORTH", BUT IS NOT LISTED ON THE PERSONNEL ROSTER.

5. _____ CLAIMS PRESIDENT FUJIMORI INTENDS TO SIGN THE MILITARY ASSISTANCE AGREEMENT. ACCORDING TO FUJIMORI KNOWS ABOUT THIS PENDING CORRUPTION BUT HE WANTS TO SEE HOW FAR MONTES WILL GO.

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DRUG-CORRUPTED ARMY OFFICERS TO BE PURGED IN NOVEMBER

7. CHANGING SUBJECTS, _____ SAID THAT _____ KNOWS THAT MANY PERUVIAN ARMY OFFICERS ARE GETTING RICH OFF THE DRUG TRADE. HE SAID THAT _____ GOT SOLID LEADS FROM THE ACCOUNTS OF THE REFISA INVESTMENT COMPANY, WHICH SHOWED A NUMBER OF GENERALS HAD DEPOSITED UPWARDS OF USD 500,000 WITH THE NOW DEFUNCT COMPANY. (NB: REFISA WAS AN UNREGULATED INVESTMENT COMPANY WHICH BILKED WEALTHY PERUVIANS OF MILLIONS IN A CLASSIC PONZI SCHEME).

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8. HE WENT ON TO SAY THAT FUJIMORI WILL CLEAN HOUSE
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IN NOVEMBER AFTER THE ARMY PROMOTION LIST COMES OUT. _____ WAS NOT CLEAR ABOUT WHY IT WAS NECESSARY TO WAIT FOR THE PROMOTION LIST.

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11. EMBASSY COMMENT: THIS IS THE FIRST WE HAVE
HEARD OF A NAVY FINANCIAL INTEREST IN NOT HAVING THE
MILITARY ASSISTANCE SIGNED. WHILE IT SOUNDS
IMPROBABLE, GIVEN THE EXTRAORDINARY LEVEL OF
CORRUPTION IN PERU, IT IS NOT INCONCEIVABLE. IT

NOTE: (#) OMISSION IN PARA 2. A CORRECTION WILL FOLLOW.

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C O N F I D E N T I A L SECTION 02 OF 02 LIMA 14271

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E.O. 12356: DECL: OADR
TAGS: SNAR, MASS, PE
SUBJECT:

KICK-BACK SCHEME DELAYING MILITARY AGREEMENT SIGNING
WOULD, IF TRUE, EXPLAIN THE RELENTLESS OPPOSITION OF
ADMIRAL MONTES TO THE SIGNING OF THE AGREEMENT.
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