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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name LATIN AMERICAN AFFAIRS DIRECTORATE, NSC:
RECORDS

Withdrawer

KML 9/29/2011

File Folder BOLIVIA (SAFE 1) 04/30/1985-09/25/1985

FOIA

M10-353/1

Box Number 1

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
120047	CABLE	301834Z APR 85	3	4/30/1985	B1 B3
120048	CABLE	302312Z APR 85 D 11/8/2012 M353/1	1	4/30/1985	B1 B3
120049	CABLE	LA PAZ 3659 R 5/18/2015 M353/1	1	5/10/1985	B1
120050	MEMO	FRED RONDON TO THURSDAY GROUP RE BOLIVIA (WITH BOLIVIA ACTION PLAN UPDATE PAPER ATTACHED)	7	5/14/1985	B1 B3
120051	PAPER	RE BOLIVIA	4	8/2/1985	B1 B3
120052	CABLE	LA PAZ 06077 R 5/18/2015 M353/1	2	8/7/1985	B1
120053	CABLE	LA PAZ 07029 R 5/18/2015 M353/1	3	9/10/1985	B1
120054	CABLE	132208Z SEP 85	1	9/13/1985	B1 B3
120055	CABLE	132216Z SEP 85	1	9/13/1985	B1 B3
120056	CABLE	140007Z SEP 85	1	9/14/1985	B1 B3

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120057	CABLE	LA PAZ 07333 R 5/18/2015 M353/1	3	9/17/1985	B1
120058	CABLE	STATE 285644 R 5/18/2015 M353/1	1	9/17/1985	B1
120059	CABLE	172248Z SEP 85	1	9/17/1985	B1 B2 B3
120060	CABLE	172348Z SEP 85	1	9/17/1985	B1 B3
120061	CABLE	180036Z SEP 85	1	9/18/1985	B1 B3
120062	CABLE	180036Z SEP 85	1	9/18/1985	B1 B3
120063	CABLE	LA PAZ 07351 R 5/18/2015 M353/1	4	9/18/1985	B1
120064	CABLE	LA PAZ 07384 R 5/18/2015 M353/1	4	9/18/1985	B1
120065	CABLE	LA PAZ 07395 R 5/18/2015 M353/1	2	9/19/1985	B1
120066	CABLE	192017Z SEP 85	2	9/19/1985	B1 B3

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120067	CABLE	301939Z AUG 85 PAR 5/3/2012 M353/1	2	8/30/1985	B1 B3
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120047	CABLE	3	4/30/1985	B1
	301834Z APR 85			B3

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120048	CABLE	1	4/30/1985	B1
	302312Z APR 85			B3

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120049

PAGE 01 LA PAZ 3659 DTG: 101727Z MAY 85 PSN: 003195
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Bolivia

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LIMITED OFFICIAL USE LA PAZ 03659

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: N/A
TAGS: PGOV, BL
SUBJECT: SILES' CABINET RESIGNS

REF: LA PAZ 3510

1. (U) AFTER WEEKS OF SPECULATION AND POLITICAL INFIGHTING PRESIDENT SILES' CABINET FINALLY RESIGNED EN MASSE ON MAY 9, LEAVING SILES FREE TO CHOOSE WHAT WILL PROBABLY BE HIS LAST GROUP OF MINISTERS. INTERIOR MINISTER FEDERICO ALVAREZ PLATA RESIGNED FIRST EARLY IN THE DAY; THE OTHERS FOLLOWED SUIT SOON AFTER. PALACE SPOKESMEN HAVE INFORMED THE PRESS THAT A NEW CABINET WOULD BE NAMED BY LATE MAY 10 OR EARLY ON THE 11TH.

2. (LOU) COMMENT: THE CABINET CRISIS WAS BREWING FOR SOME TIME. SILES' NATIONALIST REVOLUTIONARY MOVEMENT OF THE LEFT (MNRI) HAS BEEN BADLY SPLIT BY THE NOMINATION OF ROBERTO JORDAN PANDO (REFTEL) FOR PRESIDENT, WITH THE "LEGALISTS" CENTERED AROUND ALVAREZ PLATA AND DEFENSE MINISTER MANUEL CARDENAS ESPECIALLY MIFFED WITH THE SELECTION OF JORDAN PANDO. ALSO, ANY MINISTER THAT WANTED TO RUN FOR CONGRESS WOULD HAVE HAD TO RESIGN BEFORE MAY 16 TO MEET THE LEGAL REQUIREMENTS FOR SENATOR OR DEPUTY. WITH ALL THE MNRI'S INTERNAL PROBLEMS A PROMPT NAMING OF A NEW CABINET IS NOT AT ALL CERTAIN; SILES ONCE WENT TWO MONTHS WITHOUT NAMING A NEW CABINET AFTER A SIMILAR MASS RESIGNATION OF MINISTERS IN DECEMBER 1983.
(DRAFTED BY V. MARTINEZ) CORR

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NLRR M3531 # 120049

BY RW NARA DATE 6/2/15

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UNCLAS EFTO

NATIONAL SECURITY COUNCIL
SECRETARIAT

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PAGE 01 USCINCSO QUARRY HEI 0337 DTG: 102130Z MAY 85 PSN: 003901
EOB351 AN007347 TOR: 130/2340Z CSN: CRI570

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Bolivia

TO AIG 7085
DJCG LANT

UNCLAS E F T O

USDAO PASS TO COMUSMILGP OR EQUIVALENT ORGANIZATION; AMEMB PANAMA
PASS TO ADS; NAS ATLANTA NOT ADDEE PASS TO NR CARGRU 0667; US NAVAL
AIR STN PASS TO 361ST CA BDE/RUCLMHA; NAS DALLAS PASS TO RIPO FOR
USCINCSOUTH 0270

SUBJ: USSOUTHCOM CURRENT INTELLIGENCE BRIEF (SCIB) 091-85 (U)
(U) THE FOLLOWING ARTICLES WERE AMONG THE ITEMS BRIEFED TO USCINCSO
ON 10 MAY 85, AND ITEMS OF AREA INTEREST. THIS DOES NOT INCLUDE
THOSE ITEMS SPECIFICALLY CONTROLLED BY OTHER AGENCIES. INFORMATION
WAS DERIVED FROM ALL-SOURCE INTELLIGENCE, INCLUDING DAO REPORTING.
THIS MESSAGE IS INTENDED FOR YOUR INFORMATION CONCERNING ITEMS OF
INTEREST WHICH ARE BRIEFED TO USCINCSO ON A PERIODIC BASIS. PLEASE
DIRECT ANY QUESTIONS OR COMMENTS TO CAPT R. PUBILLONES, USAF,
SCJ2-TIC, KY3-4704. THIS SCIB CONTAINS THE FOLLOWING ITEMS:
ITEM 1: BOLIVIA: CABINET RESIGNS (U)

- 1. (U) BOLIVIA.
- A. (U) THE CABINET OF BOLIVIAN PRESIDENT SUAZO COLLECTIVELY
RESIGNED ON 9 MAY. BECAUSE A PUBLIC OFFICIAL MUST RESIGN FROM
OFFICE 60 DAYS BEFORE AN ELECTION, IT APPEARS THE FORMER CABINET
MEMBERS WILL RUN FOR CONGRESS. ELECTIONS WILL BE HELD 14 JUL.
GOVERNMENT SOURCES REPORTED THE PRESIDENT SOON WILL DISCLOSE THE
LIST OF THE NEW CABINET, WHICH WILL BE IN OFFICE UNTIL HE TURNS OVER
POWER ON 6 AUG, WHICH IS ALSO INDEPENDENCE DAY.

BT

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120050	MEMO FRED RONDON TO THURSDAY GROUP RE BOLIVIA (WITH BOLIVIA ACTION PLAN UPDATE PAPER ATTACHED)	7	5/14/1985	B1 B3

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	<i>Document Description</i>	<i>pages</i>		<i>tions</i>
120051	PAPER	4	8/2/1985	B1
	RE BOLIVIA			B3

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Bolivia

~~CONFIDENTIAL~~ SECTION 01 OF 02 LA PAZ 06077

E.O. 12356: OADR
TAGS: PGOV, ECON, SNAR, BL
SUBJECT: PAZ INAUGURAL ADDRESS STRESSES ECONOMIC REFORMS
AND CAMPAIGN AGAINST COCAINE TRAFFIC

1. (C) SUMMARY: PRESIDENT ELECT VICTOR PAZ ESTENSSORO, IN HIS INAUGURAL ADDRESS TO THE CONGRESS, DEVOTED AT LEAST HALF OF HIS SPEECH TO PROPOSALS FOR ECONOMIC REFORMS. HE ACCORDED FIRST PRIORITY TO REACTIVATION OF THE PRODUCTIVE APPARATUS. PAZ STATED THAT THE STATE MINING CORPORATION (COMIBOL) SHOULD OPERATE WITHOUT GOVERNMENT SUBSIDY AND THAT ADOPTION OF A SINGLE REALISTIC EXCHANGE RATE WOULD STIMULATE MINERALS EXPORTS. HE STRESSED THE NEED FOR FOREIGN INVESTMENT IN BOTH MINING AND HYDROCARBONS, INDICATING THAT A NEW INVESTMENT CODE WOULD BE STUDIED. PAZ MENTIONED THE NEED TO SAVE FORESTS AND WILD LIFE FROM DESTRUCTION AND CALLED FOR THE ELIMINATION OF CORRUPTION IN GENERAL. HE PROMISED TO DO EVERYTHING POSSIBLE TO COMBAT THE DRUG TRADE. PAZ ENDORSED JOINT ACTION WITH THIRD WORLD COUNTRIES WHILE CALLING FOR EXPANDED RELATIONS WITH WESTERN AS WELL AS COMMUNIST COUNTRIES. FINALLY, HE INSISTED THAT BOLIVIA WOULD CONTINUE TO PRESS ITS CLAIM FOR AN OUTLET TO THE SEA. WHILE HIS WORDS WERE IN GENERAL VERY ENCOURAGING, HE SCARCELY ADDRESSED SUCH IMPORTANT AREAS AS INFLATION, THE FISCAL DEFICIT AND THE EXTERNAL DEBT. WHILE THE SPEECH HAS DEFINITELY ESTABLISHED THE RIGHT TONE, IT REMAINS TO BE SEEN IF HE WILL BE ABLE TO DEVISE A PLAN AND PUT TOGETHER A FIRST RATE TEAM CAPABLE OF IMPLEMENTING A CONSISTENT POLICY OF APPROPRIATE ECONOMIC AND DRUG ENFORCEMENT MEASURES. END SUMMARY.

2. (U) ON AUGUST 6, IN HIS INAUGURAL ADDRESS TO THE CONGRESS, PRESIDENT ELECT VICTOR PAZ CONCENTRATED PRIMARILY ON A SERIES OF ECONOMIC GOALS AND REFORMS. HE BEGAN BY STRESSING THE NEED FOR IMMEDIATE PRAGMATIC ECONOMIC MEASURES IF BANKRUPTCY AND SOCIAL DISINTEGRATION WERE TO BE AVOIDED. AT THE SAME TIME, HE PROMISED LEGISLATION IN FAVOR OF THE LEAST FORTUNATE AND THE COMMON PEOPLE. PAZ DID NOT, HOWEVER, PROMISE SPECTACULAR AND QUICK SOLUTIONS BUT, INSTEAD, LIMITED HIS GOALS TO THAT OF MODEST AND STEADY PROGRESS IN ORDER TO EMERGE FROM THE CURRENT DISASTER.

3. (U) IN SETTING REACTIVATION OF THE PRODUCTIVE APPARATUS AS HIS FIRST PRIORITY, PAZ DESCRIBED THE NEED TO EXAMINE THE ADMINISTRATIVE ELEMENTS WHICH HAVE CONTRIBUTED TO THE DETERIORATION OF PRIVATE ENTERPRISE AND THE TECHNOLOGICAL APPARATUS.

4. (U) PAZ OUTLINED A PLAN OF REORGANIZATION AND REGIONAL DECENTRALIZATION OF COMIBOL WITH THE AIM OF ENABLING IT TO FULFILL ITS BASIC AND IMPORTANT ROLE IN THE NATIONAL ECONOMY WITHOUT THE NEED FOR CONSTANT RECOURSE TO THE CENTRAL BANK WHICH HAS BEEN COVERING ITS CATASTROPHIC DEFICITS. MENTIONING THAT THE ADOPTION OF A SINGLE AND REALISTIC RATE OF EXCHANGE WOULD BE ONE OF THE MONETARY MEASURES TO BE ADOPTED, PAZ SUGGESTED THAT THIS WOULD PROVIDE AN IMPORTANT BOOST TO MINERALS EXPORTS.

5. (U) PAZ DEVOTED AN IMPORTANT PART OF HIS SPEECH TO HYDROCARBONS POLICY, STRESSING THAT THERE IS NO REALISTIC ALTERNATIVE TO FOREIGN CAPITAL BECAUSE OF THE COSTLY INVESTMENT REQUIRED. HE SEVERELY CRITICIZED THE OPERATIONS OF THE STATE PETROLEUM CORPORATION (YPFB) NOT ONLY FOR THE

ARTIFICIALLY LOW PRICES CHARGED FOR ITS PRODUCTS BUT ALSO THE EXTENSIVE BUREAUCRACY WHICH HAS OBTAINED SPECIAL ADVANTAGES THROUGH COLLUSION BETWEEN MANAGEMENT AND LABOR. PAZ ADMITTED THAT CURRENTLY THERE IS A POLITICAL POSTURE WHICH WOULD CLOSE BOLIVIA'S DOORS TO FOREIGN INVESTMENT THAT CANNOT BE PERMITTED TO PROSPER. AFTER SAYING THAT A REALISTIC FOCUS REQUIRES THE STUDY OF A NEW INVESTMENT CODE, PAZ ADVOCATED JOINT VENTURES BETWEEN THE STATE AND FOREIGN INVESTORS WITH MANAGEMENT TO BE PROVIDED BY THE LATTER BUT WITH CONTROLLING INTEREST IN THE HANDS OF THE STATE.

6. (U) FOLLOWING HIS REVIEW OF ECONOMIC PRIORITIES, PAZ
BT

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BY *rw* NARA DATE 6/2/05

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~~CONFIDENTIAL~~ SECTION 02 OF 02 LA PAZ 06077

E.O. 12356: OADR
TAGS: PGOV, ECON, SNAR, BL
SUBJECT: PAZ' INAUGURAL ADDRESS STRESSES ECONOMIC REFORMS

DEVOTED THE FINAL PORTION OF HIS SPEECH TO A NUMBER OF OTHER AREAS RELATED TO INTERNAL AND FOREIGN POLICY. THE FIRST CONSISTED OF A SALUTE TO AGRARIAN REVOLUTION PLEDGING TO CARRY REFORM BEYOND THE STAGNATION INTO WHICH IT HAS FALLEN THROUGH A CAMPAIGN OF "AGRO POWER." SUBSEQUENTLY, HE STRESSED THE NEED TO PRESERVE THE FORESTS, WATER SUPPLY AND WILDLIFE FROM THE UNRESTRAINED EXPLOITATION AND RESULTING DEPREDATION OF THESE RESOURCES. HE THEN ATTACKED THE DOMINANT CORRUPTION IN THE NATIONAL LIFE, INVOLVING PRIVATE ENTERPRISE AS WELL AS THE GOVERNMENT, WHICH WEAKENS THE ENTIRE SOCIETY.

7. (U) PAZ DEVOTED AN IMPORTANT SEGMENT OF HIS ADDRESS TO THE NEED FOR TIGHTER CONTROL OVER THE ILLICIT PRODUCTION AND SALE OF COCA. HE EMPHASIZED THAT INTERNATIONAL COOPERATION WOULD BE ESSENTIAL IN ORDER TO ENABLE EXCESS COCA PLANTS TO BE REPLACED BY OTHER CROPS AS WELL AS TO MAKE POSSIBLE A SUCCESSFUL CAMPAIGN AGAINST TRAFFIC IN COCAINE.

8. (U) PAZ EXPRESSED DETERMINATION TO EXERCISE FULL AUTHORITY WITHIN THE LAW WITHOUT PERMITTING ELASTICITIES WHICH COULD LEAD TO ANARCHY IN THE FORM OF AN EXOTIC REVOLUTIONARY SENTIMENT WHICH HAS CAUSED BOLIVIA SO MUCH HARM.

9. (U) IN FOREIGN RELATIONS PAZ ADVOCATED SPECIAL RELATIONS WITHIN THE HEMISPHERE, ESPECIALLY WITH

BORDERING STATES TO PROMOTE JOINT PROJECTS OF MUTUAL BENEFIT. OTHERWISE, HE HOPED FOR BETTER DIPLOMATIC AND COMMERCIAL RELATIONS WITH THE MOST IMPORTANT COUNTRIES OF THE DEMOCRATIC AND COMMUNIST WORLDS WHILE REMAINING FAITHFUL TO THE CONCEPT OF JOINT ACTION WITH OTHER COUNTRIES OF THE THIRD WORLD. IN A SPECIFIC LIST INCLUDING THE USSR AND CHINA, THE U.S. WAS MENTIONED FIRST. HIS FINAL FOREIGN POLICY STATEMENT CONSISTED OF A REMINDER THAT HIS GOVERNMENT WOULD CONTINUE TO PRESS BOLIVIA'S CLAIM IN THE INTERNATIONAL FORA TO AN OUTLET TO THE SEA.

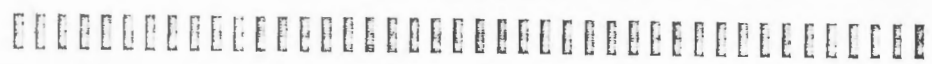
10. (U) PAZ CONCLUDED HIS ADDRESS BY EXTENDING A CONCILIATORY HAND TO HIS POLITICAL ADVERSARIES IN ORDER TO JOIN IN A COLLECTIVE EFFORT TO RESOLVE BOLIVIA'S PROBLEMS.

11. (C) COMMENT: PAZ SAID THE RIGHT THINGS AND RECEIVED A STANDING OVATION FROM THE CONGRESS AT THE CONCLUSION OF HIS SPEECH. HIS CANDID STATEMENTS IN FAVOR OF FOREIGN INVESTMENT, A REALISTIC FOREIGN EXCHANGE POLICY, AN END TO SUBSIDIES TO COMIBOL, AND A WILLINGNESS TO CONFRONT THE DRUG PRODUCTION AND TRAFFICKING WERE PARTICULARLY WELCOME. HIS CALL FOR JOINT PROJECTS WITH NEIGHBORING COUNTRIES SUGGESTS THAT HE MAY TRY TO REJUVENATE THE PROJECT TO BUILD A GAS PIPELINE TO SAO PAULO. HOWEVER, SOME IMPORTANT AREAS, SUCH AS INFLATION, THE FISCAL DEFICIT AND THE EXTERNAL DEBT, WERE SCARCELY ADDRESSED AT ALL. WITH REGARD TO THE LATTER, PAZ SIMPLY STATED THAT WE SHOULD RENEGOTIATE IT WITHOUT TAKING BREAD FROM THE MOUTH OF THE PEOPLE. HOWEVER, PERHAPS EVEN SUCH A VAGUE STATEMENT IS PREFERABLE TO FALLING INTO THE TRAP OF LIMITING DEBT SERVICE PAYMENTS TO SOME ARBITRARY

PERCENTAGE OF EXPORTS A-LA-GARCIA OF PERU. PAZ MADE NO MENTION OF ANY PLANS TO NEGOTIATE AN AGREEMENT WITH THE INTERNATIONAL MONETARY FUND. IN SUMMARY, WHILE THE SPEECH PROVIDES A GOOD BEGINNING, IT REMAINS TO BE SEEN IF HE WILL BE ABLE TO DEVISE A PLAN AND PUT TOGETHER A FIRST RATE TEAM CAPABLE OF IMPLEMENTING A CONSISTENT POLICY OF APPROPRIATE ECONOMIC AND DRUG ENFORCEMENT MEASURES. CORR
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E.O. 12356: DECL: OADR
TAGS: ECON, PGOV, PREL, BL
SUBJECT: PRESIDENT OF SENATE SAYS PRESIDENT PAZ
. TOTALLY COMMITTED TO ECONOMIC PROGRAM,
. NARCOTICS ERADICATION -- IT'S PAZ'S
. PLACE IN HISTORY

REF: LA PAZ 6859

SUMMARY

1. (C) AMBASSADOR DISCUSSED WITH BOLIVIA'S SENATE PRESIDENT GONZALO SANCHEZ DE LOZADA ON SEPTEMBER 4 THE NEW ECONOMIC PROGRAM AND EFFORTS AT NARCOTICS CONTROL. SANCHEZ DE LOZADA FLATLY STATED THAT PRESIDENT VICTOR PAZ ESTENSSORO WILL PURSUE THE ECONOMIC PROGRAM EVEN IF IT RISKS HIS PRESIDENCY BECAUSE OF STRONG OPPOSITION FROM POLITICAL AND LABOR GROUPS. THERE IS A SEVERE CENTRAL BANK SHORTAGE OF FOREIGN EXCHANGE. SUCCESS OF ECONOMIC PROGRAM HINGES ON ESTABLISHING PUBLIC CONFIDENCE IN GOB'S COMMITMENT AND ACCESS TO SUFFICIENT MEANS TO CARRY OUT THE PROGRAM. AMBASSADOR ALSO PRESSED NARCOTICS CONTROL AND COCA ERADICATION. SANCHEZ DE LOZADA SAID THAT PRESIDENT PAZ INTENDS TO DEAL AS SEVERLY WITH DRUG TRAFFICKING AS WITH THE ECONOMIC CRISIS. HE CONCLUDED BY STATING THAT WHILE PAZ ESTENSSORO'S NAME IN LATIN AMERICA IS ASSURED HE ALSO WANTS TO BE REMEMBERED AS THE LEADER THAT ENDED THE HYPERINFLATIONARY SPIRAL, BEGAN A SUCCESSFUL NARCOTIC CONTROL PROGRAM AND STRENGTHENED THE DEMOCRATIC PROCESS. END SUMMARY.

2. (C) SANCHEZ DE LOZADA SAID HE HAS BEEN WORKING DIRECTLY WITH PRESIDENT PAZ ESTENSSORO TO IMPLEMENT THE PROGRAM AND TO PROTECT IT FROM ATTACKERS. HE SAID THE GOB BELIEVES THAT ITS ECONOMIC PACKAGE OFFERS THE ONLY HOPE OF BREAKING THE BACK OF HYPERINFLATION AND STABILIZING/REVIVING THE ECONOMY. SANCHEZ DE LOZADA ADDED, HOWEVER, THAT THE GOB WAS CONCERNED BY THE DECLINE IN CENTRAL BANK LIQUID RESERVES WHICH CURRENTLY STOOD (SEPTEMBER 4) AT ONLY TEN MILLION U.S. DOLLARS. HE SAID THAT ALTHOUGH PRESIDENT PAZ "HAS BEEN ON THE PHONE ALMOST DAILY" TO ARGENTINE PRESIDENT ALFONSIN, ARGENTINA HAS NOT RPT NOT YET COME THROUGH WITH "MILLIONS OF DOLLARS IN ARREARS" ON BOLIVIAN NATURAL GAS. SANCHEZ DE LOZADA THEN SAID BOLIVIA URGENTLY NEEDS FINANCIAL ASSISTANCE, AND HE ASKED THAT THE USG SPEED UP ANY FUNDS EARMARKED FOR BOLIVIA.

3. (C) THE AMBASSADOR OUTLINED OUR CURRENT ECONOMIC ASSISTANCE PIPELINE AND CONGRESSIONAL CONDITIONS ON FY-86 AID. HE SAID THAT THE USG STRONGLY SUPPORTS BOLIVIA'S BOLD EFFORTS AT ECONOMIC STABILIZATION AND STRESSED THE NEED TO IMPLEMENT THE PROGRAM RIGOROUSLY.

PRESIDENT PAZ TOTALLY COMMITTED AND MEETING POLITICAL RISKS HEAD-ON

4. (C) SANCHEZ DE LOZADA SAID THAT PRESIDENT VICTOR PAZ ESTENSSORO IS TOTALLY COMMITTED TO THE ECONOMIC PROGRAM DESPITE THE HEAVY POLITICAL RISKS. PAZ HAS HIS HANDS FULL WITH MEMBERS OF HIS OWN PARTY WHO, HAVING BEEN EXCLUDED FROM THE FORMATION OF ECONOMIC POLICY DECISIONS AND/OR FROM THE GOVERNMENT, ARE LESS THAN ENTHUSIASTIC ABOUT THE PROGRAM WHICH ABROGATES MANY TRADITIONAL PARTY TENETS. TO AVOID INTRA-PARTY DEBATE THAT WOULD SLOW OR VITIATE THE PROGRAM'S IMPLEMENTATION, PAZ HAD PERSONALLY CONCEIVED THE ECONOMIC PROGRAM WITH THE ASSISTANCE OF ONL A HANDFUL OF ECONOMIC ADVISORS AND TECHNICIANS.

5. (C) SANCHEZ DE LOZADA SAID THAT HIS PERSONAL PRIORITY BT

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IS TO MAINTAIN PARTY SUPPORT FOR THE ECONOMIC PROGRAM. HE SAID THE CONGRESSIONAL INTERPELLATION OF ECONOMIC MINISTERS WHICH STARTS SEPTEMBER 9 COULD LEAD TO CENSURE OF THE GOVERNMENT'S ECONOMIC POLICIES BY THE CHAMBER OF DEPUTIES. IF A VOTE OF NO CONFIDENCE RESULTS, THAT MIGHT WELL CAUSE THE ECONOMIC CABINET TO RESIGN AND THE ECONOMIC PROGRAM TO FAIL. SANCHEZ DE LOZADA ASKED THE AMBASSADOR IF HE COULD ENCOURAGE THE OPPOSITION POLITICAL PARTIES (ESPECIALLY THE ADN) NOT TO SUPPORT SUCH A VOTE. (COMMENT: OUR SOUNDINGS SINCE SEPTEMBER 4 INDICATE THAT THE INTERPELLATION WILL LAST SEVERAL DAYS AND BE INCONCLUSIVE. A NUMBER OF ADN CONGRESSMEN ARE PREPARED TO SUPPORT THE PROGRAM AND SOME EFFECTIVE WORK IS BEING DONE TO DETER MNR DEFECTIONS.)

HANDLING THE BOLIVIAN WORKERS' CENTRAL

6. (C) THE AMBASSADOR ASKED HOW THE GOB INTENDED TO DEAL WITH THE COB, WHICH HAS STRONGLY OPPOSED THE ECONOMIC MEASURES AND HAD DECLARED A 48-HOUR GENERAL STRIKE (REFTEL). SANCHEZ DE LOZADA RESPONDED THAT THE GOVERNMENT CONSIDERED THE COB'S FAILURE TO ANNOUNCE AN INDEFINITE GENERAL STRIKE AS A MORAL VICTORY AND INDICATIVE THAT THE COB DID NOT FEEL IT WAS PREPARED TO CONFRONT THE GOVERNMENT ON A SUSTAINED BASIS. HE EMPHASIZED AGAIN THAT THE GOB DOES NOT INTEND TO ALTER THE ESSENTIAL ELEMENTS OF THE ECONOMIC PROGRAM AND WILL

7. (C) COMMENT: SINCE THEN THE GOB EXTENDED THE STRIKE TO MIDNIGHT SEPTEMBER 9 AND THE INTERRUPTED INTERNATIONAL TELECOMMUNICATIONS, GASOLINE SUPPLIES, AND ALL AIR SERVICE TO AND IN BOLIVIA. THE GOVERNMENT RESPONDED BY RECALLING RETIRED AIR CONTROLLERS AND GASOLINE WORKERS, HAVING THE ARMED FORCES TAKE CHARGE OF PETROLEUM/GASOLINE INSTALLATIONS AND THE AIRPORTS, AND TELLING GOVERNMENT EMPLOYEES THAT IF THEY ARE NOT AT WORK SEPTEMBER 9 AND THEREAFTER THEIR JOBS WILL BE ELIMINATED. END COMMENT.)

GAMBLING EVERYTHING ON A COUNTER TO THE 1952 REVOLUTION

8. (C) SANCHEZ DE LOZADA AGREED THAT THE GOVERNMENT IS GAMBLING ITS FUTURE ON THE ECONOMIC PACKAGE. HE SAID THAT THE PROGRAM ENTAILS REVOLUTIONARY ELEMENTS DESIGNED TO REVERSE 40 YEARS OF STATE PRIMACY AND CONTROL OVER ECONOMIC ACTIVITY. HE ADDED THAT PAZ HAS TOLD HIM IN NUMEROUS CONVERSATIONS THAT MANY OF THE REFORMS HE (PAZ) HAD IMPLEMENTED IN 1952, PARTICULARLY WITH RESPECT TO THE STATE MONOPOLIES, HAD BEEN SERIOUSLY FLAWED. PAZ IS ATTEMPTING TO REDRESS THESE ERRORS NOW AND GET THE ECONOMY ON A MARKET-ORIENTED FOOTING.

9. (C) SANCHEZ DE LOZADA SAID THAT BY DEREGULATING THE ECONOMY, THE GOVERNMENT HAS BEGUN A PSYCHOLOGICAL WAR AGAINST 40 YEARS OF STATIST MENTALITY. HE POINTED OUT THAT THE DRAMATIC RISE IN FOOD PRICES IN LA PAZ FOLLOWING THE ANNOUNCEMENT OF THE MEASURES WAS PRIMARILY DUE TO THE PUBLIC'S LACK OF CONFIDENCE THAT THE GOVERNMENT WOULD CARRY THROUGH WITH THE ECONOMIC PACKAGE. HE NOTED THAT IN SANTA CRUZ, WHICH FOR 20 YEARS HAS MAINTAINED A MORE OR LESS FREE MARKET ECONOMY, FOOD PRICES BT

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SUBJECT: PRESIDENT OF SENATE SAYS PRESIDENT PAZ

HAD ALREADY DROPPED BY AS MUCH AS 50 PERCENT. HOWEVER,
THE PSYCHOLOGICAL WAR HAS TO BE WON IN LA PAZ, OR THE
PACKAGE WILL FAIL AND THE DEMOCRATICALLY-INSTITUTED
REFORMS WILL ABORT.

10. (C) SANCHEZ DE LOZADA SAID THAT THE GOVERNMENT,
HARRASSED BY CONGRESS, THE POWERFUL LABOR MOVEMENT, AND
THE FAR LEFT, HAS ITS BACK TO THE WALL, WITH FEW
REMAINING OPTIONS. HE CONTENDED THAT IF THE GOVERNMENT
SUCCEEDS IN CREATING CONFIDENCE IN ITS OWN DETERMINATIO
AND IN ITS ECONOMIC PROGRAM, THEN THERE WILL BE ROOM
FOR OPTIMISM. THE NEXT TWO WEEKS ARE CRITICAL. FOOD
SUPPLIES CURRENTLY BEING HOARDED SHOULD BEGIN TO ENTER
THE MARKET WITH A CONCOMITANT SHARP DROP IN PRICES.
IF THE PROCESS WORKS, INFLATION COULD BE UNDER CONTROL
WITHIN THIRTY DAYS. (COMMENT: OVER THE SEPTEMBER 6-9
WEEKEND FOOD SUPPLIES HAVE RETURNED TO LA PAZ IN
QUANTITY, THOUGH PRICES ARE STILL A BIT HIGH. END
COMMENT.)

ATTACKING NARCOTICS TRAFFIC

11. (C) THE AMBASSADOR RAISED THE QUESTION OF GOB
POLICY IN THE AREA OF NARCOTICS CONTROL. HE STRESSED
THAT THE GOB MUST IMPLEMENT AN EFFECTIVE ANTI-NARCOTICS
PROGRAM WHICH INCLUDES ERADICATION OF COCA PRODUCTION.

AN EARLY PUBLIC DEMONSTRATION OF THE GOVERNMENT'S
INTENTION ON THIS WOULD BE USEFUL. IF PRESIDENT PAZ
ADDRESSES THE U.N. GENERAL ASSEMBLY, THAT MIGHT BE A
GOOD FORUM TO DENOUNCE NARCOTICS TRAFFICKING AND
ANNOUNCE BOLIVIA'S PLAN TO IMPLEMENT A STRONG CAMPAIGN
AGAINST THE ILLICIT COCA AND DRUG TRAFFICKING.
(COMMENT: WE HAVE SINCE HEARD THAT PRESIDENT PAZ
REACTED FAVORABLY TO THIS IDEA.)

12. (C) SANCHEZ DE LOZADA SAID THAT PRESIDENT PAZ HAD
IN HIS INAUGURAL ADDRESS COMMITTED HIMSELF TO A WAR
AGAINST DRUG TRAFFICKING. HE ADDED THAT PAZ HAD TOLD
HIM THAT THE FIRST STEP HAD TO BE TO REGAIN INTERNATION
CREDIBILITY FOR BOLIVIA BY STABILIZING THE ECONOMIC
SITUATION. WITHOUT A HEALTHY, GROWING ECONOMY THERE
IS NO WAY PAZ CAN CONTROL ALL THE FORCES IN THE COUNTRY
WELL ENOUGH FOR SUCCESS IN COCA ERADICATION. ONCE THE
ECONOMIC PROGRAM IS MOVING, HOWEVER, PAZ WILL BE READY
TO ATTACK THE NARCOTICS PROBLEM WITH USG ASSISTANCE.

BOTTOM LINE: PAZ IS REACHING FOR A BIGGER PLACE IN

HISTORY

13. (C) SANCHEZ DE LOZADA CONCLUDED BY NOTING THAT
VICTOR PAZ ESTENSSORO'S NAME IN LATIN AMERICAN HISTORY
IS ASSURED. HOWEVER, PAZ ALSO WANTS TO BE REMEMBERED
AS THE LEADER WHO ENDED THE HYPER-INFLATIONARY SPIRAL,
BEGAN A SUCCESSFUL CAMPAIGN AGAINST NARCOTICS AND
ILLICIT COCA, AND STRENGTHENED THE DEMOCRATIC PROCESS
IN BOLIVIA. HE WILL GIVE ALL TO THESE OBJECTIVES,
EVEN IF IT RISKS HIS PRESIDENCY.

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E.O. 12356: DECL: OADR
TAGS: ELAB, PGOV, CASC, BL
SUBJECT: GOB HOLDS FIRM WHILE COB CONSIDERS
"RADICALIZING" OPPOSITION

REF: (A) LA PAZ 7278 (B) LA PAZ 7248

1. (C) SUMMARY: THE BOLIVIAN GOVERNMENT (GOB) CONTINUES TO RESIST. BOLIVIAN WORKERS CENTRAL (COB) DEMANDS TO CHANGE ITS ECONOMIC PROGRAM AND FOLLOWED UP ON ITS TOUGH WORDS BY FIRING 145 CENTRAL BANK STRIKERS AND DETAINING 10 PUBLIC EMPLOYEES. THE COB HELD A NATIONAL ASSEMBLY ON SEPTEMBER 16 IN WHICH WORKERS VOTED TO "RADICALIZE" THEIR STRUGGLE BUT LEFT IT TO THE COB EXECUTIVE BOARD TO DECIDE WHAT THIS MEANS. THE CHURCH HAS RENEWED EFFORTS TO BRING THE TWO SIDES TOGETHER AND IS MEETING SEPTEMBER 17 WITH TOP GOB OFFICIALS. OVERALL, BOLIVIA IS CALM WITH MOST OF THE COUNTRY BACK AT WORK. END SUMMARY.

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THE SITUATION DESCRIBED IN REFTELS A AND B CONTINUES AS THE COB GENERAL STRIKE CONCLUDES ITS SECOND WEEK:

2. (C) SUPPORT FOR THE STRIKE CONTINUES TO ERODE AND EMBASSY HAS REPORTS THAT EVEN SOME UNION LEADERS HAVE RETURNED TO WORK AT PRIVATE BANKS. THE BOLIVIAN CENTRAL BANK STRIKE CONTINUES BUT WORRIED BANK WORKERS ARE MEETING WITH THE COB

SEPTEMBER 17 IN A CLOSED SESSION TO TRY TO GET PERMISSION TO RETURN TO WORK. ON SEPTEMBER 17, THE GOB PUBLISHED A COMMUNIQUE NAMING 145 CENTRAL BANK WORKERS WHO HAVE BEEN FIRED AND NOTED THAT IN THE FOLLOWING DAYS MORE STRIKERS WILL BE FIRED. ON SEPTEMBER 16, ABOUT 50 PEOPLE WERE WORKING AT THE CENTRAL BANK AND POST HAS REPORTS THAT GOB HAS NOT BEGUN TO HIRE NEW WORKERS TO REPLACE ANY STRIKERS. ON SEPTEMBER 17, THE FOREIGN EXCHANGE AUCTION (BOLSIN) AT THE CENTRAL BANK TOOK PLACE, BUT NONE OF THE OFFERS TO BUY DOLLARS MET THE MINIMUM PRICE SET BY THE BANK. ON SEPTEMBER 16, THERE WERE SEVERAL INCIDENT-FREE MARCHES IN LA PAZ AND A LARGE MARCH IN POTOSI, OTHERWISE IT WAS BUSINESS AS USUAL FOR MOST BOLIVIANS.

COB ASSEMBLY APPROVES "RADICALIZATION" OF ANTI-GOB MEASURES

3 (U) THE COB HELD A NATIONAL ASSEMBLY ON SEPTEMBER 16 DURING WHICH THE COB EXECUTIVE BOARD WAS GIVEN CARTE BLANCHE TO DECIDE WHAT FORM THE "RADICALIZATION" SHOULD TAKE. THE COB ASSEMBLY CALLED FOR HUNGER STRIKES. MOST OF THE MEETING WAS SPENT ON STIRRING ANTI-GOB SPEECHES WHICH HELPED VENT COB ANGER BUT RESULTED IN LITTLE BEING DONE. COB LEADER JUAN LECHIN OQUENDO ENDED THE MEETING AFTER SIX HOURS AND CALLED FOR THE ASSEMBLY TO RESUME SEPTEMBER 17. THERE WAS A TENSE MOMENT YESTERDAY WHEN POLICE SURROUNDED THE COB'S HEADQUARTERS AND MEETING PLACE FOR ABOUT AN HOUR AND PREVENTED ANYONE FROM ENTERING OR LEAVING THE BUILDING. TEN HOUSEWIVES FROM THE SIGO XX MINE BEGAN A WELL-PUBLICIZED HUNGER STRIKE SEPTEMBER 16 AGAINST THE ECONOMIC MEASURES. REYNALDO PETERS, MINISTER OF INFORMATION, REACTED

BY SAYING THAT THE HUNGER STRIKE WAS ILLEGAL BECAUSE IT WAS AN ATTEMPT TO COMMIT SUICIDE, AND AS SUCH HUNGER STRIKERS ARE SUBJECT TO PROSECUTION ACCORDING TO BOLIVIAN LAW. ON SEPTEMBER 17, THE COB EXECUTIVE COMMITTEE CALLED FOR A NATIONAL HUNGER STRIKE TO BEGIN AT MIDDAY TO PROTEST THE GOB ECONOMIC MEASURES. TOP COB LEADERS HAVE GONE ON THE HUNGER STRIKE INCLUDING JUAN LECHIN, WHO RADIO REPORTS SAY WAS NOT EXCUSED FROM THE FAST. AFTER ALMOST TWO WEEKS OF VIRTUAL SILENCE, THE COB AFFILIATED CAMPESINOS UNION PUBLICLY THREATENED TO START A

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CHURCH CONTINUES EFFORTS TO BRING TWO SIDES TOGETHER

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5. (U) CHURCH LEADERS MET ON SEPTEMBER 16 AND DECIDED TO INCREASE THEIR EFFORTS TO PERSUADE THE GOB AND COB TO BEGIN A DIALOGUE. AT THIS POINT, THE CHURCH LEADERS HAVE DECIDED TO FOCUS THEIR EFFORTS DIRECTLY ON BRINGING THE TWO SIDES TOGETHER RATHER THAN TRYING TO ACT AS MEDIATOR. AS MENTIONED IN REFTEL A, CHURCH REPRESENTATIVES ARE TALKING TODAY WITH TOP GOB LEADERS STARTING WITH AN APPOINTMENT WITH PAZ ESTENSORO.

OP IMMED
UTS0570
DE RUEHLP #7333/02 2602212
O 172200Z SEP 85
FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC IMMEDIATE 7857

6. (C) EMBASSY COMMENT: LABOR SOURCES INDICATE THAT WHILE THE SEPTEMBER 16 COB NATIONAL ASSEMBLY HAD THE THERAPEUTIC EFFECT OF ALLOWING LABOR LEADERS TO EXPRESS THEIR ANGER AND WHILE IT WAS EASY FOR THE ASSEMBLY TO CALL FOR "RADICALIZATION," MOST LABOR LEADERS ARE UNCLEAR ON HOW TO PROCEED AT THIS POINT OR ON WHAT EXACTLY "RADICALIZATION" MEANS. THE COB IS IN DISARRAY AND IS FACING GROWING INTERNAL PRESSURE ESPECIALLY FROM CENTRAL BANK WORKERS TO RETURN TO WORK EITHER THROUGH A SPECIAL EXEMPTION OR BY CALLING AN END TO THE STRIKE. A LABATT SOURCE SAYS THAT SOME LABOR LEADERS, IN THE MINORITY AT THIS POINT, WANT TO END THE STRIKE BECAUSE THEY FEAR THAT DESPITE THE STRIKE'S INCREASING WEAKNESS THE GOB'S PATIENCE WITH THE STRIKE WILL RUN OUT AND A "STATE OF SIEGE" WILL BE DECLARED. AS THE STRIKE DRAGS ON THE COB'S PUBLIC RHETORIC HAS BECOME INCREASINGLY ESTRANGED FROM OBJECTIVE CONDITIONS, PUSHING THE COB LEADERSHIP FARTHER AND FARTHER OUT ON A LIMB. IT IS BECOMING CLEAR THAT PRESIDENT PAZ ESTENSORO MUST EITHER OFFER THE COB A FACE-SAVING WAY TO RETREAT FROM THE LIMB, OR FACE THE POSSIBILITY OF DECLARING A STATE OF SIEGE. THE LATTER ALTERNATIVE COULD ONLY BE JUSTIFIED IF THE SECURITY SITUATION WERE TO WORSEN CONSIDERABLY, AND WE BELIEVE THAT PAZ -- DESPITE URGINGS FROM THE PRIVATE SECTOR -- WANTS TO AVOID A STATE OF SIEGE AT ALL COSTS. TWO RELIABLE MNR SOURCES TELL US THAT PAZ AND LECHIN SPOKE AT LENGTH BY TELEPHONE ON SUNDAY, SEPTEMBER 15. IT IS UNCLEAR WHAT THIS CONVERSATION BETWEEN THE TWO
BT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: ELAB, PGOV, CASC, BL
SUBJECT: GOB HOLDS FIRM WHILE COB CONSIDERS

NATIONAL BLOCKADE OF BOLIVIA'S ROADS STARTING SEPTEMBER 19 UNLESS THE GOB HALTS LABOR UNION "REPRESSION." THE NATIONAL TELEPHONE COMPANY (ENTEL) HAS STOPPED PROVIDING ITS LIMITED EMERGENCY SERVICE SO THAT NO LONG DISTANCE NATIONAL CALLS ARE POSSIBLE AND NO TELEGRAPHIC FACILITIES ARE AVAILABLE. FURTHER TO REFTEL A, NO OUTGOING INTERNATIONAL CALLS ARE POSSIBLE EVEN IF EMERGENCY IN NATURE.

GOB "DETAINS" TEN STRIKERS AND CONTINUES COB CRITICISM

4. (C) MINISTER OF INTERIOR BARTHELEMY ANNOUNCED THE POLICE "DETAINED" TEN PUBLIC SECTOR WORKERS ON SEPTEMBER 16 FOR BREAKING THE LAW BY IMPEDING THE NORMALIZATION OF STATE ENTITY ACTIVITIES. ON THE OTHER HAND, EMBASSY HAS RECEIVED SEVERAL REPORTS OF STRIKE LEADERS INTIMIDATING OR HARASSING PEOPLE WHO RETURNED TO WORK. THE DETAINEES WERE FROM THE MINISTER OF LABOR, THE NATIONAL RAILROAD COMPANY, THE MUNICIPALITY OF LA PAZ AND TWO MORE FROM THE BOLIVIAN CENTRAL BANK. BARTHELEMY ALSO SAID THAT PRESIDENT PAZ ESTENSORO IS HOLDING A CABINET MEETING ON SEPTEMBER 17 TO APPROVE "SERIOUS AND STRICT MEASURES" AGAINST COB "EXCESSES." MINISTER OF LABOR COSTAS BANDANI CRITICIZED THE COB AND CALLED THEIR

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E. O. 12356: DECL: OADR
TAGS: ELAB, PGOV, CASC, BL
SUBJECT: GOB HOLDS FIRM WHILE COB CONSIDERS

VETERAN LEADERS AND LONG-TIME ASSOCIATES PORTENDS,
BUT IT COULD BE A RAY OF HOPE IN AN OTHERWISE SEEMINGLY
HOPELESS SITUATION. (DRAFTED BY: H. O' HARA) ROWELL
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INFORMATION TO KNOW WHETHER IT IS A QUESTION OF A LACK OF FINANCIAL DEPTH OR RATHER A TECHNICAL PROBLEM SUBJECT TO A TECHNICAL "FIX". EVEN WITH WORKER CO-MANAGEMENT IT WOULD SEEM COMIBOL AND OTHER STATE ENTERPRISES ARE SUSCEPTIBLE TO GOB INFLUENCE, SPECIFICALLY OVER LARGE FOREIGN EXCHANGE MOVEMENTS. SANCHEZ DE LOSADA WAS AMONG THOSE MOST CONFIDENT BEFORE THE ELECTION THAT FREEING THE EXCHANGE RATE WOULD BE THE EASIEST AND THE BEST MEANS OF DISCIPLINING THE ECONOMY IN THE SHORT-RUN. WHAT IS CLEAR IS THAT THE US WILL NOT BE IN A POSITION ANY TIME SOON TO PROVIDE NEW TRANCHES OF QUICK DISBURSING BUDGET SUPPORT IN CASE THE SYSTEM RUNS INTO PROBLEMS. SHULTZ
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DE RUEHC #5644 2602113
O 172113Z SEP 85
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TO AMEMBASSY LA PAZ IMMEDIATE 4014

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FOR AMBASSADOR ROWELL FROM DAS GELBARD

E.O. 12356: DECL: OADR
TAGS: BL, EFIN
SUBJECT: BDLIVIA AND THE IMF

REF: (A) TELCON SEPTEMBER 6; (B) LA PAZ 6998; (C) LA PAZ 7189

1. (C - ENTIRE TEXT).
2. EARLY RAPPROCHEMENT WITH THE IMF IS KEY TO HELPING MOVE BOLIVIA BACK TOWARD ECONOMIC ORDER. IMF ACTIONS WILL BE WATCHED CLOSELY AS CONFIDENCE INDICATORS AND A PROGRAM WILL PROVIDE A MUCH NEEDED ACCESS TO CREDIT.
3. WE HAVE CONFIRMED, AS YOU WERE TOLD BY LOCAL IMF REP. (REF B), THAT IT IS NOT POSSIBLE TO ACCELERATE THE TIMETABLE FOR THE IMF TEAM, DUE TO THE LATE SEPTEMBER ARTICLE IV CONSULTATION REVIEW AND THE EARLY OCTOBER BANK/FUND MEETING IN SEOUL. THE STATISTICAL MISSION, WHICH IS AN "IMF TEAM", WILL BE GOING LATE THIS MONTH AND IS A NECESSARY FIRST STAGE IN THE PROCESS. GETTING A HANDLE ON NUMBERS IS AN ESSENTIAL AND DIFFICULT FIRST STEP TOWARD AN EVENTUAL PROGRAM; THE FUND REMAINS PARTICULARLY UNHAPPY AS A RESULTS OF THE ARTICLE IV TEAM'S EXPERIENCE IN JULY, WHEN THEY ENCOUNTERED CHAOS IN THE CENTRAL BANK AND ELSEWHERE. THIS LEFT AN INFORMATION GAP AND NO DOUBT AFFECTED ATTITUDES ABOUT BOLIVIA'S INSTITUTIONAL READINESS FOR A SERIOUS PROGRAM. WHILE THE SEOUL MEETING MAY HOLD UP THE IMF'S SENDING A TEAM TO LA PAZ, IT ALSO PRESENTS AN OPPORTUNITY FOR THE NEW GOB TO OUTLINE ITS ECONOMIC MEASURES AND BEGIN THE PROCESS OF RESTORING BOLIVIA'S CREDIBILITY IN THE LENDING COMMUNITY. WE HOPE THE GOB INTENDS TO TAKE FULL ADVANTAGE OF THIS OCCASION BY HAVING APPROPRIATE GOB OFFICIALS PRESENT IN SEOUL WHO ARE WELL-BRIEFED ON THEIR PROGRAM AND KNOW HOW TO PRESENT IT TO FUND STAFF AND TO BANKERS.
4. FINALLY, WE WILL LOOK AT SENATOR SANCHEZ DE LOSADA'S CONCERN ABOUT THE POTENTIAL FOR A CRISIS IN THE OPERATION OF THE AUCTION SYSTEM (REF C). WE DO NOT HAVE ENOUGH

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E. O. 12356: DECL: OADR
TAGS: PGOV, ECON, SNAR, BL
SUBJECT: BOLIVIA'S PRESIDENT PAZ ESTENSSORO ASSESSES
SITUATION

EXDIS

1. SECRET - ENTIRE TEXT.

SUMMARY

EXDIS

2. IN A MEETING WITH AMBASSADOR JUST PRIOR TO HIS DEPARTURE FOR WASHINGTON, BOLIVIA'S PRESIDENT PAZ ESTENSSORO DESCRIBED HIS GOVERNMENT'S ONGOING STRUGGLE WITH THE COUNTRY'S UMBRELLA LABOR ORGANIZATION AS A JOURNEY OF NO RETURN WITH NO SECOND CHANCES. WHILE PRESIDENT PAZ APPEARED TIRED AND SOMEWHAT RESIGNED, HE WAS NONETHELESS ADAMANT IN HIS DETERMINATION THAT HIS GOVERNMENT WILL SEE THE ECONOMIC REFORMS THROUGH A SUCCESSFUL IMPLEMENTATION. PAZ RAISED THE ISSUE OF NARCOTICS ERADICATION SAYING HE HAD NO CHOICE BUT TO MAKE THE ECONOMIC PROGRAM HIS FIRST PRIORITY; BUT AS SOON AS THE POLITICAL SITUATION IS UNDER CONTROL HE WOULD MOVE ON NARCOTICS WITH THE SAME VIGOR AND DETERMINATION HE IS GIVING THE ECONOMIC/POLITICAL STRUGGLE. HE SAID BOTH PRIORITIES WOULD BE TACKLED WITH OR WITHOUT EXTERNAL SUPPORT. HE WAS ARTICULATE IN RECOGNIZING A FULL ARRAY OF INTERNAL FORCES ALIGNED AGAINST THE GOB SHOULD THE CURRENT STRUGGLE WITH THE COB CONTINUE. THESE INCLUDED POSSIBLE INVOLVEMENT OF THE CAMPESINOS AND THE ARMED FORCES, BUT THESE WERE NOT IMMEDIATE CONCERNS. HE DISMISSED AS IMMEDIATE CONSIDERATIONS THE MORE EXTREME ALTERNATIVES AVAILABLE TO THE GOVERNMENT SUCH AS THE DECLARATION OF A STATE OF SEIGE, BUT OFFERED NO TIME FRAME OR IMMEDIATE SOLUTION TO THE CURRENT STATE OF AFFAIRS. END SUMMARY.

3. PRIOR TO HIS DEPARTURE FOR WASHINGTON CONSULTATIONS, THE AMBASSADOR AND DCM CALLED ON PRESIDENT PAZ ESTENSSORO. THE AMBASSADOR MADE CLEAR THAT WHILE IN WASHINGTON HE WOULD BE TESTIFYING BEFORE A CLOSED SESSION OF THE SENATE FOREIGN RELATIONS

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COMMITTEE AND WANTED TO BE ABLE TO ACCURATELY PORTRAY THE PRESIDENT'S OWN THINKING ON THE GOB'S ONGOING EFFORTS TO IMPLEMENT ITS COMPREHENSIVE ECONOMIC REFORM PACKAGE AS WELL AS THE GOVERNMENT'S THINKING ABOUT NARCOTICS TRAFFICKING IN GENERAL AND COCA ERADICATION IN PARTICULAR.

4. THE PRESIDENT APPEARED BELEAGUERED, GUT DETERMINED, IN HIS INSISTENCE THAT THE GOVERNMENT HAS EMBARKED UPON A ROAD WITH NO RETURN IN THE IMPLEMENTATION OF ITS ECONOMIC REFORM PACKAGE. THERE WOULD BE, HE EMPHASIZED, NO SECOND CHANCE AND FAILURE IN THIS PRIORITY ENDEAVOR WOULD SPELL FAILURE FOR THE GOVERNMENT. IF SUCCESSFUL, HOWEVER, HE STATED THAT THE NEXT PRIORITY WOULD BE COMBATTING NARCOTICS TRAFFICKING AND COCA ERADICATION WHICH THE GOVERNMENT WOULD INITIATE WITH THE SAME DETERMINATION AS IT HAD ITS ECONOMIC REFORMS. IN THIS CONNECTION THE PRESIDENT HIMSELF BROUGHT UP THE CONGRESSIONAL CONDITION OF THE ERADICATION OF 4,000 HECTARES AND, WHILE HE MADE NO COMMITMENTS, WAS CLEARLY IN NO DOUBT AS TO WHAT THE CONDITIONS WERE.

5. IN THE CONTEXT OF THE AMBASSADOR'S INDICATION THAT, WHILE IN WASHINGTON, HE WOULD HAVE APPOINTMENTS REGARDING THE FAR MORE FAVORABLE ECONOMIC CONDITIONS FOR PRIVATE INVESTMENT IN BOLIVIA THAN PREVIOUSLY. PRESIDENT PAZ NOTED THAT BOTH THE MAJOR PRIVATE ENTREPRENEURIAL ORGANIZATION AND THE ENTREPRENEURS AMONG THE NATIONALIST DEMOCRATIC ACTION (ADN) PARTY SUPPORT THE ECONOMIC PROGRAM. HOWEVER, THERE ARE NON-BUSINESS POLITICAL ELEMENTS AMONG THE ADN PARTY WHICH LOOK UPON THE GOVERNMENT'S CURRENT STRUGGLE WITH THE COB AS AN OPPORTUNITY FOR THEIR OWN POLITICAL ADVANTAGE.

6. THE PRESIDENT STATED THAT HE COULD OFFER NO PREDICTION AS TO HOW LONG THE GOVERNMENT'S CURRENT STRUGGLE WITH THE BOLIVIAN WORKERS' CENTRAL (COB) WOULD CONTINUE. HE VIEWED THE PUBLIC DEBATE OVER THE ECONOMICS OF THE PROGRAM AS DISGUISED A DEEPER-SEATED STRUGGLE FOR POWER. ASKED BY THE AMBASSADOR ABOUT REPORTS OF A POSSIBLE GOVERNMENT DECLARATION OF A STATE OF SIEGE, THE PRESIDENT DISMISSED THIS
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TAGS: PGOV, ECON, SNAR, BL
SUBJECT: BOLIVIA'S PRESIDENT PAZ ESTENSSORO ASSESSES

AS UNLIKELY IN THE NEAR FUTURE AND STATED THAT HE
WANTED TO AVOID IT IF POSSIBLE.

7. THE PRESIDENT DID RAISE THE POSSIBILITY, HOWEVER, OF A MILITARY COUP SHOULD THE COB GAIN THE UPPER HAND. WHILE AT PRESENT THE BOLIVIAN ARMED FORCES COMPLETELY SUPPORT BOTH THE GOVERNMENT AND THE ECONOMIC REFORMS, THEY WERE ALSO LOOKING TO THE GOVERNMENT TO MAINTAIN AUTHORITY AND ACT DECISIVELY WITH THE COB. THE PREVIOUS SILES ADMINISTRATION HAD NO ECONOMIC PLAN, AND ANY MILITARY WOULD HAVE BEEN RELUCTANT TO TAKE ANY ACTION KNOWING THEY WOULD HAVE TO ASSUME THE BURDENS OF AN INCREASINGLY CHAOTIC ECONOMIC SITUATION. NOW THERE IS, AND WHILE THE ARMED FORCES RECOGNIZE THAT THEY WOULD NOT HAVE BEEN CAPABLE OF FORMULATING SUCH A PLAN, THEY DO BELIEVE THAT THEY WOULD BE ABLE TO IMPLEMENT IT. IF IT LOOKED AS THOUGH THE COB, ALONG WITH THE LEFT-IST POLITICAL PARTIES, WOULD WIN OUT, THE PRESIDENT SAID THE MILITARY MIGHT ATTEMPT TO IMPLEMENT THE ECONOMIC REFORMS BY FORCE IF NECESSARY. THIS IS A HARBINGER IN THE BACKGROUND WHICH PRESSURES THE GOB TO ACT DECISIVELY IN THE CURRENT SITUATION.

8. THE AMBASSADOR ASKED WHETHER THE CAMPESINOS MIGHT BECOME INVOLVED IN A BROADER STRUGGLE BY THE COB. THE PRESIDENT DISCOUNTED ANY IMMEDIATE PARTICIPATION IN SUCH TRADITIONAL OPPOSITION TO THE GOVERNMENT AS ROADBLOCKS THAT CAN STRANGLE LA PAZ. HE DID NOT DISCOUNT SUCH ACTIONS IN THE LONG RUN IF THE GOVERNMENT COULD NOT FIRMLY SECURE HE UPPER HAND OVER THE COB STRIKE. THERE IS, HE NOTED, A GOOD DEAL OF LEFTIST POLITICKING AMONG THE CAMPESINOS AT THE MOMENT.

9. ASKED ABOUT HIS CURRENTLY SCHEDULED PARTICIPATION AT THE UNGA ON SEPTEMBER 30, THE PRESIDENT SAID THAT AS LONG AS THE STRUGGLE WITH THE COB GOES

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DTG: 181417Z SEP 85 PSN: 007000

ON, HE CANNOT AFFORD TO BE AWAY FROM BOLIVIA. HE PLANS TO SEND VICE PRESIDENT JULIO GARRETT AILLON INSTEAD. PRESIDENT PAZ ALSO DISMISSED HIS PARTICIPATION AT THE UN 40TH ANNIVERSARY ACTIVITIES IN OCTOBER AS LARGELY A "EUROPEAN AFFAIR." HE WAS ANXIOUS, HOWEVER, THAT HIS VICE PRESIDENT BECOME BETTER ACQUAINTED WITH LATIN AMERICAN AND THIRD WORLD LEADERS WHO WOULD BE AT THE UNGA IN SEPTEMBER. THE PRESIDENT WAS RESPONSIVE TO THE AMBASSADOR'S SUGGESTION THAT THE THEME OF THE VICE PRESIDENT'S REMARKS AT THE UNGA FOCUS BOTH ON THE GOVERNMENT'S DRAMATIC ECONOMIC REFORMS AND ITS DETERMINED COMMITMENT IN THE NARCOTICS AND ERADICATION AREAS. PRESIDENT PAZ AGAIN NOTED THE GOB'S INTENTION TO DEAL WITH NARCOTICS AS FIRMLY AS IT HAS THE ECONOMIC SITUATION AS SOON AS THE GOVERNMENT'S AUTHORITY IS CONSOLIDATED. WITH BOTH REGRET AND (*) WILL TACKLE BOTH OBJECTIVES ALONE IF NECESSARY. BIGGS
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PAGE 01 LA PAZ 7384 DTG: 182130Z SEP 85 PSN: 007412
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ANALYSIS CRITICAL OF GOB ECONOMIC MEASURES

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Botwin

2. (C) THE BOLIVIAN BISHOPS CONFERENCE ISSUED ON SEPTEMBER 17 A DOCUMENT ANALYZING THE GOB ECONOMIC MEASURES. THE DOCUMENT IMMEDIATELY RECEIVED WIDE-SPREAD MEDIA ATTENTION INCLUDING FRONT PAGE COVERAGE IN TWO LEADING LA PAZ NEWS-PAPERS. DESPITE CHURCH EFFORTS TO PRESENT ITSELF AS AN DISINTERESTED PARTY TRYING TO GET THE TWO SIDES TO TALK TO EACH OTHER, EMBASSY FEELS THE DOCUMENT IS MARKEDLY ONE SIDED IN ITS CRITICISMS OF THE GOB ECONOMIC PROGRAM. THE DOCUMENT CRITICIZES GOB "DECENTRALIZATION" EFFORTS, THE GOB FREEZE ON PUBLIC SECTOR SALARIES AND SUGGESTS THAT THE ECONOMIC PLAN PLACES AN UNFAIR BURDEN ON THE POOR WHILE FAVORING THE RICH. (THIS ANALYSIS ECHOS COB CRITICISM OF THE PLAN.) THE DOCUMENT EVEN GOES SO FAR AS TO RECYCLE OLD ARGUMENTS CRITICIZING "ECONOMIC LIBERALISM (I.E., PAZ'S ECONOMIC PROGRAM) AS SERVING "THE INTERNATIONAL IMPERIALISM OF MONEY." WITH THIS DOCUMENT, THE CHURCH HAS PUBLICLY PLACED ITSELF IN THE MIDDLE OF THE CONFLICT BUT ON THE SIDE OF THE COB.

(C) GOB REJECTS CHURCH'S EFFORTS...POLITELY

3. (C) INTERIOR MINISTER FERNANDO BARTHELEMY AND INFORMATION MINISTER REYNALDO PETERS REACTED TO THE CHURCH DOCUMENT, SAYING THE GOB IS READY TO HAVE A DIALOGUE WITH COB "BUT NOT UNDER PRESSURE." WHILE THIS APPEARS TO SOUND LIKE A POSITIVE RESPONSE, IT IS A REJECTION BECAUSE "NOT UNDER PRESSURE" RESTATES THE PREVIOUS GOB POSITION (ALBEIT MORE POLITELY) THAT IT WILL NOT CONDUCT A DIALOGUE WITH COB AS LONG AS THE STRIKE CONTINUES. PLANNING MINISTER BEDREGAL, WHO HAS USED CHURCH TEACHINGS ON SOCIAL JUSTICE IN HIS OWN SPEECHES DEFENDING THE PROGRAM, ALSO RESPONDED TO THE DOCUMENT BY NOTING THAT IT WAS DIFFICULT TO ACCEPT ITS ARGUMENT BECAUSE IT FAILED TO ADDRESS HYPERINFLATION, AN UNDERSTANDING OF WHICH BEDREGAL ARGUED WAS CRITICAL TO UNDERSTANDING THE GOB ECONOMIC PROGRAM.

--
DEPUTIES AND POLITICAL PARTIES GET INTO ACT

~~CONFIDENTIAL~~ SECTION 01 OF 04 LA PAZ 07384

DIA FOR IN BRANCH; USCINCSO ALSO FOR POLAD

STATE FOR A/SY/CC AND A/SY/FO

PANAMA FOR ADS CLARKE

E.O. 12356: DECL: OADR
TAGS: ELAM, PGOV, PINS, ASEC, CASC, BL
SUBJECT: CHURCH ENTERS COB-GOB FRAY WHILE
COB HUNGER STRIKES CONTINUE

4. (U) THE BOLIVIAN CHAMBER OF DEPUTIES, LED BY BT

REF: (A) LA PAZ 7333 (NOTAL) (B) LA PAZ 7278 (NOTAL)

1. (C) SUMMARY: THE BOLIVIAN WORKERS CENTRAL (COB) STRIKE DRAGS ON WHILE BOLIVIA REMAINS GENERALLY CALM. THE CHURCH PUBLICLY ENTERED INTO THE COB-GOB (BOLIVIAN GOVERNMENT) FRAY ON SEPTEMBER 17 BY APPEALING FOR THE TWO SIDES TO START TALKING AND BY ISSUING A ONE-SIDED CRITICISM OF THE GOB ECONOMIC PLANS. THE GOB'S INITIAL REACTION TO THE CHURCH'S STEPPED UP ROLE WAS NEGATIVE AND THE GOB REMAINS STEADFAST AND UNYIELDING IN ITS COMMITMENT TO ITS ECONOMIC MEASURES. ON SEPTEMBER 17, THE COB BEGAN NATION-WIDE HUNGER STRIKES WHICH WAS THE LEAST "RADICAL" OF ALL THE "RADICALIZATION" OPTIONS UNDER COB CONSIDERATION. BECAUSE OF THE ONGOING TELEPHONE STRIKE, NO INCOMING OR OUTGOING INTERNATIONAL PHONE CALLS ARE POSSIBLE. END SUMMARY.

CHURCH INSISTS ON DIALOGUE "WITHOUT DELAY" AND ISSUES

DECLASSIFIED

NLR 10353/1 # 120064
BY RW NARA DATE 5/18/15

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

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PANAMA FOR ADS CLARKE

E.O. 12356: DECL: OADR
TAGS: ELAB, PGOV, PINS, ASEC, CASC, BL
SUBJECT: CHURCH ENTERS COB-GOB FRAY WHILE

REPRESENTATIVES FROM THE CHRISTIAN DEMOCRATS, THE BOLIVIAN SOCIALIST FALANGE (FSB), THE MOVEMENT OF THE REVOLUTIONARY LEFT (MIR) AND THE NATIONALIST DEMOCRATIC ACTION (ADN) PARTIES PASSED A RESOLUTION ON SEPTEMBER 17 WHICH CALLED FOR THE GOB TO FORMALLY RESPOND TO THE CHURCH'S REQUEST AND TO START TALKING WITH THE COB. LUIS OSSIO SANJINES, THE CHRISTIAN DEMOCRATS' PARTY DEPUTY FROM POTOSI, SHARPLY CRITICIZED PARTS OF THE ECONOMIC MEASURES AS BEING "UNJUST" AND "DEHUMANIZED." HE ARGUED THAT BOLIVIA WAS NOT READY FOR THE PLAN UNTIL EXPLOITATION AND MISERY IN BOLIVIA WERE ELIMINATED, AND STATED "WHERE THERE IS INJUSTICE, ONE CANNOT APPLY THIS PLAN." MEANWHILE, THE MIR ISSUED A COMMUNIQUE ON SEPTEMBER 17 WHICH CRITICIZED THE ECONOMIC MEASURES AS "UNACCEPTABLE" AND IN NEED OF CORRECTION; WHILE THE FSB ISSUED A DOCUMENT CALLING FOR GOB-COB DIALOGUE AND THE DEROGATION OF THE ECONOMIC MEASURES.

COB "RADICALIZATION" STOPS AT HUNGER STRIKES -- FOR NOW

5. (C) FURTHER TO REFTEL A, THE COB EXECUTIVE BOARD DECIDED ON SEPTEMBER 16 NOT TO GO BEYOND HUNGER STRIKES IN RESPONSE TO THE COB NATIONAL ASSEMBLY'S CALL FOR "RADICALIZATION" OF PROTEST MEASURES. THE COB HAD BEEN CONSIDERING A WHOLE RANGE OF RADICALIZATION MEASURES FROM HUNGER STRIKES, THE LOWEST LEVEL, TO ARMED STRUGGLE. LABOR SOURCES SAY THAT ALL THESE STEPS HAVE BEEN UNDER COB CONSIDERATION AND EMBASSY FINDS IT HEARTENING THAT THE COB HAS NOT PUBLICLY CALLED -- FOR THE TIME BEING -- ANYTHING MORE RADICAL THAN HUNGER STRIKES. THE COB HUNGER STRIKES BEGAN ON SEPTEMBER 17 WITH INSTRUCTIONS TO ALL LABOR LEADERS TO PARTICIPATE. PRESS REPORTS INDICATE THAT BETWEEN 120 AND 700 COB MEMBERS WENT ON HUNGER STRIKES. PRESS REPORTS ALSO SAY THAT THE FOUR MINERS WHO BEGAN A HUNGER STRIKE IN THE PANAMANIAN EMBASSY IN LA PAZ (REFTEL B) ON SEPTEMBER 13, LEFT THE EMBASSY LATE SEPTEMBER 16 AFTER THE PANAMANIAN DECLINED TO GRANT ASYLUM TO HUNGER STRIKERS WHO WERE NOT PURSUED BY ANYONE.

REGIONAL REACTION

6 (U) IN LIGHT OF THE ONGOING NATIONAL TELEPHONE COMPANY (ENTEL) STRIKE WHICH AS HALTED ALL LONG DISTANCE PHONE CALLS, LA PAZ HAS BEEN CUT OFF FROM THE OTHER CITIES. HOWEVER, PRESS REPORTS INDICATE THAT THE STRIKE IS RECEIVING WEAK SUPPORT IN MOST OF BOLIVIA. PRESS ALSO REPORTS THAT UNION LEADERS IN COCHABAMBA AND SANTA CRUZ BEGAN HUNGER STRIKES ON SEPTEMBER 17 IN ACCORDANCE WITH COB INSTRUCTIONS. IN SUCRE SOME STUDENTS BEGAN STRIKES ON SEPTEMBER 17 TO BACK THE COB AND TO REQUEST THAT THE GOB NOT CANCEL THE PRESENT SCHOOL YEAR.

GOB DENIES CONSIDERING A STATE OF SIEGE; TELEPHONE UNION

LEADER TO BE PROSECUTED

7. (U) MINISTER OF DEFENSE FERNANDO VALLE LED THE GOB'S DAILY VERBAL ASSAULT ON THE COB ON SEPTEMBER 17 BY ACCUSING IT OF QUESTIONING THE GOB'S LEGITIMACY, AND CHARACTERIZED COB OPPOSITION TO THE GOB'S ECONOMIC PLANS AS "A FORM OF AN ATTACK AGAINST THE DEMOCRATIC SYSTEM." HE ALSO CRITICIZED THE COB FOR TRYING TO SET ITSELF UP AS BT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

STATE FOR A/SY/CC AND A/SY/FO

PANAMA FOR ADS CLARKE

E.O. 12356: DECL: OADR
TAGS: ELAB, PGOV, PINS, ASEC, CASC, BL
SUBJECT: CHURCH ENTERS COB-GOB FRAY WHILE

A PARALLEL GOVERNMENT PRETENDING TO HAVE THE AUTHORITY TO REFUSE THE ECONOMIC PLAN OF A DEMOCRATICALLY ELECTED GOVERNMENT. MINISTER OF INFORMATION REYNALDO PETERS SUGGESTED THAT THE GOB WAS EXPLORING DIRECT NEGOTIATIONS WITH INDIVIDUAL TRADE UNIONS AS A WAY OF BYPASSING THE COB. MINISTER OF INTERIOR BARTHELEMY DENIED ON SEPTEMBER 17 THAT THE GOB WAS CONSIDERING INVOKING A STATE OF SIEGE A GOB SPOKESMAN SAID THAT FAUSTO ARDAYA BERNAL, LEADER OF THE ENTEL UNION, HAS BEEN CHARGED WITH COMMITTING ILLEGAL ACTS AND WILL BE PROSECUTED UNDER BOLIVIAN LAW. THE SPOKESMAN ADDED THAT ARDAYA BERNAL HAD BROKEN A PROMISE MADE TO THE GOB THAT HE WOULD ALLOW ENTEL TO PROVIDE EMERGENCY SERVICES. AS OF 1400 LOCAL TIME, SEPTEMBER 18, INCOMING AND OUTGOING INTERNATIONAL PHONE CALLS REMAIN HALTED BECAUSE OF THE STRIKE.

BOLIVIAN CENTRAL BANK RESUMES LIMITED FUNCTIONS

60 PERCENT OF THE CENTRAL BANK STRIKERS HAVE RETURNED TO WORK IS SOMEWHAT EXAGGERATED, A RELIABLE SOURCE AT THE CENTRAL BANK SAYS THAT ABOUT 25 PERCENT OF THE STRIKERS ARE AT WORK SEPTEMBER 18. SEPTEMBER 18 IS ALSO THE GOB DEADLINE FOR STRIKERS TO RETURN TO WORK OR LOSE THEIR JOBS. THE CENTRAL BANK SOURCE SAYS THAT MANY BANK WORKERS ARE FEELING INCREASINGLY ALIENATED FROM THE COB LEADERSHIP. MANY BANK WORKERS BELIEVE THAT THE COB DOES NOT PAY SUFFICIENT ATTENTION TO THE NEEDS OF A MIDDLE CLASS, WHITE COLLAR UNION AND ARE ANGERED BY THE COB'S CALL FOR A HUNGER STRIKE WHICH THEY SEE AS SUITABLE FOR MINERS BUT NOT FOR BANKERS.

(C) POSSIBLE FUEL SHORTAGES IN LA PAZ?

9. (C) EMBASSY HAS LEARNED THAT LA PAZ HAD 3,000,000 LITERS OF GASOLINE IN STORAGE ON SEPTEMBER 13 AND HAS BEEN CONSUMING ABOUT 350,000 LITERS A DAY SINCE THEN. GASOLINE PIPELINES TO LA PAZ REMAIN CLOSED BECAUSE OF THE STRIKE AND SOME IN THE MINISTRY OF HYDROCARBONS FEAR THAT LA PAZ IS GETTING DANGEROUSLY LOW IN ITS GASOLINE SUPPLIES AND COULD RUN OUT OF GASOLINE THIS WEEKEND.

10. (U) EMBASSY IS REPEATING REFTELS TO EMBASSY PANAMA.

11. (C) COMMENT: PUBLIC REACTION TO THE COB HUNGER STRIKE IS LIKELY TO BE MIXED. HUNGER STRIKES HAVE BEEN AN EFFECTIVE FORM OF PROTEST IN THE PAST, BUT HAVE BECOME DISCREDITED BY MANY RECENT HUNGER STRIKERS WHO IN FACT HAVE NOT FASTED. MANY BOLIVIANS WILL REACT TO THE RECENT HUNGER STRIKES WITH CYNICISM. EMBASSY NOTES

WITH IRONY, THE CENTRAL BANK WORKERS' COMPLAINTS ABOUT THE COB BECAUSE THE CENTRAL BANK UNION HAS A REPUTATION AS BOLIVIA'S MOST ARROGANT UNION AND AS THE UNION MOST LIKELY TO IGNORE OR DISOBEY COB INSTRUCTIONS. THE CHURCH'S CRITICISM OF THE GOB ECONOMIC PLAN WOULD HAVE BEEN MORE HELPFUL AND MORE CREDIBLE IF THE BISHOPS HAD PROPOSED SPECIFIC AREAS IN WHICH THE EFFECTS OF THE PLAN COULD BE AMELIORATED WITHOUT DESTROYING ITS ESSENCE. MEANWHILE, LIFE IN MOST OF BOLIVIA IS BUSINESS AS USUAL. LA PAZ HAS BEEN SUBJECT TO SEVERAL DAYS OF UNSEASONAL RAIN, WHICH HAS DAMPENED SPIRITS AND PROTEST MARCHES. THE RUMOR MILL CONTINUES TO GRIND ITS USUAL GRIST OF

8. (C) WHILE MINISTER OF FINANCE GISBERT'S CLAIM THAT

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PANAMA FOR ADS CLARKE

E. O. 12356: DECL: OADR
TAGS: ELAB, PGOV, PINS, ASEC, CASC, BL
SUBJECT: CHURCH ENTERS COB-GOB FRAY WHILE

STORIES OF ROADBLOCKS, STATES OF SEIGE AND MINERS COMING
TO TOWN. (DRAFTED BY: HO'HARA) BIGGS
BT

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YL

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From: TODD HILL
HILL
Dept:
Tel No:

TO: See Below

Subject: TERRORISM WATCH FOR 19 SEP 85 (PM)
Subject:

UNCLASSIFIED FLASHBOARD
ACODEASP/NAV1/U00,GZ/PP/262,1653Z/ID:MTK/NAV1,FLA01//
REUTERS HAS REPORTED THAT A COUP WAS THWARTED IN BOLIVIA. THE COUP
BEGAN AS A RESULT OF THE STRIKE. ONE OF THE THREE MEMBERS OF THE
30-STRONG COB TRADE UNION ESCAPED ARREST, EDGARDO VASQUEZ, AND URGED
FELLOW WORKERS DURING HIS LOCAL RADIO ADDRESS TO CONTINUE THE WORK
STOPPAGE AND START BLOCKING ROADS AND HIGHWAYS. THE BOLIVIAN GOVERNMENT
ANNOUNCED THAT THOUSANDS OF UNIONISTS WERE ARRESTED.
FB551321

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PANAMA FOR ADS CLARKE

E.O. 12356: DECL: OADR
TAGS: PGOW, BL, CASC, PINS, ASEC
SUBJECT: GOVERNMENT OF BOLIVIA DECLARES STATE OF SIEGE;
- DETAINS UNION LEADERS

REF: (A) LA PAZ 7351 (B) LA PAZ 7384

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: CONTRARY TO HIS ASSURANCES TO AMBASSADOR AND DCM ON SEPTEMBER 17 (REFTEL A), PRESIDENT PAZ ESTENSORRO DECLARED A NATION-WIDE STATE OF SIEGE EFFECTIVE MIDNIGHT, SEPTEMBER 18. AT 3:00 A.M. ON SEPTEMBER 19 MILITARY UNITS ARRESTED NUMEROUS LABOR UNION LEADERS AT SEVERAL SITES IN LA PAZ WHERE THEY WERE STAGING A HUNGER STRIKE. AS OF 10:00 A.M. SEPTEMBER 19, LA PAZ IS QUIET AND EARLY MORNING ACTIVITIES APPEAR NORMAL. THE TELECOMMUNICATIONS BLOCKADE CONTINUES TO MAKE COMMUNICATION WITH CITIES IN THE INTERIOR DIFFICULT. END SUMMARY.

3. THE STATE OF SIEGE IS ACCOMPANIED BY A MIDNIGHT TO SIX A.M. CURFEW, AND SEVERAL STRATEGIC POINTS IN LA PAZ ARE BEING MANNED BY ARMY UNITS WITH SMALL TANKS. ACCORDING TO UNVERIFIED REPORTS HUNDREDS OF FASTING UNION LEADERS WERE ARRESTED AT SEVERAL LOCATIONS IN LA PAZ IN THE EARLY HOURS OF THE MORNING AND TAKEN IN BUSES TO THE TRANSIT POLICE, FROM WHENCE THEY WERE TAKEN TO THE INTERIOR MINISTRY. AT AROUND 5:00 A.M., LARGE NUMBERS OF ARRESTEES WERE TAKEN FROM THE MINISTRY IN BUSES, PRESUMABLY TO EL ALTO, THE SITE OF THE INTERNATIONAL AIRPORT. AT 6:30 A.M., A FOREIGN NEWS CORRESPONDENT SAW BOLIVIAN WORKERS CENTRAL (COB) EXECUTIVE SECRETARY JUAN LECHIN OQUENDO BEING ESCORTED FROM THE INTERIOR MINISTRY, AUTHORITIES REFUSED TO TELL THE PRESS WHERE HE WAS BEING TAKEN. EMBASSY IS TRYING TO CONFIRM THE NUMBERS OF ARRESTEES AND THEIR DESTINATION IF, AS WE ASSUME, THEY ARE BEING EXILED. WE HAVE HEARD STORIES THAT AT LEAST TWO PLANES DEPARTED EL ALTO IN THE EARLY HOURS OF THE MORNING.

4. PRELIMINARY COMMENT: OUR READING OF THE LAW SUGGEST THAT THE GOVERNMENT OF BOLIVIA'S (GOB) MOVE TO CONTROL THE TWO-WEEK OLD GENERAL STRIKE IS CONSTITUTIONAL. THE EXECUTIVE MUST NOW SEEK EX-POST FACTO CONGRESSIONAL ENDORSEMENT OF THE MEASURE. A SIMPLE MAJORITY OF A QUORUM OF BOTH HOUSES OF CONGRESS MEETING IN JOINT SESSION WOULD BE REQUIRED. ACCORDING TO THE CONSTITUTION, THE STATE OF SIEGE LASTS 90 DAYS AND CAN BE EXTENDED TO 120 DAYS, AFTER WHICH THE EXECUTIVE MUST RENDER ACCOUNTS OF ITS USE OF EXTRAORDINARY POWERS. THE STATE OF SIEGE ALLOWS THE GOB TO SUSPEND CONSTITUTIONAL GUARANTEES OF THOSE SUSPECTED OF PROVOKING DISORDER AND CALL UP THE RESERVES.

5. WE EXPECT THAT SEVERAL OF THE SMALL LEFTIST PARTIES IN CONGRESS WILL USE THAT FORUM TO SEVERALLY ATTACK THE UNCONSTITUTIONAL NATURE OF THE MEASURES. THEY MAY BE JOINED BY SOME ELEMENTS OF THE NATIONAL DEMOCRATIC ACTION (ADN) PARTY AND THE MOVEMENT OF THE REVOLUTIONARY LEFT (MIR), THE TWO LARGEST OPPOSITION PARTIES IN CONGRESS. A CENSURE VOTE IN THAT BODY WOULD BE A SEVERE BLOW TO PAZ ESTENSORRO.

6. WE BELIEVE THAT THE GOB WAS ALARMED BY THE LARGE NUMBERS OF LABOR LEADERS WHO JOINED THE HUNGER STRIKE ON SEPTEMBER 18 IN LA PAZ AND SEVERAL OTHER CITIES (REFTEL B), EVEN THOUGH HUNGER STRIKES DO NOT HAVE BT

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PANAMA FOR ADS CLARKE

E.O. 12356: DECL: OADR
TAGS: PGOV, BL, CASC, PINS, ASEC
SUBJECT: GOVERNMENT OF BOLIVIA DECLARES STATE OF SIEG

MUCH CREDIBILITY IN BOLIVIA. RATHER THAN ALLOW THE 16-DAY OLD STRIKE TO DRAG ON, AND TENSIONS TO RISE AS A RESULT OF THE WORKERS' FAST, THE GOVERNMENT APPAREN DECIDED THAT THE ADVANTAGE OF DECISIVE ACTION OUTWEIG THE DISADVANTAGES OF TAKING UNCONSTITUTIONAL MEASURES AND PERHAPS PROVOKING A WORSE REACTION FROM ORGANIZED LABOR AND THE OPPOSITION.

7. OUR PRELIMINARY ESTIMATE IS THAT THE GREAT MAJORI OF BOLIVIANS WELCOME THIS DECISIVE ACTION AS A DEMONSTRATION THAT PAZ ESTENSSORO IS NOT A RE-RUN OF SILES, AND THAT AFTER THE INITIAL NEGATIVE REACTION THE SITUATION WILL RETURN RATHER QUICKLY TO NORMAL. THE RESIDENT OF THE CHAMBER OF DEPUTIES HAS CALLED FO AN EMERGENCY SESSION OF CONGRESS FOR THE AFTERNOON OF SEPTEMBER 19. THE PROBABLE EXILE OF UNION LEADERS MA EVEN BE WELCOMED BY THE COB LEADERSHIP, AS THEIR ONLY OUT IN A NO-WIN SITUATION. (DRAFTED BY: WLOFSTROM)

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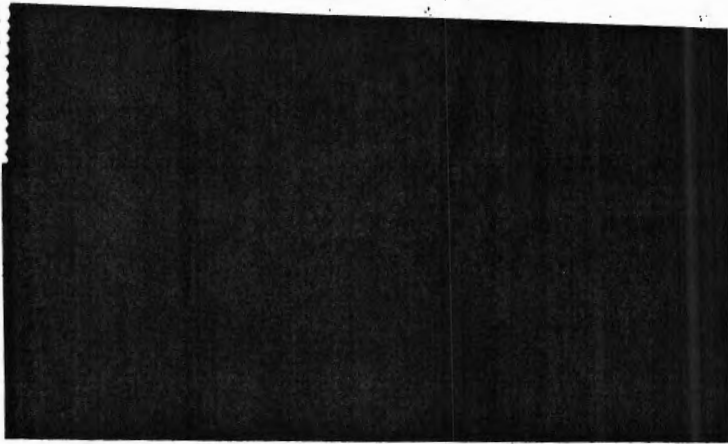
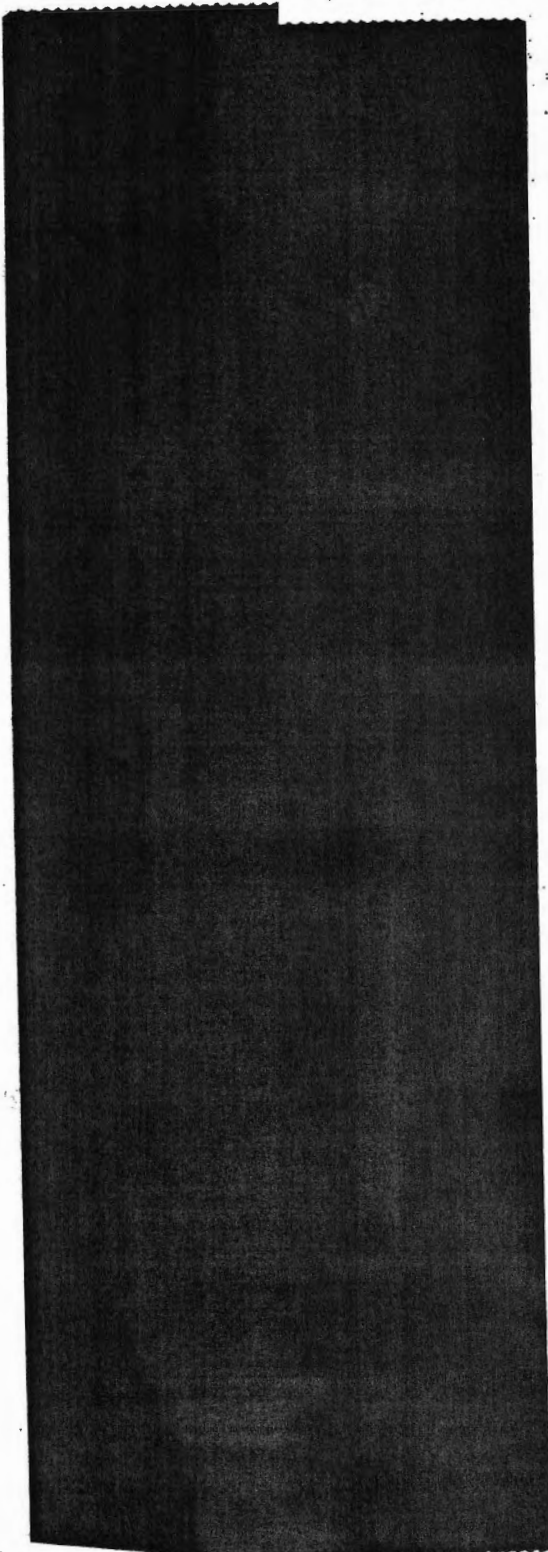
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WARNING: THIS IS AN INFORMATION REPORT, NOT FINALLY
EVALUATED INTELLIGENCE (W).



SUMMARY: (C/NF) IN A RECENT WIDERANGING DISCUSSION,
GENERAL GARY (PRADO) SALMON COMMENTED ON RELATIONS WITH
THE U.S. AND WITH CUBA. HE ALSO DISCUSSED THE PROBLEM OF
NARCOTICS AND NARCOTICS CONTROL IN THE SANTA CRUZ AREA.
FINALLY, GENERAL PRADO DISCUSSED HIS OWN CAREER AND TALKED
ABOUT HIS FAMILY.

FOIA(b) (3)
Sec. 3.3(b)(1)

GEN-
ERAL PRADO SAID HE HOPED THAT THE NEW PAZ GOVERNMENT WOULD
PERMIT SOME SORT OF JOINT BOLIVIAN-U.S. TRAINING EXER-
CISE IN THE FUTURE BECAUSE THE EXERCISE WOULD BE VALUABLE
TO BOTH ARMIES ALTHOUGH CLEARLY THE BOLIVIAN ARMY COULD
USE THE TRAINING MORE. BG PRADO NOTED THAT ALTHOUGH HE
AND HIS INTELLIGENCE STAFF HAD HEARD MANY RUMORS CONCERN-
ING CUBANS IN EASTERN BOLIVIA, HIS RECON PATROLS HAD NEVER
ENCOUNTERED ANY EVIDENCE OF DIRECT CUBAN ACTIVITY.

2. (S/NF) GENERAL PRADO SAID HIS SOLDIERS DO NOT HAVE A
DRUG PROBLEM ALTHOUGH DRUG USAGE OF ALL TYPES WAS ON THE
RISE AMONG THE CIVILIAN POPULATION OF SANTA CRUZ. GENERAL
PRADO DOES NOT BELIEVE THAT THE BOLIVIAN ARMY SHOULD BE
INVOLVED IN ANTI-NARCOTICS ACTIVITIES. HE BELIEVES SPECIA
UNITS WITH SPECIAL EQUIPMENT SHOULD BE CREATED AND MAIN-
TAINED FOR THIS MISSION.



3. (C/NF) ON A MORE PERSONAL NOTE, BG PRADO SAID HE INTEND
TO REMAIN IN COMMAND OF THE 8TH DIVISION UNTIL DECEMBER.
HE WILL THEN TRANSFER TO ARMY STAFF (NF1).



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[REDACTED] BOTH HE AND HIS WIFE ARE FROM SANTA CRUZ. BG PRADO COMMENTED THAT HE HAS A DAUGHTER WHO WORKS IN THE BOLIVIAN MISSION TO THE OAS IN WASHDC AND A SON ATTENDING A UNIVERSITY IN THE WASHDC AREA (NF1).

COMMENTS: (C/NF) GEN PRADO HAS MANAGED TO MAINTAIN GOOD RELATIONS WITH THE LOCAL POPULATION AS WITNESSED BY THE NUMBER (SOME 25,000) CIVILIANS WHO TURNED OUT TO HONOR THE 8TH DIVISION AT A PAYING EVENT RECENTLY.

[REDACTED]

DESPITE THE OBVIOUS DIFFICULTIES OF BEING IN A WHEELCHAIR, HE SEEMS RECONCILED TO HIS INFIRMITY ALTHOUGH HIS DESIRE TO REMAIN IN A FIELD COMMAND INDICATES HE STILL PREFERS THE ACTIVE LIFE.

[REDACTED]

DECLAS: OADR
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