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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) 10/28/1985-11/25/1985

FOIA

M10-353/1

Box Number 1

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| ID | Doc Type | Document Description | No of Pages | Doc Date | Restrictions |
|--------|----------|---|-------------|------------|--------------|
| 120092 | CABLE | 282231Z OCT 85 | 1 | 10/28/1985 | B1 B3 |
| 120093 | NOTES | RE BOLIVIA R 5/18/2015 M353/1 | 7 | ND | B1 |
| 120115 | PAPER | RE BOLIVIA ELECTIONS R 4/15/2013 M353/1 | 2 | ND | B1 B3 |
| 120094 | CABLE | 291635Z OCT 85 D 11/8/2012 M353/1 | 1 | 10/29/1985 | B1 B3 |
| 120095 | CABLE | 290150Z OCT 85 | 1 | 10/29/1985 | B1 B2 B3 |
| 120096 | CABLE | 292130Z OCT 85 | 1 | 10/29/1985 | B1 B3 |
| 120097 | CABLE | LA PAZ 08651 R 5/18/2015 M353/1 | 5 | 10/29/1985 | B1 |
| 120098 | CABLE | 302244Z OCT 85 | 1 | 10/30/1985 | B1 B3 |
| 120099 | CABLE | LA PAZ 08928 R 5/18/2015 M353/1 | 2 | 11/7/1985 | B1 |
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| 120105 | CABLE | LA PAZ 9255 <i>R 5/18/2015 M353/1</i> | 1 | 11/20/1985 | B1 |
| 120106 | CABLE | SAME TEXT AS DOC 120105 <i>R 5/18/2015 M353/1</i> | 2 | 11/20/1985 | B1 |
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| 120112 | CABLE | LA PAZ 09307 <i>R 5/18/2015 M353/1</i> | 2 | 11/21/1985 | B1 |
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The primary internal check on any Bolivian president is the military
historically the nation's most cohesive
& powerful political organization.

Argentina: commercial partner
principal consumer of Bolivian
natural gas

Drugs in politics

Leftist influence in gov:

- ① Bol will open a Trade Office
in Havana & will exchange
radio & TV programs w/ Cuba
- ② negotiation w/ USSR for
Aeroflot landing rights
- ③ Cancellation of US exercises

Site is yielding to pressure for
for left

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NLRR M353/1 #120093

BY RW NARA DATE 5/18/15

Our 1st priority in Bol continues to be the maintenance of a viable, pluralistic constitutional regime & to avoid extreme solutions of either the left or the right. If pushed, in the face of a disintegration of Bolivian society & communist totalitarianism, we would opt for a rightist de facto government. I strongly believe that, although the situation here does not yet warrant military intervention, the Bolivian armed forces are capable of preventing a communist takeover.

Bolivia

Game - very dangerous

1. ~~Current sit~~: Immediate problem
elections, alternative scenarios
1. Getting through the election: Pre-elect. coup
Siles yielding to the left
→ show

Leftist capable of thwart preventing
elections

Coalitions: domestic
international

Military

2. Post-elect Coup
deadlock Congress

Congress is key

elections going forward

prevent left from stopping the elections

ties: Lechin = Carl Vickers

Intelligence on plans of leftists

Work with army

Vickers: Who is MNRF Candidate
who are candidates

Strikes? - Moderator

Labor

Church

Media

Academia

Private Sector

Other governments

other countries

Is Sanchez still in?

July 84 analysis

6

Has ~~been~~ Sejas increased his influence
in the military?

3 in Cochran
Tardozac

Sejas - Joe Lopez Leyton

Army Commander is more
powerful than Commander in Chief

Leyton Capable

State showed
Leyton not
totally in
control the
powerful

Alienated Army

2

Congress to vote on President

What are ousted Communist ministers up to?

Coalition Strategy: for elections

Sijos - Luchina working together?

Aeroflot - Feb 84

4, me table - Vichers?

Jose Gonzalez out
Ramon Pena out

8

Deadlock in Congress

FT—

For a while
this is north --
Larry Trackman
brought the
all I lay from
just to Chama &
Gould Salinas
of Bolivia.

J

NOTES ON THE BOLIVIAN SITUATION

I. ECONOMIC SITUATION

1. The economic-financial measures enacted by the Government on February 9, 1985 which were intended to take a corrective action towards an economic adjustment, did only have an adverse effect that led to an indefinite general strike by the Central Obrera Boliviana.

2. According to the Government, such measures were planned for the achievement of consecutive mini-devaluations towards the establishment of a real exchange rate for the U.S. Dollar. The mentioned mini-devaluations were to be effected once a month. However, when the Government enforced the first such mini-devaluation - out of the many that were supposed to be carried out - and raised the exchange rate from 9.000 pesos up to 50.000 pesos, an extraordinary psychological impact took place, causing a skyrocketing of prices and a strike process that put the COB and the Government against each other by means of a miners strike followed by a general strike and a partial blockade of country roads by the Confederación Unica de Trabajadores Campesinos de Bolivia CUTCB led by Genaro Flores. To sum up, the above mentioned economic measures were neither adequate nor were they taken at the right time. They only worsened inflation, severely disabling the national economy. And what is still worse, this situation created an atmosphere of a critical unrest in the population, which forced President Siles to resort to the Armed Forces in order to stop the strike. In other

words, it was demonstrated that the moral and material cooperation from the United States does constitute the only support for the Siles Government.

II. POLITICAL SITUATION

1. There are clearly defined political sectors who are looking for the soonest general elections. They are: Acción Democrática Nacionalista (ADN) led by Gen. Hugo Banzer Suárez, Paz Zamora's MIR, the MNRI of President Siles Zuazo, the Christian Democracy PDC, Humberto Cayoja's ARENA and other small political parties that claim to be of a nationalist texture. On the other hand, there are other political parties that are contrary, directly or indirectly, to said elections: POR (all fractions); PRIN of Juan Lechin; Partido Socialista, both fractions; all of the left-wing parties who are represented at the COB; and, most of the COB. Finally, there are sectors such as Paz Estenssoro's MNR, Senator Oscar Zamora's FRI and the Muscovite Communist Party, who play at both sides.

2. This panorama reflects the native Bolivian "leaderism" policy. Despite the numerous political trends and parties, three main civilian political leaders plus one military leader (Hugo Banzer) are confronting against each other on the political stage. It is noteworthy that none of the political parties has an administration plan with a theoretical basis and a clear economic policy to face and overcome the present economic and financial crisis, which is featured by an

unprecedented hyperinflation in Bolivia's Republican history. All of them claim that they will change the present situation, but they just don't say how.

3. The economic, social and political power forces (Armed Forces, private corporations, workers, peasants and political parties) keep an undeclared struggle. The Church fears a victory of Gen. Hugo Banzer. The Armed Forces, who are split into three sectors (Institutionalists, those involved in drug-traffick and the Pseudo-leftists), do not show an absolute union, and the permanent interfering of U.S. Ambassador Edwin Corr puts off a military action in the Bolivian political development. The private corporations are swinging between their cooperation to Hugo Banzer and Paz Estenssoro, although the banking-financial sectors give their open support to Gen. Banzer. Within the COB there is an internal confrontation: the Trotskysts, for instance, proposed that an armed revolt be started upon the culmination of the general strike. The prompt action of the Armed Forces, however, gave an end to that intention; the Lechin sector was entering into negotiations with Victor Paz' MNR in order to constitutionally substitute president Siles by Dr. Julio Garret, President of the Senate, thus postponing the general elections until 1986; the Muscovite communists, socialists and President Siles Zuazo, on the other hand, are seeking the nomination of Roberto Jordán Pando as the candidate for the coming presidential elections. Jordán Pando was in office as Minister of Planning and Coordination of the UDP government in past months.

4. The above brief description gives an evidence of the deep economic, social and political crisis that is overwhelming the country. This situation urgently demands that an expeditive analysis be made by the United States, as the attitudes of U.S. Ambassador Edwin Corr show only subjective positions regarding the conclusion of his diplomatic mandate and action which, so far, have been extremely poor politically, economically and, above all, in the drug enforcement action, where disastrous results are hurting Bolivian and United States interests.

5. The economic crisis has created an underground and clandestine economy that has spread in Bolivia to such an extent that it is displacing the formal economy that was standing in Bolivia. This underground economy is based upon speculative actions caused by the unreal fixed official exchange rate of the U.S. dollar, the political prices, the subsidizing of food and other items in the State-owned mines, and the outlawed licenses that are granted by the government to certain workers organizations for the distribution of food and other products of a basic need.

6. This type of economy resulting from speculation and corruption profits, promoted by the Siles government policy ever since October 10, 1982, gave rise to a social structure of echelons in the power factors (COB, CUCTB, Private Companies, State-owned corporations and State banks, especially Banco Central, COMIBOL, ENAF, YPFB, ENTEL and CBF), which bring about a deformation of the political panorama, because these

privileged echelons are contrary to the elections. Within this group are the official and opposing parties; consequently, the Congressmen (Senators and Deputies), who are foreseeing the loss of their jobs in an immediate future, will be ready and willing to take any action, including the postponement of the July 1984 elections.

7. This situation will smartly be taken advantage of by President Siles Zuazo for the delay of the elections and for avoiding the legal congressional process against him, which is pending for the time being. This process is due to President Siles direct or indirect involvement in drug traffic.

8. The economic crisis, which is featured by an unprecedented hyperinflation in the Bolivian economic history, will grow worse and will cause that a substantial part of the agrarian sector (which is the only sector that is economically supporting our underdeveloped country, though precariously) engage in the growing of coca plantations, a fact that will inexorably increase cocaine production and drug traffic. This, in turn, will result in a decrease of food production. And it is food production what is presently offsetting a socio-political upheaval likely to happen in Bolivia any day, with unpredictable consequences if the prevailing economic, social and political conditions are not promptly taken care of.

9. In the atmosphere of this chaos, the Armed Forces have preserved their image, in spite of the different trends that can be evidenced among their members.

10. This situation of a total economic disaster worsened by the inflationary cancer and the overwhelming drug-traffic, engulfed by the social and political confusion, has caused Bolivia to lose an own initiative to solve or relieve its problems, and the Nation is claiming for guidance from abroad; because the democratic orientation and assistance suggested by the United States, the European Economic Community and the Latin-american democratic countries, have not served the purpose of relieving the economic and financial crisis but rather to worsen it. At the light of the above considerations, a different model is demanded in order to avoid the social collapse that may jeopardize the existence of Bolivia as a Nation and give rise to an atmosphere of unrest in the Southern cone of the Continent.

La Paz (Bolivia), April 12, 1985.

ITEM RETURNED
TO NSC

SECRETARIAT

IN APRIL 1987

Log #

Publication: Bolivia: Prospects for
Political Stability - March 1985

There exists large
The period between now, the July 14 elections and the August 6
inauguration in Bolivia

There exists interagency concensus that the period between now, the July 14 elections and the August 6 inauguration in Bolivia is critical importance and concern. I requested and got an R/Ig scheduled for Friday at 2 to consider Bolivia. Amb. Ed Corr has sent up his DCM, Bill Walker, to attend the meeting.

Our immediate objective is to ensure that the Bolivians hold honest elections on July 14 that will provide legitimacy to the next government and help to establish democracy more firmly in Bolivia. Achieving that will be difficult but if we do, we can then perhaps move to our next two important objectives: to get the GOB to take necessary economic measure to stop economic decline and to prevent an economic collapse that could result in the fall of democracy and to help the GOB institutionalize the cocaine control programs they have agreed to and have begun to implement.

Since our first priority in Bolivia continues to be the maintenance of a viable, pluralistic, constitutional regime and to avoid extreme solutions with either the left or the right. If pushed, however, we should agree that in the face of a disintegration in Bolivia society and the installation of a marxist-leninist regime, we would opt for a rightist defacto government. The primary internal check is the military, historically the nation's most cohesive and powerful political organization which can be counted on to unite if threatened in this manner.

1. Getting to the elections.

Our intelligence indicates

Everyone anticipates that the extreme left will attempt to prevent the elections from going forward.---President-

~~Siles-continues-to--~~

and more important, that they are infinitely capable of doing accomplishing this. President Siles continues to bow

After the debilitating strike in March by the COB, which strikes' goal was to bring down the government and almost succeeded in doing so, President Siles has ~~contin-~~ succumbed to leftist pressures on important issues:

- (1) A trade office in Havana will be opened and Bolivia & Cuba will exchange radio and TB programs with Cuba
- (2) Negotiations with the USSR for Aeroflot landing rights continue
- (3) Cancellation of US-Bolivian exercises
- (4) Refusal to accept assistance for elections from both the US and Argentina.

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NLRR M353/1 #120115

BY KML NARA DATE 4/15/13

18

State's paper for the R/IG is deliberately vague (for once exercising caution about leaks), stating only "Soviet bloc interference should be monitored and countered." I believe it absolutely imperative that we quickly move to create two coalitions, both inside Bolivia and with Latin Americans, and work in concert with them. Earlier action plans for Bolivia called for strengthening democratic elements in labor, the Church, media, academia and the private sector. We should move to pull them together to increase their influence to prevent the left's efforts to prevent the elections. With other Latin Americans, especially the Argentines, we should ~~try-to-arrive-----~~ first discuss with them the various ~~scen~~ outcomes scenarios that could occur in Bolivia and ~~t5~~try to not only work together with them to ~~prevent~~ insure that the elections go forward, but to arrive at common ~~grou~~ responses if the military has to move. At all costs, we should work to prevent our having a different opinion about events in Bolivia with our Latin American allies. Also, Argentina does have a great deal of influence in Bolivia and we should encourage them to take the lead, ~~but--~~ and put ourselves in the background as willing and supportive partner. Alfonsín is as worried about Bolivia as we are, and they are an important commercial partner and the principal consumer of Bolivian natural gas.

The other countries which border on Bolivia: Brazil, Paraguay, Chile, Peru, Argentina.

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~~CONFIDENTIAL~~ SECTION 01 OF 05 LA PAZ 08651

DIA FOR BRANCH: USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: ECON, EFIN, BL
SUBJECT: DEPUTY ASSISTANT SECRETARY (DAS) ROBERT GELBARD
BREAKFAST DISCUSSION WITH PRIVATE SECTOR
REPS ON BOLIVIA'S ECONOMIC SITUATION

1. CONFIDENTIAL - ENTIRE TEXT.

SUMMARY

2. THE BOLIVIAN-AMERICAN CHAMBER OF COMMERCE HOSTED A WORKING BREAKFAST ON OCTOBER 28 FOR DEPUTY ASSISTANT SECRETARY ROBERT GELBARD TO DISCUSS BOLIVIA'S CURRENT ECONOMIC SITUATION AND THE NARCOTICS PROBLEM. DAS GELBARD SAID THAT USG WAS SUPPORTIVE OF THE NEWLY ELECTED DEMOCRATIC GOVERNMENT'S COURAGEOUS EFFORTS AT ECONOMIC STABILIZATION BUT WARNED THAT FAILURE TO TAKE ADEQUATE STEPS ON THE NARCOTICS FRONT INCLUDING CROP ERADICATION THREATENED FUTURE SOURCES OF U.S. ASSISTANCE. THE GENERAL CONSENSUS OF THE GROUP WAS THAT THE NEW ECONOMIC POLICIES WERE A POSITIVE STEP TO RECTIFY MANY OF THE ECONOMIC PROBLEMS, BUT THAT BOLIVIA BADLY NEEDED INTERNATIONAL FINANCIAL ECONOMIC ASSISTANCE. THE PRIVATE SECTOR REPS EXPRESSED CONCERN ABOUT THE NARCOTICS PROBLEM, BUT WERE HOPEFUL THAT THE RECENT NATIONALIST REVOLUTIONARY MOVEMENT (MNR)/NATIONALIST DEMOCRATIC ACTION (ADN)

POLITICAL FACT COULD GENERATE THE FORMULATION AND ENABLE IMPLEMENTATION OF AN EFFECTIVE, MEDIUM TERM ANTI-NARCOTICS PROGRAM. GOVERNMENT OF BOL VIA (EOB) SPECIAL AMBASSADOR ON INTERNATIONAL DEBT AFFAIRS ADOLFO LINARES SAID THAT BOLIVIA WAS MAKING PROGRESS IN OBTAINING BADLY NEEDED INTERNATIONAL FINANCIAL ASSISTANCE, BUT WARNED THAT FAILURE TO OBTAIN SHORT-TERM CREDITS THREATENED THE SUCCESS OF THE ECONOMIC PROGRAM. END SUMMARY

BREAKFAST DISCUSSION OF ECONOMIC AND NARCOTICS ISSUE

3. ON OCTOBER 28 DEPUTY ASSISTANT SECRETARY OF STATE ROBERT GELBARD AND AMBASSADOR REVIEWED WITH A SMALL BUSINESS GROUP THE IMPACT OF BOLIVIA'S NEW ECONOMIC POLICY AND THE ABSOLUTE IMPERATIVE TO START ERADICATING COCA PLANTS. THE SESSION WAS HOSTED BY THE BOLIVIAN-AMERICAN CHAMBER OF COMMERCE AND INCLUDED SOME OF THE LEADING PRIVATE SECTOR REPS IN BOLIVIA. IT WAS THE GENERAL CONSENSUS OF THE GROUP THAT THE ECONOMIC PROGRAM IMPLEMENTED BY THE PAZ ESTENSORRO GOVERNMENT WAS A VIABLE PLAN WHICH OFFERED THE POSSIBILITY OF ECONOMIC STABILIZATION. NONETHELESS, THESE BUSINESS EXECUTIVES STRESSED THAT BOLIVIA'S ECONOMIC PROBLEMS WERE SO SEVERE THAT INCREASED SHORT-TERM ECONOMIC ASSISTANCE WAS ESSENTIAL TO THE PROGRAM'S SUCCESS. USG SUPPORTS BOLIVIAN EFFORTS AT ECONOMIC STABILIZATION

4. DAS GELBARD OPENED UP THE DISCUSSION BY STATING THAT USG WAS VERY IMPRESSED BY THE NEW ECONOMIC PROGRAM IMPLEMENTED ON AUGUST 29 AND REAFFIRMED USG SUPPORT FOR BOLIVIA'S DEMOCRATIC PROCESS. GELBARD SAID THAT WHILE BOLIVIA'S ECONOMIC SITUATION WAS SERIOUS, A START HAD BEEN MADE TOWARDS ECONOMIC STABILIZATION. GELBARD POINTED OUT THAT PREVIOUS BOLIVIAN GOVERNMENT'S MISHANDLING OF THE ECONOMY WAS A MAJOR FACTOR CONTRIBUTING TO BOLIVIA'S DECLINE AND ADDED THAT THIS HAD GENERATED GREAT SCEPTICISM IN WASHINGTON VIS-A-VIS BOLIVIA. HE SAID, HOWEVER, THE NEW PRAGMATIC ECONOMIC PROGRAM WAS GAINING BOLIVIA WIDESPREAD CREDIBILITY, NOT ONLY IN USG CIRCLES, BUT WORLDWIDE. GELBARD WARNED, HOWEVER, THAT THERE WERE STRONG CONGRESSIONAL PRESSURES TO FREEZE ECONOMIC ASSISTANCE IF BOLIVIA FAILED TO MOUNT AN EFFECTIVE COCA ERADICATION PROGRAM. BT

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DIA FOR: IR BRANCH: USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: ECON, EFIN, BL
SUBJECT: DEPUTY ASSISTANT SECRETARY (DAS) ROBERT GELBARD

5. GELBARD EXPLAINED THAT U.S. EFFORTS AT REDUCING ITS OWN FISCAL DEFICIT MEANT THAT INCREASES IN FOREIGN AID WERE UNLIKELY IN THE FORESEEABLE FUTURE. HE EMPHASIZED, HOWEVER, THAT THE REAGAN ADMINISTRATION WAS EXTREMELY SENSITIVE TO THE THIRD WORLD'S ECONOMIC DEBT PROBLEMS, AND WAS FIGHTING TO BLOCK A SERIES OF PROTECTIONIST MEASURES BEING PROPOSED IN CONGRESS. GELBARD ALSO SAID THAT SECRETARY OF THE TREASURY'S RECENT PROPOSALS BEFORE THE IMF/IBRD CONFERENCE IN SEOUL CONFIRMED USG STRONG EFFORTS TO PROVIDE BADLY NEEDED INTERNATIONAL CREDIT ASSISTANCE TO TROUBLED ECONOMIES.

PRIVATE SECTOR NEEDS INTERNATIONAL FINANCIAL ASSISTANCE

6. CONFEDERATION OF ENTREPRENEURS ACTING PRESIDENT CARLOS MORALES SAID THAT BOLIVIA'S BUSINESS COMMUNITY WAS VERY SUPPORTIVE OF PAZ ESTENSORO'S MARKET ORIENTED ECONOMIC PROGRAM. HE SAID, HOWEVER, THAT THE CURRENT ECONOMIC CRISIS DEMANDED FOREIGN ECONOMIC ASSISTANCE FOR THE AILING PRIVATE SECTOR. MORALES SAID THAT ONLY THE PRIVATE SECTOR COULD MOVE IN

THE SHORT-RUN TO REACTIVATE THE ECONOMY. HE SUGGESTED THAT, EMPHASIS ON ASSISTANCE PROGRAMS BE GEARED TO THE PRIVATE SECTOR.

7. PRIVATE MINE OWNER MIGUEL ORLANDINI SAID THAT BOLIVIA WAS IN URGENT NEED OF USG ECONOMIC ASSISTANCE TO ENSURE CONTINUATION OF THE DEMOCRATIC PROCESS. HE SAID THAT THE USG SHOULD IMPLEMENT A CARIBBEAN INITIATIVE TYPE PROGRAM IN BOLIVIA. HE ALSO SUGGESTED THE SIGNING OF INCREASED U.S. FOOD CREDITS TO BOLIVIA.

ANDEAN INITIATIVE

8. DAS GELBARD RESPONDED THAT SUCH AN ARRANGEMENT WAS HIGHLY UNLIKELY FOR BOLIVIA. GELBARD EXPLAINED THAT THE ANDEAN REGION WAS EXTREMELY IMPORTANT TO U.S. INTERESTS AND THAT ANY SUCH ARRANGEMENT WOULD HAVE TO BE CONSIDERED ON A REGIONAL BASIS. THE AMBASSADOR ADDED THAT BOLIVIA'S PROBLEM WAS TIMING, AND THAT IT HAD TO LOOK TOWARDS SHORT-TERM ASSISTANCE WHICH INCLUDED REACHING AGREEMENTS WITH THE IMF AND OPIC.

PRIVATE SECTOR CONCERNED ABOUT NARCOTICS PROBLEM

9. MINING EXECUTIVE CARLOS ITURRALDE SAID THAT BOLIVIA'S PRIVATE SECTOR WAS EXTREMELY CONCERNED ABOUT THE NARCOTICS PROBLEM. HE SAID THAT ANY GOVERNMENT EFFORTS AT DEALING WITH THIS PROBLEM HAD TO BE REALISTIC. ITURRALDE SAID HE WAS CONFIDENT THAT THE GOB WOULD FORMULATE AND IMPLEMENT A FORCEFUL ANTI-NARCOTICS PROGRAM. HE DOUBTED, HOWEVER, THAT THE GOB WOULD IN THE NEXT THREE MONTHS BE ABLE TO ERADICATE 4,000 HECTARES OF COCA.

10. ITURRALDE SAID THAT NARCOTICS PROBLEM WAS HAVING A NEGATIVE EFFECT ON LEGITIMATE PRIVATE SECTOR ACTIVITY. HE EXPLAINED THAT LEGITIMATE AGRO-INDUSTRIAL ENTERPRISES THROUGHOUT THE COUNTRY WERE HAVING DIFFICULTY FINDING FIELD HANDS BECAUSE SO MANY CAMPESINOS WERE EMPLOYED CULTIVATING COCA. HE POINTED OUT THAT TO DATE EFFORTS AT CROP SUBSTITUTION HAD FAILED AND THAT GREATER USG ASSISTANCE HAD TO BE

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DIA FOR IR BRANCH: USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: ECON, EFIN, BL
SUBJECT: DEPUTY ASSISTANT SECRETARY (DAS) ROBERT GELBARD

BE EARMARKED IN THIS AREA.

REALISTIC NARCOTICS PROGRAM

11. ITURRALDE SAID THAT THE NEW POLITICAL PACT BETWEEN THE MNR AND ADN OPENED UP GREAT POSSIBILITIES FOR THE FORMULATION AND IMPLEMENTATION OF AN EFFECTIVE MEDIUM-TERM PROGRAM TO ADDRESS THE NARCOTICS ISSUE. HE REITERATED THAT SUCH A PROGRAM MUST BE REALISTIC. HE SAID THAT A SERIOUS GOB ATTEMPT AT ERADICATION COULD RESULT IN VAST MIGRATIONS OF BOLIVIAN PEASANTS TO MAJOR URBAN CENTERS, FURTHER COMPOUNDING EXISTING HIGH UNEMPLOYMENT RATES. HE SAID THIS COULD GRAVELY HEIGHTEN SOCIAL TENSIONS IN BOLIVIA.

NARCO-MONEY

12. IN RESPONSE TO THE AMBASSADOR'S QUESTION OF RUMORS THAT NARCO-TRAFFICKERS WERE PROVIDING CREDIT ASSISTANCE TO AILING BOLIVIAN BUSINESSES THE GROUP DENIED ANY KNOWLEDGE. ITURRALDE WARNED THAT THE INABILITY OF CURRENT FIRMS TO BORROW AT PREVAILING

HIGH COMMERCIAL BANK LENDING RATES MAY FORCE THEM TO LOOK TO NARCO-MONEY FOR SURVIVAL. HE SUGGESTED THAT, IF BOLIVIA'S PRIVATE SECTOR DID NOT GET CLEAN MONEY FROM ABROAD THE NARCO-TRAFFICKERS' INFLUENCE WOULD CONTINUE TO GROW.

BOLIVIAN SEEKS INTERNATIONAL FINANCIAL ASSISTANCE

13. CURRENT GOB SPECIAL AMBASSADOR FOR INTERNATIONAL DEBT AFFAIRS, ADOLFO LINARES, SAID THAT BASED ON HIS RECENT DISCUSSIONS WITH USG OFFICIALS IN WASHINGTON HE DID NOT EXPECT ANY SHORT-TERM USG DISBURSEMENTS ASIDE FROM THE PL-480 PROGRAM. HE SAID VICE PRESIDENT JULIO GARRETT'S MEETINGS WITH HIGH LEVEL INTERNATIONAL LEADERS DURING OPENING OF U.N. ASSEMBLY MADE PROGRESS TOWARDS FORMULATING A DONORS CLUB FOR BOLIVIA. LINARES SAID THAT GARRETT HAD APPROACHED 36 COUNTRIES TO BE PART OF SUCH AN ARRANGEMENT WHICH COULD PROVIDE BOLIVIA UP TO \$150 MILLION IN ECONOMIC ASSISTANCE. LINARES SAID THAT IN HIS OWN CONVERSATIONS WITH VENEZUELAN PRESIDENT JAIME LUSINCHI, LUSINCHI WAS STRONGLY BEHIND THE IDEA OF A DONORS CLUB AND HAD PLEDGED \$50 MILLION.

IMF AGREEMENT

14. LINARES POINTED OUT THAT, ASSUMING THE BEST CASE SCENARIO, HE DID NOT EXPECT BOLIVIA TO REACH AN AGREEMENT WITH THE IMF UNTIL EARLY NEXT YEAR. HE ADDED THAT SUCH AN AGREEMENT ONLY WOULD PROVIDE

BOLIVIA WITH APPROXIMATELY \$50 MILLION OVER A 12 MONTH PERIOD. LINARES ADMITTED THAT AN IMF AGREEMENT COULD OPEN UP NEW SOURCES OF BILATERAL, IFI AND POSSIBLY INTERNATIONAL PRIVATE BANK FINANCIAL ASSISTANCE.

WORLD BANK

15. LINARES ALSO EXPLAINED THAT, BEFORE THE END OF THE YEAR, BOLIVIA WOULD BEGIN NEGOTIATING A WORLD BANK STRUCTURAL ADJUSTMENT LOAN TO PROVIDE IMPORT CREDITS TO THE BOLIVIAN STATE MINING CORPORATION BT

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DIA FOR IR BRANCH: USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: ECON, FIN, BL
SUBJECT: DEPUTY ASSISTANT SECRETARY (DAS) ROBERT GELBARD

(COMIBOL) AND THE BOLIVIAN STATE PETROLEUM COMPANY
(YPFB). LINARES SAID HE DID NOT EXPECT THIS LOAN
TO BE APPROVED UNTIL SOMETIME IN 1986.

BOLIVIA PROPOSES U.S. BRIDGE LOAN

16. LINARES SAID THAT, DURIGN GARRETT'S CONVERSATIONS
WITH SECRETAR OF STATE GEORGE SCHULTZ, BOLIVIA
HAD REQUESTED U.S. TREASURY BRIDGE LOAN. LINARES
SAID THAT SHULTZ HAD AGREED TO STUDY PROPOSAL.

ECONOMIC PROGRAM

17. LINARES SAID THAT THE ECONOMIC PROGRAM OF
AUGUST 29 WAS AIMED AT REDUCING THE HUGE FISCAL
DEFICIT PROBLEM. LINARES EXPLAINED THAT THE PROGRAM'S
IMPLEMENTATION HAD RESULTED IN NOTABLE EFFORTS
AT PUBLIC SECTOR EXPENDITURE CONTROL AS WELL AS
ELEVATING GOVERNMENT REVENUE LEVELS. NONETHELESS,
LINARES WARNED THAT THE DEFICIT WAS SO LARGE THAT
BOLIVIA NEEDED INTERNATIONAL FINANCIAL ASSISTANCE
TO COVER THE GAP.

18. LINARES CONCLUDED THAT, WHILE MANY PROJECTS
AND AGREEMENTS WERE IN THE WORKS THAT WOULD GO A LONG
WAY TO REDUCING BOLIVIA'S PAYMENTS GAP ESTIMATED
AT \$300 MILLION, MOST OF THIS MONEY WOULD BE
DISBURSED IN 1986. HE SAID THAT BOLIVIA WAS TO
RECEIVE ALMOST NO ASSISTANCE DURING THE LAST QUARTER
OF 1985. HE WARNED THAT WITHOUT, SHORT-TERM
FINANCIAL ASSISTANCE, BOLIVIA WAS SERIOUSLY
RISKING A COLLAPSE OF THE ECONOMIC PROGRAM AND THE
END OF ANY SERIOUS POSSIBILITY OF ECONOMIC RECOVERY.

DEFICIENCIES THREATEN SUCCESS OF ECONOMIC PROGRAM

19. FORMER MINISTER OF FINANCE AND MINING EXECUTIVE
(#) CENTRALIZING COMIBOL
WERE THREATENED BY THE APPOINTMENT OF INCOMPETENT
MEN TO RUN COMIBOL. HE ADDED THAT THE MINISTER
OF FINANCE AND MINISTER OF TRANSPORTATION WERE ALSO
UNFIT TO HOLD OFFICE. BONIFAZ SAID THAT ULTIMATELY
SUCCESS OR FAILURE OF THE ECONOMIC PROGRAM WAS IN
THE HANDS OF HIGH LEVEL GOVERNMENT PERSONNEL WHICH
IN SOME GLARING CASES WAS CAUSE FOR PESSIMISM.
LAST CHANCE FOR BOLIVIA

20. CARLOS MORALES COMMENTED ON BOLIVIA'S
VOLATILE AND COMPLEX POLITICAL CLIMATE. HE NOTED
THAT HERNAN SILES' UDP COALITION WHICH HAD RESOUNDINGLY
WON THE 1982 PRESIDENTIAL ELECTIONS HAD LOST ALL
SUPPORT IN THE 1985 ELECTIONS. MORALES EXPLAINED
THAT FAILURE OF PAZ'S ECONOMIC PROGRAM COULD RESULT

IN ANOTHER WILD SWING IN POPULAR SENTIMENT TOWARDS
AN EXTREME LEFTIST SOLUTION TO BOLIVIA'S MYRIAD
PROBLEMS. HE WARNED THAT THIS COULD BE BOLIVIA'S
LAST CHANCE AT IMPLEMENTING PRO FREE MARKET, PRO
U.S. POLICIES IN THE CONTEXT OF A DEMOCRATIC FRAMEWORK.

COMMENT

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DIA FOR IR BRANCH: USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: ECON, EFIN, BL
SUBJECT: DEPUTY ASSISTANT SECRETARY (DAS) ROBERT GELBARD

21. DAS GELBARD'S MEETING WITH BOLIVIA'S PRIVATE SECTOR HEAVYWEIGHTS RESULTED IN A USEFUL, FRANK, EXCHANGE OF VIEWS. IN CONTRAST TO MEETINGS OF THIS KIND DURING THE SILES ADMINISTRATION, WHERE HEAVY CRITICISM OF GOVERNMENT LEFTIST POLICIES DOMINATED CONVERSATION, THIS DISCUSSION WAS CHARACTERIZED BY A UNANIMOUS APPROBATION OF THE GOVERNMENT'S ECONOMIC POLICIES AND ATTITUDES TOWARDS THE PRIVATE SECTOR. WHAT IS ALSO SIGNIFICANT IS THE GROWING AWARENESS ON THE PART OF THE BUSINESS COMMUNITY OF THE NARCOTICS PROBLEM AND ITS DETRIMENTAL EFFECT ON BOLIVIA'S ECONOMIC STRUCTURE AND INTERNATIONAL IMAGE. ALSO, THERE EXISTS THE CRITICAL UNDERSTANDING OF U.S. CONGRESSIONAL ATTITUDES ON ERADICATION AND THE DETRIMENTAL EFFECTS ON U.S.-BOLIVIAN RELATIONS OF THIS PROBLEM.

22. THE PRESENCE OF DEBT CZAR ADOLFO LINARES SIGNALLED THE PRIVATE SECTOR'S OVERWHELMING CONCERN WITH REGARDS TO GOVERNMENT EFFORTS TO OBTAIN INTERNATIONAL ASSISTANCE AND RENEGOTIATION OF THE INTERNATIONAL DEBT. THE CURRENT FEELING IN BOLIVIAN PUBLIC AND PRIVATE SECTOR CIRCLES IS THAT BOLIVIA HAS TAKEN COURAGEOUS STEPS TO REGAIN ITS CREDIBILITY AND NOW NEEDS

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DEA FOR AO, OF, OC, OISL
JUSTICE FOR CRIMINAL DIVISION: DR. JORGE RIOS

E.O. 12356: DECL: OADR
TAGS: SNAR, BL
SUBJECT: NEW PROPOSAL FOR NARCOTICS LAW INTRODUCED IN
BOLIVIAN CHAMBER OF DEPUTIES
REF: LA PAZ 8851

1. ON OCTOBER 28, 1985, A NEW PROPOSAL FOR A COMPREHENSIVE LAW ON NARCOTICS IN BOLIVIA WAS INTRODUCED IN THE CHAMBER OF DEPUTIES BY MNR DEPUTIES MARIO VELARDE DORADO AND FRANKLIN ANAYA VAZQUEZ. THE TEXT OF THE LAW, WHICH CONSISTS OF 183 ARTICLES, PRECEDED BY 26 PAGES OF BACKGROUND/INTRODUCTION, WAS PREPARED BY NAU CONTRACTOR/ATTORNEY DR. ENRIQUE VALVERDE, AT THE REQUEST OF DEPUTY VELARDE. TWO COPIES OF TEXT (IN SPANISH) WERE POUCHED TO INM/P ATTN. MARY JEANNE MARTZ ON NOV. 1. REQUEST COPY TO BE PASSED TO DR. RIOS.

2. IT IS THE VIEW OF THE LAW'S SPONSORS THAT THE NEW DRAFT CONTAINS SIGNIFICANT SUBSTANTIVE IMPROVEMENTS OVER THE PREVAILING DECREE LAW PUBLISHED JULY 19, 1985 BY THE SILES ADMINISTRATION ALTHOUGH THE MISSION BELIEVES THAT THE DECREE LAW CURRENTLY IN FORCE FULLY MEETS THE TEST FOR CERTIFICATION BY THE DEPARTMENT UNDER SECTION 611A OF INTERNATIONAL SECURITY AND DEVELOPMENT COOPERATION ACT OF 1985.

3. WITH RESPECT TO THE LAW'S SUBSTANCE, THE NEW DRAFT APPEARS TO SIGNIFICANTLY TIGHTEN PROCEDURES AND PENALTIES. FURTHERMORE, IT CONTAINS SWEEPING NEW PROVISIONS FOR THE CREATION OF A MINISTRY OF NARCOTICS AFFAIRS,

WHICH WOULD EXERCISE FULL AUTHORITY OVER THE POLICE AND ALL OTHER AGENCIES OF THE GOVERNMENT CONCERNED WITH NARCOTICS, AND WOULD MAKE JUDICIAL REVIEW OF ALL NARCOTICS CASES MANDATORY. THE THRUST OF THESE PROVISIONS IS AGAINST CORRUPTION. SPONSORS OF THE LAW HAVE CONCLUDED THAT THE BOLIVIAN NATIONAL POLICE, AS AN INSTITUTION RESPONSIBLE FOR ANTI-NARCOTICS ENFORCEMENT, IS INCAPABLE OF KEEPING ITS HOUSE IN ORDER, AND THAT THERE MUST BE AN AUTHORITY SEPARATE FROM THE POLICE THAT WILL BE ABLE, AMONG OTHER THINGS, TO PUT CORRUPT POLICEMEN IN JAIL. THE SAME REASONING APPLIES TO THE JUDICIARY. IT IS POSSIBLE TO TAKE THE POSITION THAT CREATING A NEW MINISTRY OF NARCOTICS AFFAIRS IS MERELY TO SPAWN ANOTHER BUREAUCRATIC LAYER. BUT IT IS UNDENIABLE, BASED ON PAST BOLIVIAN PERFORMANCE, THAT POLICE AND JUDICIAL CORRUPTION, FED BY THE ENORMOUS RESOURCES OF NARCOTRAFFICKING INTERESTS, WILL CONTINUE UNLESS SOME TYPE OF RADICAL SURGERY IS APPLIED.

4. THE MISSION'S NARCOTICS COORDINATING COMMITTEE REVIEWED THE DRAFT, AND REQUESTED CRITICISM AND COMMENT FROM THE MISSION LEGAL ADVISOR, WHO IS A BOLIVIAN CRIMINAL AND CONSTITUTIONAL SCHOLAR OF SOME REPUTE. WHILE SOME TECHNICAL CRITICISMS WERE ADVANCED, THE COMMITTEE CONCLUDED THAT THEY WERE OUTWEIGHED BY THE OVERWHELMINGLY POSITIVE THRUST OF THE PROPOSED LEGISLATION. SINCE INTRODUCTION OF THE PROPOSAL, CONCERNED ELEMENTS OF THE MISSION HAVE THEREFORE ASSISTED,

WHERE POSSIBLE, TO OBTAIN FAVORABLE MEDIA COVERAGE AND TO CONVEY OUR SUPPORT TO KEY BOLIVIAN DEPUTIES AND SENATORS. THE MISSION HAS, OF COURSE, NO INTENTION OF TAKING A PUBLIC POSITION ON THIS PROPOSAL, NOR TO REVEAL THE PART PLAYED BY THE MISSION IN ITS DRAFTING TO ANY BUT THE MOST TRUSTED CONFIDANTS.

5. ON TUESDAY, OCTOBER 29, THE DAY AFTER THE PROPOSAL WAS INTRODUCED, THE AMBASSADOR AND DAS GELBARD CALLED ON PRESIDENT PAS ESTENSORRO AND EXPRESSED THE USG'S SATISFACTION AT ITS INTRODUCTION BY MNR DEPUTIES, LEAVING A COPY OF THE PROPOSAL WITH PRESIDENT PAZ. WHILE THE PRESIDENT HAD NOT YET BEEN MADE AWARE OF THIS BT

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STATE FOR INM AND ARA/AND
ARA FOR DAS GELBARD
WHITEHOUSE FOR DR. TURNER
SECSTATE PASS TO NSC FOR J. TILLMAN
DEA FOR AO, OF, OC, OISL
JUSTICE FOR CRIMINAL DIVISION: DR. JORGE RIOS

E.O. 12356: DECL: OADR
T/CS: SNAR, BL
SUBJECT: NEW PROPOSAL FOR NARCOTICS LAW INTRODUCED IN

REF: LA PAZ 8851

INITIATIVE IN ANY DETAIL BY HIS PARTY MEMBERS, HE TOOK THE NEWS WITH EQUANIMITY. WE ARE HOPEFUL THAT, AFTER HAVING READ AND DIGESTED THE CONTENT OF THE PROPOSAL, THE PRESIDENT WILL LEND HIS SUPPORT TO IT.

6. DURING THE WEEK FOLLOWING INTRODUCTION, MEDIA COVERAGE WAS GENERALLY FACTUAL/FAVORABLE, WITH ONE SANTA CRUZ PAPER ALLEGING THAT THE PROPOSAL WAS A USG INITIATIVE SIMILAR TO DRAFT LEGISLATION THAT WE HAD ALREADY INFLICTED ON A NUMBER OF OTHER SOUTH AMERICAN COUNTRIES. OF MORE IMPORTANCE IS THE GATHERING MOMENTUM OF SUPPORT FROM MEMBERS OF THE MNR, AND A SURPRISINGLY POSITIVE STATEMENT FROM ADN DEPUTY ALFREDO ARCE CARPIO, GENERALLY KNOWN AS A CURMUDGEON, FROM WHOM NOT MUCH WAS EXPECTED. ARCE'S STATEMENT WAS BROADCAST ON RADIO PANAMERICANA ON OCTOBER 30, AND EXCERPTS APPEARED IN FRONT PAGE ARTICLE IN LA PAZ DAILY "LOS TIEMPOS" ON NOVEMBER 4, TOGETHER WITH STATEMENTS OF DEPUTIES VELARDE AND ANAYA AMONG OTHER THINGS, ARCE STATED CATEGORICALLY THAT THE ADN WILL SUPPORT THIS PROPOSAL WITH QUOTE ALL OF ITS RESOURCES UNQUOTE.

7. THERE ALSO HAVE BEEN SOME INITIAL FAVORABLE REACTIONS FROM SOME WELL PLACED MIR DEPUTIES (THE PRINCIPAL OPPOSITION PARTY ON THE LEFT).

8. THE LEGISLATIVE PROCESS IS LENGTHY IN THE BOLIVIAN CONGRESS AND EVEN UNDER THE MOST FAVORABLE CIRCUMSTANCES THE PROPOSED LAW COULD NOT PASS UNTIL SOMETIME NEXT YEAR. ALTHOUGH PRESIDENT PAZ ESTENSORO IN PRINCIPLE THOUGHT THE CONGRESSIONAL INITIATIVE WAS POSITIVE, HE WARNED THAT THE DRAFT'S LENGTH AUTOMATICALLY CREATES NUMEROUS WINDOWS FOR PHILOSOPHICAL DEBATE AND ARTICLE-BY-ARTICLE CHALLENGES ON TECHNICAL IMPERFECTIONS AND CONCORDANCE WITH OTHER LAWS. THERE IS A LONG WAY TO GO ON THE PROPOSED LAW.

9. IN THE MEANTIME, NEWSPAPER STORIES EMANATING FROM VARIOUS SOURCES, INCLUDING SOME GOB GOVERNMENT SOURCES AND NON-ATTRIBUTED USIS PLACEMENTS, HAVE REFERRED EXPLICITLY TO THE NEED TO ELIMINATE "ILLEGAL COCA CULTIVATION." THE IDEA THAT THERE IS "ILLEGAL COCA" DEPENDS ENTIRELY ON THE EXISTENCE OF THE ANTI-NARCOTICS LAW THAT WAS ANNOUNCED LAST MAY AND OFFICIALLY PUBLISHED IN JULY (LA PAZ 8851 AND PREVIOUS).

10. WHEN DR. RIOS IS ABLE TO REVIEW TEXT OF THIS PROPOSAL, AND COMPARE IT WITH DECREE LAW, WE WOULD VERY MUCH APPRECIATE HIS CRITICAL COMMENTS BY CABLE.

(DRAFTED BY NAU:DYELLMAN) ROWELL
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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: AID, PGOV, BL, SU, SP, VE, PE, SNAR
SUBJECT: GETTING BOLIVIAN DEMOCRACY THROUGH THE NEXT
FEW MONTHS' ECONOMIC CRISIS: PLEAS TO
AMBASSADOR BY TOP MINISTERS

REF: (A) LA PAZ 8767, (B) LA PAZ 8859, (C) LA PAZ 8964

SUMMARY AND INTRODUCTION

1. (C) IN SEPARATE CONVERSATIONS WITH THE AMBASSADOR NOVEMBER 7 AND 8, BOLIVIA'S FOREIGN MINISTER ARAOZ, SPECIAL AMBASSADOR FOR DEBT AND FOREIGN ASSISTANCE ADOLFO LINARES, AND PLANNING MINISTER (ECONOMIC CZAR) BEDREGAL ALL EMPHASIZED THE NEED FOR TIMELY HELP BETWEEN NOW AND NEXT SPRING WHEN THE INTERNATIONAL FINANCIAL INSTITUTIONS (IFI'S) CAN BEGIN TO DELIVER AID TO BOLIVIA. THEY ALLUDED TO STORIES THAT U.S. OFFICIALS HAVE BEEN COOL OR NEGATIVE REGARDING BOLIVIA'S IMMEDIATE NEEDS IN CONVERSATIONS WITH OTHER COUNTRIES AND IN IFI MEETINGS. (BEDREGAL SAID SOME OF THESE STORIES MAY BE SOVIET DISINFORMATION.) EVEN IF THE U.S. CANNOT PROVIDE TANGIBLE ASSISTANCE IN THE IMMEDIATE FUTURE, THEY ASKED FOR POSITIVE VERBAL

SUPPORT BECAUSE OTHER COUNTRIES TO WHICH BOLIVIA HAS APPEALED ARE WAITING FOR SIGNALS FROM THE U.S.

2. (C) IN MAKING THEIR APPEALS THE OFFICIALS NOTED THAT:

-- THE COLLAPSE OF THE INTERNATIONAL TIN MARKET COSTS BOLIVIA REVENUES AND HARD CURRENCY EARNINGS FROM STOCKPILE SALES ON WHICH BOLIVIA HAD BEEN COUNTING TO GET THROUGH THE FIRST MONTHS OF THE RECESSION AND UNEMPLOYMENT (REF C) WHICH WILL RESULT FROM THE NEW ECONOMIC RECOVERY PROGRAM.

-- JANUARY-JUNE 1986 WILL BE ESPECIALLY CRITICAL: REVENUES STAGNANT OR DOWN, UNEMPLOYMENT SOARING, THE PRIVATE SECTOR STRUGGLING TO READJUST AND SURVIVE AND STILL FAR FROM CREATING NEW JOBS.

-- THE SUBSTANTIAL HARD CURRENCY RESERVES BUILT SINCE AUGUST 29 WILL ALMOST DISAPPEAR BY JANUARY 1 AS BOLIVIA PAYS A HEAVY SCHEDULE OF BILLS IN ORDER TO SUSTAIN CONTINUED BILATERAL AND IFI ASSISTANCE FLOWS.

-- PROPOSED USES OF FOREIGN ASSISTANCE IN PRIORITY ORDER: PRODUCTIVE INVESTMENT; AVOIDING CRIPPLING BILATERAL AND IFI ARREARAGES; COUNTERPART PAYMENTS FOR FOREIGN AID PROJECTS; AND PUBLIC PROJECTS THAT WOULD RELOCATE OR SOAK UP SOME OF THE UNEMPLOYED.

3. (S) LINARES LEFT NOVEMBER 14 ON A TRIP TO DEAL SERIOUSLY WITH PRIVATE BANK CREDITORS. HE ALSO IS SETTING IN MOTION A PLAN TO MOBILIZE BOLIVIA'S GOLD RESERVES (LA PAZ 9403). BEDREGAL IS DETERMINED TO CONCLUDE PRIVATE INVESTMENT GUARANTEE AGREEMENTS WITH THE U.S. (OPIC) FOR OTHER COUNTRIES IN THE NEXT FEW WEEKS. ALL RECOGNIZE THAT FOR THE MEDIUM TO LONG HAUL

THE WORLD BANK IS THE RIGHT INSTITUTION TO ORGANIZE BILATERAL AND IFI ASSISTANCE FOR BOLIVIA.

4. (U) THE CRITICAL PROBLEM IS SHORT-TERM AID. OUR ENEMIES WANT TO TAKE ADVANTAGE OF THE DEEPENING CRISIS IN THE IMMEDIATE FUTURE. NARCO TRAFFICKERS ARE EAGERLY OFFERING MONEY TO BOLIVIA'S CAPITAL-STARVED BUSINESSES. THEIR HIGH WAGES ARE STEALING LABOR FROM LEGITIMATE BUSINESSES AND TEMPTING DISPLACED MINE AND AGRICULTURAL LABOR. FAR-LEFT CONGRESSMEN TALK OPENLY OF EXPLOITING THE COMING UNEMPLOYMENT AND SOCIAL DISLOCATION TO RECOUP POLITICAL LOSSES AND ROCK THE PAZ ESTENSORO GOVERNMENT. ON LOCAL TELEVISION PROGRAMS THE SOVIETS ARE POINTING BT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: AID, PGOV, BL, SU, SP, VE, PE, SNAR
SUBJECT: GETTING BOLIVIAN DEMOCRACY THROUGH THE NEXT

THE FINGER AT GSA TIN SALES AND OFFERING TO TAKE ALL THE
TIN BOLIVIA CAN PRODUCE IN EXCHANGE FOR SOVIET MACHINERY.

5. (C) THE AMBASSADOR HAS EXPLAINED THE CONSTRAINTS ON
IMMEDIATE BILATERAL U.S. ASSISTANCE AND DISCOURAGED ANY
HOPES FOR A U.S. SWAP ARRANGEMENT. BUT IF WE AND OTHER
DEMOCRACIES AND THE IFI'S CANNOT PROVIDE MORE CONCRETE
ASSISTANCE BY JANUARY, BOLIVIA WILL HAVE TO CONTINUE
EMISSIONS THAT WOULD THREATEN A NEW INFLATIONARY SPIRAL
AND UNDERMINE ITS ECONOMIC RECOVERY PROGRAM. IN THAT
CASE WE CAN EXPECT DECLINING BOLIVIAN CREDIBILITY AND
ENERGY, AND FADING CONFIDENCE WITHIN THE PAZ GOVERN-
MENT -- ALL EXTREMELY DAMAGING TO OUR INTERESTS IN THE
ANDES.

6. (U) RECOMMENDATIONS: SEE PARAGRAPH 28. END SUMMARY.

INTENSE NEGOTIATING SCHEDULE WITH CREDITORS, INCLUDING

PRIVATE BANKS

7. (LOU) IN HIS NOVEMBER 8 TALK WITH THE AMBASSADOR
LINARES OUTLINED AN INTENSIVE NEGOTIATING PROGRAM. HE

MEETS WITH ULRICH MERTEN OF BANK OF AMERICA AND THE
PRIVATE BANKING CONSORTIUM OF CREDITORS ON NOVEMBER 15.
THE OBJECTIVE IS TO EXPLAIN BOLIVIA'S POLICIES AND
PLANS, INCLUDING ITS COMMITMENT TO MEET ITS DEBT OBLI-
GATIONS, AND TO EXCHANGE VIEWS. LINARES KNOWS IT IS
STILL TOO EARLY TO TALK ABOUT PRIVATE DEBT RESCHEDULING.

8. (C) LINARES THEN GOES TO SPAIN WHERE HE HOPES TO
PERSUADE THE SPANISH GOVERNMENT TO MAKE A SWAP AND,
PERHAPS, TO TAKE OVER EXISTING PRIVATE BANK CREDITS TO
BOLIVIA. HE OBVIOUSLY BELIEVES HE HAS A CHANCE ON THE
LATTER PROPOSAL. (SEE LA PAZ 9053 ON THE SWAP.) HE
THEN EXPECTS TO BE IN WASHINGTON DECEMBER 2 AND 3 TO
MEET WITH U.S. AGENCIES AND THE IMF, WORLD BANK AND
IDB.

9. (LOU) LINARES SAID THAT BOLIVIA WILL CONTINUE TO
ATTEND DEBT FORA SPONSORED BY THIRD WORLD COUNTRIES
SUCH AS CUBA AND PERU IN ORDER TO KEEP ABREAST OF ANY
POSSIBLE ACTIONS THAT COULD AFFECT DEBTOR NATIONS.
HOWEVER, BOLIVIA ALSO PLANS TO NEGOTIATE WITH ITS
CREDITORS ON A BILATERAL BASIS AS SOON AS POSSIBLE, AND
THE GOVERNMENT WILL PROVIDE ALL POSSIBLE ASSISTANCE TO
BOLIVIAN DEBTOR ENTITIES -- PRIVATE AND PUBLIC -- TO
HELP THEM NEGOTIATE WORKABLE REPAYMENT PROGRAMS WITH
PRIVATE FOREIGN BANKS. LINARES ADDED THAT ALTHOUGH THE
GLOBAL AMOUNT OF THE COUNTRY'S EXTERNAL DEBT IS NOT RPT
NOT IN QUESTION, IN MANY CASES THE PRECISE AMOUNTS OF
INDIVIDUAL DEBTS ARE NOT KNOWN BECAUSE OF DIFFERENCES
IN FIGURES. HE HAS ASSEMBLED A SMALL TEAM TO DO THE
STUDIES REQUIRED TO CLARIFY THE EXACT SIZE OF THE
INDIVIDUAL OBLIGATIONS.

SPECIAL SUPPORT ALREADY ARRANGED: VENEZUELA, PERU, UN

TECHNICAL, COLOMBIA, CAF, BRAZIL

10. (U) THE U.N. HAS AGREED TO PAY FOR FINANCIAL ADVISORS
FOR BOLIVIA, SAID LINARES. THE ADVISORS INCLUDE LEHMAN
BROTHERS, LAZARD FRERES AND CO., AND A BRITISH FIRM.
THE CONTRACTORS WILL PROVIDE ANALYSIS AND SUGGEST DEBT
STRATEGIES. THE FIRST PRODUCT IS TO BE A CASH FLOW
PROJECTION.

11. (LOU) VENEZUELA HAS RECENTLY AGREED TO TWO SWAPS,
ONE FOR NINE MILLION DOLLARS, THE OTHER FOR TWO-AND-A
BT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: AID, PGOV, BL, SU, SP, VE, PE, SNAR
SUBJECT: GETTING BOLIVIAN DEMOCRACY THROUGH THE NEXT

HALF MILLION DOLLARS. THIS BRINGS TOTAL VENEZUELAN
ASSISTANCE TO TWENTY MILLION DOLLARS.

12. (U) PERU, DESPITE ITS OWN PARLOUS STATE, ALSO HAS
PROVIDED A SWAP WHICH IS SYMBOLICALLY IMPORTANT EVEN
THOUGH THE AMOUNT IS MODEST.

13. (U) NOTE: IN ADDITION, COLOMBIA AND THE ANDEAN
DEVELOPMENT CORPORATION (CAF) HAVE ALREADY PROVIDED
TEN MILLION DOLLARS EACH. BRAZIL ANNOUNCED ON
NOVEMBER 13 THAT IT WOULD GIVE A FIFTEEN MILLION DOLLAR
SWAP. THIS BRINGS THE TOTAL OF FREELY-CONVERTIBLE,
IMMEDIATELY-AVAILABLE HARD CURRENCY CASH PLEDGES TO
ABOUT FIFTY MILLION DOLLARS, ALL RPT ALL FROM SOUTH
AMERICAN COUNTRIES.

WORLD BANK THE DESIRED FOCUS, BUT IFI HELP LIKELY TO

BE TOO LATE

14. (LOW) IMF NEGOTIATION OF A STAND-BY AGREEMENT WILL
BEGIN IN NOVEMBER. BOLIVIA EXPECTS TO HAVE A LETTER OF

INTENT IN IMF HANDS BY MID-DECEMBER ACCORDING TO
BEDREGAL AND LINARES. THEY ASSUME THE AGREEMENT WOULD
BE FORMALLY APPROVED AND THE FIRST OF FOUR TRANCHES
(ABOUT ELEVEN MILLION DOLLARS EACH) DISBURSED BY MID-
FEBRUARY. (NOTE: THIS APPEARS TO BE SLIPPING TO LATE
FEBRUARY.) WITH A STAND-BY THEY ALSO EXPECT TO GET UP
TO FIFTY MILLION DOLLARS IN CFF HELP, BUT GIVEN STAND-BY
TIMING CFF FUNDS PROBABLY WOULD NOT BE AVAILABLE UNTIL
MARCH OR APRIL AT THE EARLIEST.

15. (U) LINARES SAID THE IDB COULD DISBURSE PERHAPS
480 MILLION DOLLARS OVER THE NEXT THREE YEARS, ALL IN
PROJECT ASSISTANCE. SUCH AID WILL BE EXTREMELY HELPFUL
IN RIGHTING AND DEVELOPING BOLIVIA'S ECONOMY, BUT IT
WILL NOT HELP WITH THE CASH FLOW PROBLEMS OF THE NEXT
SIX TO NINE MONTHS. LINARES UNDERScoreD NEED FOR
UNTIED BALANCE OF PAYMENTS ASSISTANCE.

16. (C) BOTH BEDREGAL AND LINARES AGREED THAT THE WORLD
BANK IS THE IDEAL CHOICE TO ORGANIZE AN ASSISTANCE
GROUP. HOWEVER, THEY FEARED THAT EVEN UNDER AN
ACCELERATED SCHEDULE THE WORLD BANK'S EFFORTS COULD
PRODUCE NOTHING CONCRETE BEFORE THE SECOND HALF OF 1986.
BILATERAL CONTRIBUTORS WOULD NOT ACT UNDER WORLD BANK
AUSPICES UNTIL AFTER CONSULTATIVE MEETINGS TENTATIVELY
PLANNED FOR APRIL. AS FOR THE WORLD BANK'S OWN RE-
SOURCES, THERE ARE VERY FEW PROJECTS ON THE SHELF AND
READY TO GO. A FIFTY MILLION DOLLAR COMMODITY IMPORT
PROGRAM FOR THE MINERALS SECTOR COULD GET STARTED IN
SIX TO EIGHT MONTHS, SAID LINARES, AND THERE IS A
TWENTY-ONE MILLION DOLLAR PROJECT FOR THE "VUELTA
GRANDE" OIL/GAS FIELD.

17. (C) COMMENTS: A COMMODITY IMPORT PROGRAM WOULD
PARALLEL MUCH BILATERAL ASSISTANCE AND WOULD FAIL TO
ADDRESS CRITICAL DOMESTIC COST COMPONENTS. FOR
EXAMPLE, WE UNDERSTAND THE WORLD BANK PROPOSAL ALSO
INCLUDES THE RAIL NET AND OTHER SECTORS BESIDES
MINERALS. BUT THE RAIL NET NEEDS ROAD BED OVERHAUL
EVEN MORE THAN IT NEEDS THE ROLLING STOCK THE WORLD
BANK HAS IN MIND. WE ALSO HEAR THAT THE WORLD BANK
THINKS THE "VUELTA GRANDE" PROJECT IS DEAD, THOUGH THE
BRAZILIAN AMBASSADOR BELIEVES IT COULD BE REVIVED
(SEPTEL).

18. (U) THE MOST APPROPRIATE WORLD BANK INPUT WOULD BE
A STRUCTURAL OR SECTORAL ADJUSTMENT LOAN (SAL). IT
BT

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E.O. 12356: DECL: OADR
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SUBJECT: GETTING BOLIVIAN DEMOCRACY THROUGH THE NEXT

WOULD BE FAST DISBURSING AND WOULD DIRECTLY AID THE
ECONOMIC RESTRUCTURING WHICH IS AT THE HEART OF THE
NEW GOVERNMENT'S POLICY. BUT IT WILL TAKE AT LEAST
NINE TO TWELVE MONTHS TO NEGOTIATE SUCH A LOAN. END
COMMENTS.

PRIVATE SECTOR NO HELP IN SHORT RUN; MID-TERM

PROSPECTS BETTER

19. (U) BOLIVIA'S PRIVATE SECTOR IS RETRENCHING IN
THE FACE OF UNDER-CAPITALIZATION (CAUSED BY POLICIES
OF PRIOR GOVERNMENTS), SUDDENLY SEVERE IMPORT COMPETI-
TION FROM BRAZIL, ARGENTINA AND PERU, AND SLACK DEMAND
ARISING FROM THE ANTI-INFLATION CONTRACTION OF THE NEW
ECONOMIC PROGRAM.

20. (C) THE GOVERNMENT IS HASTENING ACTION TO ENCOURAGE
FOREIGN PRIVATE INVESTMENT, BUT DOES NOT EXPECT SUCH
INVESTMENT IN SIGNIFICANT SCALE ANY TIME SOON.
BEDREGAL IS PERSONALLY DIRECTING THE NEGOTIATIONS WITH
THE TWO U.S. OIL FIRMS (OCCIDENTAL AND TESORO) AND
TOLD THE AMBASSADOR HE EXPECTS TO ARRIVE AT AN AGREE-
MENT BY THE END OF 1985. IF THERE IS AGREEMENT, BOTH

COMPANIES EXPECT TO START DRILLING IN THE FIRST HALF OF
1986. (BOLIVIA CAN USE THE OIL, BUT HOW BEST TO USE
THE GAS IS ANOTHER QUESTION.) BEDREGAL AND LINARES
SAID THEY EXPECT TO HAVE AN OPIC AGREEMENT BY THE END
OF NOVEMBER. (NOTE: SIGNING NOW IS TENTATIVELY SET
FOR DECEMBER 19.) LINARES SAID HE WILL BE WORKING ON
AGREEMENTS WITH COMPARABLE INSTITUTIONS OF OTHER
INDUSTRIAL COUNTRIES. (U.S. BUSINESSES HAVE SAID AN
OPIC AGREEMENT WOULD APPRECIABLY INCREASE THE LIKELI-
HOOD OF INVESTMENT IN BOLIVIA.)

PLEAS FOR U.S. HELP, POLITICAL AND FINANCIAL

21. (C) ALL THREE OF THE AMBASSADOR'S INTERLOCUTORS
EMPHASIZED THAT THE U.S. CANNOT ESCAPE PLAYING A CENTRAL
ROLE IN THE WORLD'S RESPONSE TO BOLIVIA'S PLEAS FOR
HELP. BOLIVIAN AMBASSADORS HAVE REPORTED FROM MANY
CAPITALS THAT GOVERNMENTS TO WHOM BOLIVIA HAS APPEALED
ARE WAITING TO SEE WHAT THE U.S. POSITION IS. EVEN IF
THE U.S. CANNOT GIVE IMMEDIATE "BRIDGE ASSISTANCE"
(LA PAZ 8741), IT IS CRITICALLY IMPORTANT THAT THE U.S.
CONVEY TO OTHER POTENTIAL CONTRIBUTORS AND TO IFI STAFFS
THE POSITIVE VIEW THAT BOLIVIA NEEDS AND DESERVES
SUPPORT AND THAT ALL COUNTRIES SHOULD DO EVERYTHING
THEY CAN.

22. (C) ARAOZ, LINARES AND BEDREGAL ALSO ALL SAID THAT
THEY WERE HEARING FROM WASHINGTON AND NEW YORK THAT
U.S. REPRESENTATIVES WERE COOL AT BEST, SOMETIMES
OUTRIGHTLY NEGATIVE, REGARDING BOLIVIA'S PENDING
REQUESTS FOR SWAPS UNDER THE DOLS 150 MILLION SHORT-
TERM EMERGENCY AID PROPOSAL. BEDREGAL SPECULATED THAT
THE SOVIET EMBASSY IN LA PAZ HAS BEEN ALLUDING TO

"U.S. NEGATIVE REACTIONS" IN IFI'S. THE AMBASSADOR
SAID THERE CAN BE NO RPT NO DOUBT ABOUT U.S. STRONG
SUPPORT FOR THE PAZ GOVERNMENT AND ITS ECONOMIC
RECOVERY POLICIES. ALTHOUGH WE MUCH PREFER THE WORLD
BANK TO THE U.N. AS AN ORGANIZATIONAL VENUE, AND WE
HAVE CERTAIN SPECIAL CONSTRAINTS ON THE RELEASE OF OUR
OWN RESOURCES, NONE OF THIS DIMINISHES THE STRONG AND
EFFECTIVE SUPPORT WE HOPE THE DEMOCRATIC WORLD WILL
GIVE TO BOLIVIA. THE BOLIVIAN OFFICIALS HOPED THAT ALL
U.S. REPRESENTATIVES WOULD FIND APPROPRIATE OPPORTUNI-
TIES TO REITERATE THIS POSITIVE MESSAGE.

BT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: AID, PGOV, BL, SU, SP, VE, PE, SNAR
SUBJECT: GETTING BOLIVIAN DEMOCRACY THROUGH THE NEXT

23. (C) THE BOLIVIANS ALSO ASKED THAT THE U.S. GOVERNMENT TRY TO FIND SOME KIND OF EMERGENCY SHORT-TERM NO-INTEREST FUNDS TO HELP BOLIVIA UNTIL LONGER-TERM HELP CAN ARRIVE FROM A WORLD BANK CONSORTIUM. THE AMBASSADOR REPLIED ALONG THE FOLLOWING LINES:

-- SWAP ASSISTANCE IS PROBABLY OUT OF THE QUESTION.
. AS A MATTER OF POLICY BOTH TREASURY AND THE
. FEDERAL RESERVE PREFER NOT TO MAKE SWAP ARRANGEMENTS AT ALL. WHEN THEY ARE MADE, THEY ARE
. GENERALLY FOR PERIODS SHORTER THAN THE 180 DAYS
. BOLIVIA HAS PROPOSED. MOREOVER, SWAPS ARE ONLY
. MADE WHEN THERE IS ALREADY AN IRON-CLAD GUARANTEE
. THAT THE FUNDS TO REDEEM THE SWAP WILL BE PRESENT --
. E.G., A GUARANTEED IMF DISBURSEMENT.

-- THE U.S. BUDGET IS PREPARED SO FAR AHEAD OF THE
. FISCAL YEAR (18 MONTHS) THAT THE FUNDS CURRENTLY
. AVAILABLE -- BASED ON RELATIONS UNDER THE PREVIOUS
. BOLIVIAN ADMINISTRATION -- ARE VERY SMALL. MOREOVER, BECAUSE OF EARMARKING AND CONTRACTING OVERALL
. APPROPRIATIONS WE NO LONGER HAVE THE FLEXIBILITY TO
. REALLOCATE THAT WE DID IN THE 1960'S AND 1970'S.

-- THE BOLIVIANS SHOULD REGARD THE DISBURSEMENTS WE
. HAVE INITIATED FROM THE PIPELINE AS ASSISTANCE

. DIRECTED TO THE PAZ GOVERNMENT. EVEN THOUGH THE
. PIPELINE FUNDS WERE OBLIGATED IN PREVIOUS FISCAL
. YEARS, THEY WERE NOT DISBURSED BECAUSE THE PREVIOUS
. GOVERNMENT FAILED TO MEET CONDITIONS PRECEDENT.
. THE PAZ GOVERNMENT HAS MET THE NECESSARY CONDITIONS
. THROUGH ITS NEW ECONOMIC POLICY, AND THE RELEASE OF
. PIPELINE FUNDS IS A DIRECT RESPONSE TO THE PAZ
. GOVERNMENT'S ACTIONS AND NEEDS FOR 1986 AND BEYOND.

24. (S) THE AMBASSADOR ALSO URGED LINARES TO MOBILIZE BOLIVIA'S GOLD RESERVE. LINARES SAID THAT THE GOVERNMENT WILL (LA PAZ 9043 NOTAL). THEY ARE NOT CERTAIN HOW MUCH GOVERNMENT-HELD GOLD IS WORTH, HOWEVER, BECAUSE MUCH OF IT IS NOT RPT NOT REFINED OR ASSAYED.

BOLIVIA'S PRIORITIES FOR USE OF SHORT-TERM AID

25. (LOU) LINARES SAID THE GOVERNMENT'S PRIORITIES FOR USING EMERGENCY FOREIGN ASSISTANCE ARE, IN RANK ORDER:

- FINANCE EQUIPMENT AND OTHER KEY COMMODITY INPUTS
. FOR THE PRIVATE SECTOR (INDUSTRY, MINING, AGRO-
. INDUSTRY AND AGRICULTURE, ETC.)
- PAY OBLIGATIONS TO IFI'S ON TIME TO ENSURE THAT
. FINANCIAL FLOWS FROM SUCH INSTITUTIONS ARE NOT
. INTERRUPTED.
- UNDERWRITE COUNTERPART RESOURCES FOR PROJECTS
. FINANCED UNDER FOREIGN ASSISTANCE PROGRAMS. GIVEN
. BLEAK PROSPECTS FOR HIGHER GOVERNMENT REVENUES IN
. THE NEXT SIX TO NINE MONTHS, THE ALTERNATIVE TO
. FOREIGN AID TO HELP COVER COUNTERPART COSTS IS
. UNBACKED CURRENCY EMISSIONS.
- UNDERWRITE PROJECTS HAVING A JOB CREATION ELEMENT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: AID, PGOV, BL, SU, SP, VE, PE, SNAR
SUBJECT: GETTING BOLIVIAN DEMOCRACY THROUGH THE NEXT

. (CAN INCLUDE RELOCATION FROM MINING SECTOR TO
. AGRICULTURE IN OTHER PARTS OF BOLIVIA).

CONCLUSION AND RECOMMENDATIONS

26. (C) AS NOTED IN REF C AND IN PARAGRAPHS TWO AND FOUR ABOVE, THE UNAVOIDABLE, INITIALLY NEGATIVE EFFECTS OF THE ECONOMIC RECOVERY PROGRAM ARE BEGINNING TO BE FELT. THE SOVIETS, THE FAR LEFT COHORTS OF THE DISCREDITED SILES ZUAZO REGIME AND THE NARCOTRAFFICKERS ARE ALREADY SNIFFING NEW OPPORTUNITIES. OUR OWN PROJECTION OF THE BALANCE OF PAYMENTS SITUATION AND FISCAL DEFICIT (PREPARED BY ROBERT BURKE, THE USAID ECONOMIST IN LIMA, POUCHED TO ARA AND AA/LAC) SUGGESTS THAT THE BOLIVIAN FINANCIAL SITUATION WILL BE PARTICULARLY LIMITED BY JANUARY 1. THAT PROJECTION WAS PREPARED BEFORE THE INTERNATIONAL TIN MARKET COLLAPSE AND ASSUMED THAT BOLIVIA WOULD BE ABLE TO SELL ITS TIN STOCKPILE IN 1985 FOR DOLS 50-60 MILLION -- TWENTY TO TWENTY-FIVE MILLION MORE THAN BOLIVIA WOULD BE ABLE TO GET AT THE DISASTROUSLY LOWER PRICES LIKELY TO PREVAIL FOR THE NEXT SEVERAL MONTHS.

27. (C) WITHOUT SUBSTANTIAL EXTERNAL HELP IN THE FIRST

MONTHS OF 1986, THE PAZ GOVERNMENT WILL COME UNDER ENORMOUS PRESSURE TO MODIFY ITS ECONOMIC PROGRAM IN WAYS THAT COULD REDUCE ITS EFFECTIVENESS AND ITS PRIVATE SECTOR ORIENTATION. THE POLITICO-ECONOMIC CRISIS WOULD DIVERT CRITICAL HUMAN AND MATERIEL RESOURCES FROM THE NARCOTICS INTERDICTION AND COCA ERAOICATION PROGRAMS. (NOTE: INTERIOR MINISTER BARTHELEMY SIGNED A VOLUNTARY ERADICATION AGREEMENT WITH CHAPARE CAMPESINOS THE NIGHT OF NOVEMBER 8. ERADICATION MAY START AS SOON AS NOVEMBER 20.) THE PRESENT EXTRAORDINARY POLITICAL BASE FOR THE CONSOLIDATION OF DEMOCRACY COULD BE ERODED.

28. (C) UNDER THE CIRCUMSTANCES WE URGE THAT:

-- IN BILATERAL CONVERSATIONS AND IN MULTILATERAL INSTITUTIONS U.S. REPRESENTATIVES SHOULD STRONGLY SUPPORT THE IDEA OF PROMPT, EFFECTIVE AID FOR BOLIVIA EVEN THOUGH AT THE MOMENT WE MAY NOT BE ABLE TO SPECIFY THE NATURE AND LEVEL OF ALL U.S. HELP IN THE NEXT FEW MONTHS.

-- FOR THE MEDIUM AND LONG-TERM THE U.S. SHOULD PRESS TO ESTABLISH A DONOR'S MECHANISM UNDER THE AEGIS OF THE WORLD BANK.

-- U.S. EXECUTIVE DIRECTORS AND U.S. OFFICIALS CONSULTING WITH THE IFI'S SHOULD MAINTAIN HEAVY PRESSURE ON THE INSTITUTIONS TO ACCELERATE NEGOTIATING, CONSULTATION AND EVENTUAL PLEDGING SESSIONS.

-- THE U.S. MUST APPROVE PROMPTLY THE BILATERAL ASSISTANCE (PL 480-III, ESF, DA AND MAP/IMET) ALREADY PROPOSED IN THE FY-1986 BUDGET. EMBASSY LA PAZ

. WILL CONTINUE TO CONTROL ASSISTANCE DISBURSEMENTS
. SO THEY MOVE PARI PASSU WITH NARCOTICS INTERDICTION/ERADICATION.

-- WE SHOULD BRING JAPAN INTO THE DONOR PICTURE.

-- THERE SHOULD BE WORKED OUT BILATERALLY WITH BOLIVIA AND/OR TN CONSULTATION WITH OTHER COUNTRIES SOME EMERGENCY FINANCING TO BRIDGE THE GAP UNTIL WORLD BANK-SPONSORED AND IMF PROGRAMS CAN START DISBURSING ADEQUATE AID LEVELS.

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DEPT FOR DAS GELBARD; WHITEHOUSE FOR DR. TURNER;
NSC FOR J. TILLMAN

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: N/A
TAGS: PGOV, SNAR, SCUL, BL
SUBJECT: BOLIVIA CONSIDERING MANDATORY ANTI-DRUG
EDUCATION FOR YOUTH

1. (U) BOLIVIA'S CHAMBER OF DEPUTIES ON NOVEMBER 14 PASSED A MEASURE REQUIRING OBLIGATORY ANTI-DRUG SEMINARS FOR HIGH SCHOOL STUDENTS. THE PROPOSED STATUTE OBTAINED CHAMBER APPROVAL WITHIN A WEEK OF ITS INTRODUCTION. IT IS NOW UNDER CONSIDERATION BY THE SENATE AND, IF APPROVED, WILL BECOME LAW ONCE SIGNED BY PRESIDENT PAZ ESTENSSORO. THE NATIONWIDE PROGRAM WOULD TAKE EFFECT WITH THE 1986 SCHOOL YEAR.

2. (U) IN ADDITION TO MANDATORY DRUG-AWARENESS EDUCATION FOR HIGH SCHOOL STUDENTS BEFORE THEY MAY RECEIVE THEIR DIPLOMAS, THE LEGISLATION REQUIRES ALL "MEDIA OF SOCIAL COMMUNICATION" (I.E., PRINT AND BROADCAST MEDIA) TO INCLUDE ANTI-DRUG PROGRAMS AT LEAST ONCE A WEEK AS PART OF THEIR PUBLIC AFFAIRS PROGRAMMING. THE PROPOSED LAW ALSO AUTHORIZES THE

RESPONSIBLE CABINET MINISTERS TO SIGN AGREEMENTS WITH NATIONAL AND INTERNATIONAL ORGANIZATIONS TO OBTAIN DONATIONS, CREDITS AND TECHNICAL ASSISTANCE TO IMPLEMENT THE PROGRAM.

3. (LOU) COMMENT: THIS STATUTE IS A NOTABLE PUBLIC RECOGNITION OF THE PERNICIOUS AND PERVERSIVE SOCIAL EFFECTS OF BOLIVIA'S NARCOTICS TRADE ON THE COUNTRY'S FUTURE--ITS YOUTH. WE ARE ENCOURAGING ITS PROMPT APPROVAL AND WILL INVESTIGATE WAYS IN WHICH THE U.S. MIGHT APPROPRIATELY CONTRIBUTE TO THE IMPLEMENTATION OF THE PROGRAM BY OFFERING SOURCES FOR EDUCATIONAL MATERIAL AND THE LIKE. USIS MATERIALS WILL BE VERY USEFUL AS THE BOLIVIAN MEDIA ATTEMPT TO COMPLY WITH THE PROVISION CALLING FOR PUBLIC DISSEMINATION OF ANTI-DRUG MESSAGES. FOR EXAMPLE, SINCE ITS INCEPTION ALMOST TWO YEARS AGO, THE EDUCATIONAL CAMPAIGN ONTK IVLHPS THROUGHOUT BOLIVIA. IN ADDITION, CESE HAS GENERATED HUNDREDS OF NEWSPAPER ARTICLES ON THIS SUBJECT AND, IN JUNE OF THIS YEAR, SPONSORED AN UNPRECEDENTED GATHERING OF MEDIA DIRECTORS IN COCHABAMBA. THIS CONFERENCE RESULTED IN AN OFFICIAL COMMUNIQUE IN WHICH THE MEDIA DIRECTORS PLEDGED THEIR SUPPORT TO ANTI-NARCOTICS EFFORTS. ROWELL
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WHITE HOUSE SITUATION ROOM

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NSC FOR J. TILLMAN

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: N/A
TAGS: PGOV, SNAR, SCUL, BL
SUBJECT: BOLIVIA CONSIDERING MANDATORY ANTI-DRUG
- EDUCATION FOR YOUTH

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3. (LOU) COMMENT: THIS STATUTE IS A NOTABLE PUBLIC RECOGNITION OF THE PERNICIOUS AND PERVERSIVE SOCIAL

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BY RW NARA DATE 5/18/15

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WHITE HOUSE SITUATION ROOM

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EFFECTS OF BOLIVIA'S NARCOTICS TRADE ON THE COUNTRY'S FUTURE--ITS YOUTH. WE ARE ENCOURAGING ITS PROMPT APPROVAL AND WILL INVESTIGATE WAYS IN WHICH THE U. S. MIGHT APPROPRIATELY CONTRIBUTE TO THE IMPLEMENTATION OF THE PROGRAM BY OFFERING SOURCES FOR EDUCATIONAL MATERIAL AND THE LIKE. USIS MATERIALS WILL BE VERY USEFUL AS THE BOLIVIAN MEDIA ATTEMPT TO COMPLY WITH THE PROVISION CALLING FOR PUBLIC DISSEMINATION OF ANTI-DRUG MESSAGES. FOR EXAMPLE, SINCE ITS INCEPTION ALMOST TWO YEARS AGO, THE EDUCATIONAL CAMPAIGN ON DRUGS, KNOWN BY ITS SPANISH ACRONYM, CESE, HAS CONDUCTED MANY OF THE KINDS OF PROGRAM ENVISIONED BY THE PROPOSED LEGISLATION. CESE IS FUNDED BY NAU AND RECEIVES PROGRAM ADVICE AND SUPPORT FROM USIS. SINCE JANUARY 1984, CESE HAS CONDUCTED SEMINARS ON DRUG ABUSE FOR STUDENT GROUPS THROUGHOUT BOLIVIA. IN ADDITION, CESE HAS GENERATED HUNDREDS OF NEWSPAPER ARTICLES ON THIS SUBJECT AND, IN JUNE OF THIS YEAR, SPONSORED AN UNPRECEDENTED GATHERING OF MEDIA DIRECTORS IN COCHABAMBA. THIS CONFERENCE RESULTED IN AN OFFICIAL COMMUNIQUE IN WHICH THE MEDIA DIRECTORS PLEDGED THEIR SUPPORT TO ANTI-NARCOTICS EFFORTS. ROWELL
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WHITE HOUSE FOR CARLTON TURNER
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USCINCSO FOR POLAD

E.O. 12356: N/A
TAGS: SNAR, SCUL, BL
SUBJECT: PRESS COVERAGE OF COCA-REDUCTION PLAN

1. LA PAZ PRESS OF NOVEMBER 20 PROVIDES FRONT-PAGE COVERAGE OF GOB ANNOUNCEMENT THAT COCA REDUCTION IN THE CHAPARE WILL BEGIN NEXT WEEK. CONSERVATIVE DAILY EL DIARIO CARRIES REPORT ON COCA REDUCTION AS ITS LEAD STORY; FIRST PARAGRAPH OF THIS ARTICLE QUOTES INTERIOR MINISTER FERNANDO BARTHELEMY AS ASSERTING THAT 95 PERCENT OF THE COCA LEAF GROWN IN BOLIVIA ENDS UP BEING USED FOR COCAINE.

2. LEADING DAILY PRESENCIA ALSO CARRIES FRONT-PAGE REPORT ON COCA-REDUCTION PLAN. ARTICLE OFFERS DECLARATIONS OF INTERIOR MINISTER IN SOME DETAIL. AMONG THE PRINCIPAL POINTS HE MAKES ARE THE FOLLOWING:

--THE MECHANICS OF THE REDUCTION EFFORT WILL BE WORKED OUT TODAY DURING MEETINGS WITH CAMPESINO FEDERATIONS IN COCHABAMBA. THESE MEETINGS WILL SERVE TO IDENTIFY THE COMMUNITIES WHERE THE REDUCTION WILL TAKE PLACE.

--THE PLAN CALLS FOR TEAMS COMPOSED OF INTERIOR MINISTRY PERSONNEL, CENSUS BUREAU STAFF, JOURNALISTS, SURVEYORS AND OTHERS TO TRAVEL TO THE COMMUNITIES PREVIOUSLY IDENTIFIED WHERE THEY WILL MEASURE THE COCA CULTIVATION, DETERMINE TO WHAT EXTENT IT SURPASSES THE TWO HECTARE MAXIMUM AND PROCEED TO ELIMINATE THE EXCESS CULTIVATION.

--NO HERBICIDES OR OTHER CHEMICALS WILL BE USED; THE PLANTS WILL BE TORN UP USING HAND TOOLS AND BURNED.

--THE \$350 TO BE PAID TO THE CAMPESINO FOR EACH HECTARE DESTROYED IS MEANT TO COMPENSATE THE LANDOWNER FOR THE "WORK THEY WILL DO IN PULLING UP THE PLANTS AND BURNING THEM." THE MINISTER ALSO NOTED THAT THERE IS NO CHANCE THAT THE GOVERNMENT WILL INCREASE THIS AMOUNT, STATING: "ONE CANNOT CONSIDER PAYING THE REAL VALUE OF THE EXCESS COCA WHICH IS DESTINED FOR ILLEGAL ACTIVITIES."

3. PRESENCIA ARTICLE ALSO QUOTES AMBASSADOR ROWELL AS STATING THAT THE UNITED STATES IS PLEASED WITH THE EFFORTS BOLIVIA IS MAKING TO CONFRONT THE PROBLEM OF ILLEGAL COCA CULTIVATION, RECALLING THAT THE PERTINENT AGREEMENTS DATE BACK TO 1983.

4. ELSEWHERE IN TODAY'S PRESENCIA, THE CHIEF OF BOLIVIAN NARCOTICS POLICE, COL. GUIDO LOPEZ, IS QUOTED AS STATING THAT "THE CAMPESINOS WHO VOLUNTARILY ACCEPT COCA REDUCTION IN THE CHAPARE WILL RECEIVE THE BENEFITS OF CREDITS FOR SUBSTITUTE CROPS AND COMMUNITY DEVELOPMENT PROJECTS." LOPEZ IS REPORTED TO HAVE REASSERTED THE GOVERNMENT'S POSITION THAT THOSE CAMPESINOS WITH MORE THAN TWO HECTARES OF COCA WHO DO NOT PARTICIPATE IN THE VOLUNTARY REDUCTION PLAN WILL BE OBLIGED TO REDUCE THEIR

CULTIVATIONS. HOFFMANN
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DIA FOR IR BRANCH: USCINCSO ALSO FOR POLAD

DEPT FOR BARBRO OWENS ARA/AND

E.O. 12356: DECLASS: OADR

TAGS: EFIM, EAID, UNGA, BL

SUBJECT: INFORMATION ON PROPOSED BRIDGE LOAN
FOR BOLIVIA -- POSSIBLE TALKING POINTS

REF: (A) OSLO 06876 (B) LA PAZ 9140
(C) ROWELL/OWENS TELECON - NOVEMBER 18

1. (C) THE FOLLOWING TALKING POINTS ARE SUGGESTED
FOR WASHINGTON'S USE IN INSTRUCTING U.S. REPRESENTATIVES RE DISCUSSIONS WITH GOVERNMENTS AND
INTERNATIONAL FINANCIAL INSTITUTIONS ON QUESTIONS
RELATED TO FOREIGN ECONOMIC ASSISTANCE TO BOLIVIA.

2. (C) GENERAL POINTS

-- THE USG IS VERY ENCOURAGED BY THE PAZ ESTENSSORO
GOVERNMENT'S EFFORTS AT ECONOMIC STABILIZATION
PARTICULARLY WITH RESPECT TO IMPLEMENTING A
RESPONSIBLE FISCAL DEFICIT REDUCTION POLICY. WE
EXPECT THESE EFFORTS TO CONTINUE.

-- OTHER GOVERNMENTS AND INTERNATIONAL ORGANIZATIONS
HAVE ALSO REACTED FAVORABLY TO THE NEW ECONOMIC
POLICIES.

-- NONETHELESS, BOLIVIA'S EFFORTS AT ECONOMIC
RECOVERY FACE SERIOUS CONSTRAINTS DUE TO THE
DRAMATIC DROP IN TIN PRICES, AS WELL AS THE
ESTIMATED 200-300 MILLION DOLLAR SHORT-TERM
FINANCING GAP.

-- USG BELIEVES THAT THE IMMEDIATE SHORTFALL OR
GAP CANNOT BE COVERED BY AN INTERNATIONAL MONETARY
FUND (IMF) STANDBY AGREEMENT AND OTHER CREDIT
FACILITIES PROVIDED BY INTERNATIONAL INSTITUTIONS
(IFI'S). BULK OF IFI ASSISTANCE IS NOT EXPECTED
TO BE AVAILABLE UNTIL AFTER MID 1986.

-- BOLIVIA'S FAILURE TO RECEIVE IMMEDIATE SHORT-
TERM FINANCIAL ASSISTANCE TO CLOSE THE GAP THREATENS
TO UNDERMINE THE GOVERNMENT'S ATTEMPTS TO CONTROL
INFLATION AND STABILIZE THE VALUE OF THE PESO --
A TOUCHSTONE OF PUBLIC CONFIDENCE-- AND THUS RISKS
OVERALL CONFIDENCE IN THE GOVERNMENT AND ULTIMATELY
THE ECONOMIC PROGRAM.

3. (C) DONORS GROUP

-- WE WELCOME ANY MULTILATERAL EFFORTS THAT WOULD
PROVIDE FINANCIAL ASSISTANCE TO BOLIVIA IN THE
IMMEDIATE FUTURE.

-- WHILE BOLIVIAN OFFICIALS HAVE SPECIFICALLY
REQUESTED SWAP AGREEMENTS, WE BELIEVE THAT THE
BOLIVIAN ARE LESS CONCERNED WITH THE MODALITIES
THAN WITH GETTING LIQUID RESOURCES AS SOON AS
POSSIBLE.

-- WE WOULD ADVISE THAT GOVERNMENTS AND INTERNATIONAL
FINANCIAL INSTITUTIONS SHOULD CONSIDER PROVIDING
ASSISTANCE USING WHATEVER NATIONAL/INSTITUTIONAL
MECHANISMS ARE BEST SUITED TO MEET BOLIVIA'S IMMEDIATE
NEEDS. IN ADDITION TO SWAPS, GOVERNMENTS MIGHT
CONSIDER GRANTS AND UNTIED (EVEN UNSECURED) LOANS.

4. (U) USG ASSISTANCE (ALREADY USED OPENLY IN BOLIVIA)

-- THE USG HAS PROVIDED SIGNIFICANT DIRECT ECONOMIC
BT

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E.O. 12356: DECL: OADR
TAGS: EFIN, EAID, UNGA, BL
SUBJECT: INFORMATION ON PROPOSED BRIDGE LOAN

ASSISTANCE TO SUPPORT BOLIVIAN DEMOCRACY.

-- SINCE LATE AUGUST THE USG HAS MADE OVER 50 MILLION
DOLLARS IN ECONOMIC ASSISTANCE AVAILABLE TO THE
NEWLY INSTALLED PAZ ESTENSORO GOVERNMENT, 19 MILLION
OF IT IN GRANTS.

-- THE USG WILL CONTINUE TO PROVIDE BADLY NEEDED
ECONOMIC ASSISTANCE TO THIS STRUGGLING DEMOCRATIC
GOVERNMENT USING OUR OWN MECHANISMS.

5. (U) FYI

-- SINCE OCTOBER BOLIVIA HAS RECEIVED THE FOLLOWING
SHORT-TERM FINANCIAL CREDITS:

. COLOMBIA 10 MILLION DOLLARS
. ANDEAN DEVELOPMENT CORPORATION 10 MILLION DOLLARS
. VENEZUELA 20 MILLION DOLLARS

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USIA FOR P/G MEYER
WHITEHOUSE FOR DR. TURNER
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E.O. 12356: DECL: OADR
TAGS: SNAR, BL
SUBJECT: PROPOSAL FOR A MAJOR NATIONWIDE ANTI-NARCOTICS
CAMPAIGN BY BOLIVIAN MINISTER OF EDUCATION

1. ON THE EVENING OF OCTOBER 30, BOLIVIAN MINISTER OF EDUCATION DR. ENRIQUE IPINA MELGAR CALLED NAU DIRECTOR DON YELLMAN TO MEET WITH HIM IN HIS OFFICE. YELLMAN WAS ACCOMPANIED BY USIS PRESS OFFICER STEVE SECHÉ AND NAU/COCHABAMBA ATTORNEY ENRIQUE VALVERDE; THE MINISTER WAS ACCOMPANIED BY HIS NATIONAL DIRECTOR FOR STUDENT AFFAIRS, DR. JOAQUIN MONASTERIO PINCKERT, AND MR. DOMINGO POLITTI OF THE LA PAZ PUBLICITY FIRM "SOMOS". PURPOSE OF THE INVITATION WAS TO PRESENT THE MISSION WITH A SWEEPING NEW PROPOSAL FOR AN ANTI-NARCOTICS CAMPAIGN TO BE CARRIED OUT BY MINISTRY OF EDUCATION, WITH PROFESSIONAL SUPPORT OF "SOMOS", AND TO SEEK USG FINANCIAL SUPPORT FOR THIS UNDERTAKING.

2. THE MISSION HAS HAD PREVIOUS CONTACT WITH THE "SOMOS" AGENCY WHICH, IN COOPERATION WITH MNR DEPUTY MARIO VELARDE, ATTEMPTED TO OBTAIN USG SUPPORT FOR A PUBLICITY CAMPAIGN IN CONNECTION WITH PROPOSED NEW NARCOTICS LEGISLATION THAT WAS INTRODUCED IN BOLIVIAN CHAMBER OF DEPUTIES ON OCTOBER 28. AT THAT TIME WE DECLINED THE OFFER, PARTLY BECAUSE WE LACKED THE FLEXIBILITY TO RESPOND TO IT, BUT PRINCIPALLY BECAUSE WE WERE SKEPTICAL OF TOO HEAVY A U.S. HAND IN THE LEGISLATIVE PROCESS. ALSO, WE WERE NOT FULLY CONVINCED OF THE NEED FOR THIS PARTICULAR CAMPAIGN IN CONNECTION WITH NARCOTICS LEGISLATION. "SOMOS" IS A WELL-REGARDED ORGANIZATION, APPARENTLY WITH EXCELLENT CONTACTS WITHIN THE GOVERNING MNR PARTY. IT HAS CARRIED OUT A NUMBER OF SUCCESSFUL MEDIA CAMPAIGNS IN THE HEALTH FIELD WITH FINANCING BY INTERNATIONAL ORGANIZATIONS. WHILE THERE IS NO DOUBT THAT SOME OF MINISTER IPINA'S ENTHUSIASM FOR AN ANTI-NARCOTICS CAMPAIGN WAS GENERATED BY "SOMOS" WITH THEIR OWN INTERESTS IN MIND, WE HAVE ALSO HEARD FROM INDEPENDENT SOURCES THAT THE MINISTER IS PERSONALLY CONVINCED

OF THE GREAT DANGER TO BOLIVIAN YOUTH REPRESENTED BY THE PRODUCTION AND READY AVAILABILITY OF NARCOTICS.

3. MINISTER IPINA APPEARS TO BE AN INTELLIGENT AND VIGOROUS INDIVIDUAL, AND IS REGARDED AS WELL-QUALIFIED TO HOLD HIS PARTICULAR PORTFOLIO. HE ALSO HELD IT DURING THE SILES ADMINISTRATION. A NARCOTICS EDUCATION CAMPAIGN HEADED BY THE MINISTER, SUPPORTED BY THE PRESTIGE AND RESOURCES OF HIS MINISTRY, WOULD HAVE OBVIOUS ADVANTAGES -- NOT THE LEAST OF WHICH IS THE FACT THAT THE EDUCATION MINISTRY IS UNTAINTED BY NARCOTICS CORRUPTION. MINISTER IPINA PREFACED HIS REMARKS AND PRESENTATION OF THE PROPOSAL WITH THE COMMENT THAT HE HAD DISCUSSED THE IDEA WITH PRESIDENT PAZ WHO HAD REPORTEDLY GIVEN THE GREEN LIGHT TO GO AHEAD.

4. THE PROPOSAL ITSELF (A COPY OF WHICH HAS BEEN POUCH-ED TO INM/P, ATTN. MARY JEANNE MARTZ) IS POSITIVE AND COMPREHENSIVE. THE MINISTER SAID HE WOULD LIKE TO BEGIN FORMING THE GROUP TO ADMINISTER THIS PROGRAM WITHIN THE NEXT TWO WEEKS, AND BEGIN THE ACTUAL CAMPAIGN, WHICH HE FORESEES AS LASTING ONE CALENDAR YEAR, IN JANUARY 1986. THE PRICE TAG FOR THE TOTAL CAMPAIGN WOULD BE DOLS 1.25 MILLION, AND HE REQUESTED THAT THE FULL AMOUNT BE FUNDED BY THE USG. THE VEHICLE FOR FUNDING WOULD BE A BILATERAL USG/GOB AGREEMENT.

5. NAU/YELLMAN RESPONDED THAT WE ARE MOST PLEASED AT THE INTEREST SHOWN BY THE MINISTRY, AND THAT WE WOULD EXPLORE MEANS TO COOPERATE IN THIS VENTURE WITHIN OUR CLEAR BUDGETARY LIMITATIONS. EXPLAINING THAT OUR FY-86 BUDGET HAS YET TO BE APPROVED BY CONGRESS AND THAT IT CONTAINS NO PROVISIONS FOR AN EDUCATIONAL CAMPAIGN OF THIS SCOPE, YELLMAN TOLD THE MINISTER THAT WE WOULD

NEVERTHELESS GIVE THE PROPOSAL SERIOUS AND CAREFUL ATTENTION, AND WOULD PROVIDE HIM WITH A RESPONSE ON OUR CAPACITY TO ASSIST AS SOON AS POSSIBLE.

6. IT IS THE MISSION'S VIEW THAT THE PROPOSAL COULD BE PARED DOWN SUBSTANTIALLY IN SCOPE AND STILL BE EFFECTIVE, AND THAT IT COULD FURTHER BE DIVIDED INTO STAGES THAT MIGHT STRETCH THE TIME FRAME TO AS MUCH AS TWO YEARS TO PERMIT FUNDING AND LONGER PUBLIC EXPOSURE. WE BELIEVE THAT IF WE WERE TO MAKE A COUNTER-PROPOSAL

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E. O. 12356: DECL: OADR
TAGS: SNAR, BL
SUBJECT: PROPOSAL FOR A MAJOR NATIONWIDE ANTI-NARCOTICS

FOR FUNDING AT THE LEVEL OF DOLS 300-500 THOUSAND DURING
FY-86, THE PROGRAM WOULD GO FORWARD. WE HAVE ALSO
BEEN SPENDING APPROXIMATELY DOLS 70 THOUSAND FROM PD &
S ACCOUNT PER ANNUM FOR OPERATIONS OF NAU-SPONSORED
CESE EDUCATIONAL CAMPAIGN, WHICH COULD CONCEIVABLY BE
COMBINED WITH MINISTRY OF EDUCATION EFFORT. WHILE WE
ANTICIPATE NEED FOR SUBSTANTIAL EXPENDITURES IN COCA-
REDUCTION EFFORTS, AN EFFECTIVE EDUCATION CAMPAIGN
MIGHT BE ATTRACTIVE ENOUGH TO TEMPT US TO REPROGRAM
SOME OF THESE PAST FY FUNDS TO THE EDUCATIONAL EFFORT.

7. WE ARE FACED WITH A CHOICE, AND WOULD APPRECIATE
DEPARTMENT/INM VIEWS ON HOW TO PROCEED AFTER THE POUCH-
ED PROPOSAL HAS BEEN READ AND DISCUSSED. IT CAN BE
REASONABLY ARGUED THAT IF PAST BOLIVIAN GOVERNMENTS HAD
BEEN WILLING TO MOUNT AN EDUCATIONAL CAMPAIGN OF THIS
SCOPE, WE MIGHT BE IN A MUCH BETTER POSITION TODAY.
WE ARE, AT THE SAME TIME, KEENLY AWARE THAT BY THE
MEASURING STICK OF ACTUAL PERFORMANCE BOLIVIA HAS NOT
YET OFFERED MUCH, ALTHOUGH WE ARE CONVINCED THAT
EVENTS OF SOME SIGNIFICANCE WILL OCCUR IN COCA REDUCTION
PRIOR TO THE END OF CY-85. ON BALANCE, WE BELIEVE THAT
MINISTER IPINA, SUPPORTED BY OVER 4,000 TEACHERS
NATIONWIDE AND THE PROFESSIONAL CAPACITY OF THE "SOMOS"
ORGANIZATION, COULD AND WOULD CARRY OUT AN EFFECTIVE
CAMPAIGN, AND WE WOULD LIKE TO GIVE HIS PROPOSAL OUR
MOST THOUGHTFUL AND CAREFUL CONSIDERATION. A PRINCIPAL
ADVANTAGE IS THAT IT PUBLICLY REPRESENTS A BOLIVIAN
EFFORT BY BOLIVIAN, AIMED AT BOLIVIAN. THE HIGH
PROMINENCE OF U.S. CONCERNS IN THIS AREA HAS TOO
FREQUENTLY BEEN AN OBSTACLE. (DRAFTED: NAU: DYELLMAN)
ROWELL
BT

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E.O. 12356: DECL: OADR
TAGS: EAGR, EAI0, SNAR, BL
SUBJECT: SUPPORT FOR DEMOCRATIC ECONOMIC RECOVERY
PROGRAM AND ANTI-NARCOTICS

REFS: (A) LA PAZ 9140; (B) LA PAZ 8895

SUMMARY

1. (LOU) TO ADDRESS SPECIFIC REQUESTS BY THE GOVERNMENT OF BOLIVIA (GOB) WITHIN THE CONTEXT OF ITS REQUEST FOR BROADLY-BASED FINANCIAL AND POLITICAL SUPPORT FOR ITS ECONOMIC PROGRAM, USAID HAS MODIFIED ITS PL-480 TITLE II PROGRAM TO PROVIDE 2,000 METRIC TONS OF FOOD COMMODITIES, VALUED AT DOLS 900,000, TO SUPPORT A CY 1986 FOOD FOR WORK ACTIVITY IN LA PAZ MUNICIPALITY AND PROPOSED THE SHIFTING OF DOLS 10 MILLION UNDER ITS DOLS 52.5 MILLION DISASTER RECOVERY PROJECT FOR BOLIVIA'S AGRICULTURAL PRODUCTION CREDIT REQUIREMENTS.

FLEXIBLE APPROACH TO ASSISTANCE

2. (U) USAID AND THE ADVENTIST DEVELOPMENT RELIEF AGENCY (ADRA) HAVE RESPONDED FAVORABLY TO A REQUEST FROM THE MAYOR OF LA PAZ TO PROVIDE 2,000 METRIC TONS OF PL-480 TITLE II FOOD COMMODITIES VALUED AT DOLS 900,000 TO SUPPORT A CY 1986 FOOD FOR WORK PROGRAM IN THE CITY OF LA PAZ. THE PROGRAM, WHICH BEGINS ON JANUARY 1, WILL SUPPORT IMPROVEMENTS IN THE CITY'S URBAN INFRASTRUCTURE, INCLUDING SEWAGE AND DRAINAGE SYSTEMS, DEVELOPMENT OF POTABLE WATER SUPPLIES, CONSTRUCTION OF LOCAL MARKETS, AND STREET IMPROVEMENTS. APPROXIMATELY 5,000 WORKERS PER MONTH (PLUS THEIR 15,000 DEPENDENTS) WILL BENEFIT FROM THE PROGRAM. IT IS EXPECTED THAT THIS ACTIVITY WILL BE A HIGHLY VISIBLE COMPONENT OF THE DYNAMIC NEW MAYOR'S EFFORTS TO IMPROVE THE CAPITAL'S INFRASTRUCTURE, WHILE CONCURRENTLY HELPING TO ALLEVIATE SEVERE UN/UNDEREMPLOYMENT IN THE CITY.

3. (U) USAID HAS ALSO BEGUN MODIFYING THE DOLS 52.5 MILLION DISASTER RECOVERY PROJECT (511-0581) IN ORDER

TO PERMIT THE USE OF DOLS 10.0 MILLION FOR AGRICULTURAL PRODUCTION CREDIT. THIS CHANGE STEMS FROM THE GOVERNMENT'S DESPERATE NEED TO PROVIDE FARMERS WITH ESSENTIAL FINANCIAL CAPITAL FOR THE 1985-86 PLANTING SEASON. IT IS ESTIMATED THAT DOLS 95 MILLION IN PRODUCTION CREDIT WILL BE NEEDED FOR THE CROP SEASON, OF WHICH DOLS 55 MILLION MUST COME FROM THE BANKING SYSTEM. DESPITE THE RECENT POSITIVE CHANGES IN THE GOVERNMENT'S FISCAL POLICIES, THE BANKING SYSTEM DOES NOT HAVE ENOUGH CAPITAL TO MEET THE AGRICULTURAL CREDIT DEMAND. THE GOVERNMENT, SENSITIVE TO THE NEED TO MAINTAIN CONTROL OF INFLATIONARY MONETARY EMISSIONS, WHILE CONTINUING TO SUPPORT AGRICULTURAL RECOVERY, SAW NO ALTERNATIVE TO ASKING FOREIGN DONORS TO FINANCE AS MUCH AS POSSIBLE OF THE PRODUCTION CREDIT REQUIREMENT. APART FROM AID'S DOLS 10 MILLION, OTHER POSSIBLE DONOR SOURCES INCLUDE: THE EXTENSION INTO AGRICULTURAL CREDIT OF AT LEAST DOLS 10 MILLION OF THE DOLS 20 MILLION PROVIDED BY COLUMBIA AND THE ANDEAN DEVELOPMENT CORPORATION IN SHORT-TERM BALANCE OF PAYMENTS FINANCING; AND THE REPROGRAMMING OF PART OF THE INTER-AMERICAN DEVELOPMENT BANK'S ALREADY OBLIGATED DOLS 15.7 MILLION DISASTER RECOVERY PROJECT.

ADDITIONAL NEEDS

4. (C) USAID'S ABILITY TO BE SOMEWHAT FLEXIBLE WITH EXISTING PROJECT FUNDS IN ORDER TO HELP THE GOB MEET SPECIFIC NEEDS HAS BEEN VERY GRATEFULLY RECEIVED. NEVERTHELESS, THERE ARE SEVERE LIMITATIONS ON THE POSSIBILITY OF REPEATING THIS MODE OF ACTION. USAID ACTIONS HAVE BOUGHT A LITTLE POLITICAL SPACE TO AID THE GOB IN THE IMPLEMENTATION OF ITS ECONOMIC PROGRAM. HOWEVER, THE PRESSURE WILL CONTINUE FOR A MORE TANGIBLE DEMONSTRATION

FOR U.S. SUPPORT FOR THE GOB'S ECONOMIC REFORM PROGRAM.

5. (C) FYI IN CONVERSATIONS WITH GOB OFFICIALS REGARDING ASSISTANCE PROVIDED TO THE PAZ GOVERNMENT TO DATE, THE MISSION HAS BEEN USING THE FIGURE OF APPROXIMATELY DOLS 54 MILLION AS HAVING BEEN FREED UP FOR DISBURSEMENT BY USAID AS A RESULT OF THE POLICY MEASURES TAKEN.

6. (LOU) THE BREAKDOWN OF THE DOLS 54 MILLION IS AS FOLLOWS:

| PROGRAM/PROJECT | \$ MILLION |
|-----------------|------------|
| BT | |

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E. O. 12356: DECL: OADR
TAGS: EAGR, EAID, SNAR, BL
SUBJECT: SUPPORT FOR DEMOCRATIC ECONOMIC RECOVERY

| | | |
|---|---|-----------|
| AGRO-INDUSTRIAL REACTIVATION IMPORTATION | - | 15.5 (L) |
| AGRICULTURAL CREDIT | - | 10.0 (L) |
| PL 480 TITLE I | - | 10.0 (L) |
| PL 480 TITLE II | - | 10.0 (G) |
| MANAGEMENT TRAINING | - | 2.0 (G) |
| TRAINING FOR DEVELOPMENT | - | 2.5 (G) |
| HANDICRAFT EXPORT DEVELOPMENT | - | 3.0 (G) |
| CHILD SURVIVAL PROGRAM | - | 1.5 (G) |
| TOTAL TO DATE (11/15) | - | DOLS 54.5 |

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DEA FOR AO, OF, CC, OISL

JUSTICE FOR CRIMINAL DIVISION; DR. JORGE RIOS

--

E.O. 12356: DECL: OADR
TAGS: SNAR, PGOV, BL
SUBJECT: PROPOSED NARCOTICS LAW STALLED IN BOLIVIAN
- CHAMBER OF DEPUTIES

REF: (A) LA PAZ 8928 (NOTAL) (B) LA PAZ 8362 (NOTAL)

SUMMARY

1. (C) SINCE THE PROPOSAL FOR A COMPREHENSIVE

NARCOTICS LAW IN BOLIVIA WAS INTRODUCED IN THE CHAMBER OF DEPUTIES ON OCTOBER 28, 1985, (REF A), THERE HAS BEEN LITTLE MOVEMENT TO PUSH THE LAW FORWARD FROM THE FOUR COMMITTEES WHERE IT CURRENTLY LINGERS. PUBLIC OR CONGRESSIONAL SUPPORT FROM THE MAJOR POLITICAL PARTIES FOR THE PROPOSAL HAS BEEN MINIMAL. UNLESS TOP LEVEL PARTY LEADERS PUSH HARD ON THEIR MEMBERS IN CONGRESS, THERE IS A GOOD CHANCE THE BILL WILL DIE WITHOUT EVEN COMING TO A VOTE IN THE CHAMBER OF DEPUTIES, MUCH LESS GETTING TO THE SENATE OR TO THE PRESIDENT'S OFFICE. END SUMMARY.

ISOLATED SUPPORT FOR NEW NARCOTICS LAW

2. (C) A FEW DEPUTIES HAVE PUBLICLY STATED THEIR SUPPORT FOR THE BILL AND SAID THEY WILL WORK FOR ITS PASSAGE, BUT OVERALL SUPPORT HAS BEEN LACKING. THE PROPOSED BILL IS PERCEIVED AS POLITICALLY CONTROVERSIAL AND AS POSSIBLY PHYSICALLY DANGEROUS TO THOSE WHO SUPPORT IT. ON NOVEMBER 20, NAU CONTRACTOR/ATTORNEY DR. ENRIQUE VALVERDE MET WITH A NATIONALIST DEMOCRATIC ACTION (ADN) REPRESENTATIVE TO ASK HIM TO USE THE ADN-MNR (NATIONALIST REVOLUTIONARY MOVEMENT--THE GOVERNING PARTY) AGREEMENT (REF B) TO INCREASE SUPPORT FOR THE PROPOSAL. THE ADN REPRESENTATIVE IS ON THE ADN-MNR INTERPARTY COMMISSION. THE ADN REPRESENTATIVE NOTED THAT THERE IS SOME ADN OPPOSITION TO THE BILL AND WAS UNRESPONSIVE. VALVERDE IS TO MEET WITH DEPUTY ANTONIO ARANIBAR FROM THE REVOLUTIONARY LEFTIST MOVEMENT/BOLIVIA (MIR-BL) PARTY ON NOVEMBER 22 TO DISCUSS GETTING LEFTIST SUPPORT FOR THE PROPOSAL.

COMMENT

3. (C) AS WE ANTICIPATED IN REF A, THE BILL HAS A LONG WAY TO GO. THE LONG SUMMER RECESS THAT STARTS AT THE END OF DECEMBER WILL ROB IT OF WHAT LITTLE MOMENTUM IT HAS NOW. AT THIS POINT, WE WILL CONTINUE OUR NECESSARILY DISCREET EFFORTS TO BUILD SUPPORT FOR THE BILL AS PART OF OUR MAJOR 1986 ANTI-NARCOTICS EFFORTS. (DRAFTED BY: H.O'HARA) ROWELL

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E.O. 12356: DECL: OADR
TAGS: SNAR, PGOV, BL
SUBJECT: PROPOSED NARCOTICS LAW STALLED IN BOLIVIAN
- CHAMBER OF DEPUTIES

REF: (A) LA PAZ 8928 (NOTAL) (B) LA PAZ 8362 (NOTAL)

SUMMARY

1. (C) SINCE THE PROPOSAL FOR A COMPREHENSIVE
NARCOTICS LAW IN BOLIVIA WAS INTRODUCED IN THE
CHAMBER OF DEPUTIES ON OCTOBER 28, 1985, (REF A),

THERE HAS BEEN LITTLE MOVEMENT TO PUSH THE LAW
FORWARD FROM THE FOUR COMMITTEES WHERE IT CURRENTLY
LINGERS. PUBLIC OR CONGRESSIONAL SUPPORT FROM
THE MAJOR POLITICAL PARTIES FOR THE PROPOSAL HAS
BEEN MINIMAL. UNLESS TOP LEVEL PARTY LEADERS PUSH
HARD ON THEIR MEMBERS IN CONGRESS, THERE IS A GOOD
CHANCE THE BILL WILL DIE WITHOUT EVEN COMING TO A
VOTE IN THE CHAMBER OF DEPUTIES, MUCH LESS GETTING
TO THE SENATE OR TO THE PRESIDENT'S OFFICE. END
SUMMARY.

ISOLATED SUPPORT FOR NEW NARCOTICS LAW

2. (C) A FEW DEPUTIES HAVE PUBLICLY STATED THEIR
SUPPORT FOR THE BILL AND SAID THEY WILL WORK FOR ITS
PASSAGE, BUT OVERALL SUPPORT HAS BEEN LACKING. THE
PROPOSED BILL IS PERCEIVED AS POLITICALLY CONTROVERSIAL
AND AS POSSIBLY PHYSICALLY DANGEROUS TO THOSE WHO
SUPPORT IT. ON NOVEMBER 20, NAU CONTRACTOR/ATTORNEY
DR. ENRIQUE VALVERDE MET WITH A NATIONALIST DEMOCRATIC
ACTION (ADN) REPRESENTATIVE TO ASK HIM TO USE THE
ADN-MNR (NATIONALIST REVOLUTIONARY MOVEMENT--THE GOVERN-
ING PARTY) AGREEMENT (REF B) TO INCREASE SUPPORT FOR
THE PROPOSAL. THE ADN REPRESENTATIVE IS ON THE
ADN-MNR INTERPARTY COMMISSION. THE ADN REPRESENTATIVE
NOTED THAT THERE IS SOME ADN OPPOSITION TO THE BILL
AND WAS UNRESPONSIVE. VALVERDE IS TO MEET WITH
DEPUTY ANTONIO ARANIBAR FROM THE REVOLUTIONARY
LEFTIST MOVEMENT/BOLIVIA (MIR-BL) PARTY ON NOVEMBER 22
TO DISCUSS GETTING LEFTIST SUPPORT FOR THE PROPOSAL.

COMMENT

3. (C) AS WE ANTICIPATED IN REF A, THE BILL HAS
A LONG WAY TO GO. THE LONG SUMMER RECESS THAT STARTS
AT THE END OF DECEMBER WILL ROB IT OF WHAT LITTLE
MOMENTUM IT HAS NOW. AT THIS POINT, WE WILL CONTINUE
OUR NECESSARILY DISCREET EFFORTS TO BUILD SUPPORT FOR
THE BILL AS PART OF OUR MAJOR 1986 ANTI-NARCOTICS
EFFORTS. (DRAFTED BY: H.O'HARA)RONELL
BT

~~CONFIDENTIAL~~