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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) 11/26/1985-01/08/1986

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
120124	PAPER	RE SOUTH AMERICAN HIGHLIGHTS	3	11/26/1985	B1 B3
120127	CABLE	261921Z NOV 85	2	11/26/1985	B1 B3
120129	CABLE	LA PAZ 09486 <b>R 5/18/2015 M353/1</b>	3	11/27/1985	B1
120131	CABLE	LA PAZ 09537 <b>R 5/18/2015 M353/1</b>	3	11/29/1985	B1
120132	CABLE	LA PAZ 09695 <b>R 5/18/2015 M353/1</b>	8	12/5/1985	B1
120136	CABLE	052348Z DEC 85	1	12/5/1985	B1 B3
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120144	CABLE	122300Z DEC 85	1	12/12/1985	B1 B3
120146	CABLE	170253Z DEC 85	1	12/17/1985	B1 B3
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120148	CABLE	LA PAZ 10097 <i>R 5/18/2015 M353/1</i>	8	12/18/1985	B1
120149	MEMO	PHIL MCLEAN THROUGH BOB GELBARD TO ELLIOTT ABRAMS RE BOLIVIA <i>R 5/18/2015 M353/1</i>	1	12/19/1985	B1

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~~CONFIDENTIAL~~ SECTION 01 OF 03 LA PAZ 09486

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: ELAB, PGOV, PINS, BL  
SUBJECT: CHALLENGE TO THE GOVERNMENT'S RECOVERY  
PROGRAM -- THE LABOR SECTOR

REF: (A) LA PAZ 8567; (B) LA PAZ 8189

SUMMARY

1. (C) SINCE LATE OCTOBER (REF A), LABOR-GOVERNMENT RELATIONS REMAIN DISTANT AND STRAINED. LABOR-GOVERNMENT TALKS RESUMED ON NOVEMBER 11 ONLY TO BREAK OFF NOVEMBER 13. TO REGAIN RANK-AND-FILE SUPPORT THE BOLIVIAN WORKERS CENTRAL (COB) LEADERS DECIDED IN MID-NOVEMBER TO PUSH FOR:

- TRADE UNION LEADER "IMMUNITY" AKIN TO CONGRESSIONAL IMMUNITY;
- REINSTATEMENT OF ALL WORKERS WHO HAVE LOST JOBS AS A RESULT OF ECONOMIC RETRENCHMENT;
- HIGHER SALARY SCALES.

2. (C) COB RANK AND FILE HAVE TOLD THEIR LEADERSHIP THAT THEY WANT TO BE ABLE TO EARN ENOUGH MONEY FOR THE HOLIDAYS, THAT THEY FEAR THEY COULD LOSE THEIR JOBS, AND THAT THEY DO NOT WANT STRIKES OR STOPPAGES WHICH

COULD CUT INTO THEIR EARNINGS OR PUT THEIR CHRISTMAS BONUS AT RISK. NEVERTHELESS, SOME LABOR LEADERS BELIEVE THAT WORKER MILITANCY COULD INCREASE IN EARLY 1986 ESPECIALLY IF THERE IS NO ECONOMIC IMPROVEMENT FOR THEM. END SUMMARY.

COB REMAINS WEAK AND DEMORALIZED

3. (C) REF A SITUATION CONTINUES WITH THE BOLIVIAN WORKERS CENTRAL (COB) WEAK AND DISORGANIZED. NUMEROUS COB LEADERS THROUGHOUT BOLIVIA REPEATEDLY HAVE TOLD LABATT THAT THE SEPTEMBER GENERAL STRIKE WAS A DISASTER AND THAT THE LAST THING THE COB WANTS TO DO IS TO TAKE ON THE GOVERNMENT AGAIN, ESPECIALLY DURING A STATE OF SIEGE (STATE OF SIEGE ENDS DECEMBER 19). ONE COB LEADER SAID, "AS 'BAD' AS THIS GOVERNMENT IS, IT IS NOT A MILITARY DICTATORSHIP AND THE COB DOES NOT WANT TO BE BLAMED FOR ACTIONS WHICH WOULD LEAD TO THE OVERTHROW OF THIS GOVERNMENT."

A BROKE COB

4. (C) TO COMPOUND THE COB'S DIFFICULTIES, IT HAS RUN OUT OF MONEY AND IS DEPENDENT ON THE GOOD WILL OF ITS AFFILIATES TO PAY ITS DAY-TO-DAY EXPENSES. IN ADDITION, THE GOVERNMENT IS NO LONGER ALLOWING UNIONS TO COLLECT CHECK-OFF DUES FROM GOVERNMENT WORKERS. THE GOVERNMENT HAS JUSTIFIED ITS ACTIONS BY NOTING THAT ACCORDING TO BOLIVIAN LAW A GOVERNMENT WORKER ORGANIZATION IS ILLEGAL. NEVERTHELESS, THE GOVERNMENT HAS MADE NO

MOVE TO DISSOLVE GOVERNMENT UNIONS.

GOVERNMENT-COB TALKS IN LIMBO

5. (C) THE GOVERNMENT AND THE COB ARE STILL UNABLE TO AGREE ON AN AGENDA FOR A DIALOGUE (REF A). UPON DIRECT ORDERS FROM PRESIDENT PAZ ESTENSORRO, TALKS RESUMED ON NOVEMBER 11 BUT ENDED WITH A BITTER EXCHANGE BETWEEN COB LEADER JUAN LECHIN AND INTERIOR MINISTER FERNANDO BARTHELEMY. THE NOVEMBER 11 EFFORT INTENDED TO BREAK THE DEADLOCK BY CREATING TWO SEPARATE NEGOTIATIONS -- ONE TO DEAL WITH SOCIAL ISSUES SUCH AS BT

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BY RW NARA DATE 5/18/15

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~~CONFIDENTIAL~~ SECTION 02 OF 03 LA PAZ 09486

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: ELAB, PGOV, PINS, BL

SUBJECT: CHALLENGE TO THE GOVERNMENT'S RECOVERY

UNEMPLOYMENT AND THE OTHER WITH ECONOMIC POLICY ISSUES SUCH AS HYPERINFLATION -- HAS FAILED THUS FAR TO REVITALIZE THE TALKS. ON NOVEMBER 13 TALKS RESUMED BUT ENDED INCONCLUSIVELY AFTER A FEW HOURS. SINCE THEN THERE HAVE BEEN NO FURTHER EXCHANGES BETWEEN THE TWO SIDES, AND NEITHER PARTY IS SEEKING TO RESUME THE DIALOGUE. SUBSTANTIVELY, THE CONSENSUS IS THAT THE TALKS FAILED BECAUSE THE COB (WHICH IS WIDELY VIEWED AS THE WEAKER PARTNER) REFUSED TO ACCEPT THE GOVERNMENT'S CLAIMS THAT HYPERINFLATION IS BOLIVIA'S MOST SERIOUS PROBLEM.

6. (LOU) NATURALLY ENOUGH, COB SOURCES BLAME THE GOVERNMENT FOR THE BREAKDOWN AND SINGLE OUT BARTHELEMY'S FAILURE TO APPEAR AT THE NOVEMBER 13 MEETING AS "PROOF" OF THE GOVERNMENT'S "FAILURE" TO TAKE THE TALKS SERIOUSLY. HOWEVER, IT SHOULD BE POINTED OUT THAT THE COB DECIDED TO CONTINUE ITS OCTOBER TACTIC OF ONLY SENDING THIRD- AND FOURTH-RANK OFFICIALS TO MEET WITH THE GOVERNMENT, A MOVE THAT GOVERNMENT MINISTRY OF LABOR OFFICIALS HAD TOLD LABATT WAS "OFFENSIVE" SINCE THE GOVERNMENT WAS SENDING IN ITS TOP CABINET OFFICIALS.

COB LEADERS SHIFT STANCE TO TRY TO BUILD RANK-AND-FILE  
SUPPORT

7. (C) COB LEADERS HAVE ADMITTED TO LABATT THAT THERE IS LITTLE RANK-AND-FILE SUPPORT FOR A TOUGH COB STANCE AGAINST THE GOVERNMENT, NOR IS THERE MUCH RANK-AND-FILE INTEREST IN THE TALKS. A MEMBER OF THE COB EXECUTIVE BOARD SAID THEY REALIZE THIS AND ARE NOW DIRECTING EFFORTS IN THREE AREAS WHICH THEY BELIEVE MORE ACCURATELY REFLECT THEIR MEMBERS' INTERESTS. THE AREAS ARE:

-- AN AFFIRMATION OF TRADE UNION LEADER "IMMUNITY" OR WHAT COB NUMBER-TWO LEADER WALTER DELGADILLO CALLS "THE LIBERATION OF THOSE DETAINED FOR POLITICAL REASONS." HIS EXAMPLE IS THE CASE OF FAUSTO ARDAYA, A COB SECRETARY OF COMMUNICATIONS AND UNION LEADER IN THE NATIONAL TELECOMMUNICATIONS COMPANY, WHO HAS BEEN CHARGED WITH SABOTAGING TELEPHONE EQUIPMENT IN THE SEPTEMBER STRIKE (REF B).

-- REINSTATEMENT OF ALL FIRED OR LAID-OFF WORKERS AND PREVENTION OF FURTHER FIRINGS (SO-CALLED "WHITE MASSACRES"). A TOP COB LEADER TOLD LABATT THAT THE COB ESTIMATES 11,000 WORKERS HAVE BEEN LET GO SINCE THE AUGUST 29 ECONOMIC MEASURES INCLUDING OVER 1,200 PETROLEUM WORKERS, OVER 1,200 MINERS, AND SOME 800 FACTORY WORKERS. MANY OF THESE WERE EMPLOYEES OF PRIVATE FIRMS WHICH ARE RETRENCHING IN THE FACE OF RECESSION. (NOTE: OTHER SOURCES INDICATE THAT OF THE 260-PLUS CENTRAL BANK WORKERS THAT WERE FIRED, ABOUT HALF HAVE BEEN REINSTATED.)

-- PRESSURE THE GOVERNMENT INTO FINALLY ANNOUNCING OPT-DELAYED NEW SALARY SCALES. THE COB BELIEVES THAT

GOVERNMENT WILL HAVE TO INCREASE PUBLIC SECTOR WAGES AND THE MINIMUM WAGE. A COB SOURCE ESTIMATES THAT ABOUT ONE-THIRD OF THE BOLIVIAN WORK FORCE RECEIVES THE MINIMUM WAGE WHICH REMAINS AT ABOUT 10,000,000 PESOS PER MONTH (ABOUT U.S. EIGHT DOLLARS) THOUGH WITH THE OBLIGATORY BONUSES ADDED -- ABOUT 18,000,000 PESOS PER MONTH (ABOUT U.S. FIFTEEN DOLLARS). ACCORDING TO THE AUGUST 29 ECONOMIC MEASURES, PUBLIC SECTOR WAGES (BUT NOT BONUSES) HAVE BEEN FROZEN TO THE END OF THE YEAR. COB SOURCES BELIEVE, HOWEVER, THEY CAN

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: ELAB, PGOV, PINS, BL

SUBJECT: CHALLENGE TO THE GOVERNMENT'S RECOVERY

- . GET A PUBLIC SECTOR WAGE INCREASE EARLIER SO THAT
- . WORKERS WILL HAVE MORE SPENDING MONEY FOR THE
- . HOLIDAYS. THE PROBLEM, OF COURSE, IS HOW TO INCREASE
- . WAGES WITHOUT RESORTING TO INFLATIONARY CURRENCY
- . EMISSIONS.

LABOR PEACE THROUGH THE HOLIDAYS, THEN TROUBLE?

8. (C) A COB LEADER AS WELL AS RANK-AND-FILE WORKERS HAVE NOTED TO LABATT THAT A MAJOR FORCE FOR SOCIAL STABILITY IS THE WORKERS' FRANTIC EFFORTS TO TRY TO EARN ENOUGH MONEY FOR THE CHRISTMAS-NEW YEAR HOLIDAYS. LOST EARNING POWER CAUSED BY THE SEPTEMBER STRIKE -- UNLIKE THE PREVIOUS ADMINISTRATION, THE PAZ GOVERNMENT HAS NOT PAID ANYONE FOR STRIKE DAYS -- HAS CAUSED SUPPORT FOR STRIKES, STOPPAGES OR DISORDERS TO VIRTUALLY DISAPPEAR.

9. (C) ONE COB LEADER SAYS, HOWEVER, THAT AFTER THE HOLIDAYS WORKERS WILL REALIZE THE HOPELESSNESS OF THE ECONOMIC SITUATION AND FEEL BURDENED BY DEBTS ACQUIRED TO MEET HOLIDAY EXPENSES. WHEN REALIZATION COMES HOME IN JANUARY AND FEBRUARY, HE EXPECTS WORKER MILITANCY TO INCREASE DRAMATICALLY. HE BELIEVES THAT UNLESS WORKER

WAGES AND BUYING POWER INCREASE SIGNIFICANTLY BY THEN (COMMENT: THEY WON'T), THERE COULD BE A BROAD RANK-AND-FILE CONSENSUS FOR THE COB LEADERSHIP TO BE, AT MINIMUM, INTRANSIGENT AND UNCOOPERATIVE WITH THE GOVERNMENT AND AT WORST TO TRY TO OVERTHROW THE GOVERNMENT "AS LECHIN DID IN 1964." (THIS IS AN EXAGGERATED REFERENCE TO THE COB LEADERS' SUPPORT FOR THE MILITARY OVERTHROW OF THE 1964 DEMOCRATIC GOVERNMENT OF PAZ ESTENSSORO.)

10. (C) HOWEVER, THE COB SOURCE STRESSED THAT HE WAS UNAWARE OF ANY CURRENT PLANS IN THE COB EXECUTIVE BOARD TO COOPERATE WITH ANY ELEMENTS THAT MIGHT BE SEEKING TO OVERTHROW THE PAZ ESTENSSORO GOVERNMENT. OTHER LABOR LEADERS FROM PETROLEUM, CONSTRUCTION, RAILWAY AND FACTORY UNIONS TOLD LABATT THAT WORKERS ARE MUCH TOO CONCERNED WITH IMMEDIATE ECONOMIC SURVIVAL TO BE WORRIED ABOUT OR CONCERNED WITH MILITANT POLITICAL ACTION AGAINST THIS GOVERNMENT.

COMMENT: WHILE, FOR NOW LABOR MAY NOT BE A MAJOR THREAT TO THE GOVERNMENT, THERE ARE OTHER AREAS OF CONCERN.

11. (C) THIS GOVERNMENT HAS MANAGED THUS FAR TO AVOID MAKING CONCESSIONS TO LABOR THAT WOULD DESTROY THE ECONOMIC RECOVERY PROGRAM. SUCH TOUGHNESS HAS COME AS A PAINFUL SHOCK TO MANY IN THE COB WHO NOW ARE RECALLING LECHIN'S PRESIDENT "PAZ IS NOT SILES" WARNINGS BACK IN AUGUST. HOWEVER, THE FOLLOWING STORM CLOUDS ON THE GOVERNMENT'S HORIZON ARE SERIOUS: PRIVATE BUSINESS MISGIVINGS RE THE COST OF THE RECOVERY PROGRAM; HIGHLY POLITICIZED REACTIONS TO COCA ERADICATION; THE TREMORS FROM RECENT SUDDEN SLIPPAGE IN THE PESO/DOLLAR EXCHANGE RATE; AND YEAR-END MILITARY CHANGES.

(DRAFTED BY POL: H.O'HARA) ROWELL

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REF: (1) LA PAZ 9239; (B) LA PAZ 9506

SUMMARY

1. (C) AT BOLIVIAN INTERIOR MINISTER BARTHELEMY'S REQUEST, AMBASSADOR AND DCM MET THURSDAY, NOVEMBER 28, FOR A ONE-HOUR REPORT AND DISCUSSION FOLLOWING THE MINISTER'S RETURN FROM THE INITIATION OF COCA ERADICATION PROJECT IN THE CHAPARE. MINISTER BARTHELEMY CONCEDED NEITHER HE NOR HIS ADVISERS HAD PREVIOUSLY HAD A GOOD IDEA OF THE MAGNITUDE OF THE PROBLEM, THE EXTENSIVE NATURE OF CULTIVATION AND DIFFICULTIES IN MANUAL ERADICATION, THE POTENTIAL OPPOSITION TO THE AGREEMENTS SIGNED WITH THE MINISTRY FOR VOLUNTARY CAMPESINO ERADICATION, THE INADEQUACIES OF COMMUNICATION AND TRANSPORTATION IN THE CHAPARE, AND THE NOW-EVIDENT LONG-TERM NATURE OF THE ENDEAVOR. HOWEVER, THE MINISTER, WHILE

SOMEWHAT DAUNTED BY THE OBSTACLES, REMAINS DETERMINED TO CONTINUE THE PROJECT AND CONCEDES ANY ARBITRARY TERMINATION OF THIS FIRST PHASE BY DECEMBER 15 IS TOTALLY UNREALISTIC. THIS WILL REMAIN A PROJECT CONTINUING WELL INTO 1986. WE NEED ADDITIONAL RESOURCES SOONEST. END SUMMARY.

THE TIME TO STRIKE IS NOW

2. (LOU) A COMBINATION OF EXCESS CULTIVATION AND SUSTAINED INTERDICTION EFFORTS AGAINST PROCESSING LABORATORIES IN THE BENI AND SANTA CRUZ DEPARTMENTS OVER THE LAST TWO MONTHS HAS SERIOUSLY DEPRESSED THE CURRENT COCA MARKET. THESE ECONOMIC FACTORS PLUS THE GOVERNMENT'S WELL-ADVERTISED ERADICATION INITIATIVE IN THE CHAPARE AND THE STATE OF SEIGE THROUGH DECEMBER 19 (PROVIDES ADDED POLICE AUTHORITY, E.G., PROHIBITIONS AGAINST CAMPESINO ROADBLOCKS) HAVE COMBINED TO CREATE BETTER OVERALL CONDITIONS FOR THE ERADICATION PROJECT THAN HAVE BEEN PRESENT HERETOFORE. THE PROJECT HAS GARNERED SURPRISINGLY SUPPORTIVE PUBLIC SENTIMENT IN THE COCHABAMBA AREA. THE MINISTER SYMBOLICALLY PULLED UP THE FIRST COCA PLANTS HIMSELF. HE EMPHASIZED THAT THE ERADICATION, NOW THAT IT IS STARTED, MUST CONTINUE OVER THE COMING MONTHS.

PRIORITIES IN ADDED U.S. ASSISTANCE

3. THE MINISTER EMPHASIZED THAT EXTRA U.S. ASSISTANCE IS NEEDED NOW TO PUT CHAPARE ERADICATION ON A STRONG "ROLL". HE ADMITTED HE HAD NOT RPT NOT FORESEEN THE ENORMOUS LOGISTIC OBSTACLES IN THE ERADICATION EFFORT.

FOR EXAMPLE:

-- VOLUNTARY ERADICATION (EVEN WHERE EXTRA LABOR IS NOT REQUIRED) WILL TAKE FAR LONGER THAN EXPECTED TO COVER SUBSTANTIAL AREAS.

-- FOR LARGER ABSENTEE-LANDLORD TRACTS RENTED TRACTORS WOULD BE FAR MORE PRACTICAL.

-- THE MINISTRY IS CURRENTLY FIELDING NINE (9) TOPO-BT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD  
STATE FOR INM, ARA/AND AND ARA DAS-GELBARD  
WHITE HOUSE FOR CARLTON TURNER  
NSC FOR TILLMAN  
DEA FOR AO, OF, OC, DISL

E.O. 12356: DECL: OADR  
TAGS: SNAR, BL  
SUBJECT: INTERIOR MINISTER SOBERED BUT DETERMINED ON

. GRAPHIC TEAMS OF FOUR (4) PERSONS EACH TO IDENTIFY  
. AND DOCUMENT THE LANDS TO BE ERADICATED. GIVEN THE  
. SIZE OF THE CHAPARE, THESE TEAMS MIGHT NEED A YEAR  
. TO COMPLETE THEIR WORK. TO HASTEN THIS PROCESS, THE  
. MINISTER ASSURED THE AMBASSADOR THAT THE MANPOWER WAS  
. AVAILABLE TO FIELD AS MANY AS TWENTY-FIVE (25) SUCH  
. TEAMS IF THE U.S. COULD FUND THEM.

-- ANOTHER TOP PRIORITY NEED IS GROUND TRANSPORT.  
. THERE ARE NOT EVEN ENOUGH VEHICLES TO GIVE EACH OF  
. THE PRESENT NINE TOPOGRAPHIC TEAMS THEIR OWN TRANS-  
. PORT. THIS WOULD REQUIRE ADDED FUNDING FOR RENTALS,  
. IF AVAILABLE.

-- ALSO NEEDED ARE FUNDS FOR FUEL AND THE MAINTENANCE  
. OF LARGER-THAN-EXPECTED NUMBERS OF PEOPLE BEING  
. FIELDDED.

LOW U.S. PROFILE; INTERIOR MINISTRY CURRENTLY GOING IT

ALONE; BOLIVIAN INTERNAL COORDINATION WEAK

4. (C) WHILE THE SPECTER OF THE U.S. INEVITABLY LURKS  
BEHIND THE ENTIRE ERADICATION EFFORT, PARTICULARLY  
AMONG THE OPPOSITION, THE EMBASSY HAS STUDIOUSLY TRIED  
TO INSURE THAT PUBLICLY THIS IS A THOROUGHLY GOB EFFORT.  
THE INTERIOR MINISTER'S HIGH PUBLIC PROFILE IN THE  
EFFORT TO DATE HAS ENHANCED THE IMAGE OF THIS BEING A  
BOLIVIAN, NOT U.S., EFFORT. THE DOWNSIDE OF THE STRA-  
TEGY HAS BEEN A CLEAR AD HOC QUALITY TO THE PROJECT WITH  
A MINIMUM OF INTER-MINISTERIAL COOPERATION WITHIN THE  
GOVERNMENT. THERE HAS BEEN A NEAR-TOTAL ABSENCE OF  
INVOLVEMENT BY THE MINISTRY OF AGRICULTURE AND CAMPESINO  
AFFAIRS, THE MINISTRY OF INFORMATION, OR THE BOLIVIAN  
ARMED FORCES. ULTIMATELY THESE AND OTHER MINISTRIES  
HAVE TO COME INTO PLAY IF AN EFFECTIVE ERADICATION CAM-  
PAIGN IS TO BE SUSTAINED. THE MINISTER OFFERED SEVERAL  
EXAMPLES OF FAILURE IN INTER-MINISTERIAL COORDINATION  
WHICH ARE SYMPTOMATIC OF THE LARGER ISSUE. TRANSPORTA-  
TION WITHIN THE CHAPARE WAS COMPLICATED BECAUSE OF THE  
POOR STATE OF THE ROADS. THE BOLIVIAN NATIONAL ROAD  
SERVICE (TRANSPORTATION MINISTRY) WORKERS WERE ON  
STRIKE, THERE WAS A LACK OF FUEL FOR ROAD MACHINERY,  
AND THE STANDARD BOLIVIAN PER DIEM COVERS LITTLE MORE  
THAN ONE MEAL AT CURRENT PRICES IN THE CHAPARE.  
SECONDLY, DURING THE INITIATION OF THE EFFORT LATE LAST  
WEEK, THE CHAPARE RURAL SCHOOL TEACHERS (EDUCATION  
MINISTRY) HAD INSTIGATED A TEMPORARY CAMPESINO ROAD-  
BLOCK IN AN EFFORT TO FORCE A SALARY INCREASE. THE  
MINISTER ADDED THAT THE TEACHERS WERE "PRETTY FAR TO  
THE LEFT" POLITICALLY AND ANY BOLIVIAN INITIATIVE WITH  
A STRONG U.S. INTEREST WAS VULNERABLE TO THIS KIND OF  
SABOTAGE.

IS THE BOLIVIAN PUBLIC CONVINCED OF A THREAT IN COCA?

5. (LOU) APART FROM TECHNICAL AND ASSISTANCE REQUIREMENTS  
FOR ERADICATION PER SE, THE INTERIOR MINISTER WAS CLEARLY  
CONCERNED ABOUT THE GENERAL BOLIVIAN PUBLIC REACTION TO  
THE ERADICATION PROJECT IN TERMS OF ITS POLITICAL COSTS  
TO THE GOVERNMENT. WHILE PRESS COVERAGE HAS BEEN  
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BTTXOC, DISL  
E.O. 12356: DECL: OADR  
TAGS: SNAR, BL  
SUBJECT: INTERIOR MINISTER SOBERED BUT DETERMINED ON  
GENERALLY FAVORABLE, IT HAS BY NO MEANS BEEN UNANIMOUS.  
NEITHER HAS IT REFLECTED ANY OVERALL BOLIVIAN CONCERN  
ABOUT INCREASING RATES OF ADDICTION IN BOLIVIA AND THE  
CORRUPTING EFFECT OF COCA ON SOCIAL, ECONOMIC AND POLI-  
TICAL INSTITUTIONS.

J.S. ACTION  
-----

6. (C) TELEVISION BLITZ  
THE EMBASSY SHARES THE MINISTER'S PUBLIC AFFAIRS  
CONCERNS AND IS CURRENTLY INVESTIGATING THE COSTS OF A  
TELEVISION "BLITZ" WHICH WOULD FOCUS ON COCA AS A  
BOLIVIAN, AS OPPOSED TO U.S., PROBLEM. WE EXPECT THAT  
SUCH AN EFFORT COULD BE ABSORBED WITHIN EXISTING DRUG  
EDUCATION FUNDING.

7. (C) FUNDING ADDED LOGISTICS TO BUILD MOMENTUM  
A. EMBASSY NAU STAFF WILL CONFER WITH INTERIOR  
MINISTRY TO DETERMINE OVERALL FUND REQUIREMENTS:  
B. TO COVER THE MOST URGENT REQUIREMENTS (SUCH AS  
ADDED TOPOGRAPHIC TEAMS, VEHICLES, FIELD RATIONS, FUEL)  
THE EMBASSY WILL TRY TO REPROGRAM EXISTING FUNDS.  
C. WE MUST RPT MUST HAVE IMMEDIATE APPROVAL OF THE  
ADDITIONAL DOLS 500,000 WE HAVE REQUESTED (REFTEL A) IN  
ORDER TO OPERATE EFFECTIVELY THROUGH DECEMBER 14 (END

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NESS AND EMPLOYMENT, AND THE FAILURE OF DEVELOPED COUNTRIES TO PLEDGE PROMPTLY CRITICALLY NEEDED SUPPORT THAT WOULD BE AVAILABLE TO BOLIVIA BETWEEN NOW AND NEXT MARCH.

4. (C) IF THE IMF TEAM DEPARTS WITHOUT A LETTER OF INTENT, IT WILL BE TAKEN AS A SIGNAL THAT NO RPT NO STAND-BY AGREEMENT IS POSSIBLE AND THAT THE GOVERNMENT'S EFFORTS TO RENEGOTIATE DEBT PAYMENTS AND GET EXTERNAL SUPPORT WILL FAIL.

5. (C) PUBLIC CONFIDENCE IN THE GOVERNMENT'S ABILITY TO SUCCEED IS ESSENTIAL. WITHOUT IT THE GOVERNMENT, ITS ECONOMIC PROGRAM AND OUR RAPIDLY IMPROVING ANTI-NARCOTICS RESULTS WILL PROBABLY START DOWN THE TUBES -- PERHAPS AS SOON AS FEBRUARY OR MARCH. IN THAT CASE THE WHOLE HEMISPHERE WILL NOTE THE COLLAPSE OF A GOVERNMENT AND A PROGRAM WHICH HAS DONE ALL IT COULD TO LIVE BY PRINCIPLES THAT THE U. S. ADVOCATES. A SUCCESSOR PROGRAM/ GOVERNMENT WOULD PROBABLY PURSUE SOMETHING MORE AKIN TO THE CURRENT PERUVIAN MODEL, BUT WITHOUT ANY COCA/ NARCOTICS INTERDICTION.

6. (C) THE RISKS AND CONSEQUENCES OF POSSIBLE BOLIVIAN FAILURE TO LIVE UP TO SOME OF THE COMMITMENTS IN A STAND-BY AGREEMENT ARE NOTHING COMPARED TO THE DAMAGE TO U. S. INTERESTS AND OBJECTIVES IF THE PAZ GOVERNMENT OR ITS ECONOMIC PROGRAM COLLAPSES.

7. (S) I URGE IN STRONGEST TERMS THAT THE U. S. EXECUTIVE DIRECTOR TO THE IMF TALK IMMEDIATELY WITH DE LA ROSIERE AND PRESS HIM TO INSTRUCT THE IMF TEAM IN LA PAZ TO MAKE EVERY EFFORT TO BRING A BOLIVIAN LETTER OF INTENT TO WASHINGTON WHEN IT RETURNS DECEMBER 13. END SUMMARY.

PRESIDENT PAZ ESTENSSORO ASKS U. S. HELP WITH IMF  
-----

8. (S) IN OPENING HIS PRESENTATION THE PRESIDENT OUTLINED THE FOLLOWING CONFLUENCE OF FACTORS THAT THREATENS HIS GOVERNMENT AND ITS PROGRAMS:

-- LABOR DISSATISFACTION AND GROWING MILITANCY OVER THE JUST-ANNOUNCED MINIMUM WAGE (ABOUT EIGHTEEN DOLLARS PER MONTH) WHICH IS BELOW STARVATION LEVEL BUT WHICH COULD NOT/NOT BE MADE HIGHER WITHOUT FORCING THE GOVERNMENT TO RESORT TO UNBACKED EMISSIONS.

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EXDIS

FOR ASSISTANT SECRETARIES ABRAMS (ARA) AND MCINN (EB)  
SECSTATE PLEASE PASS IMMEDIATELY TO TREASURY FOR  
ASSISTANT SECRETARY MULFORD

E.O. 12356: DECL: OADR  
TAGS: EAID, EFIN, PGOV, IMF, BL  
SUBJECT: PRESIDENT PAZ ASKS URGENT HELP TO GET IMF

-- THE END OF THE NINETY-DAY STATE OF SIEGE DECEMBER 19  
. WHICH WILL MAKE IT EASIER FOR THE LEFT AND BOLIVIA'S  
. STATIST, ANTI-FREE MARKET LABOR TO STAGE DISRUPTIVE  
. DEMONSTRATIONS.

-- RISING UNEMPLOYMENT AS A RESULT OF BUSINESS RETRENCH-  
. MENT AND MINE CLOSINGS (MANY OF THE LATTER A FALL-OUT  
. FROM THE INTERNATIONAL TIN MARKET COLLAPSE).

-- PRIVATE SECTOR SHOCK BECAUSE OF THE FIFTY PERCENT  
. DROP IN THE PESO'S VALUE IN THE PAST THREE WEEKS  
. (FROM 1.15 MILLION TO 1.7 MILLION PER DOLLAR), THE  
. TIN MARKET COLLAPSE, SHRINKING DOMESTIC DEMAND DUE  
. TO AUSTERITY, AND STIFF COMPETITION FROM NEIGHBORING  
. COUNTRIES UNDER THE LIBERAL FREE-MARKET SYSTEM  
. PRESIDENT PAZ HAS INSTALLED IN BOLIVIA.

9. (C) (COMMENT: THE SLIPPAGE IN PRIVATE SECTOR CONFI-  
DENCE WEAKENS A KEY CIVILIAN BASE OF SUPPORT FOR THE  
GOVERNMENT AND ADDS TO STRESSES THAT COULD SUNDER THE  
PRESIDENT'S WORKING AGREEMENT WITH THE MAJOR OPPOSITION  
PARTY, THE CENTER-RIGHT ADN. END COMMENT.)

10. (S) PRESIDENT PAZ SAID THAT SO FAR HIS PROGRAM HAS  
WORKED WELL, BUT IT COULD BE WRECKED BY LOSS OF PUBLIC  
CONFIDENCE COUPLED WITH THE SELF-PROTECTIVE MEASURES  
INDIVIDUALS WOULD TAKE IF THEY THINK THE GOVERNMENT WILL  
FAIL. IN THIS CONTEXT AND IN VIEW OF SLOW PROGRESS ON  
OBTAINING IMMEDIATE EXTERNAL FINANCIAL SUPPORT TO AVOID  
HAVING TO RESORT TO UNBACKED EMISSIONS IN THE FIRST  
MONTHS OF 1986, SWIFT PROGRESS ON AN IMF STAND-BY IS  
ESSENTIAL. IF THE IMF NEGOTIATING TEAM IN LA PAZ  
DEPARTS (DECEMBER 13) WITHOUT A LETTER OF INTENT, IT  
WILL BE WIDELY TAKEN AS A SIGNAL THAT THE GOVERNMENT

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CANNOT REACH AGREEMENT WITH THE IMF AND THAT THE OUTSIDE  
WORLD HAS DOOMED THE PAZ GOVERNMENT'S EFFORT.

11. (C) (COMMENT: MY ENTIRE EMBASSY STAFF, MY EUROPEAN  
COMMUNITY COLLEAGUES AND OTHER OBSERVERS -- INCLUDING  
WORLD BANK AND IMF OBSERVERS -- AGREE ON THE CRITICAL  
IMPLICATIONS OF AGREEMENT ON A LETTER OF INTENT OR ITS  
ABSENCE. PART OF THE PSYCHOLOGICAL IMPACT IS DUE TO THE  
FACT THAT IT WAS WIDELY UNDERSTOOD THAT THE GROUP NOW  
IN LA PAZ CAME AS A NEGOTIATING TEAM, HAVING BEEN PRE-  
CEDED BY A "FACT-FINDING MISSION" IN OCTOBER. END  
COMMENT.)

12. (S) THE PRESIDENT THEN SAID THAT THE IMF TEAM IN  
LA PAZ IS REFUSING TO DISCUSS A LETTER OF INTENT. HE  
THOUGHT THAT THE PROBLEM WAS THAT BOLIVIA DOES NOT/NOT  
HAVE A 1986 BUDGET YET AND CANNOT GET ONE APPROVED BY  
CONGRESS BEFORE THE TEAM DEPARTS. HE ASKED THAT THE U.S.  
INTERVENE WITH DE LA ROSIERE TO ASK HIM TO INSTRUCT THE  
IMF NEGOTIATING TEAM TO WORK OUT AND ACCEPT A LETTER OF  
INTENT WITH THE UNDERSTANDING THAT AN APPROVED BUDGET  
WOULD BE FORWARDED TO WASHINGTON AS SOON AFTERWARD AS  
POSSIBLE.

13. (S) I ASSURED THE PRESIDENT THAT I UNDERSTOOD THE  
IMPORTANCE OF THE LETTER OF INTENT AND BOTH ITS POLITICAL  
AND ECONOMIC IMPACT IN BOLIVIA. I TOLD HIM I WOULD RE-  
PORT HIS REQUEST TO WASHINGTON.

BUDGET MAY BE A NON-ISSUE  
-----

R

14. (C) IN FOLLOWING UP ON THE BUDGET QUESTION AT THE  
FINANCE MINISTRY AND ELSEWHERE WE HAVE LEARNED THAT:

-- AN IMF TECHNICAL TEAM GAVE THE BOLIVIANS THE NECESSARY  
ADVICE ON BUDGET PREPARATION IN NOVEMBER.

-- THE FINANCE MINISTRY IS PREPARING A 1986 BUDGET AND  
THE FINANCE MINISTER EXPECTS TO HAVE IT ON HIS DESK  
BY DECEMBER 10.

-- IT SHOULD BE POSSIBLE TO COMPLETE EXECUTIVE BRANCH  
REVIEW AND APPROVAL BY DECEMBER 17-20.

-- GIVEN THE CRITICAL ROLE OF AN APPROVED BUDGET IN  
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SECSTATE PLEASE PASS IMMEDIATELY TO TREASURY FOR  
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E. O. 12356: DECL: OADR  
TAGS: EAID, EFIN, PGOV, IMF, BL  
SUBJECT: PRESIDENT PAZ ASKS URGENT HELP TO GET IMF

. SECURING AN IMF STAND-BY, A SPECIAL SESSION OF  
. CONGRESS COULD BE CALLED AND THE BUDGET APPROVED  
. IN JANUARY.

15. (C) UNDER THE CIRCUMSTANCES I CONCLUDE THAT IT OUGHT TO BE POSSIBLE TO AGREE THAT THE APPROVED BUDGET COULD BE FORWARDED TO WASHINGTON LATER AND THAT A LETTER OF INTENT SHOULD NOT/NOT HAVE TO AWAIT THAT ACTION.

BOLIVIANS TRYING TO ARRIVE AT LETTER OF INTENT; IMF  
-----  
TEAM FOOT-DRAGGING

16. (C) THE PRESIDENT, THE MINISTER OF PLANNING (BEDREGAL -- GOVERNMENT ECONOMIC CZAR) AND THE FINANCE MINISTER HAVE REPEATEDLY TOLD ME AND MY STAFF THAT THEY ARE DETERMINED TO AGREE ON A LETTER OF INTENT AND GIVE IT TO THE IMF TEAM BEFORE IT DEPARTS.

17. (C) INFORMAL SOUNDINGS WITH THE IMF TEAM SHOW THAT IT IS CONVINCED THAT THE GOVERNMENT'S ECONOMIC PROGRAM IS JUST WHAT THE IMF WOULD RECOMMEND AND THAT THE RESULTS OF THE PROGRAM ARE IMPRESSIVE DESPITE SOME UNAVOIDABLE WEAKNESSES IN IMPLEMENTATION. FOR EXAMPLE:

-- AFTER AN INITIAL SURGE IN THE CONSUMER PRICE INDEX  
IMMEDIATELY AFTER THE PROGRAM WAS ANNOUNCED AUGUST 29,  
PRICES HAVE LARGELY STABILIZED. THE OCTOBER RISE  
WAS LESS THAN TWO PERCENT AND THE NOVEMBER RISE LESS  
THAN THREE.

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-- THERE WERE ZERO REPEAT ZERO UNBACKED MONETARY EMIS-  
SIONS IN OCTOBER AND NOVEMBER.

18. (S) NONETHELESS, I UNDERSTAND THAT THE IMF TEAM HAS  
REFUSED TO DRAFT OR EVEN DISCUSS WITH THE BOLIVIANS THE  
PERFORMANCE CRITERIA IT WOULD LIKE TO SEE IN A LETTER OF  
INTENT. I HAVE TO CONCLUDE FROM THIS BEHAVIOR THAT THE  
TEAM MAY HAVE INSTRUCTIONS TO DELAY THE NEGOTIATING  
PROCESS UNTIL THE NEW YEAR. IF I AM CORRECT, THESE ARE  
DISASTROUS INSTRUCTIONS FOR U.S. POLITICAL, ECONOMIC  
AND ANTI-NARCOTICS INTERESTS.

HARVARD ECONOMIST JEFFREY SACHS: PAZ ESTENSSORO  
-----  
GOVERNMENT'S PERFORMANCE OUTSTANDING, PROMPT IMF  
-----  
AGREEMENT AND EXTERNAL ASSISTANCE ESSENTIAL  
-----

19. (U) THE NIGHT OF DECEMBER 3 I REVIEWED BOLIVIA'S  
ECONOMIC SITUATION WITH HARVARD ECONOMIST JEFFREY SACHS,  
WHO IS CONCLUDING A FIVE-DAY VISIT TO EXAMINE THE  
SUBJECT. SACHS IS THE ECONOMIST WHO HELPED TO DESIGN  
THE ESSENTIAL ELEMENTS OF THE PRESENT ECONOMIC RECOVERY  
PROGRAM PRIOR TO LAST JULY'S ELECTIONS. HE WAS VISITING  
AT THE BEHEST OF THE PRIVATE ENTREPRENEURS' CONFEDERA-  
TION TO REVIEW PROGRESS TO DATE (SEPTEL).

20. (C) SACHS MADE THE FOLLOWING POINTS:

-- THE GOVERNMENT SUCCEEDED IN REDUCING UNBACKED EMIS-  
SIONS TO ZERO DURING OCTOBER AND NOVEMBER BY MODESTLY  
INCREASING REVENUES FROM CUSTOMS AND THE STATE OIL  
MONOPOLY, FREEZING PUBLIC SECTOR WAGES, AND DEFERRING  
PAYMENTS TO SUPPLIERS.

-- THE GOVERNMENT HAS MADE "NO RPT NO MISTAKES" IN  
OPERATING WITHIN ITS RESOURCES AND STICKING TO THE  
PRINCIPLES OF THE RECOVERY PROGRAM IT ANNOUNCED  
AUGUST 29.

-- THE GOVERNMENT HAS BEEN WISE AND EXTRAORDINARILY  
COURAGEOUS IN ACCEPTING THE PLAY OF MARKET FORCES  
ON THE EXCHANGE RATE AND ALLOWING THE RATE TO SLIP  
REALISTICALLY BY ABOUT FIFTY PERCENT IN THE LAST  
THREE WEEKS.

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SUBJECT: PRESIDENT PAZ ASKS URGENT HELP TO GET IMF

-- ENORMOUS SOCIAL PRESSURES ARE BUILDING TO INCREASE  
. BASIC WAGES AND TO TAKE CARE OF GROWING NUMBERS OF  
. POOR UNEMPLOYED. SOME TIME EARLY IN 1986 THE GOVERN-  
. MENT WILL EITHER YIELD IN A CONTROLLED FASHION TO  
. SOME OF THOSE PRESSURES OR THERE WILL BE A SOCIO-  
. POLITICAL EXPLOSION THAT WILL DESTROY THE ECONOMIC  
. PROGRAM.

-- THE PAZ GOVERNMENT'S ECONOMIC RECOVERY PROGRAM --  
. BASED ON FREE MARKET ECONOMIC PRINCIPLES WHICH ARE  
. ALSO THE CORE OF UNITED STATES ECONOMIC PHILOSOPHY --  
. IS ONE OF THE THREE OR FOUR MOST AMBITIOUS SUCH  
. PROGRAMS OF THE TWENTIETH CENTURY. "IF IT SUCCEEDS,  
. IT WILL MAKE ECONOMIC HISTORY." NONE OF THE OTHER  
. PREVIOUS EFFORTS IN THIS CENTURY HAVE SUCCEEDED WITHOU  
. SUBSTANTIALLY MORE EXTERNAL HELP ON A PROPORTIONAL  
. BASIS THAN BOLIVIA IS NOW RECEIVING.

-- FAILURE TO AGREE ON A LETTER OF INTENT WITH THE IMF  
. TEAM CURRENTLY IN LA PAZ WILL ACCELERATE LACK OF  
. CONFIDENCE IN THE PROGRAM AND FURTHER DELAY EXTERNAL  
. SUPPORT UNTIL IT CAN NO LONGER ARRIVE IN TIME TO  
. HELP.

-- AGREEMENT THIS MONTH ON THE TERMS OF AN IMF STAND-BY  
. IS THEREFORE CRITICAL.

21. (C) BETWEEN NOW AND THE MIDDLE OF FEBRUARY BOLIVIA  
MUST RECEIVE IN CASH TRANSFERS (INCLUDING PL-480 COMMO-  
DITY DELIVERIES) FIFTY MILLION DOLLARS MORE THAN THE  
TOTAL OF AMORTIZATION PAYMENTS IT MAKES TO FOREIGN  
PRIVATE AND PUBLIC CREDITORS. (COMMENT: WE ESTIMATE  
THOSE PAYMENTS FOR DECEMBER AND JANUARY WILL TOTAL ABOUT  
ONE HUNDRED-TEN MILLION DOLLARS. THIS DOES NOT INCLUDE

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NATIONAL SECURITY COUNCIL  
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PAGE 02 OF 02 LA PAZ 9695

DTG: 052121Z DEC 85 PSN: 053400

THE THREE HUNDRED FORTY-TWO POINT THREE MILLION DOLLARS THAT BOLIVIA CURRENTLY OWES IN ARREARS ON PRINCIPAL AND INTEREST PAYMENTS.)

IMMEDIATE U.S. GOVERNMENT ACTION REQUESTED  
-----

22. (S) THE IMF TEAM'S BEHAVIOR IN LA PAZ SUGGESTS THAT EITHER IT DOES NOT CORRECTLY UNDERSTAND ITS INSTRUCTIONS OR, FROM OUR VIEWPOINT, IT HAS THE WRONG INSTRUCTIONS.

23. (S) I RECOGNIZE THAT TO TALK WITH THE IMF PRESIDENT ABOUT ONE OF HIS TEAMS WHILE THE TEAM IS WORKING IN THE FIELD IS AN EXTRAORDINARY -- PERHAPS UNPRECEDENTED -- ACT. BUT WE HAVE MAJOR UNITED STATES INTERESTS AT RISK, NOT JUST IN BOLIVIA BUT ELSEWHERE IN THE HEMISPHERE AND IN THE UNITED STATES (COCAINE TRAFFIC).

24. (S) TIME IS RUNNING OUT. IF DE LA ROSIERE DOES NOT CLARIFY HIS GUIDANCE TO THE IMF TEAM BY DECEMBER 9 OR 10, IT WILL BE IMPOSSIBLE TO HAVE AN AGREED LETTER OF INTENT IN DECEMBER.

25. (S) I THEREFORE URGE IN STRONGEST TERMS THAT THE U.S. EXECUTIVE DIRECTOR INFORM DE LA ROSIERE THAT WITHOUT QUICK ACTION ON A LETTER OF INTENT THE U.S. SEES ENORMOUS POLITICAL AND ECONOMIC RISKS IN BOLIVIA -- WITH SPILLOVER RISKS ELSEWHERE IN THE HEMISPHERE IN TERMS OF GETTING COUNTRIES TO PURSUE THE INTERNAL POLICIES THAT ARE AN INTEGRAL PART OF SECRETARY BAKER'S PROPOSALS AT SEOUL. THE U.S. EXECUTIVE DIRECTOR SHOULD ASK THAT THE IMF TEAM CURRENTLY IN LA PAZ BE DIRECTED TO DEVELOP AND ACCEPT A LETTER OF INTENT IF THERE IS ANY WAY TO DO SO BEFORE IT DEPARTS LA PAZ DECEMBER 13. ROWELL  
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*Bolivia*

~~CONFIDENTIAL~~ BUENOS AIRES 10365

E.O. 12356: DECL: OADR  
TAGS: EAI, EFIN, ECON, PREL, AR  
SUBJ: SUPPORT FOR BOLIVIA

REF: (A) STATE 371401

1. (C - ENTIRE TEXT).

2. EMBOFF CALLED ON FORMIN DIRECTOR GENERAL FOR  
ECONOMIC AFFAIRS JESUS SABRA TO DISCUSS AID TO BOLIVIA  
USING TALKING POINTS PROVIDED REFTEL.

3. SABRA NOTED THAT GOA IS VERY CONCERNED ABOUT  
BOLIVIA, AND THAT AS WE ARE AWARE, GOA PROVIDES  
ASSISTANCE TO BOLIVIA THROUGH THE PURCHASE OF GAS (AT  
A HIGHER THAN MARKET PRICE FOR AN UNNEEDED SUPPLY).  
HE SAID THE GOA WAS ALSO PARTICIPATING IN A CONSORTIUM  
TO PROVIDE FINANCING (THE SWAP), SAYING HE THOUGHT  
ARGENTINA'S PORTION WAS DOLS 20 MILLION. EMBOFF  
ITERATED POINT THAT BOLIVIA NEEDED LONG-TERM

CONCESSIONARY FUNDS TO SUPPORT ITS ECONOMIC PROGRAM  
AND ASKED IF THEIR SWAP WOULD BE CONVERTED TO A LONG  
TERM CONCESSIONARY ARRANGEMENT. SABRA REPLIED THEY  
WOULD DO SO IF THE CONSORTIUM TOOK SUCH A DECISION.

4. ON THE ROLE OF THE WORLD BANK, SABRA SAID THE GOA  
SUPPORTED A STRONG ROLE BY THE WORLD BANK AND HELD  
FIRM VIEWS THAT THE GOB SHOULD BE HELPED BY THE WORLD  
BANK TO DEVELOP EXPORT INDUSTRIES AND IMPORT SUBSTITUTE  
INDUSTRIES. HE NOTED THAT THE GOA/GOB GAS PURCHASE  
ARRANGEMENT WAS ONE-HALF PAID FOR BY TRADED GOODS.  
HE IMPLIED THIS ARRANGEMENT COULD BE INCREASED SIG-  
NIFICANTLY IF BOLIVIA DEVELOPED OTHER EXPORT GOODS. HE  
FELT THE WORLD BANK SHOULD PLAY A SIGNIFICANT ROLE IN  
PROVIDING DIRECTION TO BOLIVIA'S INDUSTRIAL DEVELOPMENT.  
HE SAW NO OBJECTION TO AN EARLY PRE-CONSULTATIVE MEETING  
BUT MADE NO COMMITMENTS ON WHAT FURTHER ECONOMIC  
ASSISTANCE THE GOA MIGHT BE ABLE TO PROVIDE.

5. SABRA CONFIDED THAT PRESIDENT ALFONSIN TALKS WITH PRE-  
SIDENT PAZ FSTENSSORO TO ENCOURAGE HIM AND SHOW HIS  
SUPPORT. EMBOFF UNDERLINED THAT TYPE OF FAVORABLE  
PRESS PLAY GIVEN PRESIDENT REAGAN/PAZ RECENT EXCHANGE  
OF LETTERS COULD HELP STRENGTHEN INTERNAL SUPPORT  
AS EVIDENCE OF EXTERNAL POLITICAL SUPPORT FOR  
DEVELOPING WAS MADE PUBLICLY MANIFEST. SABRA TOOK  
THE POINT AND SAID HE WOULD SEE THAT THE QUESTION WAS  
RAISED WITH THE FORMIN.

6. THERE IS NO QUESTION THAT THE GOA RIGHT UP TO AND  
INCLUDING THE PRESIDENT IS CONCERNED ABOUT THE SITUATION

IN BOLIVIA, BOTH THE SHORT TERM THREAT TO STABILITY  
OF THE ADJUSTMENT PROCESS AND THE GOB'S ABILITY TO  
COPE WITH ITS LONG TERM DEVELOPMENT NEEDS. GIVEN  
ARGENTINA'S OWN DELICATE ECONOMIC SITUATION, IT IS  
DOUBTFUL IF THE GOA CAN BE MUCH MORE HELPFUL ON  
DIRECT FINANCIAL ASSISTANCE BUT WILL LIKELY BE QUITE  
WILLING TO HELP WORK OUT SOME ADDITIONAL INDIRECT  
ASSISTANCE.

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120146	CABLE	1	12/17/1985	B1
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~~SECRET~~ / NOFORN SECTION 01 OF 02 LA PAZ 10019

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: PINS, PTER, BL  
SUBJECT: BOLIVIAN MILITARY REVELATIONS REHASH  
SUBVERSIVE "SAFEHOUSE"

REF: (A) LA PAZ 8199 (NOTAL) (B) LA PAZ 8360 (NOTAL)  
(C) LA PAZ 9045 (NOTAL)

"THE SAN MIGUEL CASE:" PUBLICIZED AGAIN

PERSON CALLED "GORDA" (POSSIBLY CUBAN), ANOTHER UNKNOWN PERSON CALLED "CHICA" SERGIO CABALLERO SAAVEDRA (BOLIVIAN). AND MAURICIO AMALGUER MORA PENAZOS (COLOMBIAN).

3. (U) WHILE THESE SUSPECTS ARE CURRENTLY AT LARGE, LOPEZ LEYTON ADDED THAT SIX PEOPLE HAD BEEN CAUGHT AND WERE BEING HELD BY THE MILITARY FOR QUESTIONING AND POSSIBLE JUDGMENT FOR INVOLVEMENT IN THE "SAN MIGUEL CASE." THEY ARE ISAAC CABALLERO CALDERON, GLADYS LOZA SANABRIA, JOSE LUIS GUZMAN GIRONDA, JUAN CARLOS COPA COYO, FREDDY LLANOS ALCANZE AND ALBERTINA CHUA CAYO. ALL ARE BOLIVIANS.

BOLIVIA LOGISTICAL BASE TO SUBVERT ARGENTINA AND  
CHILE

4. (U) AT THE PRESS CONFERENCE, LOPEZ LEYTON ARGUED THAT EXISTENCE OF THE SAFEHOUSE DEMONSTRATED THAT BOLIVIA HAD BEEN SELECTED BY "SUBVERSIVES" AS A LOGISTICAL BASE FOR ACTS PRIMARILY DIRECTED AT NEIGHBORING COUNTRIES, THOUGH HE ADDED THAT SUBVERSION COULD HAVE BEEN PLANNED WITHIN BOLIVIA. MILITARY AUTHORITIES TOLD THE PRESS THAT THE DETAINEES CONFESSED TO 12 ARMS SHIPMENTS (DESTINATION NOT SPECIFIED) BETWEEN OCTOBER 1983 AND OCTOBER 1985, AND THAT THE SAFEHOUSE OPERATIONS WERE TIED IN WITH THE ACTIVITIES OF THE MONTONEROS OF ARGENTINA AND THE MANUAL RODRIGUEZ PATRIOTIC FRONT OF CHILE.

COMMENTS

5. (S/NF) THE TIMING OF THE PRESS CONFERENCE IS ODD SINCE THE DISCOVERY OF THE SAFEHOUSE OCCURRED ON OCTOBER 10 (REFS). LOPEZ LEYTON, WHO TOOK THE LEAD IN THE PRESS CONFERENCE, MAY BE TRYING TO LOOK GOOD IN ORDER TO KEEP HIS JOB. WITHOUT A PRESIDENTIAL INTERVENTION HE WILL HAVE TO RETIRE AT THE END OF 1985.

6. (S/NF) SEVERAL THINGS WERE OMITTED FROM THE PRESS  
BT

1. (U) MEMBERS OF THE BOLIVIAN MILITARY LED BY BOLIVIAN ARMED FORCES COMMANDER GENERAL SIMON SEJAS TORDOYA AND ARMY COMMANDER GENERAL RAUL LOPEZ LEYTON HELD A PRESS CONFERENCE ON DECEMBER 12, 1985, IN LA PAZ AT WHICH THEY REVEALED ONCE AGAIN THE EXISTENCE OF THE "SAFEHOUSE" IN THE LA PAZ SUBURB OF SAN MIGUEL. THE DECEMBER 12 MILITARY COMMUNIQUE NOTED THAT THE SAFEHOUSE CONTAINED MATERIALS FOR PREPARING FAISIFIED TRAVEL DOCUMENTS, AND A NUMBER OF WEAPONS INCLUDING M-16 RIFLES, A MORTAR AND GRENADES. THE RENTER OF THE HOUSE JUAN CARLOS VILLANUEVA TELLO, A CHILEAN, REPORTEDLY HAS DISAPPEARED.

2. (U) THE MILITARY ALSO ISSUED A LIST OF THE SUSPECTS ALLEGEDLY INVOLVED IN THE "SAFEHOUSE" OPERATION. BESIDES VILLANUEVA TELLO, ALSO LISTED ARE CARLOS MORALES CASTILLO (CHILEAN). AN UNKNOWN

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E. O. 12356: DECL: OADR  
TAGS: PINS, PTER, BL  
SUBJECT: BOLIVIAN MILITARY REVELATIONS REHASH

CONFERENCE. THE GENERALS FAILED TO MENTION THAT THE PRIMARY TARGET OF THE OPERATIONS WAS CHILE; THAT SEVEN PEOPLE HAD BEEN DETAINED AND RELEASED ON SUSPICION OF BEING INVOLVED IN THE SAFEHOUSE OPERATIONS; THAT THE BOLIVIAN SECURITY FORCES LET VILLANUEVA TELLO GET AWAY; AND THAT DOCUMENTATION CLEARLY LINKING THE OPERATION WITH THE BOLIVIAN COMMUNIST PARTY WAS FOUND IN THE SAFEHOUSE.

(DRAFTED BY H. O' HARA) ROWELL  
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CONFIDENTIAL SECTION 01 OF 08 LA PAZ 10097

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM  
THREATS TO THE SURVIVAL OF THE PAZ ESTENSSORO  
GOVERNMENT AND TO THE IMPLEMENTATION OF ITS  
PROGRAMS.

REF: LA PAZ 9737

SUMMARY

1. (C) THE DEMOCRATICALLY ELECTED PAZ ESTENSSORO GOVERNMENT FACES UNPRECEDENTED CHALLENGES AND DIFFICULTIES IN IMPLEMENTING THE ECONOMIC RECOVERY PROGRAM LAUNCHED ON AUGUST 29, AND IN CARRYING OUT A MEANINGFUL NARCOTICS CONTROL EFFORT. BOLIVIA'S FRAGILE POLITICAL AND SOCIAL PEACE COULD BE BROKEN AT ANY TIME BY ANY ONE OF A NUMBER OF FACTORS, AND THIS COUNTRY'S NASCENT PROGRESS ALONG THE ROAD TO A TRULY REPRESENTATIVE DEMOCRATIC SYSTEM COULD BE IRREPARABLY DAMAGED. EMBASSY HAS PREPARED AN ANALYSIS OF THE ELEMENTS THAT, IN THE NEAR- AND MEDIUM-TERM, POTENTIALLY THREATEN THE SURVIVAL OF THE PAZ ESTENSSORO GOVERNMENT AND THE EFFECTIVE IMPLEMENTATION OF ITS PROGRAMS. IT IS DIFFICULT TO ASSIGN A PRIORITY TO THE THREATS. AS ALWAYS, THE BOLIVIAN POLITICAL SITUATION IS FLUID AND SUBJECT TO EXOGENOUS FACTORS -- SUCH AS THE RECENT COLLAPSE OF THE INTERNATIONAL TIN MARKET -- WHICH COULD RADICALLY ALTER

THE SITUATION. NEVERTHELESS, WE HAVE TRIED TO LIST THE DESTABILIZING FACTORS IN DESCENDING ORDER OF IMPORTANCE. IN THE EMBASSY'S VIEW THE MOST IMMEDIATE POTENTIAL THREATS TO PAZ ESTENSSORO'S GOVERNMENT'S SURVIVAL AND THE CONTINUATION OF DEMOCRACY ARE:

- THE 78-YEAR OLD PRESIDENT'S PHYSICAL INCAPACITATION OR DEATH,
- ANY ONE OF A VARIETY OF MILITARY INTERVENTIONS,
- A REVIVAL OF MILITANT OPPOSITION TO THE GOVERNMENT BY THE BOLIVIAN LABOR CENTRAL (COB), ENHANCED SUBSTANTIALLY WERE IT WITH THE SUPPORT OF ORGANIZED PEASANTS,
- THE SUBSTANTIAL CORRUPTION OF THE ARMED FORCES, THE POLICE AND NATIONAL INSTITUTIONS BY NARCOTICS TRAFFICKERS,
- A DRAMATIC DECLINE OF PRIVATE SECTOR SUPPORT FOR AND PUBLIC CONFIDENCE IN PAZ ESTENSSORO AND HIS GOVERNMENT; AND
- THE DISSOLUTION OF THE POLITICAL PACT BETWEEN PAZ ESTENSSORO'S NATIONALIST REVOLUTIONARY MOVEMENT (MNR) AND THE NATIONALIST DEMOCRATIC ACTION (ADN) PARTY OF GENERAL (R) HUGO BANZER SUAREZ.

2. (C) MANY OF THE FACTORS CITED ABOVE, ALONE OR IN COMBINATION, COULD PROVOKE THE FAILURE OF PAZ ESTENSSORO'S TWO MOST IMPORTANT GOVERNMENT PRIORITIES -- ECONOMIC RECOVERY AND NARCOTICS CONTROL -- WITHOUT CAUSING THE IMMEDIATE COLLAPSE OF DEMOCRATIC RULE IN BOLIVIA. IN THE LONGER RUN, HOWEVER, WE BELIEVE THAT EITHER THE FAILURE OF THE CONSCIENTIOUS ECONOMIC PROGRAM LAUNCHED BY PAZ OR THE COLLAPSE OF A SERIOUS NARCOTICS CONTROL EFFORT LIKE THE ONE CURRENTLY TAKING SHAPE WOULD MORTALLY WOUND BOLIVIA'S FLEDGLING DEMOCRACY.

3. (C) IN THE EMBASSY'S VIEW THE MOST SERIOUS THREATS TO PAZ ESTENSSORO'S ECONOMIC PROGRAM ARE:

- THE FAILURE OF BOLIVIA'S FRIENDS TO RESPOND IN A TIMELY AND ADEQUATE FASHION TO THE COUNTRY'S DIRE

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BY RW NARA DATE 5/18/15

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## 29

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

EXERCISE (REFTEL) IS NO EXCEPTION. FOR THE PRESENT THE MILITARY SEEMS TO SUPPORT PAZ AND DEMOCRACY, BUT LATENT PERSONAL AMBITIONS OF SOME OFFICERS -- FORMER ARMY COMMANDER RAUL LOPEZ LEYTON, GENERAL GARY PRADO AND A GROUP OF COLONELS AND LIEUTENANT COLONELS ASSOCIATED WITH THE GARCIA MEZA PERIOD -- ALONG WITH RESENTMENTS OVER PROMOTIONS, ASSIGNMENTS AND MEAGER BUDGETS COULD COALESCE INTO AN ATMOSPHERE FAVORABLE TO A COUP.

B. LOOSE TALK AND GRIPING ARE PART OF THE BOLIVIAN MILITARY SCENE EVEN IN THE BEST OF TIMES, BUT A MILITARY PERCEPTION THAT THE PAZ GOVERNMENT HAS LOST PUBLIC CONFIDENCE COULD PRECIPITATE MANEUVERINGS BY WOULD-BE CAUDILLOS. THE MOST LIKELY ALTERNATIVE IN THIS SCENARIO IS AN INSTITUTIONAL MILITARY INTERVENTION PROVOKED BY A TOTAL BREAKDOWN OF ORDER RESULTING FROM A DESPERATE ECONOMIC SITUATION, JOBLESSNESS AND STARK HUNGER. RATHER THAN BOLSTERING A WEAK CIVILIAN GOVERNMENT, ONE OR MORE PROMINENT OFFICERS MIGHT DECIDE TO INTERVENE ON THE GROUNDS THAT THEY WOULD HAVE MORE CREDIBILITY AND A BETTER CHANCE TO SOLVE PROBLEMS. SUCH A REGIME WOULD PROBABLY BE SHORT-LIVED. NEVERTHELESS, GIVEN THE MILITARY'S RECENT NEGATIVE EXPERIENCE IN GOVERNING, AND THE FACT THAT THE ONLY WAY OUT OF SUCH A REGIME IS VIA COSTLY TIME-CONSUMING ELECTIONS, WE

BELIEVE AN INSTITUTIONAL COUP IS UNLIKELY. THERE IS A SLIGHTLY GREATER POSSIBILITY THAT THE ARMED FORCES, IN REACTION TO A NEAR TOTAL BREAKDOWN OF AUTHORITY, WOULD INTERVENE TO PROP UP PAZ, BUT ONLY AT THE PRICE OF DIRECT PARTICIPATION IN A CIVILIAN-MILITARY GOVERNMENT. THE LEAST LIKELY SCENARIO IS A CLASSIC CAUDILLO LED COUP.

8. (C) OPPOSITION FROM ORGANIZED LABOR

A. A REVIVAL OF LABOR ACTIVISM, LED BY THE BOLIVIAN LABOR CENTRAL (COB), ALONG WITH MASSIVE POPULAR OPPOSITION TO THE PAZ ESTENSORO GOVERNMENT, COULD PROVOKE THE MILITARY RESPONSE DESCRIBED IN PARA 7. THE COB HAS BEEN QUIESCENT SINCE IMPOSITION OF THE STATE OF SEIGE ON SEPTEMBER 18 AND THE TEMPORARY INTERNAL BANISHMENT OF SOME 200 LABOR LEADERS. ONCE THE STATE OF SEIGE IS LIFTED, HOWEVER, STRIKES, LABOR MEETINGS AND POLITICAL REUNIONS WILL ONCE AGAIN BE ALLOWED.

B. IF THE GOB STICKS TO ITS STRINGENT ECONOMIC RECOVERY PROGRAM WE EXPECT THE COB TO ADOPT AN INCREASINGLY MILITANT STANCE. THIS COULD TAKE THE FORM OF GENERAL STRIKES, WORKERS MARCHES, STUDENT AGITATION, ROAD BLOCKS, SABOTAGE AND OTHER FORMS OF THE OPEN DEFIANCE OF AUTHORITY THAT CHARACTERIZED THE SILES PERIOD. PAZ MAY MAKE SOME ECONOMIC CONCESSIONS (ON GOVERNMENT SALARIES FOR EXAMPLE), BUT HE MUST BE VERY CAREFUL NOT TO FALL INTO THE TRAP OF ESCALATING CONCESSIONS TO WHICH SILES FELL VICTIM. WE BELIEVE THAT THE SUCCESS THUS FAR OF THE ECONOMIC RECOVERY PROGRAM AND THE POSITIVE RESPONSE OF MOST BOLIVIANS TO PAZ'S STYLE OF GOVERNING -- AS OPPOSED TO THE "DESGOBIERNO" (NON-GOVERNMENT) OF SILES -- WILL STRENGTHEN THE PRESIDENT'S ALREADY-FIRM RESOLVE IN DEALING WITH UNREST.

C. IF THE GOB DEALS ENERGETICALLY WITH OVERT LABOR AGITATION, UNION LEADERS MIGHT REVERT TO A STRATEGY USED IN THE PAST TO ACHIEVE THEIR OBJECTIVES, BOTH LABOR AND POLITICAL. COB LEADERS MIGHT TRY TO STRIKE A SECRET DEAL WITH LEFTWING POPULISTS IN THE MILITARY AND OTHER DISGRUNTLED RADICALS IN THE HOPE OF TOPPLING BT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

PAZ IN A COUP SIMILAR TO THAT OF GEN. JUAN JOSE TORREZ GONZALES IN 1970. THERE ARE LEFTIST POLITICIANS -- INCLUDING SOME DISAPPOINTED JOB SEEKERS IN PAZ'S OWN PARTY -- WHO MIGHT BE WILLING TO COOPERATE WITH COB LEADERS AND RESENTFUL OFFICERS IN SUCH A SCHEME. WE BELIEVE THAT THE POSSIBILITY OF SUCH A COUP COMING TO FRUITION IS VERY SLIGHT BECAUSE OF THE FUNDAMENTAL CONFLICTS OF INTEREST AND IDEOLOGY THAT DIVIDE THESE POTENTIAL ALLIES.

9. (C) CRITICAL FACTOR: POSSIBLE PEASANT OPPOSITION  
-----  
OVER COCA REDUCTION  
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A. IF THE NUMERICALLY SIGNIFICANT BUT POLITICALLY DIVIDED PEASANT CONFEDERATION WERE TO CLOSE RANKS AND ALLY WITH THE COB IN OPPOSING THE PAZ GOVERNMENT AND ITS POLICIES, THE PRESSURE WOULD INCREASE DRAMATICALLY. DURING THE SILES ADMINISTRATION THE PEASANT UNIONS LENT ONLY LUKEWARM SUPPORT, IN THE FORM OF OCCASIONAL ROAD BLOCKS, TO THE COB'S EFFORTS TO UNDERMINE THE REGIME BECAUSE, IN THE SPECULATIVE ECONOMY OF THAT PERIOD, MOST AGRICULTURAL PRODUCTS BROUGHT PREMIUM PRICES. THE SITUATION HAS CHANGED SOMEWHAT UNDER PAZ,

WHOSE FREE-MARKET IMPORT POLICY HAS ATTRACTED CHEAPER IMPORTED PROCESSED AGRICULTURAL PRODUCTS, REDUCING THE INCOMES OF SOME PEASANTS. AT THE SAME TIME, THE GOVERNMENT'S ECONOMIC RECOVERY PLAN HAS INCREASED THE COST OF ENERGY AND TRANSPORT, AND IN GENERAL REDUCED THE BUYING POWER OF BOLIVIAN CONSUMERS, THE PEASANTS' MAIN MARKET.

B. A FURTHER COMPLICATION IS INTRODUCED BY THE PEASANTS REACTION TO THE GOVERNMENT'S COCA REDUCTION PLAN. IN COCHABAMBA AND THE CHAPARE SOME UNIONS MILITANTLY OPPOSE THE PROGRAM AND MAY BE TEMPTED TO MAKE COMMON CAUSE WITH PAZ'S SWORN ENEMIES IN THE COB.

C. ELSEWHERE, HOWEVER, THE PICTURE IS LESS CLEAR. PEASANTS NOT INVOLVED IN COCA GROWING RESENT THE WEALTH AND POLITICAL CLOUT OF THEIR BRETHREN IN THE CHAPARE AND COCHABAMBA. THESE PEASANTS STILL IDENTIFY PAZ ESTENSORO AS THE AUTHOR OF THE 1952 AGRARIAN REFORM AND MANY MAY BE RELUCTANT TO TAKE PART IN A CABAL TO DESTABILIZE HIS GOVERNMENT.

D. THE REAL DANGER IS THAT THE DISTORTIONS AND CORRUPTION INTRODUCED INTO BOLIVIA'S BASICALLY CONSERVATIVE PEASANT CULTURE BY NARCOTICS MONEY MAY EXTEND BEYOND THE COCA GROWING AREAS. ATTRACTED BY THE LURE OF EASY MONEY, PEASANTS MAY ABANDON TRADITIONAL AGRICULTURE. THE TIGHTLY-KNIT, SUPPORTIVE EXTENDED FAMILY SYSTEM MAY BREAK DOWN, RESULTING IN MORE SINGLE PARENT HOUSEHOLDS AND ABANDONED CHILDREN. ABUSE OF ALCOHOL AND DRUGS BY PEASANTS COULD INCREASE AND SEVERED TIES WITH ANCESTRAL COMMUNITIES COULD RESULT IN INCREASED RURAL-URBAN MIGRATION, BURDENING THE CITIES WITH UNEMPLOYED WORKERS AND DIRECTLY AFFECTING THE CRIME RATE. INCREASED INTERNAL MIGRATION OF PEASANTS

TO THESE AREAS, PROVOKED BY THE ECONOMIC CRISIS, MAY ALREADY BE HAVING THIS EFFECT.

10. (C) CORRUPTION AS A DESTABILIZING FACTOR  
-----

THE CANCER OF NARCOTICS-RELATED CORRUPTION IN THE POLICE, THE ARMED FORCES AND OTHER BOLIVIAN INSTITUTIONS ALSO POSES A THREAT TO THE STABILITY OF THE PAZ GOVERNMENT AND THE LONG-TERM SURVIVAL OF DEMOCRACY.  
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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

CORRUPTION HAS ALWAYS BEEN A SERIOUS PROBLEM IN BOLIVIAN SOCIETY, BUT UNTIL RECENTLY IT HAS CONSISTED MAINLY OF BRIBES, COMMISSIONS AND NEPOTISM -- ENDEMIC IN ALL LATIN AMERICAN SOCIETIES. BECAUSE OF THE VAST AMOUNTS OF MONEY INVOLVED IN NARCOTICS TRAFFICKING, HOWEVER, CORRUPTION OF POLICE, JUDICIAL AND MILITARY OFFICIALS IN RECENT YEARS HAS GROWN EXPONENTIALLY, UNDERMINING TO AN ALARMING DEGREE PUBLIC FAITH IN AND RESPECT FOR THESE AUTHORITIES. IF THIS TREND IS NOT HALTED AND REVERSED, LACK OF FAITH AND RESPECT FOR THESE KEY COMPONENTS OF A DEMOCRATIC SOCIETY MAY EVENTUALLY TRANSLATE INTO LACK OF FAITH AND RESPECT FOR DEMOCRACY ITSELF. A FEW THOUGHTFUL BOLIVIANS ARE SUFFICIENTLY CONCERNED BY THE LONGER-TERM IMPLICATIONS OF NARCOTICS-RELATED CORRUPTION TO ACT ON IT. MOST ERRONEOUSLY SEE IT AS A SIMPLE EXTENSION OF TRADITIONAL PATTERNS.

11. (C) LOSS OF PUBLIC CONFIDENCE AND/OR SUPPORT

FROM THE PRIVATE SECTOR

MEMBERS OF BOLIVIA'S PRIVATE SECTOR, MOST OF WHICH IS POLITICALLY IDENTIFIED WITH BANZER'S ADM, ARE EITHER RECENT CONVERTS TO DEMOCRACY OR REMAIN SKEPTICS. NEVERTHELESS, PAZ'S IMPOSITION OF GOVERNMENTAL AUTHORITY AND HIS FREE-MARKET ECONOMIC POLICIES HAVE WON HIM THE PRIVATE SECTOR'S BEGRUDGING SUPPORT. THE PRIVATE SECTOR IS GRATEFUL FOR A CLEARER DEFINITION OF THE RULES OF THE GAME WITH ORGANIZED LABOR, THE BRAKE ON SPECULATION AND SLOWED INFLATION AND DEVALUATION OF THE PESO. ITS INITIAL POSITIVE REACTION TO THE ECONOMIC MEASURES IS BEING TEMPERED BY SOME OF THE UNAVOIDABLE SECONDARY EFFECTS OF THE NEW ECONOMIC POLICY. INCLUDING:

- . - PERCEIVED "UNFAIR" COMPETITION FROM CHEAPER IMPORTS COMING IN UNDER LIBERALIZED IMPORT POLICIES, THREATENING ALREADY WEAK DOMESTIC INDUSTRIES (I.E., PRIVATE SECTOR HAS BECOME TOO INURED TO STATISM AND STATIST PROTECTION);
- . - SHRINKING DOMESTIC DEMAND AS A RESULT OF ANTI-INFLATION AUSTERITY;
- . - LACK OF LIQUIDITY IN A SITUATION IN WHICH COMPANIES HAVE BEEN DECAPITALIZED;
- . - AN END TO THE INCREDIBLY CHEAP CREDIT THAT PREVAILED DURING THE SILES GOVERNMENT; AND
- . - A SIGNIFICANT REDUCTION OF OPPORTUNITIES FOR SPECULATION IN THE PARALLEL EXCHANGE MARKET AND IN BASIC COMMODITIES.

DESPITE THESE PROBLEMS, EMBASSY BELIEVES THAT THE  
MEMORY OF ABUSES AND CORRUPTION OF RECENT MILITARY

REGIMES AND OF THE CHAOS THAT REIGNED DURING THE  
SILES GOVERNMENT WOULD GIVE MOST CONSTITUENTS OF  
THE PRIVATE SECTOR SERIOUS REASON TO DOUBT THE  
WISDOM OF TRADING PAZ IN FOR A MORE MALLEABLE,  
MORE "EFFICIENT" MILITARY REGIME. IN EFFECT,  
THE PRIVATE SECTOR HAS NO WHERE ELSE TO GO.  
HOWEVER, IF IT SITS ON ITS HANDS AS OTHER THREATS  
BURGEON, THE OBVIOUS LACK OF SUPPORT WOULD CERTAINLY  
WEAKEN THE GOVERNMENT AND HARM CHANCES OF SURVIVAL.  
ONLY UNCONTROLLED AND WIDESPREAD DISTURBANCES OR A  
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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

AND/OR THE COLLAPSE OF THE ANTI-NARCOTICS EFFORT  
COULD OCCUR WITHOUT PROVOKING THE IMMEDIATE  
DOWNFALL OF THE PAZ GOVERNMENT. IN THE LONGER  
RUN, HOWEVER, THE CRISIS OF CONFIDENCE AND  
CREDIBILITY THAT WOULD RESULT FROM THE FAILURE  
OF THESE KEY COMPONENTS OF THE GOB PROGRAM WOULD  
PROBABLY RESULT IN SOME SORT OF INTERRUPTION OF  
THE DEMOCRATIC PROCESS.

B. IN THE EMBASSY'S VIEW, THE MAJOR IMMEDIATE  
THREATS TO THE SUCCESSFUL IMPLEMENTATION OF THE  
GOB'S ECONOMIC RECOVERY AND REORGANIZATION PLAN  
ARE, IN DESCENDING ORDER OF IMPORTANCE:

- . - THE ABSENCE OR INADEQUACY OF TIMELY EXTERNAL  
ECONOMIC ASSISTANCE;
- . - THE BREAKDOWN OF PUBLIC CONFIDENCE IN THE  
ECONOMIC MODEL AS A MECHANISM FOR EVENTUALLY  
OVERCOMING BOLIVIA'S SEVERE ECONOMIC PROBLEMS;
- . - A MAJOR SHAKE UP IN PAZ ESTENSSORO'S ECONOMIC  
TEAM, INCLUDING THE SIMULTANEOUS EXIT OF THE  
KEY PROPONENTS OF THE ECONOMIC PROGRAM; AND

- . - A SERIOUS EROSION OF PRIVATE SECTOR SUPPORT  
FOR AND/OR PUBLIC CONFIDENCE IN PAZ, BROUGHT  
ABOUT BY THE FAILURE OF MANY BUSINESSES AND  
INCREASED LABOR AGITATION.

15. (C) KEY OBSTACLES TO NARCOTICS CONTROL

SIMILARLY, EMBASSY BELIEVES THAT THE MAJOR OBSTACLES  
TO A SERIOUS, EFFECTIVE NARCOTICS CONTROL EFFORT  
ARE, IN DESCENDING ORDER OF IMPORTANCE:

- . - THE LACK OF ADEQUATE, TIMELY AND FLEXIBLE  
FOREIGN ASSISTANCE (WE MUST OVERCOME THE  
CHICKEN-AND-EGG PROBLEM, IN WHICH FOREIGN  
GOVERNMENTS ARE RELUCTANT TO CONTRIBUTE TO  
EFFORTS WHICH HAVE LITTLE HOPE OF SUCCESS,  
AND AT THE SAME TIME THE LACK OF SUPPORT  
DOOMS MOST EFFORTS TO FAILURE.);
- . - THE ECONOMIC POWER OF THE NARCO-TRAFFICKERS,  
ENHANCED BY THE CIRCUMSTANCES OF HARD TIMES;
- . - THE CORRUPTION OF THE POLICE, JUDICIARY AND  
ARMED FORCES; AND
- . - COB/PEASANT OPPOSITION TO COCA ERADICATION.

16. (C) CONCLUSIONS

A. THIS PRESENTATION IS MEANT TO BE REASONABLY  
COMPREHENSIVE. BY THE VERY NATURE OF BOLIVIAN  
SOCIETY, HOWEVER, IT CANNOT BE EXHAUSTIVE OR  
UNERRINGLY PREDICTIVE. SOME OF THE UNCONTROLLABLES ARE

- . - THE IMPACT OF EXTERNAL EVENTS ON BOLIVIA'S  
WEAK AND DEPENDENT ECONOMY;
- . - THE RAPID PLAY OF PERSONALITIES IN A SMALL  
LEADERSHIP STRUCTURE (HAIR-BRAINED INITIATIVES  
CAN SUDDENLY TAKE OFF WITHOUT ANY TECHNICAL  
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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E. O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

VETTING JUST BECAUSE A COUPLE OF INFLUENTIAL  
 PERSONS HAVE TALKED AT A FAMILY GATHERING);

(#)  
BEDREGAL, THE ECONOMIC PROGRAM'S  
SPARK PLUG, CAME WITHIN A HAIR OF RESIGNING  
THREE TIMES IN THE LAST SIX WEEKS, A KEY  
PERIOD IN IMF TALKS.)

B. ON BALANCE EMBASSY IS CAUTIOUSLY OPTIMISTIC ABOUT BOLIVIA'S PROSPECTS FOR THE MEDIUM TERM, PROVIDED WE SUSTAIN THE TIMELY MORAL AND ECONOMIC SUPPORT NECESSARY TO THE SURVIVAL OF A GOVERNMENT THAT CLEARLY IS IN HARMONY WITH FUNDAMENTAL U. S. INTERESTS IN THE REGION. (DRAFTED BY: W. LOFSTROM)  
ROWELL  
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United States Department of State

Washington, D.C. 20520

BAO CHOW  
120149

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MEMORANDUM

TO: ARA - Elliott Abrams

THRU: ARA - Bob Gelbard

FROM: ARA/AND - Phil McLean *Om*

SUBJECT: Rescuing Bolivia PL 480.

We need your urgent help to try to rescue the multi-year Title III program for Bolivia which is threatened as a result of OMB's FY 87 pass back. As you know, the original proposal called for a three-year \$75 million Title III program. Due to objections mainly by OMB and Treasury we reluctantly agreed to a reduced \$60 million program on the assumption that the program would move forward expeditiously. Everyone, including Treasury and USDA are now onboard for the \$60 million. The problem is OMB has just passed back a \$10 million CP level for FY 87 (the program's 2nd year), thus casting doubt on the planned \$20 million in FY 86 (the program's 1st year). OMB can now argue that until that pass back is resolved, agencies cannot agree to a higher FY 86 figure.

Fast action is needed to save the Title III program which is the most substantial chunk of aid we have left for Bolivia given the limited prospects of ESF. The signing of this large program will be a major boost for the Paz government. We simply cannot retain an effective policy thrust toward the new government if we let this program slip away. The credibility of our response to Paz' economic measures is at stake. Peter McPherson arrives in La Paz December 28, and he cannot come empty handed.

It is essential that it be Title III. It makes perfect sense not only on the basis of the legitimate needs for heavily concessional assistance to help President Paz close the external financing gap in 1986 (IMF estimate at least \$200 million), but also because Bolivia happens to be the second poorest nation (after Haiti) in the hemisphere with a per capita GNP of only \$410, according to the IBRD. The Title III program has been one of the few well run operations in the Bolivian government, providing counterpart and complementary activities for other assistance programs.

Recommended Action: We propose that you call your counterpart in the OMB - Al Keel - Associate Director for Security and International Affairs - telephone 395-6190. If he is not available, Bob Gelbard could call Phil Dusault, Keel's Deputy on 395-4770, but it would be significantly better if you could weigh in with Keel.

Drafted: ARA/AND: BAOwens *BAO*  
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BY *RW* NARA DATE 5/18/15



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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: PGOV, PREL, BL

SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM  
THREATS TO THE SURVIVAL OF THE PAZ ESTENSSORO  
GOVERNMENT AND TO THE IMPLEMENTATION OF ITS  
PROGRAMS.

REF: LA PAZ 9737

SUMMARY

1. (C) THE DEMOCRATICALLY ELECTED PAZ ESTENSSORO GOVERNMENT FACES UNPRECEDENTED CHALLENGES AND DIFFICULTIES IN IMPLEMENTING THE ECONOMIC RECOVERY PROGRAM LAUNCHED ON AUGUST 29, AND IN CARRYING OUT A MEANINGFUL NARCOTICS CONTROL EFFORT. BOLIVIA'S FRAGILE POLITICAL AND SOCIAL PEACE COULD BE BROKEN AT ANY TIME BY ANY ONE OF A NUMBER OF FACTORS, AND THIS COUNTRY'S NASCENT PROGRESS ALONG THE ROAD TO A TRULY REPRESENTATIVE DEMOCRATIC SYSTEM COULD BE IRREPARABLY DAMAGED. EMBASSY HAS PREPARED AN ANALYSIS OF THE ELEMENTS THAT, IN THE NEAR- AND MEDIUM-TERM, POTENTIALLY THREATEN THE SURVIVAL OF THE PAZ ESTENSSORO GOVERNMENT AND THE EFFECTIVE IMPLEMENTATION OF ITS PROGRAMS. IT IS DIFFICULT TO ASSIGN A PRIORITY TO THE THREATS. AS ALWAYS, THE BOLIVIAN POLITICAL SITUATION IS FLUID AND SUBJECT TO

EXOGENOUS FACTORS -- SUCH AS THE RECENT COLLAPSE OF THE INTERNATIONAL TIN MARKET -- WHICH COULD RADICALLY ALTER THE SITUATION. NEVERTHELESS, WE HAVE TRIED TO LIST THE DESTABILIZING FACTORS IN DESCENDING ORDER OF IMPORTANCE. IN THE EMBASSY'S VIEW THE MOST IMMEDIATE POTENTIAL THREATS TO PAZ ESTENSSORO'S GOVERNMENT'S SURVIVAL AND THE CONTINUATION OF DEMOCRACY ARE:

- . -- THE 78-YEAR OLD PRESIDENT'S PHYSICAL INCAPACITATION OR DEATH,
- . -- ANY ONE OF A VARIETY OF MILITARY INTERVENTIONS,
- . -- A REVIVAL OF MILITANT OPPOSITION TO THE GOVERNMENT BY THE BOLIVIAN LABOR CENTRAL (COB), ENHANCED SUBSTANTIALLY WERE IT WITH THE SUPPORT OF ORGANIZED PEASANTS,
- . -- THE SUBSTANTIAL CORRUPTION OF THE ARMED FORCES, THE POLICE AND NATIONAL INSTITUTIONS BY NARCOTICS TRAFFICKERS,
- . -- A DRAMATIC DECLINE OF PRIVATE SECTOR SUPPORT FOR AND PUBLIC CONFIDENCE IN PAZ ESTENSSORO AND HIS GOVERNMENT; AND
- . -- THE DISSOLUTION OF THE POLITICAL PACT BETWEEN PAZ ESTENSSORO'S NATIONALIST REVOLUTIONARY MOVEMENT (MNR) AND THE NATIONALIST DEMOCRATIC ACTION (ADN) PARTY OF GENERAL (R) HUGO BANZER SUAREZ.

2. (C) MANY OF THE FACTORS CITED ABOVE, ALONE OR IN COMBINATION, COULD PROVOKE THE FAILURE OF PAZ ESTENSSORO'S TWO MOST IMPORTANT GOVERNMENT PRIORITIES -- ECONOMIC RECOVERY AND NARCOTICS CONTROL -- WITHOUT CAUSING THE IMMEDIATE COLLAPSE OF DEMOCRATIC RULE IN BOLIVIA. IN THE LONGER RUN, HOWEVER, WE BELIEVE THAT EITHER THE FAILURE OF THE CONSCIENTIOUS ECONOMIC PROGRAM LAUNCHED BY PAZ OR THE COLLAPSE OF A SERIOUS NARCOTICS CONTROL EFFORT LIKE THE ONE CURRENTLY TAKING SHAPE WOULD MORTALLY WOUND BOLIVIA'S FLEDGLING DEMOCRACY.

3. (C) IN THE EMBASSY'S VIEW THE MOST SERIOUS THREATS TO PAZ ESTENSSORO'S ECONOMIC PROGRAM ARE:

- . -- THE FAILURE OF BOLIVIA'S FRIENDS TO RESPOND IN A TIMELY AND ADEQUATE FASHION TO THE COUNTRY'S DIRE

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

. NEED FOR BRIDGE FINANCING;

. -- THE BREAKDOWN OF PUBLIC CONFIDENCE IN THE ECONOMIC  
RECOVERY PROGRAM AS A MEANS OF EVENTUALLY OVERCOMING  
BOLIVIA'S SEVERE PROBLEMS; AND

. -- THE EROSION OF PRIVATE SECTOR SUPPORT FOR THIS  
GOVERNMENT.

4. (C) SIMILARLY, THE GREATEST NEAR TERM THREATS TO  
BOLIVIA'S NASCENT NARCOTICS CONTROL EFFORT ARE:

. -- A GOVERNMENT FAILURE TO SUSTAIN ITS EFFORT OVER  
THE MONTHS AHEAD,

. -- A BURGEONING PEASANT AND LABOR OPPOSITION TO THE  
COCA ERADICATION EFFORT,

. -- THE SUBSTANTIAL CORRUPTION OF THE POLICE, ARMED  
FORCES, AND OTHER NATIONAL INSTITUTIONS BY NARCOTICS  
MONEY,

. -- THE LACK OF TIMELY AND ADEQUATE FOREIGN ECONOMIC  
AND PROGRAMATIC ASSISTANCE; AND

. -- THE ECONOMIC CLOUT OF THE NARCOTICS TRAFFICKERS.

5. (C) OBVIOUSLY, ALL OF THESE POTENTIAL DESTABIL-  
IZING FACTORS ARE INTIMATELY RELATED. DEPENDING ON  
CIRCUMSTANCES, THE FALL OF ONE DOMINO COULD BE AN  
ISOLATED EVENT OR COULD CAUSE OTHERS TO TOPPLE. THIS  
REPORT IS NOT MEANT TO BE AN INTELLECTUAL EXERCISE  
IN RISK ANALYSIS, BUT RATHER A CHECK LIST OF POTENTIAL  
WEAKNESSES AND FLASH POINTS. END SUMMARY.

6. (C) PAZ ESTENSSORO'S HEALTH

THE BURDEN OF GOVERNING A COUNTRY STRUGGLING OUT OF  
THE DEPTHS OF A SUSTAINED ECONOMIC AND SOCIAL CRISIS  
AND COPING WITH THE RESULTS OF OVER A DECADE OF CHAOS  
AND MISMANAGEMENT WOULD BE ONEROUS TO A YOUTHFUL LEADER.  
ALTHOUGH 78-YEAR OLD PRESIDENT PAZ ESTENSSORO IS IN  
RELATIVELY GOOD HEALTH, NO ANALYSIS OF BOLIVIA'S NEAR  
TERM POLITICAL PROSPECTS CAN DISCOUNT THE POSSIBILITY  
OF HIS INCAPACITATION OR EVEN DEATH. THIS IS AN  
EMINENTLY PRESIDENTIAL SYSTEM. PAZ WORKS LONG HOURS  
AND DOES NOT DELEGATE MUCH AUTHORITY. IN RECENT CONTACTS  
WITH THE AMBASSADOR HE HAS APPEARED TIRED AND SOMEWHAT  
FRAIL. IF PAZ WERE TO DIE OR BECOME SERIOUSLY IN-  
CAPACITATED THE CONSTITUTION IS CLEAR AS TO THE LINE OF  
SUCCESSION, BUT IN BOLIVIA CONSTITUTIONAL LEGITIMACY  
AND POLITICAL LEGITIMACY ARE NOT NECESSARILY THE SAME  
THING. VICE PRESIDENT JULIO GARRETT AILLON IS A  
RELATIVE NEWCOMER TO THE MNR, AND THERE ARE A LOT OF  
PARTY OLD-TIMERS WHO WOULD WELCOME THE CHANCE TO UNDERCUT  
HIM IN ORDER TO ENHANCE THEIR OWN POSITIONS. MOREOVER,  
GARRETT'S STATURE AS A POLITICAL LEADER AND ECONOMIC  
STRATEGIST DOES NOT BEGIN TO APPROACH THAT OF THE

PRESIDENT. FINALLY, IN RECENT BOLIVIAN HISTORY THERE  
IS A CLEAR PRECEDENT FOR OUSTING THE CONSTITUTIONALLY-  
MANDATED HEIR OF A DECEASED PRESIDENT.

7. (C) A MILITARY INTERVENTION

A. (C) THE PRECEDENTS FOR MILITARY COUPS ARE, OF  
COURSE, MUCH MORE NUMEROUS. THROUGHOUT HIS LONG  
POLITICAL CAREER PAZ HAS SHOWN CONSIDERABLE SKILL IN  
DEALING WITH THE ARMED FORCES. THE RECENT PROMOTION  
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E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

EXERCISE (REFTEL) IS NO EXCEPTION. FOR THE PRESENT THE MILITARY SEEMS TO SUPPORT PAZ AND DEMOCRACY, BUT LATENT PERSONAL AMBITIONS OF SOME OFFICERS -- FORMER ARMY COMMANDER RAUL LOPEZ LEYTON, GENERAL GARY PRADO AND A GROUP OF COLONELS AND LIEUTENANT COLONELS ASSOCIATED WITH THE GARCIA MEZA PERIOD -- ALONG WITH RESENTMENTS OVER PROMOTIONS, ASSIGNMENTS AND MEAGER BUDGETS COULD COALESCE INTO AN ATMOSPHERE FAVORABLE TO A COUP.

B. LOOSE TALK AND GRIPING ARE PART OF THE BOLIVIAN MILITARY SCENE EVEN IN THE BEST OF TIMES, BUT A MILITARY PERCEPTION THAT THE PAZ GOVERNMENT HAS LOST PUBLIC CONFIDENCE COULD PRECIPITATE MANEUVERINGS BY WOULD-BE CAUDILLOS. THE MOST LIKELY ALTERNATIVE IN THIS SCENARIO IS AN INSTITUTIONAL MILITARY INTERVENTION PROVOKED BY A TOTAL BREAKDOWN OF ORDER RESULTING FROM A DESPERATE ECONOMIC SITUATION, JOBLESSNESS AND STARK HUNGER. RATHER THAN BOLSTERING A WEAK CIVILIAN GOVERNMENT, ONE OR MORE PROMINENT OFFICERS MIGHT DECIDE TO INTERVENE ON THE GROUNDS THAT THEY WOULD HAVE MORE CREDIBILITY AND A BETTER CHANCE TO SOLVE PROBLEMS. SUCH A REGIME WOULD PROBABLY BE SHORT-LIVED. NEVERTHELESS, GIVEN THE MILITARY'S RECENT NEGATIVE EXPERIENCE IN

GOVERNING, AND THE FACT THAT THE ONLY WAY OUT OF SUCH A REGIME IS VIA COSTLY TIME-CONSUMING ELECTIONS, WE BELIEVE AN INSTITUTIONAL COUP IS UNLIKELY. THERE IS A SLIGHTLY GREATER POSSIBILITY THAT THE ARMED FORCES, IN REACTION TO A NEAR TOTAL BREAKDOWN OF AUTHORITY, WOULD INTERVENE TO PROP UP PAZ, BUT ONLY AT THE PRICE OF DIRECT PARTICIPATION IN A CIVILIAN-MILITARY GOVERNMENT. THE LEAST LIKELY SCENARIO IS A CLASSIC CAUDILLO LED COUP.

8. (C) OPPOSITION FROM ORGANIZED LABOR

A. A REVIVAL OF LABOR ACTIVISM, LED BY THE BOLIVIAN LABOR CENTRAL (COB), ALONG WITH MASSIVE POPULAR OPPOSITION TO THE PAZ ESTENSORO GOVERNMENT, COULD PROVOKE THE MILITARY RESPONSE DESCRIBED IN PARA 7. THE COB HAS BEEN QUIESCENT SINCE IMPOSITION OF THE STATE OF SEIGE ON SEPTEMBER 18 AND THE TEMPORARY INTERNAL BANISHMENT OF SOME 200 LABOR LEADERS. ONCE THE STATE OF SEIGE IS LIFTED, HOWEVER, STRIKES, LABOR MEETINGS AND POLITICAL REUNIONS WILL ONCE AGAIN BE ALLOWED.

B. IF THE GOB STICKS TO ITS STRINGENT ECONOMIC RECOVERY PROGRAM WE EXPECT THE COB TO ADOPT AN INCREASINGLY MILITANT STANCE. THIS COULD TAKE THE FORM OF GENERAL STRIKES, WORKERS MARCHES, STUDENT AGITATION, ROAD BLOCKS, SABOTAGE AND OTHER FORMS OF THE OPEN DEFIANCE OF AUTHORITY THAT CHARACTERIZED THE SILES PERIOD. PAZ MAY MAKE SOME ECONOMIC CONCESSIONS (ON GOVERNMENT SALARIES FOR EXAMPLE), BUT HE MUST BE VERY CAREFUL NOT TO FALL INTO THE TRAP OF ESCALATING CONCESSIONS TO WHICH SILES FELL VICTIM. WE BELIEVE THAT THE SUCCESS THUS FAR OF THE ECONOMIC RECOVERY PROGRAM AND THE POSITIVE RESPONSE OF MOST BOLIVIANS TO PAZ'S STYLE OF GOVERNING -- AS OPPOSED TO THE "DESGOBIERNO" (NON-GOVERNMENT) OF SILES -- WILL STRENGTHEN THE PRESIDENT'S ALREADY-FIRM RESOLVE IN DEALING WITH UNREST.

C. IF THE GOB DEALS ENERGETICALLY WITH OVERT LABOR AGITATION, UNION LEADERS MIGHT REVERT TO A STRATEGY USED IN THE PAST TO ACHIEVE THEIR OBJECTIVES, BOTH LABOR AND POLITICAL. COB LEADERS MIGHT TRY TO STRIKE A SECRET DEAL WITH LEFTWING POPULISTS IN THE MILITARY AND OTHER DISGRUNTLED RADICALS IN THE HOPE OF TOPPLING BT

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E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

PAZ IN A COUP SIMILAR TO THAT OF GEN. JUAN JOSE TORREZ GONZALES IN 1970. THERE ARE LEFTIST POLITICIANS -- INCLUDING SOME DISAPPOINTED JOB SEEKERS IN PAZ'S OWN PARTY -- WHO MIGHT BE WILLING TO COOPERATE WITH COB LEADERS AND RESENTFUL OFFICERS IN SUCH A SCHEME. WE BELIEVE THAT THE POSSIBILITY OF SUCH A COUP COMING TO FRUITATION IS VERY SLIGHT BECAUSE OF THE FUNDAMENTAL CONFLICTS OF INTEREST AND IDEOLOGY THAT DIVIDE THESE POTENTIAL ALLIES.

9. (C) CRITICAL FACTOR: POSSIBLE PEASANT OPPOSITION  
-----  
OVER COCA REDUCTION  
-----

A. IF THE NUMERICALLY SIGNIFICANT BUT POLITICALLY DIVIDED PEASANT CONFEDERATION WERE TO CLOSE RANKS AND ALLY WITH THE COB IN OPPOSING THE PAZ GOVERNMENT AND ITS POLICIES, THE PRESSURE WOULD INCREASE DRAMATICALLY. DURING THE SILES ADMINISTRATION THE PEASANT UNIONS LENT ONLY LUKEWARM SUPPORT, IN THE FORM OF OCCASIONAL ROAD BLOCKS, TO THE COB'S EFFORTS TO UNDERMINE THE REGIME BECAUSE, IN THE SPECULATIVE ECONOMY OF THAT PERIOD, MOST AGRICULTURAL PRODUCTS BROUGHT PREMIUM

PRICES. THE SITUATION HAS CHANGED SOMEWHAT UNDER PAZ, WHOSE FREE-MARKET IMPORT POLICY HAS ATTRACTED CHEAPER IMPORTED PROCESSED AGRICULTURAL PRODUCTS, REDUCING THE INCOMES OF SOME PEASANTS. AT THE SAME TIME, THE GOVERNMENT'S ECONOMIC RECOVERY PLAN HAS INCREASED THE COST OF ENERGY AND TRANSPORT, AND IN GENERAL REDUCED THE BUYING POWER OF BOLIVIAN CONSUMERS, THE PEASANTS' MAIN MARKET.

B. A FURTHER COMPLICATION IS INTRODUCED BY THE PEASANTS REACTION TO THE GOVERNMENT'S COCA REDUCTION PLAN. IN COCHABAMBA AND THE CHAPARE SOME UNIONS MILITANTLY OPPOSE THE PROGRAM AND MAY BE TEMPTED TO MAKE COMMON CAUSE WITH PAZ'S SWORN ENEMIES IN THE COB.

C. ELSEWHERE, HOWEVER, THE PICTURE IS LESS CLEAR. PEASANTS NOT INVOLVED IN COCA GROWING RESENT THE WEALTH AND POLITICAL CLOUT OF THEIR BRETHREN IN THE CHAPARE AND COCHABAMBA. THESE PEASANTS STILL IDENTIFY PAZ ESTENSORO AS THE AUTHOR OF THE 1952 AGRARIAN REFORM AND MANY MAY BE RELUCTANT TO TAKE PART IN A CABAL TO DESTABILIZE HIS GOVERNMENT.

D. THE REAL DANGER IS THAT THE DISTORTIONS AND CORRUPTION INTRODUCED INTO BOLIVIA'S BASICALLY CONSERVATIVE PEASANT CULTURE BY NARCOTICS MONEY MAY EXTEND BEYOND THE COCA GROWING AREAS. ATTRACTED BY THE LURE OF EASY MONEY, PEASANTS MAY ABANDON TRADITIONAL AGRICULTURE. THE TIGHTLY-KNIT, SUPPORTIVE EXTENDED FAMILY SYSTEM MAY BREAK DOWN, RESULTING IN MORE SINGLE PARENT HOUSEHOLDS AND ABANDONED CHILDREN. ABUSE OF ALCOHOL AND DRUGS BY PEASANTS COULD INCREASE AND SEVERED TIES WITH ANCESTRAL COMMUNITIES COULD RESULT IN INCREASED RURAL-URBAN MIGRATION, BURDENING THE CITIES WITH UNEMPLOYED WORKERS AND DIRECTLY AFFECTING THE

CRIME RATE. INCREASED INTERNAL MIGRATION OF PEASANTS TO THESE AREAS, PROVOKED BY THE ECONOMIC CRISIS, MAY ALREADY BE HAVING THIS EFFECT.

10. (C) CORRUPTION AS A DESTABILIZING FACTOR  
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THE CANCER OF NARCOTICS-RELATED CORRUPTION IN THE POLICE, THE ARMED FORCES AND OTHER BOLIVIAN INSTITUTIONS ALSO POSES A THREAT TO THE STABILITY OF THE PAZ GOVERNMENT AND THE LONG-TERM SURVIVAL OF DEMOCRACY.  
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E.O. 12356: DECL: OADR

TAGS: PGOV, PREL, BL

SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

CORRUPTION HAS ALWAYS BEEN A SERIOUS PROBLEM IN BOLIVIAN SOCIETY, BUT UNTIL RECENTLY IT HAS CONSISTED MAINLY OF BRIBES, COMMISSIONS AND NEPOTISM -- ENDEMIC IN ALL LATIN AMERICAN SOCIETIES. BECAUSE OF THE VAST AMOUNTS OF MONEY INVOLVED IN NARCOTICS TRAFFICKING, HOWEVER, CORRUPTION OF POLICE, JUDICIAL AND MILITARY OFFICIALS IN RECENT YEARS HAS GROWN EXPONENTIALLY, UNDERMINING TO AN ALARMING DEGREE PUBLIC FAITH IN AND RESPECT FOR THESE AUTHORITIES. IF THIS TREND IS NOT HALTED AND REVERSED, LACK OF FAITH AND RESPECT FOR THESE KEY COMPONENTS OF A DEMOCRATIC SOCIETY MAY EVENTUALLY TRANSLATE INTO LACK OF FAITH AND RESPECT FOR DEMOCRACY ITSELF. A FEW THOUGHTFUL BOLIVIANS ARE SUFFICIENTLY CONCERNED BY THE LONGER-TERM IMPLICATIONS OF NARCOTICS-RELATED CORRUPTION TO ACT ON IT. MOST ERRONEOUSLY SEE IT AS A SIMPLE EXTENSION OF TRADITIONAL PATTERNS.

11. (C) LOSS OF PUBLIC CONFIDENCE AND/OR SUPPORT

FROM THE PRIVATE SECTOR

MEMBERS OF BOLIVIA'S PRIVATE SECTOR, MOST OF WHICH IS POLITICALLY IDENTIFIED WITH BANZER'S ADN, ARE EITHER RECENT CONVERTS TO DEMOCRACY OR REMAIN SKEPTICS. NEVERTHELESS, PAZ'S IMPOSITION OF GOVERNMENTAL AUTHORITY AND HIS FREE-MARKET ECONOMIC POLICIES HAVE WON HIM THE PRIVATE SECTOR'S BEGRUDGING SUPPORT. THE PRIVATE SECTOR IS GRATEFUL FOR A CLEARER DEFINITION OF THE RULES OF THE GAME WITH ORGANIZED LABOR, THE BRAKE ON SPECULATION AND SLOWED INFLATION AND DEVALUATION OF THE PESO. ITS INITIAL POSITIVE REACTION TO THE ECONOMIC MEASURES IS BEING TEMPERED BY SOME OF THE UNAVOIDABLE SECONDARY EFFECTS OF THE NEW ECONOMIC POLICY, INCLUDING:

- . - PERCEIVED "UNFAIR" COMPETITION FROM CHEAPER IMPORTS COMING IN UNDER LIBERALIZED IMPORT POLICIES, THREATENING ALREADY WEAK DOMESTIC INDUSTRIES (I.E., PRIVATE SECTOR HAS BECOME TOO INURED TO STATISM AND STATIST PROTECTION);
- . - SHRINKING DOMESTIC DEMAND AS A RESULT OF ANTI-INFLATION AUSTERITY;
- . - LACK OF LIQUIDITY IN A SITUATION IN WHICH COMPANIES HAVE BEEN DECAPITALIZED;
- . - AN END TO THE INCREDIBLY CHEAP CREDIT THAT PREVAILED DURING THE SILES GOVERNMENT; AND
- . - A SIGNIFICANT REDUCTION OF OPPORTUNITIES FOR SPECULATION IN THE PARALLEL EXCHANGE MARKET AND IN BASIC COMMODITIES.

DESPITE THESE PROBLEMS, EMBASSY BELIEVES THAT THE MEMORY OF ABUSES AND CORRUPTION OF RECENT MILITARY REGIMES AND OF THE CHAOS THAT REIGNED DURING THE SILES GOVERNMENT WOULD GIVE MOST CONSTITUENTS OF THE PRIVATE SECTOR SERIOUS REASON TO DOUBT THE WISDOM OF TRADING PAZ IN FOR A MORE MALLEABLE, MORE "EFFICIENT" MILITARY REGIME. IN EFFECT, THE PRIVATE SECTOR HAS NO WHERE ELSE TO GO. HOWEVER, IF IT SITS ON ITS HANDS AS OTHER THREATS BURGEON, THE OBVIOUS LACK OF SUPPORT WOULD CERTAINLY WEAKEN THE GOVERNMENT AND HARM CHANCES OF SURVIVAL. ONLY UNCONTROLLED AND WIDESPREAD DISTURBANCES OR A BT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL:OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

REVERSION BY PAZ TO CHEAP LEFTIST POPULISM WOULD  
SUCCEED IN TURNING THE PRIVATE SECTOR AGAINST THE  
CURRENT GOVERNMENT.

12. (C) STABILITY OF THE "PACT FOR DEMOCRACY"

A. RELATED TO THE ISSUE OF PRIVATE SECTOR SUPPORT,  
THE MNR-ADN "PACT FOR DEMOCRACY" IS ALSO IMPORTANT  
TO THE STABILITY OF THE PAZ ESTENSSORO GOVERNMENT  
AND THE HEALTH OF THE DEMOCRATIC PROCESS. ADN  
PARTICIPATION IN THE PACT IS AN ACT OF COLLECTIVE  
POLITICAL WILL, NOT JUST A COINCIDENCE OF INTERESTS  
BETWEEN THE GOVERNMENT AND THE PARTY THAT DEVELOPED  
THE ESSENTIALS OF THE GOVERNMENT'S NEW ECONOMIC  
PROGRAM. AS SUCH, MUCH DEPENDS ON THE ATTITUDES  
OF PAZ AND BANZER AND ON THEIR ABILITY TO IMPOSE  
THEIR WILLS ON FACTIONOUS, CAPRICIOUS ELEMENTS IN  
THEIR RESPECTIVE PARTIES.

B. SOME ELEMENTS OF THE MNR, FOR EXAMPLE, ARE  
ALREADY CHAFING AT THE "BETRAYAL" OF MNR PRINCIPLES

(AND EXCLUSION FROM SINECURES) INHERENT IN PAZ'S  
FREE-TRADE ORIENTED ECONOMIC PROGRAM AND HIS EFFORTS  
TO IMPROVE ADMINISTRATION. THEY ALSO CHAFE AT  
THE AGREEMENT TO GIVE KEY JOBS IN SEMI-AUTONOMOUS  
GOVERNMENT AGENCIES TO ADN LOYALISTS UNDER THE  
PROVISION OF THE "SECRET CORROLARY" TO THE OCTOBER  
16 PACT.

C. FOR THEIR PART, SOME ADN STALWARTS ACCUSE THE  
MNR OF FAILURE TO LIVE UP TO ITS HALF OF THE  
BARGAIN, CITING THE RECENT PROMOTION OF TWO HIGH-  
RANKING MILITARY OFFICERS DESPITE ADN OBJECTIONS  
AND THE GOVERNMENT'S SLOWNESS IN APPOINTING ADN  
MEMBERS TO PATRONAGE POSITIONS.

D. THESE KINDS OF PROBLEMS ARE INHERENT IN ANY  
POLITICAL ALLIANCE, BUT THEY DO NOT SIGNAL THE  
IMMINENT DEMISE OF THE MNR-ADN PACT. IF PAZ  
FAILED COMPLETELY TO LIVE UP TO HIS PLEDGE ON  
JOBS, ATTACKED BANZER AND FAILED TO KEEP HIS OWN  
MNR PARTY'S HOT HEADS IN LINE, BANZER COULD WELL  
'PULL OUT. UNDER THE PRESENT UNCERTAIN CIRCUMSTANCES,  
HOWEVER, PAZ HAS EVERYTHING TO GAIN FROM THE  
PRESERVATION OF THE PACT, AND A LOT TO LOSE FROM  
ITS FAILURE. SIMILARLY, BANZER AND THE ADN HAVE  
A LOT TO LOSE FROM A POSSIBLE COLLAPSE OF THE PAZ  
GOVERNMENT OR FAILURE OF ITS PROGRAM. PAZ'S  
ECONOMIC PROGRAM IS BASED LARGELY ON STUDIES AND  
PROPOSALS COMMISSIONED BY THE ADN. THE IRONY IS  
THAT PAZ, BECAUSE OF HIS PRESTIGE AS A SENIOR  
STATESMAN AND POPULAR LEADER, HAS A BETTER CHANCE  
OF SUCCESS IN IMPLEMENTING A REVOLUTIONARY -- IN THE  
BOLIVIAN CONTEXT -- PROGRAM SUCH AS THE ONE NOW

IN PLAY.

13. (C) THE THREATS TO THE ECONOMIC PROGRAM

A. MANY OF THE FACTORS CITED ABOVE, OPERATING IN  
ISOLATION OR IN COMBINATION WITH EACH OTHER, COULD  
ADVERSELY AFFECT THE ACHIEVEMENT OF THE PAZ  
ESTENSSORO GOVERNMENT'S TWO PRIMARY OBJECTIVES:  
ECONOMIC RECOVERY/REORGANIZATION AND COCA/COCAINE  
CONTROL. THE FAILURE OF THE ECONOMIC REFORM  
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E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

AND/OR THE COLLAPSE OF THE ANTI-NARCOTICS EFFORT  
COULD OCCUR WITHOUT PROVOKING THE IMMEDIATE  
DOWNFALL OF THE PAZ GOVERNMENT. IN THE LONGER  
RUN, HOWEVER, THE CRISIS OF CONFIDENCE AND  
CREDIBILITY THAT WOULD RESULT FROM THE FAILURE  
OF THESE KEY COMPONENTS OF THE GOB PROGRAM WOULD  
PROBABLY RESULT IN SOME SORT OF INTERRUPTION OF  
THE DEMOCRATIC PROCESS.

B. IN THE EMBASSY'S VIEW, THE MAJOR IMMEDIATE  
THREATS TO THE SUCCESSFUL IMPLEMENTATION OF THE  
GOB'S ECONOMIC RECOVERY AND REORGANIZATION PLAN  
ARE, IN DESCENDING ORDER OF IMPORTANCE:

- . - THE ABSENCE OR INADEQUACY OF TIMELY EXTERNAL  
ECONOMIC ASSISTANCE;
- . - THE BREAKDOWN OF PUBLIC CONFIDENCE IN THE  
ECONOMIC MODEL AS A MECHANISM FOR EVENTUALLY  
OVERCOMING BOLIVIA'S SEVERE ECONOMIC PROBLEMS;
- . - A MAJOR SHAKE UP IN PAZ ESTENSORRO'S ECONOMIC  
TEAM, INCLUDING THE SIMULTANEOUS EXIT OF THE

. KEY PROPONENTS OF THE ECONOMIC PROGRAM; AND

- . - A SERIOUS EROSION OF PRIVATE SECTOR SUPPORT  
FOR AND/OR PUBLIC CONFIDENCE IN PAZ, BROUGHT  
ABOUT BY THE FAILURE OF MANY BUSINESSES AND  
INCREASED LABOR AGITATION.

15. (C) KEY OBSTACLES TO NARCOTICS CONTROL

SIMILARLY, EMBASSY BELIEVES THAT THE MAJOR OBSTACLES  
TO A SERIOUS, EFFECTIVE NARCOTICS CONTROL EFFORT  
ARE, IN DESCENDING ORDER OF IMPORTANCE:

- . - THE LACK OF ADEQUATE, TIMELY AND FLEXIBLE  
FOREIGN ASSISTANCE (WE MUST OVERCOME THE  
CHICKEN-AND-EGG PROBLEM, IN WHICH FOREIGN  
GOVERNMENTS ARE RELUCTANT TO CONTRIBUTE TO  
EFFORTS WHICH HAVE LITTLE HOPE OF SUCCESS,  
AND AT THE SAME TIME THE LACK OF SUPPORT  
DOOMS MOST EFFORTS TO FAILURE.);
- . - THE ECONOMIC POWER OF THE NARCO-TRAFFICKERS,  
ENHANCED BY THE CIRCUMSTANCES OF HARD TIMES;
- . - THE CORRUPTION OF THE POLICE, JUDICIARY AND  
ARMED FORCES; AND
- . - COB/PEASANT OPPOSITION TO COCA ERADICATION.

16. (C) CONCLUSIONS

A. THIS PRESENTATION IS MEANT TO BE REASONABLY  
COMPREHENSIVE. BY THE VERY NATURE OF BOLIVIAN  
SOCIETY, HOWEVER, IT CANNOT BE EXHAUSTIVE OR  
UNERRINGLY PREDICTIVE. SOME OF THE UNCONTROLLABLES ARE:

- . - THE IMPACT OF EXTERNAL EVENTS ON BOLIVIA'S  
WEAK AND DEPENDENT ECONOMY;
- . - THE RAPID PLAY OF PERSONALITIES IN A SMALL  
LEADERSHIP STRUCTURE (HAIR-BRAINED INITIATIVES  
CAN SUDDENLY TAKE OFF WITHOUT ANY TECHNICAL  
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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E. O. 12356: DECL: OADR  
TAGS: PGOV, PREL, BL  
SUBJECT: AN ANALYSIS OF NEAR- AND MEDIUM-TERM

. VETTING JUST BECAUSE A COUPLE OF INFLUENTIAL  
. PERSONS HAVE TALKED AT A FAMILY GATHERING);  
. - EXHAUSTION, WHICH CAN BLOCK CREATIVE OR OBJECTIVE  
. THINKING IN THE TINY GROUP OF OVERWORKED KEY  
. ACTORS AT A CRITICAL MOMENT. (PLANNING  
. MINISTER BEDREGAL, THE ECONOMIC PROGRAM'S  
. SPARK PLUG, CAME WITHIN A HAIR OF RESIGNING  
. THREE TIMES IN THE LAST SIX WEEKS, A KEY  
. PERIOD IN IMF TALKS.)  
--

B. ON BALANCE EMBASSY IS CAUTIOUSLY OPTIMISTIC  
ABOUT BOLIVIA'S PROSPECTS FOR THE MEDIUM TERM,  
PROVIDED WE SUSTAIN THE TIMELY MORAL AND ECONOMIC  
SUPPORT NECESSARY TO THE SURVIVAL OF A GOVERNMENT  
THAT CLEARLY IS IN HARMONY WITH FUNDAMENTAL U. S.  
INTERESTS IN THE REGION. (DRAFTED BY: W. LOFSTROM)  
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BOLIVIA

Bolivia is now a democracy with a constitutionally elected Government. On July 14, 1985 the country held free democratic elections which resulted in the first constitutional transition from one civilian government to another in almost 20 years. On August 6, after a close contest between the Nationalist Democratic Action (ADN) party candidate Hugo Banzer and the Nationalist Revolutionary Movement (MNR) candidate Victor Paz Estenssoro, the latter was elected President by the Bolivian Congress in accordance with constitutional processes. The new Government's authority was tested almost immediately when its economic program was challenged by organized labor in a series of general strikes. The Government responded by declaring a state of siege which curtailed the rights to protest and assembly, in accordance with constitutional provisions, and by cracking down sharply on trade unionists, moves approved by the Congress and broadly accepted by the public.

The state security apparatus which had been used by military governments in the past to torture and intimidate was abolished under the 1982-85 Government of Siles Zuazo, but Bolivia still has an internal intelligence service which falls under the responsibility of the Ministry of Interior, as well as intelligence services associated with the military. The internal intelligence service was active in rounding up and detaining Bolivian trade unionists in September 1985 under the Government's state of siege measures.

Bolivia is the poorest country in South America despite the rich natural resources available to a sparse population. The export sector, dominated by state enterprises, has stagnated for years and there has been a continual decline in the standard of living. As one of its first moves, the new Government announced a set of stringent economic adjustment measures designed to halt hyperinflation (the world's highest at 20,000 percent annually), reduce a huge fiscal deficit of nearly 30 percent of GDP, and restore economic growth which had contracted by approximately 20 percent in real terms from 1982 to 1984. The new economic plan emphasizes free market solutions to the economic crisis. For example, by breaking up government monopolies in sugar, rice, and wheat production, incentives have been created for individual farmers to produce as much of these products as they can sell at prevailing market prices.

In 1985, Bolivia witnessed a continuation of the improvement in the human rights situation which commenced with the end of the military government in 1982, although the record was not fully satisfactory. The temporary detention of some 3,000 trade union members on September 19 under provisions of the state of siege curtailed the freedoms of assembly, travel and peaceful protest, albeit under terms of the Constitution and without any reports of torture, deaths, injuries or disappearances such as had occurred under previous governments. On October 14, 1985 the Bolivian Military Court reduced the sentences of the so-called Luribay Seven detained in October 1983; but did not as requested grant a public trial in a civilian court. The October 1984 amnesty declared in their behalf by President Siles Zuazo was never honored by the military courts.

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## BOLIVIA

### Section 1 Respect for the Integrity of the Person, Including Freedom from:

#### a. Political Killing

There were no reports of political killings in Bolivia in 1985.

#### b. Disappearance

There were no verified cases of politically motivated disappearance in Bolivia in 1985.

#### c. Torture and Cruel, Inhuman, or Degrading Treatment or Punishment

The Constitution prohibits all forms of torture, and neither the Siles Zuazo Government nor the Paz Estenssoro Government has practiced or condoned the use of torture. Most problems of prisoner mistreatment arise from overcrowded prison conditions and from underpaid, undertrained prison and police personnel. Corruption, malnutrition and unsanitary conditions are endemic in Bolivia's underfinanced prisons.

#### d. Arbitrary Arrest, Detention or Exile

Under the Constitution, no one can be arrested without a court order and detainees must be charged or released within 24 hours. However, Article 111 of the Constitution provides that the executive branch of government can declare a state of siege "in case of grave danger caused by internal commotion or international war," and under Article 112 detainees can be held 48 hours.

A state of siege was declared on September 19, 1985, and the Government explained its action on the basis of labor's decision to radicalize and broaden its general strike which was crippling vital sectors of the economy and was widely regarded to be primarily political in motivation. On October 2, the Bolivian Congress approved the Government's state of siege by a 94 to 39 vote. The state of siege was lifted on December 18, 1985.

As many as 3,000 trade unionists and bystanders were detained by Bolivian armed forces and police. Some detainees complained that the decision to keep or release them was made by men wearing hoods. Most detainees were never charged, and within 24 hours the Government had released all but some 200 unionists who were given a choice of internal or external exile, in accordance with the constitutional provisions on a state of siege. Four trade unionists went to Peru while the others remained in Bolivia where they were internally exiled to rural military bases in isolated parts of Bolivia. Conditions on the bases were primitive and many detainees complained about poor food, isolation from their families and hot weather. There were no reports of torture.

The Government began releasing detainees on October 1, and the following day the Government and the unions approved an agreement ending the strike. By October 9, 1985, all the detainees were released except Fausto Ardaya Bernal from the

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National Telecommunications Company (ENTEL) union; he was no longer being held under state of siege rules but rather was being held without bail for criminal acts. In response to a writ of habeas corpus, the Government on October 10 brought Ardaya before the court. Other trade unionists who were also charged with criminal offenses, notably former officers of the Central Bank, were released on bail.

Forced or compulsory labor is prohibited by Bolivian labor law.

e. Denial of Fair Public Trial

The Government has upheld the right of fair public trial, but delays in the judicial system are common.

Seven persons detained by the army near Luribay in 1983 for alleged involvement in training of leftist groups were convicted of arms theft and attempted treason by a military court in 1984 after the Bolivian Supreme Court ruled that the military court had jurisdiction to try the case. On October 28, 1984, President Siles granted amnesty to the seven detainees, but the dispute over legal jurisdiction prevented their release. On October 14, 1985, the Supreme Military Tribunal published a decree which reduced the sentences of the seven detainees and will make possible the parole of four of them in April 1986 and the other three in October 1986.

Bolivia's legal practices allow for two judicial systems: Civilian and Military. The civilian system has control over Bolivian civil and penal codes. According to article 127 of the Bolivian constitution, the Supreme Court, Bolivia's highest civilian judicial body, also may review legislative measures and judge whether or not their statutes are in accordance with a citizen's "concrete rights or with the constitution."

Article 208 of the Bolivian constitution gives the military the "fundamental mission to defend and conserve national independence, the republic's security and stability, honor and national sovereignty." To perform this "mission," the Bolivian military established in 1976 a revised military penal code and a law on the organization of the military judiciary. These measures define and establish military jurisdiction over actions against the security of the state, military personnel or property.

f. Arbitrary Interference with Privacy, Family, Home, or Correspondence

The sanctity of the home and the privacy of citizens' lives are protected by the Constitution and normally are respected in practice. House searches, monitoring of conversations and other abuses that occurred under military regimes in the past ceased during the Siles Zuazo Government.

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Section 2 Respect for Civil Rights, Including:

a. Freedom of Speech and Press

As a democratic country, Bolivia enjoyed an independent, unfettered and critical press throughout most of 1985. Exceptions occurred with the September 19 imposition of a state of siege when Interior Ministry agents entered worker-owned and -managed pro-labor radio stations and shut them down. However, by the end of 1985, all radio stations in Bolivia had reopened including the worker-run "Radio Continental" in La Paz. Two journalists for the Bolivian Workers Central (COB) were internally exiled along with other detainees for about two weeks under the state of siege. The most widely publicized government violation of press freedom was the September 23 detention of Antonio Peredo, editor of leftist weekly "AQUI." Interior Ministry plainclothesmen initially had tried to apprehend Peredo in the Congress, but several Congressmen had intervened. Arrested later a few blocks away, he was released without charge after spending the night in the Interior Ministry; he said he had not been mistreated. Interior Minister Fernando Barthelemy subsequently publicly apologized for the incident.

Since the restoration of democracy in 1982, Bolivians have had a basically unrestricted press which represents a wide spectrum of ideological points of view. Both the Siles Zuazo and the Paz Estenssoro Governments have tolerated criticism from the media, including during the state of siege. Academic freedom is enjoyed at Bolivia's schools. There are both state and privately owned radio and television stations, and the newspapers are all privately owned.

b. Freedom of Peaceful Assembly and Association

Except during the state of siege, peaceful assembly and association have not been restricted. Under the original provisions of the state of siege, groups of three or more were not allowed to gather between midnight (later changed to 3:00 a.m.) and 6:00 a.m., demonstrations and protest marches were prohibited, and permission had to be obtained from the police to hold a gathering or a party in the evening. Such police permits were readily available for a modest fee.

Bolivians have the right of association and the right to organize and bargain collectively. While Bolivian law still does not extend these rights to government jobs, in practice this distinction has been ignored and virtually all government employees are unionized.

The Bolivians Workers Central, an umbrella labor federation which represents the majority of Bolivian workers, is independent, politically powerful and in the past has frequently paralyzed the economy with crippling strikes. Since the October 1982 return of democracy to Bolivia, the rights of unions have been observed to the extent that many persons (especially in the private sector) feel that the unions are too well protected. Under the Paz Estenssoro Government, union/government relations have been strained and conflictive. The unions, for example, made a claim to having

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the right of co-government, a claim which went far beyond such traditional labor rights as collective bargaining. Matters came to a head when the unions sought to veto the executive branch's economic policy, a move which precipitated the state of siege. Some union leaders have even demanded the same political immunity for union leaders as is accorded members of Congress.

c. Freedom of Religion

Citizens are free to practice the religion of their choice, and there are no restrictions on churches publishing, establishing places of worship and religious schools, training clergy or maintaining international ties. Bolivian law requires that religious groups be incorporated, but there is no state control or censorship. Since the return to civilian government, no clergy have been persecuted for their political or religious beliefs or activities.

Roman Catholicism is the predominant religion and is recognized by the Constitution as the official religion of the country. Catholic bishops receive a nominal stipend from the state, but no other secular advantage is conferred. Protestant churches operate openly and freely. In 1982, a Protestant college opened in Santa Cruz. Two years later, a Baha'i University opened in the same city. The Mormons and Seventh Day Adventists are free to proselytize and to operate churches and training centers throughout the country. The small Jewish community is not disturbed as it was under military regimes, which tolerated neo-Nazi "paramilitary" groups which published anti-Semitic tracts. The Mennonites have large rural colonies in Santa Cruz.

d. Freedom of Movement Within the Country, Foreign Travel, Emigration, and Repatriation

There were no unusual restrictions on travel within Bolivia or abroad except during the temporary state of siege which began on September 19, 1985, and ended at midnight December 18, 1985. Under the provisions of the state of siege, one needed a no-fee police permit--which was readily available--to leave the country, to travel within Bolivia and to drive a car between midnight and 6:00 a.m. On October 14, 1985, the Government reduced the restricted hours to the period from 3:00 a.m. to 6:00 a.m..

Section 3. Respect for Political Rights: The Right of  
Citizens to Change Their Government

On July 14, 1985, Bolivia held free democratic elections which resulted in the first constitutional transition of power from one civilian government to an opposing political party in almost 20 years. On August 6, 1985, after a close race at the polls between Nationalist Democratic Action (ADN) party candidate Hugo Banzer and Nationalist Revolutionary Movement (MNR) candidate Victor Paz Estenssoro, the latter was elected President by the Bolivian Congress in accordance with constitutional processes. No party won a majority and ADN candidate Banzer actually received more popular votes (with about 28 percent of the total) than the winner Paz Estenssoro.



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## BOLIVIA

(who received 27 percent). Because no party won a majority, the Congress had to choose the President. The MNR was able to gather support from other parties in Congress and on August 6, 1985, Victor Paz Estenssoro was sworn in as President, replacing Siles Zuazo who had governed since October 10, 1982.

The political system is dominated by persons of European or Mestizo origin. Those following a traditional Indian lifestyle and speaking Aymara or Quechua as a primary language make up an estimated 60 percent of the population and have failed to advance to top positions because of economic disadvantages and educational and cultural isolation as well as an element of overt discrimination. There have been notable exceptions to this rule, such as the present Minister of Agriculture, Mauricio Mamani Pocoaca, who is a full blooded Aymara.

### Section 4. Governmental Attitude Regarding International and Nongovernmental Investigations of Alleged Violations of Human Rights

The Government has been sensitive to the opinions of both international and domestic organizations regarding alleged violations of civil liberties. An International Confederation of Free Trade Unions (ICFTU) team visited Bolivia from October 19 to October 22, 1985, and met with trade union and government officials to discuss and observe the local situation. The ICFTU officials indicated that a report would be forthcoming. Two representatives from the World Confederation of Labor (WCL) and its Latin American Workers Central (CLAT), visited Bolivia November 1985, to investigate what they alleged to be "serious violations of union rights and labor laws." They met with Bolivian Workers Central leaders and officials of the ministry of labor. The visitors criticized President Paz and called on him to free several imprisoned labor leaders who were being detained on criminal charges (unlike the thousands who had been temporarily picked up and later released when the government imposed a state of siege on September 19, 1985). In accordance with Bolivian legal procedure, one of the leaders held on criminal charges was subsequently released pending trial. Among nongovernmental organizations, the Catholic church, the Permanent Assembly of Human Rights, and the press have been the most aggressive monitors of human rights in Bolivia. The Bolivian Episcopal Conference of the Catholic Church and some Protestant ministers played a role in the past in visiting detainees and speaking out against abuses. Individual Catholic bishops, many priests and such lay groups as the Bacherer Foundation and the Confederation of Lay Persons have been active in the investigation of social problems, and, occasionally, human rights issues.

Amnesty International Report 1985, which covered events in 1984, expressed concern about lack of progress in investigations into disappearances and extra-judicial executions which took place under previous Governments, and the failure of some sectors of the military to cooperate in those investigations. Freedom House gave Bolivia a rating of "free."

### ECONOMIC, SOCIAL AND CULTURAL SITUATION

Bolivia's population in 1985 is estimated at 6.2 million with a growth rate of 2.6 percent. World Bank statistics for 1984 indicate a per capita GNP of \$410.

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The failure of the Siles Zuazo administration to adopt adequate economic corrective measures, and its repeated concessions to labor's demands for wage increases, were key factors ensuring continued economic deterioration and hyperinflation which exceeded 20,000 percent through September 1985. Bolivia has a \$3.8 billion international debt with debt service payments exceeding the value of legal exports. Payments on its debt to foreign commercial banks were suspended in April 1984. The newly elected Paz Estenssoro Government's economic program of August 29 represents a head-on attempt to stop the hyperinflationary spiral and to reactivate the economy's productive apparatus. Implementing a series of free market economic measures such as exchange rate, price and interest rate deregulation, coupled with a restrictive public sector wage and monetary policy, Bolivia has taken a major step towards economic stabilization. This form of shock treatment, although it is expected to produce economic improvements in the medium to long term, will cause painful adjustments in the short run. The Government has opened discussions with its private foreign creditors on debt rescheduling, and has begun negotiations with the International Monetary Fund (IMF) on a standby agreement. A concerted effort is being made to improve Bolivia's foreign investment climate.

Life expectancy at birth is estimated in 1985 at 51.9 years. The infant mortality rate is a high 119 per 1000 live births. Data from the 1976 census indicate that 291 out of 1000 rural children die before their fifth year, compared to 186 per 1000 urban children. Only 57 percent of the population had access to safe water in 1980 (the last year for which this statistic is available), and the caloric supply available for consumption relative to nutritional requirements was only 90 percent in 1982.

World Bank figures show the adult literacy rate was 63.2 percent in 1976, but more recent Bolivian estimates place it at about 73 percent. Public education is free and generally available in urban areas, but the school year has frequently been interrupted by strikes and protests. According to World Bank figures, the primary school enrollment ratio was 86 percent in 1982. Except in the most isolated areas, Bolivian rural youth can expect at least three years of schooling.

Bolivian labor law prohibits any labor contract which denies a worker his or her constitutional rights and freedoms. The employment of minors under 18 years of age and women in dangerous, unhealthy or immoral work is prohibited. Bolivia has acceptable conditions of employment with minimum wage laws and an elaborate system of bonuses and compensations. For most jobs, especially in the public and mining sectors, most workers have an eight hour day.

There are laws governing occupational safety and health, but often they are not rigorously observed in practice. Enforcement is a major problem. The most dangerous and unhealthy jobs historically have been in the mines. Many are old and operated with antiquated equipment. Mine workers suffer from silicosis, but many do not wear their safety masks.

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Since 1952 racial discrimination has been banned in Bolivia. However, informal discrimination persists against persons of Indian background by those persons wholly or partly of European ancestry. At least partially as a result of this discriminatory treatment, the Indian population is at the lower end of the country's socio-economic scale, with the expected adverse effects on health, life expectancy, education, income and unemployment.

Although protected in theory by social legislation that represented a pioneering effort in the Latin American context, Bolivian women do not enjoy a status in society equal to that of men. The main obstacles to advancement are cultural traditions, social conditions and a lack of political influence. In rural families, women have contributed significantly to economic activities but are nonetheless considered subordinate. In some urban families, women are slowly achieving a greater role in Bolivian business life and increasingly are beginning to participate in cooperatives, community meetings and education.

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BOLIVIA

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