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Collection Name LATIN AMERICAN AFFAIRS DIRECTORATE, NSC:
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File Folder BOLIVIA (SAFE 1) 04/07/1986-06/25/1986

FOIA

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
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120234	CABLE	122021Z APR 86	2	4/12/1986	B1 B3
120235	CABLE	LA PAZ 03448 R 5/18/2015 M353/1	6	4/24/1986	B1
120236	CABLE	291706Z APR 86	2	4/29/1986	B1 B2 B3
120237	CABLE	052129Z MAY 86 PAR 5/3/2012 M353/1	1	5/5/1986	B1 B3
120239	CABLE	060329Z MAY 86	3	5/6/1986	B1 B3
120240	CABLE	062003Z MAY 86 PAR 5/3/2012 M353/1	1	5/6/1986	B1 B3
120241	CABLE	071914Z MAY 86	1	5/7/1986	B1 B2 B3
120250	CABLE	LA PAZ 04309 R 5/18/2015 M353/1	2	5/21/1986	B1
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B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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120260	CABLE	LA PAZ 04391 <i>R 5/18/2015 M353/1</i>	3	5/23/1986	B1
120262	PAPER	RE WHITEHEAD IN BOLIVIA <i>R 5/18/2015 M353/1</i>	1	ND	B1
120266	CABLE	LA PAZ 04606 <i>R 5/18/2015 M353/1</i>	3	6/3/1986	B1
120267	CABLE	LA PAZ 5043 <i>R 5/18/2015 M353/1</i>	4	6/16/1986	B1
120269	PAPER	RE BOLIVIA	1	6/24/1986	B1 B3

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~~CONFIDENTIAL~~ SECTION 01 OF 06 LA PAZ 03448

SANTIAGO FOR AMBASSADOR AND CHARLOTTE ROE FROM

AMBASSADOR WITH THANKS

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: PINR, PGOV, ELAB, SCUL, BL
SUBJECT: PROSPECTS FOR A SENDERO LUMINOSO IN BOLIVIA

REF: (A) 84 LA PAZ 5425 (B) 84 LA PAZ 8807
(C) 85 LA PAZ 2423 (D) 85 LA PAZ 3636
(E) LA PAZ 1148

INTRODUCTION AND SUMMARY

1. (LOU) DESPITE CHRONIC POLITICAL INSTABILITY AND A CORNUCOPIA OF EXTREMIST GROUPS WITH CONNECTIONS TO COMMUNIST BLOCK COUNTRIES, BOLIVIA HAS NOT YET FACED THE PROBLEM OF SUCCESSFUL, SUSTAINED TERRORIST ACTIVITY. IN THE MIDST OF THE LONGEST, MOST PAINFUL ECONOMIC CRISIS IN BOLIVIA'S HISTORY, THE LEVEL OF POLITICAL VIOLENCE HAS BEEN SURPRISINGLY LOW. THIS REPORT ANALYZES CONDITIONS WHICH HAVE SPARED BOLIVIA THE CRAZED BLOODSHED AND POLITICAL FANATICISM WHICH CHARACTERIZE THE SENDERO LUMINOSO REBELLION IN PERU. A VARIETY OF FACTORS -- RANGING FROM CHRONIC DISORGANIZATION ON THE LEFT TO BUILT-IN SAFETY VALVES IN BOLIVIA'S SOCIO-ECONOMIC STRUCTURES -- SO FAR HAS MADE BOLIVIA LESS THAN FERTILE GROUND FOR A POPULAR INSURRECTION. THIS REPORT ALSO EXPLORES, HOWEVER, SEVERAL EVOLVING CONDITIONS WHICH MAY BE ERODING BOLIVIA'S SOCIAL RESILIENCE AND APPARENT POLITICAL IMMUNITY (PARAS. 11 TO 14). END INTRODUCTION AND SUMMARY.

ROOTS OF SENDERO LUMINOSO IN PERU (WITH APOLOGIES TO LIMA)

2. (U) IN THE MID-1960'S THE PERUVIAN ARMY AND POLICE WERE DRAWN INTO A LONG, COSTLY STRUGGLE TO SUPPRESS TWO SMALL GUERRILLA INSURGENCIES BY THE "NATIONAL ARMY OF LIBERATION" AND THE "MOVEMENT OF THE REVOLUTIONARY LEFT." ALTHOUGH THE COUNTER-INSURGENCY CAMPAIGN PREVAILED, IT LEFT THE MILITARY CONCERNED ABOUT THE POTENTIAL FOR REVOLT AMONG LANDLESS PEASANTS. THERE HAD BEEN NO EFFECTIVE LAND REFORM, POWER WAS CONCENTRATED IN THE HANDS OF THE TRADITIONAL OLIGARCHY, GOVERNMENT WAS CORRUPT AND THE INDIAN POPULATION WAS NEGLECTED. IN AN ANALYSIS PUBLISHED IN 1967, ARMY MAJOR GENERAL EDGARDO MERCADO CONCLUDED THAT PERUVIAN SOCIETY WAS IN A STATE OF "LATENT INSURGENCY." HE FEARED THE COMMUNISTS WOULD EXPLOIT THE SITUATION UNLESS DEEP-GOING SOCIAL AND ECONOMIC REFORMS COULD BE IMPLEMENTED. MERCADO'S THESIS WAS INFLUENTIAL IN THE COUP THAT REMOVED PRESIDENT BELAUNDE AND INSTALLED THE "REVOLUTIONARY" MILITARY GOVERNMENT OF GENERAL JUAN VELASCO ALVARADO ONE YEAR LATER. VELASCO AND HIS SUCCESSOR, GENERAL FRANCISCO MORALES BERMUDEZ CERRUTO, MADE A SUSTAINED EFFORT TO TRANSFORM PERU'S SOCIO-ECONOMIC STRUCTURES. THEY ENHANCED POPULAR PARTICIPATION IN DECISION MAKING PROCESSES AND TRIED TO ACCELERATE THE PROCESSES OF CHANGE.

3. (U) IN 1970 A MAOIST SPLINTER GROUP OF THE COMMUNIST PARTY OF PERU, WHICH BECAME KNOWN AS SENDERO LUMINOSO, WAS LAUNCHED AT THE UNIVERSITY OF HUAMANGA IN AYACUCHO UNDER THE TUTELAGE OF ABIMAE GUZMAN, A LEFTIST PROFESSOR. ITS CADRE WAS A GROUP OF PROFESSORS AND STUDENTS OF LARGELY PROVINCIAL EXTRACTION. THEY WERE DISAPPOINTED BY THE VELASCO REFORMS, BITTERLY FRUSTRATED AT THE LACK OF OPPORTUNITIES IN PERU'S MOST BACKWARD, NEGLECTED REGION AND WILLING TO SUBMERGE THEIR PERSONAL IDENTITIES IN THE CAUSE OF REVOLUTION. THE BUDDING GUERRILLA MOVEMENT TOOK ADVANTAGE OF THE CIVIL GUARD'S HEAVY-HANDED COUNTER-INSURGENCY TACTICS, AND

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SANTIAGO FOR AMBASSADOR AND CHARLOTTE ROE FROM

AMBASSADOR WITH THANKS

DIA FOR IR BRANCH; USCINGSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: PINR, PGOV, ELAB, SCUL, BL
SUBJECT: PROSPECTS FOR A SENDERO LUMINOSO IN BOLIVIA

RECRUITED SOME PEASANT YOUTH BY EMPHASIZING ISSUES
OF "IMMEDIATE JUSTICE."

4. (U) IN THE EARLY 1980'S SENDERO LUMINOSO BEGAN
A MILITARY OFFENSIVE AIMED AT ISOLATING AYACHUCHO
FROM THE URBAN CENTERS OF "BOURGEOIS CORRUPTION" AND
AT ASSAULTING THOSE URBAN CITADELS, PARTICULARLY
LIMA, THROUGH SYSTEMATIC CAMPAIGNS OF SABOTAGE,
TERROR AND SAVAGERY. WHILE IT HAD SOME PEASANT SUPPORT,
SENDERO LUMINOSO HAD A BROADER AGENDA. AS PERUVIAN
NOVELIST MARIO VARGAS LLOSA POINTS OUT IN HIS "INQUEST
IN THE ANDES," SENDERO WAS CREATED BY URBANIZED,
MIDDLE-CLASS INTELLECTUALS OF PROVINCIAL ORIGIN WHOSE
DOGMAS AND RHETORIC WERE AS SUSPECT TO THE MASSES AS
WERE THE PROMISES OF GOVERNMENT OFFICIALS. "THE FACT
IS THAT THE STRUGGLE BETWEEN THE GUERRILLAS AND THE
ARMED FORCES IS REALLY A SETTLING OF ACCOUNTS BETWEEN
PRIVILEGED SECTORS OF SOCIETY, AND THE PEASANT MASSES
ARE USED CYNICALLY AND BRUTALLY BY THOSE WHO SAY THEY
WANT TO 'LIBERATE' THEM."

BOLIVIA'S RADICAL LEFT

5. (C) THE FAR LEFT IN BOLIVIA HAS MUCH DEEPER ROOTS
THAN DOES SENDERO LUMINOSO IN PERU. THE BOLIVIAN
WORKERS' CENTRAL (COB), NOTORIOUS FOR ITS ABILITY TO
SHAKE AND RATTLE GOVERNMENT, WAS NURTURED ON THE
REVOLUTIONARY "THESIS OF PULACAYO" (1944) WHICH

ADVOCATED ARMED STRUGGLE TO REPLACE BOURGEOIS
DEMOCRACY WITH A WORKERS' STATE (REF B). THE
INTRANSIGENT TROTSKYITE MOVEMENT HAS BEEN MORE
ENDURING AND PROMINENT IN BOLIVIA THAN PERHAPS ANY
OTHER COUNTRY. TODAY THE MAJOR TROTSKYITE FACTION
CONTROLS THE LARGEST STUDENT FEDERATION AT THE PUBLIC
UNIVERSITY OF SAN ANDRES IN LA PAZ, BOLIVIA'S LARGEST
UNIVERSITY. THE BOLIVIAN COMMUNIST PARTY (PCB), WHILE
NOT AS OLD AS ITS PERUVIAN COUNTERPART (IT WAS FOUNDED
IN 1950), NEVERTHELESS HAS PLAYED A MORE CRUCIAL ROLE
IN DOMESTIC POLITICS THAN THE PERUVIAN PARTY. THE PCB
WAS PART OF THE SILES ZUAZO GOVERNMENT (1982-85),
OCCUPYING SEVERAL KEY MINISTRIES. IRONICALLY, THE
PCB'S RECENT ROLE IN GOVERNMENT SERVED TO DISCREDIT
IT GREATLY IN THE EYES OF THE POPULACE, AND THE PARTY
IS NOW BADLY DIVIDED.

6. (U) DESPITE THESE PROMISING ANTECEDENTS, BOLIVIA'S
MANY WOULD-BE REVOLUTIONARIES USUALLY HAVE COME UP
EMPTY-HANDED. IN 1967 THE COUNTRYSIDE TURNED INTO A
GRAVEYARD FOR CHE GUEVARA'S BAND. A GROUP OF NATIVE
TERRORISTS WHO ESPOUSED THE "FORO" THEORIES OF
GUERRILLA WARFARE OF CHE GUEVARA AND REGIS DEBRAY
CARRIED OUT A SERIES OF BOMBINGS AND POLITICAL
ASSASSINATIONS IN THE EARLY 1970'S. BUT THEY WERE
LIKEWISE REJECTED BY THE PEASANTS AND SUBSEQUENTLY
WIPE OUT BY THE ARMED FORCES. THE "LURIBAY SEVEN,"
A GROUP OF BOLIVIAN AND FOREIGN ALLEGED GUERRILLAS
WITH SUPPOSED TIES TO PRESIDENT SILES' MINISTRY OF
INTERIOR, WERE BETRAYED TO THE ARMY BY PEASANTS IN
1984. THE FAILURE OF WOULD-BE GUERRILLAS TO INCITE
THE BOLIVIAN PEASANTRY -- IN CONTRAST TO THE PERUVIAN
EXPERIENCE -- IS PROBABLY DUE IN LARGE MEASURE TO THE
SHALLOW DEDICATION OF BOLIVIA'S LEFTISTS. EXCEPT FOR
A FEW DEDICATED UNIVERSITY STUDENTS IDENTIFIED WITH
THE TROTSKYITE MOVEMENT, BOLIVIA'S REVOLUTIONARIES
THUS FAR HAVE NOT DEMONSTRATED THE PATIENCE AND
WILLINGNESS TO SACRIFICE THAT HELPED THE SENDERO TO
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WILLINGNESS TO SACRIFICE THAT HELPED THE SENDERO TO RECRUIT IN THE PERUVIAN COUNTRYSIDE. IN MARCH 1985 THE COB WAS UNABLE TO INCITE A POPULAR REVOLT AGAINST THE INEPT, FALTERING SILES REGIME DESPITE THE OCCUPATION OF LA PAZ BY TENS OF THOUSANDS OF MINERS FLAUNTING DYNAMITE (REF C). ONLY WHEN IT COMBINED FORCES WITH FAR LEFT ARMY LEADERS IN 1970 WAS THE LABOR LEFT INFLUENTIAL IN TOPPLING THE GOVERNMENT, DISSOLVING THE CONGRESS AND TEMPORARILY (UNTIL 1971) INSTALLING A "POPULAR ASSEMBLY."

BOLIVIA VS PERU: SOCIETY AND ECONOMY

7. (U) AS IN PERU, PEASANTS AND THE URBAN POOR ARE PRINCIPAL VICTIMS OF SOCIAL AND ECONOMIC CHANGES. THEY ARE GENERALLY THE LAST TO BE TAKEN INTO ACCOUNT IN ECONOMIC ADJUSTMENT MEASURES AND IN PRICING, TRADE AND DEVELOPMENT POLICIES. HOWEVER, A SERIES OF HISTORICAL CIRCUMSTANCES HAS THUS FAR HELPED TO CUSHION THE IMPACT OF BOLIVIA'S HARROWING ECONOMIC CRISIS ON THE PEASANTS:

A. (U) BOLIVIA HAS A MORE PRIMITIVE ECONOMY THAN ANY OF ITS ANDEAN NEIGHBORS. IT IS ESTIMATED THAT TWO-THIRDS OF THOSE IN THE WORK FORCE ARE NOT WAGE EARNERS. THEY TOIL AS SUBSISTENCE FARMERS IN A BARTER ECONOMY OR ARE SELF-EMPLOYED. BECAUSE OF THE 1952 AGRARIAN REVOLUTION, ONE OF THE EARLIEST AND MOST FAR-REACHING IN LATIN AMERICA, BOLIVIAN PEASANTS

-- HOWEVER POOR -- ARE ALL LAND-OWNERS. JORGE DANDLER, PRESIDENT OF THE CENTER FOR RESEARCH ON ECONOMIC AND SOCIAL REALITIES (CERES), EXPLAINS THAT THE INFORMAL ECONOMIC SECTOR, PARTICULARLY AS IT HAS DEVELOPED IN SANTA CRUZ AND COCHABAMBA, HAS BUFFERED PEASANTS AGAINST SOCIAL AND ECONOMIC DISRUPTION. "THOUSANDS OF LITTLE PEOPLE ARE CONSTANTLY SEEKING CREATIVE STRATEGIES TO EARN A LIVING, USING THEIR OWN RESOURCES AND FAMILIES. THESE PEASANTS ARE BOLIVIA'S REAL ENTREPRENEURS, OPERATING WITHOUT ANY STIMULUS OR HOPE OF GOVERNMENT AID."

B. (U) IN SPITE OF SWEEPING LAND REFORM, THE NATIONALIZATION OF MINES AND AN OVERSIZED BUREAUCRACY, BOLIVIA HAS NEVER HAD A STRONG STATE APPARATUS. AS IN PERU, THE PROVINCES HAVE BEEN DISREGARDED BY THE CENTRAL GOVERNMENT. BUT BOLIVIA'S STRONG REGIONALISMS AND ETHNIC DIVERSITIES HAVE ALSO LED PEOPLE TO REMAIN IN THEIR HOME AREAS SCRATCHING OUT A PRIMITIVE EXISTENCE ON THEIR OWN AND EXPECTING ALMOST NOTHING FROM THE STATE AS A PROVIDER OF JOBS AND SERVICES. IN CONTRAST, PERU'S MORE ESTABLISHED INDUSTRIAL BASE AND THE OVERPOWERING CENTRALIZATION AND WEIGHT OF LIMA HAVE MADE PEASANTS AT ONCE MORE DEPENDENT AND MORE MARGINALIZED THAN THEIR BOLIVIAN COUNTERPARTS. WHEN PERUVIAN FARMERS MIGRATE TO THE CAPITAL IN SEARCH OF WORK, THEY EXPERIENCE GREATER DISLOCATION. MANY TURN THEIR BACKS ON THEIR RURAL ORIGINS, DISDAINING TO SPEAK THEIR NATIVE QUECHUA OR AYMARA. (MANY OTHERS ARE FORCED TO LEAVE THE COUNTRYSIDE TO FLEE THE MINDLESS TERROR OF SENDERO LUMINOSO.) IN BOLIVIA, PEASANTS WHO HAVE MIGRATED OFTEN LIVE WITH ONLY ONE FOOT IN THE CITIES, KEEPING PROPERTY IN THE PROVINCES AND SOMETIMES MOVING BACK AND FORTH. IN PERIODS OF URBAN CRISIS, MANY BOTTOM-INCOME CITY FAMILIES COUNT ON AND RECEIVE FOOD FROM THEIR RELATIVES IN THE COUNTRYSIDE.

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~~CONFIDENTIAL~~ SECTION 04 OF 06 LA PAZ 03448

SANTIAGO FOR AMBASSADOR AND CHARLOTTE ROE FROM

AMBASSADOR WITH THANKS

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: PINR, PGOV, ELAB, SCUL, BL

SUBJECT: PROSPECTS FOR A SENDERO LUMINOSO IN BOLIVIA

C. (C) FROM THE TIME OF THE 1952 REVOLUTION IN BOLIVIA, FIERCELY INDEPENDENT LABOR AND PEASANT ORGANIZATIONS PLAYED VITAL ROLES IN NATION-BUILDING. BOTH THE COB OF JUAN LECHIN AND THE SINGLE UNION CONFEDERATION OF PEASANT WORKERS (CSUTCB) OF GENARO FLORES HAVE BEEN NATIONALIST IN ORIENTATION. DEMOGOGIC IN ITS DEMANDS, PUGNACIOUS AND ANARCHIC IN ITS TACTICS, THE COB HAS NONETHELESS SERVED AS AN IMPORTANT CHANNEL OF EXPRESSION AND DIRECT POLITICAL PARTICIPATION FOR LOWER-CLASS BOLIVIANS WHO MIGHT OTHERWISE HAVE BECOME CANNON-FODDER FOR RADICAL POLITICAL MOVEMENTS. PERUVIAN PEASANT'S AND WORKERS' FEDERATIONS, ON THE OTHER HAND, TENDED TO BE IN THE HANDS OF POLITICAL BUREAUCRATS WHO WERE MISTRUSTED BY ORDINARY WORKERS (ACCORDING TO BOLIVIAN ANTHROPOLOGIST DR. XAVIER ALBO, S.J.).

BOLIVIA VS. PERU: DISORGANIZATION ON THE LEFT

8. (C) DESPITE A CORNUCOPIA OF HOME-GROWN RADICAL GROUPS, BOLIVIA SO FAR HAS NOT SPAWNED AN EXTREMIST MOVEMENT WITH THE STAYING POWER AND IDEOLOGICAL FANATICISM OF SENDERO LUMINOSO. NOR IS THERE ANY EVIDENCE THAT THE SENDERISTAS HAVE BEEN ABLE TO SPREAD THEIR DOCTRINE TO BOLIVIA. THERE ARE OCCASIONAL SENDERISTA EFFORTS TO PROSELYTIZE BOLIVIAN INDIANS NEAR THE FRONTIER, BUT THE BOLIVIANS, CONFIDENT OF THEIR POLITICAL INDEPENDENCE AND LAND-HOLDING STATUS, SEEM TO REGARD THE SENDERISTAS AS FOREIGN POLITICAL UPSTARTS.

9. (C) A SPECIAL PROBLEM FOR BOLIVIA'S ULTRA-LEFT IS THAT MOST UNIVERSITY STUDENTS (EXCEPT THE PAID RADICAL "PROFESSIONAL" STUDENTS, SOME IN THEIR 30'S AND 40'S) TEND TO EMBRACE RADICALISM AS A WAY OF CONFORMING OR AS A NECESSARY RITE OF PASSAGE, NOT AS A LIFE-LONG COMMITMENT. ACCORDING TO BOLIVIAN MODERATE-LEFT JOURNALIST IVAN PETROVIC, MOST STUDENTS BECOME MARXIST-LENINISTS ONLY IN ORDER TO "GET BETTER GRADES, CREDITS, SCHOLARSHIPS AND DISCOUNTS. YET WHEN THEY BECOME PROFESSIONALS OR MANAGERS THEY OPERATE WITHOUT A TRACE OF POLITICAL CONSCIENCE AND DEAL MOST DESPOTICALLY WITH POOR PEOPLE."

10. (C) THE ONLY LONG-LASTING, DISCIPLINED MARXIST PARTIES -- THE PCB AND THE POR (THE TROTSKYITE REVOLUTIONARY WORKERS' PARTY) -- HAVE PROBLEMS OF THEIR OWN. THE POR IS SPLIT EIGHT DIFFERENT WAYS. THE PCB, WHICH HAS CONCENTRATED ON "POPULAR FRONT" ELECTORAL STRATEGIES, IS NOW DIVIDED. WITH SIMON REYES AT THE HELM, THE MOSCOW-LINE PCB HAS KEPT ITS DISTANCE FROM THE SUBVERSIVE OPERATIONS WHICH ARE OCCASIONALLY UNCOVERED WITH MUCH FANFARE IN BOLIVIA.

-----TROUBLE BREWING: COB SEA CHANGE, NARCODOLLARS,
UNIVERSITY, HARD TIMES

11. (C) DESTABILIZATION IN THE LABOR CENTRAL

IN THE LAST FEW YEARS AS LECHIN'S STAR HAS WANED, THE ONCE-MIGHTY LABOR FEDERATION HAS BECOME A BREEDING GROUND FOR ULTRA-LEFT PARTIES, POLITICAL HUSTLERS AND IDEOLOGUES WHO HAVE UNDERMINED THE CONFIDENCE THE COB ONCE INSPIRED AMONG THE RANK-AND-FILE (REF D). AT THE SAME TIME SEVERAL PARTIES ARE DOING THEIR LEVEL BEST TO RECRUIT MINERS, PUBLIC EMPLOYEES, AND TO LEAD THE

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SANTIAGO FOR AMBASSADOR AND CHARLOTTE ROE FROM

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E.O. 12356: DECL: OADR
TAGS: PINR, PGOV, ELAB, SCUL, BL
SUBJECT: PROSPECTS FOR A SENDERO LUMINOSO IN BOLIVIA

COB ON THE TRUE PATH OF ARMED INSURRECTION. THE MARCH-4TH CONGRESS (CHM), THE PATRIOTIC BLOCK PARTY (BPP) AND THE PCB-5TH CONGRESS JOINED IN MARCH 1985 WITH THE REVOLUTIONARY LEFTIST MOVEMENT (MIR-MASAS) OF COB GENERAL SECRETARY WALTER DELGADILLO (LECHIN'S ARCH RIVAL) TO FORM A "HUB OF PATRIOTIC CONVERGENCE." POLITICAL OBSERVERS CREDIT THE NEW COMBO WITH NO MORE STRENGTH THAN THE OTHER BOLIVIAN LEFTIST FRAGMENTS. TO DATE THE COMBO IS NOT BELIEVED TO HAVE RECEIVED SIGNIFICANT AID FROM THE CUBANS WHO COURT THEM. IF IT DOES GET SUCH HELP, THE POSSIBILITIES FOR TERRORIST ACTIVITY WOULD INCREASE SUBSTANTIALLY. MEANWHILE, LECHIN IS BARELY HOLDING HIS OWN AGAINST DELGADILLO WITH OCCASIONAL POLITICAL HELP FROM PRESIDENT PAZ ESTENSSORO.

12. (C) NARCODOLLARS AS A DESTABILIZER

THE LURE OF NARCOTRAFFICKING HAS SPURRED MIGRATION TO THE CITIES OF COCHABAMBA AND SANTA CRUZ AND THEIR ADJACENT COCA-RICH AREAS SUCH AS THE CHAPARE. WHILE THE PRODUCTION OF COCAINE AND ITS INTERMEDIATE DRUGS HAS SHIELDED MANY PEASANTS AND OTHER WORKERS FROM THE IMPACT OF THE LONG RECESSION, IT HAS ALSO ERODED THEIR CULTURAL STABILITY. LIKING QUICK MONEY, THEY HAVE BECOME DEPENDENT ON A FURTIVE, VULNERABLE LIVELIHOOD. THESE "NEW RICH" KNOW THAT SOCIAL VIOLENCE, CORRUPTION AND INCREASING DRUG ADDICTION ARE THE PRICE OF THEIR OVERBLOWN LIFE STYLE (REF A). CYNICAL ABOUT THE STATE, HOSTILE TOWARD AUTHORITY, AND BRED ON

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INFLATED EXPECTATIONS, THESE YOUNG PEOPLE COULD EASILY BECOME A SOURCE OF RADICALIZATION AND VIOLENCE.

13. (LOU) A UNIVERSITY TIME BOMB?

ACCORDING TO SOCIOLOGIST JORGE DANDLER, A CRITICAL FACTOR IN THE RISE OF SENDERO LUMINOSO WAS THE PRESENCE OF A MULTITUDE OF "LOST YOUTH" IN PERU'S PROVINCIAL UNIVERSITIES. FACED WITH IMPOSSIBLE CHOICES -- EITHER REMAIN IN THEIR HOMETOWNS WITH NO HOPE OF FINDING JOBS FOR "EDUCATED" PERSONS, OR JOIN THE DEGRADING EXISTENCE OF THOSE WHO SQUAT ON THE OUTSKIRTS OF LARGE CITIES -- MANY CHOSE TERRORIST INSURRECTION. UNTIL RECENTLY UNIVERSITY STUDENTS FROM BOLIVIA'S RURAL AREAS EXPERIENCED LESS SOCIAL DISCRIMINATION BUT ALSO KEPT THEIR SIGHTS LOW: FEW EXPECTED TO GET PERMANENT JOBS, AND MOST LOOKED ON POVERTY AS THEIR INHERITANCE. HOWEVER THE POLICY OF OPEN ADMISSION WHICH THE SILES ADMINISTRATION BEGAN IN THE EARLY 1980'S HAS PRODUCED AN INFLUX OF LOW-INCOME STUDENTS WHO COULD BE AN EXPLOSION IN THE MAKING. TENS OF THOUSANDS OF PEASANT YOUTH WHO SEE NO PLACE FOR THEMSELVES ON THE FARM ARE FLOCKING TO THE UNIVERSITIES OF LA PAZ, COCHABAMBA, POTOSI AND ORURO. NOT REALLY EDUCATED AT ALL AND POORLY PREPARED FOR EITHER RURAL OR URBAN LIFE, THEY ARE LIKELY TO BECOME BITTERLY DISAPPOINTED UNLESS THERE IS AN UNEXPECTED DRAMATIC EXPANSION OF THE JOB MARKET. BOLIVIAN SOCIETY WILL BE HARD PUT TO ABSORB THIS GROUP.

14. (C) HARD TIMES AHEAD

DESPITE VALIENT EFFORTS BY THE PAZ GOVERNMENT TO END HYPERINFLATION AND BRING THE ECONOMY BACK INTO LINE, BOLIVIA IS FAR FROM A RECOVERY. THE COLLAPSE OF TIN PRICES, WIDESPREAD CLOSINGS OF FACTORIES AND MINES AND THE PROSPECT OF RISING UNEMPLOYMENT HAVE ADDED A NOTE OF ACUTE DESPONDENCY TO THE SOCIAL AND POLITICAL CLIMATE (REF E). UNLIKE THE TEMPORARY DROUGHT AND

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SANTIAGO FOR AMBASSADOR AND CHARLOTTE ROE FROM

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SUBJECT: PROSPECTS FOR A SENDERO LUMINOSO IN BOLIVIA

OTHER NATURAL DISASTERS CAUSED BY "EL NINO" IN 1982-83, THE RECENT FLOODING OF LAKE TITICACA WILL PROBABLY RESULT IN LONG-TERM DISLOCATION OF THE RURAL POPULATION AROUND THE LAKE. IN OTHER AREAS -- PARTICULARLY ON THE ALTIPLANO -- DEMOGRAPHIC GROWTH FOR THE FIRST TIME IS PROVOKING CONFLICTS OVER LAND RESOURCES AND CAUSING PEASANTS TO MIGRATE. BOLIVIA'S SALARIED WORKERS LOST OVER 50 PERCENT OF THEIR BUYING POWER IN 1985 AND HAVE NO HOPES OF MAKING UP FOR LOST GROUND DURING 1986. THE GOVERNMENT HAS ANNOUNCED PLANS TO LAY OFF SOME 17,000 TEACHERS AND PUBLIC EMPLOYEES, BUT LACK OF RESOURCES TO PAY INDEMNITIES HAS FORCED IT TO DELAY THESE PLANS. THE MAJORITY OF THE 25,000 MINERS WHO REMAIN IN THE STATE MINING CORPORATION (COMIBOL) ARE LIKELY TO LOSE THEIR JOBS, BECAUSE THE FEW PROFITABLE COMIBOL MINES CANNOT BREAK EVEN. LARGE-SCALE LAYOFFS ARE ALSO IN STORE FOR YPFB, THE STATE PETROLEUM COMPANY. OLDER PEOPLE AND THE PHYSICALLY HANDICAPPED WHO DO NOT HAVE FAMILY SUPPORT WILL BE FURTHER IMPOVERISHED. THOUSANDS OF UNIVERSITY STUDENTS FROM MINING COMMUNITIES AND RURAL AREAS WILL LOSE THEIR MEAGER SOURCES OF SUPPORT FROM HOME. MANY WILL BE UNWILLING TO RETURN TO THEIR HOMES, WILL BE UNABLE TO GET GOOD JOBS, AND IN THEIR FRUSTRATION WILL BECOME PRIME CANDIDATES FOR LEFTIST RECRUITERS.

CONCLUSION

15. (C) AS CONDITIONS DETERIORATE, BOLIVIA WILL BE

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MORE VULNERABLE TO SOCIAL AND POLITICAL CONVULSIONS. THE CELEBRATED STOICISM OF THE INDIAN -- ON WHOSE SHOULDERS THE BOLIVIAN AUTHOR ALCIDES ARGUEDAS REMARKED "YOU COULD GROW RADISHES" -- HAS ITS LIMITS. SEASONED OBSERVERS NOTE THAT THE ALTO OF LA PAZ AND THE SLUMS OF ORURO AND POTOSI ARE BECOMING GRIMMER AS PEOPLE SENSE THEY ARE RUNNING OUT OF ALTERNATIVES. CRIME AND DRUG CONSUMPTION ARE ON THE UP SWING. INCREASING NUMBERS OF YOUTH AND UNEMPLOYED COULD BE DRAWN INTO DESPERATE EFFORTS TO RESTRUCTURE THE SOCIETY. WHILE BOLIVIA IS NOT IN A STATE OF "LATENT INSURGENCY," ITS "IMMUNITY" TO ENDEMIC POLITICAL VIOLENCE MAY BE WEARING THIN.

(DRAFTED BY: POL: C. ROE) ROWELL

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COUNTRY: (U) BOLIVIA (BL).

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

SUMMARY: (C/NF) A SUSPECTED COMMUNIST GUERRILLA BAND AMBUSHED
SEVERAL BL ARMY OFFICERS WHO WERE GIVING CHASE TO A SUS-
PECTED ARMS CARRIER APPROXIMATELY 40 KILOMETERS S.E. OF
COCHABAMBA. ONE BL WAS KIA. TWO SMGS WERE CAPTURED. THE
GUERRILLAS AND SUSPECTED ARMS CARRIER ESCAPED.

TEXT: 1. (C/NF) ON 23 APRIL SEVERAL OFFICERS OF THE BL ARMY'S
13TH INFANTRY REGIMENT (INF REGT) [REDACTED]
[REDACTED] WERE FOLLOWING A TRUCK SUSPECTED OF
CONTAINING A CLANDESTINE ARMS SHIPMENT IN THE VICINITY OF
THE TOWN OF TOCO [REDACTED] APPROXIMATELY
15 KILOMETERS SOUTH OF CLIZA. WHILE FOLLOWING THE TRUCK
INDIVIDUALS WERE FIRED UPON BY SMALL ARMS AND AT LEAST
ONE AUTOMATIC WEAPON FROM A HOUSE ALONG SIDE THE ROAD.
FIRE CAME FROM APPROXIMATELY EIGHT PERSONS (NF). FIRE
WAS RETURNED BY THE BOLIVIANS [REDACTED]

[REDACTED] BOTH WEAPONS HAD APPARENTLY
JAMMED AND WERE DISCARDED BY THE OCCUPANTS OF THE HOUSE
WHO SUCCESSFULLY ESCAPED AND EVADED CAPTURE. ONE BL ARMY
LIEUTENANT WAS KIA (WOUNDED IN ACTION). THE TRUCK WITH

THE ALLEGED WEAPONS SHIPMENT ALSO ESCAPED.

2. (C/NF) BL ARMY 7TH INF DIV STAFF BELIEVES THAT THE ARMED
ELEMENT IN THE HOUSE WAS FIRING ON THE BL OFFICERS TO PRO-
TECT THE TRUCK. IT IS ESTIMATED THAT THIS ELEMENT IS PART
OF A CLANDESTINE COMMUNIST CELL (NF) WHICH HAS BEEN IN
EXISTENCE FOR SOME TIME. ONE MEMBER OF THE ELEMENT IN
THE HOUSE WAS OVERHEARD YELLING, "VAMOS MATAR A LOS
GRINGOS" ("WE SHALL KILL THE GRINGOS"). THE 7TH INF
DIV CONSIDERS THIS SERIOUS EVIDENCE OF THE FORMATION OF
A GUERRILLA ORGANIZATION IN THE COCHABAMBA AREA. LINKAGE
TO COCA-GROWING CAMPESINOS IS DISCOUNTED FOR THE MOMENT.

COMMENTS: (C/NF) THERE IS MOUNTING EVIDENCE THAT CLANDESTINE
STUDENT AND GUERRILLA ELEMENTS IN THE COCHABAMBA AREA MAY
BE PREPARING FOR A MAJOR CONFRONTATION WITH THE BL MILI-
TARY AND OTHER GOVERNMENT AUTHORITIES IN THE AREA. THAT
A GUERRILLA ELEMENT WOULD OPENLY ATTACK A BL MILITARY
ELEMENT TO APPARENTLY PROTECT THE MOVEMENT OF THE ABOVE
MENTIONED TRUCK (SUSPECTED ARMS CARRIER) INDICATES THAT
THE CONTENTS OF THE TRUCK WERE OF HIGH VALUE. IT MAY ALSO
INDICATE THAT SUSPECTED GUERRILLAS IN THE AREA ARE BE-
COMING MORE BRAZEN IN THEIR OPERATIONS. A COCAINE CON-
NECTION IS, IN THE OPINION OF THIS RO, ALSO POSSIBLE.
THE INFORMATION FOR THIS REPORT WAS OBTAINED FROM THE
AFTER ACTION REPORTS AND AFFIDAVITS OF BL MILITARY IN-
VOLVED IN THE INCIDENT. THE BL ARMY IS TRYING TO KEEP
INFORMATION ON THIS INCIDENT FROM REACHING THE BL PRESS.

BT

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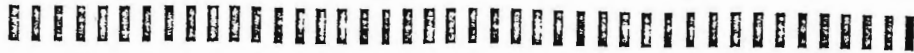
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SUMMARY: (C) A NEWLY FORMED GUERRILLA CELL (NF1) HAS BEEN
IDENTIFIED WEST OF PUERTO VILLARROEL. THE CELL, ESTIMATED
TO BE FROM TEN TO TWENTY PERSONNEL, IS CURRENTLY UNDER-
GOING GUERRILLA WARFARE TRAINING.

TEXT: (C) IN WHAT IS KNOWN AS "ZONA CHIMORE" IN THE VI-
CINITY OF THE CHIMORE RIVER [REDACTED]
APPROXIMATELY 25 KILOMETERS WEST OF PUERTO VILLARROEL
[REDACTED] THERE HAS BEEN REPORTED THE
EXISTENCE OF A NEWLY FORMED COMMUNIST GUERRILLA CELL.

[REDACTED]

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: ECON, EFIN, BL
SUBJECT: IMF RECOMMENDS SHORT-TERM REVENUE MEASURES
AS ESSENTIAL TO SUCCESSFUL CONCLUSION OF
STAND-BY AGREEMENT

SUMMARY

1. (C) THE IMF HAS DECIDED THAT DELAY IN CONGRESSIONAL APPROVAL OF TAX REFORM LEGISLATION REQUIRES THE BOLIVIAN GOVERNMENT TO INCREASE COMPOSITE HYDROCARBONS PRICE FROM 22 CENTS PER LITER TO 29 CENTS PER LITER. THIS RECOMMENDATION HAS BEEN INCLUDED IN DRAFT LETTER OF INTENT AND MUST BE APPROVED BY THE BOLIVIAN GOVERNMENT BEFORE THE IMF BOARD OF DIRECTORS FORMALLY CONSIDERS A STAND-BY FOR BOLIVIA. EMBASSY ESTIMATES THAT CURRENT COMPOSITE HYDROCARBONS PRICES ARE ALREADY SIGNIFICANTLY ABOVE 22 CENTS, THUS REQUIRING ONLY A SMALL MODERATELY INFLATIONARY INCREASE IN HYDROCARBONS PRICES TO MEET THIS LATEST IMF CONDITION. END SUMMARY.

IMF RECOMMENDS INCREASE IN HYDROCARBONS PRICES

2. (C) LOCAL IMF REP INFORMED ECON OFFICER ON MAY 29 THAT THE IMF HAD CLEARED THE DRAFT LETTER OF INTENT TO A STAND-BY AGREEMENT. IMF OFFICIALS HAD INCLUDED ONE SIGNIFICANT CHANGE IN DRAFT LETTER--

A CALL FOR AN INCREASE OF THE COMPOSITE HYDROCARBONS PRICE FROM CURRENT 22 CENTS PER LITER TO 29 CENTS PER LITER, A 33 PERCENT RISE. IMF JUSTIFIED THE INCREASE ON THE BASIS OF DELAYS IN BOLIVIAN CONGRESSIONAL APPROVAL OF TAX REFORM LEGISLATION AND THE NEED TO IMPLEMENT SHORT-TERM REVENUE MEASURES TO ASSURE ADEQUATE FINANCING FOR GOVERNMENT PLANS TO RAISE PUBLIC SECTOR WAGES BY 35 PERCENT IN EARLY JULY.

STAND-BY CONSIDERATION CONDITIONED ON BOLIVIAN ACCEPTANCE

3. (C) IMF REP SAID THAT IMF BOARD OF DIRECTORS WOULD CONSIDER APPROVAL OF STAND-BY AGREEMENT THREE WEEKS FROM THE DATE OF THE BOLIVIAN GOVERNMENT'S SIGNING OF THE LETTER OF INTENT WITH THIS LATEST MODIFICATION. IMF REP HAS DISCUSSED SUBJECT CHANGE WITH MINISTER OF PLANNING GONZALO SANCHEZ DE LOZADA WHO HAS ARGUED AGAINST INCREASING HYDROCARBONS PRICES UNTIL AFTER IMF STAND-BY IS IN PLACE.

NEGATIVE ADVICE

4. (C) IMF REP HAS LEARNED THAT HARVARD PROFESSOR JEFFREY SACHS HAS ADVISED THE BOLIVIAN GOVERNMENT AGAINST INCREASING HYDROCARBONS PRICES. MOREOVER, IMF REP CLAIMS THAT SACHS HAS SUGGESTED THAT THE BOLIVIANS AGREE TO IMF CONDITION IN ORDER TO SECURE STAND-BY, BUT LATER RENEGE ON IMPLEMENTATION OF THE INCREASE. THESE RUMORS HAVE ANGERED IMF OFFICIALS IN WASHINGTON WHO ARE EAGER TO GET IMF STAND-BY ON BOARD

BY JUNE. IMF REP DID NOT INDICATE WHETHER A SMALLER INCREASE IN HYDROCARBONS PRICES MIGHT BE ACCEPTABLE TO IMF BOARD OF DIRECTORS.

5. (C) WHILE BOLIVIA'S FISCAL BUDGET FOR 1986 BASES REVENUE PROJECTIONS ON A COMPOSITE HYDROCARBONS PRICE OF ONLY 22 CENTS PER LITER, THE CURRENT PRICE IS MUCH HIGHER. EMBASSY ESTIMATES, AND THE IMF REP CONCURS, THAT THE PRICE ALREADY STANDS AT ABOUT 26 CENTS PER LITER. THE LOWEST PRICED HYDROCARBON, KEROSENE, CURRENTLY COSTS ABOUT 25 CENTS PER LITER. THUS, TO MEET IMF STIPULATIONS ON HYDROCARBONS PRICES THE BOLIVIAN GOVERNMENT WOULD BE REQUIRED TO IMPLEMENT BT

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HAD BEEN DONE. THIS LATTER CASE WOULD DAMAGE
THE GOVERNMENT'S CREDIBILITY AND MAKE IT HARDER TO
CONTINUE EFFECTIVE IMPLEMENTATION OF THE STABILIZATION
PROGRAM.

(DRAFTED ECON: HUGO LLORENS) ROWELL
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E.O. 12356: DECL: OADR
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SUBJECT: IMF RECOMMENDS SHORT-TERM REVENUE MEASURES

A SMALLER INCREASE OF AROUND TWELVE PERCENT.

MILDLY INFLATIONARY

6. (C) ANY INCREASE IN HYDROCARBONS PRICES, ESPECIALLY
GASOLINE AND DIESEL FUEL, HAS AN IMMEDIATE INFLATIONARY
IMPACT ON TRANSPORTATION, FOODSTUFFS AND THE MINING
SECTOR WHICH HAS HIGH ENERGY COSTS. IN THE PAST
TRANSPORT AND FOOD PRICES HAVE GONE UP ALMOST AS MUCH
AS FUEL COSTS. SUCH INCREASES WOULD INTENSIFY
PRESSURE FOR LARGER PUBLIC SECTOR RAISES THAN THE
35 PERCENT ALREADY ANNOUNCED. NONETHELESS, A TWELVE
PERCENT INCREASE IN GASOLINE PRICES SHOULD RESULT
IN ONLY A SMALL, ONE-TIME INCREASE IN CONSUMER PRICES.

7. (C) PROBABLY MORE DANGEROUS TO THE SUCCESS OF THE
GOVERNMENT'S ECONOMIC PROGRAM WOULD BE AN INCREASE
IN PUBLIC SECTOR WAGES FINANCED THROUGH CENTRAL BANK
EXPANSION OF THE MONEY SUPPLY. SUCH A SITUATION
WOULD ARISE IF THERE IS NO QUICK INCREASE IN TREASURY
RECEIPTS. UNBACKED EMISSIONS WOULD CREATE SUSTAINED
DEMAND-INFLATIONARY PRESSURES ON THE ECONOMY, WHICH
ULTIMATELY WOULD FORCE THE GOVERNMENT TO INCREASE
HYDROCARBONS PRICES (IN PESOS) AFTER THE DAMAGE

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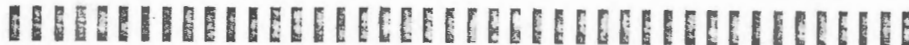
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BUENOS AIRES FOR DEPSEC WHITEHEAD AND DAS GELBARD

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E.O. 12356: DECL: OADR
TAGS: OVIP (WHITEHEAD, JOHN C.), BL
SUBJECT: DEPSEC'S MAY 20-22 VISIT IN BOLIVIA

REF: STATE 133702

SUMMARY

1. (LOU) DEPUTY SECRETARY WHITEHEAD'S MAY 21 MEETING WITH PRESIDENT PAZ ESTENSSORO WAS THE SUBSTANTIVE HIGHLIGHT OF HIS MAY 20-22 VISIT TO LA PAZ AND SANTA CRUZ. PAZ ADDRESSED TWO KEY ISSUES: THE ECONOMY AND NARCOTICS. THE DEPSEC ALSO MET FOR NEARLY AN HOUR WITH VICE PRESIDENT JULIO GARRETT AILLON. HE EARLIER DISCUSSED NARCOTICS AND OTHER MATTERS WITH FOREIGN MINISTER GUILLERMO BEDREGAL GUTIERREZ AND INTERIOR MINISTER FERNANDO BARTHELEMY MARTINEZ AND REVIEWED THE ECONOMIC SCENE OVER UNCHEON LLTH A SMALL GROUP OF GOVERNMENT AND PRIVATE SECTOR FINANCIAL LEADERS -- PLANNING MINISTER GONZALO SANCHEZ DE LOZADA, FINANCE MINISTER JUAN CARIAGA, LA PAZ MAYOR RONALD MAC LEAN AND PRESIDENT OF THE PRIVATE ENTREPRENEURS CONFEDERATION CARLOS ITURRALDE. IN SANTA CRUZ ON MAY 22, MR. WHITEHEAD AND FORMER PRESIDENT (1971-78) HUGO BANZER SUAREZ (GENERAL RET.) ENJOYED A LIVELY AND PRODUCTIVE EXCHANGE ON NARCOTICS AS WELL AS ON BOLIVIA'S POLITICAL AND ECONOMIC DYNAMICS. THE DEPSEC'S BRIEF ENCOUNTERS WITH THE MEDIA IN LA PAZ PRODUCED FAVORABLE COVERAGE (SEPTEL).

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2. (C) ON ALL MAJOR ISSUES -- NARCOTICS, THE ECONOMY, THREATS TO DEMOCRACY -- PAZ, HIS MINISTERS, PRIVATE SECTOR REPRESENTATIVES AND BANZER READ FROM A VIRTUALLY IDENTICAL SCRIPT:

- AN EFFECTIVE ANTI-NARCOTICS PROGRAM REQUIRES STRONG MULTINATIONAL COOPERATION AS WELL AS MASSIVE FINANCIAL INPUTS AND AN ALL-OUT ENFORCEMENT/ INTERDICTION EFFORT;
- THE IMF AND OTHER INTERNATIONAL DONORS MUST COME THROUGH NOW, THE NEXT TWO MONTHS ARE CRITICAL;
- OTHERWISE, NARCOTICS-DOLLAR CORRUPTION, ECONOMIC COLLAPSE AND SOCIAL DISCONTENT WILL SHATTER BOLIVIA'S DEMOCRATIC FUTURE.

3. (C) FOLLOW UP:

EMBASSY WILL PURSUE VIGOROUSLY INTERIOR MINISTER BARTHELEMY'S PLEDGE TO SIGN THE REMAINING NARCOTICS AGREEMENT FACE SHEET AMENDMENT (PARA 11).

END SUMMARY.

ECONOMY

4. (C) BOLIVIA'S STRUGGLE FOR SURVIVAL

A. PRESIDENT PAZ CAPTURED THE COMMON VIEW OF BOLIVIA'S

ECONOMIC PREDICAMENT: THE COUNTRY IS TRYING TO SURVIVE AN ECONOMIC CATASTROPHY. INFLATION HAS BEEN BROUGHT DOWN FROM 25,000 PERCENT (SIC) PER YEAR TO NEAR ZERO. THE ECONOMY HAS BEEN DEREGULATED AND OPERATES ON A FREE MARKET BASIS. THE FOREIGN EXCHANGE MARKET IS FREE. THE GOVERNMENT HAS A BUDGET, AND A MAJOR TAX REFORM HAS JUST BEEN APPROVED. SUCH SUCCESSSES WERE ACHIEVED DESPITE PRICE COLLAPSES IN BOLIVIA'S TWO MAJOR EXPORTS, TIN AND OIL. EXPORT INCOME HAS PLUMMETED FROM OVER DOLS ONE BILLION PER YEAR TO BETWEEN DOLS 300 AND 400 MILLION PER YEAR. BOLIVIA HAS BEEN DOING EVERYTHING POSSIBLE TO MEET THE REQUIREMENTS OF INTERNATIONAL FINANCIAL INSTITUTIONS AND TO GET THE FOREIGN ASSISTANCE IT MUST HAVE TO SURVIVE. YET BOLIVIA STILL HAS NO ACCESS TO OUTSIDE FINANCING. WHILE BOLIVIA APPRECIATES U. S. ASSISTANCE
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IN WINNING THE DOLS 55 MILLION WORLD BANK LOAN SIGNED
ON MAY 20, THOSE FUNDS WILL NOT BE AVAILABLE UNTIL THE
END OF THE YEAR. FASTER-DISBURSING HELP IS NEEDED.

B. THE BOLIVIAN PEOPLE, BY THEIR RESIGNATION AND STOIC-
ISM, HAVE SHOWN THAT THEY SUPPORT THE GOVERNMENT'S
EFFORTS TO STRAIGHTEN OUT THE ECONOMY, BUT TIME IS
RUNNING OUT. THE GOVERNMENT PAYROLL MUST BE SLASHED.
UNFORTUNATELY, THE GOVERNMENT DOES NOT EVEN HAVE THE
FUNDS TO MAKE SEPARATION PAYMENTS. CRITICAL GOLD
RESERVES MAY HAVE TO BE SOLD TO PROVIDE UNEMPLOYMENT
BENEFITS TO AS MANY AS 200,000 WORKERS. THAT IN
ITSELF WILL PUSH THE GOVERNMENT CLOSER TO THE BRINK
OF DISASTER. IF THE EXCESS EMPLOYEES ARE NOT DISMISSED
BEFORE WAGES GO UP AROUND THE FIRST OF JULY, THE
BUDGET WILL BE BROKEN. THE NEXT TWO MONTHS ARE CRITICAL,
THEREFORE, AND EVERYTHING THAT HAS BEEN ACCOMPLISHED
COULD BE LOST IF TIMELY FOREIGN ASSISTANCE DOES NOT
ARRIVE WITHIN THAT PERIOD.

C. EVERY BOLIVIAN LEADER, INCLUDING PRIVATE BUSINESSMEN,
CATALOGUED THE SERIES OF UNFORESEEN ECONOMIC THUNDER-
BOLTS WHICH HAVE CONFOUNDED THE BEST EFFORTS OF THE
PEOPLE AND THE PAZ ESTENSSORO GOVERNMENT TO PUT THEIR
ECONOMIC HOUSE IN ORDER:

-- COLLAPSE OF THE INTERNATIONAL TIN MARKET WHICH

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CRASHED THE PRICE FROM ROUGHLY SIX DOLLARS PER POUND TO ONLY TWO DOLLARS AND FIFTY CENTS.

- SILVER, 40 DOLLARS PER TROY OUNCE IN THE 1970'S, NOW BRINGS ONLY FIVE DOLLARS.
- PRICES FOR LEAD, TUNGSTEN AND ZINC, ALSO BOLIVIAN EXPORTS, ARE AT RECORD LOW INTERNATIONAL LEVELS.
- RECENT DROPS IN WORLD PETROLEUM PRICES AND REDUCTIONS IN THE CASH RECEIVED FROM NATURAL GAS EXPORTS TO ARGENTINA ADD TO THIS BLEAK PICTURE.

D. BOLIVIA STILL SUFFERS A CONFIDENCE PROBLEM. COMMERCIAL BANKS USED TO HANDLE DEPOSITS EQUIVALENT TO 60 MILLION DOLLARS BUT CAPITAL FLIGHT DROPPED THOSE DEPOSITS AT ONE POINT TO ONLY 3.5 MILLION DOLLARS. IN SPITE OF THE BANKS' OFFER OF INTEREST RATES DOUBLE THAT OF LIBOR FOR GREENBACK DEPOSITS, LACK OF CONFIDENCE KEEPS BOLIVIANS FROM BRINGING THEIR DOLLARS BACK TO THE COUNTRY (OR OUT FROM UNDER THE MATTRESS), SAID FINANCE MINISTER CARIAGA.

E. PLANNING MINISTER SANCHEZ DE LOZADA SAID THAT WHEN THE PAZ ESTENSORO GOVERNMENT TOOK OFFICE, TAX REVENUES WERE ONLY ONE PERCENT OF GNP AND THREE PERCENT OF THE BUDGET. THE OTHER MAJOR SOURCE OF REVENUE, GASOLINE SOLD BY THE GOVERNMENT PETROLEUM CORPORATION, WAS PRICED AS LITTLE AS ONE U. S. CENT PER LITER. THE GOVERNMENT TURNED THE REVENUE SITUATION AROUND BY EFFECTING A TENFOLD INCREASE IN THE PRICE OF GAS TO 30 CENTS PER LITER (U. S. DOLS 1.14 PER GALLON) AND

DEVISING A SWEEPING TAX REFORM PROGRAM. THE LATTER REDUCED 30 DIFFICULT-TO-COLLECT AND LARGELY EARMARKED TAXES TO NINE, ALL OF WHICH WILL GO DIRECTLY TO THE TREASURY, EXCEPT FOR TEN PERCENT EACH TO THE STATES AND MUNICIPALITIES, AND FIVE PERCENT TO THE UNIVERSITY. IN THIS LIGHT, IMF DEMANDS FOR A FURTHER GASOLINE PRICE INCREASE BEYOND THE TENFOLD HIKE ALREADY IMPOSED APPEAR OVERLY SEVERE AND, FRANKLY, THREATEN BOLIVIA'S SOCIAL STABILITY.

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F. THE MAIN ELEMENTS OF THE NEW TAX SYSTEM ARE: A TEN PERCENT VALUE ADDED TAX (VAT); AN INCOME TAX (UP TO 100 PERCENT OF WHICH CAN BE DEDUCTED BY PRESENTING VAT RECEIPTS); A PATRIMONY TAX RANGING FROM TWO PERCENT ON COMPANY NET ASSETS TO FIVE AND TEN PERCENT ON HOUSES AND AUTOMOBILES RESPECTIVELY; A ONE PERCENT SALES TAX; AND AN EXCISE TAX ON SUCH ITEMS AS ALCOHOL AND CIGARETTES. THE ENTIRE TAX PACKAGE SHOULD YIELD THE EQUIVALENT OF TEN PERCENT OF GNP, OF WHICH THE VAT SHOULD CONTRIBUTE AT LEAST THREE PERCENTAGE POINTS. THE PURPOSE OF THE NEW TAX PROGRAM IS TO REACH THE TWO THIRDS OF THE POPULATION WHICH HAD BEEN FORCED INTO THE INFORMAL ECONOMY BY HYPER-INFLATION AND TO IMPROVE ADMINISTRATION THROUGH THE HELP OF THE PEOPLE WHO WOULD DEMAND VAT RECEIPTS TO DEDUCT FROM THEIR INCOME TAXES.

G. BANZER CONCURRED WITH PAZ'S ASSESSMENT OF ECONOMIC PLUSES AND MINUSES. STRIKING A GENERAL THEME EXPRESSED IN MOST OF THE DEPSEC'S MEETINGS, BANZER SAID BOLIVIA'S PEOPLE BASICALLY SUPPORT THE TOUGH ECONOMIC MEASURES, BUT THE CONTINUED SACRIFICE DEMANDED BY SUCH DEVICES AS THE TAX LAW COULD LEAD EVENTUALLY TO SOCIAL UPHEAVAL UNLESS CONDITIONS IMPROVE SOON. THANKFULLY, THE USUALLY POWERFUL LABOR UNIONS ARE WEAK AND DIVIDED FOR THE TIME BEING. THE PAZ GOVERNMENT ALSO HAS DEMONSTRATED STRONG RESOLVE AND WILL NOT HESITATE TO DECLARE ANOTHER STATE OF SIEGE IF CIRCUMSTANCES DEMAND.

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H. IN HIS REPLIES, THE DEPSEC SAID THE U.S. WILL DO THE MAXIMUM POSSIBLE. HOWEVER, THE UNITED STATES CANNOT PROMISE BIG INCREASES IN BILATERAL AID. WE ARE HAVING TO BE LESS GENEROUS ON MILITARY AND ECONOMIC ASSISTANCE BECAUSE OF OUR OWN BUDGET DEFICITS. HOWEVER, WE CAN GIVE TECHNICAL ASSISTANCE AND SOME EQUIPMENT. WE WILL CONTINUE TO PRESS AS HARD AS WE CAN IN INTERNATIONAL FINANCIAL INSTITUTIONS TO HELP BOLIVIA.

5. (C) IMF STAND-BY TACTICS

A. THE PRESIDENT SAID BOLIVIA HAS DONE EVERYTHING POSSIBLE TO MEET IMF STAND-BY CONDITIONS. BUT EACH TIME THE COUNTRY MEETS A REQUIREMENT -- AS IN THE JUST-PASSED REFORM OF THE TAX STRUCTURE -- A NEW CONDITION GETS ADDED. NOW THE IMF DEMANDS THAT GASOLINE PRICES BE INCREASED BEFORE THE STAND-BY IS GRANTED. BOLIVIA'S FUELS ARE ALREADY OVER-PRICED COMPARED WITH NEIGHBORING COUNTRIES. MOREOVER, HYDROCARBONS PRICE INCREASES HAVE AN IMMEDIATE INFLATIONARY IMPACT, WILL SET OFF A NEW ROUND OF WAGE DEMANDS, AND WILL HAND AMMUNITION TO THE LEFTIST LABOR UNIONS WHICH WOULD LIKE NOTHING BETTER THAN TO DERAIL THE WHOLE PRIVATE ENTERPRISE-BASED RECOVERY EFFORT. BANZER LATER MADE A SIMILARLY STRONG REPRESENTATION TO THE DEPSEC ON THE IMF'S ESCALATING STRING OF CONDITIONS.

B. PLANNING MINISTER SANCHEZ DE LOZADA, COMMENTING LATER ON THE IMF REQUIREMENT FOR QUICK GASOLINE PRICE HIKES, OBSERVED THAT THE PAZ ESTENSORO ADMINISTRATION HAS HAD VIRTUALLY NO ACCESS TO OUTSIDE FINANCIAL ASSISTANCE IN SPITE OF A DESPERATE NEED FOR 250 MILLION DOLLARS. BECAUSE OF THE DRUG PROBLEM IT HAS NOT EVEN BEEN POSSIBLE TO GET THE 7.5 MILLION DOLLARS IN U.S. ECONOMIC SUPPORT FUNDS. HE SAID THAT BY THE TIME THE COUNTRY GETS AN IMF STAND-BY AND HELP FROM OTHER SOURCES BEGINS TO BECOME AVAILABLE, "WE'LL ALL BE OUT OF OFFICE." THE PRESENT EFFORT HAS BEEN AKIN TO MARRYING THE KING'S DAUGHTER: FIRST SLAY THE DRAGON; THEN BATTLE THE BLACK KNIGHT; BRING BACK THE GOLDEN FLEECE; AND FINALLY SWIM THE MOAT AND SCALE THE PARAPET. BY THE TIME YOU
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SUFFERED THROUGH THE ENTIRE ORDEAL IT'S TOO LATE --
THE BRIDE IS OVER-AGE AND OVER-WEIGHT.

C. THE DEPSEC IN ALL CASES RESPONDED THAT THE UNITED STATES IS CONVINCED THAT THE STAND-BY MUST BE APPROVED IMMEDIATELY WITHOUT FURTHER PRECONDITIONS. HE NOTED THAT THE U.S. HAS BEEN ACTIVELY SUPPORTING PROMPT ACTION BY ALL THE INTERNATIONAL FINANCIAL INSTITUTIONS TO HELP BOLIVIA. THE MAY 20 WORLD BANK IDA APPROVAL OF 55 MILLION DOLS IN LOANS IS ONE RESULT OF OUR EFFORTS. THE BAKER PLAN ALSO REPRESENTS A POTENTIAL SOURCE OF ECONOMIC HELP FOR BOLIVIA.

6. (C) BOLIVIA'S EXTERNAL DEBT

A. VICE PRESIDENT GARRETT FOCUSED ON THE EXTERNAL DEBT, POINTING OUT THAT BOLIVIA IS EXPECTED TO MAKE PAYMENTS OF ABOUT 211 MILLION IN 1986. THESE PAYMENTS ARE EARMARKED FOR MULTILATERAL AND BILATERAL CREDITORS AND DO NOT INCLUDE THE INTERNATIONAL PRIVATE BANKS. NONETH: LESS, DEBT SERVICE PAYMENTS ARE ESTIMATED AT OVER 50 PERCENT OF TOTAL EXPORTS. THIS SITUATION CANNOT BE SUSTAINED FOR ANY EXTENDED PERIOD. GARRETT SAID THAT INDUSTRIALIZED NATIONS HAVE TO ASSIST THIRD WORLD COUNTRIES IN SOLVING THEIR EXTERNAL DEBT PROBLEMS. THE BAKER PROPOSAL UNVEILED IN OCTOBER AT THE IMF/IBRD CONFERENCE IN SEOUL IS A POSITIVE FIRST STEP.

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B. GARRETT ALSO REFERRED TO THE 100 MILLION DOLLAR UNITED NATIONS EMERGENCY FUND FOR BOLIVIA ORGANIZED BY UN SEC GEN PEREZ DE CUELLAR AT GARRETT'S INITIATIVE. DESPITE EARLIER PLEDGES, AT PRESENT ONLY THE "POOR" COUNTRIES (VENEZUELA AND ARGENTINA) HAVE RESPONDED. SPAIN ALSO HAS OFFERED 20 MILLION DOLLARS. GARRETT RECOGNIZED THAT EACH COUNTRY HAS TO USE ITS OWN AID MECHANISMS, THE U.S. PL 480, FOR EXAMPLE. BUT HE URGED THE U.S. TO PUSH THE INDUSTRIALIZED COUNTRIES TO PARTICIPATE IN THIS PROGRAM, AND TO SET AN EXAMPLE FOR OTHER GOVERNMENTS, INCLUDING JAPAN AND SOUTH KOREA. WE NOTED OUR CIRCULAR DEMARCHE OF LAST DECEMBER URGING QUICKEST AID TO BOLIVIA, BUT SAID WE WILL CONSIDER DOING IT AGAIN.

POLITICAL

7. (LOU) BILATERAL U.S. - BOLIVIAN RELATIONS

THE DEPSEC CONVEYED PRESIDENT REAGAN'S PERSONAL RESPECTS TO PRESIDENT PAZ ESTENSSORO. HE ALSO EXPRESSED HIS OWN AND SECRETARY SHULTZ'S CONGRATULATIONS FOR THE PAZ ESTENSSORO GOVERNMENT'S ACCOMPLISHMENTS AND COURAGE. THE DEPSEC ASSURED PRESIDENT PAZ THAT HE IS WELL-KNOWN AND RESPECTED IN THE U.S. BECAUSE OF HIS COURAGEOUS PROGRAM WHICH HAS DEMANDED GREAT SACRIFICES FROM BOLIVIA'S GOVERNMENT AND PEOPLE. HE ASSURED PAZ AND OTHERS THAT THE U.S. BACKS BOLIVIA'S EFFORTS ONE HUNDRED PERCENT BECAUSE OF THE PROGRAMS AND VALUES WE SHARE IN COMMON, INCLUDING: COMMITMENT TO DEMOCRACY; BELIEF IN UNLEASHING PRIVATE ENTERPRISE

TO PROMOTE ECONOMIC RECOVERY AND GROWTH; AND SHARED EMPHASIS ON REDUCING THE COSTS AND OMNIPRESENCE OF GOVERNMENT.

8. (C) THE DOMESTIC SCENE -- ADN PERSPECTIVE, "PACT FOR DEMOCRACY"

A. GENERAL BANZER REVIEWED HIS PERSPECTIVE OF BOLIVIA'S POLITICAL AND ECONOMIC DYNAMICS. THE FORMER PRESIDENT
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BUENOS AIRES FOR DEPSEC WHITEHEAD AND DAS GELBARD

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E.O. 12356: DECL: OADR
TAGS: OVIP (WHITEHEAD, JOHN C.), BL
SUBJECT: DEPSEC'S MAY 20-22 VISIT IN BOLIVIA

(1971-78) STATED THAT LITTLE HAD CHANGED ON THE POLITICAL FRONT OVER THE PAST FEW MONTHS. THE RECENT APPROVAL OF THE TAX LAW BY CONGRESS HAD SUCCESSFULLY TESTED THE ADN'S (NATIONALIST DEMOCRATIC ACTION) "PACT FOR DEMOCRACY" WITH PRESIDENT PAZ ESTENSORO'S GOVERNING MNR (NATIONALIST REVOLUTIONARY MOVEMENT) PARTY. PAZ PROVIDED STRONG LEADERSHIP IN GUIDING HIS PARTY TO ACCEPTABLE COMPROMISE WITH THE ADN ON THE LAW. IN HIS OPENING COMMENTS, THE DEPSEC IN TURN PRAISED THE PACT AND BANZER'S ROLE IN MAKING IT WORK TO THE BENEFIT OF BOLIVIA'S DEMOCRATIC PROCESS.

B. BANZER ALSO EXPRESSED SATISFACTION THAT CONGRESS HAD APPROVED SIGNIFICANT AMENDMENTS TO THE ELECTORAL LAW. THE ADN DEMONSTRATED CONSIDERABLE FLEXIBILITY IN ACCEPTING CHANGES IN ITS ORIGINAL PROPOSAL, HE SAID. THE REVAMPED LAW WILL SERVE DEMOCRACY BY WINNOWING BOLIVIA'S 72 PARTIES DOWN TO FOUR OR FIVE.

NARCOTICS ISSUE

9. (C) A CRITICAL PROBLEM FOR BOLIVIA:

A. PRESIDENT PAZ SAID COCA GROWING/DRUG TRAFFICKING IS A CRITICAL ISSUE. IT HAS CREATED MAJOR MORAL AND MORALE PROBLEMS AND SERIOUSLY DAMAGES BOLIVIAN/U.S.

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BILATERAL RELATIONS. NARCOTICS DOES MAJOR HARM TO BOLIVIA SOCIALLY AND ECONOMICALLY. EXAMPLES: THERE USED TO BE A FEW TRAFFICKER CHIEFS, BUT NOW THE TRAFFICKERS HAVE MADE THOUSANDS OF CAMPESINOS INTO DRUG PRODUCERS THEMSELVES. INSTEAD OF GROWING JUST COCA LEAF, THE CAMPESINOS NOW ALSO PRODUCE PASTE, AND THE COUNTRY IS BEGINNING TO PRODUCE COCAINE BASE AND HYDROCHLORIDE. FORMERLY THOSE DRUGS WERE MADE MAINLY IN COLOMBIA. NARCO-TRAFFICKERS ALSO ARE POISED TO INVADE THE PRIVATE SECTOR, BUYING OR UNDERCUTTING LEGITIMATE BUSINESS IN AN EFFORT TO OBTAIN INFLUENCE AS WELL AS TO LAUNDER THEIR SLEAZY MONEY AND IMAGES. THOUGH TAKING A SOMEWHAT DIFFERENT ROUTE, BANZER LATER MADE CLEAR THE SAME DEEP CONCERNS.

B. BEDREGAL AND BARTHELEMY MADE SIMILAR POINTS DURING AN HOUR-LONG DISCUSSION PRIMARILY DEVOTED TO NARCOTICS. THE DRUG TRADE, IN ADDITION TO ITS DISTORTING EFFECT ON THE ECONOMY, ALSO HAS ERODED BOLIVIA'S SOCIAL FABRIC AND THE INTEGRITY OF ITS PEOPLE. THE COUNTRY IS IN "A FIGHT TO THE DEATH." THE SEVERE DIMENSION OF THIS PROBLEM IS SHOWN IN THE LINK BETWEEN DRUG TRAFFICKERS AND TERRORISTS ELSEWHERE IN SOUTH AMERICA. AT THE MOMENT THIS CONNECTION IS NOT EVIDENT IN BOLIVIA, BUT IT IS A DIFFICULT AND GROWING PROBLEM IN NEIGHBORING PERU. THE POTENTIAL MARRIAGE OF CONVENIENCE BETWEEN NARCO-DEALERS AND POLITICAL TERRORISTS IN RURAL AREAS POSES A SERIOUS POTENTIAL THREAT IN BOLIVIA.

C. SO FAR, RESULTS OF EFFORTS TO FIGHT DRUG PRODUCTION ARE POOR. THE PROBLEM IS TOO FEW RESOURCES. BOLIVIA DOES NOT HAVE THE WHEREWITHAL AND NOT ENOUGH HELP IS COMING FROM THE U.S. AND OTHER DEVELOPED COUNTRIES.

10. (C) STRATEGY NEEDED

A. BASIC APPROACH:

(1) WHAT IS NEEDED, SAID PAZ ESTENSSORO, IS A BROAD-SCALE FRONTAL ATTACK -- "SHOCK TREATMENT" -- ON THE ENTIRE DRUG INDUSTRY FROM PRODUCER TO TRAFFICKER TO CONSUMER. PIN PRICKS, EFFORTS OF DOLS
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BUENOS AIRES FOR DEPSEC WHITEHEAD AND DAS GELBARD

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E.O. 12356: DECL: OADR
TAGS: OVIP (WHITEHEAD, JOHN C.), BL
SUBJECT: DEPSEC'S MAY 20-22 VISIT IN BOLIVIA

THREE TO FIVE MILLION PER YEAR IN BOLIVIA, WILL NOT SUCCEED. WITHOUT A BROAD-SCALE ATTACK, THE PRESIDENT BELIEVES THAT TRAFFICKERS MAY SOON BE ABLE TO TAKE OVER BOLIVIA, POLITICALLY AS WELL AS ECONOMICALLY. BUT A BROAD ATTACK REQUIRES A CAREFUL, INTERNATIONALLY COORDINATED PLAN. OTHER COUNTRIES THAT MUST COOPERATE INCLUDE BRAZIL, COLOMBIA, ECUADOR, AND PERU IN ADDITION TO BOLIVIA AND THE U. S. "AND WHERE," ASKED BARTHELEMY, "IS THE EEC?"

(2) BANZER TOO URGED AN INTERNATIONAL EFFORT OF MAJOR PROPORTIONS. THE NARCOTICS PROBLEM IS NOW FAR BEYOND PURELY NATIONAL OR BILATERAL SOLUTION. INTERNATIONAL TRAFFICKING AND CONSUMPTION DICTATE A SIMILAR GLOBAL RESPONSE BY CONSUMING AND PRODUCING NATIONS UNDER SEIGE. THE POLITICAL AND FINANCIAL RESOURCES AVAILABLE FOR COMBATTING THE DRUG TRADE IN BOLIVIA ARE MINIMAL, EVEN WITH THE MUCH NEEDED U. S. CONTRIBUTION. FOR ITS PART, THE ADN REMAINS SEIZED WITH THE NARCOTICS PROBLEM AND POSSIBLE ANSWER OF INCREASED INTERNATIONAL COOPERATION. THE ADN IS PLANNING A MEETING OF LIKE-MINDED CONSERVATIVE PARTIES IN THE REGION, AND A POLITICAL DISCUSSION OF NARCOTICS WILL BE A PRIMARY AGENDA ITEM.

B. MULTILATERAL TASK FORCE:

(1) IN THIS REGARD, THE FOREIGN MINISTER PROPOSED A

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U. S. -BOLIVIAN TASK FORCE, COMPOSED OF EXPERTS FROM A RANGE OF INTERESTED AGENCIES ON BOTH SIDES, TO DEVISE AN "ACTION PLAN" AGAINST NARCOTICS. OTHER CONCERNED DEVELOPED COUNTRIES AND INTERNATIONAL ORGANIZATIONS COULD BE BROUGHT IN LATER. IN ADDITION TO DEVELOPING AN ALL-OUT ANTI-NARCOTICS STRATEGY, THE TASK FORCE WOULD CONSIDER A VARIETY OF RESOURCE NEEDS.

(2) THE INTERIOR MINISTER SAID THAT THE U. S. AND BOLIVIA HAD DEVISED A COMPREHENSIVE FIVE-YEAR NARCOTICS STRATEGY IN 1982, INCLUDING DOLS 900 MILLION FOR CROP SUBSTITUTION INCENTIVES AS WELL AS PLANS FOR ERADICATION AND INTERDICTION. UNFORTUNATELY, THE PROGRAM NEVER GOT OFF THE GROUND. THE DOCUMENT IN ANY CASE MIGHT MAKE A USEFUL WORKING PAPER FOR A NEW BILATERAL OR MULTILATERAL TASK FORCE.

C. ERADICATION STRATEGY:

(1) THE PRESIDENT SAID BOLIVIA HAS BEEN WORKING WITH THE U. S. ON BOTH ERADICATION AND INTERDICTION AND WILL CONTINUE TO DO SO. THE PRESIDENT RECOGNIZED THAT ERADICATION IS NECESSARY, BUT HE WAS SKEPTICAL THAT A STRATEGY THAT FOCUSES ALMOST EXCLUSIVELY ON ERADICATION CAN SUCCEED. SUCH AN APPROACH, HE SAID, RUNS INTO PROBLEMS WITH CAMPESINOS REGARDING TRADITIONAL CULTIVATION AND USE. IT ALSO REQUIRES THAT WE FIND ALTERNATIVE CASH CROPS AND HELP CAMPESINOS TO DEVELOP THEM. ERADICATION IS EXPENSIVE AND BASICALLY SLOW EVEN WHEN BEING PUSHED.

(2) BANZER WENT EVEN FURTHER, SUGGESTING THAT ONLY BUYING COCA LAND AND A MASSIVE RELOCATION OF PEASANT GROWERS MIGHT SUCCEED IN CURBING CULTIVATION. THE DEPUTY SECRETARY AND AMBASSADOR REJECTED THE NOTION, OBSERVING THAT BUYING COCA LAND IN BOLIVIA WILL ONLY MOVE CULTIVATION TO OTHER AREAS IN THE REGION SUCH AS BRAZIL. AS A BETTER SOLUTION, ANTI-NARCOTICS AND COCA CONTROL LAWS SHOULD BE ENACTED AND ENFORCED IN TOUGH BUT FAIR FASHION. FOR BOLIVIA, A MAJOR STEP IN THAT DIRECTION WOULD BE TO DEFINE TRADITIONAL AND NON-TRADITIONAL GROWING AREAS SO A COMPREHENSIVE ERADICATION PROGRAM CAN BEGIN.

D. INCREASED INTERDICTION ESSENTIAL:
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BUENOS AIRES FOR DEPSEC WHITEHEAD AND DAS GELBARD

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E.O. 12356: DECL: OADR
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INTERDICTION CAN PRODUCE MUCH FASTER RESULTS.
DIRECT ATTACKS ON TRAFFICKERS, WHO ARE THE TRUE VILLAINS,
BREAK THE FLOW OF DRUGS TO DEVELOPED COUNTRIES WHILE
CUTTING THE ECONOMIC RETURNS TO COCA GROWERS. THIS IN
TURN MAKES ERADICATION FASTER AND CHEAPER TO ACHIEVE.
BANZER AT THE MAY 22 MEETING STRONGLY BELIEVED THE
FIGHT AGAINST NARCOTICS CRIMINALS MUST CONTINUE AND BE
REINFORCED BY ALL POSSIBLE LEGAL MEANS.

E. RESOURCE SHORTAGES ARE CRITICAL:

TO BE EFFECTIVE ON INTERDICTION, THE PRESIDENT SAID
BOLIVIA NEEDS AIRCRAFT, BOATS, COMMUNICATIONS, ADEQUATE
WEAPONS FOR POLICE (POLICE ONLY HAVE KOREAN WAR SEMI-
AUTOMATIC CARBINES OR WORSE), RADAR OR SOME OTHER WAY TO
TRACK TRAFFICKER AIRCRAFT, REWARD MONEY AND TOPOGRAPHICAL
SURVEYS. WITHOUT REWARDS THERE ARE NO INFORMANTS, AND
THE PAZ GOVERNMENT HAS STOPPED ALLOWING INFORMANTS TO BE
PAID WITH A SHARE OF SEIZED DRUGS. BOLIVIA HAS NO
RESOURCES TO CARRY OUT EITHER INTERDICTION OR ERADICATION.
THE DOLS 3-5 MILLION A YEAR COMING FROM THE U.S. ARE
TOTALLY INADEQUATE.

11. (C) FACE SHEET UPDATING U.S./BOLIVIA BILATERAL
AGREEMENTS

INTERIOR MINISTER BARTHELEMY STATED THAT THE
AGREEMENTS SIGNED IN 1983 BETWEEN THE U.S. AND THE

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PREVIOUS SILES ZUAZO ADMINISTRATION ESTABLISHED UNREALISTIC DEADLINES AND GOALS WHICH ARE NOT VALID NOW -- IF THEY EVER WERE. THE PENALTIES OF THE "HAWKINS AMENDMENT" AND THE COCA ERADICATION GOAL OF 4,000 HECTARES ARE NOT REALISTIC IN THE CURRENT CIRCUMSTANCES OF BOLIVIA'S CRISIS. UNDER THE CIRCUMSTANCES, THE PROPOSED FACE SHEET AMENDMENT TO THOSE ACCORDS WOULD SIMPLY RATIFY INVALID GOALS. BARTHELEMY SAID THAT, NONETHELESS, IF THE FACE SHEET IS NECESSARY FOR THE U.S. AND THE CONGRESS, BOLIVIA WILL SIGN IT. THE DEPSEC URGED THE MINISTER TO SIGN THE PROPOSED FACE SHEET AMENDMENT SO THAT BOTH THE U.S. AND BOLIVIA WOULD CONTINUE TO HAVE A FIRM BASIS FOR MUTUAL COOPERATION ON NARCOTICS.

12. (C) LAW ENFORCEMENT

A. BARTHELEMY NOTED THAT UMOPAR, THE ANTI-DRUG POLICE FORCE IN THE CHAPARE REGION, MAINTAINS ITS MORALE AND WILL TO FIGHT. DAILY CLOSE PROXIMITY TO TRAFFICKERS AND TEMPTATION OF NARCOTICS MONEY, HOWEVER, ARE BEGINNING TO TAKE A TOLL. BOLIVIA'S POORLY TRAINED POLICE, USING EQUIPMENT OF WORLD WAR II OR KOREAN WAR VINTAGE, ARE BEING ASKED TO CONFRONT DRUG TRAFFICKERS ARMED WITH SOPHISTICATED WEAPONRY. TO BELIEVE THAT SUCH AN APPROACH WILL MEET WITH EVEN MINIMAL SUCCESS IS TO DECEIVE OURSELVES.

B. BARTHELEMY SAID THAT IF UMOPAR COLLAPSES IT WILL BE DIFFICULT TO FIND A COMMITTED, EFFICIENT UNIT TO REPLACE IT. THE ARMED FORCES, FEARING CORRUPTION THROUGHOUT THEIR RANKS, DO NOT WANT TO BECOME INVOLVED

WITH NARCOTICS ENFORCEMENT. IN 1983, FOR EXAMPLE, THE MILITARY OCCUPIED THE CHAPARE REGION FOR 60 DAYS. IN THAT SHORT PERIOD THEY BECAME RIDDLED WITH CORRUPTION. BOLIVIA'S MILITARY COMMANDERS ARE NOT INCLINED TO TEMPT FATE BY REPEATING THE EXPERIENCE.

13. (C) U.S. RESPONSE

A. THE DEPUTY SECRETARY TOLD THE PRESIDENT THAT OF THE
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BUENOS AIRES FOR DEPSEC WHITEHEAD AND DAS GELBARD

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E. O. 12356: DECL: OADR
TAGS: OVIP (WHITEHEAD, JOHN C.), BL
SUBJECT: DEPSEC'S MAY 20-22 VISIT IN BOLIVIA

THREE MAJOR ISSUES DOMINATING U. S. -BOLIVIAN BILATERAL RELATIONS AND INTERESTS -- STRENGTHENING OF DEMOCRACY, ECONOMIC RECOVERY AND GROWTH, AND NARCOTICS -- THE AREA SO FAR WITHOUT ANY SOLUTION IS NARCOTICS. WE MUST CUT BOTH DEMAND AND SUPPLY.

B. THE DEPUTY SECRETARY SUGGESTED A MEETING OF DRUG-PRODUCING AND DEVELOPED CONSUMER COUNTRIES TO PRODUCE A PLAN AND TO DISCUSS FUNDING FOR A LONG-TERM STRATEGY TO DESTROY THE DRUG BUSINESS. THE PLAN WILL HAVE TO BE GLOBAL AND MASSIVE. ONLY A MAJOR, SUSTAINED FIVE-YEAR ASSAULT ON THE PROBLEM CAN SUCCEED. INCREMENTAL EXPERIMENTATION DOES NOT WORK.

C. THE TASK FORCE PROPOSAL MIGHT WELL PROVIDE THE VEHICLE FOR A BILATERAL PREPARATORY MEETING TO DISCUSS STRATEGY AND TO EXPLORE FURTHER A BROADER INTERNATIONAL EFFORT. AT SOME EARLY POINT, HOWEVER, THE TASK FORCE SHOULD INCLUDE NEIGHBORING COUNTRIES WHICH FACE SIMILAR PROBLEMS. LARGE-SCALE FINANCING IS NEEDED AND IS ACCEPTABLE IF THE STRATEGY PROMISES SUCCESS. IF RESULTS ARE UNCERTAIN, THROWING IN MONEY BACKED ONLY BY BLIND FAITH WILL ONLY EXACERBATE THE PROBLEM. MAJOR FINANCING MUST COME NOT ONLY FROM THE U. S. BUT ALSO FROM OTHER DEVELOPED NATIONS AND INTERNATIONAL ORGANIZATIONS, SUCH AS THE U. N.

D. THE DEPUTY SECRETARY REITERATED THAT ALTHOUGH NARCOTICS TRAFFICKING IS A SCOURGE OF GLOBAL PROPORTIONS AND A WELL-DEVELOPED, LONG-RANGE INTERNATIONAL PLAN IS

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CRITICAL FOR THE SUCCESS OF OUR MUTUAL ANTI-NARCOTICS EFFORTS, OUR IMMEDIATE EFFORTS SHOULD NOT SLACKEN. THE U. S. AND BOLIVIA MUST CONTINUE CURRENT ERADICATION AND INTERDICTION EFFORTS WITHOUT INTERRUPTION. DEMOCRATIC GOVERNMENTS AFTER ALL HAVE RESPONSIBILITIES TO THEIR PEOPLE AS WELL AS THE INTERNATIONAL COMMUNITY. INDIVIDUAL COUNTRIES HAVE RESPONSIBILITY TO TAKE PRACTICAL STEPS TO CURTAIL THE TRADE. WE CANNOT RELEGATE THE PROBLEM TO THE INTERNATIONAL COMMUNITY WHICH TO DATE HAS NO EFFECTIVE MECHANISM TO TREAT THE ISSUE EFFECTIVELY IN ALL ITS ASPECTS.

COMMENT

14. (C) DEPUTY SECRETARY WHITEHEAD'S VISIT HAS HAD AN EXTREMELY FAVORABLE IMPACT ON BOLIVIA'S POLITICAL LEADERSHIP, BOTH MNR AND ADN, AS WELL AS ON THE TONE AND SUBSTANCE OF OUR BILATERAL RELATIONSHIP OVERALL. THE STRIKING UNANIMITY OF BOLIVIAN VIEWS -- IN AND OUTSIDE THE GOVERNMENT, PRIVATE SECTOR AND POLITICAN -- REGISTERS ESPECIALLY AS POTENTIALLY USEFUL TO US. ALL OUR BOLIVIAN INTERLOCUTORS HAD DONE THEIR HOMEWORK AND PREPARED CAREFULLY FOR THEIR TIME WITH THE DEPSEC. THEIR APPARENT CONVERGENCE ON BOLIVIA'S PROBLEMS AND POSSIBLE SOLUTIONS OFFERS US THE MATERIAL TO BUILD A FUNCTIONAL POLITICAL CONSENSUS, TO REINFORCE THE "PACT FOR DEMOCRACY," TO STRENGTHEN COMMITMENT TOWARD ECONOMIC RENEWAL AND TO PUSH AHEAD ON NARCOTICS. THE DEPSEC'S RESPONSES REINFORCED THIS CONSENSUS AND OUR ABILITY TO USE IT ADVANTAGEOUSLY TO MAKE PROGRESS ON THESE ISSUES OF CENTRAL CONCERN TO U. S. NATIONAL INTERESTS.

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BUENOS AIRES FOR DEPSEC WHITEHEAD AND DAS GELBARD

E.O. 12356: DECL: OADR
TAGS: OVIP (WHITEHEAD, JOHN C.), BL, IMF, EFIN, PET,
PGOV
SUBJECT: IMF STAND-BY THREATENED BY DISPUTE OVER
HYDROCARBONS PRICE INCREASE

SUMMARY

1. (C) ACCORDING TO IMF REP (PROTECT) PRESIDENT VICTOR PAZ ESTENSSORO HAS REJECTED IN THE IMF DRAFT LETTER OF INTENT THE CONDITION THAT THE BOLIVIAN GOVERNMENT AGREE TO RAISE COMPOSITE HYDROCARBONS PRICE FROM 23.5 CENTS PER LITER TO 28 CENTS PER LITER BY JUNE 1. PAZ DOES NOT ACCEPT THE IMF'S IMPOSITION OF THE TIMING OF THE HYDROCARBONS PRICE INCREASE. OTHER ASPECTS OF THE DRAFT LETTER WERE ACCEPTED AND ARE IN THE VERSION THAT WAS SIGNED MAY 22.

2. (C) MINISTERS OF PLANNING AND FINANCE WILL TRAVEL TO WASHINGTON TO PRESS BOLIVIA'S CASE THAT PRICE INCREASE BE PERMITTED AFTER SIGNING OF STAND-BY. IMF MID-LEVEL STAFFERS ARE UNLIKELY TO BE RECEPTIVE TO BOLIVIA'S PROPOSAL. ANY FURTHER DELAYS IN SIGNING IMF STAND-BY COULD BE A MORTAL BLOW TO THE ECONOMIC STABILIZATION PROGRAM.

3. (C) LATEST INFORMATION INDICATES THAT THERE IS

A SOFTENING OF THE POSITIONS ON BOTH SIDES WHICH COULD LEAD TO A COMPROMISE AGREEMENT (PARAGRAPH 12).
END SUMMARY.

IMF STAND-BY IN JEOPARDY

4. (C) ON MAY 22 ECON OFFICER LEARNED FROM THE IMF REP THAT A MAJOR BREAKDOWN HAD OCCURRED IN EFFORTS TO SECURE A TIMELY IMF STAND-BY AGREEMENT FOR BOLIVIA. AFTER INTENSIVE, OFTEN HEATED, NEGOTIATIONS BETWEEN MINISTER OF PLANNING GONZALO SANCHEZ DE LOZADA AND MINISTER OF FINANCE JUAN CARIAGA WITH THE LOCAL IMF REP, THE BOLIVIANS AGREED TO SIGN THE DRAFT LETTER OF INTENT. THE TWO MINISTERS RELUCTANTLY SIGNED THE LETTER WITH THE LATEST IMF STIPULATION THAT THE BOLIVIAN GOVERNMENT INCREASE THE COMPOSITE HYDROCARBONS PRICE FROM WHAT IMF CLAIMS IS A CURRENT PRICE OF 23.5 CENTS PER LITER TO 28 CENTS PER LITER BY JUNE 1.

PRESIDENT PAZ REJECTS LATEST IMF CONDITIONS

5. (C) SOURCE CLAIMS THAT LATE IN THE EVENING OF MAY 21, SANCHEZ DE LOZADA AND CARIAGA PRESENTED THE SIGNED DRAFT LETTER OF INTENT TO PRESIDENT VICTOR PAZ ESTENSSORO FOR APPROVAL. PAZ ANGRILY REJECTED THE LATEST IMF CONDITION AND ADMONISHED THE MINISTERS THAT THE IMF COULD NOT IMPOSE ON BOLIVIA THE EXACT TIMING OF HYDROCARBONS PRICE INCREASES. HE RAILED AGAINST THE IMF, STATING THAT BOLIVIA HAD MET ALL ELEMENTS OF THE IMF'S PROPOSALS SO FAR, BUT THAT

THIS LAST CONDITION WAS AN IMPOSITION AND INTRUSION IN THE INTERNAL AFFAIRS OF A SOVEREIGN STATE.

MINISTERS TO PRESS BOLIVIAN CASE IN WASHINGTON

6. (C) PAZ ORDERED HIS TWO MINISTERS TO GO TO WASHINGTON TO PRESS IMF OFFICIALS TO PERMIT BOLIVIA TO INCREASE HYDROCARBONS PRICES AFTER THE IMF STAND-BY IS IN PLACE. PAZ SUGGESTED THAT A POSSIBLE TIME FRAME FOR A HYDROCARBONS PRICE INCREASE WOULD BE EARLY JULY.

THE IMF VIEW
BT

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BY RW NARA DATE 5/18/15

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

BUENOS AIRES FOR DEPSEC WHITEHEAD AND DAS GELBARD

E.O. 12356: DECL:DADR
TAGS: OVIP (WHITEHEAD, JOHN C.), BL, IMF, EFIN, PET,
PGOV
SUBJECT: IMF STAND-BY THREATENED BY DISPUTE OVER

7. (C) SOURCE SAID THAT THE IMF TECHNICAL STAFF THAT HAD CONDUCTED NEGOTIATIONS WITH THE BOLIVIANS IN MARCH WOULD NOT BE INCLINED TO GIVE IN TO PRESIDENT PAZ'S DEMAND. THE IMF STAFF VIEW IS THAT THEY HAVE ALREADY "CAVED" ON TWO CRITICAL PORTIONS OF THE APRIL MEMORANDUM OF UNDERSTANDING: (A) THE STAFF HAS AGREED TO INCREASE THE LIMIT ON CENTRAL BANK NET RESERVE DRAW-DOWNS FROM 20 MILLION DOLLARS TO 51.4 MILLION; (B) AND THEY AGREED TO INCREASE ALLOWABLE FISCAL DEFICIT TARGET FROM 5.8 PERCENT OF GDP TO 6.4 PERCENT.

HYDROCARBONS PRICE INCREASE NEEDED

8. (C) ACCORDING TO SOURCE, IMF STAFF WAS ABLE TO SELL AMENDED VERSION TO THE IMF'S MANAGING DIRECTORS, BASED ON THE CLEAR STIPULATION THAT HYDROCARBONS PRICE INCREASES WOULD BE A PRE-CONDITION TO A STAND-BY. IMF FINANCIAL NUMBERS INDICATE THAT BOLIVIA'S SHORT-TERM INTERNAL ARREARS (FLOATING DEBT)

HAVE INCREASED FROM ROUGHLY NINE MILLION DOLLARS TO 18 MILLION DOLLARS DURING THE PAST TWO MONTHS. THIS SITUATION HAS AN ANTI-INFLATIONARY IMPACT DUE TO THE BOLIVIAN GOVERNMENT'S FAILURE TO MEET PAYMENTS TO GOVERNMENT SUPPLIERS AS WELL AS DELAYS IN PAYMENT OF WAGES OF PUBLIC EMPLOYEES. THIS MOUNTING DEBT, HOWEVER, SUGGESTS TO THE IMF STAFF THAT IMMEDIATE REVENUE MEASURES MUST BE TAKEN NOW, AND NOT AFTER PROGRAMMED PUBLIC SECTOR WAGE INCREASES.

SECRET ADDENDUM

9. (C) SOURCE ALSO CLAIMED THAT IN A WRITTEN SECRET ADDENDUM THE BOLIVIAN GOVERNMENT HAD AGREED TO INCREASE HYDROCARBONS PRICES BEFORE THE STAND-BY IS APPROVED. THIS SECRET ADDENDUM WAS TO BE APPLIED IN THE EVENT THE NEW TAX LEGISLATION IS NOT GENERATING REVENUE BY THE DATE OF SIGNING OF THE DRAFT LETTER OF INTENT.

IMF LIKELY TO REJECT BOLIVIAN PROPOSAL

10. (C) SOURCE WARNED THAT IF THE TWO MINISTERS FAIL TO MAKE A COGENT TECHNICAL PRESENTATION, INCLUDING SOLID DATA ON THE DEFICIT, THE IMF STAFF AND BOARD WILL REJECT THEIR DEMANDS. THIS COULD RESULT IN A POSSIBLE RETURN TO LA PAZ OF A NEW IMF TECHNICAL MISSION, WHICH COULD DELAY A STAND-BY TO AS LATE AS MID-JULY.

PRESSURE MUST BE APPLIED AT THE TOP

11. (C) SOURCE SUGGESTED THAT POSSIBLY THE ONLY WAY TO GET THE IMF TO SHIFT ITS POSITION WOULD BE TO GET U.S. AND EEC NATIONS TO APPLY MAXIMUM PRESSURE ON TOP IMF HIERARCHY.

RIGID POSITIONS MAY BE SOFTENING

12. (C) ON THE MORNING OF MAY 23, THE SOURCE CALLED TO SAY THAT THE POSITIONS ON BOTH SIDES SEEM TO BE BT

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

BUENOS AIRES FOR DEPSEC WHITEHEAD AND DAS GELBARD

E.O. 12356: DECL: OADR
TAGS: OVIP (WHITEHEAD, JOHN C.), BL, IMF, EFIN, PET,
PGOV
SUBJECT: IMF STAND-BY THREATENED BY DISPUTE OVER

SOFTENING BUT PROVIDED NO DETAILS. EMBASSY SUSPECTS
THAT A COMPROMISE MIGHT CONSIST OF A MINOR INCREASE
IN HYDROCARBONS PRICES IN EARLY JUNE FOLLOWED BY AN
ADDITIONAL INCREASE IN JULY ONCE THE STAND-BY IS IN
PLACE.

POLITICAL REACTION TO IMF DELAY

13. (C) BOLIVIANS OF ALL POLITICAL STRIPE ARE
CONFUSED AND DISMAYED AT WHAT APPEARS ON THE SURFACE
TO BE THE IMF'S IMPOSITION OF EX-POST-FACTO CONDITIONS
FOR APPROVAL AND DISBURSAL OF THE STAND-BY. ON MAY 22
THE AMBASSADOR, POLCOUNS AND ECON OFFICER WERE
REPEATEDLY QUESTIONED ON THE IMF'S FAILURE TO RESPOND
PROMPTLY TO BOLIVIA'S NEEDS NOW THAT THE TAX REFORM
HAS BEEN SIGNED INTO LAW. POLITICIANS AND HIGH
GOVERNMENT OFFICIALS REPRESENTING THE RULING MNR,
THE OPPOSITION ADN AND THE CENTER-LEFT MIR, ALONG
WITH HIGH RANKING MILITARY OFFICERS AND KEY PRIVATE
SECTOR REPRESENTATIVES, ALL EXPRESSED THEIR DISMAY
AT THE IMF'S "DELAY". THEY STRESSED THAT BOLIVIA HAS
BEEN MORE COOPERATIVE WITH THE FUND'S DEMANDS THAN
ANY OTHER COUNTRY, AND THAT ANY MORE DELAY COULD

BE FATAL TO THE GOVERNMENT'S SURVIVAL. THE MIR'S
INTERNATIONAL SECRETARY SAID THE ULTRA-LEFT LEADERSHIP
OF BOLIVIA'S LABOR CENTRAL (THE COB) IS TAKING
ADVANTAGE OF THE IMF'S "SLOW" RESPONSE TO WHIP UP
LABOR AGITATION TO THROW OUT THE GOVERNMENT.

14. (U) MAY 23 NEWSPAPERS REPORT COB CHARGES THAT
THE TAX REFORM IS IMF-CRAFTED SUPPORT FOR BUSINESS
AND THE RICH, THAT THE DEMOCRATIC PARTIES LIED TO THE
PEOPLE WHEN THEY SAID TAX REFORM WOULD BRING A STAND-BY
AND THAT WORKERS SHOULD NOT OBEY THE TAX LAW.

15. (U) MAY 23 NEWSPAPERS ALSO CARRY A STATEMENT
BY FOREIGN MINISTER BEDREGAL THAT THE IMF BOARD OF
DIRECTORS HAS POSTPONED CONSIDERATION OF THE
BOLIVIAN PROGRAM FOR THREE WEEKS UNTIL JUNE 4.
HE ADDED "WE ARE CONVINCED THAT THE PROBLEM WILL
BE RESOLVED CONVENIENTLY". BEDREGAL ALSO INDICATED
THAT THE PLANNING MINISTER WILL TAKE ADVANTAGE OF
HIS PRESENCE IN WASHINGTON TO CONTACT WORLD BANK
AND IDB REPRESENTATIVES.

16. (C) IN A SIMPLISTIC WAY MANY EXPECTED THE
FINANCIAL AID FAUCET TO OPEN IMMEDIATELY AFTER CONGRESS
APPROVED THE TAX LEGISLATION. BOLIVIANS ARE ANGRY
AT BOTH THE IMF AND THEIR OWN GOVERNMENT. SOME HAVE
ACCUSED THE ADMINISTRATION OF SETTING UP AN ARTIFICIAL
DEADLINE OF MAY 20 IN ORDER TO RAILROAD THE TAX
MEASURE THROUGH CONGRESS WITHOUT ADEQUATE DEBATE.
THE ULTRA-LEFT MINI-PARTIES, WHICH OPPOSED THE TAX
BILL LARGELY ON DEMAGOGIC GROUNDS, NOW HAVE ADDITIONAL

AMMUNITION WITH WHICH TO ATTACK THE GOVERNMENT.
BOTH THE IMF AND THE PAZ GOVERNMENT MUST ACT IMMEDIATELY
TO CLARIFY THE SITUATION, PUT DOUBTS TO REST AND
RESCUE THEIR CREDIBILITY. THE LACK OF HARD INFORMATION
ON THE STAND-BY SITUATION, IN AN ENVIRONMENT THAT
THRIVES ON GOSSIP AND SPECULATION, CAN BE EXTREMELY
DAMAGING.

(DRAFTED ECON: HLORENS AND POL: WLOFSTROM) ROWELL
BT

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3. Whitehead in Bolivia. John came away impressed with this nation which supports our objectives but lacks essential resources. President Victor Paz' economic reform program is a model for Third World debtors. Inflation has dropped from 25,000 percent to zero. Paz's next challenge, narcotics, will be more difficult to tackle. Illicit drug exports bring Bolivia two to three times more revenue than its tin and gas exports. Local authorities have good intentions but few tools to combat the immense problem. John concludes that an adequate response will require regional planning and up to \$1 billion in assistance. (S)

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E.O. 12356: DECL: OADR
TAGS: PREL, SNAR, BL
SUBJECT: LETTER FOR SECRETARY SHULTZ FROM BOLIVIAN
FOREIGN MINISTER BEDREGAL ON NARCOTICS CONTROL

REF: LA PAZ 4390 (NOTAL)

1. (C) THERE FOLLOWS IN PARA. 3 INFORMAL EMBASSY TRANSLATION OF A LETTER DATED MAY 27, 1986, (RECEIVED MAY 28) TO SECRETARY SHULTZ FROM FOREIGN MINISTER GUILLERMO (BEDREGAL) GUTIERREZ. THE ORIGINAL IS BEING POUCHED TO ARA/AND.

2. (C) THE FOREIGN MINISTER'S LETTER SUMMARIZES IN DETAIL HIS AND INTERIOR MINISTER BARTHELEMY'S MAY 21 CONVERSATION WITH DEPUTY SECRETARY WHITEHEAD ON THE NARCOTICS PROBLEM (REFTEL). THE MINISTER'S LETTER ACKNOWLEDGES THAT NARCOTICS CONTROL EFFORTS TO DATE HAVE NOT PRODUCED SATISFACTORY RESULTS. IT POINTS OUT THAT THE RESOURCES AVAILABLE TO THE BOLIVIAN POLICE ARE INADEQUATE. MINISTER BEDREGAL REAFFIRMS THE NEED TO ORGANIZE A BILATERAL TASK FORCE TO DEVISE A NEW STRATEGY TO DEAL WITH THE NARCOTICS PROBLEM, AND SUBMITS A SHOPPING LIST OF EQUIPMENT AND OTHER RESOURCES URGENTLY NEEDED BY THE GOVERNMENT TO CONFRONT TRAFFICKING DURING THE TRANSITION PERIOD PRIOR TO THE IMPLEMENTATION OF THIS NEW STRATEGY. (NOTE: IN THIS CONTEXT, WE HAVE LEARNED THAT A SENIOR COLOMBIAN POLICE OFFICIAL WILL BE COMING TO LA PAZ LATER THIS WEEK TO TALK WITH BOLIVIAN POLICE OFFICIALS ON DEVISING A GENERAL INTERDICTION STRATEGY.) THE LETTER REAFFIRMS IN ENERGETIC TERMS THE PAZ ESTENSORO GOVERNMENT'S DECISION TO ATTACK NARCOTICS TRAFFICKING WITH THE SAME ZEAL USED EARLIER IN DEALING WITH HYPER-INFLATION AND REQUESTS THE "DECISIVE COOPERATION" OF THE USG IN THIS TASK. FINALLY, IT

3. (U) BEGIN TEXT OF BEDREGAL'S LETTER OF MAY 27, 1986:

MR. SECRETARY OF STATE:

THE VISIT TO BOLIVIA OF MR. JOHN WHITEHEAD, DEPUTY TO YOUR EXCELLENCY, HAS HAD ENORMOUS MEANING FOR OUR BILATERAL RELATIONS.

IN EFFECT, ON MAY 21 WE HELD WITH HIM AN IMPORTANT MEETING IN MY OFFICE IN WHICH THE BOLIVIAN MINISTER OF INTERIOR TOOK PART.

IN ADDITION TO DISCUSSING OTHER SUBJECTS OF COMMON INTEREST AND WITH MORE PARTICIPANTS, THE MEETING WAS DEDICATED TO A SINCERE AND FRANK ANALYSIS OF THE WORLD-WIDE PROBLEM OF NARCOTICS TRAFFICKING. BOTH THE MINISTER OF INTERIOR AND THE MINISTER OF FOREIGN AFFAIRS OF BOLIVIA EXPRESSED TO MR. WHITEHEAD POINTS THAT I WISH TO SUMMARIZE BRIEFLY.

A. THE HISTORICAL BOTTOM LINE OF THE FIGHT AGAINST THIS INTERNATIONAL CRIME -- IN SO FAR AS THE ACTIONS TAKEN IN BOLIVIA WITH THE COOPERATION OF THE UNITED STATES ARE CONCERNED -- IS NOT SATISFACTORY. THERE IS AN OBVIOUS WEAKNESS IN POLICE RESOURCES (SURFACE AND AIR EQUIPMENT, ARMS, EFFECTIVE SUPPORT FOR INTELLIGENCE TASKS, ETC.) IN CONTRAST TO THE MAGNITUDE AND THE POTENTIALITY OF THE RESOURCES AT THE DISPOSAL OF SAID ORGANIZED CRIME.

B. IT WAS NOTED THAT THE GOVERNMENT OF BOLIVIA VIEWED WITH SERIOUS CONCERN THE INCREASE OF THIS ILLEGAL ACTIVITY, PARTICULARLY DUE TO THE EXPANSION OF COCA FIELDS, WHICH IS CAUSED BY AN UNSATISFIED AND GROWING DEMAND FROM THE MANUFACTURERS OF COCAINE HYDROCHLORIDE. THIS MEANS THERE IS A SINISTER RELATIONSHIP BETWEEN THE INCREASE IN COCA PURCHASES AND THE EXPANSION OF FACTORIES FOR THE ALKALOID ON ONE HAND, AND THE EXPANSION OF CULTIVATION.

C. THE CONTROL ACTIVITIES CARRIED OUT BY THE POLICE WITH THE TECHNICAL AND ECONOMIC SUPPORT OF THE UNITED STATES ARE THE CRITICAL POINT IN THIS STRUGGLE. HOWEVER, BT

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E.O. 12356: DECL: OADR

TAGS: PREL, SNAR, BL

SUBJECT: LETTER FOR SECRETARY SHULTZ FROM BOLIVIAN

THE RESOURCES THAT THE GOVERNMENT OF BOLIVIA NEEDS FOR THIS TASK ARE CONSIDERABLE WHEN CONTRASTED TO THE LIMITED FUNDS OF THE TREASURY. DUE TO THE CURRENT ANTI-INFLATIONARY PERIOD OF ECONOMIC RECESSION THERE IS HARDLY ENOUGH TO COVER STATE EXPENSES, MORE THAT 80 PERCENT OF WHICH GO TO THE PAYMENTS FOR SALARIES AND WAGES OF GOVERNMENT EMPLOYEES. THE LEVEL OF SALARIES IN MY COUNTRY IS ONE OF THE LOWEST IN THE WORLD, PRECISELY BECAUSE OF THE HYPER-INFLATION. THIS HAS PRECLUDED ALL POSSIBILITIES OF INTERNAL SAVINGS.

D. THE VOLUME OF ECONOMIC RESOURCES IS, THEREFORE, ABSOLUTELY INSUFFICIENT. PROGRAMS ARE NOT COORDINATED IN THE FRAMEWORK OF A GLOBAL STRATEGY, IN SPITE OF THE FACT THAT THIS WAS PROPOSED TO THE AMERICAN GOVERNMENT IN 1982. MR. WHITEHEAD AGREED WITH US ON THE NEED TO UPDATE THIS GLOBAL PROGRAM, AND JOINTLY, TO ORGANIZE AN EXECUTIVE TASK FORCE WITH SPECIALISTS FROM BOTH NATIONS IN ORDER TO READJUST AND IMPROVE THE ABOVE MENTIONED PROGRAM.

E. WE ALSO AGREED THAT THIS WORKING COMMITTEE SHOULD FINISH ITS WORK IN THE SHORTEST POSSIBLE TIME AND UPDATE EXISTING AGREEMENTS BY MEANS OF NECESSARY ADDITIONS, SO AS TO GUARANTEE THE TRANSITION BETWEEN THE CURRENT WORKING GROUP, WHICH IS CONSIDERED INADEQUATE, AND THE NEW STRATEGY THAT WE ARE TO AGREE UPON JOINTLY. DURING THIS PERIOD OF TRANSITION, THE GOVERNMENT OF BOLIVIA NEEDS URGENTLY THE EQUIPMENT AND FUNDS LISTED IN DETAIL BELOW:

- THREE LAMA-TYPE HELICOPTERS, WITH A FLIGHT CAPABILITY ABOVE THE ALTITUDE OF THE ANDEAN RANGE.

- AIRCRAFT FOR TRANSPORTATION OF PERSONNEL AND MATERIAL.
- AUTOMATIC ARMS AND THE NECESSARY AMMUNITION IN ORDER TO IMPROVE THE FIRING POWER OF 1,500 POLICEMEN.
- FOODSTUFFS AND LOGISTIC EQUIPMENT FOR POLICE CAMPS IN THE OPERATION ZONES.
- REVOLVING FUND OF ONE MILLION DOLS TO COVER INFORMANT EXPENSES, AS AN ESSENTIAL PART OF INTELLIGENCE WORK FOR ESTABLISHING A REPRESSION SYSTEM AT THE LEVEL OF THE ALCALOID FACTORIES.

F. WE HAVE AGREED, SINCE THIS IS A CRIMINAL MATTER OF EXTREMELY GRAVE ETHICAL, BIOLOGICAL AND SOCIAL CONSEQUENCES, THAT THIS PROBLEM INVOLVES NOT ONLY THE INTERESTS OF OUR COUNTRIES, BUT ALSO THE PEOPLES OF THE WHOLE INTERNATIONAL COMMUNITY AND, PARTICULARLY, THE INDUSTRIALIZED NATIONS OF EUROPE, WHERE THE INCREASE OF THIS VICE IS EMPHASIZED. IN THE AREA OF COCA PRODUCTION, WE HAVE ALSO COINCIDED ON THE NEED TO COORDINATE EFFORTS AND EXCHANGE EXPERIENCES WITH OTHER COUNTRIES (PERU, ECUADOR, COLOMBIA, VENEZUELA, BRAZIL, ETC.).

AS YOU ARE AWARE, BOLIVIA HAS PARTICIPATED ENTHUSIASTICALLY IN THE FOLLOWING INTERNATIONAL AGREEMENTS RELATED TO THIS MATTER:

- SINGLE CONVENTION ON NARCOTICS IN 1961 AND ADDITIONAL PROTOCOL OF 1972.
- DECLARATION OF QUITO, SIGNED ON AUGUST 11, 1984, BY THE PRESIDENTS OF BOLIVIA, COLOMBIA, ECUADOR, VENEZUELA, A REPRESENTATIVE OF THE PRESIDENT OF PERU AND THE VICE PRESIDENT OF PANAMA.
- THE DECLARATION OF NEW YORK AGAINST TRAFFICKING AND ILLEGAL USE OF DRUGS, SIGNED IN NEW YORK ON OCTOBER 1, 1984, BY THE MINISTERS OF FOREIGN AFFAIRS OF BOLIVIA, BRAZIL, COLOMBIA, ECUADOR, PERU,

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E.O. 12356: DECL: OADR

TAGS: PREL, SNAR, BL

SUBJECT: LETTER FOR SECRETARY SHULTZ FROM BOLIVIAN

VENEZUELA, AND THE SECRETARY FOR INTERNATIONAL
RELATIONS OF ARGENTINA.

-- THE "RODRIGO LARA BONILLA" AGREEMENT FOR THE
PREVENTION OF THE ILLICIT USE OF DRUGS AND THE
REPRESSION OF THE TRAFFICKING OF DRUGS AND
PSYCHOTROPIC SUBSTANCES, SIGNED IN LIMA ON APRIL
30, 1986, BY THE MEMBER COUNTRIES OF THE CARTAGENA
ACCORD.

G. WITH THE PURPOSE OF ESTABLISHING THE LEGAL
NATURE OF THE CRIME OF NARCOTICS TRAFFICKING, MY
GOVERNMENT HAS DECIDED TO SEND TO THE NATIONAL CONGRESS
A DRAFT LAW WHICH CLEARLY DEFINES THE CHARACTERISTICS
OF THIS CRIME WITH THE PURPOSE OF DEFINING PROPER
PENALTIES IN AREAS IN WHICH LEGISLATION OF THIS KIND
SHOULD DEAL (PLANTATIONS, CONTROL, REPRESSION,
INTELLIGENCE, TYPES OF CRIME, PREVENTION AND TREATMENT
OF THE ADDICT).

FINALLY, MR. SECRETARY, WE WISH TO RATIFY THE
POLITICAL WILL OF DR. PAZ ESTENSORO'S GOVERNMENT TO
SUPPORT DECISIVELY THIS NEW STRATEGY OF FRONTAL STRUGGLE
AGAINST NARCOTICS TRAFFICKING, REQUESTING FROM YOUR
EXCELLENCY'S GOVERNMENT ITS FIRM COOPERATION IN THE
AREAS OF TECHNICAL, OPERATIONAL, FINANCIAL AND INTER-
NATIONAL PUBLIC RELATIONS IN ORDER TO ACHIEVE AN
EFFECTIVE SOLUTION TO A SERIOUS MATTER HAVING SUCH
TRANSCENDENCE AND IMPORTANCE FOR OUR COUNTRIES.

IN THIS SENSE, I ALSO WISH TO UNDERScore THAT IN
THE SAME WAY THAT WE CONFRONTED THE CANCER OF HYPER-
INFLATION BY MEANS OF AN ANTI-HYPER-INFLATIONARY SHOCK

PROGRAM, WE ARE CONVINCED THAT THE STRUGGLE AGAINST THIS
CRIME MUST ALSO BE CARRIED OUT THROUGH AN EXECUTIVE,
IMMEDIATE, AND GLOBAL PROGRAM. SUCH AN EFFORT INEVITABLY
REQUIRES ALSO THE POLITICAL WILL OF YOUR EXCELLENCY'S
GOVERNMENT THROUGH THE PROVISION OF FINANCIAL, MATERIAL
AND TECHNICAL RESOURCES THAT, REGRETTABLY, THE GOVERNMENT
OF BOLIVIA DOES NOT HAVE IN THE DESIRED MAGNITUDE.

I TAKE THIS OPPORTUNITY TO RENEW TO YOUR EXCELLENCY,
THE ASSURANCES OF MY HIGHEST REGARD.

END TEXT OF BEDREGAL LETTER.

(DRAFTED BY: POL:WLOFSTROM) ROWELL

BT

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E.O. 12356: DECL: OADR
TAGS: SNAR, BL, FR, IT, GE, UK, UNFDC, VT
SUBJECT: WESTERN MISSIONS DEMAND BOLIVIAN ACTION AGAINST
COCA NOW

REF: LA PAZ 0838 LA PAZ 1466

SUMMARY

1. (C) THE FRENCH AND ITALIAN AMBASSADORS, THE PAPAL NUNCIO, THE UNFDC REP AND OFFICERS FROM THE U.S., U.K. AND FRG EMBASSIES MADE A JOINT TWO-HOUR DEMARCHE ON INTERIOR MINISTER BARTHELEMY JUNE 9 AND DEMANDED THAT THE BOLIVIAN GOVERNMENT ACT IMMEDIATELY TO MAKE EXCESS COCA PRODUCTION ILLEGAL. THE ITALIAN LINKED FUTURE AID TO BOLIVIAN ACTION ON COCA. THE DIPLOMATS ALSO PRAISED THE BOLIVIAN GOVERNMENT'S RECENT NARCOTICS AWARENESS INITIATIVES AND SAID THEY SHOULD BE PRESSED. IN A FOLLOW-UP MEETING JUNE 10 WITH THE U.S. NARCOTICS ADVISORY UNIT (NAU) CHIEF, BARTHELEMY SEEMED SHAKEN BY THE JUNE 9 SESSION AND FOR THE FIRST TIME TALKED SERIOUSLY OF

QUICK ACTION TO DEFINE THE AREAS WHERE COCA GROWING IS NON-TRADITIONAL AND THEREFORE ILLEGAL. UNDER-SECRETARY FOR JUSTICE CARLOS (VARGAS) ROMERO, A GOOD CHOICE, WILL TAKE THE LEAD.

2. (C) IN SUBSEQUENT CONVERSATIONS WITH OUR AMBASSADOR, THE WEST EUROPEANS MADE THE FOLLOWING POINTS:

-- THE LEGAL BASIS MUST BE ESTABLISHED IMMEDIATELY FOR SUBSTANTIAL COCA ERADICATION.

-- THE BOLIVIAN GOVERNMENT CAN AND MUST DO MUCH TO FIGHT THE COCA/COCAINE PROBLEM ON ITS OWN. THE DEMARCHE EMPHASIZED ACTIONS THAT REQUIRE NO SIGNIFICANT RESOURCES. THAT SAID, EXTERNAL HELP ALSO WILL BE NECESSARY.

-- THE INTERIOR MINISTER IS RIGHTLY CONCERNED THAT ACTION AGAINST CAMPESINO COCA GROWERS, WHOSE NUMBERS ARE SWELLING FROM MASSIVE UNEMPLOYMENT IN THE MINERALS INDUSTRY, WILL DRIVE MANY PEASANTS TO JOIN OR COOPERATE WITH TRAFFICKERS IN THE DEVELOPMENT OF PARAMILITARY FORCES THAT COULD CHALLENGE THE GOVERNMENT.

3. (C) THE NUNCIO'S PARTICIPATION WAS ESPECIALLY HELPFUL AND SIGNIFICANT. BOLIVIAN AUTHORITIES RESPECT THE POWER OF THE CHURCH AND CREDIT IT WITH BEING POLITICALLY DISINTERESTED (UNLIKE FOREIGN GOVERNMENTS). END SUMMARY.

THE MEETING

4. (C) THE U.S.-INSPIRED INFORMAL COORDINATING GROUP ON NARCOTICS, COMPOSED OF SENIOR REPRESENTATIVES OF EMBASSIES IN LA PAZ AND CHURCH LEADERS, MET WITH INTERIOR MINISTER FERNANDO BARTHELEMY ON JUNE 9, 1986. THE MEETING WAS SCHEDULED FOR ONE HOUR, BUT LASTED OVER TWO.

5. (LOU) PARTICIPANTS WERE:

FERNANDO BARTHELEMY, MINISTER OF INTERIOR
MSG SANTOS ABRIL Y CASTELLO, PAPAL NUNCIO
LUCHINO CORTESE, AMBASSADOR OF ITALY
JOHN CLOT GUISSSET, AMBASSADOR OF FRANCE
RAYMOND VAN JOY, AMBASSADOR OF BELGIUM

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- . HANS BREDE, CHARGE, WEST GERMAN EMBASSY
- . INIGO DE PALACIO ESPANA, CHARGE, SPANISH EMBASSY
- . THOMAS DUGGAN, COUNSELOR, BRITISH EMBASSY
- . FATHER LUIS D. LIBERO, REPRESENTING ARCHBISHOP OF LA PAZ
- . FERNANDO MIRANDA DE LARA, PRINCIPAL ADVISOR, J FDCAC BOLIVIA
- . DON YELLMAN, NAU CHIEF, U.S. EMBASSY

UN REP PRESSES FOR DETERMINATION ON ILLEGAL COCA

THE LEGAL DETERMINATION OF TRADITIONAL/NON-TRADITIONAL COCA GROWING AREAS, AND AN ACCURATE SURVEY OF LEGAL DEMAND FOR COCA LEAVES FOR CHEWING AND TEA. MIRANDA HAS BECOME CONVINCED, AS HAVE WE, THAT WITHOUT THESE DETERMINATIONS A COCA REDUCTION EFFORT WILL NOT BE PRODUCTIVE.

7. (C) MINISTER BARTHELEMY RESPONDED THAT A GREATER DEGREE OF LONG RANGE PLANNING AND MORE INTERNATIONAL FINANCIAL ASSISTANCE ARE NEEDED BEFORE BOLIVIA COULD HOPE TO MAKE SUBSTANTIAL PROGRESS IN THE NARCOTICS FIGHT. HE MENTIONED THE PROSPECT OF A BILATERAL U.S.-BOLIVIAN COMMISSION AND A 5-YEAR PLAN THAT HAD BEEN DISCUSSED DURING DEPUTY SECRETARY WHITEHEAD'S RECENT VISIT TO BOLIVIA. BARTHELEMY UNDERSCORED THE INTERNATIONAL ASPECT OF THE PROBLEM AND SAID THAT AT THE CURRENT RATE OF EXPLOSIVE GROWTH NARCOTICS TRAFFICKING AND CONSUMPTION COULD DESTROY WESTERN SOCIETY. HE ALSO EMPHASIZED THE BOLIVIAN GOVERNMENT'S BELIEF THAT A DIRECT, FRONTAL ASSAULT ON COCA CULTIVATION WOULD BE INEFFECTIVE WITHOUT COMPLEMENTARY STRONG LAW ENFORCEMENT TO BREAK THE ILLICIT DEMAND FOR COCA LEAF. HE THOUGHT, IN ANY CASE, THAT MASSIVE INTERNATIONAL ASSISTANCE WOULD BE REQUIRED TO CUSHION THE COCA GROWER AS HE LOSES THIS SOURCE OF INCOME AND TO HELP HIM SHIFT TO LICIT CROPS.

FRANCE PRESSES FOR ACTION NEW

8. (C) FRENCH AMBASSADOR GUISET STRONGLY CHALLENGED BARTHELEMY'S ASSERTIONS THAT ANSWERS TO BOLIVIA'S NARCOTICS PROBLEMS LIE IN MORE PLANNING AND OUTSIDE RESOURCES. GUISET SAID THAT NOW IS THE TIME FOR PRACTICAL RESULTS THAT CAN BE ACHIEVED WITHIN CURRENT BOLIVIAN CAPABILITIES, AND THAT BOLIVIAN FAILURE TO TAKE ANY REAL ACTION HAD LED TO SOME LOSS OF CONFIDENCE IN BOLIVIAN RESOLVE THROUGHOUT THE INTERNATIONAL COMMUNITY. HE STRONGLY SUPPORTED UNFAC MIRANDA'S VIEW THAT A CLEAR LEGAL DEFINITION OF THE TRADITIONAL/NON-TRADITIONAL COCA GROWING AREAS IS FUNDAMENTAL TO FUTURE PROGRESS.

9. (C) MINISTER BARTHELEMY CONTINUED TO ARGUE AGAINST FACING THE TRADITIONAL/NON-TRADITIONAL ISSUE NOW. HE SAID THAT THE NEWER COCA GROWING AREAS ARE ISOLATED AND HAVE NO ROAD INFRASTRUCTURE TO PERMIT THE MARKETING OF BT

6. (C) UNFAC ADVISOR FERNANDO MIRANDA OPENED THE MEETING CONGRATULATING THE BOLIVIAN GOVERNMENT FOR ITS INITIATIVE IN ORGANIZING AN INTER-MINISTERIAL NARCOTICS AWARENESS AND PREVENTION CAMPAIGN. MIRANDA SAID THE UNITED NATIONS DRUG AGENCY SUPPORTS THIS EFFORT. HE THEN LAUNCHED INTO A MONOLOGUE ON THE TOPICS OF MOST CRITICAL CURRENT INTEREST IN BOLIVIAN NARCOTICS CONTROL:

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LEGAL CROPS. HE ALSO POINTED OUT THAT WITH THE PROBLEMS
IN BOLIVIA'S PUBLIC MINING SECTOR, SOME 30,000 LAID-OFF
WORKERS WILL HAVE TO BE RELOCATED, MANY PRESUMABLY TO
THE COUNTRYSIDE. HE THOUGHT THAT PEASANTS DRIVEN OUT
OF COCA GROWING IN AREAS DECLARED NON-TRADITIONAL WOULD
BE LIKELY RECRUITS FOR NARCOTRAFFICKING/GUERRILLA
ACTIVITY.

U.S. REP ADDS TO PRESSURE

10. (C) LA PAZ NAU DIRECTOR YELLMAN RECOGNIZED THE
DIFFICULTIES FACED BY THE BOLIVIAN GOVERNMENT IN ATTACK-
ING WIDESPREAD COCA CULTIVATION HEAD ON, BUT NEVERTHELESS
STRONGLY SECONDED THE OPINIONS OF AMBASSADOR GUISET. A
RATIONAL COCA REDUCTION PROGRAM, WHETHER VOLUNTARY OR
INVOLUNTARY, MUST REST ON A CLEAR DEFINITION OF WHERE
COCA CAN BE LEGALLY GROWN. AT PRESENT, COCA IS EXPANDING
IN WIDELY DISPERSED GEOGRAPHIC AREAS OF BOLIVIA, INCLUDING

THE BENI DEPARTMENT AND NEW AREAS OF THE YUNGAS SUCH AS
INQUISIVI. HAD THIS DETERMINATION BEEN MADE EVEN THREE
YEARS AGO, WE WOULD NOT BE FACING THE WIDE AREAS OF NEW
CULTIVATION THAT EXIST TODAY. CITING THE EXPERIENCE OF
THE PAST SIX MONTHS WITH THE VOLUNTARY ERADICATION
PROGRAM IN THE CHAPARE, YELLMAN SAID THAT THE LABORIOUS
NEGOTIATION PROCESS WITH EACH INDIVIDUAL LANDOWNER TO
REDUCE HIS COCA BY A SMALL PERCENTILE HAS FAILED TO
PRODUCE ACCEPTABLE RESULTS. BY DECLARING WIDE AREAS OF
NEW CULTIVATION ILLEGAL, THE GOVERNMENT WOULD HAVE THE
BASIS TO BEGIN A SYSTEMATIC ERADICATION PROGRAM, IF
NECESSARY AN INVOLUNTARY PROGRAM.

ITALIAN AMBASSADOR SURPRISINGLY STRONG IN SUPPORT OF

OTHERS: SAYS BOLIVIANS RISK LOSING ECONOMIC AID

11. (C) ITALIAN AMBASSADOR CORTESE SPOKE UP IN SUPPORT
OF THE VIEWS OF BOTH AMBASSADOR GUISET AND YELLMAN. HE
SAID THAT EXTENSIVE LONG RANGE PLANNING AT THIS POINT IS
NOT AS IMPORTANT AS ATTACKING NARCOTICS PRODUCTION NOW
AND TAKING THE HARD DECISIONS THAT MUST PRECEDE THIS
ATTACK. HE ALSO STRESSED THE NEED TO DEFINE TRADITIONAL/
NON-TRADITIONAL GROWING AREAS AND TO DETERMINE ACCURATELY
LEGAL INTERNAL DEMAND FOR COCA LEAVES NOW. HE THOUGHT
THAT THESE ISSUES MUST BE RESOLVED BEFORE BOLIVIA WOULD
BE IN A POSITION TO REQUEST MORE INTERNATIONAL DEVELOPMENT
ASSISTANCE. HE ALSO EXPRESSED STRONG SUPPORT FOR THE
NARCOTICS EDUCATION AND PREVENTION EFFORTS NOW BEING
INITIATED BY THE BOLIVIAN GOVERNMENT, AND THOUGHT THESE
WOULD HELP IN GAINING THE PUBLIC SUPPORT REQUIRED TO
ATTAIN OTHER ANTI-NARCOTICS GOALS.

12. (C) BELEAGUED MINISTER RESPONDED THAT FORCED
ERADICATION IN BOLIVIA WOULD BE EXTREMELY DIFFICULT IN
VIEW OF BOLIVIA'S CURRENT POLITICAL AND ECONOMIC SITUATION.
HE RETURNED TO THE THEME OF STEPPED UP ENFORCEMENT, STAT-
ING THAT BOLIVIA NEEDS AIR SUPPORT AND BOATS FOR NARCOTICS
OPERATIONS, AND A ROTATING FUND OF ABOUT ONE MILLION
DOLLARS TO OBTAIN NARCOTICS INTELLIGENCE FROM INFORMANTS.

BRITISH STATEMENT

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13. (C) BRITISH EMBASSY COUNSELOR TOM DUGGAN SPOKE UP BRIEFLY IN SUPPORT OF THE POSITIONS OF THE FRENCH AND ITALIAN AMBASSADORS, AND NAU CHIEF YELLMAN. HE ALSO THOUGHT THAT THE DEFINITION OF TRADITIONAL CULTIVATION AREAS IS THE MOST CRITICAL ISSUE OF THE MOMENT.

PAPAL NUNCIO ANCHORS UNITED PRESSURE ON BOLIVIANS

14. (C) THE PAPAL NUNCIO ALSO STRONGLY SUPPORTED THE REMARKS OF PREVIOUS SPEAKERS, STRESSING FIRST THE TRADITIONAL AREA ISSUE, BUT ALSO EMPHASIZING THE IMPORTANCE OF NARCOTICS EDUCATION AND INFORMATION. HE ADDED THAT NARCOTICS CONSUMING NATIONS SHOULD EXPECT TO PROVIDE MORE RESOURCES TO PRODUCING COUNTRIES, WITH PARTICULAR EMPHASIS ON INTERNATIONAL ORGANIZATIONS SUCH AS UNFDAC.

15. (C) THE FOLLOWING DAY, JUNE 10, NAU DIRECTOR YELLMAN CALLED ON BARTHELEMY, AND STRONGLY PRESSED FOR MOVEMENT ON THE TRADITIONAL AREA AND LEGAL CONSUMPTION ISSUES. BARTHELEMY SAID THAT SINCE THE JUNE 9 MEETING HE HAD BEEN THINKING IN TERMS OF A SUPREME DECREE THAT WOULD DETERMINE TRADITIONAL AREAS BASED ON A 1977 SURVEY OF COCA PRODUCERS. YELLMAN RESPONDED THAT SUCH A DECREE MIGHT NOT CARRY THE NECESSARY OBJECTIVITY NOR ADEQUATELY CONSIDER HISTORICAL EVIDENCE. (THE COCA CULTIVATION BOOM IN BOLIVIA IS GENERALLY CONSIDERED TO HAVE BEGUN AROUND 1970). THE MINISTER FINALLY AGREED TO SET UP COMMISSIONS TO MAKE DETERMINATIONS BOTH ON TRADITIONAL CULTIVATION AND LEGAL CONSUMPTION. HE SAID HE WILL TASK SUBSECRETARY FOR JUSTICE CARLOS VARGAS ROMERO TO ORGANIZE AND SUPERVISE THE WORK. WE HAVE WORKED EXTENSIVELY WITH DR. VARGAS, AND HAVE CONSIDERABLE CONFIDENCE IN HIM. WE WILL FOLLOW HIS ACTION ON THESE ISSUES CLOSELY. (DRAFTED BY NAU: DYELLMAN) ROWELL

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