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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) 07/19/1986-08/04/1986

**FOIA**

M10-353/1

**Box Number** 2

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120291	CABLE	LA PAZ 05969 <b>R 5/18/2015 M353/1</b>	4	7/19/1986	B1
120292	PAPER	RE BOLIVIA	2	7/21/1986	B1 B3
120293	CABLE	LA PAZ 06054 <b>R 5/18/2015 M353/1</b>	4	7/22/1986	B1
120294	PAPER	RE BOLIVIA	1	7/24/1986	B1 B3
120295	CABLE	LA PAZ 06176	2	7/25/1986	B1
120296	CABLE	LA PAZ 06174	3	7/25/1986	B1
120297	CABLE	LA PAZ 06178 <b>R 5/18/2015 M353/1</b>	1	7/25/1986	B1
120298	CABLE	LA PAZ 06256 <b>R 5/18/2015 M353/1</b>	3	7/28/1986	B1
120299	CABLE	LA PAZ 06297 <b>R 5/18/2015 M353/1</b>	2	7/30/1986	B1
120300	CABLE	LA PAZ 06318 <b>R 5/18/2015 M353/1</b>	5	7/30/1986	B1

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120302	LETTER	V. PAZ ESTENSSORO TO PRESIDENT REAGAN RE LETTER <b>R 5/18/2015 M353/1</b>	1	8/1/1986	B1
120303	CABLE	LA PAZ 06409 <b>R 5/18/2015 M353/1</b>	5	8/1/1986	B1
120304	PAPER	RE BOLIVIA	1	8/4/1986	B1 B3

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DIA FOR IR BRANCH; USCINCSO FOR POLAD, USIA FOR AR

F.O. 12356 DECL: OADR  
TAGS: -BL, SHAR, MARR, PREL, PGOV  
SUBJECT: BLAST FURNACE: QUESTIONS AND ANSWERS FOR  
- PRESS BRIEFING

REF: STATE 222138

~~CONFIDENTIAL~~ ENTIRE TEXT

1. AMEMB IS ASSISTING THE BOLIVIAN MINISTRY OF INFORMATION AND OTHER AUTHORITIES IN ORGANIZING A JOINT PRESS CONFERENCE FOR US AND BOLIVIAN PRESS AT TRINIDAD. THIS CONFERENCE WOULD BE FOLLOWED BY A VISIT TO COCAINE LABORATORY RECENTLY SEIZED BY BOLIVIAN POLICE. CONFERENCE/VISIT IS TENTATIVELY SCHEDULED FOR TUESDAY, 22 JULY 86. DETAILS FOLLOW VIA SEPTTEL.  
2. FOLLOWING QUESTIONS AND ANSWERS HAVE BEEN DEVELOPED FOR USE BY MG TAYLOR AND OTHERS AS APPROPRIATE. THEY HAVE BEEN COORDINATED WITH AMEMB AND TASK FORCE JANUS AND ARE CONSIDERED TO BE CONSISTENT WITH PREVIOUS GUIDANCE PER REFTTEL.

3. REQUEST CONCURRENCE/COMMENT BY ALL CONCERNED NLT MONDAY, 211600Z JULY 86.  
A. Q1: WHERE WILL THE HELICOPTERS BE OPERATING WHILE THEY ARE IN BOLIVIA?

ANSWER: IN ORDER TO MAINTAIN THE SECURITY AND THE SUCCESS OF THESE OPERATIONS PLANNED BY THE GOVERNMENT OF BOLIVIA, IT IS NOT POSSIBLE FOR US TO PROVIDE INFORMATION ABOUT THE SPECIFIC AREAS OF OPERATION AT THIS TIME BEYOND THE

FACT THAT THEY ARE SUPPORTING THE BOLIVIAN NATIONAL POLICE (UMOPAR) IN THE BENI.

B. Q2: HOW LONG WILL THE HELICOPTERS BE IN BOLIVIA?

ANSWER: THE HELICOPTERS WILL BE HERE FOR A LIMITED AMOUNT OF TIME. AT THE MOMENT THE EXACT LENGTH OF THEIR STAY HAS NOT BEEN DETERMINED. THE DETERMINATION AS TO THE TOTAL LENGTH OF OUR SUPPORT OPERATIONS WILL DEPEND ON OUR ONGOING ASSESSMENT AND EVALUATION AS TO THE CONTINUED UTILITY OF OUR PRESENCE HERE.

C. Q3: HOW MANY U.S. PERSONNEL WILL TAKE PART IN THE OPERATIONS?

ANSWER: APPROXIMATELY 160 US PERSONNEL ARE HERE, AS HAS BEEN REPORTED IN THE PRESS. THAT NUMBER OBVIOUSLY FLUCTUATES AS AIRCRAFT ARRIVE AND DEPART, AND INCLUDES PILOTS AND TECHNICAL SUPPORT PEOPLE SUCH AS COOKS, MECHANICS AND THE LIKE.

D. Q4: HOW MUCH WILL IT COST TO BRING THE HELICOPTERS TO BOLIVIA AND WHO WILL PAY FOR THOSE COSTS?

ANSWER: A SEPARATE CALCULATION FOR THE COST OF THE OPERATIONS HAS NOT YET BEEN MADE. THERE WILL BE NO COST TO THE GOVERNMENT OF BOLIVIA FOR US SUPPORT. THE COST WILL BE SHARED BY THE PARTICIPATING US GOVERNMENT AGENCIES, DOD, DEA, AND STATE.

E. Q5: WHY IS THE US PROVIDING THESE HELICOPTERS AT THIS TIME?

ANSWER: THE US HAS REPEATEDLY EXPRESSED ITS DESIRE TO BE HELPFUL TO THE GOVERNMENT OF BOLIVIA IN THAT GOVERNMENT'S

ANTI-NARCOTICS PROGRAM. THE GOVERNMENT OF BOLIVIA HAS REPEATEDLY INDICATED THAT IT WOULD LIKE TO RECEIVE THIS KIND OF SUPPORT IN ORDER TO BE ABLE TO MOUNT EFFECTIVE OPERATIONS IN COMPLIANCE WITH THE LAW AND IN ORDER TO DISRUPT AND INTERDICT NARCOTICS TRAFFICKING. THE US SHARES WITH BOLIVIA THE VIEW THAT SUCH OPERATIONS ARE VITAL.

F. Q6: WHO WILL BE IN CHARGE OF THE OPERATIONS?

ANSWER: THE ENTIRE OPERATION IS A COOPERATIVE EFFORT  
BT

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BY RW NARA DATE 5/18/05

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DIA FOR IR BRANCH; USCINCSO FOR POLAD, USIA FOR AR

F.O. 12356 DECL: OADR  
TAGS: BL, CHAR, HARR, PREL, PGOV  
SUBJECT: BLAST FURNACE: QUESTIONS AND ANSWERS FOR

BETWEEN THE US AND BOLIVIAN GOVERNMENTS. THE HELICOPTERS  
ARE BEING FLOWN BY US PILOTS AND ARE TRANSPORTING  
BOLIVIAN AND US (DEA) LAW ENFORCEMENT OFFICIALS.

G. Q7: WHAT ELSE CAN YOU TELL US SPECIFICALLY ABOUT THE  
OPERATIONS?

ANSWER: SECURITY CONSIDERATIONS DO NOT ALLOW ME TO  
DISCUSS OPERATIONAL QUESTIONS?

H. Q8: ARE THE PILOTS OF THE HELICOPTERS US PERSONNEL?

ANSWER: THE HELICOPTERS HAVE US CREWS.

I. Q9: DO THE HELICOPTERS OR THE CREWS CARRY ARMS?

ANSWER: YES, PERSONNEL HAVE BEEN DEPLOYED WITH THEIR  
NORMALLY ASSIGNED EQUIPMENT. IT IS OUR POLICY NOT TO  
DISCUSS THAT KIND OF INFORMATION IN DETAIL.

J. Q10: UNDER WHAT CONDITIONS WOULD THEY BE ALLOWED TO  
USE THEIR WEAPONS?

ANSWER: I AM NOT IN A POSITION TO DISCUSS RULES OF  
ENGAGEMENT. I WANT TO EMPHASIZE HOWEVER THAT US PERSONNEL  
WILL NOT PARTICIPATE IN ANY KIND OF GROUND ACTION AND  
HAVE BEEN INSTRUCTED TO AVOID ANY KIND OF CONFRONTATION.

K. Q11: WHO APPROVED THESE OPERATIONS?

ANSWER: THE GOVERNMENT OF BOLIVIA AND THE GOVERNMENT OF  
THE US AT BOLIVIAN REQUEST.

L. Q12: ARE THESE HELICOPTERS AND CREWS IN DANGER  
DURING THESE OPERATIONS?

ANSWER: CONCERN FOR THE SAFETY AND WELFARE OF US  
PERSONNEL ON ANY OPERATION IS ALWAYS A PRIMARY  
CONSIDERATION. OUR PERSONNEL ARE BEING USED TO PROVIDE  
TRANSPORT FOR ANTI-NARCOTICS ACTIONS UNDERTAKEN BY  
BOLIVIAN POLICE UNITS AND WILL NOT PARTICIPATE DIRECTLY  
IN THE GROUND OPERATIONS. EVERY EFFORT IS BEING MADE TO  
AVOID CONFRONTATION. (IF ASKED, "WHAT IF A CONFRONTATION  
OCCURS?", RESPONSE IS THAT WE DO NOT COMMENT ON RULES OF  
ENGAGEMENT.)

M. Q13: GENERAL, IS IT TRUE THAT YOU ARE IN COMMAND OF  
THIS ENTIRE OPERATION?

ANSWER: NO, BOLIVIAN AUTHORITIES ARE RESPONSIBLE FOR THE  
CONDUCT OF THIS OPERATION. I AM RESPONSIBLE FOR THE  
SUPPORT THE DOD IS PROVIDING THE BOLIVIAN GOVERNMENT.

N. Q14: WHY IS THE ARMY WORKING IN BOLIVIA?

ANSWER: WE ARE HERE AT THE REQUEST OF THE BOLIVIAN  
GOVERNMENT.

O. Q15: GENERAL, WE ALL KNOW THAT THE ARMY HAS MANY  
DRUG ADDICTS AND THAT COCAINE IS EASILY AVAILABLE. DO  
YOU THINK THIS OPERATION WILL BE A SUCCESS?

ANSWER: YOUR QUESTION HAS TWO PARTS AND I DON'T CARE TO  
COMMENT ON THE FIRST. CONCERNING THE SECOND PART OF

YOUR QUESTION, YES I THINK THIS OPERATION WILL BE A  
SUCCESS.

P. Q16: BUT GENERAL, ISN'T IT TRUE THAT MANY SOLDIERS  
ARE DRUG ADDICTS?

ANSWER: AS I SAID BEFORE, I WILL NOT COMMENT ON YOUR  
QUESTION, IT IS NOT RELEVANT TO THIS BRIEFING. NEXT  
QUESTION PLEASE.

BT

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DIA FOR IR BRANCH; USCINCSO FOR POLAD, USIA FOR AR

F.O. 12356 DECL: OADR  
TAGS: BL, SHAR, HARR, PREL, PGOV  
SUBJECT: BLAST FURNACE: QUESTIONS AND ANSWERS FOR

Q. Q17: HOW LONG WILL THE ARMY STAY IN BOLIVIA IF NO  
NARCOTICS ARE FOUND? HOW MUCH COCAINE MUST YOU CONFISCATE  
FOR THE OPERATION TO BE JUDGED A SUCCESS?

ANSWER: WE HAVE EVERY REASON TO BELIEVE THIS OPERATION  
WILL BE A SUCCESS. SUCCESS DEPENDS ON MANY FACTORS AND  
THE AMOUNT OF NARCOTICS FOUND IS BY NO MEANS THE ONLY  
ONE. IN FACT FINDING SUBSTANTIAL AMOUNTS OF NARCOTICS  
WOULD REALLY BE ICING ON THE CAKE. WE REALLY ARE OUT TO  
DISRUPT THE DIRTY BUSINESS OF NARCOTICS TRAFFICKING.  
EVERY LABORATORY SEIZED AND DESTROYED BY UMOPAR MEANS THAT -  
THE NARCOTICS TRAFFIC HAS BEEN REDUCED BY THE POTENTIAL  
CAPACITY OF THE DESTROYED LAB.

R. Q18: GENERAL, ISN'T IT TRUE THAT THE UNITED STATES  
PLANS TO USE THE ARMY TO TAKE OVER BOLIVIA?

ANSWER: NO, THAT IS PATENTLY ABSURD. NEXT QUESTION PLEASE

S. Q19: DO YOU HAVE COMMUNICATIONS ON A DAILY BASIS WITH  
THE U.S.?

ANSWER: WE HAVE ESTABLISHED THE NECESSARY COMMUNICATIONS  
WITH MY SUPERIORS AND WITH THE U.S. EMBASSY IN LA PAZ.

T. Q20: HOW DO YOU COMMUNICATE?

ANSWER: VERY EFFECTIVELY: NEXT QUESTION PLEASE.

U. Q21: ARE THE BOLIVIANS REALLY PREPARED FOR AN OPERATION  
OF THIS SORT?

ANSWER: THE UMOPAR IS A WELL TRAINED AND EXPERIENCED UNIT.  
BEYOND THAT I WOULD REFER YOU TO GENERAL VARGAS-SOTO,  
COMMANDER OF THE BOLIVIAN NATIONAL POLICE.

V. Q22: WHERE ARE YOUR SOLDIERS FROM?

ANSWER: THE 193D INFANTRY BRIGADE STATIONED AT FORT  
CLAYTON, PANAMA.

W. Q23: GENERAL, ISN'T IT TRUE THAT THE SOLDIERS HERE ARE  
FROM THE DELTA FORCE?

ANSWER: NO, THE SOLDIERS ARE FROM THE 193D INFANTRY  
BRIGADE STATIONED AT FORT CLAYTON, PANAMA.

X. Q25: WHAT BOLIVIAN FORCES ARE EMPLOYED ON THIS  
OPERATION?

ANSWER: YOU WILL NEED TO DIRECT THAT QUESTION TO GENERAL  
VARGAS-SOTO.

Y. Q26: WHY DID THE ARMY SELECT THIS AREA FOR A BASE  
CAMP?

ANSWER: THE BASE CAMP AREA WAS SELECTED BY THE BOLIVIAN  
AUTHORITIES.

Z. Q27: HOW MANY HELICOPTERS ARE THERE HERE?

ANSWER: FOR REASONS OF SECURITY, I CANNOT RESPOND TO  
THAT QUESTION.

AA. Q28: HOW WILL YOU HANDLE ANY PRISONERS?

ANSWER: THAT QUESTION SHOULD BE DIRECTED TO GENERAL  
VARGAS-SOTO.

BB. Q29: WHO IS RESPONSIBLE FOR CONFISCATED DRUGS AND  
EQUIPMENT?

ANSWER: THAT QUESTION SHOULD BE DIRECTED TO GENERAL  
BT

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F.O. 12356 DECL: OADR  
TAGS: ~~CL~~, ~~SNAR~~, ~~MARR~~, PREL, PGOV  
SUBJECT: BLAST FURNACE: QUESTIONS AND ANSWERS FOR

VARGAS-SOTO.

CC. Q30: WHAT WILL YOU DO IN THE EVENT OF A TERRORIST  
ATTACK?

ANSWER: FOR OBVIOUS REASONS OF SECURITY I CANNOT ANSWER  
THAT QUESTION.

DD. Q31: WHAT IS THE US LEGAL AUTHORITY FOR EMPLOYING  
TROOPS IN THIS WAY?

ANSWER: TITLE TEN, US CODE 374 PERMITS MILITARY SUPPORT  
FOR DRUG INTERDICTION OUTSIDE THE LAND AREA OF THE US,  
BASED ON A JOINT DECLARATION BY THE ATTORNEY GENERAL AND  
SECRETARY OF DEFENSE OF AN EMERGENCY SITUATION AFFECTING  
THE NATIONAL INTEREST OF THE US. THE SCOPE OF DRUG  
TRAFFICKING CREATES AN EMERGENCY CIRCUMSTANCE WARRANTING  
DOD SUPPORT. THE EMERGENCY DECLARATION IS KEPT ON FILE  
AT THE JUSTICE AND DEFENSE DEPARTMENTS.

EE. Q32: MANY BOLIVIANS CLAIM THAT YOUR TROOPS ARE HERE  
ILLEGALLY, ACCORDING TO THE BOLIVIAN CONSTITUTION AND  
OTHER LAWS. THEY CLAIM THAT THE OPERATION REPRESENTS AN  
ATTACK ON THE SOVEREIGNTY OF THE COUNTRY BECAUSE THE  
LEGISLATURE HAS NOT APPROVED THE PERSENE OF FOREIGN  
SOLDIERS HERE. WOULD YOU CARE TO COMMENT?

ANSWER: WE ARE HERE ON THE INVITATION OF THE GOVERNMENT  
OF BOLIVIA TO SUPPORT A CIVILIAN POLICE ACTION AGAINST THE

WORST KIND OF COMMON CRIMINAL-- THE NARCOTICS TRAFFICKER.  
BEYOND THAT, I WOULD REFER YOU TO BOLIVIAN AUTHORITIES  
AND THE US DEPARTMENT OF STATE.

FF. Q33: WHAT IS THE LEGAL STATUS OF YOUR SOLDIERS  
UNDER BOLIVIAN LAW?

ANSWER: THE EXACT STATUS HAS BEEN AGREED TO BETWEEN THE  
TWO GOVERNMENTS. I WOULD REFER YOU TO BOLIVIAN GOVERNMENT  
AUTHORITIES OR THE DEPARTMENT OF STATE FOR DETAILS.

GG. Q34: HAS THE US MILITARY EVER DONE THIS TYPE OF  
OPERATION BEFORE?

ANSWER: YES. THE US MILITARY HAS AIRLIFTED BAHAMIAN  
NATIONAL POLICE TO DRUG TRANSSHIPMENT LOCATIONS ON THE  
ISLANDS SINCE MAY 1983. US MILITARY HELICOPTERS BASED  
IN THE BAHAMAS RESPOND TO BAHAMIAN AUTHORITIES' REQUESTS  
FOR SIMILAR AIRLIFTS.

HH. Q35: DOES THE PRESIDENTIAL WAR POWERS RESOLUTION  
APPLY?

ANSWER: NO.

II. Q36: WILL US ARMED FORCES BE INVOLVED IN THE ARREST  
OF DRUG TRAFFICKERS?

ANSWER: NO. US ARMED FORCES ARE PROHIBITED BY LAW FROM  
SEARCH, SEIZURE OR ARREST.  
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TAGS: BL, SNAR, MARR, PREL, PGOV

SUBJECT: "BLAST FURNACE": PAZ GOVERNMENT TOUGHING  
OUT EXPECTED HEAVY CRITICISM; U.S. ACTIONS  
IMPORTANT

REF: LA PAZ 6041 DTG 221811Z JUL 86

SUMMARY

1. (C) "BLAST FURNACE" NARCOTICS INTERDICTION OPERATIONS BY BOLIVIAN POLICE, WITH LOGISTIC/TECHNICAL ASSISTANCE FROM THE U.S. MILITARY, HAVE SPARKED PREDICTABLE CRITICISM FROM LEFTIST POLITICIANS SEEKING PARTISAN ADVANTAGE, PEASANT GROUPS FEARFUL OF POTENTIALLY DIMINISHED MARKET FOR THEIR PROFITABLE COCA LEAF AND LABOR UNIONS SENSING FURTHER OPPORTUNITY TO WEAKEN THE GOVERNMENT. FOR THESE CAMPS, ACCURACY HAS FAR LESS UTILITY THAN MISINFORMED HYPERBOLE, SUCH AS:

-- U.S. "IMPERIALISM" SEEKS TO ESTABLISH PERMANENT MILITARY PRESENCE IN BOLIVIA TO PROTECT THE PAZ GOVERNMENT AND LAUNCH DRUG RAIDS;

-- COCA FARMS WILL BE DESTROYED WITH HERBICIDES;

-- U.S. TROOPS CARRY AIDS VIRUS.

2. (U) LESS SHRILL VOICES WORRY THAT PRESIDENT PAZ'S DECISION NOT TO OBTAIN PRIOR CONGRESSIONAL APPROVAL FOR U.S. MILITARY PRESENCE COULD BE UNCONSTITUTIONAL, THAT THE EXERCISE WILL IGNITE A CHAIN OF EVENTS DESTABILIZING THE GOVERNMENT AND THAT EARLY LEAKS OF DETAILS OF THE OPERATION SERIOUSLY JEOPARDIZED ITS CHANCES OF SUCCESS.

3. (C) THE INITIAL ROAR LIKELY WILL SUBSIDE TO MANAGEABLE DIN OVER TIME, BUT MUCH WILL DEPEND ON:

-- OPERATIONAL RESULTS;

-- THE TONE OF PRESS PLAY IN THE U.S.;

-- U.S. ABILITY TO RESPOND QUICKLY AND POSITIVELY TO BOLIVIA'S NEED TO SHOW THEY ARE RUNNING BLAST FURNACE AS A CIVILIAN OPERATION (REQUIRES MAXIMUM EFFORT TO KEEP U.S. MILITARY REAR BASE PROFILE LOW AS POSSIBLE, U.S. SUPPORT FOR BOLIVIAN VOICE COMMUNICATIONS WITH ADVANCE BASE, IMPROVED SYSTEM (IMPLEMENTED JULY 21) TO GIVE INTERIOR AND DEFENSE MINISTERS FULL DAILY REPORTS ON OPERATIONS); AND

-- ADDITIONAL, QUICK NAU LOGISTICAL SUPPORT FOR THE UMOPAR (FIELD GEAR, TRANSPORT OF REINFORCEMENTS FROM OTHER PARTS OF BOLIVIA TO THE TRINIDAD REAR BASE.)  
END SUMMARY.

MEDIA BARRAGE UNSETTLES GOVERNMENT WHICH LACKS ESSENTIAL COMMUNICATIONS

4. (C) THE GOVERNMENT HAS BEEN KNOCKED OFF BALANCE BY THE MEDIA BARRAGE AND IS CIRCLING THE WAGONS TO DEFEND ITS POLITICAL FLANKS. THIS EARLY LACK OF SUREFOOTEDNESS DERIVES IN NO SMALL PART FROM TOTAL INEXPERIENCE WITH AGGRESSIVE, SHARPLY INQUISITIVE FOREIGN MEDIA, ESPECIALLY THE MASSIVE U.S. MEDIA PRESENCE DURING OPERATION'S INITIAL STAGE. BOLIVIAN NEWS COVERAGE, MUCH OF IT PICKED UP FROM THE U.S. MEDIA, IS AT SATURATION LEVEL.

5. (S) THE PROBLEM HAS BEEN COMPOUNDED BY THE GOVERNMENT'S BT

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DIA FOR IR BRANCH

USCINCSO ALSO FOR POLAD

USIA FOR AR

E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, MARR, PREL, PGOV  
SUBJECT: "BLAST FURNACE": PAZ GOVERNMENT TOUGHING

LACK OF ORGANIC COMMUNICATIONS AND BY THE UNAVOIDABLE FACT THAT THE BULK OF THE U.S. MILITARY LOGISTICAL SUPPORT PRESENCE IS AT THE REAR OPERATING BASE IN TRINIDAD WHERE THE PRESS CAN EASILY PHOTOGRAPH THEM. THE COMMUNICATIONS PROBLEM HAS BEEN CRITICAL. IN EFFECT, IT HAS MEANT THAT NO ONE IN THE BOLIVIAN GOVERNMENT IN LA PAZ IS ABLE TO COMMUNICATE BY VOICE DIRECTLY OR INDIRECTLY WITH THE BOLIVIAN COMMANDER IN THE FIELD, COLONEL LINARES, AT THE FORWARD OPERATING BASE. AS A RESULT, BOTH THE INTERIOR MINISTER AND THE INFORMATION MINISTER HAVE FELT UNPREPARED AND INSUFFICIENTLY AWARE OF DAILY OPERATIONAL PLANS AND RESULTS TO BE ABLE TO TALK CONVINCINGLY TO THE PRESS DURING THE FIRST DAYS OF OPERATIONS WHEN PRESS ATTENTION HAS BEEN MOST INTENSE. WE HAVE ATTEMPTED TO ALLEVIATE THE COMMUNICATIONS PROBLEM BY GIVING COLONEL LINARES FULL ACCESS TO THE TACSAT LINK TO TRINIDAD WHENCE THE BOLIVIAN AIR BASE COMMANDER, COLONEL MONTERO, CAN RELAY MESSAGES BY LAND LINE TO LA PAZ. THIS JURY-RIGGED DEVICE IS A GREAT IMPROVEMENT OVER THE JULY 18-20 ARRANGEMENT, BUT IT SUFFERS FROM THE FACT THAT THE TACSAT LINK IS ALREADY SATURATED WITH U.S. MILITARY VOICE COMMUNICATIONS.

GOVERNMENT RESPONSE

6. (C) THE GOVERNMENT'S SLOWLY UNWINDING COUNTERPUNCH AIMS AT: 1) LAYING OUT NON-SENSITIVE DETAILS OF OPERATIONS AS THEY TAKE PLACE; 2) CHALLENGING INACCURACIES DIRECTLY; 3) BUILDING POLITICAL SUPPORT; AND 4) MARSHALLING RESOURCES/ARGUMENTS FOR INEVITABLE CONGRESSIONAL INTERPELLATION EARLY NEXT MONTH.

POLITICAL BATTLE COMING

7. (C) THE AUGUST 6 OPENING OF CONGRESS WILL PROVIDE A FORUM FOR THE OPPOSITION AS WELL AS THE OPPORTUNITY TO QUESTION CABINET MINISTERS DIRECTLY. THERE ALSO MAY BE A "PRE-INTERPELLATION" THIS WEEK BY THE STANDING CONGRESSIONAL COMMISSION THAT WATCH-DOGS THE GOVERNMENT WHEN CONGRESS IS OUT OF SESSION. BLAST FURNACE DOES HAVE THE UNFORTUNATE SIDE EFFECT OF PROVIDING A RALLYING POINT FOR LEFTISTS, LABOR AND OTHERS HERETOFORE INTERNALLY DIVIDED AND AT ODDS AMONG THEMSELVES. IT IS NOT CLEAR AT THIS JUNCTURE, HOWEVER, WHETHER SUCH UNANIMITY ON THE MARGINS WILL BE A CATALYST FOR WIDER COOPERATION BETWEEN THE GOVERNMENT'S CRITICS. ALTHOUGH PAZ IS TAKING A RISK, WE TEND TO THINK NOT.

8. (C) ONE OF THE MAJOR ISSUES WILL BE WHETHER PAZ VIOLATED THE CONSTITUTIONAL REQUIREMENT THAT BOLIVIA'S CONGRESS MUST FORMALLY CONSENT BEFORE FOREIGN MILITARY FORCES CAN MANEUVER IN BOLIVIA. (A FRIENDLY ADN CONGRESSMAN CONFIDED THAT CONGRESS WOULD NOT HAVE APPROVED HAD IT BEEN IN SESSION -- AT LEAST NOT WITHIN A REASONABLE TIME FRAME.) THE GOVERNMENT'S DEFENSE, PREPARED BEFORE

CONSENTING TO BLAST FURNACE, IS THAT THIS IS A CIVILIAN LAW ENFORCEMENT OPERATION RECEIVING HELP FROM A U.S. LAW ENFORCEMENT AGENCY (DEA) WHICH HAS ASKED AND RECEIVED LOGISTIC AND TECHNICAL SUPPORT FROM DOD.

DETAILS OF LEFTIST CRITICISM

9. (U) CRITICS OF THE PAZ ESTENSSORO GOVERNMENT LOST NO TIME REACTING TO EARLY -- AND PLENTIFUL -- NEWS REPORTS ON "BLAST FURNACE." THEY HAVE PICKED BT

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(FSB) CALLED THE U.S. PRESENCE "AN INVASION" DESIGNED  
TO TURN BOLIVIA INTO A "YANKEE PROTECTORATE."

CONGRESSIONAL CHALLENGE

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USIA FOR AR

E.O. 12356: DECL: OADR  
TAGS: BL, SMAR, MARR, PREL, PGVO  
SUBJECT: "BLAST FURNACE": PAZ GOVERNMENT TOUGHING

UP THE PACE NOW THAT THE OPERATION IS UNDER WAY.  
NEGATIVE REACTION COMES PRIMARILY FROM BOLIVIA'S  
SMALL BUT STRIDENT RADICAL LEFT AND THE BOLIVIAN  
WORKERS CENTRAL (COB) UMBRELLA UNION, WHICH COUNTS  
MANY COCA GROWING PEASANTS AMONG ITS MEMBERSHIP.  
A COB SPOKESMAN LABELED THE EXERCISE "SHAMELESS  
INTERVENTION" WHICH VIOLATES BOLIVIA'S NATIONAL  
SOVEREIGNTY AND PUTS THE COUNTRY "AT THE SERVICE  
OF FOREIGN IDEOLOGIES." COB LEADERS ALSO SHAMELESSLY  
ALLEGED THAT HERBICIDES WOULD BE USED TO DESTROY COCA  
CROPS AND MAKE THE LAND INFERTILE IN THE PROCESS.  
THE PRESS WORKERS FEDERATION ACCUSED THE U.S. OF  
ATTEMPTING TO ESTABLISH A PERMANENT MILITARY BASE IN  
BOLIVIA FOR ESPIONAGE AND TO INTERFERE IN NEIGHBORING  
COUNTRIES' AFFAIRS.

10. (U) COMMUNIST PARTY (PCB-- (#)  
SIMON REYES ECHOED SIMILAR THEMES. IN AD (#)  
ITS GENERAL POLITICAL UTILITY AGAINST THE (#)  
REYES LIKELY SEES THIS FLAP AS A POTENTIAL (#)  
FURTHER THE PCB'S ATTEMPT TO GAIN FAVOR WITH THE COB  
RANK-AND-FILE (REFTEL). A JUMBLE OF OTHER TINY  
LEFTIST PARTIES IS COMPETING TO UP THE RHETORICAL  
ANTE. IN A TYPICAL BROADSIDE, THE SOCIALIST FALANGE

11. (U) THE GOVERNMENT'S GREATEST CHALLENGE WILL COME  
WHEN CONGRESS RECONVENES ON AUGUST 6 AND OPPOSITION  
PARLIAMENTARIANS QUESTION MINISTERS. SENATE PRESIDENT  
OSCAR (ZAMORA) MENDINACELLI, WHO SITS AS A GOVERNMENT  
MEMBER BUT BELONGS TO A MINISCULE MAOIST PARTY, HAS  
ALREADY CALLED FOR AN EXTRAORDINARY SESSION OF CONGRESS  
TO DEBATE PAZ'S "ILLEGAL" DECISION. OTHERS, SUCH AS  
CHAMBER OF DEPUTIES PRESIDENT GASTON ENCIÑAS (MOVEMENT  
OF THE REVOLUTIONARY LEFT--MIR) ALSO CLAIM THAT UNDER  
THE CONSTITUTION PAZ MUST OBTAIN PRIOR CONGRESSIONAL  
APPROVAL FOR FOREIGN TROOPS TO BE ON BOLIVIAN SOIL  
REGARDLESS OF THE REASON FOR THEIR PRESENCE. MIR  
LEADER JAIME ((PAZ)) ZAMORA SAID THAT PAZ HAD EMBARKED  
UPON A PATH OF "CONSTITUTIONAL DISORDER WHICH BROUGHT  
DEMOCRACY UNDER GRAVE DANGER." "THE UNITED STATES,"  
PAZ ZAMORA STATED, "SHOULD WORRY ABOUT THE PROLIFERATION  
OF COCAINE IN THAT COUNTRY (U.S.) AND NOT IN OURS."

12. (C) CARLOS ((CERRATE)) REICH (#)  
DAILY TABLOID "HOY" AND ALSO A CONGR (#)  
HEAD OF THE SMALL NATIONALIST REVOLUT (#)  
VANGUARD (MNRV), (#)  
HARD ON DRUG DEALERS IN A LONG EDITORIAL (#)  
COMMON THEME, HOWEVER, (#)  
MENT'S ETHICAL GOAL RESTED ON A WEAK LEGAL (#)  
CONGRESSIONAL CONCURRENCE..

13. (C) COMMENT: ONLY PRESIDENT PAZ CAN CONVOKE AN  
EXTRAORDINARY SESSION OF CONGRESS, AND HE WILL NOT/NOT  
DO IT. WHEN THE REGULAR SESSION OPENS, THE GOVERNMENT  
WILL TAKE CONSIDERABLE HEAT FROM THE EIGHT SMALL  
OPPOSITION PARTIES WHICH HAVE EXTENSIVE LIBERTY TO  
SPEAK AND INTERROGATE THE CABINET. IN THE END, HOWEVER,  
PAZ'S NATIONALIST REVOLUTIONARY MOVEMENT AND THE ADN  
HAVE A CLEAR MAJORITY TO PREVAIL IF THE ISSUE COMES TO  
A VOTE. END COMMENT.

GOVERNMENT HANGING TOUGH (#)  
BT

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14. (LOU) PRESIDENT PAZ AND HIS MINISTERS ARE WORKING TO BLUNT THIS OFTEN RABID CRITICISM, TO CLARIFY THE ISSUES AND TO BUILD THE GOVERNMENT'S CASE. ALTHOUGH THE INFORMATION MINISTRY IS ALMOST OVERWHELMED BY THE SWARM OF REPORTERS NOW IN BOLIVIA, IT IS GETTING THE FACTS OUT AND COUNTERING SOME OF THE WORST FALSEHOODS IN CIRCULATION, SUCH AS U.S. SOLDIERS ARE INFECTED WITH AIDS. IN OPENING THE LATIN AMERICAN PARLIAMENT IN THE CITY OF SANTA CRUZ ON JULY 17, PAZ HIMSELF HIT HARD AT NARCOTICS TRAFFICKING. NARCOTICS CRIMINALS, HE SAID, ARE EXERTING INCREASING ECONOMIC AND POLITICAL INFLUENCE THROUGHOUT LATIN AMERICA. BROADER INTERNATIONAL COOPERATION AND MORE FUNDING IS NEEDED, AND STIFF PENALTIES FOR TRAFFICKERS MUST BE IMPOSED. TO GIVE SUBSTANCE TO HIS POINT, PAZ ON JULY 21 ISSUED A SUPREME DECREE WHICH GIVES THE BOLIVIAN POLICE GREATER FLEXIBILITY IN THE SEIZURE AND DISPOSAL OF PROPERTY AND DRUGS SEIZED IN RAIDS. IN A SUBSEQUENT INTERVIEW, THE LATIN AMERICAN PARLIAMENT'S SECRETARY GENERAL, PERUVIAN SENATOR ANDRES TOWNSEND, ASSERTED THAT PERU "WOULD NEVER ACCEPT FOREIGN MILITARY INTERVENTION" TO COMBAT NARCOTICS TRAFFICKING, "ALTHOUGH 'BOLIVIA KNOWS WHAT ITS DOING.'"

15. (U) THE GOVERNMENT ALSO IS GETTING SUPPORT FROM HUGO BANZER'S OPPOSITION ADN -- PAZ'S ALLY IN THE "PACT FOR DEMOCRACY" -- AND OTHER RESPONSIBLE QUARTERS. BANZER STATED THAT THE LEGALITY OF THE U.S. PRESENCE IN BOLIVIA DEPENDS ON INTERPRETATION OF THE LAW AND POLITICAL JUDGMENT. TAKING INTO ACCOUNT THE DRUG RISK TO BOLIVIA'S YOUTH AND THE NATION'S SUFFERING INTERNATIONAL REPUTATION, HE SAID, "ANY ACTION IS VALID TO SUPPRESS NARCOTRAFFICKING."

16. (U) LA PAZ DAILY "EL DIARIO" OFFERED A SOBER COMMENTARY WHICH RECOGNIZED BOLIVIA'S VULNERABILITY TO DRUG TRAFFICKERS AND INCREASING SOCIAL PROBLEMS WITH ADDICTION. INTERNATIONAL COOPERATION IS NEEDED TO SUPPLEMENT BOLIVIA'S MEAGER RESOURCES TO INITIATE "A FIGHT WITHOUT QUARTER." THE PRESENT U.S./BOLIVIAN COOPERATION, THE EDITORIAL CONCLUDED, MUST BE SEEN IN THIS LIGHT. OTHER INFLUENTIAL SECTORS SUCH AS THE BUSINESS COMMUNITY AND THE CATHOLIC CHURCH HAVE NOT YET VOICED AN OPINION.

COMMENT

17. (C) "EL DIARIO" REFLECTS THE PERSPECTIVE OF MAINSTREET BOLIVIANS DISENGAGED FROM HIGH VOLUME POLEMICS. MANY AVERAGE BUT NOT POLITICALLY ACTIVE CITIZENS HOPE THE SHOCK TREATMENT SUCCEEDS IN AT LEAST OPENING OPPORTUNITY TO GET AT THE NARCO-TRAFFICKING PROBLEM BEFORE IT GETS THEM. AS ONE EMBASSY CONTACT PUT IT, "AT LONG LAST, SOMETHING IS BEING DONE." THIS RESERVOIR OF CONSENSUS OFFERS PAZ THE CHANCE TO PREVAIL OVER HIS MORE OPPORTUNISTIC CRITICS AND THEREBY STRENGTHEN HIS GOVERNMENT'S LEGITIMACY AND BOLIVIA'S ANTI-NARCOTICS COMMITMENT WITH SUPPORTERS AND SKEPTICS ALIKE.

(DRAFTED: POL: FFOULGER)

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AUSTRALIA: "King Hassan Deserves to Be Commended"

The independent Melbourne Age suggested in an editorial today that "what is particularly important and unusual about Mr. Peres' diplomatic coup is that it has taken place without apparent American prompting.

"Direct contact between Israel and its Arab neighbors is what is required if a breakthrough is to be achieved. King Hassan, in his own small but vital way, has made the chances of a breakthrough at some stage in the future just that much brighter, and he is to be commended for it."

\* \* \* \* \*

BOLIVIA DRUG BUST--While some Latin American editorial writers approved of the U.S.-Bolivian action, some questioned the possibility of infringement on sovereignty. Left-leaning papers headlined a wire service story that the U.S. troop presence was "a test" for invasion of Nicaragua.

ARGENTINA: "Blueprint for Further Action"

Leading Clarín said, "The sending of U.S. troops to Bolivia was important for its specific aim of combatting drug trafficking and for its reverberations in international relations.

"Obviously, it is a blueprint for further action....Its eventual development raises some sensitive questions. Is this an act of intervention? Is it good for Latin America?"

URUGUAY: "Drugs Menace All Civilization"

Conservative El País remarked that "drug use is not only a serious problem for the United States and industrialized countries, but it also is a specter that menaces all of civilization...

"For this reason, it is not surprising that the U.S. Government has decided to help Bolivia...in the fight against drug trafficking and coca plantations..."



BRAZIL: "Negative for Reagan"

Nationalistic Jornal do Brasilia reported that "Bolivian analysts believe that the United States sent troops to Bolivia to test the Latin American media's reaction to an eventual invasion of Nicaragua--and the reaction has been surprisingly negative for President Reagan..."

"Reactions Still Great"

Conservative O Estado de Sao Paulo reported that "despite the first positive results of the joint action, reactions against the presence of U.S. troops on Bolivian territory are still great..."

"New and Serious Reports"

Liberal Folha de Sao Paulo declared, "There are new and serious reports on the sending of U.S. troops to Bolivia."

"A high ranking official of the Bolivian Government admitted that his Government had requested U.S. assistance to fight drug trafficking, 'but a different kind of help.' Jacobo Liederman, adviser to President Estenssoro told the New York Times that 'what we got was the invasion of Normandy.'..."

MEXICO: "No Right to Violate Sovereign Space"

Nationalistic El Universal cited Mexico's Senate Majority Leader Antonio Rivas Palacio as saying that "Mexico will never let the U.S. Army 'assist' it in fighting drug trafficking..."

In an editorial, the paper said, "The U.S. Government has every right to seek the security and welfare of its people, but never to the point of violating the geographic space of sovereign countries."

"U.S. authorities should never doubt that the Government of Mexico is very firm when it comes to defending the national sovereignty..."

ECUADOR: "Failure Three Days Running"

Among headlines on Wednesday were "Anti-Drug Operation in Bolivia Failure Three Days Running...U.S. Increases Its Military Presence in Latin America" (independent Expreso of Guayaquil), "Hostility to U.S. Troops in Bolivia" (independent El Comercio) and "U.S. Military Operation Against Cocaine--Disquiet and Troubles in Bolivia" (independent El Universo).



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PERU: "Unanimous Condemnation"

Among headlines yesterday were "Gigantic Narco Complex Discovered in Bolivia" (conservative El Comercio) and "White House Decision Target of Unanimous Condemnation--U.S. Troop Presence in Bolivia Could Be Test for Invasion of Nicaragua" (leftist La Republica).

\* \* \* \* \*

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AUSTRALIA: "Fearsome Impact"

Yesterday's independent Australian Financial Review reported, "In a crucial escalation of the agricultural subsidy war between the United States and the EEC, the U.S. Senate has passed an amendment calling for subsidization of wheat sales to the USSR and China..."

"If passed into law the amendment could have a fearsome impact on Australia's wheat trade prospects with the two countries."

"Reagan Has Power to Veto"

The independent Age of Melbourne yesterday said, "The Federal Government said last night it regarded with 'the utmost seriousness' reports that the U.S. Senate had passed legislation to sell subsidised wheat in Australia's two biggest markets, the Soviet Union and China..."

"President Reagan, who has assured Mr. Hawke that the United States will take Australia into account, has the ability to veto the legislation if it passes both houses."

"Possible Repercussions to Long-Standing Relationship"

A commentator for ABC radio said Prime Minister Hawke "telephoned Shultz and repeated Australia's dismay..."

"In his...conversation with his long-standing friend, Hawke, according to a spokesman...suggested possible repercussions to the political and military alliance between the two nations..."

"That was well short of a threat to use the future of the joint bases as a bargaining chip..."

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E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, MARR, PREL, PGOV, XG, XR, XB  
SUBJECT: OPERATION BLAST FURNACE: REENHANCING BOLIVIAN  
RESOLVE

REF: LA PAZ 6177

1. ~~CONFIDENTIAL~~-ENTIRE TEXT.

2. DURING A CLOSED MEETING JULY 23 WITH WEST EUROPEAN  
CHIEFS OF MISSION AND THE PAPAL NUNCIO, INTERIOR MINISTER  
BARTHELEMY SAID THAT IT WOULD GREATLY HELP THE BOLIVIAN  
GOVERNMENT TO RIDE OUT DOMESTIC POLITICAL OBJECTIONS TO  
BLAST FURNACE IF THERE WERE EXPLICIT WORDS OF PRAISE

AND SUPPORT FROM IMPORTANT FOREIGN COUNTRIES. BARTHELEMY  
EMPHASIZED THE EXTENT TO WHICH THE BOLIVIAN MEDIA RE-  
PRODUCE COMMENTARY ON BOLIVIA COMING FROM FOREIGN  
CAPITALS. SUCH COMMENTARIES OFTEN HAVE GREATER CREDI-  
BILITY THAN STATEMENTS BY GOVERNMENT OR PRIVATE  
PERSONS INSIDE BOLIVIA.

3. IT WOULD BE EXTREMELY HELPFUL IF POSTS IN WEST  
EUROPE, IN LATIN AMERICA AND IN KUALA LUMPUR AND  
BANGKOK AS WELL WOULD REPEAT TO LA PAZ ANY FAVORABLE  
COMMENTARY APPEARING IN LOCAL MEDIA REGARDING THE  
BOLIVIAN ANTI-NARCOTICS EFFORT AND/OR OPERATION BLAST  
FURNACE. FOR EXAMPLE, WE CONVEYED TO THE BOLIVIANS A  
WARM MIAMI HERALD EDITORIAL ENTITLED "BRAVO BOLIVIA!"  
WHICH HAS DONE US CONSIDERABLE GOOD IN THE PRESIDENCY  
AND IN THE MINISTRIES OF INFORMATION AND INTERIOR. THE  
PRESIDENCY SAID IT HAD GIVEN COPIES OF THE EDITORIAL  
TO THE LOCAL MEDIA. WE ALSO DID THE SAME WITH A  
SPANISH LANGUAGE EDITORIAL FROM BUENOS AIRES.

4. ACTION: WE ASK THAT SECSTATE AND USIA CONVEY THIS  
REQUEST TO APPROPRIATE WEST EUROPEAN POSTS AND TO  
KUALA LUMPUR AND BANGKOK. IN ADDITION, WE SUGGEST THAT  
THE DEPARTMENT ASK U.S. MISSIONS IN WEST EUROPE, LATIN  
AMERICA AND KUALA LUMPUR AND BANGKOK TO SUGGEST TO  
HOST GOVERNMENTS THAT THEY MAKE PUBLIC STATEMENTS  
PRAISING BOLIVIA FOR ITS CURRENT INTENSE ANTI-DRUG AND  
ANTI-TRAFFICKER CAMPAIGN. THIS CAMPAIGN IS ALL THE  
MORE PRAISEWORTHY BECAUSE OF THE EXTRAORDINARILY  
DIFFICULT ECONOMIC CIRCUMSTANCES UNDER WHICH IT IS  
BEING CARRIED OUT. IN EFFECT, TO TACKLE THE NARCO-  
TRAFFICKERS, BOLIVIA IS RISKING THE LOSS OF SOMEWHERE  
BETWEEN DOLS 400 AND 600 MILLION IN HARD CURRENCY  
EARNINGS AT A TIME WHEN ITS FORMAL ECONOMY IS BRINGING  
IN NO MORE THAN DOLS 500-600 MILLION IN FOREIGN EXCHANGE.  
PRESIDENT PAZ ESTENSORO PERSONALLY DECIDED TO UNDERTAKE  
THIS UNIQUE RISK BECAUSE HE IS CONVINCED THAT IF HE  
WAITED MUCH LONGER TO GO AFTER THE TRAFFICKERS, THEY  
WOULD HAVE BECOME SO POWERFUL IN BOLIVIA'S ECONOMIC  
STRUCTURE THAT THEY COULD DOMINATE THE DEMOCRATIC  
POLITICAL POLICY WITH THEIR EXTRAORDINARY ECONOMIC  
RESOURCES.

ROWELL  
BT

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ALL POSTS PASS PAOS

E.O. 12356: N/A  
TAGS: OPRC  
SUBJECT: ARA GUIDANCES/BRIEFING, JULY 25, 1986

1. PREPARED PRESS GUIDANCES:

ANNOUNCEMENT: COLOMBIA: SECRETARY TO HEAD U.S.  
DELETATION TO INAUGURATION

PRESIDENT REAGAN HAS APOINTED SECRETARY OF STATE GEORGE  
P. SHULTZ TO HEAD THE U.S. DELEGATION TO THE AUGUST 7  
INAUGURATION IF VIRGILIO BARCO VARGAS AS THE NEW  
PRESIDENT OF THE REPUBLIC OF COLOMBIA.

BOLIVIA: OPERATION BLAST FURNACE

Q: PRESIDENT PAZ ESTENSORO SAYS BOLIVIA NEEDS MUCH MORE  
AID AND COMPLAINS THAT U.S. FORCES WERE INEFFICIENT IN

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W

RECENT RAIDS. ARE WE PREPARED TO GIVE BOLIVIA UP TO DOLS 100 MILLION OVER 4 YEARS TO COMBAT DRUG TRAFFICKING?

A: OUR CONGRESSIONAL PRESENTATIVE FOR FY-87 CONTAINS A REQUEST FOR DOLS 4.675 MILLION TO BE USED IN BOLIVIA ON

NARCOTICS CONTROL ACTIVITIES. OVER THE LAST TEN YEARS OUR TOTAL NARCOTICS CONTROL ASSISTANCE HAS AMOUNTED TO

DOLS 22 MILLION. AS WE HAVE SUCCESS IN OUR JOINT EFFORTS TO MEET THE NARCOTICS MENANCE WE WILL EXAMINE WHAT FURTHER PROGRAMS AND FUNDING CAN BE EFFECTIVE.

AS A SEPARATE ACTIVITY, THE ADMINISTRATION IS REEQUESTING CONGRESSIONAL APPROVAL OF DOLS 57.6 MILLION FOR ECONOMIC AID FOR FY 87. OUR ECONOMIC ASSISTANCE PROGRAM IS DESIGNED TO STRENGTHEN THE BOLIVIAN ECONOMY, INCLUDING ITS CAPACITY TO FIGHT NARCOTICS CORRUPTION. OF ECONOMIC ASSISTANCE ALREADY PROVIDED, SOME MILLION HAS GONE SPECIFICALLY TO PROVIDE ECONOMIC INCENTIVES FOR DIVERSIFICATION OUT OF COCA PRODUCTION. WE ANTICIPATE ADDITIONAL RESOURCES WILL BE MADE AVAILABLE FOR THIS PURPOSE AS DETERMINED BY NEED AND AVAILABILITY OF FUNDS.

Q: WERE WE INEFFICIENT IN RECENT RAIDS?

A: WE DON'T THINK SO. THE CONDITIONS WHERE THE RAIDS ARE BEING CONDUCTED ARE DIFFICULT, AND THE ABSENCE OF SUPPORT FACILITIES HAS HAD AN EFFECT ON OPERATIONS. IT WAS PRECISELY BECAUSE OF THE DIFFICULT CONDITIONS AND LACK OF INFRASTRUCURE THAT THE BOLIVIAN GOVERNMENT REQUESTED THE TRANSPORTATION ASSISTANCE WE ARE PROVIDING. WE ARE SATISFIED THAT THE JOINT BOLIVIAN-U.S. EFFORT IS ACCOMPLISHING OUR OBJECTIVES.

CHILE: REACTION TO INDICTMENT IN ROHAS CASE

Q: DO YOU HAVE ANY COMMENT ON THE DECISION BY JUDGE ECHAVARRIA TO INDICT ONE MILITARY OFFICER FOR MANSLAUGHTER IN THE ROJAS CASE AND TURN THE CASE OVER TO THE MILITARY COURTS?

A: WE HAVE SEEN THE DECISION OF THE JUDGE, AS WELL AS THE STATEMENT ISSUED ON JULY 24 BY THE VICARIATE OF SOLIDARITY. WE NOTE THAT THERE ARE SERIOUS QUESTIONS RAISED BY THE DIFFERING VIEWS OF HOW THIS INCIDENT ACTUALLY OCCURRED, AN INCIDENT WHICH TOOK THE LIFE OF A LONG-TIME U.S. RESIDENT. AMONG THOSE QUESTIONS RAISED ARE THOSE RELATING TO HOW THE YOUNG PEOPLE WERE TREATED PRIOR TO THE BURNING, HOW THE FIRE ACTUALLY STARTED, AND HOW THEY WERE TREATED AFTER THE BURNING. WE ARE NATURALLY VERY PREOCCUPIED BY THESE DIFFERENCES, AND WISH TO REPEAT THE IMPORTANCE WE ATTACH TO A COMPLETE

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INVESTIGATION INTO THIS INCIDENT, SO THAT THE FACTS AS TO WHAT ACTUALLY HAPPENED MAY BE KNOWN AND THOSE QUILTY OF WRONG-DOING MAY BE BROUGHT TO JUSTICE FOR THEIR PART IN THIS TRAGIC MATTER.

HONDURAS: STATEMENTS BY FORMER AMBASSADOR FERCH

Q. ANY COMMENT ON THE CHARGE BY THE FORMER AMBASSADOR TO HONDURAS (JOHN FERCH) THAT AMBASSADOR HABIB HAS "FADED"?

A. AMBASSADOR HABIB'S ROLE HAS NOT CHANGED. AMBASSADOR HABIB REGULARLY MEETS WITH THE LEADERS OF THE REGION IN AN EFFORT TO SUPPORT THE PEACE PROCESS. HE RECENTLY TRAVELED TO CENTRAL AMERICA WHERE HE CONSULTED WITH THE PRESIDENTS OF THE CENTRAL AMERICAN DEMOCRACIES AND REAFFIRMED OUR COMMITMENT TO SERIOUS PURSUIT OF THE NEGOTIATING TRACK.

Q. ANY COMMENT ON THE REMARK BY THE FORMER AMBASSADOR TO HONDURAS (JOHN FERCH) THAT THE 100 MILLION IN ASSISTANCE TO THE CONTRAS WILL BE A "DOWN PAYMENT"?

A. THE 100 MILLION DOLLARS IN ASSISTANCE TO THE RESISTANCE FORCES COVERS A FOURTEEN MONTH PERIOD. IT IS NOT POSSIBLE TO DETERMINE AT THIS TIME IF ADDITIONAL MONEY WILL BE NEEDED AFTER THAT PERIOD EXPIRES. ANY DECISION TO PROVIDE ADDITIONAL MONIES WILL BE TAKEN AT A LATER DATE AND WILL DEPEND ON CONDITIONS PREVALENT AT THAT TIME.

HONDURAS: BOMBING IN TEGUCIGALPA

TAKEN QUESTION FROM NOON PRESS BRIEFING FOR JULY 24

Q: ANY INFORMATION ON THE REPORTED BOMBING ATTACK AGAINST UNO/FDN LEADERS IN HONDURAS?

A: THERE WAS A BOMBING ATTACK LATE WEDNESDAY NIGHT AT A HOUSE IN TEGUCIGALPA. DETAILS ARE SKETCHY, BUT WE UNDERSTAND THAT TWO PEOPLE SUFFERED MINOR INJURIES. HONDURAN AUTHORITIES ARE INVESTIGATING THE INCIDENT.

Q: WHAT ABOUT REPORTS THAT A KEY NICARAGUAN RESISTANCE LEADERS WAS INJURED?

A: WE HAVE NOTHING TO SUBSTANTIATE THAT AT THIS TIME.

PANAMA

TAKEN QUESTION FROM NOON PRESS BRIEFING FOR JULY 24

Q. DO YOU HAVE ANYTHING ON THIS JOURNALIST FROM PANAMA WHOSE RELATIVES HAVE SAID THAT HE HAS BEEN UNABLE TO



RETURN( TO PANAMA ) FROM HARVARD BECAUSE OF RELIABLE  
REPORTS THAT THERE IS A PLOT AGAINST HIS LIFE?

A. MR. EISENMANN IS NOT SIMPLY A "JOURNALIST FROM  
PANAMA", HE IS PUBLISHER OF PANAMA'S LA PRENSA NEWSPAPER  
WHICH HAS BEEN FOR SEVERAL YEARS A PRINCIPAL VOICE OF  
POLITICAL OPPOSITION THERE.

WE HAVE READ THE REPORT OF A THREAT. WE HAVE NO CAPACITY  
TO EVALUATE THE SERIOUSNESS OF THE ALLEGATION. SENIOR  
PANAMANIAN OFFICIALS HAVE INDICATED THAT THERE IS NO  
BASIS FOR THE ALLEGATION.

2. SUMMARY OF DEPARTMENT PRESS BRIEFING 7/25/86 (KALB)

ANNOUNCEMENT THAT SECRETARY WILL HEAD THE DELEGATION TO  
THE INAUGURATION AUGUST 7 OF VIRGILIO BARCO VARGAS AS  
PRESIDENT OF COLOMBIA. Q: WILL THERE BE OTHER STOPS IN  
THE CARIBBEAN, SUCH AS THE D.R. AND HAITI? A: NO OTHER  
CARIBBEAN STOPS ARE SCHEDULED AS PART OF THIS TRIP.

Q: ANYTHING ON COMMENTS OF THE FORMER US AMBASSADOR TO  
HONDURAS? ON THE US' SEEKING A MILITARY SOLUTION IN  
NICARAGUA? A: GUIDANCE: FIRST ANSWER FROM JULY 23 AND  
FIRST ANSWER OF TODAY'S. Q: YOUR FLAT ANSWER THAT THE US  
IS NOT SEEKING A MILITARY SOLUTION DOES NOT EXPLAIN HOW  
THE AMBASSADOR TO HONDURAS AND STILL-ACTIVE FSO SHOULD  
REACH THAT CONCLUSION. A: ASK AMBASSADOR FERCH. Q: BUT  
ISN'T THE OBVIOUS CONCLUSION THAT THAT'S WHY HE WAS  
FIRED? A: NO, FOLLOWED BY SECOND ANSWER FROM JULY 23

GUIDANCE. Q: BUT WHAT HE TOLD ROY GUTMAN WAS THAT THE US  
WANTS A PRO-CONSUL DOWN THERE AND THE HONDURANS ARE NOT  
SO EASY TO PUSH AROUND. A: THIRD ANSWER (BOTH TICKS) OF  
JULY 23 GUIDANCE. Q: DOES THE SECRETARY STILL HAVE FULL  
CONFIDENCE IN AMBASSADOR FERCH? A: HAVE NOT TALKED TO  
THE SECRETARY, SO HAVE NOTHING FOR YOU.

Q: WHAT IS THE POINT OF DIPLOMACY AS FAR AS NICARAGUA IS  
CONCERNED? DO WE REALLY WANT TO GO THE BARGAINING TABLE  
(SINCE) AMBASSADOR HABIB HAS NOT EVEN BEEN TO NICARAGUA?  
A: NOTHING NEW FOR YOU. Q: YOUR STATEMENT THAT WE DON'T  
SEEK A MILITARY SOLUTION AND FERCH'S THAT WE DO SEEM TO  
INDICATE A DIFFERENCE OVER POLICY, NO? A: I'VE GIVEN THE  
DEPARTMENT'S VIEW; NOTHING TO ADD. Q: DO YOU DISPUTE HIS  
RIGHT TO EXPRESS THOSE VIEWS? A: NO. Q: IN OTHER WORDS,  
NO ACTION WILL BE TAKEN? A: KNOW NOTHING ABOUT ANY  
ACTION.

Q: ANY COMMENT ON THE LONG EYE-WITNESS ACCOUNT OF THE  
ROJAS INCIDENT? A: DON'T KNOW YOUR REFERENCE, BUT IN

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ANSWER TO YESTERDAY'S TAKEN QUESTION ABOUT REACTION TO  
THE ACTION TAKEN BY THE JUDGE: TODAY'S GUIDANCE. ARMACOST  
\*\* END OF CABLE \*\*

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*Bolivia*

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E.O. 12356 DFCL OADR  
TAGS BL, SNAR, MARR, PREL, PGVO  
SUBJECT: MEDIA REACTION: OPERATION BLAST FURNACE

ON JULY 26, THE LA PAZ DAILY "HOY" CARRIED A NEWS  
ANALYSIS FROM AP CORRESPONDENT PETER MACFARREN, PROBABLY  
THE MOST WELL INFORMED JOURNALIST IN BOLIVIA ON THE  
SUBJECT OF BLAST FURNACE. IN THE PIECE, ENTITLED  
"UNCERTAIN PERSPECTIVES OF OPERATION BOL-USA AGAINST  
DRUG TRAFFICKING," MCFARREN COMMENTS AS FOLLOWS:

"THE BOLIVIAN-AMERICAN JOINT OPERATIONS HAVE SUCCEEDED  
IN LOCATING SOME CLANDESTINE COCAINE LABORATORIES AND IN  
PUTTING TO FLIGHT MANY TRAFFICKERS OF THE BENI REGION,  
BUT THE LONG-TERM EFFECT OF THE CAMPAIGN AGAINST AN  
INDUSTRY THAT HAS AMPLE RESOURCES AND MOBILITY IS STILL  
UNCERTAIN.

"MINISTER OF THE INTERIOR FERNANDO BARTHELEMY AFFIRMED  
THAT THE OPERATION HAS PARALYZED TRAFFICKING IN COCAINE.

"AMERICAN OFFICIALS TRUST THAT THE DISRUPTION OF THE  
CYCLE OF PRODUCTION WILL CREATE A GREAT ACCUMULATION OF  
COCA LEAVES, THE RAW MATERIAL OF THE DRUG, WHICH WILL  
CAUSE THE PRICE TO GO DOWN AND ENCOURAGE THE PRODUCERS  
TO CULTIVATE OTHER CROPS.

"THE IMMEDIATE EFFECT, HOWEVER, HAS BEEN PRECISELY THE  
OPPOSITE. THE LABORATORIES IN THE NORTHEAST REGION OF  
THE BENI ARE SUPPLIED WITH PASTE THAT COMES FROM EL  
CHAPARE, IN THE CENTER OF BOLIVIA, WHERE EIGHTY PER CENT

OF THE COCA PRODUCED IN THIS COUNTRY IS CULTIVATED, AND  
ACCORDING TO PRIVATE REPORTS, THE PRICES HAVE GONE UP  
THERE SINCE THE OPERATIONS BEGAN.

"THE DISPLAY IN THE BENI OF 300 ANTI-NARCOTICS POLICE  
AGENTS KNOWN AS THE LEOPARDS, TRANSPORTED BY BLACK HAWK  
HELICOPTERS FLOWN BY AMERICAN PERSONNEL, HAS DONE SOME  
HARM IN THE MULTI-MILLION DOLLAR INDUSTRY, BUT U.S.  
ADMINISTRATION OFFICIALS BATTLING AGAINST DRUGS ADMIT  
THAT AN EFFECTIVE PATROL IS PRACTICALLY IMPOSSIBLE DUE  
TO THE EXTENT OF THE AREA IN WHICH THE LABORATORIES ARE  
LOCATED.

"IN THE CHAPARE, 320 KILOMETERS TO THE EAST OF LA PAZ,  
THE LEAVES OF COCA ARE CRUSHED IN PRIMITIVE PITS NEAR  
STREAMS AND RIVERS. THE INDIAN CULTIVATORS TRANSPORT  
THE COCA IN BUNDLES WHICH THEY CARRY ON THEIR SHOULDERS  
TO PLACES FAR FROM POPULATED AREAS IN ORDER TO PROCESS  
IT AND CONVERT IT INTO PASTE.

"THE LEOPARDS HAVE DESTROYED 50 OF THOSE PITS AND AT  
LEAST HALF A DOZEN LABORATORIES IN RECENT MONTHS, IN  
ACTIONS PRIOR TO THE JOINT EFFORT, BUT IT IS BELIEVED  
THAT THERE ARE THOUSANDS MORE IN VIRTUALLY INACCESSIBLE  
PLACES.

"THE COCAINE PASTE IS CARRIED FROM THE CHAPARE TO THE  
BENI SOME 400 KILOMETERS TO THE NORTHEAST OF LA PAZ, IN  
SMALL PLANES OR ON RAFTS THROUGH THE RIVERS AND STREAMS  
THAT CONNECT THE TWO REGIONS.

"OFFICIALS OF THE NORTH AMERICAN ANTI-NARCOTICS  
ORGANIZATION SAY THAT SOME TRAFFICKERS USE FLOATING  
LABORATORIES THAT PICK UP LEAVES OR PASTE IN THE  
CHAPARE, PROCESS THEM INTO COCAINE IN THE SHELTER OF THE  
JUNGLE BY THE RIVER SHORE, AND UNLOAD THE FINISHED  
PRODUCT NEAR A LANDING FIELD.

"THE BOLIVIAN POLICE DO NOT HAVE ANY BOATS TO PATROL THE  
RIVERS, AND NORTH AMERICAN AGENTS ADMIT THAT THE  
PERSONNEL WHO OPERATE THE HELICOPTERS LOANED BY THE  
UNITED STATES CANNOT CONTROL THE TRAFFIC IN THE RIVER.

"HUNDREDS OF THOUSANDS OF PEOPLE OF THIS COUNTRY DEPEND  
ON THE INDUSTRY OF COCAINE TO EARN A LIVING, AND A  
BT

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E.O. 12356 DFCL OADR  
TAGS BL, SNAR, MARR, PREL, PGOV  
SUBJECT: MEDIA REACTION: OPERATION BLAST FURNACE

PROLONGED OPERATION AGAINST IT COULD HAVE IMPONDERABLE  
SOCIAL, ECONOMIC, AND POLITICAL REPERCUSSIONS.

"IF THE PROGRAM CONTINUES, THE PEOPLE WILL THINK THAT  
THE AVAILABILITY OF DOLLARS WILL DIMINISH AND WILL FEEL  
PRESSURED TO BUY LARGER QUANTITIES OF THAT CURRENCY,"  
COMMENTED THE EX-MINISTER OF FINANCE, FLAVIO MACHICADO.

"THE CENTRAL BANK REPORTED YESTERDAY THAT IT WOULD SELL  
DIRECTLY TO THE PUBLIC AT AN OFFICIAL RATE OF 1,904,000  
PESOS FOR EACH DOLLAR, IN ORDER TO END CONCERNS THAT THE  
ANTI-DRUG OPERATION WILL PRODUCE A SCARCITY.

"PRESIDENT VICTOR PAZ ESTENSSORO HAS ADMITTED THAT THE  
BUSINESS OF COCAINE SUPPLIES THE COUNTRY WITH A  
CLANDESTINE REVENUE OF 600 MILLION DOLLARS ANNUALLY, 100  
MILLION MORE THAN COMES FROM LEGAL EXPORTS.

"AS AN EXAMPLE OF THE POSSIBLE SOCIAL CONSEQUENCES,  
MACHICADO SAID THAT THE CITY OF COCHABAMBA, WHOSE  
ECONOMY DEPENDS TO A GREAT EXTENT ON COCAINE, WOULD NEED  
AN IMMEDIATE AND RADICAL PROGRAM OF HELP TO SURVIVE.

"OF THE 29,300,000 DOLLARS ASSIGNED BY USAID, ONLY  
9,500,000 HAVE BEEN GIVEN; THE DISBURSEMENT OF THE REST  
TO FINANCE LOCAL PROJECTS IS TIED TO THE IMPLEMENTATION  
OF DRUG-ERADICATION PROGRAMS.

"PAZ ESTENSSORO SAID THAT AT LEAST 100 MILLION DOLLARS  
ARE NEEDED TO HELP THAT REGION.

THE PRESIDENT ASSURED THAT HIS GOVERNMENT WILL ACT  
ENERGETICALLY AGAINST DRUG TRAFFICKING, 'BECAUSE IF WE  
DON'T DO IT, THE TRAFFICKERS OF COCAINE COULD TAKE POWER  
EVEN THROUGH DEMOCRATIC MEANS.'

2) AS PART OF A FOUR-PAGE REPORT ON DRUG TRAFFICKING  
PUBLISHED IN THE SUNDAY SUPPLEMENT OF THE LEADING LA PAZ  
DAILY "PRESENCIA," REPORTER PEDRO GLASINOVIC, WHO HAS  
BEEN WRITING ON THE SUBJECT REGULARLY FOR SEVERAL  
MONTHS, SAYS:

"THE GOVERNMENT HAS INITIATED A MASSIVE CAMPAIGN  
AGAINST DRUG TRAFFICKING WITH THE SUPPORT OF MILITARY  
FORCES FROM THE UNITED STATES. UNTIL NOW, AND IN SPITE  
OF THE GREAT SUPPORT RECEIVED, THE RESULTS, TO TELL THE  
TRUTH, ARE NOT WHAT WAS EXPECTED.

"NOT A SINGLE GRAM OF COCAINE HAS BEEN CONFISCATED; ONLY  
110 KILOGRAMS OF SULPHATE BASE IN ITS HUMID STATE WERE  
CONFISCATED IN THE REGION OF THE CHAPARE...."

"WHAT IS HARD TO BELIEVE IS THAT THE JOINT BOLIVIAN-U.S.  
ACTIONS FAIL REPEATEDLY IN SPITE OF THE HIGH TECHNOLOGY  
AND THE USE OF SATELLITES AND SOPHISTICATED SYSTEMS OF  
COMMUNICATION.

"IF THE TECHNOLOGY OF THE UNITED STATES MADE POSSIBLE  
THE BOMBING OF THE HOUSE OF THE LIBYAN LEADER MOHAMMAR  
KHADAFI WITHOUT CAUSING ANY HARM TO THE HOUSES NEXT TO  
IT, HOW IS IT POSSIBLE THAT COCAINE LABORATORIES IN  
BOLIVIA CANNOT BE LOCATED?..."

"THE GOVERNMENT AFFIRMS THAT THE BATTLE AGAINST DRUG  
TRAFFICKING IS A SUCCESS BECAUSE THEY MANAGED 'TO BREAK  
THE BACK' OF THAT ILLICIT TRADE. AND THEY ARE RIGHT,  
BUT WE ASK OURSELVES, AS ALL HONEST BOLIVIANS DO, UNTIL  
WHEN?

"WE KNEW THAT A LARGE PART OF THE NATIONAL TERRITORY WAS  
USED TO PROCESS THE DRUG, BUT WE DID NOT KNOW THAT  
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PAGE 01 LA PAZ 6256 DTG: 282105Z JUL 86 PSN: 032534  
EOB331 AN009888 TOR: 209/2135Z CSN: HCE386 BUT A BETTER TOMORROW." HOFFMANN  
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E.O. 12356 DFCL OADR  
TAGS BL, SNAR, MARR, PREL, PGOV  
SUBJECT: MEDIA REACTION: OPERATION BLAST FURNACE

CORRUPTION HAD REACHED THE MOST INCREDIBLE LEVELS...

"IT IS NOT POSSIBLE TO PERMIT AN ARMY FROM ANOTHER COUNTRY TO INSTALL A BASE IN OUR COUNTRY AS IF IT WERE IN ITS OWN HOUSE. THE NORTH AMERICANS BROUGHT NOT ONLY THEIR OWN FOOD BUT A HOSPITAL THAT ANY BOLIVIAN WOULD ENVY, AND A COMPLETE COMMUNICATION SATELLITE SYSTEM. THEY INSTALLED TWO CAMPS, ONE IN TRINIDAD AND ANOTHER IN JOSUANI, THE FARM CONFISCATED IN AN OPERATION THAT TOOK PLACE UNDER THE SILES ZUAZO GOVERNMENT.

"A BOLIVIAN JOURNALIST WHO WAS IN THE TRINIDAD BASE WENT TO THE CAMP OF THE AMERICAN SOLDIERS TO ASK FOR A RATION OF DRIED FOOD BECAUSE IT WAS ALREADY THE AFTERNOON AND SHE HADN'T EATEN ANYTHING. THEY TOLD HER THAT WITH PLEASURE THEY COULD GIVE IT TO HER IF SHE PAID 3 DOLLARS AND 60 CENTS. TYPICAL MERCANTILISTIC NORTH AMERICAN STYLE, ISN'T IT?..."

"WE ARE IN A DEMOCRATIC SYSTEM, SO WE SHOULD RESPECT THE POLITICAL CONSTITUTION OF THE STATE. THE GOVERNMENT SHOULD HAVE REQUESTED THE PRESENCE OF NORTH AMERICAN POLICE AND ITS SPECIALIZED AGENTS IN THE BATTLE AGAINST DRUG TRAFFICKING, AND NOT THE MILITARY OF THAT COUNTRY. THAT IS SIMPLY AN INVASION AND AN INTERFERENCE IN MATTERS THAT HAVE TO DO WITH THE SOVEREIGNTY OF OUR COUNTRY, WHICH DESERVES NOT ONLY APPROPRIATE TREATMENT

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E.O. 12356 DFCL OADR  
TAGS BL, SNAR, MARR, PREL, PGOV  
SUBJECT: PUBLICATION OF REAGAN LETTER TO BOLIVIAN  
PRESIDENT

REF: STATE 231459

ON JULY 27 PRESIDENT REAGAN'S LETTER OF THANKS AND  
SUPPORT TO PRESIDENT PAZ ESTENSSORO (REFTTEL) WAS  
PUBLISHED IN ALL THREE MAJOR LA PAZ DAILIES. THE LETTER  
APPEARED ON PAGE ONE IN "PRESENCIA" AND "HOY," AND ON  
PAGE THREE IN "EL DIARIO". HOFFMANN  
BT

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E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, MARR, PREL, PGOV  
SUBJECT OPERATION BLAST FURNACE: INTERIOR  
MINISTER AT RISK

1. (C) THE FOCUS OF THE DEBATE ON "BLAST FURNACE" IN THE BOLIVIAN CONGRESS WHEN IT RESUMES AUGUST 6 WILL BE THE CONSTITUTIONALITY OF THE U.S. MILITARY PRESENCE. RECENT CONVERSATIONS WITH VARIOUS FRIENDLY CONGRESSMEN FROM THE TWO MAJOR OPPOSITION PARTIES -- HUGO BANZER'S NATIONAL DEMOCRATIC ACTION (ADN) AND JAIME PAZ'S MOVEMENT OF THE REVOLUTIONARY LEFT (MIR) -- HAVE PRODUCED VARYING REACTIONS THAT SUGGEST THAT:

-- CONGRESSMEN WILL ACCEPT THE NEED TO ATTACK-NARCO-  
TRAFFICKING (NO ONE WILL STAND UP IN FAVOR OF  
INDEFINITE DELAYS ON NARCOTICS ISSUES); BUT  
  
-- THEY WILL INSIST THAT IF BOLIVIA IS TO HAVE POLITICAL  
STABILITY, THE CONSTITUTION MUST BE RIGIDLY RESPECTED;  
AND  
  
-- THEREFORE, THERE IS NO WAY TO ABSOLVE THE GOVERNMENT  
FOR NOT HAVING REQUESTED THE NECESSARY CONGRESSIONAL  
PERMISSION FOR A FOREIGN MILITARY PRESENCE BEFORE  
UNDERTAKING "BLAST FURNACE".

2. (C) THE CONGRESSMEN EXPECT TO GRILL INTERIOR MINISTER BARTHELEMY AND PERHAPS THE FOREIGN AND DEFENSE MINISTERS. TO MAKE THEIR POINT WITHOUT, AS THEY SEE IT, DAMAGING THE PAZ ESTENSORRO ADMINISTRATION PER SE, THEY ARE

THINKING OF CENSURING THE INTERIOR MINISTER FOR HAVING ADVISED PRESIDENT PAZ BADLY ON THE CONSTITUTIONAL ISSUE.

3. (C) THE RATIONALE FOR THE GOVERNMENT'S DEFENSE IS THIN. IT CONSISTS ESSENTIALLY OF THE ARGUMENT THAT "BLAST FURNACE" IS A CIVIL POLICE ACTION THAT ONLY INCIDENTALLY HAPPENS TO INVOLVE SOME AMERICAN MILITARY TECHNICIANS AND LOGISTICAL PERSONNEL; AND THAT OPERATIONAL SECURITY AND TIME CONSTRAINTS MADE PUBLIC CONGRESSIONAL DEBATE INOPORTUNE AND IMPRACTICAL.

4. (C) THE OUTCOME OF THE CONTRESSIONAL INTERPELLATION WILL DEPEND NOT ON THE LOGIC OF THE DEBATE BUT ON THE INTERNAL POLITICS OF PAZ'S MNR PARTY, THE ADN AND ON THE ATTITUDE OF THE MIR, WHICH HAS BEEN CUT OUT OF LEADERSHIP POSITIONS IN THE NEW CONGRESS AND HAS VOCALLY OPPOSED "BLAST FURNACE". IF PAZ AND BANZER JOINTLY DECIDE THEY WANT TO DEFEAT A CENSURE MOTION THEY PROBABLY CAN, ALTHOUGH THEY WILL HAVE TO BE HEAVY-HANDED WITH SOME OF THEIR ADHERENTS IN THE CONGRESS. THEY COULD DEFEAT THE CENSURE MOTION EITHER ON A STRAIGHT VOTE THAT UPHOLDS THE VALIDITY OF THE GOVERNMENT'S LEGAL DEFENSE AS IT NOW STANDS; OR BY VOTING POST FACTO APPROVAL OF THE U.S. MILITARY PRESENCE; OR BY WALKING OUT AND PREVENTING A QUORUM AS THEY RECENTLY DID IN AN INTERPELLATION OF THE EDUCATION MINISTER.

5. (S) EVEN IF CENSURE AGAINST INTERIOR MINISTER BARTHELEMY IS VOTED DOWN, THE POLITICAL COSTS MAY BE HIGH ENOUGH THAT BARTHELEMY COULD LEAVE THE CABINET. UNDER ORDINARY CIRCUMSTANCES, BARTHELEMY'S DEPARTURE FROM THE CABINET WOULD NOT CAUSE US MUCH HEARTBURN, PROVIDED HIS SUCCESSOR WAS REASONABLY HONEST AND HAD GOOD ACCESS TO THE PRESIDENT. WE HAVE HAD OUR PROBLEMS WITH BARTHELEMY, PARTICULARLY WITH REGARD TO CORRUPT POLICE OFFICERS ASSIGNED FROM TIME TO TIME TO THE UMOPAR.

6. (S) HOWEVER, BARTHELEMY'S DEPARTURE AS A RESULT OF "BLAST FURNACE" WOULD COMPLICATE OUR ANTI-NARCOTICS EFFORTS:

-- THINKING ABOUT HIS PREDECESSOR'S FATE MIGHT MAKE A  
NEW INTERIOR MINISTER FAR MORE CAUTIOUS ABOUT  
SUPPORTING U.S. INTERDICTION AND/OR COCA ERADICATION  
BT

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E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, MARR, PREL, PGOV  
SUBJECT OPERATION BLAST FURNACE: INTERIOR

PROPOSALS.

-- PLANNING MINISTER SANCHEZ DE LOZADA'S STRONG  
ROLE IN THE CABINET AND HIS POWERFUL MISGIVINGS (FOR  
ECONOMIC REASONS) ABOUT TAKING ON THE WHOLE NARCOTICS  
INDUSTRY AT THIS TIME WOULD COMPOUND A NEW INTERIOR  
MINISTER'S DIFFIDENCE AND PROBABLY GENERATE LENGTHY  
DELAYS IN ANY FURTHER PROGRAMS.

7. (S) OUR CURRENT ACTIONS TO ANTICIPATE AND DEAL WITH  
THIS PROBLEM CONSIST OF EFFORTS TO MOVE FOREIGN MINISTER  
BEDREGAL AND MINISTER OF THE PRESIDENCY DURAN CLOSER TO  
OUR WAY OF THINKING, PLUS AN ACCELERATION OF WORK ON THE  
NARCOTICS AWARENESS CAMPAIGN IN ORDER TO BUILD A STRONGER  
AND BROADER PUBLIC OPINION SUPPORT BASE FOR THE KINDS OF  
RADICAL ACTION THE BOLIVIAN GOVERNMENT HAS UNDERTAKEN  
NOW. MARKED SUCCESS IN UPCOMING "BLAST FURNACE" OPERA-  
TIONS WOULD OBVIOUSLY HELP A LOT. WE ARE ALSO SHAPING  
OUR STRATEGY FOR SUSTAINING INTERDICTION AND SUBSEQUENTLY  
COCA ERADICATION AFTER "BLAST FURNACE" CONCLUDES. ONE  
PART OF THAT STRATEGY WILL REQUIRE ADDITIONAL U.S.  
RESOURCES. THESE WILL BE THE SUBJECT OF SEPARATE  
MESSAGES.

ROWELL  
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LIMDIS

E.O. 12356: DECL: OADR  
TAGS: BL, EAID, IDB, SNAR  
SUBJECT: IDB ADD-ON LOAN FOR SANTA CRUZ-COCHABAMBA  
HIGHWAY

REF: (A) STATE 233733 DTG 252952Z JUL 86  
(B) ROWELL/TAYLOR TELCON 7/22/86  
(C) LA PAZ 4801 DTG 091859Z JUN 86

SUMMARY

1. (C) IN A STORMY SESSION JULY 23, PLANNING MINISTER GONZALO SANCHEZ DE LOZADA ACCUSED THE AMBASSADOR AND THE USAID DIRECTOR OF BEING SOLELY AND PERSONALLY RESPONSIBLE FOR BLOCKING A SIXTY MILLION DOLLAR IDB ADD-ON LOAN TO COMPLETE THE NEW SANTA CRUZ-COCHABAMBA HIGHWAY INTO WHICH 100 MILLION DOLLARS HAVE ALREADY BEEN SUNK. SANCHEZ DE LOZADA SAID THAT IN A CORRIDOR CONVERSATION AT THE PARIS CLUB IN JUNE, MEMBER (S) OF THE U.S. DELEGATION HAD INFORMED HIM THAT "THEY" HAD NO TROUBLE WITH THE ADD-ON LOAN AND ALL HE, SANCHEZ DE LOZADA, HAD TO DO WAS TO PERSUADE THE U.S. AMBASSADOR AND USAID DIRECTOR IN LA PAZ.

2. (C) THE AMBASSADOR ACCEPTED FULLY THE POWERFUL ECONOMIC AND SOCIAL RATIONALES FOR THE ADD-ON LOAN, BUT INSISTED THAT ACTION TO ATTACK TRAFFICKING AND DRUG-DESTINED COCA GROWING, ESPECIALLY IN NEWLY OPENING AREAS, IS UNDEFERRABLE. THE MODERATE SUGGESTION THAT BOLIVIA DECLARE THE YAPACANI AND CHIMORE "NON-TRADITIONAL" (ILLEGAL) FOR COCA GROWING WAS INTENDED TO ACCELERATE APPROVAL OF THE IDB LOAN BY PREVENTING ADVERSE POLITICAL REACTIONS THAT COULD DISADVANTAGE THE IDB ITSELF. THE AMBASSADOR EMPHASIZED THAT THIS POSITION ACCURATELY REFLECTED WASHINGTON VIEWS REGARDLESS OF WHAT SANCHEZ DE LOZADA MAY HAVE HEARD IN A PARIS CORRIDOR.

3. (C) SANCHEZ DE LOZADA'S BOTTOM LINE WAS THAT HE WILL ABANDON THE ADD-ON LOAN AND THE HIGHWAY BEFORE HE WILL AGREE TO DECLARE YAPACANI AND CHIMORE "NON-TRADITIONAL" COCA AREAS. ABANDONING THE ROAD WILL INCREASE COCA

OUTPUT. COMPLETING THE HIGHWAY GIVES THE ONLY CHANCE TO CUT IT BACK (PARA 10). SANCHEZ DE LOZADA ALSO ACCUSED THE AMBASSADOR OF FORCING PRESIDENT PAZ ESTENSSORO TO ACCEPT OPERATION "BLAST FURNACE" WHICH WAS A "TERRIBLE MISTAKE" AND SAID HE WOULD OPPOSE ANY NATION-WIDE DEFINITION OF "TRADITIONAL" AND "NON-TRADITIONAL" COCA AREAS AT THIS TIME. (STUDIES FOR SUCH A DEFINITION ARE GOING ON UNDER INTERIOR MINISTRY AEGIS.) THE AMBASSADOR REJECTED THE ASSERTION ABOUT BLAST FURNACE.

4. (C) IN THE JULY 25 MEETING BETWEEN PRESIDENT PAZ AND U.S. ARMY UNDER SECRETARY AMBROSE (OTHERS THERE: THE AMBASSADOR, ARMA, PLUS THE MINISTERS OF FOREIGN RELATIONS, DEFENSE, INTERIOR, AGRICULTURE), PAZ MADE A STRONG BUT CORDIAL PITCH FOR IMMEDIATE U.S. APPROVAL OF THE IDB ADD-ON LOAN AND ASKED THAT "THE U.S. EMBASSY DROP ITS OPPOSITION." AT THIS POINT IN THE MEETING THE FOREIGN MINISTER HANDED THE AMBASSADOR A FORMAL NOTE MAKING THE SAME REQUEST AND DECRYING THE OPPOSITION BY "SOME MEMBER OF THE EMBASSY". THE AMBASSADOR SKETCHED THE NEED FOR ACTION ON THE "TRADITIONAL/NON-TRADITIONAL" QUESTION.

5. (U) RECOMMENDATION: SEE PARAS 23-26.  
END SUMMARY.

TENSE CONFRONTATION WITH THE PLANNING MINISTER JULY 23;  
A MUCH MORE CORDIAL BUT SIMILAR PRESENTATION BY  
PRESIDENT PAZ JULY 25

6. (C) THE PRIVATE JULY 23 SESSION CONSISTED OF SANCHEZ DE LOZADA PLUS FINANCE MINISTER CARIAGA, THE AMBASSADOR AND USAID DIRECTOR COHEN. IT FOLLOWED A PUBLIC SIGNING CEREMONY FOR USAID PROJECTS TOTALLING 23 MILLION DOLLARS (9.2 MILLION IN ADDITIONAL MONEY). SANCHEZ DE LOZADA HAD TELEPHONED THE AMBASSADOR AND USAID DIRECTOR THE PREVIOUS DAY TO WARN THEM OF THE SUBJECT OF THE PRIVATE MEETING AND THAT HE HAD LEARNED IN PARIS THAT "THE AMBASSADOR AND USAID DIRECTOR" WERE RESPONSIBLE FOR HOLDING UP THE IDB ADD-ON LOAN. DETAILS OF THE DISCUSSION ARE IN THE FOLLOWING SECTIONS OF THIS CABLE. CARIAGA SAID NOTHING IN THE ENTIRE 90-MINUTE SESSION. HE WAS SIMPLY A WITNESS.  
BT

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E.O. 12356: DECL: OADR  
TAGS: BL, EAD, IDB, SNAR  
SUBJECT: IDB ADD-ON LOAN FOR SANTA CRUZ-COCHABAMBA

(C) SANCHEZ DE LOZADA HAD VISIBLY LOST WEIGHT, WAS NERVOUS AND OBVIOUSLY STILL VERY WEAK FROM THE PERITONITIS AND DOUBLE SURGERY HE HAD UNDERGONE IN PARIS DURING THE THIRD WEEK OF JUNE. HE WAS EMOTIONAL AND SOMETIMES PERSONALLY ABUSIVE -- CHARACTERISTICS NEVER BEFORE SEEN IN THE USUALLY JOVIAL AND MODERATE SANCHEZ DE LOZADA. THE MINISTER OF THE PRESIDENCY, JUAN CARLOS DURAN, COMMENTED TO THE AMBASSADOR FRIDAY NIGHT, JULY 25, THAT EVER SINCE HIS RETURN FROM PARIS GONZALO HAS BEEN "EXTREMELY NERVOUS, EVEN VIOLENT IN MEETINGS", AND CLEARLY HAS A LONG WAY TO GO BEFORE HE FULLY RECOVERS HIS HEALTH. DURAN (AND ON JULY 28 FOREIGN MINISTER BEDREGAL) SAID SANCHEZ DE LOZADA HAD BEEN EQUALLY AS INTENSE AND EMOTIONAL IN TELLING THE CABINET AND PRESIDENT PAZ ON JULY 21 WHAT AN INCREDIBLY DANGEROUS MISTAKE THEY HAD MADE IN AGREEING TO "BLAST FURNACE".

8. (C) ALTHOUGH THE DETAILED ARGUMENTS RE THE IDB LOAN FOR THE SANTA CRUZ-COCHABAMBA HIGHWAY WERE ALL MADE IN THE JULY 23 MEETING, PRESIDENT PAZ ALSO RAISED THE SUBJECT DURING ARMY UNDER SECRETARY AMBROSE'S 90-MINUTE MEETING WITH HIM JULY 25 (SEPTEL). THE PAZ PRESENTATION WAS BRIEF AND CORDIAL, BUT ALSO FIRMLY TRACKED WITH SANCHEZ DE LOZADA'S VIEWS. THE AMBASSADOR REVIEWED THE RATIONALE FOR DECLARING THE YAPACANI AND CHIMORE NON-TRADITIONAL COCA AREAS, BUT HE REFRAINED FROM SAYING THAT THIS IS AN EXPLICIT PRE-CONDITION FOR THE IDB LOAN. THE AMBASSADOR ALSO AFFIRMED THAT HE WAS CONVEYING THE VIEWS OF THE U.S. GOVERNMENT AND THAT THE ISSUE WAS NOT/NOT PURELY A U.S. EMBASSY OBSTRUCTIONIST INITIATIVE. THE MEETING IN THE PRESIDENCY ENDED ON AN EXTREMELY CORDIAL TONE.

9. (C) DURING THE MEETING IN THE PRESIDENCY FOREIGN MINISTER BEDREGAL HANDED THE AMBASSADOR A FORMAL NOTE WHICH OPENS SAYING, QUOTE:

"I ... EXPRESS TO YOU A PROFOUND CONCERN OF THE

BOLIVIAN GOVERNMENT WHICH THE MINISTER OF PLANNING AND COORDINATION ALREADY CONVEYED TO YOU.

"IT DEALS WITH THE PRESSURE SOME MEMBER OF YOUR EMBASSY IS PUTTING ON THE INTER-AMERICAN DEVELOPMENT BANK IN ORDER TO BLOCK CONTINUATION OF THE CONSTRUCTION OF THE CHIMORE-YAPACANI HIGHWAY.

"THE GOVERNMENT OF BOLIVIA REGARDS THIS TYPE OF ACTIVITY AS INCONSISTENT WITH THE EXCELLENT BILATERAL RELATIONS THAT EXIST BETWEEN OUR COUNTRIES BECAUSE THE ARGUMENTS OF THE U.S. FUNCTIONARIES DO NOT RESPOND TO THE REALITY OF THE PROBLEM OF THIS INFRASTRUCTURE ROAD IN ITS RELATIONSHIP TO NARCOTRAFFICKING ACTIVITIES IN THE CHAPARE." END QUOTE.

THE FULL TEXT OF THE NOTE IS BEING TRANSMITTED BY SEPTEL.

VALID RATIONALES FOR GOING AHEAD WITH IDB ADD-ON LOAN

10. (U) RATIONALES FOR APPROVING IMMEDIATELY THE IDB SIXTY MILLION DOLLAR ADD-ON LOAN TO COMPLETE THE NEW SANTA CRUZ-COCHABAMBA HIGHWAY AMOUNT TO THE FOLLOWING:

-- 150 MILLION DOLLARS HAVE ALREADY BEEN INVESTED IN THE HIGHWAY. NEITHER THE IDB NOR BOLIVIA CAN AFFORD TO THROW THAT MONEY AWAY OR THE ECONOMIC RETURN WHICH THE NEW ROAD IS EXPECTED TO PRODUCE.

-- THE NEW HIGHWAY WILL CUT ROAD TRANSIT TIME FROM SANTA CRUZ TO COCHABAMBA BY 30-40 PERCENT. IT WILL SUBSTANTIALLY CUT FUEL AND TRUCK MAINTENANCE COSTS BECAUSE THE NEW ALIGNMENT CROSSES ONLY ONE MAJOR MOUNTAIN CREST (THREE ON THE OLD ROAD), AND IT RUNS ACROSS FLAT OR GENTLY ROLLING LOW-ALTITUDE TERRAIN FOR MOST OF ITS LENGTH. THE SAME TOPOGRAPHIC CONSIDERATIONS ALSO WILL SLASH ROAD MAINTENANCE COSTS.

-- BOLIVIA DESPERATELY NEEDS A MORE EFFICIENT TRANSPORTATION LINK TO GET AGRICULTURAL SURPLUSES FROM THE EASTERN (SANTA CRUZ) PLAINS TO THE HIGH MOUNTAIN AND ALTIPLANO POPULATION CENTERS.

-- THE ROAD IS ESSENTIAL TO GIVE BOLIVIAN AUTHORITIES  
BT

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SUBJECT: IDB ADD-ON LOAN FOR SANTA CRUZ-COCHABAMBA

- . ACCESS TO THE NEW COCA-GROWING AREAS IN THE CHIMORE
- . AND YAPACANI SO THAT THE AUTHORITIES CAN INTRODUCE
- . AN EFFECTIVE LAW ENFORCEMENT PRESENCE.
- THE ROAD IS ESSENTIAL FOR THE INTRODUCTION OF LEGAL
- . CROPS (CITRUS, RICE, ETC.). WITHOUT IT LEGAL CROPS
- . ARE COMPLETELY UNECONOMIC. ONLY RPT ONLY COCA CAN --
- . AND WILL BE -- PRODUCED IF THE ROAD IS NOT/NOT
- . COMPLETED, BECAUSE ONLY COCA PRODUCES A HIGH ENOUGH
- . RETURN TO PAY FOR AIR OR ANIMAL TRANSPORT OF FOOD AND
- . CONSUMER GOODS INTO THE REGION AND THE EXPORT OF COCA
- . OR COCA PASTE OUT OF THE REGION.
- THE PARTIALLY COMPLETED HIGHWAY IS USED BY DRUG
- . TRAFFICKERS AS AN IDEAL LANDING STRIP. THERE IS
- . NO VEHICLE TRAFFIC ON IT AND NO ENFORCEMENT PRESENCE.
- . ONLY COMPLETION (OR A MULTI-MILLION DOLLAR EFFORT TO
- . DESTROY THE ROAD THUS FAR BUILT) WILL OVERCOME THIS
- . PROBLEM.
- (FROM THE JULY 25 MEETING WITH PRESIDENT PAZ:)
- . DESPITE THE ABSENCE OF A COMPLETED ROAD, THOUSANDS
- . OF PEASANTS HAVE BEEN DRIFTING INTO THE CHIMORE AND
- . YAPACANI AREAS TO TRY THEIR HAND AT COCA CULTIVATION.
- . THE LONGER THE ROAD REMAINS INCOMPLETE, THE LARGER
- . THE NUMBER OF PEASANTS WHO WILL SEE THEIR ENTIRE
- . LIVELIHOODS TIED EXCLUSIVELY TO COCA GROWN FOR THE
- . DRUG TRADE. THERE ARE ALREADY 300-400 THOUSAND
- . PEASANTS (INCLUDING CHILDREN AND FAMILIES) IN THE
- . CHAPARE REGION WHO FEEL THAT WAY AND WHO CONSTITUTE
- . A MAJOR SOCIAL AND POLITICAL PROBLEM FOR THE GOVERN-
- . MENT AND THE ANTI-NARCOTICS FIGHT. IF ANOTHER 100-200
- . THOUSAND DEVELOP UNHINDERED IN CHIMORE AND YAPACANI
- . BECAUSE THE NEW HIGHWAY STAYS BLOCKED, THE SOCIAL AND
- . POLITICAL PROBLEMS WILL BECOME INSUPERABLE.
- FINALLY, THE PAZ GOVERNMENT NEEDS TO START ECONOMICALLY
- . ADVISABLE PUBLIC WORKS PROJECTS -- ROADS ARE IDEAL --
- . AS QUICKLY AS POSSIBLE IN ORDER TO RELIEVE SOME OF
- . THE SOCIAL AND POLITICAL PRESSURES OF RAPIDLY RISING

- . UNEMPLOYMENT AND TO HELP RESTART THE ECONOMY NOW
- . THAT INFLATION HAS BEEN CONTROLLED AND THE CENTRAL
- . GOVERNMENT BUDGET BALANCED. WITHOUT SOME SUCH WORKS,
- . THE ECONOMIC RECOVERY PROGRAM IS IMPERILED.

DIFFICULTY WITH IMMEDIATE ILLEGALIZATION OF COCA IN  
CHIMORE AND YAPACANI

11. (C) SANCHEZ DE LOZADA GAVE THE FOLLOWING REASONS  
FOR NOT/NOT IMMEDIATELY DECLARING THE YAPACANI AND  
CHIMORE AREAS "NON-TRADITIONAL" (ILLEGAL) FOR COCA  
GROWING:

- A MAJOR THRUST OF THE PAZ ESTENSSORO ADMINISTRATION IS
- . TO RESTORE DOMESTIC AND FOREIGN CONFIDENCE IN THE
- . SERIOUSNESS, EFFECTIVENESS AND RELIABILITY OF BOLIVIAN
- . GOVERNMENTS. UNLIKE THE U.S. OR WESTERN EUROPE,
- . BOLIVIAN GOVERNMENTS HAD BECOME SO NOTORIOUSLY COR-
- . RUPT, INEFFECTIVE AND IMMORAL THAT MOST PEOPLE FREELY
- . IGNORE LAWS WITHOUT FEARING RETRIBUTION. THEREFORE,
- . THE FIRM POLICY OF THE PAZ ADMINISTRATION IS TO
- . APPROVE ONLY RPT ONLY THOSE LAWS AND POLICIES WHICH
- . IT IS ABLE AND DETERMINED TO IMPLEMENT.

- THE GOVERNMENT LACKS THE PHYSICAL ACCESS AND RESOURCES
- . NECESSARY TO BE ABLE TO ENFORCE A LAW THAT MAKES COCA
- . GROWING ILLEGAL IN THE CHIMORE AND YAPACANI.

- THE GOVERNMENT ALSO LACKS THE ECONOMIC RESOURCES
- . NECESSARY TO BE ABLE TO OFFER PEOPLE IN THOSE REGIONS
- . A TIMELY SOURCE OF AGRICULTURAL LIVELIHOOD ONCE THEY
- . ARE CONVINCED COCA IS A LOSING PROPOSITION WHETHER

- . BECAUSE OF LOCAL ENFORCEMENT/ERADICATION OR BECAUSE
- . INTERDICTION ELSEWHERE HAS DESTROYED THE ECONOMIC
- . RETURNS OF COCA.

- SANCHEZ DE LOZADA OPPOSES ANY MAJOR ANTI-NARCOTICS EFFORTS

NOW

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E.O. 12356: DECL: OADR  
TAGS: BL, EAID, IDB, SNARR  
SUBJECT: IDB ADD-ON LOAN FOR SANTA CRUZ-COCHABAMBA

12. (C) SANCHEZ DE LOZADA EXPANDED THIS LINE OF THINKING TO BOLIVIA'S ENTIRE CURRENT ANTI-NARCOTICS AND DRUG INTERDICTION EFFORT, ESPECIALLY INCLUDING OPERATION "BLAST FURNACE". HE MADE THE FOLLOWING POINTS:

-- THE DRUG PROBLEM IS SO PERVERSIVE AND DANGEROUS IN BOLIVIA THAT THE ONLY WAY TO ATTACK IT WITH ANY CHANCE OF SUCCESS IS TO SHOCK THE WHOLE COUNTRY WITH A SUDDEN, GLOBAL, COORDINATED CAMPAIGN THAT INCLUDES INTERDICTION, INVOLUNTARY ERADICATION, MULTI-FACETED DRUG AWARENESS PROPAGANDA, AND PROMPT DELIVERY OF ECONOMIC SUPPORT TO PEASANTS WHO GET OUT OF THE COCA BUSINESS. SANCHEZ DE LOZADA CORRECTLY POINTED OUT HE HAD REPEATEDLY PRESSED THIS POINT OF VIEW IN INTERNAL GOVERNMENT MEETINGS AND WITH THE U.S. EMBASSY SINCE THE NEW GOVERNMENT WAS SWORN IN IN AUGUST 1985.

-- AT THE MOMENT THERE ARE NEITHER THE PLANS, THE GOVERNMENTAL AND OTHER INSTITUTIONAL MECHANISMS, NOR THE COMMITTED ECONOMIC RESOURCES NECESSARY TO IMPLEMENT SUCH A CAMPAIGN. ANYTHING LESS THAN SUCH A CAMPAIGN WILL MERELY ALARM THE TRAFFICKERS WITHOUT KNOCKING THEM OUT AND THEREBY MAKE THEM INTO MUCH MORE EFFECTIVE AND FORMIDABLE OPPONENTS POLITICALLY, ECONOMICALLY AND PARA-MILITARILY. (THE AMBASSADOR REPEATEDLY ASKED SANCHEZ DE LOZADA WHEN THE "RIGHT MOMENT" WOULD EXIST IN BOLIVIA FOR AN ALL-OUT ATTACK AGAINST THE TRAFFICKERS. SANCHEZ DE LOZADA REFUSED TO ADDRESS THE QUESTION.)

-- FOR THESE REASONS, SANCHEZ DE LOZADA OPPOSES -- AND WILL OPPOSE IN CABINET MEETINGS -- PROPOSALS TO DEFINE IMMEDIATELY TRADITIONAL AND NON-TRADITIONAL COCA GROWING AREAS ON A NATIONAL BASIS, AS WELL AS OTHER MAJOR ANTI-NARCOTICS ACTIONS.

-- TO FURTHER EMPHASIZE THE IMPOSSIBILITY OF ENFORCING A DEFINITION THAT MAKES COCA GROWING ILLEGAL IN LARGE AREAS OF BOLIVIA, SANCHEZ DE LOZADA SAID HE

HAD RECENTLY FLOWN OVER SOUTHERN CALIFORNIA AND SEEN (WHEN A GOVERNMENT AGENT SITTING NEXT TO HIM POINTED THEM OUT) NUMEROUS TRACTS OF MARIJUANA GROWING. SINCE MARIJUANA CULTIVATION IS ILLEGAL IN CALIFORNIA AND THE ENFORCEMENT AUTHORITIES ARE NUMEROUS, WELL-EQUIPPED AND WELL-TRAINED, HE SAID, IMAGINE HOW MUCH MORE IMPOSSIBLE IT WOULD BE TO ENFORCE SUCH A LAW IN BOLIVIA. EVERYONE WOULD KNOW IT WAS IMPOSSIBLE AND WOULD IGNORE IT. AND ENFORCEMENT FAILURE WOULD BE EXTREMELY DAMAGING TO BOLIVIA'S CREDIBILITY AT HOME AND ABROAD.

-- SANCHEZ DE LOZADA CONCLUDED THIS PRESENTATION BY SAYING HE IS DISMAYED BY OPERATION "BLAST FURNACE". IT IS A MAJOR MISTAKE BECAUSE IT LACKS THE ACCOMPANYING EFFORTS IN OTHER AREAS (FOR EXAMPLE, ECONOMIC ALTERNATIVES FOR CAMPESINOS IN THE CHAPARE) FOR ANY LASTING RESULTS; IT IS PATENTLY UNCONSTITUTIONAL; AND THEREFORE IT BOTH UNDERMINES THE POLITICAL AND MORAL CREDIBILITY OF THE PAZ GOVERNMENT TO WHICH SANCHEZ DE LOZADA GIVES SUCH HIGH PRIORITY, AND IT UNNECESSARILY COMPOUNDS AN ALREADY TENSE POLITICAL AND SOCIAL CONTEXT FOR PAZ ESTENSORRO. HE ACCUSED THE AMBASSADOR OF FORCING PRESIDENT PAZ TO ACCEPT "BLAST FURNACE" BY THREATENING LOSS OF U.S. AID. (THE AMBASSADOR STRONGLY REJECTED THOSE ASSERTIONS.)

13. (C) SANCHEZ DE LOZADA SAID HE WISHED HE WERE FREE TO RETURN TO HIS SEAT IN THE SENATE SO HE COULD PUBLICLY ATTACK "BLAST FURNACE" AND "PIECEMEAL" ANTI-DRUG EFFORTS. AS IT IS, IN PUBLIC HE WILL ABIDE BY THE POSITIONS AND POLICIES PRESIDENT PAZ HAS APPROVED. AND, THOUGH HE DOESN'T EXPECT IT, HE FERVENTLY HOPES THAT "BLAST FURNACE" WILL SUCCEED.

BOTTOM LINE: ABANDON IDB LOAN RATHER THAN DEFINE "NON-TRADITIONAL" COCA AREAS

14. (C) INSOFAR AS THE IDB ADD-ON LOAN FOR THE NEW SANTA CRUZ-COCHABAMBA HIGHWAY IS CONCERNED, SAID SANCHEZ DE LOZADA, IF THE UNITED STATES CONTINUES TO DEMAND AS A PRECONDITION THE DECLARATION OF THE CHIMORE AND YAPACANI BT

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E.O. 12356: DECL: OADR  
TAGS: BL, EAID, IDB, SNARR  
SUBJECT: IDB ADD-ON LOAN FOR SANTA CRUZ-COCHABAMBA

AS "NON-TRADITIONAL" COCA AREAS, THEN HE WILL ABANDON  
THE LOAN APPLICATION AND THE ROAD.

AMBASSADOR'S COUNTER-ARGUMENTS RE CHIMORE AND YAPACANI

15. (C) IN HIS COUNTER-ARGUMENTS THE AMBASSADOR

-- ADAMANTLY REJECTED ANY SUGGESTION THAT HE OR THE  
UNITED STATES HAD IN ANY WAY PRESSURED OR FORCED  
PRESIDENT PAZ TO ACCEPT "BLAST FURNACE" AND SUGGESTED  
THAT IF SANCHEZ DE LOZADA HAD DOUBTS HE SHOULD CONSULT  
HIS PRESIDENT.

-- ACKNOWLEDGED THE FULL VALIDITY OF THE ECONOMIC AND  
SOCIAL RATIONALES FOR THE ADD-ON LOAN TO COMPLETE THE  
NEW SANTA CRUZ-COCHABAMBA HIGHWAY.

-- REAFFIRMED THE POLITICAL AND SOCIAL REALITIES IN  
BOLIVIA, WESTERN EUROPE AND THE U.S. THAT REQUIRE  
THAT MORE ACTION BE TAKEN AGAINST DRUG TRAFFICKING  
AND ASSOCIATED COCA GROWING NOW, ESPECIALLY WITH  
REGARD TO AREAS WHERE IT IS PROPOSED TO APPLY MAJOR  
AMOUNTS OF FOREIGN PUBLIC CAPITAL AND WHERE DRUG-  
DESTINED COCA CULTIVATION HAS BEEN INTRODUCED IN  
RECENT YEARS.

-- EMPHASIZED THAT WAITING UNTIL ECONOMIC RECOVERY IS  
WELL UNDER WAY BEFORE LAUNCHING THE OPTIMAL GLOBAL  
ATTACK AGAINST EXCESS COCA AND DRUG TRAFFICKING IN  
BOLIVIA (THE PRIORITY SANCHEZ DE LOZADA RIGIDLY  
DEMANDS) IS NO/NO LONGER AN OPTION AVAILABLE TO  
BOLIVIA.

-- POINTED OUT THAT EVEN IF A LAW IS NOT IMMEDIATELY  
ENFORCEABLE, IT CAN HAVE GREAT, ESSENTIAL VALUE AS  
A MORAL MARKER AND AS A WARNING OF LIKELY FUTURE  
ENFORCEMENT AND RETRIBUTION. IN EFFECT IT MAY DETER  
NEW TRANSGRESSORS. MOREOVER, THE PAZ ADMINISTRATION

. IMPLICITLY HAS ACCEPTED THIS VIEW OF THE VALUE OF LAW  
. IN SOME PREVIOUS DECREES INCLUDING PARTS OF THE  
. ECONOMIC REFORM DECREE OF AUGUST 1985 AND PARTS OF  
. THE TAX REFORM LAW APPROVED IN MAY 1986.

AMOUR PROPRE: SANCHEZ DE LOZADA DEMANDS RESPECT FOR  
ACCOMPLISHMENTS, ...

16. (C) IN A SPECIAL BURST OF FRUSTRATION SANCHEZ DE  
LOZADA ASKED "WHEN WILL THE UNITED STATES AGREE THAT THE  
PAZ ESTENSORO ADMINISTRATION CAN BE RESPECTED AND  
BELIEVED? INTERNATIONAL BANKS AND THE PARIS CLUB SAY  
BOLIVIA DESERVES RESPECT AND MERITS HELP. BUT THE UNITED  
STATES NOT ONLY REFUSES TO PROVIDE ADEQUATE AND TIMELY  
ECONOMIC ASSISTANCE, BUT IN AN ENDLESS SALAMI TACTIC PILES  
ON NEW ANTI-NARCOTICS DEMANDS EACH TIME BOLIVIA MEETS AN  
OLD ONE. THE UNITED STATES PROVIDED NO/NO IMMEDIATE CASH  
ASSISTANCE WHEN BOLIVIA MOST NEEDED IT EARLY LAST FALL,  
AND THE UNITED STATES WILL BE NO HELP IN THE CURRENT  
'BLAST FURNACE'-INDUCED RUN ON THE EXCHANGE MARKET." (THE  
AMBASSADOR DEMURRED BUT DID NOT ARGUE SANCHEZ DE LOZADA'S  
AID EXAGGERATIONS IN DETAIL GIVEN HIS HIGHLY EMOTIONAL  
STATE AT THIS POINT IN THE MEETING.)

17. (C) SANCHEZ DE LOZADA ALSO SAID HE HAD HAD ENOUGH  
SCURRILOUS, UNWARRANTED ABUSE FROM U.S. LEGISLATORS WHO  
ADDRESSED BOLIVIA ONLY TO BEAT UP ON IT, NEVER TO SOLVE  
PROBLEMS.

... FEARS ECONOMIC FAILURE

18. (C) A MORE FUNDAMENTAL EXPLANATION FOR SANCHEZ DE  
LOZADA'S INTRANSIGENT ATTITUDE IS THAT HE IS CONVINCED  
THAT WIDE-SCALE, VIGOROUS PROSECUTION OF THE ANTI-  
NARCOTICS ISSUE NOW WILL DESTROY BOLIVIA'S CHANCES FOR  
ECONOMIC RECOVERY. MORE THAN ANY OTHER PERSON IN THE  
GOVERNMENT, SANCHEZ DE LOZADA IS FATHER OF THE PAZ  
ADMINISTRATION'S ECONOMIC STABILIZATION AND RECOVERY  
STRATEGY. IT IS HIS BABY, AND HE FEARS IT IS GRAVELY  
THREATENED.

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From: NSJT --CPUA  
To: NSJRS --CPUA

Date and time 07/31/86 09:58:35

Bx

NOTE FROM: Jackie Tillman  
SUBJECT: BOLIVIA/NARCOTICS

As we approach the "what next" stage in Bolivia and narcotics, I wanted to revive an idea I had proposed during the NSDD/Narcotics deliberations that I still believe has merit. The newspapers are now discussing the economic aspects of the narcotics problem--how peasants can support themselves at somewhat the same level with out means of gaining a living than growing narcotics. I have believed for some time that narcotics at its root is a long-term economic developmental problem (as does SOUTHCOM Gen Galvin--he & I have discussed this). AID just doesn't have what it takes to seriously develop a development program--crop substitution is not really a viable option. I had proposed that the NSC hire an outside consultant to study this problem. This met with some resistance so it was discarded. But I think we ought to look at it again. If we assist in disrupting trafficking, we ought to care about the livelihood of the poor peasants that are affected. Then, fyi--I understand that the Bolivians are considering requesting a meeting with RR (this would probably be their foreign, planning and finance ministers) to personally deliver a response to the letter RR sent to Paz last week. This would fit in with the Pres's current efforts to highlight the drug problem. They are also toying around with requesting a meeting with RR with the Presidents of the Andean countries, but this is a less developed idea. When you have a few minutes, let's get together and chat.

*Bolivia*

cc: NSRBM --CPUA



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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD  
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PLEASE PASS TO DEPT OF LABOR FOR ILAB

E.O. 12356: DECL: DADR N/A  
TAGS: BL, ELAB, PGOV, PINS  
SUBJECT: PAZ ESTENSORO GOVERNMENT COMFORTABLY  
RIDES OUT FAILED LABOR-LED PLEBISCITE

REF: A. LA PAZ 6041 DTG 221811Z JULY 86  
B. LA PAZ 6211 DTG 252159Z JULY 86  
C. LA PAZ 6054 DTG 222245Z JULY 86 (NOTAL)

SUMMARY

1. (C) THE LABOR-SPONSORED PLEBISCITE AGAINST THE GOVERNMENT'S ECONOMIC PROGRAM AND THE FOREIGN DEBT TOOK PLACE JULY 25 IN ANTICLIMATIC CALM. AS EXPECTED, THOSE WHO VOTED OPPOSED PAYING TAXES OR THE FOREIGN DEBT BY A MARGIN OF APPROXIMATELY 95 PERCENT TO 4 PERCENT. HOWEVER, NATIONAL TURNOUT WAS SO EMBARRASSINGLY LOW THAT ORGANIZERS EXTENDED THE VOTING AN EXTRA DAY IN COCHABAMBA AND LA PAZ. THE BIG LOSERS WERE THE LEFTIST AND ULTRA-LEFTIST PARTIES WHO SOUGHT TO PROVOKE THE GOVERNMENT INTO CALLING A STATE OF SIEGE (REF A). WHILE THERE WERE NO WINNERS, THE GOVERNMENT, BY DISCREDITING THE ENTIRE PROCESS, SEEMS TO HAVE PREVAILED AGAINST THE DESTABILIZING EFFORTS OF THE LEFTIST FRINGE. THE BOLIVIAN PUBLIC IS GETTING TIRED OF THE BOLIVIAN WORKERS CENTRAL'S (COB) REFUSAL TO FACE REALITY, BUT THE EXTREMIST LABOR LEADERSHIP CAN BE EXPECTED TO DOGGEDLY PURSUE ITS DEMANDS FOR MASSIVE SALARY INCREASES, CONFRONTATIONS AND STRIKES. THE POST-PLEBISCITE OPENING VOLLEY IS A MINE WORKERS'S STRIKE ON JULY 30. END SUMMARY.

2. (LOU) THE COB-SPONSORED PLEBISCITE ON THE GOVERNMENT'S ECONOMIC POLICIES TOOK PLACE WITHOUT MAJOR INCIDENTS ON JULY 25 AFTER WEEKS OF NERVOUS ANTICIPATION (REFS A AND B). THE EVENT ITSELF -- WHICH HAD BEEN BILLED BY SOME AS "D-DAY" -- WAS DECIDEDLY ANTICLIMATIC. OVER 95 PERCENT OF THOSE WHO BOTHERED TO VOTE OPPOSED THE GOVERNMENT'S TAX LAW AND PAYMENT OF BOLIVIA'S FOREIGN DEBT. TURNOUT WAS FAR BELOW ORGANIZERS' EXPECTATIONS. THEY QUICKLY BLAMED GOVERNMENT "REPRESSION AND INTIMIDATION" (THERE WAS NONE THAT WE KNOW OF) FOR THE POOR TURNOUT. SOME ADMITTED THAT POOR PLANNING AND INEFFICIENCY MAY ALSO HAVE CONTRIBUTED. EMBARRASSED PLEBISCITE SUPPORTERS DECIDED TO KEEP THE PLEBISCITE OPEN AN ADDITIONAL DAY IN THE DEPARTMENTS (STATES) OF LA PAZ AND COCHABAMBA. BY JULY 29, THE PLEBISCITE ALREADY HAD BEEN RELEGATED TO THE BACK PAGES OF BOLIVIA'S NEWSPAPERS.

A DEFEAT FOR LABOR AND THE LEFTIST FRINGE

3. THE PLEBISCITE FAILED TO PROVOKE THE GOVERNMENT INTO PANICKING OR CALLING A STATE OF SIEGE, DESPITE THE INTENTIONS OF SOME OF THE PLEBISCITES' SUPPORTERS (REF A). IN FACT, FOR THE LEFTISTS AND ULTRA-LEFTISTS WHO HOPED THE PLEBISCITE WOULD SHOW A WEAK GOVERNMENT, THE ENTIRE EPISODE WAS A DEFEAT. THE GOVERNMENT HAS SHOWN THAT IT CAN PREVAIL AGAINST YET ANOTHER PROVOCATION FROM BOLIVIAN LABOR AND THE LEFTIST PARTIES WITHOUT RESORTING TO EXTREME MEASURES, SUCH AS A STATE OF SIEGE, THUS SAVING ITS TRUMP CARDS FOR POSSIBLE USE IN THE FUTURE.

QUESTIONS ABOUT PLEBISCITE'S OBJECTIVITY

4. (LOU) A NUMBER OF FACTORS COMBINED TO WEAKEN  
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BY RW NARA DATE 5/18/15

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PLEASE PASS TO DEPT OF LABOR FOR ILAB

E.O. 12356: DECL: OADR N/A  
TAGS: BL, ELAB, PGOV, PINS  
SUBJECT: PAZ ESTENSORD GOVERNMENT COMFORTABLY

POPULAR SUPPORT FOR THE PLEBISCITE:

- PUBLIC ATTENTION HAS BEEN FOCUSED ON THE  
ANTI-NARCOTICS RAIDS AND THE ENSUING DOMESTIC  
CONTROVERSY (REF C);
- THE PLEBISCITE ORGANIZERS' SKEWING OF THE  
ISSUES CONVINCED MANY THAT THE VOTE WAS  
BIASED AND NON-OBJECTIVE;
- THE CREDIBILITY OF THE VOTE WAS TARNISHED BY  
THE ORGANIZERS' FAILURE TO CREATE MECHANISMS  
TO PREVENT FRAUD AND TO VERIFY THE RESULTS; AND
- THE PLEBISCITE WAS PERCEIVED BY MANY AS A  
VEHICLE FOR THE FRINGE POLITICAL PARTIES.

PREDICTABLE OUTCOME BUT LOW TURNOUT

5. (U) AN EXAMINATION OF THE PRELIMINARY RESULTS OF THE JULY 25 VOTE SHOWS THAT OF THE 320,836 VOTES CAST, 306,191 (95.4 PERCENT) WERE AGAINST THE GOVERNMENT'S TAX LEGISLATION AND PAYMENT OF THE FOREIGN DEBT, WHILE 14,468 (4.5 PERCENT) SUPPORTED THESE STEPS. WHEN COMPARED WITH THE TURNOUT FOR THE JULY 14, 1985 NATIONAL ELECTIONS, VOTING WAS HEAVIEST IN ORURO (42.5 PERCENT COMPARED WITH 1985), COCHABAMBA (28.6 PERCENT), AND CHUQUISACA (29.4 PERCENT). NATIONALLY, VOTER TURNOUT WAS 23.5 PERCENT OF POTENTIAL VOTERS IN

ALL DEPARTMENTS EXCEPT THE BENI, PANDO (WHERE THERE ARE VIRTUALLY NO REPORTED RESULTS), AND SANTA CRUZ (WHERE TURNOUT WAS SO LOW THAT THE PLEBISCITE SUPPORTERS HAVE NOT RELEASED ANY RESULTS).

LEFT FRINGES AND LABOR CALL PLEBISCITE "VICTORY"

6. (U) DESPITE THE POOR TURNOUT, COB LABOR LEADERS JUAN LECHIN AND WALTER DELGADILLO CONTINUE TO DESCRIBE THE VOTE AS A "VICTORY" AND TO CALL FOR "CIVIL DISOBEDIENCE" AGAINST PAYING TAXES (REF B). MINERWORKER HEAD AND BOLIVIAN COMMUNIST PARTY FIRST SECRETARY SIMON REYES RIVERA ALSO CALLED THE VOTE A VICTORY, WHILE FILOMEN ESCOBAR, MINE UNION SECRETARY OF CONFLICTS, DESCRIBED THE VOTE AS A "DEFEAT" FOR THE PAZ ESTENSORD GOVERNMENT. MOVEMENT OF THE REVOLUTIONARY LEFT-FREE BOLIVIA (MIR-BL) LEADER ANTONIO ARANIBAR IMAGINATIVELY INTERPRETED THE RESULTS AS SHOWING THAT THE BOLIVIAN PEOPLE DO NOT SUPPORT THE PRESENCE OF U.S. TROOPS IN BOLIVIA. THE COB HAS CALLED FOR A NATIONAL MEETING ON AUGUST 2 TO STUDY THE RESULTS OF THE PLEBISCITE AND TO MAKE RECOMMENDATIONS FOR FURTHER ACTION.

COMMENT

7. (C) BY NOT PRECIPITOUSLY ALLOWING ITSELF TO BE PROVOKED BY THE PLEBISCITE, THE BOLIVIAN GOVERNMENT HAS EMERGED A "WINNER" AT THE EXPENSE OF THE BANAL, UNREALISTIC RHETORIC AND "SOLUTIONS" OF THE LEFT-LEANING COB AND THE ULTRA-LEFTIST

PARTIES. THE PLEBISCITE FAILED BECAUSE BOLIVIANS APPEAR TO BE ENERVATED BY THE CONFRONTATIONAL TACTICS OF LABOR AND THE LEFTIST FRINGE, AND THEIR REFUSAL TO COME TO GRIPS WITH BOLIVIA'S GRIM ECONOMIC FACTS SUCH AS THE COLLAPSE OF THE WORLD TIN MARKET. THE COB AND THE LEFT FRINGE ALLEGATIONS THAT THE PAZ ESTENSORD GOVERNMENT IS AN ILLEGITIMATE, REPRESSIVE REGIME THAT IS NO DIFFERENT THAN PREVIOUS MILITARY GOVERNMENTS, FOR NOW HAVE  
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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD  
DEPT FOR S/IL AND T.J. CLEAR - INR/GR  
PLEASE PASS TO DEPT OF LABOR FOR ILAB

E.O. 12356: DECL: OADR N/A  
TAGS: BL, ELAB, PGOV, PINS  
SUBJECT: PAZ ESTENSSORO GOVERNMENT COMFORTABLY

FALLEN ON DEAF EARS. LABOR'S CREDIBILITY WILL  
CONTINUE TO DECLINE IF, FLYING IN THE FACE  
OF REALITY, IT CONTINUES TO CALL FOR MORE  
GOVERNMENT SPENDING TO SUBSIDIZE THE INEFFICIENT  
AND EXPENSIVE MINING INDUSTRY. THE MINE WORKERS'  
GENERAL INDEFINITE STRIKE DEMANDING SALARY IN-  
CREASES AND SUBSIDIZED JOBS HAS BEEN POST-  
PONED FROM JULY 28 (REF B) TO JULY 30 IN ORDER  
TO LOBBY FOR THE SUPPORT OF THE DEPARTMENTAL  
CIVIC COMMITTEES WHICH CURRENTLY ARE MEETING  
IN COCHABAMBA. AT THIS READING IT LOOKS  
TO US LIKE THE MINERS' STRIKE WILL BE AS  
ANITCLIMACTICAL AS THE PLEBISCITE. (DRAFTED BY: POL-  
HO' HARA) ROWELL  
BT

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THE POLITICAL RISKS THE PAZ GOVERNMENT IS FACING DUE TO  
BLAST FURNACE; AND THE CHANCES FOR LONG-TERM SUCCESS IN  
INTERDICTION OF COCAINE IN BOLIVIA.

4. ALTHOUGH KRAUS WAS UNABLE TO GIVE AN EXACT DATE ON  
WHICH THE PROGRAM WILL BE AIRED IN THE U.S., HE SAID THE  
EARLIEST IT IS LIKELY TO BE SHOWN WILL BE AUGUST 6,  
TIMED TO COINCIDE WITH THE FIRST ANNIVERSARY OF THE PAZ  
GOVERNMENT. HOFFMANN  
BT

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*Bolivia*

UNCLAS LA PAZ 06349

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD  
USIA FOR AR  
AMEMBASSY LIMA ALSO FOR DEA

E.O. 12356 DFCL OADR  
TAGS BL, SNAR, MARR, PREL, PGOV  
SUBJECT: AMBASSADOR INTERVIEWED BY MCNEIL-LEHRER NEWS

REF: STATE 226791

1. ON JULY 31, THE AMBASSADOR WAS INTERVIEWED ON CAMERA  
BY CHARLES KRAUS OF THE MCNEIL-LEHRER PROGRAM. IN THE  
THIRTY-MINUTE INTERVIEW, THE AMBASSADOR STRESSED THE PAZ  
ESTENSORO GOVERNMENT'S RESOLVE TO COMBAT  
NARCOTRAFFICKING AND THE GOB'S REALIZATION OF THE THREAT  
DRUGS POSE TO BOLIVIAN SOCIETY AND THE DEMOCRATIC  
PROCESS. THE AMBASSADOR ALSO EMPHASIZED THE FACT THAT  
OPERATION BLAST FURNACE WAS A GOB INITIATIVE.

2. IN RESPONSE TO A QUESTION SUGGESTING DISAPPOINTING  
RESULTS IN THE OPERATIONS TO DATE, THE AMBASSADOR  
DESCRIBED THE SIGNIFICANT DAMAGE DONE TO THE COCAINE  
ECONOMY IN BOLIVIA. HE NOTED THAT THE PRICE OF A  
HUNDRED WEIGHT OF COCA LEAVES HAS FALLEN TO A RECORD LOW  
OF TWENTY DOLLARS, AND POINTED OUT THAT THE PROCESSING  
AND SHIPPING OF COCAINE IN THE COUNTRY HAVE VIRTUALLY  
CEASED SINCE BLAST FURNACE BEGAN. HE EMPHASIZED THAT  
THE STRATEGY OF THE OPERATION WAS PRECISELY TO DISRUPT  
THE DRUG ECONOMY.

3. OTHER TOPICS DISCUSSED IN THE INTERVIEW INCLUDED THE  
LONG-STANDING DEA-GOB COOPERATIVE RELATIONSHIP; USAID'S  
EFFORTS TO PROVIDE AN ALTERNATIVE TO COCA PRODUCTION;

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REPLACE THE PLANTING OF COCA...

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"THIS SITUATION SHOWS US HOW URGENT IT IS THAT DRUG TRAFFICKING BE COMPLETELY ENDED IN OUR COUNTRY. IN EITHER CASE THERE WILL BE HARM TO THE COUNTRY, WHETHER SOMETHING IS DONE OR NOT. THOUSANDS OF PEASANTS ARE AFFECTED--ONE WAY OR THE OTHER--BY THE CRIMINAL ACTION OF DRUG TRAFFICKING."

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AMEMBASSY BOGOTA 5190  
AMEMBASSY BRASILIA 5356  
AMEMBASSY LIMA 3623  
AMEMBASSY QUITO 5176

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UNCLAS SECTION 01 OF 02 LA PAZ 06367

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD  
USIA FOR AR  
AMEMBASSY LIMA ALSO FOR DEA

E.O. 12356 DFCL OADR

TAGS BL, SNAR, MARR, PREL, PGOV  
SUBJECT: JULY 30 BLAST FURNACE MEDIA REACTION

3. DIRECTLY ABOVE A USIS ARTICLE BY LOUISE FENNER ON AN INCREASE OF DEATHS DUE TO COCAINE, "PRESENCIA" ALSO CARRIED AN OP-ED PIECE ENTITLED: "PRODUCTION AND MARKETING OF COCA": "IS IT POSSIBLE THAT THERE WAS NO OTHER ALTERNATIVE THAN THIS EXTREME ONE, WHICH, ASIDE FROM WOUNDING OUR SOVEREIGNTY, SPEAKS VERY POORLY OF THE CAPACITY OF OUR SECURITY ORGANIZATIONS?..."

"THE LEGALIZATION OF THIS ACTIVITY INVOLVES AN ETHICAL PROBLEM, BECAUSE IMPLICITLY IT WOULD MEAN THE APPROVAL OF THE SELF-ELIMINATION OF MANY PEOPLE. WELL THEN, HOW CAN WE ATTACK THIS PROBLEM IF NOT BY MEANS OF VIOLENT ERADICATION? THE SOLUTION HAS BEEN STATED NUMEROUS TIMES, AND IT IS SUSTAINED BY REASON BEFORE FORCE, AND THAT IS TO STIMULATE THE COCA PRODUCERS TO CHANGE THEIR CROPS. AS EASY AS THAT, BUT AT THE SAME TIME IMPOSSIBLE DUE TO THE LACK OF RESOURCES TO MAKE THAT DECISION VIABLE....

"THIS DOESN'T MEAN THAT A CONTRIBUTION TO SOLVE OUR PROBLEMS WILL BE NECESSARY; SIMPLY, WE ARE TALKING OF SHARING THE BURDENS: WE PROVIDE A SOLUTION WITHOUT AFFECTING OUR PRODUCTIVE ACTIVITY, WITHOUT CREATING SOCIAL UNREST, WITHOUT PUTTING PRESSURE ON THE WEAKER, WITHOUT DEFORMING INSTITUTIONAL IMAGES, AND THOSE MOST

AFFECTED SUPPORT THE PROGRAM WHICH WILL FAVOR THEM FULLY IN THE END.

"WE ARE RAPIDLY APPROACHING THE TWENTY-FIRST CENTURY, AND IT IS NO LONGER POSSIBLE TO ENCOURAGE OR BELIEVE IN A WORLD IN WHICH EMPIRES EXIST, AND MUCH LESS TO ADMIT THAT A COUNTRY LIKE OURS ACCEPTS IMPLICITLY THIS SITUATION. EVERYBODY MAKES MISTAKES, THOSE WHO GOVERN AND THOSE WHO ARE GOVERNED; ONLY THE INTELLIGENT ON BOTH SIDES KNOW HOW TO CORRECT THEM."

BT

1. MEDIA REACTION TO OPERATION BLAST FURNACE CONTINUES TO BE EXTENSIVE IN ALL MAJOR PAPERS; TRANSLATIONS OF REPRESENTATIVE ARTICLES FOLLOW:

2. THE INFLUENTIAL LA PAZ DAILY "PRESENCIA" CARRIED AN EDITORIAL ENTITLED: "SOCIAL PROBLEMS IN THE CHAPARE," WHICH SAID IN PART THAT "THE ARCHBISHOP OF THE DEPARTMENT OF COCHABAMBA HAS NOTED THAT DUE TO THE ANTI-DRUG OPERATIONS IN RECENT DAYS IN THE DEPARTMENT OF THE BENI UNEMPLOYMENT HAS INCREASED IN THE CHAPARE REGION. THAT FACT HAS BEEN CONFIRMED BY THE PRELATE IN ONE OF HIS LAST VISITS TO THAT REGION ON HIS PASTORAL ROUNDS.

"THE EXODUS OF UNEMPLOYED FROM THE CHAPARE TO THE CITY OF COCHABAMBA BECOMES GREATER EVERY DAY. THE PRODUCTION OF COCA GAVE WORK TO THOUSANDS OF PEASANTS, WITHOUT THEIR WORRYING TOO MUCH WHETHER THE LEAVES THEY HARVESTED WERE DESTINED FOR THE PRODUCTION OF DRUGS OR FOR DOMESTIC USE IN THE COUNTRY AND IN THE MINES.

"PEOPLE HAVE OFTEN TALKED ABOUT THE NEED TO REPLACE COCA, RELYING ON AN EFFECTIVE PLAN AND UTILIZING RESOURCES OF THE U.S. GOVERNMENT. THIS COULD BE THE OPPORTUNITY TO TAKE ADVANTAGE OF THAT OFFER AND TO BRING TOGETHER THE PEASANTS OF THE CHAPARE REGION TO BEGIN TO

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OPERATIONS DON'T MEAN MUCH.

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"HOWEVER, AND IN SPITE OF THE FACT THAT EVEN THE REPORTS FROM THE DEA DIDN'T WORK OUT SO WELL--THERE HAVE ALREADY BEEN THREE FAILED OPERATIONS DUE TO WRONG INFORMATION--IT WOULD BE AN EXAGGERATION TO AFFIRM THAT THE BALANCE IS NEGATIVE. THE BATTLE AGAINST DRUG TRAFFICKING IS UNEVEN. ITS POWER IS AND WILL ALWAYS BE ENORMOUSLY GREATER THAN ANY OTHER THAT WANTS TO FIGHT IT, AS IS PROVED BY THE DEFENSELESSNESS OF THE U.S., WHICH CANNOT CONTROL IT EVEN IN ITS OWN TERRITORY.

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DE RUEHLP #6367/02 2131356  
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FM AMEMBASSY LA PAZ

"THE IMPORTANT AND DECISIVE ELEMENT IS THAT, FINALLY, THE PROBLEM OF DRUG TRAFFICKING HAS BEEN CONFRONTED IN AN ENERGETIC WAY AND WITH A LONG-TERM OPERATION...

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AMEMBASSY BOGOTA 5191  
AMEMBASSY BRASILIA 5357  
AMEMBASSY LIMA 3624  
AMEMBASSY QUITO 5177

"GIVEN THE JUST CAUSE THAT HAS MOTIVATED THE PRESENT OPERATION--AND THAT IT WILL NO DOUBT LAST FOR A LONG TIME--AND TAKING INTO ACCOUNT THE FACT THAT WE HAD BEEN ASKING THAT HELP FROM THE UNITED STATES IN THE BATTLE AGAINST DRUG TRAFFICKING NOT BE AIMED MAINLY AT THE REDUCTION OF COCA PLANTATIONS BUT AT THE INTERDICTION OF THE ACTIVITY OF THE DRUG TRAFFICKERS; CONSIDERING ALL THIS, THEN, WITH A REASONABLE ATTITUDE THAT AVOIDS ANY EXCESSIVE LEGALISTIC SCRUPULOSITY, THE JOINT BOLIVIAN-AMERICAN ACTION WILL END UP BEING ACCEPTED AND APPLAUDED." HOFFMANN  
BT

UNCLAS SECTION 02 OF 02 LA PAZ 06367

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD  
USIA FOR AR  
AMEMBASSY LIMA ALSO FOR DEA

E.O. 12356 DFCL OADR  
TAGS BL, SNAR, HARR, PREL, PGOV  
SUBJECT: JULY 30 BLAST FURNACE MEDIA REACTION

4. THE SAME DAILY ALSO PUBLISHED AN ARTICLE ENTITLED "LAWYERS ASK FOR THE WITHDRAWAL OF SOLDIERS FROM THE U.S.," EXCERPTS FROM WHICH READ AS FOLLOWS: "THE BAR ASSOCIATION OF THE BENI HAS PROTESTED AGAINST THE PRESENCE OF 170 AMERICAN SOLDIERS SENT TO COMBAT DRUG TRAFFICKING, AND ASKED CONGRESS TO OBTAIN THEIR IMMEDIATE WITHDRAWAL FROM OUR COUNTRY..."

"FOR THEIR PART, THE MOVEMENT OF THE REVOLUTIONARY LEFT FREE BOLIVIA (ONE BRANCH OF THE MIR PARTY), SAID THAT ITS PARLIAMENTARIANS WOULD FILE A SUIT AGAINST THE CURRENT GOVERNMENT ACCUSING IT OF VIOLATING THE POLITICAL CONSTITUTION."

5. FINALLY, THE AFTERNOON DAILY "ULTIMA HORA" CARRIED AN EDITORIAL ON JULY 29 ENTITLED "A POSITIVE EVALUATION OF THE ANTI-DRUG OPERATIONS": "THE BOLIVIAN GOVERNMENT, AS WELL AS THE SOLDIERS OF THE MILITARY OF THE UNITED STATES WHO ARE HERE, HAVE HAD TO RESIGN THEMSELVES TO A SUCCESS BASED ON THE SUPPOSITION THAT THE PROCESSING OF THE DRUG HAS BEEN INTERRUPTED, AND ON THE PARTIAL REALITY THAT THE DRUG TRAFFICKERS HAVE LEFT. COMPARED TO THE ACTIONS CARRIED OUT TWO YEARS AGO IN COLOMBIA, FOR EXAMPLE, WHEN LIKEWISE WITH NORTH AMERICAN SUPPORT, TEN TONS OF COCAINE WERE CONFISCATED IN A LABORATORY PICTURESQUELY NAMED TRANQUILANDIA, THE BOLIVIAN

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*Bolivia*

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Presidency of the Republic

La Paz, August 1, 1986

My dear Mr. President and good friend:

Thank you for your thoughtful letter of July 24, and your positive thoughts regarding my government's energetic effort to overcome narcotics trafficking.

We have launched a difficult, multi-faceted undertaking. We Bolivians are ready to carry this battle forward with the greatest seriousness and efficiency. I would like to highlight the cooperation provided to us by the Government of the United States of America. With adequate assistance we will continue tirelessly in this war against drugs. We cannot, however, just be content with short-term, police operations. After losing their intensity and momentum, these operations could provoke adverse results contrary to what we desire. For this reason I am taking the liberty of enclosing the letter which my Minister of Foreign Relations has sent today to the Secretary of State of your illustrious Government.

I am certain, Mr. President, that the battle we have begun against the terrible cancer of drug trafficking requires joint action, not only by our governments but also by the other friendly nations of the hemisphere which suffer this same scourge. Accordingly, I believe there is a compelling need for a meeting of the Chiefs of State of Brazil, Colombia, Ecuador, Peru, Venezuela, and the United States, before the end of the year, to define our common policies in this most pressing matter. This meeting could be convoked jointly by the United States of America and Bolivia and held in the city of Santa Cruz de la Sierra (Bolivia).

I thank you for your consideration of this matter, and extend my warmest personal regards.

(Signed)

V. Paz Estenssoro

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BY RW NARA DATE 5/18/15

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LIMDIS

USCINGSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, MARR, PREL, PGOV, EFIN, EAD  
SUBJECT: BOLIVIANS SEEK ADDED HELP TO FIGHT DRUGS  
AND SAVE ECONOMIC RECOVERY

REF: LA PAZ 6329 DTG 302145Z JUL 86

SUMMARY

1. (S) PRESIDENT PAZ ESTENSORD AND HIS GOVERNMENT ARE NOW TOTALLY COMMITTED TO A "WAR TO THE FINISH" AGAINST DRUG TRAFFICKING AND DRUG-DESTINED COCA CULTIVATION. THEY PLUNGED INTO THIS DECISION WHEN THEY AGREED TO OPERATION "BLAST FURNACE". THE ECONOMIC AND POLITICAL FALLOUT FROM "BLAST FURNACE" COMPOUNDS OTHER PROBLEMS WHICH, ON THEIR OWN, ARE DRIVING THE GOVERNMENT TO DECLARE A STATE OF SEIGE IN THE NEXT TWO-THREE WEEKS. THE BOLIVIAN GOVERNMENT REGARDS THE UNITED STATES AS A PARTNER IN ITS ANTI-DRUG EFFORT AND WANTS TO SEND A HIGH-LEVEL DELEGATION TO WASHINGTON APPROXIMATELY AUGUST 12-18 TO DISCUSS:

-- HELP TO GET THROUGH THE ECONOMIC CRISIS THAT THE ANTI-DRUG CAMPAIGN HAS PRODUCED IN THE FOREIGN EXCHANGE MARKET;

-- RESOURCES NECESSARY TO SUSTAIN FOR A LONG PERIOD THE ANTI-NARCOTICS CAMPAIGN AND THE COCA ERADICATION EFFORT;

-- AND MECHANISMS TO ACCELERATE FOREIGN DEVELOPMENT

ASSISTANCE IN ORDER TO CREATE A PICK-UP IN THE ECONOMY.

2. (S) IF THE PAZ GOVERNMENT DOES NOT/NOT RECEIVE THE HELP IT NEEDS, WE WILL LOSE THE BEST CHANCE WE COULD POSSIBLY HAVE FOR ANY EFFECTIVE NARCOTICS PROGRAM IN BOLIVIA. THE GOVERNMENT'S ECONOMIC PROGRAM ITSELF COULD COLLAPSE. AND, IN THAT CASE, THE PAZ ADMINISTRATION WOULD BE AT RISK, AND EVERY ONE OF OUR TOP THREE NATIONAL INTERESTS IN BOLIVIA WOULD BE SERIOUSLY, PERHAPS IRREPARABLY DAMAGED. END SUMMARY.

AMBASSADOR'S JULY 31 MEETING WITH KEY CABINET OFFICERS

3. (U) FOREIGN MINISTER BEDREGAL ASKED THE AMBASSADOR TO A PRIVATE MEETING THE MORNING OF JULY 31. WITH BEDREGAL WERE PLANNING MINISTER GONZALO (GONY) SANCHEZ DE LOZADA, INTERIOR MINISTER BARTHELEMY, FINANCE MINISTER CARIAGA, TRANSPORT MINISTER (KEY PAZ POLITICAL ADVISOR) PETRICEVIC AND CENTRAL BANK PRESIDENT NOGALES. THE SESSION LASTED ONE AND-A-HALF HOURS.

4. (C) THE AMBASSADOR HAD RECEIVED A HEADS-UP THE NIGHT OF JULY 30 FROM SANCHEZ DE LOZADA'S BROTHER, TONY (CONTROLLER GENERAL OF BOLIVIA), WHO SAID THE CABINET HAD JUST CONCLUDED THREE DAYS OF TENSE AND CONTROVERSIAL INTERNAL DEBATE OVER WHERE TO GO FROM HERE ON THE ANTI-NARCOTICS PROGRAM AND THE ECONOMIC RECOVERY PROGRAM. PRESIDENT PAZ HAD SAID THE COUNTRY HAD NO CHOICE EXCEPT TO GO AFTER THE NARCO-TRAFFICKERS WHEN THE UNITED STATES OFFERED HELICOPTER ASSISTANCE, AND THAT NOW THAT BOLIVIA HAS OPENED A WAR AGAINST THE TRAFFICKERS IT MUST FIGHT IT TO THE END. GONY AGREED WITH THE PRESIDENT AND DESPITE MISGIVINGS OF FINANCIAL TECHNICIANS, THE GOVERNMENT IS NOW IN LOCK-STEP.

SITUATION: STATE OF SIEGE LIKELY; FOREIGN EXCHANGE LOSS DUE TO "BLAST FURNACE" CREATES HOBSON'S CHOICE

5. (C) POLITICAL: THE GOVERNMENT EXPECTS TO HAVE TO IMPOSE A STATE OF SIEGE WITHIN THE NEXT TWO TO THREE BT

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BY RWS NARA DATE 5/18/15

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E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, MARR, PREL, PGOV, EFIN, EAID  
SUBJECT: BOLIVIANS SEEK ADDED HELP TO FIGHT DRUGS

WEEKS. DRIVING FACTORS ARE INCREASING STRIKES (THE GOVERNMENT AIRLINE -- LAB; PETROLEUM WORKERS; RAILROAD WORKERS COMING UP), PLUS ADVERSE REACTIONS AGAINST THE CONTINUING LID ON PUBLIC SECTOR WAGE INCREASES (TO BE ANNOUNCED IN EARLY AUGUST), PLUS PEASANT DEMONSTRATIONS AGAINST THE ANTI-NARCOTICS POLICY. A MASSIVE DEMONSTRATION WAS EXPECTED IN COCHABAMBA JULY 31, PERHAPS AS MANY AS 50,000. INTERIOR MINISTER BARTHELEMY SAID HE EXPECTS MORE SUCH DEMONSTRATIONS, POSSIBLY INCLUDING LA PAZ WHERE PEASANTS FROM THE YUNGAS WOULD CONGREGATE. THE GOVERNMENT ALSO EXPECTS THAT THE CONGRESSIONAL ATTITUDE AGAINST HAVING ADMITTED U.S. MILITARY PERSONNEL WITHOUT PERMISSION WILL BE EXPLOITED AS PART OF A MASSIVE CAMPAIGN SPONSORED BY THE ULTRA-LEFT AND TRAFFICKER-FINANCED INTERESTS. SUCH A CAMPAIGN COULD CREATE OTHER DISTURBANCES INCLUDING EFFORTS TO BLOCKADE ACCESS TO LA PAZ.

6. (C) MILITARY: VARIOUS ELEMENTS WITHIN THE ARMED FORCES ARE BEGINNING TO DISCUSS AMONG THEMSELVES HOW THE MILITARY CAN MOVE INTO THE ANTI-NARCOTICS CAMPAIGN AND THEREBY GET U.S. EQUIPMENT AND TRAINING. IN THE FIRST INSTANCE, THIS MEANS SUBSTITUTING FOR THE U.S. FORCES IN BOLIVIA, AND IN THE SECOND MAYBE EVEN TAKING OVER SOME UMOPAR FUNCTIONS. SUCH DECISIONS DO NOT IMPLY MILITARY CONNIVING AGAINST THE GOVERNMENT. BUT THEY DO UNDERSCORE MILITARY DISSATISFACTION, AND A COMMUNICATIONS NET IS BEING ACTIVATED WHICH LATER COULD BE DIVERTED TO MORE

NEFARIOUS SCHEMING IF THE GOVERNMENT GETS INTO SERIOUS POLITICAL OR ECONOMIC DIFFICULTY.

7. (C) ECONOMIC: LIQUID FOREIGN EXCHANGE RESERVES AT THE MOMENT TOTAL APPROXIMATELY 88.1 MILLION DOLLARS. DOLLARS SOLD TO THE CENTRAL BANK SINCE THE BEGINNING OF "BLAST FURNACE" HAVE BEEN RUNNING AT ABOUT TWO MILLION DOLLARS PER DAY, THE RATE WHICH HAS PREVAILED SINCE LAST FALL. BUT DEMAND ON THE CENTRAL BANK HAS SURGED, PRESUMABLY BECAUSE NARCO-DOLLAR CURRENCY HAS STOPPED COMING INTO THE COUNTRY. AS A RESULT, NET RESERVE LOSSES SINCE THE INITIATION OF "BLAST FURNACE" HAVE BEEN RUNNING ABOUT 11.5 MILLION DOLLARS PER WEEK -- A RATE THAT WOULD EXHAUST RESERVES IN EIGHT OR NINE WEEKS (REFTEL). THE RATE OF OUTFLOW MAY DIMINISH AS THE VOLUME OF PESOS IN PRIVATE SECTOR HANDS DECLINES. THE CENTRAL BANK IS STUDYING THIS ASPECT AND WILL RECEIVE ADDITIONAL CONSULTATIVE ASSISTANCE FROM HARVARD PROFESSOR JEFFREY SACHS STARTING AUGUST 5. IN THIS REGARD, FINANCE MINISTER CARIAGA SAID DEPOSITS CURRENTLY IN PRIVATE BANKS TOTAL 160 TRILLION (TEN TO THE TWELFTH) PESOS AND 60 MILLION DOLLARS. THE GOVERNMENT ESTIMATES M-1 AT 260 TRILLION PESOS AND M-2 AT 560 TRILLION PESOS. THE REASON FOR THE DRAW-DOWN ON FOREIGN EXCHANGE RESERVES IS THE SHARP SURGE IN PRIVATE DEMAND FOR DOLLARS. PRESUMABLY THIS ARISES BECAUSE OF A SUBSTANTIAL DROP IN DOLLAR CURRENCY COMING INTO THE ECONOMY FROM NARCO-TRAFFICKERS. BUT SOME OF THE ADDED DEMAND ALSO MAY BE PSYCHOLOGICAL, REFLECTING PUBLIC ANTICIPATION OF NEGATIVE ECONOMIC IMPACT FROM "BLAST FURNACE". SUCH PSYCHOLOGICAL SWINGS ARE COMMON IN BOLIVIA'S THIN MARKET.

HOBSON'S CHOICE: DEVALUE OR EXHAUST RESERVES -- EITHER

KILLS ECONOMIC PROGRAM

8. (C) THE IMF IS PRESSING THE GOVERNMENT FOR AN IMMEDIATE AND DRASTIC DEVALUATION IN ORDER TO STAUNCH THE FOREIGN EXCHANGE LOSS. THE MINISTERS DID NOT GIVE THE AMBASSADOR A FIGURE, BUT TONY SANCHEZ DE LOZADA THE PREVIOUS NIGHT HAD SAID THE FUND IS RECOMMENDING SOMEWHERE IN THE NEIGHBORHOOD OF 2.5 TO 3.0 MILLION PESOS PER DOLLAR.  
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LIMDIS

USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, MARR, PREL, PGOV, EFIN, E AID  
SUBJECT: BOLIVIANS SEEK ADDED HELP TO FIGHT DRUGS

9. (C) EITHER OF THE ALTERNATIVES CURRENTLY BEING PROPOSED -- RADICAL DEVALUATION OR EXHAUSTION OF FOREIGN EXCHANGE RESERVES -- WOULD PROBABLY TRIGGER PUBLIC PANIC AND MASS DEMAND FOR FOREIGN EXCHANGE. THE EXCHANGE RATE HAS BEEN STEADY FOR SIX MONTHS. BECAUSE OF THIS, THE BOLIVIAN PUBLIC HAS BEGUN TO BELIEVE THAT THE GOVERNMENT ECONOMIC PROGRAM CAN SUCCEED. BUT EVEN ILLITERATE BOLIVIANS STILL THINK BASICALLY IN TERMS OF DOLLARS AND DO THEIR COMMERCE ON THE BASIS OF DOLLAR CALCULATIONS (ALTHOUGH PRICES MAY BE QUOTED IN PESOS). A PANIC PROBABLY WOULD DESTROY THE RECOVERY PROGRAM AND THE BANKING SYSTEM AND PERHAPS PROVOKE THE FALL OF THE GOVERNMENT. OBVIOUSLY, IF THE COUNTRY RUNS OUT OF FOREIGN EXCHANGE AND CANNOT MEET PUBLIC DEMAND, THAT WOULD HAVE THE SAME EFFECT.

10. (C) THE PROBLEM IS BECOMING MORE ACUTE BECAUSE OF INCREASING MEDIA SPECULATION, SOME OF IT PROMPTED BY NARCOTICS INTERESTS AND ULTRA-LEFTISTS, THAT THE ATTACK ON THE TRAFFICKERS DOOMS BOLIVIA'S ECONOMY. A SUBSTANTIAL DEVALUATION WOULD BE TAKEN TO MEAN THE DOOMSAYERS ARE RIGHT. AT THE CONCLUSION OF THE CABINET DEBATES JULY 30, THE GOVERNMENT DECIDED TO KEEP PUMPING RESERVES INTO THE MARKET RATHER THAN COMMIT IMMEDIATE SUICIDE THROUGH A MAJOR DEVALUATION.

11. (C) COMMENT: THE GOVERNMENT'S VIEW OF THE PSYCHOLOGICAL IMPACT OF DEVALUATION IS PROBABLY ACCURATE. UNFORTUNATELY, THE CHANCE TO GRADUALLY DEVALUE A MODERATE AMOUNT WITHOUT UNDUE PSYCHOLOGICAL IMPACT WAS LOST ONCE THE GOVERNMENT WENT TO "WAR" AGAINST THE TRAFFICKERS WITH "BLAST FURNACE". ALTHOUGH THE IMF WANTS IMMEDIATE DEVALUATION, NEITHER IT NOR ANYONE ELSE HAS A GOOD ESTIMATE OF WHAT A REASONABLE PESO/DOLLAR EXCHANGE RATE WOULD BE.

BILATERAL PROPOSALS: HIGH-LEVEL DELEGATION TO WASHINGTON;  
CONGRESSMEN TO BOLIVIA

12. (C) FOREIGN MINISTER BEDREGAL SAID THE BOLIVIAN GOVERNMENT, SPECIFICALLY INCLUDING PRESIDENT PAZ ESTENSSORO, REGARDS ITSELF AS IN A PARTNERSHIP WITH THE UNITED STATES IN THE WAR AGAINST DRUGS. IN THAT LIGHT THE GOVERNMENT IS PLANNING TO SEND A HIGH-LEVEL DELEGATION TO WASHINGTON. PROPOSED DATES ARE AUGUST 12-18. THE DELEGATION WOULD CONSIST OF PLANNING MINISTER SANCHEZ DE LOZADA, FINANCE MINISTER CARIAGA, AND POSSIBLY FOREIGN MINISTER BEDREGAL. THEY ARE UNCERTAIN ABOUT BEDREGAL BECAUSE THEY THINK THEY MAY NEED HIM IN THE COUNTRY IF THEY HAVE TO DECLARE A STATE OF SIEGE.

13. (LOU) THE DELEGATION WOULD PLAN TO MAKE A FACTUAL PRESENTATION ON THE BOLIVIAN SITUATION AND WHAT IS NEEDED TO HELP BOLIVIA SUCCESSFULLY CONCLUDE ITS WAR ON DRUGS. ALTHOUGH THEY HAD TALKED ABOUT COMING AS EARLY AS AUGUST 5, THEY HAVE CONCLUDED THAT IT WOULD TAKE AT LEAST A WEEK LONGER TO MAKE SURE THEY HAVE

DONE ALL OF THEIR HOMEWORK THOROUGHLY AND CORRECTLY. (GONY SANCHEZ DE LOZADA INSISTED ON THIS.)

14. (C) THE DELEGATION WOULD LIKE TO TALK WITH PRESIDENT REAGAN, VICE PRESIDENT BUSH, SECRETARY OF STATE SHULTZ AND SECRETARY OF THE TREASURY BAKER. THEY MAY ALSO DECIDE AT SOME POINT THAT IT WOULD BE USEFUL TO TALK WITH FEDERAL RESERVE CHAIRMAN VOLKER AND PERHAPS WITH SOMEONE IN THE DEFENSE DEPARTMENT.

15. (C) THE PRINCIPAL THEMES THEY WOULD TOUCH WOULD BE:  
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LIMDIS

USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, MARR, PREL, PGOV, EFIN, EAID  
SUBJECT: BOLIVIANS SEEK ADDED HELP TO FIGHT DRUGS

-- HELP TO GET THROUGH THE ECONOMIC CRISIS THAT  
. THE ANTI-DRUG CAMPAIGN HAS PRODUCED IN THE  
. FOREIGN EXCHANGE MARKET;

-- RESOURCES NECESSARY TO SUSTAIN FOR A LONG  
. PERIOD THE ANTI-NARCOTICS CAMPAIGN AND THE  
. COCA ERADICATION EFFORT;

-- AND MECHANISMS TO ACCELERATE U.S. AND OTHER  
. DEVELOPMENT ASSISTANCE IN ORDER TO CREATE A  
. PICK-UP IN THE ECONOMY.

WHEN ASKED WHY U.S. COVERAGE, FOR EXAMPLE A SWAP,  
WOULD MAKE A DIFFERENCE IN TERMS OF THE FOREIGN  
EXCHANGE DRAIN, BOTH NOGALES AND CARIAGA SAID  
THAT THE MERE FACT OF PUBLICLY-ANNOUNCED U.S.  
SUPPORT WOULD BE ENOUGH TO PREVENT THE PSYCHOLOGICAL  
PANIC THAT THEY MOST FEAR.

16. (U) CONGRESSIONAL VISIT TO LA PAZ: THE MINISTERS  
AT THE JULY 31 MEETING ALSO INDICATED THAT TWO  
CONGRESSMEN, ONE OF THEM SENATOR D'AMATO, MIGHT VISIT  
BOLIVIA AUGUST 10-12 TO GET AN ON-THE-GROUND  
APPRECIATION OF THE SITUATION. BOLIVIA'S AMBASSADOR  
ILLANES APPARENTLY SUGGESTED SUCH A VISIT DURING A  
HEARING ON JULY 30.

MULTILATERAL INITIATIVE: A MEETING OF PRESIDENTS

17. (C) FOREIGN MINISTER BEDREGAL SAID THAT PRESIDENT  
PAZ'S REPLY TO PRESIDENT REAGAN'S LETTER OF CONGRATULA-  
TIONS ON "BLAST FURNACE" IS LIKELY TO PROPOSE A MEETING  
OF PRESIDENTS TO DISCUSS JOINT ACTION AGAINST THE DRUG  
INDUSTRY. PAZ WOULD SUGGEST THAT HE, OR HE AND  
PRESIDENT REAGAN JOINTLY, INVITE THE PRESIDENTS OF  
ECUADOR, PERU, COLOMBIA, VENEZUELA AND BRAZIL TO MEET  
IN SANTA CRUZ, BOLIVIA. NO SPECIFIC TIME-FRAME WAS  
MENTIONED, BUT BEDREGAL IMPLIED THAT SUCH A MEETING  
SHOULD TAKE PLACE WITHIN THE NEXT TWO OR THREE MONTHS.  
THE PURPOSE WOULD BE TO CONCENTRATE ON AN ANTI-NARCOTICS  
PROGRAM SO THAT A SUCCESS IN ONE COUNTRY DOES NOT  
SIMPLY DISPLACE THE PROBLEM TO A NEIGHBORING TERRITORY  
WITHOUT ANY REAL HOPE OF AFFECTING THE INTERNATIONAL  
NARCOTICS TRAFFIC AS A WHOLE.

18. (C) THE BOLIVIANS ALSO SEEK AN IMPORTANT SECONDARY  
EFFECT. THEY HAVE RECEIVED VERY COOL REACTIONS TO  
"BLAST FURNACE" FROM THEIR LATIN NEIGHBORS, ALTHOUGH  
THE NEIGHBORS HAVE REFRAINED FROM PUBLICLY CRITICIZING  
THE OPERATION. THEY BELIEVE THAT THE PRESIDENTIAL  
CONFERENCE WOULD HAVE A POWERFUL PUBLIC IMPACT IN  
TERMS OF GETTING THE HEMISPHERE TO LOOK SERIOUSLY AT  
THE DRUG PROBLEM RATHER THAN JUST AT THE ISSUE OF U.S.  
MILITARY PRESENCE. BEDREGAL MENTIONED AT THIS POINT  
THAT HE HAD SENT A FORMAL PROTEST TO THE CUBAN EMBASSY  
REJECTING SOME OF THE CUBAN GOVERNMENT'S RECENT  
CRITICISMS FOR ALLOWING U.S. PARTICIPATION IN "BLAST  
FURNACE." BEDREGAL SAID HE HAD TOLD THE CUBAN CHARGE  
THAT IF HAVANA KEEPS THAT UP, IT CAN EXPECT TO HAVE NO  
RELATIONS AT ALL WITH BOLIVIA.

COMMENT

19. (C) NOW THAT THE BOLIVIAN GOVERNMENT HAS TAKEN  
THE PLUNGE INTO THE WAR AGAINST DRUGS, INCLUDING A  
CONVICTION THAT IT WILL HAVE TO ERADICATE COCA, THE  
UNITED STATES HAS ARRIVED AT A POINT WHERE WE HAVE  
A SIGNIFICANT OPPORTUNITY TO REINFORCE ALL OF OUR  
MAJOR NATIONAL INTERESTS HERE: DEMOCRACY, A PRIVATE  
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LIMDIS

USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, MARR, PREL, PGOV, EFIN, EAID  
SUBJECT: BOLIVIANS SEEK ADDED HELP TO FIGHT DRUGS

SECTOR-BASED ECONOMY, AND ANTI-NARCOTICS. BECAUSE OF THE CALAMITIES THAT HAD PREVIOUSLY BEFALLEN BOLIVIA'S EXPORT SECTOR (TIN, OIL PRICE DECLINES) AND THE FACT THAT SIGNIFICANT INCOME WAS FLOWING FROM COCA, THE ATTACK ON THE NARCO-TRAFFICKERS SIGNIFICANTLY COMPOUNDS THE COUNTRY'S ECONOMIC CRISIS. IT ALSO MEANS THAT HUNDREDS OF THOUSANDS OF CAMPESINOS ARE SUDDENLY SEEING THEIR LIVELIHOOD VANISH. THAT MASS, HERETOFORE UNAFFECTED BY THE ECONOMIC STABILIZATION PROGRAM (UNLIKE THE MINERS AND URBAN WORKERS), CREATES A SIGNIFICANT NEW NEGATIVE POLITICAL FACTOR.

20. (S) CONSEQUENTLY, THE PAZ ESTENSORRO GOVERNMENT HAS PUT ITSELF INTO AN ALL-OR-NOTHING SITUATION. IT IS ALSO A SITUATION WHICH DEMANDS PROMPT AND SUBSTANTIAL EXTERNAL SUPPORT. WE SEE A NEED TO DO THE FOLLOWING:

-- CONTINUE "BLAST FURNACE" UNTIL FOLLOW-ON INTERDICTION SUPPORT IS AVAILABLE.

-- PROVIDE WHEREWITHAL TO CONTINUE INTERDICTION AGAINST THE TRAFFICKERS ONCE U.S. FORCES HAVE BEEN WITHDRAWN. (WE ARE REFURBISHING THREE BOLIVIAN AIR FORCE BELL 205 HELICOPTERS WHICH SHOULD BE READY IN A FEW WEEKS. BUT WE WOULD URGE IN ADDITION AN INDEFINITE LOAN OF THREE HUEYS WHICH COULD ARRIVE SIMULTANEOUSLY WITH THE END OF TASK FORCE JANUS.

-- CLOSE COOPERATION WITH THE BOLIVIANS ON THE FOREIGN EXCHANGE PROBLEM.

-- CLOSE AND EFFECTIVE COOPERATION ON ECONOMIC RECOVERY ASSISTANCE FROM ALL SOURCES: INTERNATIONAL FINANCIAL INSTITUTIONS, THE EUROPEANS AND JAPANESE, AND THE U.S.

21. (S) IF WE DO NOT/NOT HELP THE BOLIVIANS IN TIMELY FASHION, WE ARE LIKELY TO FIND WITHIN A FEW MONTHS AN ENDURING ECONOMIC CRISIS (EXCEPT FOR COCA AND DRUG SECTORS), THE RETURN AND LONG-TERM CONSOLIDATION OF DRUG PRODUCERS AND TRAFFICKERS, AND THE DISSOLUTION OF PROSPECTS FOR ENDURING DEMOCRACY.

ACTION REQUESTED

22. (C) PLEASE ADVISE REGARDING (A) PROSPECTS FOR MEETINGS BEING REQUESTED IN PARAS 12-15 ABOVE; AND (B) INITIAL REACTIONS TO THE PROPOSAL FOR A MEETING OF PRESIDENTS.

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