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Collection Name LATIN AMERICAN AFFAIRS DIRECTORATE, NSC:
RECORDS

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KML 9/30/2011

File Folder BOLIVIA (SAFE 1) 08/05/1986-08/14/1986

FOIA

M10-353/1

Box Number 2

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76

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
120305	MEMO	RE THREATS	3	8/15/1986	B1 B3
120306	CABLE	052210Z AUG 86	3	8/5/1986	B1 B2 B3
120307	PAPER	RE LATIN AMERICA	1	ND	B1 B3
120308	CABLE	MONTEVIDEO 4869 R 5/18/2015 M353/1	2	8/7/1986	B1
120310	CABLE	081847Z AUG 86	6	8/8/1986	B1 B2 B3
120311	CABLE	LA PAZ 06626 R 5/18/2015 M353/1	5	8/8/1986	B1
120312	CABLE	LA PAZ 06629 R 5/18/2015 M353/1	5	8/8/1986	B1
120313	CABLE	SAME TEXT AS DOC 120312 R 5/18/2015 M353/1	5	8/8/1986	B1
120314	CABLE	LA PAZ 07628 R 5/18/2015 M353/1	3	8/10/1986	B1
120316	PAPER	RE BOLIVIA R 5/18/2015 M353/1	1	ND	B1

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120317	CABLE	LA PAZ 06743 <i>R 5/18/2015 M353/1</i>	5	8/13/1986	B1
120318	LETTER	TO PRESIDENT REAGAN (IN SPANISH) <i>R 5/18/2015 M353/1</i>	2	8/10/1986	B1
120319	CABLE	LA PAZ 06062 <i>R 5/18/2015 M353/1</i>	1	7/23/1986	B1
120320	CABLE	STATE 229992 <i>R 5/18/2015 M353/1</i>	1	7/23/1986	B1
120321	CABLE	LA PAZ 06027 <i>R 5/18/2015 M353/1</i>	2	7/21/1986	B1

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120305	MEMO RE THREATS	3	8/15/1986	B1 B3

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120306	CABLE	3	8/5/1986	B1
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BY RW NARA DATE 5/18/15

STATE ALSO FOR INM

E.O. 12356: DECL:OADR

TAGS: PREL, SNAR, UY

SUBJ: SANGUINETTI EXPRESSES SUPPORT FOR BOLIVIAN
- NARCOTICS EFFORTREF: MONTEVIDEO 4707
-

1. (U) ACCORDING TO THE URUGUAYAN PRESS OF AUGUST 7, PRESIDENT JULIO MARIA SANGUINETTI, DURING AN INTERVIEW WITH BOLIVIAN FOREIGN MINISTER GUILLERMO BEDREGAL, EXPRESSED URUGUAY'S "WARM AND DECIDED SUPPORT" FOR THE ANTI-NARCOTICS EFFORTS UNDERWAY IN BOLIVIA. BOTH MEN ARE CURRENTLY IN BOGOTA FOR THE INAUGURATION OF COLOMBIAN PRESIDENT BARCO, AND BEDREGAL WAS SAID TO HAVE REQUESTED AN INTERVIEW TO DELIVER SANGUINETTI A MESSAGE FROM BOLIVIAN PRESIDENT PAZ ESTENSSORO. AFTER THE MEETING, WHICH WAS ALSO ATTENDED BY FOREIGN MINISTER ENRIQUE IGLESIAS, REPORTERS WERE INFORMED THAT SANGUINETTI HAD EXPRESSED HIS TOTAL SUPPORT FOR BOLIVIA'S CURRENT EFFORT AGAINST NARCOTICS, WHICH WERE CHARACTERIZED AS AN EVIL "WHICH REQUIRES ALL OUR EFFORTS TO COMBAT IT."

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2. (U) SANGUINETTI TOLD REPORTERS THAT EACH COUNTRY IS INTERNALLY SOVEREIGN AND HAS THE RIGHT TO DECIDE WHAT MEASURES ARE BEST FOR IT TO TAKE AGAINST DRUGS.

INTERNATIONALLY, HE SAID, COOPERATION BETWEEN STATES IS VITALLY NECESSARY, AND HE EXPRESSED HIS SUPPORT FOR THE MEASURES BOLIVIA HAS TAKEN AND HIS DESIRE TO COOPERATE TO THE EXTENT POSSIBLE IN HELPING THE BOLIVIANS. FINALLY, HE EXPRESSED HIS CONCERN OVER THE INCREASING NUMBER OF INCIDENTS OF DETECTION OF TRAFFICKERS USING URUGUAY AS A TRANSIT POINT.

-
3. (C) COMMENT: DURING A CONVERSATION WITH IGLESIAS AUGUST 1, THE AMBASSADOR MADE A STRONG PITCH FOR URUGUAYAN SUPPORT FOR "OPERATION BLAST FURNACE" (REFTEL). ALTHOUGH IGLESIAS LISTENED INTENTLY AND PROMISED TO TAKE SOME KIND OF ACTION (UNSPECIFIED) IN SUPPORT OF THE BOLIVIANS, YET MADE NO PUBLIC STATEMENT AT THE TIME, YESTERDAY'S COMMENTS BY SANGUINETTI SUGGEST THAT THE MESSAGE STRUCK HOME.

-
WILKEY

** END OF CABLE **

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~~CONFIDENTIAL~~ SECTION 01 OF 03 LA PAZ 06626

DIA FOR IR BRANCH

USCINCSO ALSO FOR POLAD

E.O.12356: DECL: OADR

TAGS: BL, PGOV, ECON, SNAR

SUBJECT: PRESIDENTIAL "STATE OF UNION" SPEECH OPENS
 . CONGRESS: PAZ REAFFIRMS PUSH FOR ECONOMIC
 . RECOVERY AND FIGHT AGAINST NARCOTICS
 .

1. (LOU) SUMMARY: THE HIGHLIGHT OF THE AUGUST 6
 INAUGURAL SESSION OF THE BOLIVIAN CONGRESS FOR THE
 1986-1987 LEGISLATIVE CYCLE WAS PRESIDENT PAZ
 ESTENSSORO'S SPEECH TO THE CONGRESS IN WHICH HE
 REVIEWED THE FIRST YEAR OF HIS PRESIDENCY. PAZ
 STRONGLY DEFENDED HIS ECONOMIC PROGRAM AND CALLED
 ON THE BOLIVIAN PEOPLE TO MAKE FURTHER SACRIFICES.
 HE ALSO REAFFIRMED HIS COMMITMENT TO STRENGTHENING
 DEMOCRACY AND RIGOROUSLY DEFENDED HIS DECISION TO

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 BY RW NARA DATE 5/18/15

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CALL ON U.S. HELP IN THE "LIFE AND DEATH" STRUGGLE AGAINST DRUG TRAFFICKING. VICE PRESIDENT JULIO GARRETT'S EFFORT, ON THE OTHER HAND, LACKED FOCUS AND, WITH ITS "NEW WORLD ECONOMIC ORDER" BIAS, SEEMED MORE APPROPRIATE FOR A MEETING OF THIRD WORLD NATIONS.

LEFTIST MINI-PARTIES REFUSED TO STAND UP FOR OR APPLAUD PAZ ESTENSSORO AND WILL STEP UP THEIR AMTICS WITH CALLS FOR THE PRESIDENT'S IMPEACHMENT OR RESIGNATION FOR ALLOWING U.S. TROOPS ON BOLIVIAN SOIL. NEVERTHELESS, PAZ'S TOUGH AND COURAGEOUS PUBLIC STAND HAS REAFFIRMED HIS DETERMINATION TO PREVAIL IN WHAT HE BELIEVES TO BE THE RIGHT COURSE FOR BOLIVIA. HIS AGENDA AS OUTLINED IN HIS SPEECH CLOSELY COINCIDES WITH THE REALIZATION OF KEY U.S. GOALS HERE: ECONOMIC DEVELOPMENT, STRENGTHENING DEMOCRACY, AND FIGHTING DRUGS. END SUMMARY.

2. (U) THE BOLIVIAN NATIONAL CONGRESS HELD ITS FIRST CEREMONIAL SESSION AUGUST 6 TO INAUGURATE THE 1986-1987 LEGISLATIVE CYCLE. THE REGULAR SESSION BEGINS AUGUST 11. AS IS CUSTOMARY, THE FIRST ORDER OF BUSINESS WAS THE PRESIDENT'S REVIEW OF THE PAST 12 MONTHS -- THE EQUIVALENT OF A "STATE OF THE UNION" SPEECH. VICE PRESIDENT GARRETT, IN HIS CAPACITY AS PRESIDENT OF THE CONGRESS, ALSO ADDRESSED THE JOINT SESSION. GARRETT'S MEANDERING ATTACK ON THE INDUSTRIALIZED NATIONS AND HIS CALL FOR A REVITALIZED NEW WORLD ECONOMIC ORDER SEEMED OUT OF PLACE AND MORE THAN A BIT POLITICALLY OPPORTUNISTIC. IN ANY EVENT, THE STAGE BELONGED TO THE PRESIDENT WHO, DESPITE A LACKLUSTER PRESENTATION, MADE THE MOST OF IT SUBSTANTIVELY.

3. (U) PAZ'S LESS THAN ELECTRIFYING SPEECH TOOK OVER ONE HOUR TO DELIVER AND AT TIMES SEEMED TO GET LOST IN A MORASS OF ECONOMIC DETAIL. MANY COMMENTATORS HAVE REACTED TO HIS "BORING STYLE" RATHER THAN THE SUBSTANCE OF WHAT HE HAD TO SAY. NEVERTHELESS, PAZ MADE DECISIVE AND POSITIVE COMMENTS ON SUCH KEY U.S.-BOLIVIAN BILATERAL ISSUES AS ECONOMIC DEVELOPMENT, STRENGTHENING DEMOCRACY, AND COMBATING NARCO-TRAFFICKING.

ECONOMIC PROGRAM DEFENDED

4. (U) IN HIS SPEECH PAZ:

-- SINGLED HIS ECONOMIC RECOVERY PROGRAM OUT AS AN IMPORTANT ACHIEVEMENT OF HIS FIRST YEAR OF RULE;

-- ARGUED THAT THE ECONOMIC PROGRAM IN LESS THAN

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A YEAR HAD REDUCED INFLATION FROM 11,750 PERCENT TO 92 PERCENT AND HAD PROVIDED STABILITY TO THE PESO;

. -- STRESSED THE NECESSITY FOR RATIONALIZING BOLIVIA'S ECONOMY, WHICH HIS GOVERNMENT SOUGHT BY PASSING A BUDGET AND TAX LAW REFORMS;

. -- NOTED THAT WHILE SIGNIFICANT GAINS HAD BEEN MADE, THERE WAS STILL A LONG WAY TO GO AND THAT MORE SACRIFICES WOULD BE NECESSARY.

.
** END OF CABLE **

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~~CONFIDENTIAL~~ SECTION 02 OF 03 LA PAZ 06626

DIA FOR IR BRANCH

USCINCSO ALSO FOR POLAD

E.O.12356: DECL: OADR

TAGS: BL, PGOV, ECON, SNAR

SUBJECT: PRESIDENTIAL "STATE OF UNION" SPEECH OPENS

FOREIGN POLICY TO SERVE ECONOMIC PROGRAM

5. (U) IN HIS REMARKS ON FOREIGN POLICY, PAZ REAFFIRMED:

. -- BOLIVIA'S COMMITMENT TO A NON-ALIGNED FOREIGN POLICY THAT OPPOSED COLONIALISM, RACISM AND SUPPORTED DIALOGUE, EQUALITY, AND SELF-DETERMINATION;

. -- THE IMPORTANCE OF TALKS WITH CHILE ABOUT BOLIVIAN ACCESS TO THE SEA;

. -- HOWEVER, PAZ QUICKLY MOVED FROM THESE ISSUES TO A DISCUSSION OF THE CENTRAL GOAL OF BOLIVIA'S FOREIGN POLICY -- INCREASED ECONOMIC COOPERATION THROUGH THE UNITED NATIONS EMERGENCY ASSISTANCE FUND AND THROUGH INCREASED BILATERAL ARRANGEMENTS. PAZ PAINTED A PICTURE OF BOLIVIAN OFFICIALS COMBING THE WORLD IN THE SEARCH FOR MONEY OR WHAT HE MORE OBLIQUELY CALLED: "STRENGTHENING ECONOMIC AND COOPERATION RELATIONS IN ORDER TO INCREASE AND INTENSIFY THE CURRENTS OF INVESTMENTS AND SUPPORTING DEVELOPMENT AND COOPERATION FOR THE IMPLEMENTATION OF A NEW ECONOMIC POLICY."

.
STRENGTHENING DEMOCRACY

6. (U) PAZ NOTED THAT HIS DEMOCRATICALLY ELECTED GOVERNMENT IS AN EXPRESSION OF THE BOLIVIAN PEOPLE'S

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DESIRE TO LIVE IN A DEMOCRACY AND THAT AS SUCH HIS RESPONSIBILITY IS TO PRESERVE AND NOURISH THAT ASPIRATION.

. -- HE STRESSED THAT DESPITE THE COUNTRY'S "SEDITIONOUS HISTORY," BOLIVIANS NEED TO "LIVE IN KEEPING WITH DEMOCRATIC RULES."

. -- PAZ ALSO STRESSED THE IMPORTANCE OF THE "PACT FOR DEMOCRACY" THAT HIS PARTY HAD SIGNED WITH THE OPPOSITION NATIONALIST DEMOCRATIC ACTION (ADN) PARTY. HE PRAISED THE PACT AS BEING ABLE TO "PROVIDE DEMOCRACY WITH A FIRM FOUNDATION" AND "TO ACHIEVE A REASONABLE STABILITY IN THE RESTLESS WORLD OF POLITICS FOR THE GOOD OF ALL BOLIVIANS."

.
JOINT ANTI-DRUG TRAFFICKING EFFORTS DEFENDED

7. (U) PAZ SPENT A SIGNIFICANT PART OF HIS SPEECH JUSTIFYING DECISIONS TO GO AFTER DRUG TRAFFICKERS AND TO CALL ON U.S. HELP IN THIS CAMPAIGN. HE TRACED A NUMBER OF BILATERAL AND MULTILATERAL PRECEDENTS, A TOUGH ANTI-NARCOTICS STANCE AND INVOKED POPE JOHN PAUL II'S DESCRIPTION OF DRUG USE AS A "NEW SLAVERY" AND CALLED FOR A "FRONTAL WAR" AGAINST THIS "SCOURGE." "WE HAVE AN UNAVOIDABLE COMMITMENT WITH OUR PEOPLE AND ALL THE PEOPLES OF THE WORLD," PAZ SAID, "TO EMBARK ON THE BATTLE AGAINST DRUG TRAFFICKING AND WE HOPE THAT IN THIS DIFFICULT CONFRONTATION NO BOLIVIAN WHO LOVES HIS COUNTRY WILL DENY OR BE INDIFFERENT TO A NATIONAL TASK THAT INVOLVES OUR DIGNITY." HE ALSO NOTED THAT THE U.S.

WOULD OUGHT TO REDUCE ITS OWN INTERNAL DRUG CONSUMPTION AND TRAFFICKING.

.
ARMED FORCES PRAISED

8. (LOU) PAZ HAD KIND WORDS FOR THE MILITARY WHICH HE PRAISED FOR "STRICTLY INSTITUTIONAL BEHAVIOR" AND "ADHESION TO DEMOCRATIC AND CONSTITUTIONAL RULE."
(COMMENT: PAZ SINGLED OUT THE MILITARY TO OBSERVE AUGUST 7 AS BOLIVIAN ARMED FORCES DAY. MORE
** END OF CABLE **

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E.O.12356: DECL: OADR
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SUBJECT: PRESIDENTIAL "STATE OF UNION" SPEECH OPENS

IMPORTANTLY, HOWEVER, PAZ RECOGNIZES CLEARLY THAT HIS GOVERNMENT NEEDS THE SUPPORT OF THE ARMED FORCES TO GUARANTEE STABILITY AND CONTINUE IMPLEMENTING HIS ECONOMIC PROGRAM. END COMMENT.)

LEFT FRINGE ANTICS

9. (U) DEPUTIES FROM THE NATIONALIST REVOLUTIONARY MOVEMENT OF THE LEFT, MOVEMENT OF THE REVOLUTIONARY LEFT-FREE BOLIVIA, AND SOCIALIST PARTY-ONE, AND OTHER MINOR LEFTIST OPPOSITION PARTIES EXPRESSED THEIR DISSATISFACTION BY REFUSING TO APPLAUD OR TO STAND UP FOR THE PRESIDENT AND BY DRAPING BLACK-FRINGED BOLIVIAN FLAGS ON THEIR SEATS TO "MOURN"

THE LOSS OF BOLIVIA'S SOVEREIGNTY CAUSED BY THE "YANKEE INVASION." BOLIVIA'S UMBRELLA LABOR ORGANIZATION, THE BOLIVIAN WORKERS CENTRAL (COB), USUALLY PRESENT IN THE GALLERIES FOR SUCH CEREMONIES, REPORTEDLY BOYCOTTED THE SESSION.

AND MORE TO COME

10. (LOU) THE NEWLY CREATED "BOARD FOR THE DEFENSE OF THE NATIONAL SOVEREIGNTY," A COALITION OF LABOR LEADERS, LEFTIST POLITICIANS, AND RADICAL UNIVERSITY GROUPS, HAS LAUNCHED PUBLIC RELATIONS AND PARLIAMENTARY CAMPAIGNS AGAINST THE PRESENCE OF U.S. SUPPORT PERSONNEL FOR BOLIVIAN ANTI-DRUG TRAFFICKING EFFORTS. THE BOARD HAS BEEN THREATENING THE GOVERNMENT WITH LAWSUITS, TRIALS, IMPEACHMENTS, AND OTHER DISRUPTIVE TACTICS. THE BOARD ALSO HAS ANNOUNCED A PLAN TO MONOPOLIZE THE UPCOMING CONGRESSIONAL SESSIONS WITH AN ANTI-GOVERNMENT AGENDA.

11. COMMENT: PAZ'S SPEECH WAS TOUGH AND COURAGEOUS, IF SOMEWHAT LACKLUSTER. HE STAUNCHLY REAFFIRMED THAT THE GOVERNMENT WILL PUSH IMPLEMENTATION OF THE ECONOMIC PROGRAM AND NOT LET UP ON ANTI-DRUG EFFORTS. THE PRESIDENT'S REVIEW OF HIS GOVERNMENT'S PAST ACCOMPLISHMENTS AND DESCRIPTION OF FUTURE STEPS DEMONSTRATES CONTINUED RESOLVE TO BOLIVIANS GENERALLY AND ALSO OFFERS INCENTIVE FOR HIS SUPPORTERS TO REDOUBLE THEIR EFFORTS. END COMMENT.

(DRAFTED:POL:HOHARA)

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: EAID, SNAR, BL

SUBJECT: SACHS DISCUSSES BOLIVIA'S REQUIREMENT FOR
EMERGENCY AID

REF: LA PAZ 6409 DTG 012059Z AUG 86

SUMMARY

1. (S) BOLIVIAN ECONOMIC ADVISOR JEFFREY SACHS CALLED ON MISSION OFFICERS TO DESCRIBE OBJECTIVE OF TRIP TO WASHINGTON ON JULY 12 OF BOLIVIAN MINISTERS OF FINANCE AND PLANNING. HE SAID THAT BOLIVIA'S LOSS OF RESERVES OF 50 MILLION DOLLARS SINCE THE START OF THE NARCOTICS OPERATION ON JULY 15 INDICATED AN URGENT NEED FOR A

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BY RW NARA DATE 5/18/15

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SACHS SAID THE GOVERNMENT WOULD REQUIRE AN ESTIMATED 200 TO 400 MILLION DOLLARS FOR RESETTLEMENT COSTS INCLUDING AGRICULTURAL CREDIT FOR SETTLERS AND INFRASTRUCTURE DEVELOPMENT. END SUMMARY

2. (S) ON AUGUST 7 HARVARD PROFESSOR AND BOLIVIAN GOVERNMENT ECONOMIC ADVISOR JEFFREY SACHS, ACCOMPANIED BY MINISTRY OF FINANCE SUB SECRETARY RAMIRO ORTEGA, DISCUSSED WITH EMBASSY AND USAID OFFICERS THE UPCOMING TRIP TO WASHINGTON ON AUGUST 12 OF MINISTER OF PLANNING GONZALO SANCHEZ DE LOZADA AND MINISTER OF FINANCE JUAN CARIAGA. THE MINISTERS CURRENTLY HAVE SCHEDULED APPOINTMENTS WITH SECSTATE SHULTZ, TREASURY SECRETARY BAKER AND WHITE HOUSE CHIEF OF STAFF REGAN, PRESUMABLY MADE BY THE BOLIVIAN EMBASSY IN WASHINGTON. SACHS SAID THAT THE BOLIVIAN GOVERNMENT AT THIS MOMENT FEELS THAT IT MUST ACT DECISIVELY TO SHORE UP DOMESTIC CONFIDENCE IN ITS FINANCIAL STABILITY AND TO CARRY OUT THE ANTI-DRUG OPERATION TO ITS ULTIMATE CONCLUSION, INCLUDING RESETTLEMENT OF 250,000 TO 300,000 PEASANTS NOW GROWING COCA IN THE CHAPARE. ALTHOUGH HE ADMITTED THAT NEITHER HE NOR THE GOVERNMENT MINISTERS KNOW EXACTLY WHAT THEY WILL NEED, THEY PLAN TO ASK FOR U.S. ASSISTANCE AS FOLLOWS:

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. RESETTLEMENT PROGRAM IN THE DEPARTMENT OF
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3. (S) SACHS STATED THAT THE PRICE OF COCA LEAVES OBTAINED BY THE CHAPARE PEASANTS HAD FALLEN TO 25 DOLLARS PER HUNDRED WEIGHT (DOWN FROM OVER 100 DOLLARS THREE MONTHS AGO), A PRICE WELL BELOW PRODUCTION COST. THE GOVERNMENT BELIEVES THAT CHAPARE PEASANTS MAY SOON BE READY TO DIG UP THEIR COCA PLANTS AND

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SEEK OTHER OPPORTUNITIES IF THEY EXIST. (FYI-BOLIVIA'S MAJOR AGRICULTURAL PLANTING SEASON IS IN OCTOBER-NOVEMBER. IN THIS CONTEXT, CHAPARE FARMERS ON THE VERGE OF GIVING UP COCA WILL HAVE TO OPT QUICKLY FOR ALTERNATIVE ECONOMIC ACTIVITIES. END FYI) USAID DIRECTOR COHEN OBSERVED THAT STUDIES INDICATED THAT MOST CHAPARE COCA GROWERS ARE TRANSIENTS WHO HAVE LEFT THEIR FAMILIES AND PREVIOUS ECONOMIC BASE BEHIND AND WHO WOULD NOT NECESSARILY HAVE TO BE RELOCATED IF THEY WERE DEPRIVED OF A PROFITABLE

MEANS OF GROWING COCA. IN HIS ADVOCACY OF
** END OF CABLE **

**** SECTION BREAK ****

~~SECRET~~ SECTION 02 OF 03 LA PAZ 06629

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: EAID, SNAR, BL

SUBJECT: SACHS DISCUSSES BOLIVIA'S REQUIREMENT FOR

DEVELOPING A SANTA CRUZ RELOCATION EFFORT, SACHS REFERRED TO THE CASE OF PARAGUAY, WHERE THE ENGINE OF GROWTH FOR A DECADE HAS BEEN SOY BEANS, STATING THAT SOYA ALSO COULD BE ONE OF BOLIVIA'S BEST HOPES FOR FUTURE EXPORTS. HE EMPHASIZED THAT THIS IS A CRUCIAL MOMENT TO ACT BECAUSE NEW PLANTINGS WILL BE UNDERTAKEN WITHIN A COUPLE OF MONTHS. (EMBASSY COMMENT: SACHS' REFLECTION OF THE PLANNING AND FINANCE MINISTERS ON THE CURRENT SUSCEPTIBILITY OF CHAPARE COCA GROWERS' WILLINGNESS TO VACATE THE CHAPARE IS PROBABLY PREMATURE. IT DOES REFLECT, HOWEVER, THE LOGIC OF THE GOVERNMENT'S "BLAST FURNACE" INTERDICTION STRATEGY THAT IF THE PRICE OF COCA BELOW PRODUCTION COSTS CAN BE SUSTAINED FOR A LONG ENOUGH PERIOD, TRANSFER OUT OF COCA INTO ALTERNATIVE CROPS WILL BE EASIER TO EFFECT. THE IMPORTANT ASPECT OF SACHS' OBSERVATION IS THAT THE GOVERNMENT HAS BEGUN THINKING ABOUT THE POLITICAL POSSIBILITIES OF EXTENSIVE ERADICATION. IF THE CHAPARE'S PREDOMINANTLY TRANSIENT POPULATION CAN BE PERSUADED, THROUGH A COMBINATION OF LOW COCA PRICES AND ALTERNATIVES, TO VACATE THE CHAPARE, IT WOULD APPEAR THE GOVERNMENT IS PREPARED TO ERADICATE THE REMAINING COCA. END COMMENT)

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** END OF CABLE **

**** SECTION BREAK ****

~~SECRET~~ SECTION 03 OF 03 LA PAZ 06629

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

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TAGS: EAID, SNAR, BL
SUBJECT: SACHS DISCUSSES BOLIVIA'S REQUIREMENT FOR

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(DRAFTED ECON:WALTER WEST, USAID:DAVID COHEN, AND
CHG:JEFFREY BIGGS) BIGGS
** END OF CABLE **

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~~SECRET~~ SECTION 01 OF 03 LA PAZ 06629

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

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EMERGENCY AID

REF: LA PAZ 6409 DTG 012059Z AUG 86

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BY *RW* NARA DATE 5/18/15

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~~SECRET~~ SECTION 02 OF 03 LA PAZ 06629

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: EAID, SNAR, BL

SUBJECT: SACHS DISCUSSES BOLIVIA'S REQUIREMENT FOR

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

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TAGS: EAID, SNAR, BL
SUBJECT: SACHS DISCUSSES BOLIVIA'S REQUIREMENT FOR

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(DRAFTED ECON:WALTER WEST, USAID:DAVID COHEN, AND
CHG:JEFFREY BIGGS) BIGGS
** END OF CABLE **

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: BL, PGOV
SUBJECT: THE STATE OF SIEGE: CONGRESS DEBATES, THE
GOVERNMENT NEGOTIATES AND SIGNS REMAIN
OMINOUS

REF: (A) LA PAZ 7347 DTG 022207Z SEP 86
(B) LA PAZ 7182 DTG 281610Z AUG 86
(C) LA PAZ 6851 DTG 152100Z AUG 86
(D) LA PAZ 7440 DTG 041925Z SEP 86

SUMMARY

1. (C) IN A HISTORICAL CONTEXT THE STATE OF SIEGE
INVOKED BY THE PAZ ESTENSORO GOVERNMENT ON AUGUST 28
HAS BEEN RELATIVELY BENIGN. THUS FAR IT HAS PROVOKED
LESS OVERT DEFIANCE FROM LABOR, STUDENTS AND THE
RADICAL LEFT THAN MIGHT HAVE BEEN EXPECTED. CALLED IN
RESPONSE TO A POTENTIALLY SERIOUS CHALLENGE BY THE
ULTRA-LEFT LED BOLIVIAN LABOR CENTRAL (COB), THE
CIRCUMSTANCES THAT PROVOKED THIS STATE OF SIEGE
NEVERTHELESS DIFFER MARKEDLY FROM THOSE THAT TRIGGERED
A SIMILAR MEASURE A YEAR AGO.

2. (C) IN 1985 LABOR AND THE RADICAL LEFT CHALLENGED
THE NEW PAZ ESTENSORO GOVERNMENT AND ITS AUSTERE,
FREE-MARKET ORIENTED ECONOMIC POLICY FROM A POSITION
OF RELATIVE UNITY AND ECONOMIC STRENGTH IN A BOLD
ATTEMPT TO PRESERVE THE PRIVILEGED POLITICAL AND
ECONOMIC POSITION THEY HAD ENJOYED OFF AND ON SINCE
1952 AND PARTICULARLY UNDER THE SILES ZUAZO ADMINIS-
TRATION (1982-85). THIS CHALLENGE PROVIDED PAZ WITH
A TAILOR-MADE OPPORTUNITY TO CONSOLIDATE HIS POWER --

AND DEMONSTRATE THAT HIS GOVERNMENT REPRESENTED A REAL
CONTRAST TO THE IMMEDIATE PAST.

3. (C) THE MOOD IN 1986, HOWEVER, IS ONE OF
DESPERATION, PARTICULARLY AMONG THE EMPLOYEES OF THE
STATE MINING CORPORATION (COMIBOL) WHO ARE FIGHTING
FOR SURVIVAL. THEIR EFFORTS TO FORCE THE GOVERNMENT
TO RESPOND TO THEIR DEMANDS -- INCLUDING THE RECENT
MARCH ON LA PAZ -- GAVE EXTREMIST ELEMENTS IN THE COB
LEADERSHIP AN IDEAL OPENING TO PURSUE THEIR POLITICAL
AGENDA. THIS IN TURN ENHANCED THE STANDING OF THOSE
ELEMENTS IN A FACTIONED AND WEAKENED COB.

4. (C) CONGRESS IS CURRENTLY DELIBERATING WHETHER TO
RATIFY THE STATE OF SIEGE. SIMULTANEOUSLY REPRESENT-
ATIVES OF THE MINERS AND THE GOVERNMENT ARE MEETING
UNDER CHURCH AUSPICES TO TRY TO RESOLVE WHAT APPEAR
TO BE IRRECONCILABLE DIFFERENCES. THE OUTCOME OF
BOTH DELIBERATIONS IS UNCERTAIN AND THE POTENTIAL
FOR SERIOUS LEFT-LED CHALLENGE TO THE GOVERNMENT
REMAINS HIGH. WE ARE WORKING WITH USAID ASSETS ON
SEVERAL PROGRAMS THE BOLIVIAN GOVERNMENT IS READYING
TO ALLEVIATE THE MINERS' SITUATION WITHOUT UNDERMINING
THE BASIC PRINCIPLES OF THE ECONOMIC RECOVERY PROGRAM.
END SUMMARY.

THE CRUX OF THE PROBLEM

5. (C) PRODUCTION AT MOST COMIBOL MINES IS PARALYZED
BECAUSE OF LOW MINERALS PRICES. SOME MINES ARE CLOSED
AND MANY OTHERS ARE SLATED TO SHUT DOWN UNDER THE
RECENTLY ANNOUNCED REORGANIZATION PLAN FOR COMIBOL
(REF B). THE PLAN, WHICH PROVIDES FEW ALTERNATIVES
FOR IDLE, SOON-TO-BE-UNEMPLOYED MINERS BEYOND A VAGUE
"CO-OPERATIVIZATION" OF THE LEAST PRODUCTIVE MINES,
INCREASED ANTI-GOVERNMENT ATTITUDES DURING THE RECENT
MINERS MARCH.

6. (LOU) LABOR'S POSITION IS AMBIVALENT AND IGNORES
ECONOMIC REALITY. MANY MINERS BELIEVE THAT THE
GOVERNMENT SHOULD CONTINUE TO SUBSIDIZE THE BANKRUPT
COMIBOL TO PROTECT THEIR JOBS AND THEIR STANDARD OF
LIVING. ALTERNATIVELY, SOME ARE DEMANDING THAT ALL
OF THE CORPORATION'S PROPERTIES AND ASSETS BE TURNED
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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV

SUBJECT: THE STATE OF SIEGE: CONGRESS DEBATES, THE

OVER TO THE WORKERS, NOT JUST THE MARGINAL MINES AS
ENVISAGED IN THE REORGANIZATION PLAN. THIS, OF COURSE,
WOULD DEPRIVE THE GOVERNMENT OF ONE OF ITS MOST
IMPORTANT SOURCES OF FOREIGN EXCHANGE. UNDER PRESENT
CIRCUMSTANCES THIS IS UNTHINKABLE, AND EVEN UNDER
OPTIMUM ECONOMIC CONDITIONS WOULD LIKELY REPEAT THE
FAILURES OF THE PAST.

NO ALTERNATIVES

7. (C) LABOR'S DEMANDS FOR ADEQUATE SALARIES AND
GREATER SECURITY, WHILE NOT UNREASONABLE IN A MORE
NORMAL CONTEXT, FAR EXCEED THE GOVERNMENT'S ABILITY
TO DELIVER. THE GOVERNMENT SIMPLY DOES NOT HAVE
THE RESOURCES TO CONTINUE THE COSTLY SUBSIDIZATION
OF COMIBOL. EVEN IF IT DID, TO DO SO WOULD BLATANTLY
CONTRADICT LAZ ESTENSORO'S FREE-MARKET, PRIVATE
SECTOR-ORIENTED ECONOMIC POLICY. WHILE THE GOVERNMENT
CANNOT BE BLAMED FOR REFUSING TO SPEND MONIES THAT IT
DOES NOT HAVE TO KEEP COMIBOL AFLOAT FOR A FEW MORE
MONTHS, IT HAS NOT MOUNTED A CREDIBLE PLAN OR EFFORT
TO PROVIDE UNEMPLOYED MINERS WITH A VIABLE ALTERNATIVE
TO WORKING IN COMIBOL. THE SITUATION OF MOST OF THE
15,000 STATE-EMPLOYED MINERS SLATED FOR DISMISSAL AND
THEIR FAMILIES IS INCREASINGLY DESPERATE. FOR TECHNICAL
AND SOCIO-CULTURAL REASONS IT IS DIFFICULT FOR THEM TO
MIGRATE TO THE TROPICAL EASTERN LOWLANDS AND START
AFRESH IN AGRICULTURE. MANY DO NOT HAVE ANCESTRAL
LANDS TO RETURN TO, OR IF THEY DO THESE LANDS ARE TOO
POOR TO PROVIDE THE STANDARD OF LIVING TO WHICH THE
URBANIZED MINE LABOR FORCE HAS BECOME ACCUSTOMED.

WHATEVER MIGRATION THAT HAS OCCURRED HAS BEEN
SPONTANEOUS TO ARGENTINE AND CHILEAN LABOR CENTERS,
WITH NO GOVERNMENT SUPPORT (REF C).

LEFTIST OPPORTUNISM

8. (C) LEFTIST POLITICIANS WERE QUICK TO INSTIGATE AND
TAKE ADVANTAGE OF THE INCREASINGLY DESPERATE RESPONSES
OF THE MINERS, WHICH SNOWBALLED UNTIL THE GOVERNMENT
INVOKED THE STATE OF SIEGE ON AUGUST 28. UNLIKE 1985,
THE COB, ALTHOUGH WEAKENED AND DIVIDED, IS NOW IN THE
HANDS OF EXTREMISTS LIKE WALTER DELGADILLO, WHO LEADS
THE RADICAL, VIOLENCE-PRONE "EJE" FACTION. THEIR AGENDA
IS OF COURSE MORE THAN SIMPLY ECONOMIC. THEIR
FUNDAMENTAL OBJECTIVE IS TO OVERTHROW THE LAZ
ESTENSORO GOVERNMENT AND CREATE THE CONDITIONS FOR
THE WORKER/PROLETARIAN MILLENNIUM, EVEN THOUGH THE
CONCEPT IS AS FUZZY TO THEM AS IT IS TO THE REST OF US.

9. (C) MEANWHILE VETERAN COB LEADER JUAN LECHIN -- WHO
OFTEN HAS USED HIS LONG RELATIONSHIP WITH PRESIDENT LAZ
ESTENSORO TO MODERATE LABOR CONFLICTS -- IS OUT OF THE
COUNTRY. LECHIN WOULD NOT/NOT NECESSARILY BE A HELP
THIS TIME AROUND, HOWEVER, BECAUSE HE HAS BEEN IN BED
WITH THE "EJE" FOR SEVERAL MONTHS AS PART OF THIS
STRUGGLE WITH THE COMMUNISTS FOR CONTROL OF THE COB.

PROSPECTS WORRISOME

10. (C) BOTH LABOR AND THE GOVERNMENT HAVE MOMENTARILY

STEPPED BACK FROM THE BRINK. UNDER CHURCH AUSPICES THEY
ARE DISCUSSING THEIR DIFFERENCES. A GOVERNMENT SPOKES-
MAN INDICATED ON SEPTEMBER 3 THAT THE COMIBOL REORGAN-
IZATION PLAN IS NOT YET CASE IN CONCRETE, LEAVING OPEN
THE POSSIBILITY OF MINOR CONCESSIONS TO THE WORKERS.
CHURCH SPOKESMEN, AS EXPECTED, ARE OPTIMISTIC. SUCH
MODIFICATIONS AND THE BEST OF GOODWILL ON BOTH SIDES,
HOWEVER, WILL NOT BRIDGE THE GAP BETWEEN THE TWO
EXTREME POSITIONS, AND PROSPECTS FOR THE OUTCOME ARE
DISCOURAGING.

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13. (C) DESPITE THE RELATIVE CALM NOW, TENSIONS ARE
LIKELY TO CONTINUE AT A HIGHER LEVEL THAN WAS THE CASE
IN 1985. THE GOVERNMENT IS CRANKING UP PUBLIC WORKS
AND CONSTRUCTION (INCLUDING LOW-INCOME HOUSING) EFFORTS
WITH THE MEAGER AVAILABLE RESOURCES TO TRY TO RELIEVE
PRESSURE IN THE HARDEST HIT MINING COMMUNITIES.

DEFENDING U.S. INTERESTS

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14. (C) WE (USAID) ARE WORKING WITH THE GOVERNMENT IN
THIS EFFORT, AND ARE MAKING AVAILABLE ESF LOCAL
CURRENCY COUNTERPART FUNDS AND PL 480 RESOURCES TO
RELIEVE THE PRESSURE OF MINING SECTOR LAYOFFS. A NEW
WAVE OF MIGRATION TO POTENTIAL COCA-GROWING AREAS OR A
SERIOUS ULTRA-LEFT CHALLENGE TO THE PAZ ESTENSORO
GOVERNMENT -- BOTH REAL POSSIBILITIES IF THE MINERS
GET NO HELP -- WOULD SIGNIFICANTLY DAMAGE U.S.
INTERESTS AND OBJECTIVES.

(DRAFTED BY: POL: WLOFSTROM) ROWELL##
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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR
TAGS: BL, PGOV
SUBJECT: THE STATE OF SIEGE: CONGRESS DEBATES, THE

11. (C) AT THE SAME TIME, CONGRESS IS CURRENTLY DEBATING
WHETHER TO RATIFY THE STATE OF SIEGE. THE GOVERNMENT/
ADN (NATIONALIST DEMOCRATIC ACTION) MAJORITY COULD
EASILY OVERRIDE LEFTIST OBJECTION TO THE STATE OF SIEGE
AND WILL PROBABLY DO SO IN LIGHT OF RISKS OF ULTRA-LEFT
INSPIRED FUTURE UNREST. UNLIKE THE 1985 STATE OF SIEGE,
WHICH EXPIRED UNEVENTFULLY, THE CURRENT SITUATION
DEMANDS THAT THE GOVERNMENT COME UP WITH SERIOUS
PROPOSALS AND PROSPECTIVE SOLUTIONS TO THE MINERS'
PLIGHT BY THE END OF 90 DAYS (THE DURATION OF A STATE
OF SIEGE). CONGRESS MAY BE WILLING TO GIVE PAZ THREE
MONTHS BREATHING SPACE, BUT COULD BE RELUCTANT TO GIVE
HIM MORE. THIS OBVIOUSLY PLACES AN ENORMOUS BURDEN
ON AN UNDER-FUNDED, UNDER-STAFFED GOVERNMENT FACED BY
MANY OTHER SERIOUS PROBLEMS, INCLUDING NARCOTICS
TRAFFICKING.

12. (C) IF THE GOVERNMENT FAILS TO PROVIDE SOLUTIONS,
LABOR AND THE FAR LEFT WILL HAVE FEW OPTIONS. ONE
EXTREME STEP WOULD BE TO SEIZE AND "CO-OPERATIVIZE"
STILL-VIABLE COMIBOL OPERATIONS IN DEFIANCE OF THE NEW
REORGANIZATION PLAN. ANOTHER COULD BE THE GRADUAL
INFILTRATION OF LARGE NUMBERS OF MINERS AND THEIR
DEPENDENTS INTO LA PAZ, FOLLOWED BY MASSIVE, PROBABLY
VIOLENT ANTI-GOVERNMENT DEMONSTRATIONS. THE ODDS ARE
JUST AS GOOD, HOWEVER, THAT THE MINERS WILL FOLLOW THE
EXAMPLE OF MANY OTHER HARD-PRESSED BOLIVIANS,
EMIGRATING TO ARGENTINA AND OTHER NEIGHBORING COUNTRIES
IN SEARCH OF WORK OR MIGRATING TO SANTA CRUZ AND THE
EASTERN LOWLANDS.

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120316

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Bolivia

STATUS REPORT

Military Support for Drug Operation in Bolivia (Operation BLAST FURNACE)

Operation BLAST FURNACE was developed at the request of the Bolivian government. Operations began on July 18th. The Department of Defense has provided transportation, communications, and intelligence support to the Bolivian national police. US efforts are coordinated by the Drug Enforcement Administration and the US Embassy in La Paz.

There are approximately 180 Army and Air Force personnel, six Blackhawk helicopters, and one C-130 transport aircraft in Bolivia. To date, Bolivian National Police have inspected 32 suspected drug processing/transshipment areas. Seven active processing labs and two transshipment storage sites have been destroyed. In addition, according to USSOUTHCOM, BLAST FURNACE has provided excellent training for US troops operating from austere staging bases located far from normal supply depots.

Operation BLAST FURNACE has produced more immediately positive anti-narcotics results for the US in Bolivia than any initiative undertaken before. Major and intermediate narco-trafficking elements have either fled Bolivia or gone into hiding. For example, during the first week of BLAST FURNACE, a surge of 250 Bolivians entered Panama and some 600 Bolivians fled to Paraguay. While the nature of the operation made it unavoidable that many traffickers themselves would flee the country and shut down processing operations, the seizure of seven hydrochloride laboratories and associated equipment (vehicles, airplanes, generators, power tools, etc.) has stopped the weekly production of over six tons of drugs from these laboratories alone. The cocaine production process in Bolivia has effectively ground to a halt.

BLAST FURNACE has served as a catalyst within Bolivian society forcing many heretofore sideline players, such as the armed forces, to face seriously the narcotics issue. On the public scale, it has given rise to numerous editorials, newspaper articles, and radio and television programs, not all positive about the operation, but virtually all discussing the problems of trafficking and addiction in serious terms. While no formal Bolivian public opinion polls are available, general public reaction appears supportive of the government's decision.

The US Ambassador has asked that BLAST FURNACE be extended until November, 1986, when the rainy season begins. We expect a request from Bolivia for additional resources to sustain a long-term Bolivian campaign against drug processing and trafficking.

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BY *RW* NARA DATE 5/18/15

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E.O. 12356: DECL: OADR

TAGS: SNAR, BL, EAD

SUBJECT: WRAP-UP ASSESSMENT OF OPERATION "BLAST
FURNACE" TO DATE IN BOLIVIAREFS: (A) STATE 241574 DTG 012025Z AUG 86
(B) LA PAZ 6329 DTG 302145Z JUL 86
(C) LA PAZ 06629 DTG 082214Z AUG 86
(D) LA PAZ 06532 DTG 071632Z AUG 86
(E) LA PAZ 06513 DTG 052022Z AUG 861. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

SUMMARY

2. FROM THE AMEMBASSY LA PAZ VIEWPOINT, OPERATION "BLAST FURNACE," IN CONJUNCTION WITH INM-SUPPORTED EFFORTS IN THE CHAPARE, HAS BEEN A VIRTUALLY UNQUALIFIED SUCCESS TO DATE IN BOLIVIA IF JUDGED AGAINST THE INITIAL EXPECTATIONS, AS OPPOSED TO THE FREQUENTLY VAUNTED MEDIA EXPECTATIONS. IT HAS GROUND COCA-PROCESSING IN THE COUNTRY TO A HALT AND DISRUPTED THE ENTIRE DEVELOPMENT CHAIN FROM THE PRICE OF COCA LEAVES (CURRENTLY AT AN ALL-TIME LOW AND BELOW THE COST OF PRODUCTION TO THE CULTIVATOR) THROUGH PASTE AND HYDROCHLORIDE PROCESSING AND FINAL EXPORT OF HCL OUT OF BOLIVIA. IF SUSTAINED INDEFINITELY, THE OPERATION HOLDS FORTH THE FURTHER PROSPECT OF EVENTUAL ERADICATION OF COCA ITSELF AS THE CULTIVATOR CAMPESINOS ARE ULTIMATELY FORCED BY ECONOMIC PRESSURES TO SEEK ALTERNATIVE AND LEGAL

3. FACED WITH WHAT IT REGARDED AS AN UNACCEPTABLE POLITICAL LIABILITY OF CONFRONTING COCA-GROWING CAMPESINOS WITH THE PROSPECT OF FORCED ERADICATION, THE BOLIVIAN GOVERNMENT APPROACHED THE EMBASSY AND USG-WASHINGTON IN 1985 ABOUT AN ALTERNATIVE STRATEGY TO ACCOMPLISH THEIR OWN AND U.S. ANTI-NARCOTICS POLICY GOALS. THE STRATEGY AIMED AT A SUSTAINED DISRUPTION OF COCA PROCESSING IN BOLIVIA WITH THE OBJECTIVE OF A SIGNIFICANT REDUCTION IN THE EXODUS OF COCAINE INTO U.S. MARKETS AND THE MAINTENANCE OF A BELOW-COST-OF-PRODUCTION PRICE FOR COCA LEAVES THAT WOULD EVENTUALLY LEAD CAMPESINOS OUT OF COCA AND INTO LESS ATTRACTIVE BUT LEGAL AND SUSTAINABLE CROP ALTERNATIVES. THE STRATEGY WAS, HOWEVER, IMPOSSIBLE UNLESS THE BOLIVIAN GOVERNMENT GAINED ACCESS TO THE REQUIRED AERIAL MOBILITY IN THE VAST LABORATORY AREA OF THE BENI DEPARTMENT WHERE THE BOLIVIAN NATIONAL POLICE HAD NEVER BEEN ABLE TO MOUNT A SUSTAINED INTERDICTION OPERATION. BOLIVIAN INTERIOR MINISTER BARTHELEMY FIRST RAISED THE MATTER WITH THE U.S. IN THE FALL OF 1985 WHEN HE REQUESTED HELICOPTER SUPPORT.

4. THE U.S. POLICY DECISION ON A ROLE FOR THE U.S. ARMED FORCES IN DRUG INTERDICTION WAS A PREREQUISITE TO ACCEPTANCE OF THE BOLIVIAN GOVERNMENT'S INVITATION TO PARTICIPATE IN "BLAST FURNACE." THE DURATION OF

THE U.S. MILITARY SUPPORT OPERATION WAS FORESEEN AS LIMITED AND FINITE; THE ONLY ROLE WAS TO PROVIDE TRANSPORTATION SUPPORT; AND IT WAS NOT PLANNED AS A REHEARSAL FOR FUTURE OPERATIONS (REF A).

THE BOLIVIAN GOVERNMENT COMMITMENT

5. PRESIDENT PAZ ESTENSSORO AND HIS GOVERNMENT ARE NOW TOTALLY COMMITTED TO A "WAR TO THE FINISH" AGAINST DRUG TRAFFICKING AND DRUG-DESTINED COCA CULTIVATION. THEY EMBARKED ON THIS DECISION WHEN
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SECSTATE PASS TO AID WASHDC

E.O. 12356: DECL: OADR

TAGS: SNAR, BL, EAD

SUBJECT: WRAP-UP ASSESSMENT OF OPERATION "BLAST

THEY AGREED TO OPERATION "BLAST FURNACE." THE ECONOMIC AND POLITICAL FALLOUT FROM "BLAST FURNACE" COMPOUNDS OTHER PROBLEMS WHICH, ON THEIR OWN, HAVE BEEN DRIVING THE GOVERNMENT TO ENTERTAIN THE POSSIBILITY OF A STATE OF SEIGE. THE BOLIVIAN GOVERNMENT REGARDS THE UNITED STATES AS A PARTNER IN ITS ANTI-DRUG EFFORT AND HAS SENT THE CURRENT DELEGATION OF ITS FOREIGN AND PLANNING MINISTERS TO THE UNITED STATES TO DISCUSS THE COLLATERAL ISSUES TO "BLAST FURNACE" (REF B):

-- HELP TO GET THROUGH THE THREAT TO THE ECONOMIC RECOVERY PROGRAM THAT THE ANTI-DRUG CAMPAIGN HAS PRODUCED IN THE FOREIGN EXCHANGE MARKET (REF C);

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

-- AND MECHANISMS TO ACCELERATE FOREIGN DEVELOPMENT ASSISTANCE TO ALLEVIATE ANTICIPATED PROBLEMS IN ECONOMICALLY RESETTLING FORMER COCA GROWERS.

6. THE SUSTAINMENT, "BLAST FURNACE" AND THE USG'S ADDRESSING THE COLLATERAL CONCERNS ARE ESSENTIAL IF WE WANT TO AVOID

SENDING SUCH WRONG SIGNALS AS: NON-COMMITMENT BY THE U.S., LEAVING THE GOB AT RISK AFTER ITS ALREADY HAVING PAID A SIGNIFICANT POLITICAL COST FOR INVITING U.S. SUPPORT, AND PUTTING THE NARCO-TRAFFICKERS IN A MUCH MORE DOMINANT POSITION THAN THEY OCCUPIED BEFORE THE INCEPTION OF "BLAST FURNACE" (REF D). ANY PREMATURE WITHDRAWAL OF U.S. SUPPORT-ASSISTANCE WOULD RESULT IN AN ALMOST CERTAIN DISCONTINUITY IN THE OVERALL CONTROL EFFORT IN BOLIVIA AND RETURN TO "BUSINESS AS USUAL" FOR THE TRAFFICKERS, THUS UNDERMINING THE BOLIVIAN GOVERNMENT'S OWN CONTROL-RELATED CREDIBILITY AND THEREFORE ITS FUTURE ABILITY TO ACT, AND IS A MAJOR CONSIDERATION. AMEMBASSY LA PAZ'S STRATEGY CONSIDERATIONS FOR A CONTINUATION OF "BLAST FURNACE" HAVE BEEN SENT TO ADDRESSEES SEPTEL (REF E).

RESULTS OF "BLAST FURNACE" TO DATE

7. THE CURRENT ONGOING OPERATION "BLAST FURNACE" HAS PRODUCED MORE IMMEDIATELY POSITIVE ANTI-NARCOTICS RESULTS FOR THE U.S. IN BOLIVIA THAN ANY INITIATIVE UNDERTAKEN HERETOFORE:

-- MAJOR AND INTERMEDIATE NARCOTRAFFICKING ELEMENTS HAVE EITHER FLED BOLIVIA OR HAVE GONE INTO HIDING. FOR EXAMPLE, DURING THE FIRST WEEK OF OPERATION "BLAST FURNACE," A SURGE OF 250 BOLIVIANS ENTERED PANAMA AND A LARGER NUMBER, SOME 600 BOLIVIANS, FLED BOLIVIA TO PARAGUAY. PRESENTLY THE COCAINE PRODUCTION PROCESS IN BOLIVIA HAS EFFECTIVELY GROUND TO A HALT. THIS IS PARTICULARLY TRUE OF THE HYDROCHLORIDE-PROCESSING LABORATORIES IN THE BENI

DEPARTMENT WHICH HAVE BEEN THE MAJOR TARGETS OF OPERATION "BLAST FURNACE" TO DATE. WHILE THE NATURE OF THE OPERATION MADE IT UNAVOIDABLE THAT MANY TRAFFICKERS THEMSELVES WOULD FLEE THE COUNTRY AND SHUT DOWN ON-GOING PROCESSING OPERATIONS, THE SEIZURE AND DESTRUCTION OF SEVEN HYDROCHLORIDE LABORATORIES AND ASSOCIATED EQUIPMENT (VEHICLES, AIRPLANES, GENERATORS, ELECTRICAL APPLIANCES, POWER TOOLS, ETC.) HAS MEANT THAT A WEEKLY PRODUCTIVE CAPACITY AMONG THESE LABORATORIES ALONE OF OVER 12,000 POUNDS OR SIX TONS HAS NOT LEFT BOLIVIA FOR BT

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TAGS: SNAR, BL, EAID

SUBJECT: WRAP-UP ASSESSMENT OF OPERATION "BLAST

U.S. AND WEST EUROPEAN MARKETS.

-- OPERATION "BLAST FURNACE," TARGETED AGAINST COCAINE HYDROCHLORIDE PROCESSING LABS IN BOLIVIA'S BENI DEPARTMENT, HAS BEEN COMPLEMENTED BY COORDINATED ACTIONS OF BOLIVIA'S NARCOTICS STRIKE FORCE POLICE IN THE CHAPARE AND YUNGAS COCA GROWING REGIONS. THE RESULT HAS BEEN A GIGANTIC MONKEY WRENCH IN THE ACTIVITIES OF BOLIVIAN NARCOTICS PRODUCERS AND TRAFFICKERS NATIONWIDE. CLOSING DOWN THE HYDROCHLORIDE LABS HAS SHARPLY REDUCED THE DEMAND FOR COCA PASTE THAT IS THEIR-RAW MATERIAL. IN THE MONTH OF JULY ALONE 941 KILOS (APPROXIMATELY 2,000 POUNDS OR ONE TON OF PASTE) WERE SEIZED. THIS, IN TURN, HAS UNDERCUT THE MARKET FOR COCA LEAVES AND CAUSED THE PRICE OFFERED FOR CHAPARE AND YUNGAS COCA LEAF TO PLUMMET BELOW PRODUCTION COST (CURRENT LEAF PRICE FOR A "CARGA" OR 100 POUNDS HAS BEEN AVERAGING AROUND 20 TO 25 DOLLARS AS CONTRASTED WITH THE ESTIMATED PRODUCTION COST OF 35 TO 40 DOLLARS). THIS DRUG LEAF PRICE CONTRASTS SHARPLY WITH THE PRE-BLAST FURNACE OPERATION PRICE OF 100 TO 120 DOLLARS PER HUNDRED WEIGHT. IN THE PAST FEW YEARS THIS PRICE HAS BEEN AS HIGH AS 700 DOLLARS. THE FARMERS WHO GROW COCA ARE CONFUSED AND APPREHENSIVE. ACCUSTOMED TO ANNUAL PROFITS AVERAGING AS MUCH AS 10,000 DOLLARS PER HECTARE, THEY ARE NOW UNABLE TO COVER EVEN LABOR COSTS FOR HAND-HARVESTING OF THEIR COCA. MANY HAVE BEGUN TO CALL AT USAID-SUPPORTED BOLIVIAN AGRICULTURAL

EXTENSION OFFICES IN THE CHAPARE TO ACQUIRE SEEDS AND PLANTS FOR ALTERNATIVE CROPS. COCA PASTE PROCESSORS IN THE CHAPARE, EXPECTING TO RIDE OUT THE STORM BY PRODUCING AND STORING COCA PASTE UNTIL THE HEAT IS OFF, HAVE BEEN HIT HARD BY NARCOTICS STRIKE FORCE (UMOPAR) POLICE UTILIZING A SMALL BOLIVIAN GOVERNMENT HELICOPTER TO LOCATE AND DESTROY LABS. NEW UMOPAR POSTS WERE ESTABLISHED AT THREE LOCATIONS IN THE YUNGAS IN EARLY JULY, WHICH HAVE HELPED TO REDUCE ILLEGAL ACTIVITY IN THIS SECOND MOST IMPORTANT BOLIVIAN COCA PRODUCING REGION. NATIONWIDE SEIZURE TOTALS OF BOLIVIAN NARCOTICS POLICE ARE CURRENTLY AT AN ALL-TIME HIGH, LEADING TO NET REDUCTION IN THE AMOUNT OF COCAINE HYDROCHLORIDE AVAILABLE FOR EXPORT FROM BOLIVIA.

-- OPERATION "BLAST FURNACE" HAS SERVED AS A CATALYST WITHIN BOLIVIAN SOCIETY FORCING MANY HERETOFORE SIDELINE PLAYERS SUCH AS THE ARMED FORCES TO SERIOUSLY FACE THE NARCOTICS ISSUE. ON A BROADER PUBLIC SCALE, IT HAS GIVEN RISE TO A PLETHORA OF EDITORIALS, COLUMNS, ARTICLES, AND RADIO AND TELEVISION PROGRAMS, NOT ALL POSITIVE ABOUT THE OPERATION, BUT VIRTUALLY ALL DISCUSSING THE PROBLEMS OF TRAFFICKING AND ADDICTION IN SERIOUS TERMS. USIS PLACEMENT ON NARCOTICS HAS INCREASED SUBSTANTIALLY IN THE BOLIVIAN MEDIA. EVEN MORE ENCOURAGING HAS BEEN THE APPEARANCE OF SELF-GENERATED COLUMNS AND T.V. PROGRAMS ADDRESSING THE ISSUES. ONE T.V. CHANNEL HAS BEGUN A SERIES OF REPORTS ON ADDICTION AND TRAFFICKING IN THE MAJOR CITIES OF THE COUNTRY. ANOTHER IS CO-SPONSORING, WITH OTHER MEDIA ORGANIZATIONS, A FOUR-DAY DEBATE ON THE COCAINE PROBLEM. WHEN EXTREMIST NATIONALISTIC AND LEFTIST GROUPS TAKE TO

THEIR SOAPBOXES TO DENOUNCE THE "ILLEGAL AMERICAN INTERVENTION," EVEN THEY FEEL COMPELLED TO PREFACE THEIR REMARKS WITH THE DECLARATION THAT THEY, TOO, ARE AGAINST NARCOTRAFFICKING AND DRUG ADDICTION. CONSCIOUSLY OR UNCONSCIOUSLY, THE FACT THAT BOLIVIA, AS A PRODUCING COUNTRY, HAS A SERIOUS PROBLEM WHICH MUST BE ADDRESSED IS BEING ACKNOWLEDGED. A QUANTUM LEAP FROM JUST A YEAR AGO, WHEN FEW BOLIVIANS, ON WHATEVER END OF THE POLITICAL SPECTRUM, WOULD ADMIT BT

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SECSTATE PASS TO AID WASHDC

E.O. 12356: DECL: OADR

TAGS: SNAR, BL, EAD

SUBJECT: WRAP-UP ASSESSMENT OF OPERATION "BLAST

THAT COCAINE WAS A THREAT TO THEIR OWN SOCIETY. THE PAZ ESTENSORO GOVERNMENT'S STERN RESOLVE HAS MEANT THAT THE ISSUE IS NOW JOINED AND PART OF THE PUBLIC AGENDA ON TERMS FUNDAMENTALLY DIFFERENT FROM THE PREVIOUSLY SIMPLISTIC ARGUMENTS OF "NO DEMAND, NO SUPPLY." WHILE NO FORMAL PUBLIC OPINION SOUNDINGS ARE AVAILABLE, GENERAL PUBLIC REACTION APPEARS SUPPORTIVE -- AND SOMEWHAT ADMIRING -- OF THE GOVERNMENT'S DECISION.

DEVELOPMENT/ECONOMIC IMPLICATIONS OF BLAST FURNACE

8. "BLAST FURNACE" AND THE COLLATERAL INM CONTROL ACTIVITIES IN THE CHAPARE ESSENTIALLY HAVE ESTABLISHED THE PRECONDITIONS WHICH CAN ENABLE THE SUCCESSFUL IMPLEMENTATION OF THE CHAPARE REGIONAL DEVELOPMENT PROJECT. THE CHAPARE PROJECT RATIONALE HAS BEEN THAT, ABSENT AN EFFECTIVE NARCOTICS CONTROL EFFORT WHICH WOULD LOWER THE PRICE OF COCA LEAVES AND/OR INCREASE THE PHYSICAL AND ECONOMIC RISKS TO GROWING COCA, NO CROP OR COMBINATION OF CROPS COULD PROVIDE SUFFICIENT ECONOMIC INCENTIVE TO CONVINCE FARMERS TO ERADICATE AND PLANT SUBSTITUTE CROPS FOR COCA. THE INTERDICTION ACTIVITIES OF THE PAST MONTH HAVE REDUCED THE PRICE OF COCA LEAVES TO A LEVEL THAT HAS REMAINED WELL BELOW THE COST OF PRODUCTION. IN ADDITION, CHAPARE FARMERS MISTAKENLY BELIEVE THAT A U.S.-SPONSORED FORCEABLE ERADICATION PROGRAM IS IMMINENT. IN THIS CONTEXT, A

-- GOB (USAID-SUPPORTED) AGRICULTURAL EXTENSION WORKERS IN THE PAST TEN DAYS HAVE RECEIVED REQUESTS TO ESTABLISH (NON-COCA) PLANT NURSERIES FOR USE BY FARMERS IN FIVE CHAPARE COMMUNITIES. TWO OF THESE COMMUNITIES ARE LOCATED IN PARTICULARLY INTENSIVE COCA PRODUCTION AREAS. PRIOR TO "BLAST FURNACE," ONLY ONE CHAPARE COMMUNITY HAD EVER REQUESTED A NURSERY FACILITY. (FYI: SUCH NURSERIES OFFER SUCH PLANT SEEDLINGS AS CITRUS, CACAO, COCONUT AND CARDAMOM.)

-- APPROXIMATELY FOUR TIMES THE PRE-BLAST FURNACE NUMBER OF REQUESTS HAVE BEEN RECEIVED AT USAID-FUNDED AGRICULTURAL RESEARCH STATIONS FOR SEEDLINGS OF PLANTS WHICH CAN BE ASSUMED TO BE CONSIDERED AS TEMPORARY OR PERMANENT REPLACEMENTS FOR COCA. THE PLANT ATTRACTING MOST INTEREST HAS BEEN CACAO, FOLLOWED BY COFFEE AND COCONUT. REQUESTS HAVE ALSO BEEN HIGH FOR RICE AND BEANS, WHICH, FOR THE MOST PART, CAN BE CONSIDERED AS SUBSISTENCE, RATHER THAN ECONOMIC, CROPS.

PER REFTEL C, THE APPARENT GOB CONSOLIDATION AND INTEGRATION OF NARCOTICS INTO ITS OVERALL (AND, THUS FAR, VERY SUCCESSFUL) ECONOMIC RECOVERY PROGRAM CAN ALSO BE CONSIDERED A SUCCESS OF BLAST FURNACE. IN EFFECT, THIS OPERATION HAS SENSITIZED THE GOB TO RECOGNIZE HOW CLOSELY RELATED NARCOTICS CONTROL IS TO THE ECONOMIC (AND POLITICAL) FUTURE OF THE COUNTRY. PREVIOUS EMBASSY/USAID DIALOGUE ON THIS MATTER WAS NOT NEARLY AS EFFECTIVE IN ESTABLISHING SUCH A CRITICAL LEVEL OF AWARENESS.

CONCLUSION

9. IN SUMMARY, AN INTERIM ASSESSMENT OF OPERATION "BLAST FURNACE" WOULD INCLUDE THE FOLLOWING FACTORS -- FORCING THE CONCLUSION THAT IT HAS BEEN A MAJOR SUCCESS:

-- MAJOR TRAFFICKERS HAVE CEASED OPERATIONS AND PREFER TO WAIT FOR MORE OPPORTUNE TIMES OR A CESSATION
BT

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SECSTATE PASS TO AID WASHDC

E.O. 12356: DECL: OADR

TAGS: SNAR, BL, EAD

SUBJECT: WRAP-UP ASSESSMENT OF OPERATION "BLAST

OF THE OPERATION;

. -- DROPS IN COCAINE SULFATE ELABORATION OF AS
MUCH AS 90 PERCENT HAVE BEEN REPORTED;

. -- OBSERVERS NOTE SIGNIFICANTLY DIMINISHED AIR
TRAFFIC FROM MAJOR SUPPLY AREAS WHICH WOULD NORMALLY
PROVIDE PRECURSOR CHEMICALS AND OTHER REQUIRED
SUPPLIES;

. -- COMMERCIAL ACTIVITY IN THE BENI DEPARTMENT
HAS NOTICEABLY DIMINISHED;

. -- ARGENTINA AND BRAZIL HAVE STRENGTHENED THEIR
BORDER OPERATIONS TO PREVENT OUTFLOW OF TRAFFICKERS
AND COCAINE FROM BOLIVIA. OTHER ANDEAN COUNTRIES,
SUCH AS PERU, HAVE SIGNIFICANTLY STEPPED UP THEIR
OWN INTERDICTION OPERATIONS;

. -- UMOPAR OPERATIONS IN THE CHAPARE REGION HAVE
BEEN VERY SUCCESSFUL. PASTE BUYERS HAVE FLED DUE TO
"BLAST FURNACE";

. -- BASED ON DEA ESTIMATES OF 25 TO 35 MAJOR
LABORATORIES IN BOLIVIA, "BLAST FURNACE" HAS NOW
FOUND 16 TO 25 PERCENT OF THEM.

(DRAFTED: CHARGE: JRBIGGS)

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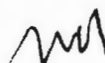
Presidencia de la República

La Paz, 1º de agosto de 1986.

Señor Presidente y amigo:

Le agradezco por su amable carta, fechada el 24 de julio de 1986, y los positivos conceptos que en ella expresa en relación a la enérgica acción que mi Gobierno ha desplegado en una lucha frontal contra el narcotráfico.

Se trata de la iniciación de una tarea difícil y múltiple que en Bolivia estamos dispuestos a llevarla adelante con la mayor seriedad y eficiencia. En este contexto quiero destacar la cooperación que el Gobierno de los Estados Unidos de América nos ha proporcionado. Nosotros, con adecuado apoyo continuaremos incansablemente en esta guerra contra la droga. No podemos conformarnos con realizar acciones policiales combinadas temporales que, luego al perder su intensidad y continuidad, provocarían resultados contrarios y adversos a los deseados. En este sentido, me permito remitir, como anexo a la presente, la comunicación que en esta misma fecha ha enviado el señor Ministro de Relaciones Exteriores y Culto de Bolivia al señor Secretario de Estado de su Ilustrado Gobierno.



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BY RW NARA DATE 5/18/15



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Presidencia de la República

- 2 -

Considero, estimado Señor Presidente, que el combate que hemos emprendido contra este terrible síndrome social del narcotráfico, requiere una acción conjunta, no sólo de nuestros Gobiernos sino de otros países amigos del hemisferio que padecen este mismo flagelo. Por tanto creo necesaria la realización de una reunión de los Jefes de Estado del Brasil, Colombia, Ecuador, Estados Unidos de América, Perú y Venezuela durante el presente año, con el objeto de definir políticas comunes en esta materia tan urgente. Esta reunión la convocaríamos conjuntamente los Estados Unidos de América y Bolivia para que se realice en la ciudad de Santa Cruz de la Sierra.

Agradezco la atención que merezca la presente comunicación y le reitero las expresiones sinceras de amistad y consideración personal.

Al Excelentísimo Señor
Don Ronald Reagan,
PRESIDENTE DE LOS ESTADOS
UNIDOS DE AMERICA
Washington D.C.-

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E.O. 12356: DECL: OADR
TAGS: BL, PGOV
SUBJECT: ADN OPPOSITION LEADER HUGO BANZER REINFORCES
RESPONSIBLE DEMOCRATIC OPPOSITION

REF: LA PAZ 6041 DTG 221811Z JUL 86

1. (U) OPPOSITION NATIONALIST DEMOCRATIC ACTION (ADN) —
LEADER HUGO BANZER ON JULY 13 PUBLICLY OUTLINED A
NUMBER OF THEMES WHICH, HE SAID, WILL GUIDE HIS PARTY
TO THE PRESIDENCY IN 1989. BANZER USED THE FIRST
ANNIVERSARY OF THE 1985 NATIONAL ELECTIONS TO ISSUE HIS
STATEMENT ON ALL MAJOR RADIO AND TELEVISION STATIONS
AND THE PRESS. THE ADN AGENDA, BANZER VOWS, AIMS TO
MODERNIZE AND MORALIZE GOVERNMENT.

-- CONSOLIDATION OF DEMOCRACY: THE "PACT FOR DEMOCRACY"
WITH PRESIDENT PAZ IS "A COMMON DEFENSE OF REPRESENTATIVE
DEMOCRACY", BUT NOT AN ALLIANCE OR CO-GOVERNMENT. THE
POLITICAL OPPOSITION MUST "LET THE GOVERNMENT GOVERN".
PAZ'S NATIONALIST REVOLUTIONARY MOVEMENT (MNR) HAS TOTAL
RESPONSIBILITY FOR ITS ACTIONS. THE ADN WOULD CONSIDER
CO-GOVERNMENT ONLY IN THE EVENT OF "THE MOST GRAVE
THREAT" TO BOLIVIA'S STABILITY.

-- ECONOMIC RECOVERY: AN ECONOMIC REVITALIZATION PLAN
WHICH PROVIDES REVENUE TO THE GOVERNMENT, ENCOURAGES
INVESTMENT, INCREASES PRODUCTION AND LOWERS UNEMPLOYMENT
IS AN "ABSOLUTE PRIORITY." THE ADN WILL NOT SIMPLY
SUPPORT SUCH EFFORTS BUT WILL PROMOTE THEM AND INSIST
THAT THE GOVERNMENT MOVE PURPOSEFULLY AHEAD.

-- LEGISLATIVE AGENDA: IN THE UPCOMING CONGRESSIONAL
SESSION BEGINNING AUGUST 5, THE ADN WILL ADVOCATE
TOUGH PENALTIES AGAINST NARCOTRAFFICKERS AS WELL
AS LEGISLATION TO ESTABLISH A MORAL CODE FOR

GOVERNMENT TO COUNTER CORRUPTION, AND A DECENTRALIZATION
LAW TO GIVE LOCAL COMMUNITIES MORE AUTHORITY TO HANDLE
THEIR OWN AFFAIRS.

-- "PEOPLE'S REFERENDUM": THE PLEBISCITE BEING ORGANIZED
FOR JULY 25 BY LABOR/LEFTIST GROUPS TO CENSURE TAX REFORM
AND TO REPUDIATE BOLIVIA'S INTERNATIONAL DEBT IS
UNCONSTITUTIONAL. THE SO-CALLED "POPULAR CONSULTATION"
IS AN ATTEMPT TO GENERATE UNREST AND CONFRONTATION
BETWEEN BOLIVIAN'S THEMSELVES.

2. (C) COMMENT: BANZER'S MESSAGE BOILS DOWN TO ONE
ESSENTIAL POINT: UNITY IN THE FACE OF ADVERSITY. AS
LITTLE AS ONE YEAR AGO, HIS WOULD HAVE BEEN A VOICE
IN THE WILDERNESS AMID THE COUNTRY'S CONSIDERABLE
POLITICAL AND ECONOMIC CONFUSION. A TENTATIVE EMERGING
CONSENSUS AMONG RESPONSIBLE POLITICAL ELEMENTS, A
SOLID AND TOUGH ECONOMIC PROGRAM CLOSELY ASSOCIATED
WITH THE ADN, AND CONTINUED SHRILL DISARRAY ON THE
RADICAL LEFT, HOWEVER, SUGGEST THAT BANZER MAY FIND
SOME RESONANCE AMONG BOLIVIAN'S BONE WEARY OF
CONFRONTATION POLITICS. THE PRAGMATIC BANZER HOPES
TO MAKE THE ADN THE RALLYING POINT FOR THIS FRAGILE
TREND TO RESPONSIBLE PARTICIPATORY DEMOCRACY. THROUGH
THE "PACT", THE ADN'S SUPPORT OF THE GOVERNMENT IN
CONGRESS AND OTHER SIMILAR PRO-ACTIVE MEASURES,
BANZER IS ATTEMPTING TO MAKE HIS WORDS CREDIBLE
THROUGH DEEDS.

3. (C) FROM OUR PERSPECTIVE, BANZER AND OTHERS OF
LIKE MIND FACE A LONG, UPHILL STRUGGLE TO PUSH
BOLIVIA TOWARD POLITICAL MATURITY BUT, UNLIKE A YEAR
AGO, THERE IS NOW A CHANCE THEY MAY SUCCEED. THE
JULY "REFERENDUM" WILL POSE AN IMPORTANT TEST IN THAT
STRUGGLE FOR BOLIVIA'S FUTURE (REFTEL).
(DRAFTED BY: POL-FFOULGER) ROWELL
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E.O. 12356: DECL: OADR
TAGS: EFIN, EAID, BL
SUBJECT: CONTINGENCY HELP ON FOREIGN EXCHANGE MARKET

REF: LA PAZ 6027

1. C ENTIRE TEXT.

2. WE SHARE YOUR DOUBT THAT THE NARCOTRAFFICKERS WOULD BE ABLE TO BRING ABOUT A SERIOUS DECLINE IN THE PESO-DOLLAR EXCHANGE RATE. THE FACTORS YOU CITE (FEWER EXCESS PESOS NOW THAN IN 1984 AND THE QUESTIONABLE ABILITY OF THE TRAFFICKERS TO COORDINATE THEIR ACTIONS) ALSO LEAD US TO BELIEVE THAT THERE IS NOT LIKELY TO BE A REAL THREAT TO THE BOLIVIAN CURRENCY, AND THAT THE EXCHANGE AUCTION SYSTEM, PROPERLY MANAGED, CAN KEEP ANY RUSH AGAINST THE PESO UNDER CONTROL.

3. IT WILL NOT BE POSSIBLE TO RELEASE THE SECOND HALF OF FY-86 ESF FUNDS. THOSE MONIES HAVE ALREADY BEEN REPROGRAMMED TO ANOTHER COUNTRY.

4. UNDER THE CIRCUMSTANCES, YOU MAY ADVISE THE FOREIGN MINISTER THAT WE DO NOT BELIEVE INTERVENTION IS WARRANTED BASED UPON CURRENT CONDITIONS, BUT WILL BE CLOSELY MONITORING THE SITUATION. SHULTZ
BT

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E.O. 12356: DECL: OADR

TAGS: BL, EFIN, EAD

SUBJECT: BOLIVIA ASKS CONTINGENCY HELP IN CASE OF
NARCO-TRAFFICKER RUN ON THE EXCHANGE MARKET

1. (C) THE BOLIVIAN FOREIGN MINISTER'S CONFIDENTIAL AIDE HANDED THE AMBASSADOR THE NOTE INFORMALLY TRANSLATED IN PARA 6 ON FRIDAY NIGHT, JULY 18. THE MAIN POINT IS A REQUEST FOR U.S. BACKING FOR BOLIVIA'S CENTRAL BANK IF THE CURRENT HIGHLY PUBLICIZED NARCOTICS INTERDICTION EFFORT PRODUCES A RUN ON THE PESO.

2. (C) THE BOLIVIANS BELIEVE THAT THE NARCOTICS TRAFFIC HAS BEEN BRINGING DOLLARS INTO THE ECONOMY AT A RATE OF ABOUT DOLS 600 MILLION PER YEAR. THEY STATE THAT THE TOTAL VALUE OF LEGAL EXPORTS IN 1985 WAS ABOUT DOLS 500 MILLION. THERE IS A GENERAL ASSUMPTION IN LA PAZ THAT ONE REASON FOR THE STEADY EXCHANGE RATE (1.9 MILLION PESOS PER DOLLAR) SINCE LAST JANUARY HAS BEEN THE LARGE VOLUME OF DOLLARS AVAILABLE IN THE INFORMAL STREET-EXCHANGE MARKET. THE PRICE AT THE OFFICIAL EXCHANGE AUCTIONS CONSISTENTLY TRACKS CLOSELY WITH THE STREET PRICE. IN ADDITION, THE BOLIVIANS REFER TO THE 1984 ARMY INCURSION INTO THE CHAPARE -- THE FIRST EFFORT TO ASSERT GOVERNMENT AUTHORITY IN A WILD-WEST COCA GROWING REGION. ON THAT OCCASION THE PESO DEVALUED BY ALMOST 30 PERCENT WITHIN A FEW DAYS.

3. (C) EXCHANGE MARKET CONDITIONS DIFFER VASTLY TODAY FROM THOSE IN 1984. THE PAZ ESTENSORO GOVERNMENT'S RADICAL ECONOMIC STABILIZATION HAS WRUNG MOST OF THE EXCESS PESOS OUT OF THE ECONOMY. THE DEMAND FOR DOLLARS THEREFORE HAS BEEN MUCH MORE LIMITED THAN IN 1984. SECOND, A CONCERTED TRAFFICKER EFFORT TO DRIVE DOWN THE VALUE OF THE PESO WOULD REQUIRE A GREATER DEGREE OF COORDINATION BETWEEN TRAFFICKERS THAN THEY HAVE APPARED

TO HAVE THUS FAR. IT ALSO WOULD REQUIRE THAT THEY ACCUMULATE ENOUGH PESOS TO BE ABLE TO RUSH INTO THE PARALLEL MARKET TO DEMAND DOLLARS. ALTHOUGH SOME TRAFFICKERS HAVE SUBSTANTIAL PESO RESOURCES IN THE FORM OF OPERATIONAL BANK ACCOUNTS OR ACCUMULATED STOCKS USED FOR MONEY LAUNDERING, WE SUSPECT THAT THEY KEEP THE BULK OF THEIR RESOURCES IN HARD CURRENCY OUTSIDE OF BOLIVIA.

4. (C) THE AMBASSADOR EXPRESSED TO THE MINISTER'S AIDE THESE BASES FOR DOUBTING THE SEVERITY OF THE THREAT. NONETHELESS, IN VIEW OF THE MINISTER'S STRONG INSISTENCE, THE AMBASSADOR SAID HE WOULD FORWARD THE REQUEST TO WASHINGTON. WE ALSO HAD TO ACKNOWLEDGE THAT IN VIEW OF BOLIVIA'S 1984 EXPERIENCE, IT WOULD BE RECKLESSLY IMPROVIDENT TO FAIL TO CONSIDER HOW TO DEAL WITH A TRAFFICKER-INDUCED RUN ON THE PESO.

(C) ACTION:

A. REQUEST URGENT GUIDANCE FOR A REPLY TO THE FOREIGN MINISTER.

B. IF OPERATION BLAST FURNACE HAS HAD A SUFFICIENTLY FAVORABLE IMPACT IN THE U.S. CONGRESS, MAYBE WE COULD GET AGREEMENT TO RELEASE THE SECOND HALF OF FY-86 ESF AND MILITARY ASSISTANCE FUNDS. THE SECOND HALF ESF WOULD BE THE BEST POLITICAL AND PSYCHOLOGICAL DEMONSTRATIONS OF U.S. SUPPORT AND COMMITMENT WE COULD MAKE. THE SECOND HALF OF MAP COULD HELP US BEGIN RPT BEGIN TO BUILD A MILITARY CAPABILITY FOR NARCOTICS INTERDICTION AND WOULD HELP THE GOVERNMENT TO DVERCOME SOME OF THE MILITARY FRUSTRATION DUE TO TOTALLY INADAQUATE NATIONAL SOURCES AND, CURRENTLY, NON PARTICIPATION WITH THE U.S. IN BLAST FURNACE.

6. (C) UNOFFICIAL TRANSLATION OF MINISTER'S NOTE:

QUOTE:

NOTE G.M. 589/86, LA PAZ, JULY 18, 1986
CONFIDENTIAL

DEAR MR. AMBASSADOR:
BT

DECLASSIFIED

NLRR 0353/1 #120321

BY RW NARA DATE 5/18/15

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NATIONAL SECURITY COUNCIL
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~~CONFIDENTIAL~~ SECTION 02 OF 02 LA PAZ 06027

E.O. 12356: DECL: OADR
TAGS: BL, EFIN, EAD
SUBJECT: BOLIVIA ASKS CONTINGENCY HELP IN CASE OF

IN ACCORDANCE WITH THE DOCUMENTS THAT OUR GOVERNMENTS EXCHANGED ON THE 9TH OF JULY THIS YEAR AND WHICH REFER TO THE ESSENTIAL THEME OF BUILDING A COMMON EFFORT TO ERADICATE THE CRIME OF NARCO-TRAFFICKING, I WISH TO EXPRESS TO YOU IN THE NAME OF THE BOLIVIAN GOVERNMENT A FEW COMMENTS WHICH CORRESPOND TO THE REALITY OF THE INTERDICTION OPERATIONS BEGUN A FEW DAYS AGO AND THEIR POSSIBLE CONSEQUENCES.

1. IN ACCORDANCE WITH WHAT I SAID YESTERDAY, JULY 17, AT THE MEETING IN THE MINISTRY OF THE INTERIOR, WE BELIEVE THAT THE LACK OF PRESS COORDINATION AND THE LEAKS THAT TOOK PLACE IN WASHINGTON HAVE UNDERMINED THE EFFICIENCY OF THIS OPERATION WHICH WAS BASED FUNDAMENTALLY ON THE FACTOR OF SURPRISE. I TRUST THAT THE LACK OF PRESS COORDINATION WHICH HAS OCCURRED CAN BE RECTIFIED AND SHAPED IN THE FUTURE TO THE POLICE OBJECTIVES TO BE CARRIED OUT.

2. IT IS IMPORTANT THAT PRESS COVERAGE DURING THE TIME THAT THIS CONTROL AND REPRESSION OPERATION -- UNDER THE CHARGE OF THE BOLIVIAN POLICE AND WITH THE LOGISTICAL AND TECHNICAL SUPPORT OF SPECIFIED ORGANIZATIONS OF YOUR GOVERNMENT -- BE SPECIFICALLY FORMED ACCORDING TO THE FACTS OF THE OPERATION, SEEKING TO INSURE THAT CONJECTURE OR COMMENTARY THAT THE PRESS MAY MAKE WILL IN NO CASE BE BASED ON OFFICIAL INFORMATION WHICH ITSELF MUST BE SOBER AND OBJECTIVE.

3. IT IS POSSIBLE THAT THE OPERATION UNDER WAY TO ATTAIN THE RESULTS THAT WE SEEK, THAT IS, THE ERADICATION OF THIS EVIL THROUGH THE DESTRUCTION OF THE CRIMINAL PERPETRATORS THEMSELVES (NARCO-TRAFFICKERS IN GENERAL, PERSONS DEDICATED TO THE PRODUCTION OF DRUGS, LABORATORY OPERATORS AND MERCHANTS OF THE PRECURSORS FOR THE CHEMICAL

PRODUCTION PROCESS, ETC.) COULD SIGNIFY FROM THE POINT OF VIEW OF THE GOVERNMENT'S ECONOMIC POLICY AND PARTICULARLY OF THE EXCHANGE MARKET A LESSENING IN THE OFFER OF DOLLARS THAT WOULD GRAVELY PRESSURE THE LEVEL OF OUR RESERVES. IN ORDER TO BE ABLE TO COUNT ON COVERAGE THAT WOULD BLOCK ANY EXCESS DEMAND THAT WOULD DAMAGE MONETARY STABILITY, IT IS IMPORTANT THAT BALANCE OF PAYMENTS SUPPORT PROGRAMS (FRESH DOLLARS) BE WORKED OUT WHICH COULD GIVE US AN ADEQUATE MARGIN OF SAFETY UNDER THE PRESENT CIRCUMSTANCES UNTIL ECONOMIC NORMALITY CAN BE REESTABLISHED IN THE COUNTRY VIA THE REACTIVATION POLICY WHICH WILL COUNT ON SUPPORT FROM THE WORLD BANK CONSULTATIVE GROUP AND OTHER, BILATERAL SOURCES OF FINANCING.

IN CONSIDERATION OF THIS SUBJECT (3), BY MEANS OF THIS OFFICIAL COMMUNICATION I ASK IMMEDIATE CONTINGENT COOPERATION FROM THE GOVERNMENT OF THE UNITED STATES IN ORDER TO STRENGTHEN THE RESERVE LEVEL OF THE CENTRAL BANK IN BOLIVIA. THERE EXISTS EVIDENCE THAT THE DOLLAR MARKET OF THE INFORMAL ECONOMY, SURELY PROMPTED BY THE NARCO-TRAFFICKERS, MAY BEGIN A PANIC ACTION AND EXAGGERATED DEMAND FOR U.S. CURRENCY WHICH COULD BRING DOWN THE GOVERNMENT'S ENTIRE ECONOMIC PROGRAM.

I REGARD THIS REQUEST AS HAVING THE HIGHEST PRIORITY, AND GREATER ELABORATION REGARDING IT IS UNNECESSARY DUE TO THE FACT THAT THE EMBASSY UNDER YOUR CHARGE IS FULLY AWARE OF THE TRUE OVERALL SITUATION OF THE COUNTRY REGARDING SUCH A DELICATE SUBJECT AS OUR WEAK EXTERNAL ECONOMY WHICH HAS BEEN SO BADLY DAMAGED IN RECENT TIMES BY THE FALL IN INTERNATIONAL PRICES OF OUR MOST IMPORTANT EXPORTS.

FOR THESE REASONS I PRESENT MY COMPLIMENTS TO YOUR EXCELLENCY AND REITERATE THE ASSURANCES OF MY HIGHEST

AND MOST DISTINGUISHED CONSIDERATION. GUILLERMO BEDREGAL GUTIERREZ, MINISTER OF FOREIGN RELATIONS AND WORSHIP.

UNQUOTE. ROWELL
BT

~~CONFIDENTIAL~~

From: NSWRP --CPUA

Date and time 08/14/86 17:57:37

To: NSJMP --CPUA JOHN M. POINDEXTER

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NOTE FROM: BOB PEARSON

Subject: READ OUT ON PRES MTG W/BOLIVIA CABINET MINS

*** Forwarding note from NSJT --CPUA 08/14/86 16:46 ***

To: NSRBM --CPUA JOHN M. POINDEXTER NSWRP --CPUA JOHN M. POINDEXTER

NOTE FROM: Jackie Tillman

SUBJECT: READ OUT ON PRES MTG W/BOLIVIA CABINET MINS

The meeting went quite well. The Bolivians expressed their determination to continue, in partnership with us, their efforts to fight narcos. They raised the idea of a summit of Andean Presidents; Pres Reagan said we would look at that carefully. (I'll have a package on this for you tomorrow.) They described their success in bringing down inflation from 50,000% to zero. I'll have the memcon for you tomorrow.

Elliott, Carlton Turner and Amb. Rowell then gave a backgrounder that was very useful and gave the press corps the correct perspective with which to view the consequences of Operation Blast Furnace: massive disruption of the entire cocaine industry.

Bolivia

cc: NSJRS --CPUA

cc: NSPBT --CPUA

NSJT --CPUA

From: NSJT --CPUA
To: NSJMP --CPUA

Date and time 08/14/86 18:58:23

*** Reply to note of 08/14/86 18:32

NOTE FROM: Jackie Tillman

Subject: BRAZIL

Will do (and have been). My colleagues will be delighted to know you feel strongly too; that helps. Be aware that we tried last year to get waivers for training for both Argentina and Brazil and Congress did not accept it. Higher level involvement will help. Will keep you posted.

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Brazil