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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** LATIN AMERICAN AFFAIRS DIRECTORATE, NSC:  
RECORDS

**Withdrawer**

KML 9/30/2011

**File Folder** BOLIVIA (SAFE 1) 08/15/1986-09/09/1986

**FOIA**

M10-353/1

**Box Number** 2

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77

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
120323	CABLE	LA PAZ 06832 <b>R 5/18/2015 M353/1</b>	24	8/15/1986	B1
120324	PAPER	RE CHILE & BOLIVIA	1	8/19/1986	B1 B3
120325	CABLE	ASUNCION 03122 <b>R 5/18/2015 M353/1</b>	6	8/20/1986	B1
120327	CABLE	RE LETTER FROM PRESIDENT REAGAN TO PRESIDENT PAZ <b>R 5/18/2015 M353/1</b>	2	8/20/1986	B1
120328	CABLE	212027Z AUG 86 <b>PAR 5/3/2012 M353/1</b>	2	8/21/1986	B3
120329	PAPER	RE BOLIVIA & MEXICO	1	8/21/1986	B1 B3
120330	CABLE	STATE 263575 <b>R 5/18/2015 M353/1</b>	4	8/21/1986	B1
120331	CABLE	STATE 269045 <b>R 5/18/2015 M353/1</b>	2	8/27/1986	B1
120332	PAPER	RE IN BRIEF	1	8/28/1986	B1 B3
120334	PAPER	RE BOLIVIA	1	8/29/1986	B1 B3

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
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- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
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- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** LATIN AMERICAN AFFAIRS DIRECTORATE, NSC:  
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**File Folder** BOLIVIA (SAFE 1) 08/15/1986-09/09/1986

**FOIA**

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
120335	CABLE	LA PAZ 07248 <i>R 5/18/2015 M353/1</i>	1	8/29/1986	B1
120336	CABLE	RE BOLIVIA (SECOND PAGE ONLY) <i>R 5/18/2015 M353/1</i>	1	ND	B1
120337	CABLE	LA PAZ 07514 <i>R 5/18/2015 M353/1</i>	6	9/5/1986	B1
120338	CABLE	SAME TEXT AS DOC 120387 <i>R 5/18/2015 M353/1</i>	6	9/5/1986	B1
120339	CABLE	LA PAZ 07550 <i>R 5/18/2015 M353/1</i>	2	9/8/1986	B1
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~~CONFIDENTIAL~~ SECTION 01 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR  
TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON  
SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT  
. AND PROSPECTS

REF: 85 LA PAZ 10097

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SUMMARY  
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1. (C) AUGUST 6 MARKED THE FIRST ANNIVERSARY OF THE PAZ ESTENSSORO GOVERNMENT AND THE BEGINNING OF A NEW LEGISLATIVE YEAR, BOTH SIGNIFICANT MILESTONES ON BOLIVIA'S DIFFICULT PATH TOWARD STABLE DEMOCRATIC RULE AND ECONOMIC RECOVERY. THE BALANCE SHEET FOR PAZ'S FIRST 12 MONTHS IN THIS, HIS FOURTH TERM OF OFFICE, IS OVERWHELMINGLY POSITIVE, PARTICULARLY WHEN CONTRASTED WITH THE THREE CHAOTIC YEARS OF THE PREVIOUS SILES ZUAZO ADMINISTRATION. PAZ'S ACCOMPLISHMENTS IN CONSOLIDATING DEMOCRACY ARE EVEN MORE IMPRESSIVE IN THE FACE OF THE OVERWHELMING ECONOMIC PROBLEMS THAT HE INHERITED AND THAT CONTINUE TO CONFRONT HIM AND HIS ADVISORS. THE BOLIVIAN PUBLIC'S TOLERANCE FOR ENDURING THIS CRISIS AND THEIR ACCEPTANCE OF DEMOCRATIC GOVERNMENT AS THE LESSER OF OTHER POSSIBLE EVILS HAVE BEEN ENHANCED CONSIDERABLY BY THE NEGATIVE EXPERIENCES OF RECENT YEARS. NEVERTHELESS, THE STOICISM OF LOWER INCOME BOLIVIANS IN ACCEPTING DRAMATIC DECLINES IN EARNING POWER AND LIVING CONDITIONS CANNOT ENDURE

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PERSONALLY THAT AGREEMENT SHOULD BE KEPT AS SIMPLE AS POSSIBLE.

4. AMBASSADOR POINTED OUT IMPORTANCE OF MOVING QUICKLY TOWARD A FEBRUARY 1987 TARGET FOR RADAR OPERATION, MENTIONING END-OF-AUGUST DEADLINES FOR SECURITY AND TECHNICAL SURVEYS. SAMUDIO SAID HE UNDERSTOOD AND WOULD PRESS FOR A QUICK DECISION.

5. TALK DURING THE MEETING WAS FREE-FLOWING, WITH LIVELY INTEREST IN CARIBBEAN BASIN RADAR NETWORK AND HOW A SAN ANDRES INSTALLATION WOULD FIT INTO OVERALL COLOMBIAN NATIONAL AIR TRAFFIC CONTROL MATRIX. COLOMBIAN SIDE ALSO MADE QUICK LINKAGE BETWEEN STRATEGIC AND ANTI-NARCOTICS OBJECTIVES OF THE NETWORK AND THE SAN ANDRES INSTALLATION. ARMED FORCES CHIEF OF STAFF WAS INTERESTED IN KNOWING IF THE NETWORK WOULD REMAIN CLASSIFIED, OBSERVING THAT THE SAN ANDRES ARRANGEMENTS FOR US CIVILIANS TO OPERATE THE INSTALLATION WOULD BECOME PUBLIC KNOWLEDGE. THE TWO GOVERNMENTS SHOULD COUNT ON AN ATTACK FROM THE LEFT ON SOVEREIGNTY GROUNDS.

6. ACTION REQUEST: STATE DEPARTMENT TO ADDRESS QUESTION OF FORM AN AGREEMENT BETWEEN THE TWO COUNTRIES MIGHT TAKE AND AT WHAT LEVEL IT MIGHT BEST BE EXECUTED.

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\*\* END OF CABLE \*\*

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INDEFINITELY. NOR IS IT LIKELY THAT THE BOLIVIAN ARMED FORCES, WITH THEIR LONG TRADITION OF DIRECT INVOLVEMENT IN GOVERNMENT AND POLITICS, WILL REMAIN FOREVER ALOOF IN THE EVENT OF SERIOUS SOCIAL AND POLITICAL DISINTEGRATION.

2. (C) TO A VERY LARGE DEGREE, THE FATE OF PAZ ESTENSSORO'S HEROIC EFFORT TO GET BOLIVIA FIRMLY BACK ON THE DEMOCRATIC TRACK AND TO ELIMINATE THE TERRIBLE DISTORTIONS AND IMBALANCES THAT HAVE CREPT INTO THE BOLIVIAN ECONOMY WILL DEPEND ON THE 78-YEAR-OLD PRESIDENT'S HEALTH AND VITALITY. HIS WILL TO CARRY ON, PARTICULARLY IN THE CRUCIAL AREA OF NARCOTICS CONTROL, REDUCTION, AND INTERDICTION, DEPENDS IN TURN ON THE DEGREE OF MORAL SUPPORT AND ECONOMIC ASSISTANCE THAT HE RECEIVES FROM THE U.S. AND OTHER DONOR COUNTRIES. THE PRESIDENT'S BOLD, POLITICALLY RISKY AND PROBABLY IRREVOCABLE DECISION TO ATTACK NARCO-TRAFFICKING VIGOROUSLY HIGHLIGHTS A RESOLVE AND A RANGE OF GOVERNMENT POLICIES FUNDAMENTALLY DIFFERENT THAN PREVIOUS BOLIVIAN REGIMES.

3. (C) THE ALTERNATIVES TO PAZ ESTENSSORO, SHOULD HE FAIL IN HIS EFFORTS, ARE NEBULOUS BUT WE CAN CONCEIVE OF NO/NO SUCCESSOR GOVERNMENT -- CONSTITUTIONAL OR DE FACTO -- WITH THE TALENT, DOMESTIC MANDATE OR INTERNATIONAL CREDIBILITY THAT PAZ CURRENTLY ENJOYS, OR WITH THE SAME POTENTIAL FOR SIGNIFICANT ACCOMPLISHMENTS OF VITAL INTEREST TO THE U.S. END SUMMARY.

I. ON THE POSITIVE SIDE OF THE LEDGER  
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4. (C) THE SHEER CHAOS AND UNPREDICTABILITY OF THE

SILES ZUAZO ADMINISTRATION (OCTOBER 1982 - AUGUST 1985)  
-- CHARACTERIZED BY RAMPANT INFLATION AND PARALLEL DEVALUATION OF THE PESO; SPECULATION AND SEVERE SHORTAGES OF BASIC COMMODITIES; CONSTANT STRIKES AND INTERRUPTIONS OF NORMAL ROUTINE; AND PERVASIVE CORRUPTION -- HAVE MADE BOLIVIANS APPRECIATE THE RELATIVE NORMALITY IMPOSED BY PAZ ESTENSSORO SHORTLY AFTER TAKING OFFICE ON AUGUST 6, 1985. MEMORIES OF THE SILES REGIME HAVE ALSO HELPED TO MAKE BOLIVIANS MORE PATIENT AND TOLERANT OF CURRENT HARD TIMES, BECAUSE PAZ HAS GIVEN THEM THE HOPE THAT IF THEY TIGHTEN THEIR BELTS AND PUT THEIR HOUSE IN ORDER

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\*\* END OF CABLE \*\*

\*\*\*\* SECTION BREAK \*\*\*\*

~~CONFIDENTIAL~~ SECTION 02 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

- EVENTUALLY BOLIVIA WILL PULL OUT OF THE CRISIS AND PROSPECTS WILL BE BRIGHTER. ALTHOUGH PROGRESS IN THE 1970'S MADE THE COMFORTS AND AMENITIES OF 20TH CENTURY LIFE AVAILABLE TO MORE PEOPLE, MOST BOLIVIAN'S ARE STILL CONTENT WITH -- OR RESIGNED TO -- A VERY MODEST, EVEN PRIMITIVE LIFE STYLE. DESPITE THESE LESSONS OF THE PAST, MOST BOLIVIAN'S NONETHELESS ARE JUSTIFIABLY OPTIMISTIC ABOUT THEIR NATION'S LONGER RANGE FUTURE.

MOVING TOWARD ECONOMIC REVITALIZATION  
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5. (C) WITHIN THIS CONTEXT, WE BELIEVE THAT PAZ ESTENSSORO HAS MADE SIGNIFICANT PROGRESS IN RATIONALIZING THE BOLIVIAN ECONOMY AND CREATING THE PRE-CONDITIONS NECESSARY FOR SOUND FUTURE GROWTH:

-- INFLATION IN THE 12-MONTH PERIOD OCTOBER 1984 THROUGH SEPTEMBER 1985 REACHED THE ASTRONOMICAL RATE OF 23,000 PERCENT, WITH A PARALLEL DEVALUATION OF THE PESO. IN CONTRAST, THE CONSUMER PRICE INDEX ROSE 1,700 PERCENT IN THE 12-MONTH PERIOD JUNE 1985 THROUGH MAY 1986, WHILE THE VALUE OF THE PESO REMAINED STABLE, THANKS TO THE INSTITUTION OF A CENTRAL BANK DOLLAR DAILY AUCTION MECHANISM TO SATISFY THE DEMAND FOR DOLLARS AND TO SET THE VALUE OF FOREIGN EXCHANGE.

-- FOR THE FIRST TIME IN MANY YEARS, THE GOVERNMENT HAS PRODUCED A WORKING NATIONAL BUDGET, A SINE QUONON FOR ASSISTANCE FOR INTERNATIONAL FINANCIAL INSTITUTIONS (IFI'S).

-- THE EXECUTIVE PROPOSED AND CONGRESS PASSED ON MAY 17 A COMPREHENSIVE TAX REFORM BILL DESIGNED TO INCREASE TAX REVENUES AND STREAMLINE ADMINISTRATIVE PROCEDURES, ALSO A REQUIREMENT FOR IFI ASSISTANCE, MOST PARTICULARLY FROM THE INTERNATIONAL MONETARY FUND (IMF).

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- SHORTLY AFTER TAX REFORM BECAME LAW, BOLIVIA  
SIGNED A 50 MILLION SPECIAL DRAWING RIGHT  
STAND-BY WITH THE IMF.
- SALARIES WERE FROZEN IN LATE AUGUST 1985 AND THE  
GOVERNMENT ANNOUNCED ITS INTENTION TO REDUCE THE  
STATE PAYROLL SUBSTANTIALLY IN ORDER TO BRING  
EXPENDITURES MORE INTO LINE WITH INCOME.
- BOLIVIA HAS SUCCESSFULLY NEGOTIATED AN AGREEMENT  
WITH THE PARIS CLUB, CALLING FOR A TEN-YEAR  
EXTENSION OF THE 646 MILLION DOLLAR PORTION OF THE  
PUBLIC AND INSTITUTIONAL DEBT WHICH IS OVERDUE  
OR DUE WITHIN THE NEXT 12 MONTHS. TERMS INCLUDE  
A FIVE-YEAR GRACE PERIOD FOR PAYMENTS OF DEBT IN  
ARREARS AND FIVE YEAR'S GRACE FOR PAYMENTS DUE  
BETWEEN JUNE 30, 1986, AND JUNE 30, 1987.
- THE PAZ ESTENSSORO GOVERNMENT HAS RENEWED THE  
NATURAL GAS EXPORT AGREEMENT WITH ARGENTINA ON  
TERMS THAT ARE FAR MORE FAVORABLE TO BOLIVIA,  
IN TERMS OF PRICE AND VOLUME, THAN WERE EXPECTED.
- IN DECEMBER 1985, THE U.S. SIGNED AN OPIC AGREEMENT  
WITH THE GOVERNMENT AS PART OF BOLIVIA'S EFFORT TO  
ATTRACT NEW INVESTMENT.

ADVANCING TOWARD POLITICAL MATURITY

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\*\*\*\*\* SECTION BREAK \*\*\*\*\*

~~CONFIDENTIAL~~ SECTION 03 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

6. (C) BOLIVIA'S TENTATIVE STEPS ALONG THE PATH TOWARD  
POLITICAL MATURITY IN THE WESTERN DEMOCRATIC TRADITION  
WOULD BE WORTHY OF NOTE UNDER ANY CIRCUMSTANCES, BUT  
ARE PARTICULARLY COMMENDABLE GIVEN THE COUNTRY'S  
SEVERE ECONOMIC STRAITS. OVER THE PAST EIGHT YEARS  
THERE HAS BEEN A GROWING REALIZATION AMONG BOLIVIANS  
THAT A DEMOCRATIC SOCIETY, DESPITE ITS EVIDENT SHORT-  
COMINGS, IS STILL A GOAL WORTH STRIVING FOR. SINCE

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1978, BOLIVIANS HAVE GONE TO THE POLLS FOUR TIMES TO ELECT NATIONAL GOVERNMENTS AND HAVE REJECTED FOUR DE FACTO PRESIDENTS, THE MOST NOTORIOUS OF WHOM, EX-GENERAL LUIS GARCIA MEZA TEJADA, IS CURRENTLY ON TRIAL IN THE SUPREME COURT FOR VIOLATION OF THE CONSTITUTION, MURDER AND OTHER CRIMINAL ACTS.

7. (C) THE DEMOCRATIC CONVICTIONS OF MANY BOLIVIANS WERE SORELY TESTED, HOWEVER, BY THE DISAPPOINTING SILES GOVERNMENT, WHICH UNDER THE GUISE OF POPULISM ALMOST BANKRUPTED THE COUNTRY AND DISCREDITED THE DEMOCRATIC PROCESS. THE JULY 1985 ELECTIONS OFFERED THE BOLIVIAN PEOPLE BOTH A TEST OF PLURALISTIC POLITICS AND TRUE ALTERNATIVES. CENTER-RIGHT CANDIDATE GENERAL HUGO BANZER WON A SLIGHT PLURALITY BUT PAZ ESTENSSORO'S NATIONALIST REVOLUTIONARY MOVEMENT (MNR) WON MORE SEATS IN CONGRESS. WITH THE BACKING OF SEVERAL MINI-PARTIES, PAZ BEAT OUT BANZER IN THE CONGRESSIONAL RUN-OFF VOTE. BUILDING ON THAT EXPERIENCE, THE LAST 12 MONTHS HAVE WITNESSED SOLID ADVANCES IN THE DEMOCRATIC PROCESS:

-- BANZER'S NATIONALIST DEMOCRATIC ACTION (ADN) PARTY SIGNED THE "PACT FOR DEMOCRACY" WITH THE MNR IN OCTOBER, PLEDGING BOTH PARTIES TO WORK TOGETHER TO DEFEND THE DEMOCRATIC PROCESS, TO SUPPORT MUTUALLY AGREED LEGISLATIVE GOALS AND TO ALLOW THE ADN A SHARE OF POWER IN NAMING PARTY FAITHFUL TO TOP JOBS IN SEMI-AUTONOMOUS ENTITIES LIKE THE DEPARTMENTAL (STATE) DEVELOPMENT CORPORATIONS, THE AGRICULTURAL BANK AND THE STATE AIRLINE.

-- AS A BY-PRODUCT OF THE "PACT FOR DEMOCRACY," CONGRESS' LEGISLATIVE RECORD ON ISSUES OF CRUCIAL IMPORTANCE TO THE NATION WAS RELATIVELY GOOD, PARTICULARLY DURING THE DO-OR-DIE SPECIAL SESSION ON TAX REFORM AND THE ELECTORAL LAW. CONGRESS' IMAGE HAS IMPROVED SOMEWHAT AS A RESULT, BUT MORE REMAINS TO BE DONE.

-- THE POLITICAL AND TECHNICAL SKILLS OF THE NEW CABINET INSTALLED BY PAZ ESTENSSORO IN JANUARY, PARTICULARLY IN THE KEY ECONOMIC PORTFOLIOS, ARE CONSIDERABLY GREATER THAN THOSE OF PAZ'S INITIAL CABINET, AND LIGHT YEARS APART FROM THE SORRY MINISTERIAL TEAMS OF THE SILES ZUAZO ADMINISTRATION. THE HIGH QUALITY OF THE PRESENT CABINET IS IN LARGE MEASURE DUE TO THE COMPETENT INDEPENDENTS

AND REPRESENTATIVES OF THE PRIVATE SECTOR -- SOME WITH ADN TIES -- WHO PAZ HAS INCLUDED IN HIS GOVERNMENT.

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-- THE IMPORTANCE OF THE BOLIVIAN WORKERS' CENTRAL  
(COB) IN NATIONAL POLITICS HAS BEEN DRAMATICALLY

CONSTRAINED. THE VACUUM OF LEADERSHIP CREATED BY  
THE SILES ZUAZO GOVERNMENT, INTO WHICH THE COB  
GLADLY STEPPED, NO LONGER EXISTS. PAZ ESTENSSORO'S  
WILLINGNESS TO USE CONSTITUTIONAL POWERS AT HIS  
DISPOSAL -- INCLUDING THE STATE OF SIEGE AND  
TEMPORARY INTERNAL EXILE OF THE MOST RECALCITRANT  
ELEMENTS OF THE COB LEADERSHIP -- HAS COWED THE  
LABOR MOVEMENT. MOREOVER, IN A SHRINKING LABOR  
MARKET, RANK-AND-FILE ARE INCREASINGLY UNWILLING  
\*\* END OF CABLE \*\*

\*\*\*\* SECTION BREAK \*\*\*\*

~~CONFIDENTIAL~~ SECTION 04 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

TO RISK THEIR JOBS IN STERILE CONFRONTATIONS WITH  
A GOVERNMENT THAT IS RESOLVED TO GET THE ECONOMY  
BACK IN SHAPE, DESPITE THE HIGH SOCIAL COST.  
FINALLY, THE COB LEADERSHIP IS BADLY DIVIDED ALONG  
IDEOLOGICAL AND PERSONALITY LINES, AS WELL AS  
ON ANY STRATEGY FOR DEALING WITH THE GOVERNMENT.

-- RELATIONS BETWEEN THE GOVERNMENT AND THE ARMED  
FORCES, STRAINED DURING THE SILES ZUAZO GOVERNMENT  
BECAUSE OF THE PREVAILING EXTREME SOCIAL AND  
POLITICAL TURMOIL AND THAT REGIME'S RADICAL  
LEFTIST LEANINGS, HAVE IMPROVED CONSIDERABLY.  
DESPITE SEVERE RESTRAINTS ON THE ARMED FORCES'  
BUDGET, AND THE POTENTIAL FOR INCREASED DEMANDS  
ON THE MILITARY FOR INTERNAL PEACE KEEPING AND  
NARCOTICS INTERDICTION, THE INSTITUTION APPEARS  
COMFORTABLE WITH THE PAZ ESTENSSORO GOVERNMENT.  
THE INSTITUTION IS, IN FACT, FULLY COMMITTED TO  
SUPPORTING THE ON-GOING CONSTITUTIONAL AND  
DEMOCRATIC PROCESS.

-- A SIGN OF THE BOLIVIAN MILITARY'S GROWING MATURITY  
AND PROFESSIONALIZATION WAS THE JOINT U.S.-  
BOLIVIAN MILITARY EXERCISES CARRIED OUT IN APRIL-  
MAY 1986. SIMILAR EXERCISES PLANNED DURING THE  
SILES ZUAZO GOVERNMENT WERE SCUTTLED BY THE  
BOLIVIANS BECAUSE OF NATIONALISTIC PRIDE AND  
(UNNECESSARY) CONCERN OVER ADVERSE POLITICAL

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REACTION. THE SUCCESSFUL APRIL-MAY EXERCISE STRENGTHENED INSTITUTION-TO-INSTITUTION TIES AND HELPED TO BOLSTER THE BOLIVIAN MILITARY'S SELF-IMAGE AND PROFESSIONALISM. EQUALLY IMPORTANT, IT DEMONSTRATED THAT -- CONTRARY TO THE DIRE PREDICTIONS OF THE EXTREME LEFT -- AN EXERCISE OF THIS NATURE IS NOT AN INFRINGEMENT ON BOLIVIAN SOVEREIGNTY.

-- PERHAPS THE MOST SIGNIFICANT LONG-RANGE ACCOMPLISHMENT ON THE POLITICAL FRONT IN THE FIRST 12 MONTHS OF THE PAZ ESTENSSORO GOVERNMENT WAS THE ELECTORAL REFORM LAW PASSED BY THE SPECIAL SESSION OF CONGRESS IN MAY. DRAFTED BY THE ADN AND MODIFIED BY THE MOVEMENT OF THE REVOLUTIONARY LEFT (MIR), THE NEW LAW STRENGTHENS THE ELECTORAL COURT AND REDUCES THE POSSIBILITY FOR FRAUD. MORE IMPORTANTLY, THE LAW MODIFIES THE METHODOLOGY FOR CHOOSING DEPUTIES TO THE NATIONAL CONGRESS IN A WAY THAT WILL EVENTUALLY REDUCE THE LEVEL OF PARTICIPATION OF NON-REPRESENTATIVE MINI-PARTIES -- ALMOST ALL OF THEM ULTRA-LEFTIST IN ORIENTATION. THE RESULT SHOULD BE A MORE COHERENT AND RESPONSIBLE CONGRESS WITH A STRONGER MANDATE TO COOPERATE WITH THE EXECUTIVE.

A PROMISING START ON NARCOTICS CONTROL

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8. (C) PROGRESS ON COCA ERADICATION AND NARCOTICS INDERDICATION DURING THE PAST 12 MONTHS HAS BEEN SLOW AND ERRATIC, BUT NONETHELESS PROMISING. IN CONTRAST TO THE SILES ZUAZO GOVERNMENT, WHICH WAS WILLING TO AGREE TO JUST ABOUT ANYTHING (BUT DO NOTHING) IN ORDER

TO INSURE CONTINUED U.S. ASSISTANCE, PAZ ESTENSSORO HAS BEEN CAUTIOUS IN COMMITTING HIS ADMINISTRATION TO TARGETS THAT IT MAY NOT BE ABLE TO MEET. HIS FIRST PRIORITY CLEARLY HAS BEEN HALTING RAMPANT INFLATION. RETURNING TO FISCAL RESPONSIBILITY AND -- HOPEFULLY -- LAYING THE BASIS FOR SOUND ECONOMIC GROWTH IN THE FUTURE. NOW THAT PROGRESS HAS BEEN MADE IN THE ECONOMIC AREA, PAZ IS DEDICATING THE SAME ENERGY AND RESOLVE TO ATTACKING THE NARCOTICS PROBLEM. WE HAVE

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\*\*\*\* SECTION BREAK \*\*\*\*

~~CONFIDENTIAL~~ SECTION 05 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

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E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

BEEN ASSURED BY SOURCES CLOSE TO THE PRESIDENT THAT THIS COMMITMENT IS UNSHAKABLE. SOME OF THE ESSENTIAL SPADEWORK HAS ALREADY BEEN DONE:

-- AT CONSIDERABLE POLITICAL RISK, THE PAZ ESTENSSORO GOVERNMENT, BASED ON A FALL 1985 REQUEST FOR U.S. ASSISTANCE, MADE THE DECISION IN JULY TO ALLOW U.S. MILITARY HELICOPTERS AND SUPPORT PERSONNEL TO ENTER BOLIVIA IN ORDER TO PROVIDE LOGISTICAL SUPPORT TO THE BOLIVIAN POLICE IN AN UNPRECEDENTED SEARCH-AND-DESTROY CAMPAIGN AGAINST COCAINE LABORATORIES IN THE BENI -- OPERATION "BLAST FURNACE." SHORT ON DRAMA FOR THOSE ANTICIPATING HEADLINE-GRABBING MEGABUSTS, THE OPERATION NONETHELESS HAS DISRUPTED BOLIVIA'S RABBIT WARREN NARCOTICS NETWORK, DEPRESSED THE PRICE OF COCA LEAVES BELOW PRODUCTION COST, ROCKETED THE ANTI-NARCOTICS ISSUE TO THE FOREFRONT OF PUBLIC DISCUSSION AND LAUNCHED THE GOVERNMENT IRREVOCABLY INTO THE WAR ON DRUGS. ON THE DOWN SIDE, "BLAST FURNACE" HAS BROUGHT THE ADMINISTRATION UNDER FIRE FOR ALLOWING U.S. TROOPS ON BOLIVIAN SOIL WITHOUT CONGRESSIONAL APPROVAL, COALESCED TO SOME DEGREE THE USUALLY DIVIDED ULTRA-LEFT, RAISED A POTENTIAL THREAT FROM DISGRUNTLED PEASANTS WHO FORM PART OF THE GOVERNMENT'S POLITICAL BASE, PRESENTED THE UNCERTAIN ISSUE OF "WHAT NEXT?," SINGED THE ARMED FORCES' VANITY BY LEAVING THEM ESSENTIALLY ON THE SIDELINES, AND CREATED A "REBOUND" THREAT OF EVEN WORSE NARCO-TRAFFICING PROBLEMS IF BOLIVIA WITH U.S. AND INTERNATIONAL HELP PROVES UNABLE TO SUSTAIN A LONG-TERM FIGHT.

-- VOLUNTARY ERADICATION: THE VOLUNTARY ERADICATION PROGRAM BEGUN IN LATE NOVEMBER 1985 HAS BEEN DISAPPOINTING TO DATE IN TERMS OF COCA PLANTS ACTUALLY DESTROYED (136 HECTARES SO FAR), BUT HAS SET AN IMPORTANT PRECEDENT AND DRAWN PUBLIC ATTENTION TO THE COCA CULTIVATION ISSUE. STILL THE EXPERIENCE GAINED IN THE PROGRAM, BOTH BY THE BOLIVIAN COCA REDUCTION AGENCY AND EMBASSY NARCOTICS CONTROL PERSONNEL, CAN BE DIRECTLY APPLIED TO AN INVOLUNTARY PROGRAM THAT MUST EVENTUALLY BE MOUNTED IF WE ARE TO HAVE A SERIOUS IMPACT ON WIDESPREAD BOLIVIAN CULTIVATION.

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-- TRADITIONAL/NON-TRADITIONAL COCA GROWING AREAS:  
THE BOLIVIAN GOVERNMENT IS MOVING TOWARD IMPLEMENTATION OF ITS MAY 1985 LAW REGARDING THE DETERMINATION OF TRADITIONAL COCA GROWING AREAS. THE RESULTS OF A STUDY COMMISSIONED BY THE MINISTRY OF INTERIOR (WITH ESF LOCAL CURRENCY FINANCING) SHOULD BE AVAILABLE IN LATE AUGUST 1986. THIS STUDY WILL FORM THE BASIS FOR A SUPREME DECREE ON THE SUBJECT OF TRADITIONAL CULTIVATION THAT COULD MAKE WIDE

AREAS OF COCA CULTIVATION ILLEGAL IN BOLIVIA, AND THEREBY SET THE STAGE FOR THE APPLICATION OF AN INVOLUNTARY COCA ERADICATION PROGRAM.

-- ENFORCEMENT: THE RURAL MOBILE NARCOTICS STRIKE FORCE (UMOPAR) HAS BEEN EXPANDED FROM 160 MEN IN AUGUST 1985 TO A CURRENT STRENGTH OF ALMOST 700. A 400-MAN UNIT IS CURRENTLY OPERATING IN THE COCA-GROWING AREAS OF THE CHAPARE AND YUNGAS, AND UNITS HAVE BEEN SENT TO PATROL THE HYDROCHLORIDE CENTERS IN THE BENI AND SANTA CRUZ DEPARTMENTS. AS PART OF THE RIPPLE EFFECT OF "BLAST FURNACE" THE LEVEL OF SEIZURES, PRINCIPALLY OF COCA PASTE PRODUCED CLOSE TO THE COCA GROWING AREAS, HAS INCREASED DRAMATICALLY. SEIZURES FOR THE MONTH OF JUNE 1986, DURING WHICH AN AIRCRAFT LOADED WITH 600 KILOGRAMS

\*\* END OF CABLE \*\*

\*\*\*\*\* SECTION BREAK \*\*\*\*\*

~~CONFIDENTIAL~~ SECTION 06 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

OF COCA PASTE WAS SEIZED IN THE CHAPARE, ARE THE HIGHEST IN RECENT HISTORY BY A CONSIDERABLE MARGIN.

-- UNITED NATIONS YUNGAS PROJECT: THE UNITED NATIONS FUND FOR DRUG ABUSE CONTROL (UNFAC) EXECUTIVES REALIZED THAT THEIR 22 MILLION DOLLAR DEVELOPMENT PROJECT IN THE YUNGAS REGION OF LA PAZ DEPARTMENT HAS LITTLE HOPE OF ACHIEVING ITS COCA REDUCTION OBJECTIVES WITHOUT A STRONG ENFORCEMENT COMPONENT. WITH THE COOPERATION OF THE PAZ GOVERNMENT THEY HAVE THEREFORE EARMARKED AN ADDITIONAL FOUR MILLION DOLLARS OVER THREE YEARS FOR PROVISION OF COMMUNICATIONS, VEHICLES AND OTHER NECESSITIES

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- . FOR THE INM-SUPPORTED UMOPAR POLICE FORCES
- . STATIONED IN THE YUNGAS.

INTANGIBLE ACCOMPLISHMENTS  
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9. (C) THE PAZ ESTENSSORO GOVERNMENT HAS MADE PROGRESS IN OTHER LESS TANGIBLE AREAS AS WELL. PAZ'S TACIT ACKNOWLEDGEMENT THAT SOME OF THE BASIC TENENTS OF THE NATIONALIST REVOLUTION OF 1952 (PARTICULARLY STATE PREEMINENCE IN THE ECONOMY) ARE NO LONGER VALID, IF THEY EVER WERE, AND HIS WILLINGNESS TO CORRECT THE DISTORTIONS AND INEQUITIES THAT HAVE CREPT INTO THE STRUCTURE

OF THE BOLIVIAN ECONOMY, ARE SEEN AS POSITIVE DEVELOPMENTS BY BOLIVIA'S SMALL BUT DYNAMIC PRIVATE SECTOR. PAZ'S WILLINGNESS -- AND NEED -- TO SHARE A DEGREE OF POWER WITH THE PRIVATE SECTOR-ORIENTED ADN HAS GIVEN PRIVATE ENTREPRENEURS A RENEWED ENTHUSIASM FOR BOLIVIA'S FUTURE AND THEIR ROLE IN IT.

10. (C) THE RETURN OF A RELATIVE DEGREE OF LABOR PEACE AND ECONOMIC STABILITY HAVE ENCOURAGED SOME BOLIVIANS TO REPATRIATE SAVINGS AND UNDERTAKE NEW INVESTMENTS IN MANUFACTURING, AGRO-INDUSTRY, COMMERCE, AND MINING. WE EXPECT THIS TREND TO INCREASE AS GROWING POLITICAL AND ECONOMIC STABILITY INSTILL A MORE DEEPLY ROOTED PUBLIC CONFIDENCE. BEFORE THE "BLAST FURNACE" OPERATION AT LEAST, SOME OF THE NEW MONEY COMING INTO THE BOLIVIAN ECONOMY WAS PROBABLY NARCOTICS MONEY, A DEVELOPMENT THAT CONCERNS US AND THE BOLIVIANS GREATLY. ON THE OTHER HAND, THERE ARE ALSO EARLY SIGNS THAT GROWING CONFIDENCE IN THE PAZ GOVERNMENT AND ECONOMIC RECOVERY ARE ENCOURAGING FOREIGN RISK CAPITAL, AT THIS POINT A TRICKLE AND ALMOST EXCLUSIVELY IN THE MINING SECTOR (GOLD), TO SERIOUSLY CONSIDER RETURNING TO BOLIVIA, USUALLY IN JOINT VENTURES WITH BOLIVIAN ENTREPRENEURS. IN A MORE GENERAL SENSE, THE RETURN OF A DEGREE OF PREDICTABILITY TO EVERYDAY LIFE HAS BEEN APPLAUDED BY ALMOST ALL BOLIVIANS. NO LONGER ARE THEY HOSTAGE TO THE WHIMS OF THE COB -- WHICH CUT OFF ESSENTIAL SERVICES SUCH AS TELECOMMUNICATIONS, AIR AND LAND TRAVEL -- AND TO THE WILES OF SPECULATORS AND BLACK MARKETEERS, WHO AT TIMES MADE EVEN THE MOST BASIC OF COMMODITIES IMPOSSIBLE TO FIND.

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11. THE NEGATIVE SIDE OF THE LEDGER  
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BUFFETED BY THE DIMENSION OF THE NARCOTICS PROBLEM  
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11. (C) THE SHEER DIMENSIONS OF THE NARCOTICS  
PROBLEM IN BOLIVIA ARE ALMOST OVERWHELMING.  
INCREASED U.S. AND OTHER INTERNATIONAL ASSISTANCE  
\*\* END OF CABLE \*\*

\*\*\*\* SECTION BREAK \*\*\*\*

~~CONFIDENTIAL~~ SECTION 07 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

WILL BE REQUIRED IF THE GOB IS TO GAIN SOME CONTROL  
OVER THIS DIFFICULT MUTUAL PROBLEM. THE ECONOMIC  
POWER OF THE DRUG PRODUCERS AND TRAFFICKERS, THE  
DEPENDENCE (REAL OR PERCEIVED) OF THE BOLIVIAN  
ECONOMY AT LEAST FOR THE NEAR TERM ON THE INFLUX  
OF "NARCODOLLARS" FOR STABILITY, AND THE NARCOTICS  
TRADE'S CAPACITY TO CORRUPT GOVERNMENT AND SOCIETY  
ARE SOBERING FACTS FOR BOLIVIAN AND OUTSIDE  
OBSERVERS ALIKE. ACCORDING TO SOME ESTIMATES,  
PERHAPS AS MUCH AS 500 TO 600 MILLION DOLLARS  
DERIVED FROM THE COCAINE TRADE RETURN TO BOLIVIA  
ANNUALLY, IN WAGES, INVESTMENTS IN REAL PROPERTY,  
AND LEGITIMATE BUSINESS CONCERNS, AND IN THE  
IMPORT OF LUXURY GOODS FOR THE PURPOSE OF  
LAUNDERING COCAINE DOLLARS. THE FINANCE MINISTER  
HAS INDICATED THAT 50 PLUS PERCENT OF CENTRAL  
BANK RESERVES HAVE THEIR SOURCE IN NARCOTICS  
MONEY. WHILE THIS REPRESENTS BUT A SMALL  
PERCENTAGE OF THE TOTAL U.S. STREET VALUE OF  
THE DRUG TRADE, IN THE BOLIVIAN CONTEXT IT MAY BE  
AN INFLUENTIAL COMPONENT AT VIRTUALLY EVERY LEVEL  
OF THE ECONOMY AND PROBABLY EXCEEDS THE TOTAL VALUE  
OF LEGITIMATE EXPORTS ANTICIPATED FOR 1986.  
RECOGNITION OF THIS SOBERING FACT, AND THE MEAGER  
HUMAN AND MATERIAL RESOURCES AVAILABLE TO THE  
GOVERNMENT FOR UNDERTAKING A TASK OF SUCH HERCULEAN  
PROPORTIONS, EXPLAIN IN PART THE GOVERNMENT'S  
PREVIOUS HESITANCY IN THE AREA OF NARCOTICS  
CONTROL:

-- CORRUPTION: A MAJOR PROBLEM HAMPERING EFFECTIVE  
NARCOTICS ENFORCEMENT CONTINUES TO BE CORRUPTION.

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. EMBASSY NARCOTICS PERSONNEL ARE ENGAGED IN A  
. CONSTANT SEARCH FOR NATIONAL POLICE OFFICERS  
. WITH UNSULLIED REPUTATIONS WHO CAN BE RECOMMENDED  
. TO FILL KEY NARCOTICS POSTS. IN MOST CASES,  
. OUR RECOMMENDATIONS HAVE BEEN TAKEN UP BY POLICE  
. COMMANDER GEN. JULIO VARGAS SOTO.

-- INTERDICTION: WHILE NARCOTICS SEIZURES ARE UP,  
. PARTLY DUE TO EXPANSION OF NARCOTICS STRIKE  
. FORCES AND PARTLY TO CONSTANT EMBASSY PRESSURE,  
. AS WELL AS SUPPORT, THESE SEIZURES ARE ONLY A  
. SMALL PERCENTAGE OF WHAT THEY COULD BE. LONG-  
. TERM BOLIVIAN INTERDICTION EFFORTS HAVE  
. TRADITIONALLY BEEN HINDERED BY A PAUCITY OF  
. RESOURCES, OCCASIONAL LACK OF COOPERATION AMONG  
. INTERESTED INSTITUTIONS -- THE POLICE AND ARMED  
. FORCES, FOR EXAMPLE -- AND FAILURE TO OBSERVE  
. RIGOROUS CONTROL OF SENSITIVE INFORMATION.

-- JUDICIAL LAXITY: CORRUPTION WITHIN THE JUDICIARY,  
. AND A GENERAL LACK OF ENTHUSIASM FOR PROSECUTING  
. WELL-HEELED MAJOR TRAFFICKERS HAVE MEANT THAT  
. NOT ONE CLASS-A NARCOTICS VIOLATOR HAS BEEN  
. CONVICTED AND JAILED IN BOLIVIA. MANY OF THE  
. SMALLER FISH ALSO ESCAPE PROSECUTION, AND SOME

. COURTS EVEN RETURN THE SEIZED PROPERTY AND  
. EQUIPMENT OF NOTORIOUS TRAFFICKERS. THE GOVERN-  
. MENT RECOGNIZES THE SERIOUSNESS OF THIS  
. SITUATION, BUT SWEEPING CHANGES ARE TRAUMATIC  
. FOR THE BOLIVIAN SYSTEM AND ARE SLOW TO COME.

-- VOLUNTARY ERADICATION: WILL IT WORK? THE  
. EXPERIENCE WITH VOLUNTARY ERADICATION ALLUDED

. TO ABOVE STRONGLY SUGGESTS THAT PERSUASION ALONE  
. OR MONETARY INCENTIVES ARE NOT LIKELY TO PROVIDE  
. ADEQUATE INCENTIVE FOR MOST FARMERS TO VOLUNTARILY  
. RIP OUT THEIR COCA BUSHES. THUS, WHILE THE  
. EXPERIMENT IN VOLUNTARY ERADICATION MAY HAVE  
. BEEN USEFUL IN HELPING TO SET PRECEDENTS,  
. THE GOVERNMENT IS CURRENTLY COMMITTED TO A  
. SUSTAINED BELOW-COST-OF-PRODUCTION COCA LEAF

\*\* END OF CABLE \*\*

\*\*\*\*\* SECTION BREAK \*\*\*\*\*

~~CONFIDENTIAL~~ SECTION 08 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

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13

. PRICE, MAINTAINED BY SERIOUS INTERDICTION, TO  
. DRIVE PRODUCERS OUT OF CULTIVATION. THIS IS  
. ESSENTIAL, IN THE GOB ESTIMATE, AS A PRE-CONDITION  
. FOR SERIOUS ERADICATION WHETHER VOLUNTARY OR  
. FORCED.

-- NARCOTICS AWARENESS: BOLIVIAN AWARENESS OF THE  
. DANGERS OF DRUG ABUSE AND OF THE INFALLIBLE  
. CONNECTION BETWEEN PRODUCTION AND CONSUMPTION  
. IN A NARCOTIC-SUPPLYING COUNTRY IS ON THE RISE  
. ESPECIALLY AMONG THE MIDDLE CLASS, BUT MUCH MORE  
. NEEDS TO BE DONE. THE GOVERNMENT'S LACK OF  
. RESOLVE TO BECOME MORE ACTIVE IN BOTH PREVENTING  
. AND COMBATTING DRUG ABUSE IS DISAPPOINTING AS  
. ARE THE MEAGER RESOURCES THAT HAVE BEEN DEVOTED  
. TO THIS AREA THUS FAR.

REVITALIZING THE ECONOMY A FUNDAMENTAL PROBLEM  
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12. (C) IN HIS EFFORT TO RESUSCITATE AND  
RESTRUCTURE THE BOLIVIAN ECONOMY AFTER DECADES  
OF IDEOLOGICAL MISDIRECTION AND POOR MANAGEMENT,  
PAZ SEEMS TO HAVE PASSED THE MOST DIFFICULT HURDLES.  
ADMINISTRATIVE AND LEGISLATIVE REFORMS, AND AGREE-  
MENT WITH BOLIVIA'S MAJOR CREDITORS HAVE OPENED  
THE DOOR ONCE AGAIN TO INCREASED INTERNATIONAL  
FINANCIAL ASSISTANCE. PAZ HAS MADE SIGNIFICANT

STRIDES IN REGAINING CONFIDENCE IN THE SERIOUSNESS  
OF THE BOLIVIAN GOVERNMENT IN MEETING ITS INTER-  
NATIONAL RESPONSIBILITIES, MAKING TRADITIONAL FRIENDS  
MUCH MORE WILLING TO RISK SCARCE ASSISTANCE RESOURCES.  
MANY SERIOUS PROBLEMS REMAIN, HOWEVER:

- TIN DEPRESSED: TIN MINING AND SMELTING, THE  
. BACKBONE OF THE BOLIVIAN ECONOMY, ARE DEEPLY  
. DEPRESSED AND WILL LIKELY REMAIN SO;
- OTHER MINERALS WEAK: THE MARKET FOR OTHER  
. METALS (GOLD IS THE MOST VISIBLE EXAMPLE)  
. AND BOLIVIA'S COMPETITIVENESS IN THAT MARKET,  
. ARE AT THIS READING AT BEST UNCERTAIN AND IN  
. SOME CASES (SILVER AND LEAD) ALMOST AS DEPRESSED  
. AS TIN;
- OIL AND GAS IN OVERSUPPLY: WEAKENED WORLD  
. PRICES FOR HYDROCARBONS AND THE LIMITATIONS  
. IMPOSED BY GEOGRAPHY ON BOLIVIA'S NATURAL  
. MARKET FOR GAS, AT A TIME WHEN BOLIVIA IS  
. INCREASINGLY RELIANT ON GAS SALES TO ARGENTINA  
. (AND POSSIBLY BRAZIL) FOR FOREIGN EXCHANGE

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. EARNINGS, BODE ILL FOR ECONOMIC RECOVERY  
. AND GROWTH.

-- LACK OF INTEGRATION: VERY LITTLE HAS BEEN  
. INVESTED IN RECENT YEARS IN THE DEVELOPMENT  
. OF TRANSPORT INFRASTRUCTURE AND IMPROVED  
. COMMUNICATIONS, INCREASING THE COUNTRY'S  
. HANDICAP IN COMPETITION FOR MARKETS FOR  
. AGRICULTURAL AND OTHER NON-TRADITIONAL  
. EXPORTS, AND HAMPERING INTERNAL ECONOMIC  
. INTEGRATION AND SELF-SUFFICIENCY. PAZ HAS  
. NOT YET REVERSED THIS UNFORTUNATE TREND.

-- CORRUPTION STILL PERVASIVE: REVENUE COLLECTION  
. FROM CUSTOMS AND INTERNAL REVENUE HAS BEEN  
. IMPROVED THROUGH ADMINISTRATIVE REFORMS AND A  
. BRAKE ON CORRUPTION, BUT THE PROLIFERATION OF  
. CONTRABAND, THE INGRAINED RESISTANCE TO PAYING  
. TAXES AND STILL ENDEMIC CORRUPTION HAVE PRE-  
. VENTED THESE RESOURCES FROM REACHING THEIR  
. POTENTIAL.

\*\* END OF CABLE \*\*

\*\*\*\*\* SECTION BREAK \*\*\*\*\*

~~CONFIDENTIAL~~ SECTION 09 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

-- REVENUE FROM NEW SOURCES LAGS: TAX COLLECTION  
. FROM RUBRICS CREATED BY THE MAY 19 TAX

. LEGISLATION, SUCH AS THE VALUE ADDED TAX, HAS  
. NOT YET MET THE EXPECTATIONS OF GOVERNMENT  
. PLANNERS, WHO ARE SERIOUSLY CONCERNED THAT  
. PUBLIC SECTOR PRESSURES FOR WAGE INCREASES --  
. AND THE GOVERNMENT'S INABILITY TO ADEQUATELY  
. RESPOND TO GENUINE NEEDS WITHOUT RESORTING  
. TO INFLATIONARY PRINTING OF UNBACKED CURRENCY --  
. WILL PROVOKE SERIOUS SOCIAL UNREST.

13. (C) THESE SERIOUS SHORTCOMINGS NOTWITHSTANDING,  
IN THE LONGER PERSPECTIVE PRESIDENT PAZ FACES THE  
EVEN MORE FORMIDABLE PROBLEM OF TRYING TO REACTIVATE  
THE BOLIVIAN ECONOMY. HE MUST CREATE CONDITIONS  
NECESSARY TO INSPIRE FURTHER THE CONFIDENCE OF  
BOLIVIAN INVESTORS AND ATTRACT SIGNIFICANT FOREIGN  
INVESTMENT IN ORDER TO INCREASE EMPLOYMENT

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15 OPPORTUNITIES, PRODUCTION AND INTERNAL CONSUMPTION WHILE AT THE SAME TIME EXPANDING BOLIVIA'S NARROW TAX BASE. THIS WILL BE A FORMIDABLE UNDERTAKING BECAUSE OF BOLIVIA'S HISTORIC REPUTATION AS A HIGH RISK COUNTRY FOR FOREIGN INVESTMENT, AND BECAUSE OF THE RELUCTANCE OF BOLIVIA'S SMALL ENTREPRENEURIAL CLASS TO INVEST IN ANY VENTURE THAT IS LESS THAN 100 PERCENT SAFE.

14. (C) THE LEGACY OF THE 1952 REVOLUTION IS ANOTHER OBSTACLE TO ECONOMIC REVITALIZATION. AFTER 33 YEARS OF GOVERNMENTS THAT, TO A GREATER OR LESSER DEGREE, HAVE ESPOUSED POPULIST IDEOLOGY AND A STATE-CONTROLLED ECONOMY, MOST BOLIVIANS BELIEVE AS AN ARTICLE OF FAITH THAT ALL CAPITALISTS ARE EVIL EXPLOITERS OF THE MASSES AND THAT FOREIGN INVESTORS ARE THE MOST PERNICIOUS OF THE LOT.

POLITICAL MATURITY STILL ELUSIVE  
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15. (C) DESPITE RECENT PROGRESS IN REAFFIRMING THE DEMOCRATIC PROCESS, IN MANY RESPECTS BOLIVIA IS STILL IN ITS POLITICAL ADOLESCENCE. POLITICAL INSTABILITY, GENERALLY EXACERBATED BY TIMES OF ECONOMIC CRISIS, IS A DIFFICULT LEGACY TO OVERCOME WHILE DEMOCRATIC AND INSTITUTIONAL MATURITY REMAIN ELUSIVE.

16. (C) ONE OF THE MOST PROMISING STEPS FORWARD, "THE PACT FOR DEMOCRACY" SIGNED BY THE MNR AND THE ADN IN OCTOBER, REMAINS SUBJECT TO ON-AGAIN, OFF-AGAIN STRESS. DESPITE THE DOCUMENT'S NOBLE INTENTIONS TO DEFEND THE DEMOCRATIC PROCESS, THE MNR AND THE ADN FIND THEMSELVES AT TIMES IN AN UNEASY ALLIANCE. IN THE INITIAL PERIOD OF THE PACT THE ADN RIGHTLY FELT THAT THE MNR WAS NOT

HONORING ITS UNWRITTEN AGREEMENT TO PLACE ADN LOYALISTS IN KEY SLOTS SUCH AS THE PRESIDENCIES OF THE DEPARTMENTAL (STATE) DEVELOPMENT CORPORATIONS. PAZ ESTENSORO, FOR HIS PART, WAS CRITICIZED BY FELLOW MNR MEMBERS FOR YIELDING THESE AND OTHER IMPORTANT

PATRONAGE POSITIONS TO THE ADN, INSTEAD OF REWARDING HUNGRY PARTY FAITHFUL. THE CAUDILLO LEADERSHIP STYLES OF PAZ AND HIS ADN COUNTERPART HUGO BANZER, HOWEVER, HAVE SERVED TO KEEP THEIR PARTISANS GENERALLY IN LINE.

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17. (C) WHILE THE PACT IS STILL FAR FROM FOUNDERING ON MUTUAL MISTRUST AND PARTISAN JEALOUSIES, IT HAS HAD OTHER ROCKY MOMENTS. SOME MORE TEMPESTUOUS ADN MEMBERS HAVE ADVOCATED WITHDRAWING FROM THE PACT USING AS A PRETEXT ALLEGED MNR FAILURE TO COOPERATE  
\*\* END OF CABLE \*\*

\*\*\*\* SECTION BREAK \*\*\*\*

~~CONFIDENTIAL~~ SECTION 10 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

ON ISSUES SUCH AS THE ADN-SPONSORED ELECTORAL REFORM BILL (WHICH FINALLY PASSED IN THE SPECIAL SESSION OF CONGRESS) AND THE ELECTION OF THE LEADERSHIP OF BOTH HOUSES OF CONGRESS. WHILE SOME SHORT-SIGHTED ADN TYPES MAY BE MOTIVATED SIMPLY BY A DESIRE TO SINK PAZ AND THE MNR BY ABANDONING THE PACT, OTHERS ARE MOTIVATED BY FEARS THAT THE MNR/ADN ARRANGEMENT IS LOOKING INCREASINGLY LIKE CO-GOVERNMENT, AND THAT THE ADN WILL BE FORCED TO SHARE THE POLITICAL BLAME FOR HARD TIMES IMPOSED BY THE MNR.

18. (C) WHAT THESE CRITICS OVERLOOK IS THE POSSIBILITY -- STILL TENUOUS BUT NEVERTHELESS PRESENT -- THAT BY COOPERATING MORE FULLY WITH THE MNR IN THE IMPLEMENTATION OF WHAT IS ESSENTIALLY AN ADN FORMULA FOR ECONOMIC RECOVERY AND RATIONALIZATION, THEREBY ENHANCING THE CHANCES OF THAT PROGRAM'S SUCCESS, THE ADN STANDS A CHANCE TO SHARE THE CREDIT FOR PULLING BOLIVIA OUT OF ITS WORST ECONOMIC SLUMP IN OVER 50 YEARS.

CONGRESS: MIXED REVIEWS  
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19. (C) IF THE BEHAVIOR OF THE TWO MAJORITY PARTIES HAS BEEN LESS THAN MATURE, THAT OF MOST OF THE LEFTIST MINI-PARTIES HAS BEEN INFANTILE. THEIR REPRESENTATIVES IN CONGRESS HAVE CONSISTENTLY OBSTRUCTED EFFORTS TO DEBATE AND APPROVE CRUCIAL LEGISLATION THAT DOES NOT FIT INTO THEIR POLITICAL SCHEME, AND HAVE USED THE FLOOR OF CONGRESS AS VIRTUALLY THE ONLY FORUM AVAILABLE

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TO THEM TO DISPLAY THEIR ORATORICAL SKILLS AND USUALLY EXTREME IDEOLOGICAL POSITIONS. THE ATTITUDE OF MANY OF THESE PARTIES IN OPPOSING TAX AND ELECTORAL REFORM AND IN SUPPORTING THE RECENTLY CONCLUDED COB-SPONSORED PLEBISCITE HAS BEEN OPENLY OBSTRUCTIONIST.

20. (C) BLAME FOR CONGRESS'S LACK OF SERIOUSNESS AND PRODUCTIVITY CANNOT, HOWEVER, BE PLACED EXCLUSIVELY ON THE SHOULDERS OF THE MINI-PARTIES. SENATORS AND DEPUTIES OF THE LARGER BLOCS (MNR, ADN AND MIR) ALSO HAVE BEEN GUILTY OF NOT TAKING THEIR LEGISLATIVE DUTIES SERIOUSLY, FAILING TO TAKE PART IN IMPORTANT COMMITTEE WORK, ATTEND KEY SESSIONS AND PARTICIPATE IN CRUCIAL VOTES. ALTHOUGH THE SPECIAL SESSION -- MADE NECESSARY BY CONGRESS'S FAILURE TO ACT ON PRIORITY ITEMS OF THE LEGISLATIVE AGENDA -- DID APPROVE SEVERAL IMPORTANT PIECES OF LEGISLATION, IT WAS THE EXCEPTION THAT CONFIRMED THE RULE THAT IN GENERAL CONGRESS HAS FAILED TO BITE THE BULLET ON NUMEROUS TOUGH ISSUES. STILL UNRESOLVED ARE:

. -- THE PROPOSAL FOR ADMINISTRATIVE DECENTRALIZATION, RETURNING A GREATER DEGREE OF TAX COLLECTION/DISBURSEMENT AND POLITICAL AUTONOMY TO DEPARTMENTAL (STATE) AND ELECTED MUNICIPAL GOVERNMENTS, IS PARALYZED IN COMMITTEE.

. -- A BILL ON "MORALIZATION" IN THE PUBLIC ADMINISTRATION, MORE CLEARLY STIPULATING CRIMES AND PROVIDING STIFFER SANCTIONS, ALSO LINGERS AFTER

HAVING BEEN DEFERRED BY THE SPECIAL SESSION OF CONGRESS TO THE UPCOMING LEGISLATIVE SESSION.

. -- PROPOSED CONSTITUTIONAL AMENDMENTS ON ELECTORAL PROCEDURES AND THE VOTE FOR UNMARRIED 18-YEAR-OLDS, WHICH WILL HAVE TO BE APPROVED BY TWO CONSECUTIVE LEGISLATURES, HAVE NOT EVEN MADE IT TO THE FLOOR FOR DEBATE.

. -- A NEW COMPREHENSIVE NARCOTICS LAW (TO REPLACE  
\*\* END OF CABLE \*\*

\*\*\*\*\* SECTION BREAK \*\*\*\*\*

~~CONFIDENTIAL~~ SECTION 11 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

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THE MAY 1985 SUPREME DECREE) PRESENTED DURING THE 1985-86 CONGRESS STILL LINGERS IN COMMITTEE, WHILE BILLS DEFINING LEGAL VERSUS ILLEGAL COCA GROWING AREAS AND REGULATING FORCED ERADICATION OF ILLICIT PRODUCTION ARE STILL IN THE DRAFTING STAGE.

-- NOTHING HAS BEEN DONE ON THE PROPOSAL, PRESENTED DURING THE LAST LEGISLATURE, FOR MODIFYING THE ARCHAIC RULES OF DEBATE USED BY BOTH CHAMBERS, RULES WHICH ALLOW THE MINI-PARTIES ABSOLUTE FREEDOM TO FILIBUSTER AND OBSTRUCT THE CONSIDERATION OF ESSENTIAL LEGISLATION.

-- NEITHER CHAMBER HAS SHOWN ANY INTEREST IN CENSORING OR EXPELLING MEMBERS WHO IN THE PAST HAVE HAD WELL-KNOWN CONNECTIONS WITH NARCOTICS TRAFFICKING.

#### BETTER ADMINISTRATION RECORD

21. (C) THE EXECUTIVE'S REPORT CARD FOR THE PAST 12 MONTHS IS CONSIDERABLY BETTER THAN THAT OF THE CONGRESS, BUT STILL CONTAINS SOME LOW GRADES. PAX ESTENSSORO'S SECOND CABINET, WHICH TOOK OFFICE IN JANUARY, REPRESENTS A MARKED IMPROVEMENT OVER ITS PREDECESSOR IN SEVERAL KEY MINISTRIES -- PLANNING/COORDINATION, FINANCE, ENERGY, MINING AND INFORMATION -- BUT STILL HAS SOME DEADWOOD. EDUCATION MINISTER ENRIQUE MELGAR IPINA HAS BEEN ALOOF AND INEPT IN DEALING WITH BOLIVIA'S HIGHLY ORGANIZED AND MILITANT PUBLIC SCHOOL TEACHERS. THE RESULT HAS BEEN PROLONGED STRIKES WHICH WILL MAKE IT DIFFICULT -- IF NOT IMPOSSIBLE -- TO COMPLETE THE REGULAR SCHOOL CALENDAR. AGRICULTURE AND PEASANT AFFAIRS MINISTER EDIL SANDOVAL MORON OPERATES UNDER THE TWIN CLOUDS OF HIS ALLEGED EARLIER INVOLVEMENT IN NARCOTICS TRAFFICKING AND HIS CONNECTIONS WITH THE SANDOVAL MORON "MAFIA" IN SANTA CRUZ. AS A "CRUCENO" OF PURE EUROPEAN STOCK, THE MINISTER HAS LITTLE RAPPORT WITH OR UNDERSTANDING OF THE VAST MAJORITY OF BOLIVIA'S INDIGENOUS PEASANT POPULATION. INDUSTRY MINISTER ROBERTO GISBERT -- WHO FIZZLED AS FINANCE MINISTER IN PAZ'S FIRST CABINET -- HAS PUT IN A GENERALLY LACKLUSTRE PERFORMANCE IN HIS NEW POSITION, AS HAVE HIS COLLEAGUES IN THE URBAN AFFAIRS AND INTEGRATION PORTFOLIOS.

22. (C) THE EXECUTIVE'S APPOINTMENTS TO A NUMBER OF HIGH-LEVEL POSITIONS IN LA PAZ AND IN BOLIVIAN EMBASSIES ABROAD, HOWEVER, HAVE BEEN GUIDED FAR MORE BY THE INDIVIDUAL'S FAMILY OR PARTISAN CONNECTIONS THAN BY HIS TALENTS OR INTEGRITY. PAZ ESTENSSORO'S AMBASSADORIAL APPOINTMENTS TO LIMA, BOGOTA AND CARACAS, FOR EXAMPLE, HAVE GONE TO OLD-LINE MNR HACKS WITH LITTLE EXPERIENCE IN FOREIGN AFFAIRS. THE AMBASSADOR-DESIGNATE TO BOGOTA, TO CITE THE WORST EXAMPLE, IS A FORMER MINISTER SECRETARY

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AND AN INVETERATE COUP PLOTTER FOR WHOM THE COLOMBIAN GOVERNMENT HAS YET TO GRANT AGREEMENT. OTHER TOP POSITIONS IN EMBASSIES, CONSULATES AND DECENTRALIZED ENTITIES HAVE GONE TO PAZ ESTENSSORO RELATIVES WITH LITTLE OR NO TRAINING OR APTITUDE FOR SUCH KEY JOBS. ONE MAJOR EXCEPTION IS THE HARD-WORKING AND COMPETENT AMBASSADOR TO THE U.S., FERNANDO ILLANES.

23. (C) THE SINS OF OMISSION COMMITTED DURING PAZ'S FIRST YEAR CONSIST LARGELY OF OPPORTUNITIES LOST. FOR EXAMPLE:

- THE GOVERNMENT HANDLED ITS SCHEME TO COLLECT A FORCED "PATRIOTIC" LOAN BASED ON THE NEW WORTH OF FIRMS AND INDIVIDUALS VERY BADLY FROM A PUBLIC RELATIONS PERSPECTIVE AND THE PLAN FAILED MISERABLY.
  - THE ADMINISTRATION'S INITIAL OPEN OPPOSITION TO THE COB PLAN TO CONDUCT A "POPULAR CONSULTATION" ON GOVERNMENT ECONOMIC POLICY ALMOST ADDED
- \*\* END OF CABLE \*\*

\*\*\*\*\* SECTION BREAK \*\*\*\*\*

~~CONFIDENTIAL~~ SECTION 12 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

- . LEGITIMACY AND LUSTRE TO WHAT TURNED OUT TO BE A RIGGED, POORLY ORGANIZED FARCE. THE GOVERNMENT STEPPED BACK IN TIME, HOWEVER, AND ALLOWED THE PLEBISCITE TO SPUTTER TO AN EMBARRASSING INCONCLUSION.

- THE GOVERNMENT THUS FAR HAS FAILED TO "SELL" THE TAX REFORM TO THE PUBLIC. EVEN MORE EGREGIOUSLY, IT FAILED TO MOVE QUICKLY TO IMPLEMENT THE NEW REVENUE MEASURES WHILE PUBLIC OPINION WAS STILL SOMEWHAT OPEN-MINDED TOWARD THE REFORM.

- THE RULING MNR, WHICH TO A LARGE DEGREE OWES ITS POLITICAL LONGEVITY TO PEASANT SUPPORT DATING FROM THE 1953 AGRARIAN REFORM, SEEMS TO HAVE LOST TOUCH WITH ITS NATURAL CONSTITUENCY AND ALLOWED THE COB TO CO-OPT IT THROUGH RADICAL PEASANT FEDERATIONS AND PROFESSIONS OF "WORKER/PEASANT SOLIDARITY."

III. NEAR TERM OUTLOOK

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24. (C) THERE IS A SMALL GLIMMER OF LIGHT AT THE END OF THE ECONOMIC TUNNEL. BOLIVIA'S CREDIBLE EFFORTS TO RATIONALIZE THE ECONOMY AND THE PROMISING START IN

NARCOTICS CONTROL RAISES PROSPECTS OF AN INCREASING FLOW OF U.S. AND INTERNATIONAL FINANCIAL ASSISTANCE OVER THE NEAR- TO MEDIUM-TERM. DOMESTICALLY, THE GOVERNMENT WILL PROBABLY BE MODERATELY SUCCESSFUL IN IMPLEMENTING THE NEW TAX LEGISLATION. USING MECHANISMS CURRENTLY BEING DEvised AND IMPLEMENTED THE GOVERNMENT SHOULD BE ABLE TO GREATLY EXPAND ITS TAX BASE, ESPECIALLY THROUGH COLLECTION OF TAXES ON THE MOST VISIBLE MANIFESTATIONS OF WEALTH, SUCH AS LUXURY HOUSING, AUTOMOBILES, TRUCKS AND OTHER MEANS OF TRANSPORT. GOVERNMENT REVENUES FROM CUSTOMS COLLECTIONS SHOULD ALSO INCREASE, AS REFORMS NOW BEING IMPLEMENTED BEGIN TO TAKE EFFECT. MOREOVER, INCOME FROM THE SALE OF PETROLEUM PRODUCTS, SHOULD CONTINUE TO PROVIDE SIGNIFICANT REVENUES TO THE NATIONAL TREASURY.

25. (C) ON THE NEGATIVE SIDE, IT WILL BE EXTREMELY DIFFICULT AND POLITICALLY RISKY TO COLLECT THE NEW TAXES FROM THE LARGE INFORMAL OR UNDERGROUND SECTOR OF THE NON-NARCOTICS RELATED ECONOMY. IMPLEMENTING THE NEW TAXES ON RURAL LANDHOLDINGS WILL BE EQUALLY DIFFICULT, SINCE BOLIVIAN PEASANTS ARE NOT USED TO PAYING TAXES, AND CAN BE EASILY MANIPULATED BY THEIR EXTREME LEFT LEADERSHIP.

26. (C) AT THE SAME TIME, THE CRACKDOWN ON COCAINE PRODUCTION AND TRAFFICKING MAY HAVE A NEGATIVE IMPACT ON ECONOMIC STABILITY. THE EFFECT OF THE INTERRUPTION OF THE FLOW OF NARCODOLLARS INTO BOLIVIA'S ECONOMY COULD DRIVE THE PRICE OF THE DOLLAR UP. THE GOVERNMENT'S SCARCE FOREIGN EXCHANGE RESERVES COULD BE DRAINED AS THE CENTRAL BANK TRIES TO SATISFY THE DEMAND FOR DOLLARS AND MAINTAIN THE EXCHANGE RATE THROUGH THE DAILY "BOLSIN" AUCTION MECHANISM. IF THE PESO STARTS TO FALL AGAIN AS IT DID DURING THE SILES ZUAZO REGIME THE ALMOST CERTAIN AUTOMATIC AND IMMEDIATE EFFECT WILL BE RENEWED INFLATION. GOVERNMENT ECONOMIC PLANNERS AND MANAGERS

WILL HAVE TO BE EXTREMELY ALERT AND CAREFUL UNDER THESE RADICALLY DIFFERENT CIRCUMSTANCES.

27. (C) THE GOVERNMENT WILL PROBABLY PROCEED CAUTIOUSLY WITH ITS PLANS TO REDUCE THE BUDGETARY DEFICIT THROUGH REDUCTIONS IN THE PUBLIC SECTOR WORK FORCE. THE

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POTENTIAL FOR LONGER RANGE SAVINGS IS SIGNIFICANT AS  
PAYROLLS ARE DRASTICALLY CUT, BUT THE POTENTIAL FOR  
SERIOUS SOCIAL DISLOCATION AND VIOLENCE IS ALSO HIGH.  
AS IT IS, PUBLIC SECTOR EMPLOYEES HAVE ONLY LIMITED  
\*\* END OF CABLE \*\*

\*\*\*\* SECTION BREAK \*\*\*\*

~~CONFIDENTIAL~~ SECTION 13 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

ADMINISTRATIVE/TECHNICAL CAPABILITY TO DEAL WITH THE  
MANY PROBLEMS FACING THE COUNTRY AND TO IMPLEMENT  
SOLUTIONS. THE BOLIVIAN PRIVATE SECTOR'S CAPACITY TO  
ABSORB LAID-OFF PUBLIC EMPLOYEES AND CREATE NEW JOBS IS  
SEVERELY LIMITED. EVEN THE STATES' ABILITY TO PROVIDE  
LEGALLY-MANDATED SERVERANCE BENEFITS WILL BE SORELY  
TESTED UNLESS THE GOVERNMENT RECEIVES IMMEDIATE OUTSIDE  
ASSISTANCE. FOOD FOR WORK PROGRAMS IN URBAN CENTERS  
SHOULD HELP MEET THE MOST IMMEDIATE AND BASIC NEEDS  
OF THE RECENTLY LAID-OFF AND THE CHRONICALLY UN- AND  
UNDER-EMPLOYED, BUT THE PROGRAM'S SCOPE IS LIMITED  
BY THE AMOUNT OF U.S. FOOD AID AVAILABLE AND THE  
CAPACITY OF DIFFERENT PUBLIC AND PRIVATE ENTITIES TO  
ADMINISTER THESE PROGRAMS. THESE ARE PATCHWORK  
SOLUTIONS, HOWEVER, SINCE BOLIVIA'S ECONOMIC/EMPLOYMENT  
PROBLEMS ARE FUNDAMENTALLY STRUCTURAL. IN THE LONGER  
RUN ONLY SUBSTANTIAL INTERNAL MIGRATION, EMIGRATION  
AND ECONOMIC REVIVAL WILL SUCCEED IN RE-ESTABLISHING  
A DEGREE OF ECONOMIC EQUILIBRIUM IN SUCH A SEVERELY  
DISTORTED ECONOMY.

28. (C) DESPITE THE FAILURE THUS FAR OF THE COB TO  
DISCREDIT THE GOVERNMENT'S ECONOMIC POLICY AND PROVOKE  
THE DOWNFALL OF PAZ ESTENSSORO, AND DESPITE THE SERIOUS  
INTERNAL DIVISIONS THAT EXIST WITHIN THE COB, WE EXPECT  
ORGANIZED LABOR TO CONTINUE ITS DESTABILIZING EFFORTS.  
THE COB WILL FIND WILLING HELPERS IN MANY SECTORS OF THE  
LABOR FORCE, PARTICULARLY GROSSLY UNDERPAID PUBLIC  
SECTOR EMPLOYEES (ROUGH AVERAGE SALARY 60 DOLLARS A  
MONTH), UNLESS THE GOVERNMENT FINDS A WAY TO IMPROVE  
SIGNIFICANTLY THEIR PURCHASING POWER WITHOUT PROVOKING  
INFLATION. THESE POLITICAL DYNAMICS CREATE POTENTIAL  
FOR INCREASING LABOR UNREST AND DETERMINED GOVERNMENT  
RESPONSE, INCLUDING THE USE OF THE CONSTITUTIONAL  
STATE OF SIEGE, AS THE MIDDLE, LOWER MIDDLE, AND  
LABORING CLASS EXHAUST THEIR MEAGRE SAVINGS AND THE

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EXTENDED FAMILY DEFENSE MECHANISM CHARACTERISTIC OF A  
LARGELY TRADITIONAL SOCIETY SUCH AS BOLIVIA'S BEGINS  
TO FALTER. WE BELIEVE THAT THE BOLIVIAN ARMED FORCES  
WILL SUPPORT THE CONSTITUTIONAL GOVERNMENT IN THE EVENT  
THAT ECONOMIC DESPERATION PRODUCES SPONTANEOUS AND  
FAIRLY WIDESPREAD SOCIAL UNREST. THE GOVERNMENT'S  
AND THE ARMED FORCES' CAPACITIES TO CONTAIN SUCH  
UNREST, HOWEVER, HAVE VERY MODEST LIMITS.

29. (C) OPERATION "BLAST FURNACE," THE GOVERNMENT'S  
RECENTLY LAUNCHED FRONTAL ATTACK ON COCAINE PRODUCTION  
AND TRAFFICKING, ON BALANCE WILL PROBABLY INCREASE  
PUBLIC SUPPORT FOR PAZ ESTENSSORO, ESPECIALLY IF "BLAST

FURNACE'S" INITIAL SUCCESSES IN DISRUPTING THE NARCOTICS  
TRADE CONTINUE THROUGHOUT THE 60-DAYS PLANNED FOR THE  
OPERATION AND BEYOND. THE EXTREME LEFT'S EFFORTS TO  
CAPITALIZE ON THE CLOUDY CONSTITUTIONALITY OF THE  
PRESENCE OF U.S. MILITARY PERSONNEL, EVEN THOUGH THEY  
ARE HERE IN A CLEARLY NON-COMBAT CAPACITY, WILL  
PROBABLY FAIL IN THE SAME GENERAL PROPORTION THAT THE  
INTERDICTION EFFORTS SUCCEED. IF "BLAST FURNACE" FAILS  
TO PRODUCE THE RESULTS WHICH WE AND MOST BOLIVIANS  
WANT AND ANTICIPATE, IT COULD BECOME THE POINT OF THE  
LANCE BEHIND WHICH A WIDE VARIETY OF THE GOVERNMENT'S  
ENEMIES CONCENTRATE THEIR FORCE.

30. (C) THE CONTINUATION OF BOLIVIA'S CAUTIOUS PROGRESS  
ALONG THE PATH OF DEMOCRATIC CONSOLIDATION AND INCREASED  
POLITICAL MATURITY DEPENDS CLEARLY ON CONTINUED SUCCESS  
IN THE AREAS OF ECONOMIC REFORM/GROWTH AND NARCOTICS  
CONTROL. CHALLENGES TO THE TAX REFORM AND TO "BLAST  
FURNACE" IN CONGRESS WILL PROBABLY NOT SIGNIFICANTLY  
UNDERMINE PAZ ESTENSSORO'S MANDATE. WE  
ANTICIPATE FEW SIGNIFICANT CABINET CHANGES THIS AUGUST,  
THE TRADITIONAL TIME FOR RESHUFFLING THE MINISTERIAL  
TEAM AND REPLACING MEDIOCRE OR INEFFECTIVE MEMBERS  
\*\* END OF CABLE \*\*

\*\*\*\*\* SECTION BREAK \*\*\*\*\*

~~CONFIDENTIAL~~ SECTION 14 OF 14 LA PAZ 06832

DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: DECL: OADR

TAGS: BL, PGOV, SNAR, PINR, PINS, ELAB, ECON

SUBJECT: PAZ ESTENSSORO'S FIRST YEAR: PROGRESS REPORT

WITHOUT OFFENDING THEIR DIGNITY.

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31. (C) MOST OF THE ROUGH EDGES HAVE BEEN POLISHED FROM THE ADN/MNR "PACT FOR DEMOCRACY," AND, ON THE WHOLE, THE CENTRIPETAL FORCES HOLDING THE MNR AND THE ADN TOGETHER FAR OUT-WEIGH THE FORCES DRIVING THEM APART. THE ADN LEADERSHIP CLEARLY UNDERSTANDS THAT THIS GOVERNMENT IRONICALLY OFFERS THE BEST AND PERHAPS LAST CHANCE TO FUNDAMENTALLY TRANSFORM THIS COUNTRY'S ECONOMIC STRUCTURE TO CONFORM TO NORMS THAT ARE MORE RATIONAL, MODERN AND COMPATIBLE WITH PRIVATE SECTOR PHILOSOPHY. PAZ ESTENSSORO AND THE MORE INTELLIGENT MEMBERS OF HIS PARTY UNDERSTAND WITH EQUAL CLARITY THAT, DESPITE THE SMALLNESS OF THE STAGE, THEY ARE ACTORS IN A HISTORIC PROCESS OF CONSOLIDATION AND TRANSFORMATION; THAT HISTORY WILL JUDGE THEM ON THEIR SUCCESS OR FAILURE; AND THAT WITHOUT THE ADN'S SUPPORT SUCCESS WILL BE VERY ELUSIVE.

(DRAFTED BY:POL:WLOFSTROM) BIGGS  
\*\* END OF CABLE \*\*

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LIMITED OFFICIAL USE SECTION 01 OF 02 ASUNCION 03122

E.O. 12356: N/A

TAGS: PREL, PA, BO

SUBJ: BOLIVIA-PARAGUAY CONFAB

1. SUMMARY: THE "FIRST MEETING TOWARD A PARAGUAY-BOLIVIAN DIALOGUE", A PRIVATE EVENT HELD IN ASUNCION FROM 10-15 AUGUST, OFFERED AN OPPORTUNITY FOR INTELLECTUALS AND FORMER GOVERNMENT OFFICIALS OF BOTH NATIONS TO LAY THE FOUNDATION FOR WHAT PROMISES TO BE A CONTINUING EFFORT AT "GETTING TO KNOW YOU." BOLIVIAN EXPERTS DISCUSSED SUCH TOPICS AS "INTERNATIONAL RIVERS", "INTEGRATION AND THE LA PLATA WATERSHED", AND, IMPORTANTLY, IN LIGHT OF RECENT ARGENTINA-BRAZIL INITIATIVES, "INTEGRATION AND LESS DEVELOPED NATIONS." THE PARAGUAYAN MEDIA REPORTED THE EVENT THROUGHOUT. THIS PRESS COVERAGE SUPPORTED THE AIM OF THE PRIVATELY SPONSORED CONFAB TO REVERSE NEARLY A HALF-CENTURY OF NEIGHBORLY NEGLECT THAT FOLLOWED THE 1938 TREATY OF PEACE THAT OFFICIALLY ENDED THE WAR OF THE CHACO. AS THERE WAS NO OFFICIAL LINE TO FOLLOW, REACTIONS WE RECEIVED FROM RULING COLORADO PARTY POLITICIANS RANGED FROM "FASCINATING" TO "FATUOUS". WE UNDERSTAND THAT THE DIALOGUE WILL BE CONTINUED SOON, THIS TIME BY A PARAGUAYAN DELEGATION WHICH WILL VISIT LA PAZ AND COCHABAMBA. END SUMMARY.

2. THE PARAGUAYAN INSTITUTE OF GEOPOLITICAL AND INTERNATIONAL STUDIES, AND THE FACULTY OF JURIDICAL AND DIPLOMATIC SCIENCES OF THE CATHOLIC UNIVERSITY,

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BY RW NARA DATE 5/18/15



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PARAGUAY, WITH FUNDING FROM THE GERMAN LIBERAL DEMOCRATIC PARTY FRIEDRICH NAUMANN FOUNDATION COMBINED TO STAGE IN ASUNCION AN INTERESTING "PRIMER ENCUENTRO PARA EL DIALOGO PARAGUAYO-BOLIVIANO", FROM 10-15 AUGUST. PANELISTS FROM BOLIVIA GAVE A SERIES OF LECTURES ON A WIDE RANGE OF REGIONAL TOPICS OF INTEREST TO BOTH NATIONS. THE INTENDED EFFECT WAS TO WORK A RECONSIDERATION OF THE OFFICIAL BOLIVIA-PARAGUAY RELATIONSHIP WHICH FOR MORE THAN A HALF-CENTURY HAS NEVER BEEN VERY CLOSE NOR VERY CORDIAL. THE FOUNDATIONS FOR THIS MEETING WERE LAID TWO YEARS AGO WHEN NOTED BOLIVIAN HISTORIAN AND AUTHOR, PROF. CRESPO RODAS, VISITED ASUNCION TO VISIT HIS DAUGHTER (WHO IS MARRIED TO AN EMBOFF) AND MET WITH A GROUP OF PARAGUAYAN HISTORIANS. ALTHOUGH THIS RECENT ENCOUNTER IS ENTIRELY OUTSIDE OF GOVERNMENTAL CHANNELS, IT SHOULD HAVE A POSITIVE IMPACT ON INTER-GOVERNMENTAL RELATIONS AND ENHANCE THE ATMOSPHERE FOR THE VISIT BY PARAGUAYAN FORMIN SALDIVAR TO LA PAZ AUGUST 26. WE UNDERSTAND THIS WILL BE THE FIRST MINISTERIAL LEVEL BILATERAL MEETING IN TEN YEARS. IT SHOULD ALSO ASSIST THE EFFORTS OF BOLIVIAN AMBASSADOR TO PARAGUAY IRIARTE TO REJUVENATE THE PARAGUAYAN-BOLIVIAN MIXED COMMISSION, WHICH HAS BEEN INACTIVE FOR TEN YEARS.

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3. PERHAPS THE MOST STRAIGHTFORWARD OVERVIEW OF THE BOLIVIA-PARAGUAY RELATIONSHIP WAS GIVEN BY BOLIVIA'S DR. JOSE LUIS ROCA, FORMER MINISTER OF EDUCATION AND PROFESSOR OF HISTORY AT SAN ANDRES UNIVERSITY, LA PAZ IN AN INTERVIEW WITH THE PARAGUAYAN DAILY ULTIMA HORA. ROCA CLAIMED THAT "BOLIVIA AND PARAGUAY DON'T KNOW EACH OTHER." TO PROVE HIS POINT, HE NOTED THAT IN THE AFTERMATH OF THE 1938 CHACO PEACE TREATY, THE TWO NATIONS HAD INITIALED 10 TREATIES INVOLVING EVERYTHING FROM ECONOMIC INTEGRATION, TO HIGHWAY DEVELOPMENT, AND CULTURAL EXCHANGES, BUT THE INK WAS NO SOONER DRY THAN EFFORTS TO EFFECT A POLITICAL RAPPROCHEMENT AND ECONOMIC ENTENTE WERE FORGOTTEN. ROCA CLAIMED THAT LITTLE INFORMATION WAS AVAILABLE IN BOLIVIA ON PARAGUAY, AND OF ALL ITS NEIGHBORS, PARAGUAY WAS THE LEAST KNOWN (AND, UNSPOKEN, THE LEAST IMPORTANT).

-

4. FORMER BOLIVIAN CHANCELLOR GUSTAVO MEDEIROS STATED THAT "FOR BOLIVIA, PARAGUAY IS AN IMPORTANT NEIGHBOR"; THIS JOT OF STATESMANSHIP WAS FOLLOWED BY A DOLLOP OF HARD TRUTH WHEN DR. MEDEIROS NOTED THAT THE BOLIVIA-PARAGUAY RELATIONSHIP LACKED THE SINE QUA NON OF ECONOMIC INTEGRATION, VIZ., A GOOD NETWORK OF CONNECTING RAILS OR ROADS. MEDEIROS (AND OTHERS) NOTED THAT THE BOLIVIAN SECTOR OF THE TRANS-CHACO ROUTE--OSTENSIBLY,

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THE SPINAL COLUMN OF BOLIVIAN-PARAGUAYAN TRADE--IS IN  
TERRIBLE CONDITION AND WILL PROBABLY REMAIN SO UNTIL  
BOLIVIA CAN SHED ITS NUMEROUS ECONOMIC PROBLEMS. (ON  
THE PARAGUAYAN SIDE, THE PAVING OF THE TRANS-CHACO  
\*\* END OF CABLE \*\*

\*\*\*\* SECTION BREAK \*\*\*\*

LIMITED OFFICIAL USE SECTION 02 OF 02 ASUNCION 03122

E.O. 12356: N/A

TAGS: PREL, PA, BO

SUBJ: BOLIVIA-PARAGUAY CONFAB

BEGAN MORE THAN 15 YEARS AGO, AND HAS CONTINUED AT A  
SNAIL'S PACE. MORE THAN ANYTHING, THE WAY THE TWO  
NATIONS HAVE TREATED THIS HIGHWAY SEEMS THE EPITOME  
OF THE OFFICIAL BOLIVIA-PARAGUAY RELATIONSHIP.)  
-

5. PERHAPS THE LEAST CANDID OF THE TALKS WAS THAT BY  
DR. EDGAR CAMACHO OMISTE, FORMER BOLIVIAN CHANCELLOR  
AND MINISTER OF FOREIGN RELATIONS. CAMACHO, SPEAKING  
ON INTEGRATION AND THE COMMON MARKET, HELD THAT PARAGUAY  
AND BOLIVIA HAD NOT BEEN LEFT OUT OF THE INTEGRATIVE  
PROCESS RECENTLY INITIATED BY ARGENTINA AND BRAZIL.  
THE EXPERT FELT THAT BECAUSE OF A SPONTANEOUS AND  
"NATURAL TENDENCY", THE CUENCA DE LA PLATA NATIONS WERE  
RAPIDLY ESTABLISHING A REGIONAL INTERDEPENDENCE. HE  
ADDED, ALTHOUGH SOME WOULD DISAGREE, "I DON'T THINK  
THAT BOLIVIA AND PARAGUAY HAVE BEEN LEFT BEHIND."  
-

6. ALSO PRESENT ON THE BOLIVIAN SIDE WERE PROFESSORS  
MARCELO TERCERAS BANZER, (WHO SPOKE ON INTERNATIONAL  
RIVERS) AND ALBERTO CRESPO RODAS. THE PARAGUAYAN  
PARTICIPANTS WERE LED BY "GEOPOLITICO" PRESIDENT  
JULIA VELILLA DE ARRELLAGA, WHO AUTHORED A BOOK ON  
PARAGUAYAN-BOLIVIAN RELATIONS IN WHICH SHE DESCRIBED  
THE RELATIONSHIP AS SIAMESE TWINS JOINED AT THE BACK  
AND ALWAYS FORCED TO LOOK IN OPPOSITE DIRECTIONS.  
OTHER PARAGUAYAN SPEAKERS WERE ANTONIO SALUM FLECHA  
JERONIMO IRLA BURGOS, JOSE FERNANDEZ ESTIGARRIBIA,  
EFRAIN ENRIQUEZ GAMON, JOSE RIVAROLA MATTO, OSCAR  
YNSFRAN AND EX-INTERIOR MINISTER EDGAR YNSFRAN.  
-

7. THE MEETING WOUND UP ON 15 AUGUST WITH THE SIGNING  
OF AN "ACT OF ASUNCION" THAT CALLED FOR CONTINUED CON-  
TACTS AND CLOSER RELATIONS WHILE BEING "RESPECTFUL OF  
THE SOCIOPOLITICAL PECULIARITIES AND ORIENTATIONS" OF  
THE TWO COUNTRIES. IT EXPRESSED A COMMITMENT "TO THE  
REPUBLICAN AND DEMOCRATIC SYSTEM AND THE EXISTENCE OF  
A STATE OF LAW, LIBERTY AND JUSTICE."  
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8. TO CONCLUDE, THE BOLIVIANS MADE A GENUINE EFFORT  
TO ENTERTAIN SERIOUS DISCUSSIONS ON THE BILATERAL  
RELATIONSHIP. NONETHELESS, THEY WERE QUICK TO

UNDERSCORE THE ESSENCE OF BOLIVIAN REALPOLITIK--THE  
EFFORT TO REGAIN AN OUTLET TO THE PACIFIC. SHOULD  
THE DIALOGUE CONTINUE, IT SHOULD BE INTERESTING TO  
NOTE IF THE PARAGUAYAN EXPERTS WILL BE AS FRANK IN  
THEIR DISCUSSIONS AS THEIR INVITEES WERE. TAYLOR  
\*\* END OF CABLE \*\*

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AMERICAN STATES (OAS), VISITED EL SALVADOR BETWEEN AUGUST 11-15 AND SPOKE WITH PRESIDENT DUARTE, HUMAN RIGHTS GROUPS, OFFICIALS OF THE MILITARY AND SECURITY FORCES, AND PRISON INMATES. THEIR PRIMARY INTERESTS SEEMED TO BE THE SITUATION OF DISPLACED PERSONS AND CLAIMS BY PRISONERS OF TORTURE AT THE HANDS OF THE SECURITY FORCES. THE DELEGATION ADVISED THAT THE REPORT OF THEIR VISIT WOULD NOT BE ISSUED FOR ABOUT TWO MONTHS AND THAT THEIR INTEREST IS FOCUSED ENTIRELY ON THE GOES, NOT ABUSES BY THE GUERRILLAS.

9. (U) NEW CDH OFFICE

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THE GOVERNMENTAL HUMAN RIGHTS COMMISSION (CDH) OFFICIALLY OPENED THEIR FOURTH REGIONAL OFFICE ON AUGUST 15 IN USULUTAN, CAPITAL OF THE DEPARTMENT OF THE SAME NAME. LIKE THE REGIONAL OFFICES IN SAN MIGUEL, SANTA ANA, AND SAN VICENTE, THE USULUTAN OFFICE WILL RECEIVE COMPLAINTS, COMPILE STATISTICS, MONITOR ARRESTS AND THE TREATMENT OF ARRESTEES, NOTIFY FAMILIES OF THE DETENTION OF THEIR LOVED ONES, RAISE WITH THE APPROPRIATE COMMANDER ANY CREDIBLE CLAIMS OF MISTREATMENT, GIVE EDUCATIONAL TALKS ON HUMAN RIGHTS, AND ACT AS OMBUDSMAN

FOR CITIZENS WHO DO NOT KNOW WHAT AUTHORITY TO APPROACH OR WHO ARE HESITANT TO DO SO.

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\*\* END OF CABLE \*\*

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NSTIO

PAGE 01  
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QUITO 8329

DTG:202202Z AUG 86 PSN:076732  
TOR: 232/2209Z CSN:HCE442

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WHSR COMMENT:

WHTS ASSIGNED DISTRIBUTION:

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ROUTINE

DE RUEHQT #8329 232220Z  
R 202202Z AUG 86  
FM AMEMBASSY QUITO

TO SECSTATE WASHDC 4311

~~CONFIDENTIAL~~ QUITO 08329

TERREP

E.O. 12356: DECL:OADR

TAGS: PTER, SHUM, PGOV, EC

SUBJECT: TERRORISTS GUN DOWN POLICEMEN DURING  
RESCUE OPERATION

1. (C) SUMMARY. THREE POLICEMEN WERE KILLED  
IN A HOSPITAL AUGUST 19 DURING A SUCCESSFUL OPERATION  
TO FREE A TERRORIST PRISONER. THE POLICEMEN, WHO  
DID NOT HAVE TIME TO FIRE THEIR WEAPONS, WERE  
SURPRISED BY SEVEN TERRORISTS DRESSED AS HOSPITAL  
PERSONNEL. THE MINISTER OF GOVERNMENT, WHO IS  
THREATENED WITH IMPEACHMENT BY AN OPPOSITION-  
CONTROLLED CONGRESS FOR ALLEGED HUMAN RIGHTS  
VIOLATIONS BY POLICE, DECRIED LACK OF SUPPORT

BY CRITICS AND POLITICAL OPPONENTS IN THE FIGHT  
AGAINST TERRORISM. ACCORDING TO A MINISTRY OF  
GOVERNMENT OFFICIAL, THE TERRORISTS ALMOST CERTAINLY  
INCLUDED COLOMBIAN M-19 TERRORISTS. END SUMMARY.

2. (U) ACCORDING TO PRESS REPORTS, SEVEN TERRORISTS  
ARMED WITH MACHINE GUNS AND AUTOMATIC PISTOLS ENTERED  
A LOCAL QUITO HOSPITAL AUGUST 19, KILLED THREE  
POLICEMEN "IN COLD BLOOD," AND ESCAPED WITH AN  
ACCUSED TERRORIST, LEONARDO VERA VITALI, INVOLVED  
IN AN UNSUCCESSFUL KIDNAPPING LAST DECEMBER. VERA,  
STILL SUFFERING FROM A WOUND RECEIVED DURING THE  
BOTCHED KIDNAPPING, HAS BEEN IN AND OUT OF HOSPITALS  
SINCE HIS CAPTURE. THE THREE POLICEMEN DETAILED TO  
GUARD HIM APPARENTLY WERE SHOT AT CLOSE RANGE AND

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**B**

S/S #

86 AUG 21

P. 6: 53

UNCLASSIFIED UPON REMOVAL  
OF CLASSIFIED ENCLOSURE(S)

9/30/11

MESSAGE NO. 010251 CLASSIFICATION CONF No. Pages 2

FROM: BLPASCOE S/S 3126 7224  
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION LAPAZ: LETTER FROM PRESIDENT TO PRESIDENT PAZ

TO: (Agency)	DELIVER TO	Extension	Room No
<u>NSC</u>	<u>ROBERT PEARSON</u>	<u>395-2224</u>	
<u>NSC</u>	<u>EXECUTIVE SECRETARIAT</u>		
	<u>MCDANIEL</u>		
	<u>TILLMAN</u>	<u>5830</u>	

FOR CLEARANCE ☒ INFORMATION ☐ PER REQUEST ☐ COMMENT ☐

REMARKS: PLEASE PROVIDE CLEARANCE BY: COB 8/22

S/S Officer: BLP by Tracy

**CROSSHATCH**

RETURN TIME-STAMPED COVERSHEET TO S/S.

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5853D

ARA/AND:VHUDDLESTON/PBTAYLOR  
 08/20/86 EXT. 73076  
 ARA:JMICHEL

ARA: RGELBARD  
 S/S-S (C): JALBA  
 S/S-O:  
 AID/LA: MBUTLER

S/S:  
 IMM: MDION ARA/ECP:PWITNEY  
 NSC:  
 P: WBROWNFIELD

ALSO NSC, S/S-S (C)

IMMEDIATE LA PAZ

E.O. 12356: DECL: OADR

TAGS: SNAR, PREL, ECON, BL

SUBJECT: LETTER FROM PRESIDENT REAGAN TO PRESIDENT PAZ

----- (S/S 8625410)

REF: STATE 231459

1. C - ENTIRE TEXT.

2. EMBASSY SHOULD DELIVER THE FOLLOWING MESSAGE TO  
 PRESIDENT PAZ ESTENSSORO AS SOON AS POSSIBLE. BEGIN TEXT:

DEAR MR. PRESIDENT:

I AM DEEPLY IMPRESSED AND ENCOURAGED BY YOUR CONTINUED  
 PERSONAL EFFORTS TO DESTROY COCAINE TRAFFIC IN BOLIVIA.  
 YOUR TIRELESS COMMITMENT TO OUR JOINT NARCOTICS  
 INTERDICTION OPERATION HAS GENERATED IMPRESSIVE RESULTS,  
 OF WHICH BOTH OUR COUNTRIES CAN BE PROUD. MY GOVERNMENT  
 AND I FULLY ENDORSE YOUR COURAGEOUS ACTIONS. THEREFORE  
 WE INTEND TO DEEPEN AND STRENGTHEN OUR COMBINED EFFORTS  
 TO RID OUR COUNTRIES OF THE TERRIBLE AND DEBILITATING  
 DRUG CANCER.

JM  
 VM  
 MAS  
 S/S

JA  
 MD

S/S-O  
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NLRR M353/1 #120327  
 BY RW NARA DATE 5/18/15



33  
~~CONFIDENTIAL~~

| 2

I AGREE THAT THE MOMENTUM OF THE STRUGGLE AGAINST THE NARCOTICS TRAFFICKERS MUST BE MAINTAINED. TO THIS END, WE ARE LOOKING FOR WAYS IN WHICH WE CAN BE RESPONSIVE TO YOUR NEED FOR EQUIPMENT AND CONTINUED ASSISTANCE. IT IS VITAL THAT WE WORK TOGETHER TO ENHANCE THE ABILITY OF YOUR GOVERNMENT TO CARRY FORWARD THE INTERDICTION EFFORT WE BEGAN JOINTLY.

IN ADDITION, WE ARE EXAMINING HOW WE CAN BEST ASSIST YOU IN MEETING THE SHORT RUN CHALLENGES TO THE SUCCESS OF YOUR ECONOMIC PROGRAM. IN THE LONGER TERM, I BELIEVE THAT WE SHOULD GIVE CAREFUL CONSIDERATION TO THE POSSIBILITY OF CREATING A BI-LATERAL COMMISSION WHICH WOULD EXAMINE PROGRAMS FOR FUTURE COOPERATION.

YOUR PROPOSAL FOR A MEETING OF <sup>premier</sup> CHIEFS OF STATE TO DISCUSS NARCOTICS MATTERS IS A BOLD AND VALUABLE INITIATIVE. I FULLY AGREE THAT A REGIONAL DRUG SUMMIT WOULD PROVIDE NEW MOMENTUM IN OUR BATTLE AGAINST ILLEGAL DRUGS. HOWEVER, PRIOR TO GIVING YOU A DEFINITIVE ANSWER I WILL HAVE TO REVIEW MY SCHEDULE.

ONCE AGAIN PLEASE ACCEPT MY SINCERE RESPECT AND ADMIRATION FOR YOUR COURAGEOUS ACTION AND IMPRESSIVE VISION OF A BETTER FUTURE FOR THE YOUTH OF OUR GREAT COUNTRIES.

- SINCERELY,  
RONALD REAGAN

3. THERE WILL BE NO SIGNED ORIGINAL. DEPARTMENT DOES NOT PLAN TO RELEASE TEXT OF THIS MESSAGE BUT HAS NO OBJECTION IF GOB WISHES TO DO SO.44

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PAGE 01  
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DTG:212027Z AUG 86 PSN:000997  
TOR: 233/2033Z CSN:EHA182

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WHSR COMMENT:

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[REDACTED]

SUMMARY: (C/NF) THE BL ARMY CDR HAS CONCLUDED IN A STAFF STUDY SUBMITTED TO THE BL NATIONAL PRESIDENT THAT THE BL ARMY IS THE ONLY FORCE WHICH CAN DECISIVELY INTERDICT NARCOTRAFFICKING OPERATIONS IN BL.

TEXT: 1. (C/NF) BL ARMY CDR, MG GUILLERMO ((VELEZ)) SALMON, HAS SUBMITTED A STAFF STUDY TO BL PRESIDENT, DR. VICTOR ((PAZ)) ESTENSSORO, WHICH CONCLUDES THAT ONLY THE

BL ARMY CAN TRULY CONFRONT THE NARCOTRAFFICKERS IN BL IN A DECISIVE INTERDICTION ROLE.

2. (C/NF) GEN VELEZ FEELS THAT THE NARCOTRAFFICKING ISSUE HAS BECOME THE PRINCIPAL SOCIAL ISSUE FOR THE GOB AND HE DOES NOT FEEL THAT THE BL ARMY SHOULD BE SITTING ON THE SIDELINES. AT THE SAME TIME HE EXPRESSED THE OPINION THAT IT WAS IMPORTANT TO INSURE THAT THE BL POLICE DO NOT

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NLRR M10-3531 #120328  
BY AN NARA DATE 5/3/02

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PARALLEL THE BL ARMY IN MILITARY CAPABILITY AND FOR THIS REASON HE DID NOT LIKE OPERATION BLAST FURNACE. OTHER REASONS FOR NOT LIKING BLAST FURNACE ARE THAT: THE BL LEFT CAN NOW USE AMERICAN PRESENCE IN BL AS A CAUSE TO HELP UNITE ITS DIVERSE POLITICAL GROUPS (NFI) AGAINST THE GOB AND THAT IT IS EMBARRASSING TO THE BL ARMY THAT THE BL POLICE ARE BEING SUPPORTED BY U.S. ARMY ASSETS.

COMMENTS: 1. (C/NF) THE BL LEFT IS HIGHLY VOCAL IN ITS CONDEMNATION OF BLAST FURNACE BUT IS ALSO NOT A SIGNIFICANT THREAT TO THE GOB'S ANTI-NARCOTICS POSITION AND INITIATIVES.

2. (C/NF) THE BL ARMY CDR KNOWS THAT THE ARMY MUST POSITIVELY COMMIT ITSELF ON THE SIDE OF DR. PAZ OR FACE THE PROBABLE CONSEQUENCES OF THE BL POLICE STRIKE FORCE (UMOPAR) RECEIVING FURTHER U.S. MATERIAL SUPPORT AND THE PRESTIGE OF CARRYING THE BALL AGAINST THE NARCOTRAFFICKERS.

WARNING: (U) NOT RELEASABLE TO FOREIGN NATIONALS.

DECL: OADR

\*\* END OF CABLE \*\*

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# WITHDRAWAL SHEET

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### File Folder

BOLIVIA (SAFE 1) 08/15/1986-09/09/1986

### FOIA

M10-353/1  
DENNISON

### Box Number

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ID	Document Type	No of pages	Doc Date	Restric- tions
	Document Description			
120329	PAPER	1	8/21/1986	B1
	RE BOLIVIA & MEXICO			B3

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

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NSTIO 37

PAGE 01  
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SECSTATE WASHDC 3575

DTG:211909Z AUG 86 PSN:001014  
TOR: 233/2048Z CSN:HCE832-----  
WHSR COMMENT:

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O 211909Z AUG 86

FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ IMMEDIATE 7559

~~CONFIDENTIAL~~ STATE 263575

EXDIS

E.O. 12356: DECL: OADR

TAGS: PREL, EAID, SNAR, BL

SUBJECT: SECRETARY'S MEETING WITH BOLIVIAN MINISTERS

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY. BOLIVIAN MINISTERS FOR FOREIGN AFFAIRS AND PLANNING CALLED ON SECRETARY SHULTZ LATE AFTERNOON AUGUST 14 TO LAY OUT THEIR CONCERNS REGARDING BOLIVIA'S ECONOMY WHICH IS UNDER PRESSURE FOLLOWING THE SUCCESS OF OUR JOINT OPERATION AGAINST THE NARCOTICS TRAFFICKERS. THE SECRETARY GAVE ASSURANCES THAT THE US WOULD STICK WITH THE BOLIVIAN IN THE FIGHT AGAINST NARCOTICS TRAFFICKERS AND WILL BE READY TO SIT DOWN TO DISCUSS THE COUNTRY'S ECONOMIC PROBLEMS. END SUMMARY.

3. FONMIN BEDREGAL BEGAN BY STATING THAT AFTER THE OPTIMISTIC DISCUSSIONS EARLIER IN THE AFTERNOON IN THE OVAL OFFICE ABOUT THE SUCCESS OF OPERATION BLAST FURNACE IT WAS TIME TO DISCUSS HIS COUNTRY'S "POST-WAR" FINANCIAL

CONDITION. PLANNING MINISTER SANCHEZ DE LOSADA THEN LAUNCHED INTO A LENGTHY BUT INTERESTING REVIEW OF RECENT ECONOMIC DEVELOPMENTS. HE SAID THE PREVIOUS

ADMINISTRATION OF HERNAN SILES DEMONSTRATED AGAIN THE CLASSIC TRUTH THAT A COUNTRY CAN'T SPEND ITS WAY OUT OF ECONOMIC TROUBLE. TO HALT 50,000 PER CENT INFLATION IT INHERITED AND TO DEAL WITH THE COLLAPSE OF THE TIN MARKET EARLY IN ITS FIRST YEAR IN OFFICE, THE PAZ GOVERNMENT HAS FREED PRICES AND PUT THROUGH A 97 PER CENT DEVALUATION. THE ONLY MAJOR ECONOMIC VARIABLE STILL UNDER CONTROL IS

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BY RW NARA DATE 5/18/15



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WAGES FOR THE PUBLIC SECTOR (40 PER CENT OF THE URBAN LABOR FORCE) WHICH HAD TO BE HELD IN CHECK TO REDUCE GOVERNMENT SPENDING.

4. THE RESULT OF THESE RIGOROUS POLICIES WAS AN ABRUPT END TO THE ECONOMIC CHAOS THAT HAD PLAGUED THE COUNTRY BUT ALSO AN ENORMOUS INCREASE IN UNEMPLOYMENT AND A DECREASE IN REAL INCOME. WITH THE SHRINKING OF LEGITIMATE ACTIVITIES THE NARCOTICS ECONOMY LOOMED IN IMPORTANCE. PRESIDENT PAZ UNDERSTOOD THAT UNLESS NARCOTICS TRAFFICKING WERE CURBED CRIMINALS WOULD SOON CONTROL THE COUNTRY. HE THEREFORE AGREED TO THE CURRENT ALL-OUT CAMPAIGN AGAINST THE COCAINE INDUSTRY DESPITE THE EVIDENT RISK TO THE FRAGILE ECONOMY.

5. THE COUNTRY URGENTLY NEEDS ASSISTANCE. SOME WAY MUST BE FOUND TO STAUNCH THE HEAVY PRESSURE ON THE PESO NOW THAT TRAFFICKERS' DOLLARS ARE NOT FINDING THEIR WAY TO THE CENTRAL BANK. AFTER THE PERIOD OF HYPERINFLATION A STABLE CURRENCY IS ESSENTIAL. A FURTHER DEVALUATION AT THIS POINT WOULD GAIN LITTLE SINCE LEGITIMATE EXPORTS ARE SO LOW AND WOULD LIKELY SET OFF A PANIC. SOME WAY MUST ALSO BE FOUND TO KEEP PRESSURE ON THE NARCOTICS TRADE AFTER THE US HELICOPTERS WITHDRAW. THE DRUG TRAFFICKERS WILL RETALIATE WITH VIOLENCE IF THEY ARE AGAIN GIVEN THE CHANCE TO SEIZE THE INITIATIVE. FINALLY, IN CONCLUSION SANCHEZ SAID THE PAZ GOVERNMENT WOULD LIKE TO SEE 90 PER CENT OF THE COCA CROPS ERADICATED IN THREE YEARS BUT THERE MUST BE FUNDING FOR RESETTLEMENT AND ALTERNATIVE ACTIVITIES.

6. THE SECRETARY REPLIED NOTING PRESIDENT AND MRS. REAGAN'S STRONG PERSONAL COMMITMENT TO FIGHTING THE NARCOTICS PROBLEM. THE US WILL STICK WITH BOLIVIA IN SEEKING TO ERADICATE COCA. FUNDING CONSTRAINTS ARE GREATER THAN EVER BEFORE, BUT NARCOTICS CONTROL IS ONE PART OF THE FEDERAL BUDGET THAT IS NOT BEING CUT. WE ARE PLEASED THAT AFTER A SHAKY START, OPERATION BLAST FURNACE IS HAVING GOOD SUCCESS. THE US SERVICEMEN ARE IN THE COUNTRY AT YOUR REQUEST - "TRUCK DRIVERS" TO TRANSPORT BOLIVIAN POLICE. THIS IMPORTANT PSYCHOLOGICAL BLOW IS LIKELY TO HAVE GOOD EFFECTS GREATER THAN JUST THE

DESTRUCTION OF LABS. BOLIVIA AND THE US HAVE A SHARED

STAKE IN THIS FIGHT AGAINST THE TRAFFICKERS AND THE US WILL DO EVERYTHING POSSIBLE TO MAKE IT SUCCEED. THIS

SHOULD BE DONE FIRST BY DEFINING WHAT MUST BE DONE AND ONLY THEN ATTACHING DOLLAR AMOUNTS. WHAT BOLIVIA NEEDS ON THE ECONOMIC FRONT IS SELF-SUSTAINING ECONOMIC GROWTH. THE US WILL BE WILLING TO SIT DOWN AND DISCUSS WHAT IS NEEDED.

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7. BEDREGAL SUGGESTED THAT THE STRUGGLE AGAINST  
NARCOTICS MUST BE AN INTERNATIONAL EFFORT. THE SECRETARY  
NOTED THAT ATTORNEY GENERAL MEESE HAS SUGGESTED THAT THE  
UPCOMING MEETING OF JUSTICE MINISTERS IN MEXICO SERVE AS  
A PLANNING MEETING FOR JUST SUCH A MORE WIDELY  
COORDINATED EFFORT. SANCHEZ DE LOSADA SAID THAT  
PRESIDENT PAZ' PROPOSAL FOR AN ANDEAN SUMMIT COULD HELP  
GIVE LEGITIMACY FOR GREATER INTERNATIONAL COOPERATION.

WHITEHEAD

\*\* END OF CABLE \*\*

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PAGE 01  
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DTG:211605Z AUG 86 PSN:001029  
TOR: 233/2101Z CSN:HCE835

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WHSR COMMENT:

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O 211605Z AUG 86  
FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 6646

\*\*\*\* SECTION BREAK \*\*\*\*

C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 19189

EXDIS

E.O. 12356: DECL:OADR  
TAGS: PREL, NAM, UNGA, US  
SUBJECT: NAM HARARE SUMMIT: MEETING WITH BOUTROS

GHALI  
-

2. SUMMARY: CHARGE MADE POINTS REF A. ON AUGUST 20 TO MINISTER OF STATE FOR FOREIGN AFFAIRS BOUTROS GHALI, JUST BACK FROM A SWING THROUGH SEVERAL AFRICAN COUNTRIES. BOUTROS, WHO HAS CONSISTENTLY BACKED U.S. POSITIONS, SAID HE HAD COLLECTED SUPPORT IN SEVERAL AFRICAN STATES FOR A MODERATE VIEWPOINT, WHICH INCLUDED OPPOSITION TO MANAGUA AS THE NEXT SUMMIT VENUE, AND WOULD CONTINUE HIS EFFORTS IN HARARE. HE SUGGESTED THAT A PRESIDENTIAL MESSAGE TO THE SUMMIT WOULD BE APPROPRIATE AND PRODUCTIVE. END SUMMARY.

3. CHARGE MET WITH MINISTER OF STATE FOR FOREIGN AFFAIRS BOUTROS GHALI ON AUGUST 20. POLCOUNS AND POLOFF ACCOMPANIED. MEETING WAS AT OUR REQUEST, BUT BOUTROS AGREED PROMPTLY, SAYING HE HAD WANTED TO MEET WITH THE CHARGE AS SOON AS POSSIBLE AFTER HIS RETURN FROM AFRICA FOR A PRELIMINARY EXCHANGE OF VIEWS. HE ASKED FOR ANOTHER MEETING ON AUGUST 25, JUST BEFORE HIS DEPARTURE FOR HARARE. HE SAID THAT HE WILL REPRESENT EGYPT AT THE MINISTERIAL AND THAT FONMIN ABDEL MEGUID WOULD NOT GO TO HARARE AT ALL. SINCE MUBARAK'S ATTENDANCE IS STILL UNCERTAIN, BOUTROS MAY BE THE SENIOR EGYPTIAN REPRESENTATIVE THROUGHOUT. BOUTROS WILL DEPART ON THE 26TH AND EXPECTS THE SUMMIT TO RUN

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PAGE 01 SECSTATE WASHDC 9045 DTG:270150Z AUG 86 PSN:009881  
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NLRR m363/1 # 120331

BY RW NARA DATE 5/18/15

TO AMEMBASSY LA PAZ IMMEDIATE 7623  
~~CONFIDENTIAL~~ STATE 269045

E.O. 12356: DECL: QADR  
TAGS: SNAR, PREL, EAID, BL  
SUBJECT: BLAST FURNACE - CONTINUATION OF TASK FORCE JANUS

1. C - ENTIRE TEXT.

2. AN AUGUST 25 INTERAGENCY MEETING CALLED TO REVIEW THE BLAST FURNACE OPERATION DISCUSSED REQUEST BOLIVIAN MINISTERS BEDREGAL AND SANCHEZ DE LOSADA CONVEYED TO SECRETARY LAST WEEK THAT OPERATION BE EXTENDED. GROUP AGREED IN PRINCIPLE TO EXTEND TASK FORCE JANUS IN BOLIVIA AT CURRENT LEVELS UNTIL RAINY SEASON WEATHER MAKES IT NO LONGER COST EFFECTIVE.

3. AT AN AUGUST 26 MEETING WITH ACTING SECRETARY WHITEHEAD IT WAS AGREED THAT SUCH AN EXTENSION SHOULD BE OFFERED ONLY IN RESPONSE TO A FORMAL REQUEST FROM THE BOLIVIAN GOVERNMENT. THE REQUEST SHOULD PROPOSE THAT, IN VIEW OF THE SUCCESS OF BLAST FURNACE, U.S. SUPPORT SHOULD CONTINUE UNTIL SOME ADEQUATE INTERDICTION AND LONGER-TERM AIR MOBILITY CAPABILITY IS AVAILABLE TO THE GOB.

4. PLEASE INFORM THE BOLIVIAN GOVERNMENT AS SOON AS POSSIBLE OF OUR WILLINGNESS TO EXTEND JANUS IF THEY SO REQUEST. YOU SHOULD EXPLAIN THAT THEIR REQUEST AND OUR ANSWER WILL BE A MATTER OF PUBLIC RECORD. THEIR REQUEST MUST BE CLEARLY A BOLIVIAN INITIATIVE, FREELY MADE. IT SHOULD NOT/NOT READ LIKE A RESPONSE TO A U.S. PROPOSAL.

5. BOTH GOVERNMENTS SHOULD ALSO AGREE ON PRESS GUIDANCE, PERHAPS ALONG THE FOLLOWING LINES:

Q: WHAT CAN YOU TELL US ABOUT THE EXTENSION OF CURRENT

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42

U.S. LOGISTICAL SUPPORT FOR THE BOLIVIAN ANTI-NARCOTICS  
POLICE OPERATION?

A: IN VIEW OF THE OUTSTANDING SUCCESS THE BOLIVIAN  
ANTI-NARCOTICS OPERATIONS ARE HAVING, THE BOLIVIAN  
GOVERNMENT HAS ASKED THE UNITED STATES TO CONTINUE THE  
EXISTING HELICOPTER SUPPORT FOR ANTI-DRUG INTERDICTION.  
THE U.S. HAS AGREED TO EXTEND THE PRESENCE OF THE  
HELICOPTERS AND ACCOMPANYING PERSONNEL FOR A LIMITED, BUT  
INDEFINITE PERIOD.

(RELEASE OF THE ABOVE GUIDANCE SHOULD BE WITHHELD UNTIL  
FORMAL INTEBAGENCY COORDINATION ON THE EXTENSION HAS BEEN  
COMPLETED IN WASHINGTON, A PROCESS THAT SHOULD TAKE ABOUT  
76 HOURS FROM THE TRANSMISSION OF THE GOB'S FORMAL  
REQUEST.)

6. PLEASE ADVISE RESULTS SOONEST. WHITEHEAD  
\*\* END OF CABLE \*\*

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ID	Document Type	No of pages	Doc Date	Restrictions
	Document Description			
120332	PAPER	1	8/28/1986	B1
	RE IN BRIEF			B3

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

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<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
120334	PAPER  RE BOLIVIA	1	8/29/1986	B1 B3

The above documents were not referred for declassification review at time of processing

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B-1 National security classified information [(b)(1) of the FOIA]

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

C. Closed in accordance with restrictions contained in donor's deed of gift.

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~~CONFIDENTIAL~~

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120335

NSJT 41

PAGE 01  
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LA PAZ 7248

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EXDIS

E.O. 12356: DECL: OADR

TAGS: BL, SNAR

SUBJECT: DIPLOMATIC NOTE FROM FOREIGN MINISTER  
. BEDREGAL

1. (C) ON AUGUST 28, THE EMBASSY RECEIVED THE FOLLOWING DIPLOMATIC NOTE FROM FOREIGN MINISTER BEDREGAL, DELIVERED BY RENE SORIA, DIRECTOR GENERAL OF BEDREGAL'S SECRETARIAT.

## BEGIN TEXT (INFORMAL TRANSLATION):

. THE MINISTRY OF FOREIGN AFFAIRS AND WORSHIP HAS THE HONOR TO ADDRESS THE EMBASSY OF THE UNITED STATES OF AMERICA AND AS A RESULT OF THE CONVERSATIONS THAT RECENTLY TOOK PLACE IN WASHINGTON WITH PRESIDENT RONALD REAGAN AND THE PARTICIPATION OF HIGH EXECUTIVE OFFICIALS OF YOUR GOVERNMENT, HAS THE HONOR OF PROPOSING THE FOLLOWING PLAN OF ACTION, IN ORDER TO CONTINUE THE OPERATIONS WITH MATERIAL, TECHNICAL AND LOGISTIC SUPPORT FROM THE UNITED STATES IN CERTAIN AREAS OF

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NLRR m353/1 #120335

BY RW NARA DATE 5/10/06

From: NSCMB --CPUA  
To: NSJT --CPUA  
NSBIH --CPUA

Date and time 08/29/86 09:54:19  
NSTIO --CPUA

46

NOTE FROM: CATHY BERGERON  
SUBJECT: action 6232

Bolivia Economic Assistance---JMP approved both recoms and wrote the following  
"We must make Paz's efforts a success story". Have WRP sign Tab I on Tuesday.  
Package w/ Pearson for signature. cb

cc: NSEMM --CPUA

Paz / Set

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U N C L A S S I F I E D

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NSJT

PAGE 01  
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LA PAZ 7410

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DIA FOR IR BRANCH; USCINCSO ALSO FOR POLAD

E.O. 12356: N/A  
TAGS: BL, EFIN  
SUBJECT: DAILY CENTRAL BANK AUCTION

REF.: (A) LA PAZ 7130 DTG 262134Z AUG 86

1. FOLLOWING IS INFORMATION ON DAILY CENTRAL BANK  
AUCTION HELD ON SEPTEMBER 2:

MINIMUM FLOOR BIDDING: 1,911,000

NUMBER OF DOLLARS OFFERED FOR SALE: 5,000,000

NUMBER OF BIDS PRESENTED: 61

NUMBER OF BIDS ACCEPTED: 61  
HIGHEST BID OFFERED: 1,914,000

MINIMUM BID OFFERED: 1,911,000

NUMBER OF DOLLARS SOLD: 1,720,000

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U N C L A S S I F I E D

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U N C L A S S I F I E D

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41

CENTRAL BANK REPURCHASES: NONE

ACTUAL AMOUNT OF DOLLARS SOLD: 1,720,000

NEW OFFICIAL PESO DOLLAR RATE: 1,912,000

MOST RECENT PARALLEL RATE IN LA PAZ: 1,920,000

MOST RECENT PARALLEL RATE IN SANTA CRUZ: 1,610,000

MOST RECENT PARALLEL RATE IN COCHABAMBA: 1,910,000

2. ACCORDING TO THE CENTRAL BANK'S DAILY FOREIGN EXCHANGE BALANCE, AS OF AUGUST 29 FOREIGN EXCHANGE RESERVES HAD DECLINED BY ONLY 1.9 MILLION DOLLARS SINCE THE BEGINNING OF THE JOINT ANTI-NARCOTICS OPERATION (JULY 16). HOWEVER, THE BANK HAS INCLUDED IN THIS FOREIGN EXCHANGE BALANCE RECEIPTS IN JULY AND AUGUST OF RETENTION CREDITS FOR GAS SALES TO ARGENTINA TOTALLING 30.7 MILLION DOLLARS. SINCE SUCH CREDITS ARE NOT LIQUID AND ARE NOT AVAILABLE FOR SALE IN DAILY AUCTIONS, THE REAL FOREIGN EXCHANGE DRAIN DURING THE PAST MONTH AND A HALF HAS AMOUNTED TO 32.6 MILLION DOLLARS.

3. DURING THE PAST TWO MONTHS, NET INTERNATIONAL RESERVES HAVE INCREASED BY 15 MILLION DOLLARS FROM 194.8 MILLION ON JUNE 30 TO 209.8 MILLION ON AUGUST 29.

ROWELL

\*\* END OF CABLE \*\*

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U N C L A S S I F I E D

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# REQUEST FOR APPOINTMENTS

To Officer-in-charge  
Appointments Center  
Room 060, OEOB

49

Please admit the following appointments on September 4, 19 86

for Jacqueline Tillman of NSC  
(NAME OF PERSON TO BE VISITED) (AGENCY)

Situation Room  
10-11 a.m., Thursday, Sep 4, 1986

BOSTICK, Robert	02/06/39	OMB
BOYCE, Ralph	02/01/52	St Dept
CONROW, James W.	07/29/52	Treas Dept
DAGATA, Martin	01/13/39	
DES ROCHERS, William	10/12/46	Comm Dept
DRISCOLL, Robert	08/14/38	St Dept
FARLEY, Penelope	11/24/43	AID
HAYS, Ellen	04/11/56	OMB
HUDDLESTON, Vicky	12/13/42	St Dept
INK, Dwight	09/09/22	AID
MCLEAN, Phillip	08/13/38	St Dept
MILAM, William	07/24/36	St Dept
SPECKHARD, Daniel	06/11/59	OMB
STILLMAN, BETSY	6/16/52	USTO2

## MEETING LOCATION

Building West Wing

Requested by Jacqueline Tillman

Room No. Situation Room

Room No. 393 Telephone 5830

Time of Meeting 10-11 a.m.

Date of request September 4, 1986

Additions and/or changes made by telephone should be limited to five (5) names or less.

APPOINTMENTS CENTER: SIG/OEOB - 395 6046 or WHITE HOUSE - 456-6742

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C O N F I D E N T I A L

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120336

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BY BOLIVIANS COULD NOT BEGIN BEFORE EARLY NOVEMBER.  
HE CLEARLY EXPECTED THAT JANUS WOULD REMAIN IN BOLIVIA  
UNTIL THEN.

2. (U) IN A STATEMENT TO THE PRESS SEPTEMBER 10,  
INTERIOR MINISTER FERNANDO BARTHELEMY INDICATED  
(ACCORDING TO "EL DIARO" OF SEPTEMBER 10) THAT "THE  
GOVERNMENT HAS DETERMINED THAT THE U.S. TROOPS SHOULD  
STAY IN (BOLIVIAN) NATIONAL TERRITORY UNTIL THE ARMED  
FORCES HAVE THE HELICOPTERS AND SUPPORT EQUIPMENT FOR  
THE FIGHT AGAINST NARCO-TRAFFICKING SIMILAR TO THOSE  
NOW PRESENT IN THE BENI."

3. (C) I AM SATISFIED ON THE BASIS OF THE MINISTER'S  
STATEMENT AND THE PRESIDENT'S CONVERSATION WITH ME  
THAT THE BOLIVIAN GOVERNMENT HAS UNEQUIVACALLY STATED  
THAT IT EXPECTS TASK FORCE JANUS TO REMAIN IN BOLIVIA  
BEYOND SEPTEMBER 15 AND THAT IT WANTS "BLAST FURNACE"  
TO CONTINUE UNTIL WE CAN BRING IN SOME EQUIPMENT THAT  
WOULD PERMIT THE BOLIVIANS TO ASSUME RESPONSIBILITY  
FOR TRANSPORTING THE SPECIAL ANTI-NARCOTICS POLICE.  
I URGE IN STRONGEST TERMS THAT THE NECESSARY DECISIONS  
BE MADE NOW TO CONTINUE "BLAST FURNACE".

4. (C) IN THIS CONTEXT, I HAVE DISCUSSED WITH THE  
MINISTER OF THE PRESIDENCY, JUAN CARLOS DURAN, ON  
SEPTEMBER 10 A PROPOSED TEXT FOR RESPONDING TO PRESS  
INQUIRIES. I TOLD HIM THAT WE AND THE BOLIVIANS MUST  
BE PREPARED TO RESPOND THE SAME WAY TO THE INEVITABLE  
QUESTIONS CONCERNING HOW LONG TASK FORCE JANUS WILL  
REMAIN IN BOLIVIA. MINISTER DURAN IS REVIEWING THAT  
TEXT WITH PRESIDENT PAZ ESTENSSORO THIS AFTERNOON.  
FOR WASHINGTON INFORMATION, WE ARE CABLING THE DRAFT  
IMMEDIATELY BY SEPTTEL.

ROWELL

NOTE BY OC/T: MESSAGE UPGRADED EXDIS PER S/S, MR. OLSON.

\*\* END OF CABLE \*\*

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NLRR M3531 #120336

BY RW NARA DATE 5/18/15

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~~C O N F I D E N T I A L~~

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120337

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*Bolivia*

~~SECRET~~ SECTION 01 OF 03 LA PAZ 07514

EXDIS

C O R R E C T E D C O P Y (ADDED ADDRESSEE DA WASHDC)

E. O. 12356: DECL: OADR  
TAGS: BL, SNAR, PGOV, EAID  
SUBJECT: CONTINUATION OF NARCOTICS INTERDICTION AND  
TASK FORCE JANUS -- SEPTEMBER 4 CONVERSATION  
WITH PRESIDENT PAZ ESTENSSORO

SUMMARY

1. (S) I TALKED PRIVATELY WITH PRESIDENT PAZ ESTENSSORO LATE SEPTEMBER 4 TO CONVEY THE POSITIVE ATMOSPHERE IN THE UNITED STATES VIS-A-VIS BOLIVIA AND TO RECONFIRM HIS (AND THE BOLIVIAN GOVERNMENT'S) DESIRES REGARDING TASK FORCE JANUS AND FOLLOW-ON EFFORTS TO SUSTAIN ANTI-NARCOTICS INTERDICTION. IN ADDITION, WE DISCUSSED ECONOMIC ASSISTANCE AND THE ORIGINS OF THE CURRENT STATE OF SIEGE IN BOLIVIA. THE PRESIDENT CONFIRMED THAT IT IS ESSENTIAL THAT THE INTERDICTION EFFORT BE SUSTAINED WITHOUT A BREAK. HE ALSO IS COMPLETELY AWARE THAT CONTINUED ANTI-DRUG EFFORTS ARE THE SINE QUA NON THE SUSTAINED U. S. ASSISTANCE. END SUMMARY.

CONTINUATION OF TASK FORCE JANUS

2. (C) I TOLD THE PRESIDENT THAT THE UNITED STATES IS MOVING TO LOAN UH-1H HELICOPTERS TO BOLIVIA IN ORDER TO SUSTAIN ON A LASTING BASIS EXPANDED INTERDICTION EFFORTS AGAINST NARCO-TRAFFICKERS. IN THE MEANTIME, WE ARE PREPARED TO CONTINUE THE PRESENCE OF TASK FORCE JANUS. HOWEVER, I HAD BEEN INSTRUCTED PERSONALLY BY THE ACTING SECRETARY OF STATE TO OBTAIN A CLEAR AND UNEQUIVOCAL EXPRESSION OF THE BOLIVIAN GOVERNMENT'S DESIRES ON THIS MATTER. WE ARE PREPARED TO CONTINUE

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BY RW NARA DATE 5/16/15

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5-2

PAGE 02 OF 02 LA PAZ 7514

DTG: 052255Z SEP 86 PSN: 030171

THE TASK FORCE ONLY RPT ONLY IF THE BOLIVIANS SAY THEY WANT IT. IN THIS CONTEXT I HANDED TO THE PRESIDENT THE WRITTEN REQUEST RECEIVED FROM FOREIGN MINISTER BEDREGAL OF AUGUST 28 (LA PAZ 7248 DTG 292042Z NOTAL). THE PRESIDENT ACKNOWLEDGED THAT THE TEXT OF THAT REQUEST IS A BIT AMBIGUOUS.

3. (C) THE PRESIDENT SAID IT IS ABSOLUTELY ESSENTIAL THAT THE INTERDICTION AGAINST TRAFFICKERS BE SUSTAINED WITHOUT A BREAK. AT THE SAME TIME, HE SAID THAT THE POLITICAL COSTS OF U. S. MILITARY FORCES ARE MOUNTING. HE CITED IN PARTICULAR THE CONTINUED GROWTH OF RESENTMENT WITHIN THE BOLIVIAN MILITARY THAT THEY ARE NOT ABLE TO PROVIDE THE NECESSARY LOGISTICAL SUPPORT THEMSELVES. HE ALSO ALLUDED TO THE NEGATIVE FEEDBACK BOLIVIA HAS RECEIVED FROM NEIGHBORING COUNTRIES REGARDING THE DECISION TO ALLOW U. S. FORCES INTO BOLIVIA IN AN OPERATIONAL ROLE.

4. (C) THE PRESIDENT CONCLUDED BY SAYING THAT THE IDEAL THING WOULD BE FOR AT LEAST A TOKEN DELIVERY OF HUEYS TO TAKE PLACE SIMULTANEOUSLY WITH THE DEPARTURE OF TASK FORCE JANUS. FAILURE TO ACHIEVE SUCH AN IMMEDIATE FOLLOW-ON WOULD IMMEDIATELY DELETE MUCH OF THE PRESENT ENORMOUS BENEFIT OF THE INTERDICTION OPERATION, ESPECIALLY IN TERMS OF THE PSYCHOLOGICAL PRESSURE ON CAMPESINOS TO STOP GROWING COCA. (IN AN ASIDE, THE PRESIDENT SAID IT IS ESSENTIAL THAT BOLIVIA AND THE UNITED STATES MOVE JOINTLY TO EXPLOIT THE PRESENT DEPRESSION IN THE COCA MARKET AND THE GROWING PANIC AMONG CAMPESINO COCA GROWERS TO GET THEM TO ERADICATE AND TO MOVE INTO LEGAL CROPS EITHER WHERE THEY ARE LIVING NOW OR IN OTHER AREAS TO WHICH THEY MIGHT MIGRATE.) THE PRESIDENT SAID

THAT EXTENDING TASK FORCE JANUS TO THE BEGINNING OF NOVEMBER WOULD BE POLITICALLY REASONABLE, BUT GOING MUCH BEYOND THAT WOULD BE EXTREMELY DIFFICULT. HE URGED THAT THE FIRST CONTINGENT OF HUEYS BE DELIVERED BY THAT TIME. HE CONCLUDED BY SAYING HE WOULD GIVE ME A FORMAL CLARIFICATION ON THE FOREIGN MINISTER'S NOTE AFTER CONSULTING WITH THE MINISTERS OF DEFENSE, INTERIOR AND FOREIGN RELATIONS.

STATE OF SIEGE  
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5. (S) THE PRESIDENT INITIATED TALK ABOUT THE STATE OF SIEGE AND -- IN A SURPRISINGLY DEFENSIVE MANNER -- JUSTIFIED IT ON THE GROUNDS THAT THERE WAS HARD INFOR-  
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~~SECRET~~ SECTION 02 OF 03 LA PAZ 07514

EXDIS

C O R R E C T E D C O P Y (DA WASHDC ADDED AS ADDRESSEE)

E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, PGOV, EAID  
SUBJECT: CONTINUATION OF NARCOTICS INTERDICTION AND

MATION THAT THE ULTRA-LEFT INSTIGATORS OF THE MINERS' MARCH ON LA PAZ PLANNED TO GENERATE VIOLENT DISTURBANCES. THE PRESIDENT SAID HE HAD RELUCTANTLY CONCLUDED THAT IT WOULD BE MORE HUMANE AND THERE WOULD BE FAR LESS RISK OF INJURY OR DESTRUCTION IF HE DECLARED THE STATE OF SIEGE AND PREVENTED THE MINERS FROM ENTERING LA PAZ. HE SAID THAT INDIRECTLY COB LEADER JUAN LECHIN HAD WARNED THE GOVERNMENT (THROUGH A LAWYER KNOWN TO HAVE FREQUENT AND DIRECT ACCESS TO THE MINISTER OF THE INTERIOR AND THE PRESIDENT) THAT THE LEADERS OF THE MARCH ON LA PAZ PLANNED TO TAKE OVER IMPORTANT BUILDINGS AND TO GENERATE VIOLENCE. LECHIN HAD SENT THIS WARNING JUST BEFORE DEPARTING FOR A LABOR CONFERENCE IN EUROPE.

6. (C) I SAID I FULLY UNDERSTOOD THE REASONS AND THE NEED FOR THE STATE OF SIEGE. I SAID THAT IT APPEARED TO ME THAT THE MAIN THING IS THAT THERE BE NO UNNECESSARY HUMAN COSTS. FOR EXAMPLE, I HAD HEARD THAT SOME PEOPLE WHO HAD GONE INTO INTERNAL EXILE HAD HEALTH PROBLEMS. IT WOULD BE IMPORTANT THAT THEY SUFFER NO CRITICAL EFFECTS FROM THEIR EXILE.

7. (C) WITHOUT PRESUMING TO COMMENT ON HOW THE GOVERNMENT DOES ITS BUSINESS, I ALSO SAID IT IS IMPORTANT TO BEAR IN MIND HOW THE WORLD OUTSIDE OF BOLIVIA VIEWS THE STATE OF SIEGE. AT THE MOMENT ATTITUDES ARE EXTREMELY POSITIVE AND ARE CONTRIBUTING IMPORTANTLY TO THE EXTERNAL ASSISTANCE BOLIVIA IS RECEIVING. IT WOULD BE A SHAME IF SOME UNINTENDED SIDE EFFECTS OF THE SIEGE WERE TO UNDERMINE THE OVERALL POSITIVE EFFECTS. IN THIS REGARD I NOTED THAT THERE HAD BEEN ONE NEGATIVE EDITORIAL IN

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54

PAGE 02 OF 02 LA PAZ 7514

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THE NEW YORK TIMES AND ANOTHER IN THE WASHINGTON POST, BUT THAT SO FAR THESE HAD NOT APPEARED TO AFFECT AMERICAN OPINION SIGNIFICANTLY. THE PRESIDENT WAS UNAWARE OF EITHER EDITORIAL AND ASKED WHAT THEY SAID. I SAID THE NEW YORK TIMES HAD INDICATED THAT THE STATE OF SIEGE HAS BEEN A STEP BACKWARD IN THE CONSOLIDATION OF DEMOCRACY. THE PRESIDENT NODDED PENSIVELY.

MECHANISMS FOR SUSTAINING FOLLOW-ON TO TASK FORCE JANUS

8. (C) I OUTLINED TO THE PRESIDENT OUR CONCEPT FOR HELP-ING BOLIVIA MAINTAIN LONG TERM INTERDICTION AGAINST NARCO-TRAFFICKING. I MENTIONED THAT THE HELICOPTERS WOULD PROBABLY BE LOANED TO THE DEA BY THE U.S. DEFENSE DEPARTMENT, AND IN TURN LOANED RPT LOANED TO BOLIVIA BY THE DEA. WE ARE LOOKING INTO WAYS TO TRAIN ADDITIONAL BOLIVIAN PILOTS AND MECHANICS TO OPERATE THE HELICOPTERS. WE ALSO ARE CONTEMPLATING CIVILIAN CONTRACTORS TO ASSIST WITH MAINTENANCE. IN ADDITION, WE HAVE RECENTLY BROUGHT INTO BOLIVIA SWIFT BOATS WHICH THE BOLIVIAN NAVY WILL OPERATE IN ORDER TO SUPPORT UMOPAR (ANTI-NARCOTICS POLICE) ON BOLIVIA'S RIVERS.

9. (C) PRIOR TO THIS SUMMER'S INTERDICTION EFFORT, I SAID, COORDINATION BETWEEN THE BOLIVIAN AIR FORCE AND THE BOLIVIAN POLICE ON INTERDICTION STRIKES HAD BEEN CARRIED OUT INFORMALLY BY THE DEA IN BOLIVIA. HOWEVER, THE EXPANDED LONG-TERM INTERDICTION EFFORT WHICH NOW WILL INCLUDE TWO MILITARY SERVICES WILL REQUIRE A MORE EFFICIENT MECHANISM. IN ADDITION, WE ARE CONSCIOUS THAT THE SENIOR MILITARY SERVICE IN BOLIVIA IS THE

ARMY AND THAT ITS GROWING RESENTMENT OVER UMOPAR RELIANCE ON TASK FORCE JANUS IS DOUBLING BECAUSE JANUS IS ESSENTIALLY AN ARMY OPERATION AND THE BOLIVIAN ARMY APPEARS TO HAVE NO ANTI-NARCOTICS ROLE AT ALL. UNDER THE CIRCUMSTANCES, I SUGGESTED THAT WE OUGHT TO FORM A JOINT INTERDICTION TASK FORCE COMMAND CONSISTING OF ARMY, NAVY, AIR FORCE AND POLICE OFFICERS. THE DEA WOULD BE THE U.S. ELEMENT WORKING DIRECTLY WITH THIS COMMAND. THE PRESIDENT SAID THE CONCEPT IS GOOD, AND HE SUGGESTED THAT I TAKE UP THE ISSUE WITH THE MINISTERS OF DEFENSE AND INTERIOR. (I HAVE ALREADY DONE THIS WITH DEFENSE AND WILL DO IT VERY SHORTLY WITH THE MINISTER OF INTERIOR.)

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~~SECRET~~ SECTION 03 OF 03 LA PAZ 07514

EXDIS

C O R R E C T E D C O P Y (DA WASHDC ADDED AS ADDRESSEE)

E. O. 12356: DECL: OADR  
TAGS: BL, SNAR, PGOV, EAID  
SUBJECT: CONTINUATION OF NARCOTICS INTERDICTION AND  
ECONOMIC ASSISTANCE  
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10. (C) I TOLD THE PRESIDENT THAT THE U. S. GOVERNMENT HAS DECIDED THAT BOLIVIA MERITS ALL THE SUPPORT WE CAN GIVE IT. UNFORTUNATELY, OUR RESOURCES ARE EXTREMELY LIMITED. IN ADDITION, THE U. S. BUDGET OUTLOOK FOR FISCAL YEAR 1987 IS EXTREMELY DEPRESSED. THE ONE AREA THAT SEEMS TO RECEIVE INCREASED ATTENTION IS THE FIGHT AGAINST DRUGS.

11. (C) WITHIN THIS CONTEXT I SAID WE ARE LOOKING FOR FY-86 YEAR-END DEVELOPMENT ASSISTANCE THAT MIGHT BE REDIRECTED TO BOLIVIA. WE ALSO WILL BE WORKING CLOSELY WITH THE APPROPRIATE MINISTRIES TO USE WHATEVER ASSISTANCE BECOMES AVAILABLE IN FY-87 TO REENFORCE THE BOLIVIAN GOVERNMENT'S EFFORT -- SPEARHEADED BY THE MINISTER OF PLANNING -- TO EXPLOIT PRESENT MOMENTUM TO ERADICATE COCA AND MOVE CAMPESINOS INTO LEGAL CROPS. THE PRESIDENT ENTHUSIASTICALLY SUPPORTED THIS EFFORT.

12. (C) I ALSO ALLUDED TO THE LONG-PENDING HOUSING INVESTMENT GUARANTEE AGREEMENT AND SAID IT APPEARS TO BE HUNG UP IN THE OFFICE OF THE LEGAL ADVISOR TO THE PRESIDENT. I POINTED OUT THAT THE ACTIVATION OF THIS AGREEMENT COULD BRING DOLS 15 MILLION TO BOLIVIA THAT WOULD BE DEDICATED TO LOW-INCOME HOUSING, HOUSE IMPROVEMENTS AND THE RELATED URBAN INFRA-STRUCTURE (WATER, SEWAGE, STREETS AND OTHER UTILITIES). THE PRESIDENT

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56

PAGE 02 OF 02 LA PAZ 7514

DTG: 052255Z SEP 86 PSN: 030174

SAID HE WOULD RESOLVE THE PROBLEM WITH HIS LEGAL ADVISOR.

COMMENT

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12. (C) OVERALL, THE MEETING WAS EXTREMELY UPBEAT, POSITIVE. PRESIDENT PAZ ESTENSSORO (AND, SEPARATELY, KEY CABINET MINISTERS) ARE GREATLY BUOYED BY THE U.S.'S CURRENT SIGNIFICANT AND TIMELY AID. THEY ARE MORE COMMITTED THAN EVER TO THE ANTI-DRUG EFFORT AND THEIR SOUND ECONOMIC RECOVERY PROGRAM.

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*Bolivia*

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EXDIS

E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, PGOV, EAID  
SUBJECT: CONTINUATION OF NARCOTICS INTERDICTION AND  
TASK FORCE JANUS -- SEPTEMBER 4 CONVERSATION  
WITH PRESIDENT PAZ ESTENSSORO

SUMMARY

1. (S) I TALKED PRIVATELY WITH PRESIDENT PAZ ESTENSSORO LATE SEPTEMBER 4 TO CONVEY THE POSITIVE ATMOSPHERE IN THE UNITED STATES VIS-A-VIS BOLIVIA AND TO RECONFIRM HIS (AND THE BOLIVIAN GOVERNMENT'S) DESIRES REGARDING TASK FORCE JANUS AND FOLLOW-ON EFFORTS TO SUSTAIN ANTI-NARCOTICS INTERDICTION. IN ADDITION, WE DISCUSSED ECONOMIC ASSISTANCE AND THE ORIGINS OF THE CURRENT STATE OF SIEGE IN BOLIVIA. THE PRESIDENT CONFIRMED THAT IT IS ESSENTIAL THAT THE INTERDICTION EFFORT BE SUSTAINED WITHOUT A BREAK. HE ALSO IS COMPLETELY AWARE THAT CONTINUED ANTI-DRUG EFFORTS ARE THE SINE QUA NON THE SUSTAINED U.S. ASSISTANCE. END SUMMARY.

CONTINUATION OF TASK FORCE JANUS

2. (C) I TOLD THE PRESIDENT THAT THE UNITED STATES IS MOVING TO LOAN UH-1H HELICOPTERS TO BOLIVIA IN ORDER TO SUSTAIN ON A LASTING BASIS EXPANDED INTERDICTION EFFORTS AGAINST NARCO-TRAFFICKERS. IN THE MEANTIME, WE ARE PREPARED TO CONTINUE THE PRESENCE OF TASK FORCE JANUS. HOWEVER, I HAD BEEN INSTRUCTED PERSONALLY BY THE ACTING SECRETARY OF STATE TO OBTAIN A CLEAR AND UNEQUIVOCAL EXPRESSION OF THE BOLIVIAN GOVERNMENT'S DESIRES ON THIS MATTER. WE ARE PREPARED TO CONTINUE THE TASK FORCE ONLY RPT ONLY IF THE BOLIVIANS SAY THEY WANT IT. IN THIS CONTEXT I HANDED TO THE PRESIDENT THE WRITTEN REQUEST RECEIVED FROM FOREIGN MINISTER

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BY RW NARA DATE 5/18/05

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50

PAGE 02 OF 02 LA PAZ 7514

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BEDREGAL OF AUGUST 28 (LA PAZ 7248 DTG 292042Z NOTAL).  
THE PRESIDENT ACKNOWLEDGED THAT THE TEXT OF THAT REQUEST  
IS A BIT AMBIGUOUS.

3. (C) THE PRESIDENT SAID IT IS ABSOLUTELY ESSENTIAL  
THAT THE INTERDICTION AGAINST TRAFFICKERS BE SUSTAINED  
WITHOUT A BREAK. AT THE SAME TIME, HE SAID THAT THE  
POLITICAL COSTS OF U. S.  
MILITARY FORCES ARE MOUNTING. HE CITED IN PARTICULAR  
THE CONTINUED GROWTH OF RESENTMENT WITHIN THE BOLIVIAN MIL-  
ITARY THAT THEY ARE NOT ABLE TO PROVIDE THE NECESSARY  
LOGISTICAL SUPPORT THEMSELVES. HE ALSO ALLUDED TO THE  
NEGATIVE FEEDBACK BOLIVIA HAS RECEIVED FROM NEIGHBORING  
COUNTRIES REGARDING THE DECISION TO ALLOW U. S. FORCES  
INTO BOLIVIA IN AN OPERATIONAL ROLE.

4. (C) THE PRESIDENT CONCLUDED BY SAYING THAT THE IDEAL  
THING WOULD BE FOR AT LEAST A TOKEN DELIVERY OF HUEYS  
TO TAKE PLACE SIMULTANEOUSLY WITH THE DEPARTURE OF  
TASK FORCE JANUS. FAILURE TO ACHIEVE SUCH AN IMMEDIATE  
FOLLOW-ON WOULD IMMEDIATELY DELETE MUCH OF THE PRESENT  
ENORMOUS BENEFIT OF THE INTERDICTION OPERATION, ESPECIALLY  
IN TERMS OF THE PSYCHOLOGICAL PRESSURE ON CAMPESINOS TO  
STOP GROWING COCA. (IN AN ASIDE, THE PRESIDENT SAID IT  
IS ESSENTIAL THAT BOLIVIA AND THE UNITED STATES MOVE  
JOINTLY TO EXPLOIT THE PRESENT DEPRESSION IN THE COCA  
MARKET AND THE GROWING PANIC AMONG CAMPESINO COCA  
GROWERS TO GET THEM TO ERADICATE AND TO MOVE INTO LEGAL  
CROPS EITHER WHERE THEY ARE LIVING NOW OR IN OTHER  
AREAS TO WHICH THEY MIGHT MIGRATE.) THE PRESIDENT SAID  
THAT EXTENDING TASK FORCE JANUS TO THE BEGINNING OF  
NOVEMBER WOULD BE POLITICALLY REASONABLE, BUT GOING  
MUCH BEYOND THAT WOULD BE EXTREMELY DIFFICULT. HE

URGED THAT THE FIRST CONTINGENT OF HUEYS BE DELIVERED  
BY THAT TIME. HE CONCLUDED BY SAYING HE WOULD GIVE ME  
A FORMAL CLARIFICATION ON THE FOREIGN MINISTER'S NOTE  
AFTER CONSULTING WITH THE MINISTERS OF DEFENSE, INTERIOR  
AND FOREIGN RELATIONS.

STATE OF SIEGE  
-----

5. (S) THE PRESIDENT INITIATED TALK ABOUT THE STATE OF  
SIEGE AND -- IN A SURPRISINGLY DEFENSIVE MANNER --  
JUSTIFIED IT ON THE GROUNDS THAT THERE WAS HARD INFOR-  
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PAGE 01 OF 02  
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EXDIS

E. O. 12356: DECL: OADR  
TAGS: BL, SNAR, PGOV, EAID  
SUBJECT: CONTINUATION OF NARCOTICS INTERDICTION AND

MATION THAT THE ULTRA-LEFT INSTIGATORS OF THE MINERS' MARCH ON LA PAZ PLANNED TO GENERATE VIOLENT DISTURBANCES. THE PRESIDENT SAID HE HAD RELUCTANTLY CONCLUDED THAT IT WOULD BE MORE HUMANE AND THERE WOULD BE FAR LESS RISK OF INJURY OR DESTRUCTION IF HE DECLARED THE STATE OF SIEGE AND PREVENTED THE MINERS FROM ENTERING LA PAZ. HE SAID THAT INDIRECTLY COB LEADER JUAN LECHIN HAD WARNED THE GOVERNMENT (THROUGH A LAWYER KNOWN TO HAVE FREQUENT AND DIRECT ACCESS TO THE MINISTER OF THE INTERIOR AND THE PRESIDENT) THAT THE LEADERS OF THE MARCH ON LA PAZ PLANNED TO TAKE OVER IMPORTANT BUILDINGS AND TO GENERATE VIOLENCE. LECHIN HAD SENT THIS WARNING JUST BEFORE DEPARTING FOR A LABOR CONFERENCE IN EUROPE.

6. (C) I SAID I FULLY UNDERSTOOD THE REASONS AND THE NEED FOR THE STATE OF SIEGE. I SAID THAT IT APPEARED TO ME THAT THE MAIN THING IS THAT THERE BE NO UNNECESSARY HUMAN COSTS. FOR EXAMPLE, I HAD HEARD THAT SOME PEOPLE WHO HAD GONE INTO INTERNAL EXILE HAD HEALTH PROBLEMS. IT WOULD BE IMPORTANT THAT THEY SUFFER NO CRITICAL EFFECTS FROM THEIR EXILE.

7. (C) WITHOUT PRESUMING TO COMMENT ON HOW THE GOVERNMENT DOES ITS BUSINESS, I ALSO SAID IT IS IMPORTANT TO BEAR IN MIND HOW THE WORLD OUTSIDE OF BOLIVIA VIEWS THE STATE OF SIEGE. AT THE MOMENT ATTITUDES ARE EXTREMELY POSITIVE AND ARE CONTRIBUTING IMPORTANTLY TO THE EXTERNAL ASSISTANCE BOLIVIA IS RECEIVING. IT WOULD BE A SHAME IF SOME UNINTENDED SIDE EFFECTS OF THE SIEGE WERE TO UNDERMINE THE OVERALL POSITIVE EFFECTS. IN THIS REGARD I NOTED THAT THERE HAD BEEN ONE NEGATIVE EDITORIAL IN THE NEW YORK TIMES AND ANOTHER IN THE WASHINGTON POST, BUT THAT SO FAR THESE HAD NOT APPEARED TO AFFECT AMERICAN

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60

PAGE 02 OF 02 LA PAZ 7514

DTG: 052255Z SEP 86 PSN: 028524

OPINION SIGNIFICANTLY. THE PRESIDENT WAS UNAWARE OF EITHER EDITORIAL AND ASKED WHAT THEY SAID. I SAID THE NEW YORK TIMES HAD INDICATED THAT THE STATE OF SIEGE HAS BEEN A STEP BACKWARD IN THE CONSOLIDATION OF DEMOCRACY. THE PRESIDENT NODDED PENSIVELY.

MECHANISMS FOR SUSTAINING FOLLOW-ON TO TASK FORCE JANUS

8. (C) I OUTLINED TO THE PRESIDENT OUR CONCEPT FOR HELP-ING BOLIVIA MAINTAIN LONG TERM INTERDICTION AGAINST NARCO-TRAFFICKING. I MENTIONED THAT THE HELICOPTERS WOULD PROBABLY BE LOANED TO THE DEA BY THE U.S. DEFENSE DEPARTMENT, AND IN TURN LOANED RPT LOANED TO BOLIVIA BY THE DEA. WE ARE LOOKING INTO WAYS TO TRAIN ADDITIONAL BOLIVIAN PILOTS AND MECHANICS TO OPERATE THE HELICOPTERS. WE ALSO ARE CONTEMPLATING CIVILIAN CONTRACTORS TO ASSIST WITH MAINTENANCE. IN ADDITION, WE HAVE RECENTLY BROUGHT INTO BOLIVIA SWIFT BOATS WHICH THE BOLIVIAN NAVY WILL OPERATE IN ORDER TO SUPPORT UMOPAR (ANTI-NARCOTICS POLICE) ON BOLIVIA'S RIVERS.

9. (C) PRIOR TO THIS SUMMER'S INTERDICTION EFFORT, I SAID, COORDINATION BETWEEN THE BOLIVIAN AIR FORCE AND THE BOLIVIAN POLICE ON INTERDICTION STRIKES HAD BEEN CARRIED OUT INFORMALLY BY THE DEA IN BOLIVIA. HOWEVER, THE EXPANDED LONG-TERM INTERDICTION EFFORT WHICH NOW WILL INCLUDE TWO MILITARY SERVICES WILL REQUIRE A MORE EFFICIENT MECHANISM. IN ADDITION, WE ARE CONSCIOUS THAT THE SENIOR MILITARY SERVICE IN BOLIVIA IS THE ARMY AND THAT ITS GROWING RESENTMENT OVER UMOPAR RELIANCE ON TASK FORCE JANUS IS DOUBLING BECAUSE JANUS

IS ESSENTIALLY AN ARMY OPERATION AND THE BOLIVIAN ARMY APPEARS TO HAVE NO ANTI-NARCOTICS ROLE AT ALL. UNDER THE CIRCUMSTANCES, I SUGGESTED THAT WE OUGHT TO FORM A JOINT INTERDICTION TASK FORCE COMMAND CONSISTING OF ARMY, NAVY, AIR FORCE AND POLICE OFFICERS. THE DEA WOULD BE THE U.S. ELEMENT WORKING DIRECTLY WITH THIS COMMAND. THE PRESIDENT SAID THE CONCEPT IS GOOD, AND HE SUGGESTED THAT I TAKE UP THE ISSUE WITH THE MINISTERS OF DEFENSE AND INTERIOR. (I HAVE ALREADY DONE THIS WITH DEFENSE AND WILL DO IT VERY SHORTLY WITH THE MINISTER OF INTERIOR.)

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EXDIS

E. O. 12356: DECL: OADR  
TAGS: BL, SNAR, PGOV, EAID  
SUBJECT: CONTINUATION OF NARCOTICS INTERDICTION AND  
ECONOMIC ASSISTANCE  
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10. (C) I TOLD THE PRESIDENT THAT THE U. S. GOVERNMENT HAS DECIDED THAT BOLIVIA MERITS ALL THE SUPPORT WE CAN GIVE IT. UNFORTUNATELY, OUR RESOURCES ARE EXTREMELY LIMITED. IN ADDITION, THE U.S. BUDGET OUTLOOK FOR FISCAL YEAR 1987 IS EXTREMELY DEPRESSED. THE ONE AREA THAT SEEMS TO RECEIVE INCREASED ATTENTION IS THE FIGHT AGAINST DRUGS.

11. (C) WITHIN THIS CONTEXT I SAID WE ARE LOOKING FOR FY-86 YEAR-END DEVELOPMENT ASSISTANCE THAT MIGHT BE REDIRECTED TO BOLIVIA. WE ALSO WILL BE WORKING CLOSELY WITH THE APPROPRIATE MINISTRIES TO USE WHATEVER ASSISTANCE BECOMES AVAILABLE IN FY-87 TO REENFORCE THE BOLIVIAN GOVERNMENT'S EFFORT -- SPEARHEADED BY THE MINISTER OF PLANNING -- TO EXPLOIT PRESENT MOMENTUM TO ERADICATE COCA AND MOVE CAMPESINOS INTO LEGAL CROPS. THE PRESIDENT ENTHUSIASTICALLY SUPPORTED THIS EFFORT.

12. (C) I ALSO ALLUDED TO THE LONG-PENDING HOUSING INVESTMENT GUARANTEE AGREEMENT AND SAID IT APPEARS TO BE HUNG UP IN THE OFFICE OF THE LEGAL ADVISOR TO THE PRESIDENT. I POINTED OUT THAT THE ACTIVATION OF THIS AGREEMENT COULD BRING DOLS 15 MILLION TO BOLIVIA THAT WOULD BE DEDICATED TO LOW-INCOME HOUSING, HOUSE IMPROVEMENTS AND THE RELATED URBAN INFRA-STRUCTURE (WATER, SEWAGE, STREETS AND OTHER UTILITIES). THE PRESIDENT SAID HE WOULD RESOLVE THE PROBLEM WITH HIS LEGAL ADVISOR.

COMMENT

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62

PAGE 02 OF 02 LA PAZ 7514

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12. (C) OVERALL, THE MEETING WAS EXTREMELY UPBEAT, POSITIVE. PRESIDENT PAZ ESTENSSORO (AND, SEPARATELY, KEY CABINET MINISTERS) ARE GREATLY BUOYED BY THE U. S. 'S CURRENT SIGNIFICANT AND TIMELY AID. THEY ARE MORE COMMITTED THAN EVER TO THE ANTI-DRUG EFFORT AND THEIR SOUND ECONOMIC RECOVERY PROGRAM.

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DEPT FOR S/IL AND T.J. CLEAR -

PLEASE PASS TO DEPT OF LABOR FOR

E.O. 12356: DECL: OADR  
TAGS: BL, PHUM, ELAB, PGOV, PINS  
SUBJECT: HUMAN RIGHTS UPDATE: MOST DETAINEES RELEASED  
-- ABOUT 90 REMAIN IN CUSTODY

REF: (A) LA PAZ 7183 DTG 281642Z AUG 86  
(B) LA PAZ 7347 DTG 022207Z SEP 86  
(C) LA PAZ 7284 DTG 301650Z AUG 86  
(D) LA PAZ 7440 DTG 041925Z SEP 86  
(E) BIGGS/O'HARA/HUDDLESTON TELCON 9/4/86

1. (U) AS OF MIDDAY SEPTEMBER 5, THE GOVERNMENT HAD RELEASED MOST OF THE PEOPLE THAT WERE DETAINED AUGUST 27-28 (REF A). ACCORDING TO AN OFFICIAL ACCOUNT ISSUED BY THE MINISTER OF INTERIOR ON SEPTEMBER 1, THE GOVERNMENT DETAINED 184 PEOPLE, RELEASED 117 AND SENT 50 INTO INTERNAL EXILE WITH 10 HELD IN LA PAZ AND ONE PERSON IN FOREIGN EXILE. ON SEPTEMBER 2, JORGE (TRIGO) ANDIA, THE RECTOR OF THE SAN SIMON UNIVERSITY IN COCHABAMBA, WAS RELEASED ON THE CONDITION THAT HE REMAIN IN LA PAZ. ON SEPTEMBER 3, SIX OF THE TEN BEING HELD IN LA PAZ WERE SENT INTO INTERNAL EXILE IN PUERTO RICO IN THE PANDO DEPARTMENT (STATE).

2. (U) THE INITIAL WAVE OF DETENTIONS SEEMS TO HAVE SUBSIDED, THOUGH A FEW PEOPLE HAVE BEEN PICKED UP SINCE THE GOVERNMENT'S SEPTEMBER 1 STATEMENT:

-- 18 STUDENTS REMAIN IN CUSTODY (OF THE 50 ORIGINALLY DETAINED) AS A RESULT OF PARTICIPATING IN STUDENT

RIOTS IN COCHABAMBA ON SEPTEMBER 1 (REF B);

-- TWO UNION LEADERS DETAINED IN TARIJA SEPTEMBER 3 WERE RELEASED SEPTEMBER 4; AND

-- ON SEPTEMBER 3, SOME MINERS WERE DETAINED AT THE SAN JOSE MINE IN ORURO; THE GOVERNMENT SAYS THAT IT DETAINED TWO MINERS, WHILE THE MINeworkERS UNION CLAIMS SIX.

BASED ON CURRENT INFORMATION, ABOUT 90 PEOPLE WERE BEING DETAINED IN BOLIVIA EIGHT DAYS AFTER THE STATE OF SIEGE BEGAN. ONE REASSURING SIGN THAT "THINGS ARE RETURNING TO NORMAL" IS THAT ON SEPTEMBER 4, THE BOLIVIAN WORKERS CENTRAL (COB) REOPENED ITS OFFICES IN LA PAZ -- THOUGH MOST COB LEADERS REMAIN "UNDERGROUND."

3. (U) OF THE REMAINING DETAINEES, THE LARGEST GROUP IS FROM COCHABAMBA. TWENTY OF THEM ARE IN INTERNAL EXILE AND 18 ARE BEING HELD IN COCHABAMBA. ABOUT HALF OF THE 18 BOLIVIAN COMMUNIST PARTY (PCB) MEMBERS HAVE BEEN RELEASED. FATHER GUSTAVO PELLETIER, THE ONLY DETAINED CATHOLIC PRIEST (REF C), WAS LET GO ON OR ABOUT SEPTEMBER 1. THE ONLY RELIGIOUS FIGURE LEFT IN DETENTION IS METHODIST PASTOR GUSTAVO LOZA WHO REMAINS IN SAN JOAQUIN IN THE BENI (REF C). OF THE 20 ORIGINAL DETAINEES IN COCHABAMBA, INCLUDING LOZA, NONE HAVE BEEN RELEASED. THIS CONTRASTS WITH LA PAZ WHERE 86 OUT OF 103 WERE RELEASED AND THE BENI WHERE ALL TEN WERE RELEASED.

4. (U) EMBASSY HAS RECEIVED TEN TELEGRAMS FROM VARIOUS U.S. METHODIST CHURCHES EXPRESSING CONCERN OVER THE

DETAINED METHODIST PASTORS. TO FOLLOW UP REF E, EMBASSY REQUESTS THAT DEPARTMENT SHARE INFORMATION ON HUMAN RIGHTS SITUATION IN BOLIVIA WITH:

MRS. NORA BOOTS  
LATIN AMERICAN SECTION  
BOARD OF GLOBAL MINISTRIES  
UNITED METHODIST CHURCH  
425 RIVERSIDE DRIVE  
NEW YORK, NEW YORK 10015  
PHONE: 212-870-3800

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BY RW NARA DATE 5/18/15

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-- ON SEPTEMBER 8, LABATT RAISED THE ISSUE OF A  
. HUMANITARIAN VISIT TO THE DETAINEES WITH A TOP  
. LABOR MINISTRY OFFICIAL WHO AGREED TO TRY TO  
. GET OTHER GOVERNMENT OFFICIALS TO RECONSIDER THEIR  
. PREVIOUS REFUSAL TO SEE PERMANENT ASSEMBLY REPRESENT-  
. ATIVES. THE GOVERNMENT OFFICIAL ALSO AGREED TO  
. INQUIRE INTO THE POSSIBILITY OF RECONSIDERING  
. METHODIST PASTOR GUSTAVO LOZA'S DETENTION.

(DRAFTED BY: POL: HO'HARA) ROWELL

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E.O. 12356: DECL: OADR

TAGS: BL, PHUM, ELAB, PGOV, PINS

SUBJECT: HUMAN RIGHTS UPDATE: MOST DETAINEES RELEASED

5. (LOU) COMMENT: THE STATE OF SIEGE HAS QUIETED THINGS  
DOWN THROUGHOUT MOST OF BOLIVIA. COCHABAMBA REMAINS  
TENSE AND THE CIVIC COMMITTEE IN SANTA CRUZ DEPARTMENT  
IS PLANNING A STRIKE TO PROTEST NATIONAL GOVERNMENT  
INATTENTION TO SANTA CRUZ'S PROBLEMS -- AN ACT WHICH  
DIRECTLY VIOLATES THE RULES OF THE STATE OF SIEGE. (##)  
(##) FOR HUMAN RIGHTS,  
BOLIVIA'S LEADING HUMAN RIGHTS ORGANIZATION, HAS ASKED  
THE EMBASSY TO USE ITS GOOD OFFICES WITH THE GOVERNMENT  
TO ALLOW HUMAN RIGHTS REPRESENTATIVES TO VISIT THE  
DETAINEES AT PUERTO RICO AND SAN JOAQUIN AND TAKE THEM  
MEDICAL AND HUMANITARIAN AID.

-- IN A SEPTEMBER 4 CONVERSATION WITH PRESIDENT PAZ  
. ESTENSORO (SEPT), THE AMBASSADOR DISCUSSED  
. PROBLEMS THE GOVERNMENT COULD FACE IF SOMEONE  
. DIED IN SAN JOAQUIN OR PUERTO RICO BECAUSE OF  
. POOR MEDICAL FACILITIES.

-- ON SEPTEMBER 5, LABATT MET WITH TOP PERMANENT  
. ASSEMBLY LEADERS TO STRESS THAT WHILE THE EMBASSY  
. WOULD TALK WITH THE GOVERNMENT ON MEDICAL AND  
. HUMANITARIAN HELP FOR THE DETAINEES, ANY SUCH  
. CONVERSATIONS WOULD REMAIN PRIVATE. THE LEADERS  
. AGREED TO EMBASSY STIPULATION.

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E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, BR  
SUBJECT: BRUTAL ASSASSINATION RIVETS BOLIVIA'S  
ATTENTION ON DANGERS OF NARCO-TRAFFICKER  
PRESENCE

1. (U) ON SEPTEMBER 5 PROMINENT BOLIVIAN NATURALIST NOEL (KEMPPF) MERCADO WAS MURDERED BY DRUG TRAFFICKERS IN REMOTE NORTH-EASTERN BOLIVIA. THE KEMPPF FAMILY IS CLOSELY CONNECTED WITH THE DEMOCRATIC OPPOSITION ADM PARTY. KEMPPF IS ALSO ASSOCIATED WITH A NUMBER OF PROMINENT FAMILIES IN SANTA CRUZ DEPARTMENT AND IN LA PAZ.

2. (C) THE FOLLOWING ARE THE CIRCUMSTANCES OF THE MURDER AS RELAYED TO OUR AMBASSADOR BY THE SPANISH AMBASSADOR WHO HAD RECEIVED THE INFORMATION FROM HIS VICE CONSUL IN SANTA CRUZ AND A SPANIARD WHO WAS PRESENT AT THE MURDER.

A. (U) KEMPPF, ACCOMPANIED BY A SPANISH BIOLOGIST VICENTE CASTELLON, WAS OPERATING OUT OF A SAWMILL CAMP IN THE NATIONAL PARK OF HUANCHACA ALONG THE BRAZILIAN BORDER (ROUGHLY 60-30 W AND 14-30 S). THE TWO NATURALISTS PROCEEDED IN A LIGHT PLANE WITH A GUIDE AND A BOLIVIAN PILOT.

B. (C) THEY SPOTTED AN ATTRACTIVE LANDING STRIP WHICH OFFERED A GOOD SITE FOR A BASE CAMP. THE SPANISH PROFESSOR (THE SOLE SURVIVOR) SAID HE FELT THAT THE LANDING STRIP WAS RUN BY TRAFFICKERS, BUT THE PILOT AND GUIDE INSISTED THAT IT WAS ABANDONED.

C. (U) CASTELLON AND KEMPPF STAYED WITH THE AIRPLANE AND ARGUED FOR IMMEDIATE DEPARTURE. THE PILOT AND GUIDE INSISTED ON GOING DOWN A PATH FROM THE AIRFIELD. ABOUT 10-15 MINUTES LATER THEY REAPPEARED FOLLOWED BY FOUR MEN ARMED BY AUTOMATIC WEAPONS. THE PILOT, GUIDE, CASTELLON AND KEMPPF THEN TRIED TO PERSUADE THE ARMED MEN THAT THEY WERE SCIENTISTS, NOT POLICE. AFTER NO MORE THAN ONE-TWO MINUTES ONE OF THE MEN MACHINE-GUNNED THE PILOT AND THEN KEMPPF. CASTELLON AND THE GUIDE FLED INTO THE SURROUNDING BRUSH. THE TRAFFICKERS CAUGHT AND KILLED THE GUIDE BUT FAILED TO FIND THE PROFESSOR.

D. (C) THE ARMED MEN DRAGGED THE THREE BODIES TO THE AIRPLANE, POURED KEROSENE AND BURNED THE CADAVERS IN THE AIRCRAFT IN THE MIDDLE OF THE AIRSTRIP.

E. (U) THE FOLLOWING MORNING (SATURDAY, SEPTEMBER 6) A SEARCH PLANE FROM THE SAWMILL SPOTTED THE SPANIARD, LANDED AT THE AIRSTRIP AND TOOK HIM OUT BEFORE ANY OF THE ARMED MEN COULD RETURN TO THE STRIP.

3. (C) IN DEBRIEFINGS IN SANTA CRUZ THE SPANIARD SAID THAT THE ARMED MEN HAD SPOKEN WITH HEAVY BRAZILIAN ACCENTS AND APPEARED NOT RPT NOT TO UNDERSTAND SPANISH VERY WELL. FOLLOW UP BY DEA HAS SHOWN THAT THE AIR STRIP HAS BEEN A HIGH PRIORITY TARGET BUT THAT WE HAD NOT BEEN ABLE TO REACH THE SITE BECAUSE OF ITS REMOTENESS AND DIFFICULTIES WITH THE BOLIVIAN AIR FORCE FIXED-WING AIRCRAFT NEEDED TO REFUEL HELICOPTERS.

4. (C) ON SEPTEMBER 8 BLAST FURNACE TOOK A SUBSTANTIAL UMAPAR (ANTI-NARCOTICS POLICE) STRIKE FORCE TO THE AIR STRIP. AS OF MID-DAY THEY HAD RECOVERED THE BODIES AND HAD LOCATED A MAJOR LABORATORY SOME DISTANCE FROM THE AIR STRIP. ALTHOUGH THERE ARE NO REPORTS OF TRAFFICKERS CAPTURED, THE UMAPAR FORCES HAVE SEIZED 500 BARRELS OF EITHER -- ENOUGH TO MAKE SIX TONS OF COCAINE.

5. (U) FURTHER REPORTS WILL BE IN BLAST FURNACE CHANNELS.

6. (C) COMMENT: THE SENSELESSNESS OF THE MURDERS AND BT

DECLASSIFIED

NLRR M353/1#120340

BY RW NARA DATE 5/18/15

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E.O. 12356: DECL: OADR  
TAGS: BL, SNAR, BR  
SUBJECT: BRUTAL ASSASSINATION RIVETS BOLIVIA'S

THE PROMINENCE OF THE RESPECTED NOEL KEMPF HAVE CALLED  
BOLIVIAN PUBLIC ATTENTION ON THE DANGER TRAFFICKING  
PRESENTS TO INNOCENTS. THE FACT THAT THE MURDERERS  
APPARENTLY ARE BRAZILIANS UNDERMINES THE BOLIVIAN  
LEFT'S FOCUS ON "BLAST FURNACE" AS AN "AFFRONT TO  
SOVEREIGNTY." THE EVENT ALSO UNDERSCORES AGAIN THE  
NEED FOR REGIONAL ANTI-DRUG COOPERATION THAT INCLUDES  
BRAZIL.

ROWELL  
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