

Message Text

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64

ACTION ARA-20

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TO SECSTATE WASHDC 3079

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C O N F I D E N T I A L LA PAZ 3098

E.O. 11652: GDS

TAGS: PFOR EAID MASS BL

SUBJ: PRESIDENT BANZER COMMENTS ON US ECONOMIC AND MILITARY
ASSISTANCE IN PRIVATE CONVERSATION WITH AMBASSADOR

1. I CALLED ON PRESIDENT BANZER MAY 13 AT MY INITIATIVE TO REVIEW BILATERAL MATTERS PRIOR TO MY DEPARTURE FOR WASHINGTON. I TOLD THE PRESIDENT THAT OVER THE WEEKEND THE RECONSTRUCTION ASSESSMENT TEAM HAD DEPARTED AND THE DEPARTMENT OF AGRICULTURE TEAM TO ASSESS ALTERNATE CROPS TO SUBSTITUTE FOR COCA HAD ARRIVED. I NOTED THAT AID WAS PREPARING AS EXPEDITIOUSLY AS POSSIBLE NEW LOANS IN THE AGRICULTURAL AREA, EDUCATION, AND FOR RURAL ELECTRIFICATION. I ALSO REPORTED THAT SEVERAL PIECES OF MILITARY EQUIPMENT HAD REACHED PERUVIAN PORTS IN RECENT DAYS AND THAT THE MILGP WAS IN THE PROCESS OF EXPEDITING ONWARD SHIPMENT TO LA PAZ.

2. PRESIDENT BANZER SAID THAT THE MOST URGENT NEED FOR EXTERNAL ASSISTANCE FROM THE LENDING AGENCIES WAS FOR REHABILITATION OF THE NATION'S RAILROADS AND ROADS AND THE CONSTRUCTION OF DEFENSES AGAINST FUTURE FLOOD DAMAGE. HE SAID HE HOPED THAT THE REPORT OF THE RECONSTRUCTION ASSESSMENT TEAM WOULD BE FOLLOWED PROMPTLY BY FINANCING FROM WASHINGTON AGENCIES. HE URGED THAT CONSIDERATION BE GIVEN TO A LOAN THROUGH THE EXISTING PADES MECHANISM FOR
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A SIGNIFICANT PART OF THE RECONSTRUCTION WORK. HE SAID THAT THE PADES MECHANISM EXISTS, FUNCTIONS WELL, AND COULD EASILY ABSORB

ADDITIONAL FUNDS FOR PUBLIC WORKS PROJECTS BUT THAT GOVERNMENT REVENUES WERE NOT AVAILABLE FOR THIS PURPOSE

3. PRESIDENT BANZER SAID THE NEXT MOST URGENT NEED IN EXTERNAL LENDING WAS FOR COCA CROP SUBSTITUTION. FOLLOWING IN THE ORDER OF TIMING IN HIS JUDGMENT WERE THE LONG-TERM DEVELOPMENT LOANS OF AID. HE DEMONSTRATED FAMILIARITY WITH THE NEW LANDS LOAN AND SOME INFORMATION ON THE RURAL ELECTRIFICATION AND EDUCATION PROJECTS.

4. THE PRESIDENT EXPRESSED PLEASURE THAT MAP GRANT MILITARY EQUIPMENT WAS ARRIVING AND ASKED ME IF I WOULD HELP BOLIVIA OBTAIN C-130 TRANSPORT AIRCRAFT. HE SAID WHILE IT IS DESIRABLE TO HAVE TWO AIRCRAFT, NATURALLY THE COUNTRY WOULD BE SATISFIED TO START OFF WITH ONE. HE ADDED THAT WHILE IT WAS DESIRABLE TO HAVE NEW C-130'S, IT IS IMPORTANT TO HAVE UNITS ARRIVE PROMPTLY, SO THAT HE WOULD APPRECIATE OFFERS OF USED C-130'S IN GOOD CONDITION. HE SAID THAT IT WAS HIS HOPE THAT THE \$4 MILLION FMS CREDIT WHICH HE HAS AUTHORIZED BOLIVIAN AUTHORITIES TO ACCEPT COULD BE CONSIDERED AS THE FIRST PAYMENT TOWARD ONE OR TWO USED C-130'S.

5. PRESIDENT BANZER ASKED ME TO EXPRESS TO US AUTHORITIES HIS BELIEF THAT THE ECONOMIC SITUATION IS IMPROVING BUT THAT THE NEEDS IN A COUNTRY IN THE LOW STATE OF DEVELOPMENT AS BOLIVIA ARE ENORMOUS. THUS HE WELCOMES CONTINUED RESOURCES FOR DEVELOPMENT ACTIVITIES IN BOLIVIA. HE SAID THAT POLITICALLY THE COUNTRY WAS TRANQUIL AND THE SITUATION STABLE. HE SAID THAT HE ANTICIPATES MAKING NO CHANGES IN THE CABINET WHICH HAS PROVEN ITSELF TO BE COMPETENT AND TECHNICALLY WELL QUALIFIED. HE WILL BRING IN REPRESENTATIVES OF THE SMALLER POLITICAL PARTIES BUT NOT AT THE CABINET LEVEL, PROBABLY BRINGING THEM INTO SUB-CABINET POSITIONS IN MINISTRIES AND PUBLIC SECTOR AGENCIES.

6. PRESIDENT BANZER WAS SUFFERING FROM A HEAVY COLD AND LOOKED TIRED AND RUNDOWN. HOWEVER, HIS MOOD WAS CONFIDENT AND, AS USUAL HE WAS VERY FRIENDLY.
STEDMAN

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