

## Message Text

CONFIDENTIAL

PAGE 01 LA PAZ 09935 162254Z

ACTION SS-30

INFO OCT-01 ADS-00 SSO-00 /031 W  
-----071398 162301Z /15

O 162235Z NOV 79  
FM AMEMBASSY LA PAZ  
TO SECSTATE WASHDC IMMEDIATE 9333

C O N F I D E N T I A L LA PAZ 9935

EXDIS

EO 12065: GDS 11/17/86 (BOEKER, PAUL H) OR-M

TAGS: EFIN, BL

SUBJECT: US RESPONSE TO ECONOMIC PLIGHT OF BOLIVIA'S NEW  
CIVILIAN GOVERNMENT

1. (C - ENTIRE TEXT)

2. THE RAVAGES OF COLONEL NATUSCH'S TWO-WEEK REGIME  
AND THE POPULAR RESISTANCE TO IT HAVE LEFT BOLIVIA'S  
CIVILIAN GOVERNMENT WHICH SHOULD BE FORMED LATE  
TONIGHT WITH AN IMMEDIATE FINANCIAL CRISIS  
AND SEVERE DAMAGE TO THE ECONOMY. REMAINING  
LIQUID EXCHANGE RESERVES HAVE BEEN EXHAUSTED, THE  
BANKS ARE CLOSED, THE DOLLAR (PREVIOUSLY 20/1) IS  
NOW SELLING IN THE STREETS AT THE PANIC LEVEL OF 39  
PESOS AND THERE IS CLEARLY NO WAY EXCHANGE TRANSACTIONS  
BY THE BANKING SYSTEM CAN BE RENEWED ON MONDAY WITHOUT  
A FLOAT OR DEVALUATION (MORE LIKELY A FLOAT SINCE THE  
CENTRAL BANK HAS NO RESERVES TO DEFEND A NEW RATE).  
AT LEAST THREE WEEKS OF MINING AND ENERGY PRODUCTION  
HAVE BEEN LOST, ASSURING THAT THE GOVERNMENT'S  
FINANCES AND THE BALANCE OF PAYMENTS WILL BE  
HUNDREDS OF MILLIONS OF DOLLARS IN THE RED FOR 1979.  
SHORT SUPPLIES OF FOOD AND FUEL, PLUS EXCHANGE RATE  
DEVELOPMENTS HAVE ALREADY CAUSED PRICES OF SOME  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LA PAZ 09935 162254Z

BASIC CONSUMPTION ITEMS IN LA PAZ TO RISE ABOUT 20 PERCENT.  
PREVIOUS GOVERNMENTS HAVE MADE NO ARRANGEMENTS TO MEET  
BOLIVIA'S NEEDS FOR WHEAT BEYOND JANUARY 15, 1980.

3. ONE OF THE REASONS NATUSCH AND SOME OF HIS COTERIE  
YIELDED WAS THAT THE MILITARY COULD NOT FIND THEIR  
WAY OUT OF THIS FINANCIAL AND ECONOMIC CRISIS. IT

WILL BE IMPORTANT FOR THE FUTURE OF THE BOLIVIAN POLITICAL PROCESS THAT THE CIVILIAN GOVERNMENT CAN INDEED FIND ITS WAY OUT, WITH INTERNATIONAL HELP.

4. THE US SHOULD RESPOND PROMPTLY AND GENEROUSLY TO THE NEW GOVERNMENT'S PLIGHT. IN SIGNIFICANT PART WE CAN DO THIS BY REVIVING ALL OUR SUSPENDED ECONOMIC AID PROGRAMS, SOME WITH AN AMENDED FOCUS, AND OFFERING IMMEDIATE HELP ON WHEAT IMPORTS. IN PARTICULAR I SUGGEST THE FOLLOWING:

--OFFERING AN IMMEDIATE \$10 MILLION CCC CREDIT, AS THE FASTEST WAY TO TRY TO GET SOME WHEAT HERE BY MID-JANUARY. HOPEFULLY THE SECRETARY OF AGRICULTURE CAN AGREE TO RE-PROGRAM THIS MODEST AMOUNT FOR BOLIVIA;

--NEGOTIATING AN AMENDMENT TO THE PL-480 TITLE III AGREEMENT AS SOON AS POSSIBLE FOR \$17 MILLION WORTH OF WHEAT, WHICH WOULD COME IN BEHIND THE CCC WHEAT AND MEET VIRTUALLY ALL OF BOLIVIA'S CONSUMPTION NEEDS FOR THE REST OF FY 80. THE COUNTERPART FROM OUR TITLE III WHEAT WILL ALSO HELP THE GOVERNMENT TO CONTINUE SOME PUBLIC INVESTMENT IN THE RURAL SECTOR;

--WE SHOULD BE IMMEDIATELY AUTHORIZED TO CONCLUDE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LA PAZ 09935 162254Z

THE AGRICULTURAL CREDIT LOAN (\$14 MILLION), IN THE NEXT WEEK OR SO.

5. THESE THREE MEASURES SHOULD, IF POSSIBLE, BE ANNOUNCED IN A SINGLE \$41 MILLION PACKAGE, AT THE EARLIEST POSSIBLE MOMENT. WE SHOULD OBVIOUSLY NOT MAKE SUCH AN ANNOUNCEMENT UNTIL AN AGREEMENT IN PRINCIPLE HAS BEEN REACHED WITH THE IMF (NOT BOARD ACTION); HOWEVER, THIS POINT MAY COME VERY SOON, SINCE THE BASIC ACTIONS IN THE IMF'S LONG-STANDING PROPOSALS (EXCHANGE RATE CHANGE AND INCREASED PETROLEUM PRODUCTS PRICES) ARE LIKELY TO BE TAKEN WITHIN THE NEXT 72 HOURS. THE OTHER PARTS OF THE IMF PROGRAMARE NOT CONTROVERSIAL.

6. WE SHOULD ALSO RENEW OUR EARLIER OFFER (TO PRESIDENT GUEVARA) TO TRY TO REFLECT ANY BOLIVIAN SUGGESTIONS IN OUR PROPOSED PROGRAM OF TIN SALES TO BE PRESENTED TO THE ITC FOR CONSULTATION. NEUTRALIZING ANY IMPACT OF GSA SALES ON THE TIN PRICE REMAINS VITAL TO BOLIVIA'S PRECARIOUS PROSPECTS FOR ECONOMIC STABILIZATION AND RECOVERY.

7. THE TIMING AND CONTENT OF DECISIONS ON MILITARY  
ASSISTANCE ARE MORE COMPLEX AND SHOULD BE DEFERRED  
FOR NOW. I RECOMMEND, HOWEVER, THAT WASHINGTON MOVE  
AS FAST AS POSSIBLE TO PUT US IN A POSITION TO MAKE SOME  
ANNOUNCEMENT ON THE ECONOMIC PACKAGE ABOVE.

BOEKER

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptoning:** Z  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCIAL CRISIS, GOVERNMENT OVERTHROW, ECONOMIC ASSISTANCE, FOREIGN EXCHANGE HOLDINGS, ECONOMIC RECONSTRUCTION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 nov 1979  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1979LAPAZ09935  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS 19851116 BOEKER, PAUL H  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D790528-0371  
**Format:** TEL  
**From:** LA PAZ OR-M  
**Handling Restrictions:**  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1979/newtext/t19791160/aaaabwui.tel  
**Line Count:** 122  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 8e78a423-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION SS  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** EXDIS  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 21 mar 2006  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 742402  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** US RESPONSE TO ECONOMIC PLIGHT OF BOLIVIA'S NEW CIVILIAN GOVERNMENT  
**TAGS:** EFIN, EAID, PINT, BL, (NATUSCH BUSCH, ALBERTO)  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/8e78a423-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014