

Message Text

SECRET

PAGE 01 LA PAZ 02023 01 OF 02 102219Z

ACTION ARA-15

INFO OCT-01 ISO-00 CIAE-00 PM-05 H-01 INR-10 L-03

NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 HA-05

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-----105952 102259Z /21

R 082005Z MAR 79

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 5135

INFO AMEMBASSY ASUNCION

AMEMBASSY BUENOS AIRES

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

DIA WASHDC

CINCPAC

S E C R E T SECTION 1 OF 2 LA PAZ 2023

E.O. 12065: GDS 3/7/85 (FOUCHE, ROBERT M.) OR-P

TAGS: POINT, BL

SUBJECT: (S) THE PADILLA GOVERNMENT - A BALANCE SHEET OF NEGATIVES

1. (S) SUMMARY. THE PADILLA GOVERNMENT AND ITS CABINET OF YOUNG TURK GENERATIONALIST MILITARY OFFICERS RAISED HIGH HOPES IN MANY QUARTERS WITH ITS ANNOUNCEMENT OF ELECTIONS, ITS CONTINUATION OF THE UPBEAT PATTERN OF RESPECT FOR HUMAN RIGHTS, AND THE PRO-NOUNCEMENTS OF INDIVIDUAL MINISTERS WITH REGARD TO THE RETURN TO DEMOCRATIC GOVERNMENT, THE WITHDRAWAL OF THE ARMED FORCES FROM THE POLITICAL DIRECTION OF THE COUNTRY BACK TO THE BARRACKS, THE REVAMPING

OF PUBLIC CORPORATIONS, AND THE GENERAL IMPROVEMENT IN THE QUALITY OF GOVERNMENT IN BOLIVIA. WHILE HUMAN RIGHTS AND THE ELECTORAL PROCESS HAVE THUS FAR FARED WELL, THE PADILLA REGIME HAS IN THE MEANTIME MIRED ITSELF DOWN IN A SHABBY DISPLAY OF INFECTIOUS VENALITY AND INCOMPETENCE THAT HAS TARNISHED ITS IMAGE AND RAISED SOME DOUBTS ABOUT ITS ABILITY TO CARRY FORWARD ITS WELL

SECRET

SECRET

PAGE 02 LA PAZ 02023 01 OF 02 102219Z

ADVERTISED OBJECTIVES FOR BOLIVIA'S DEMOCRATIZATION. END SUMMARY

2. (C) WNEH B/GEN PADILLA EXECUTED HIS OVERTHROW OF THE PEREDA REGIME ALMOST FOUR MONTHS AGO, A CERTAIN EUPHORIA PERMEATED LA PAZ' NOTABLY RAREFIED AIR, EMANATING MAINLY FROM AMONG SOME OF THE GENERATIONALIST OFFICERS WHO CONSTITUED THE UNDERPINNINGS OF THE COUP. THE IMMEDIATE TENSION RELIEVER, OF COURSE,

WAS THE ANNOUNCEMENT OF ELECTIONS FOR JULY 1979 (INSTEAD OF MAY 1980), A MOVE WHICH PROVIDED A KIND OF MORAL JUSTIFICATION FOR THE TAKEOVER AS WELL AS A MANDATE FOR CONSTITUTIONALISM WHICH FEW COULD CHALLENGE. UTTERANCES OF REFORM, ELIMINATION OF CORRUPTION, A RESTRUCTURING OF THE GOVERNMENT (AND PUBLIC SECTOR CORPORATIONS IN PARTICULAR) WERE HEARD IN LOOSE, UNCOORDINATED STATEMENTS TO THE PRESS. THE PRISONERS IMPLICATED IN THE PREVIOUS MONTHS COUP PLOTTING WERE RELEASED, AND THE REGIME APPEARED OFF TO A GOOD START IN BOTH WORD AND DEED.

3. (S) EXACTLY WHO WAS IN CHARGE WAS NOT CLEAR. FOR A TIME IT APPEARED THAT PADILLA HAD RIDDEN THE TAIL OF THE TIGER INTO POWER AND WOULD ULTIMATELY DISAPPEAR FROM THE SCENE AT THE PLEASURE OF THE YOUNGER OFFICERS WHO HAD USED HIM AS THEIR KEY INSTRUMENT. OR WAS PADILLA -- NOBODY'S FOOL -- REALLY USING THESE YOUNG AND AMBITIOUS OFFICERS, SEVERAL OF WHOM HAD BEEN ARRESTED BY HIM ONLY A MONTH PREVIOUSLY FOR PLOTTING, TO PROPEL HIM INTO THE PRESIDENCY? MORE THAN LIKELY, BOTH SCENARIOS WERE ACCURATE TO A DEGREE IN THAT THE PLOTTING AND EXECUTION OF THE COUP AS IT UNFOLDED REVEALED A STRANGE COTERIE OF COLLABORATORS -- CONSERVATIVE PADILLA ON THE ONE HAND, HIS GENERATIONALIST OFFICERS ON THE OTHER -- WHO HAD NOTHING REALLY IN COMMON EXCEPT THE DESIRE TO OVERTHROW THE INCUMBENT PEREDA REGIME. SURELY THEIR REASONS WERE QUITE DIFFERENT: PADILLA WANTED PERSONAL POWER, OR IN ANY CASE TO AVOID BEING VICTIMIZED IN AN OVEHRTHROW. THE MOST ZEALOUS YOUNGER OFFICERS WANTED POWER, OSTENSIBLY FOR PURPOSES OF REFORM. TO DETERMINE WHICH
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PAGE 03 LA PAZ 02023 01 OF 02 102219Z

SIDE PREVAILED IS ONLY TO REVIEW WHAT HAS TRANSPRIRED SINCE LAST NOVEMBER; I.E., PADILLA HAS ACCUMULATED POWER AND ENCOURAGED CORRUPTION AND INCOMPETENCE IN THE PROCESS; THE INFLUENCE OF HIS GENERATIONALIST CABINET HAS WANED; AND THERE HAS BEEN NO REFORM ON ANY FRONT.

4. (C) WHAT CAN BE SAID IN PADILLA'S BEHALF IS THAT THE ELECTION SCHEDULE REMAINS FIRM AND THAT THERE HAS BEEN NO DIMUNITION IN THE RESPECT FOR HUMAN RIGHTS IN BOLIVIA. INDEED, THE POLITICAL PROCESS APPEARS TO BE MOVING FORWARD AS A NUMBER OF POLITICAL PARTIES HAVE HELD CONVENTIONS, NAMED CANDIDATES, AND AS THE GOVERNMENT HAS IMPLEMENTED SOME SIGNIFICANT CHANGES IN ELECTORAL PROCEDURES. ONE HAS THE CLERA IMPRESSION THAT THE PADILLA GOVERNMENT IS SINCERE IN PURPOSE AND REALLY MEANS TO STEP DOWN COME AUGUST 6. HUMAN RIGHTS AND A DEMOCRATIZATION PROCESS APPARENTLY WELL IN TRAIN ARE THE TWO POSITIVE ENTRIES ON THE LEDGER.

5. (S) THE NEGATIVE SIDE OF THE LEDGER, HOWEVER, IS BLEAK WITH SHABBY EFFORTS TO CONSOLIDATE POWER, PROMOTE CORRUPTION, AND BURDEN THE CIVIL ADMINISTRATION WITH THE APPOINTMENT OF HACKS AND IMCOMPETENTS IN KEY POSITIONS. THE PROBLEM, OF COURSE, IS WHETHER ULTIMATELY PADILLA MAY NOT HAVE GRABBED ANOTHER TIGER BY

THE TAIL, I.E., THE MIRING DOWN OF HIS REGIME IN A SYSTEM OF PATRONAGE AND PAYOFFS INVOLVING BOLIVIA'S ARMED FORCES TO THE EXTENT THAT HE LOSES CONTROL IN THE PROCESS SO THAT OTHER POWERFUL AND CONSERVAATIVE FORCES -- NOT SO WILLING TO GIVE UP THE GAME AND ITS REWARDS -- SEE ELECTIONS AND A NEW GOVERNMENT AS A CLERA THREAT TO THEIR INTERESTS.

6. (S) CORRUPTION

A. WE HAVE GOOD INFORMATION THAT THE BOLIVIAN ARMED FORCES HAVE BEEN ENGAGED IN RATHER EXTENSIVE ARMS PURCHASES, POSSIBLY AMOUNTING TO SOME \$103 MILLION. A SOURCE CLOSE TO THE PRESIDENT INFORMS US THAT ARMY DEPUTY G-4 LT COL JAVIER ALCOREZA IS CURRENTLY INVOLVED IN SOME THE ARMS PURCHASES ARRANGEMENTS. THE SOURCE VOICED HIS

SECRET

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PAGE 04 LA PAZ 02023 01 OF 02 102219Z

IMPORESSION THAT PADILLA STANDS TO PROFIT PERSONALLY IN A VERY SUBSTANTIOAL WAY.

B. WE ALSO KNOW THAT OFFICERS OF THE ARMED FORCES OF LT COL OR EQUIVALENT GRADE HAVE BEEN ACCORDED AN EXEMPTION FROM CUSTOMS DUTIES FOR IMPORTATION OF TWO AUTOMOBILIES EACH, WHICH IN BOLIVIA COULD MEAN A WINDFALL PROFIT FROM THE RESALE OF \$15-30,000. THIS EXEMPTION IS IN ADDITION TO THE RECENT/INFLUX OF ILLEGAL AUTOMOBILES INTO BOLIVIA AS WELL AS THE BLATANT SALE OF ENTRY PERMITS FOR AUTOMOBILES COMING IN THROUGH SANTA CRUZ.

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PAGE 01 LA PAZ 02023 02 OF 02 102227Z
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R 082005Z MAR 79
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AMEMBASSY SANTIAGO
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S E C R E T SECTION 2 OF 2 LA PAZ 2023

C. PAYOFFS FOR MINOR SERVICES WITHIN THE CIVIL ADMINISTRATION HAVE INCREASED AND BECOME ALMOST A WAY OF LIFE. IT IS KNOWN THAT THE LA PAZ MAJOR HAS HIS SET MINIMUM FEE \$1,000 (SOMETIMES AS HIGH AS \$10,000) FOR OFFICIAL ACTS IN BENEFIT OF PARTIES, BUT HIS UNDERLINGS HAVE THEIR CORRESPONDINGLY EQUIVALENT FEES SO THAT BEFORE EVEN THE LEAST SIGNIFICANT DOCUMENT CAN BE PROCESSED BY CITY HALL, A PAYOFF (COIMA) IS DEMANDED.

D. KARACHIPAMPA - THIS PORK BARREL LEAD-SILVER SMELTING PROJECT OF HIGHLY QUESTIONABLE ECONOMIC SENSE WAS RECENTLY APPROVED BY THE PADILLA GOVERNMENT WITH A HIGH BID FROM THE KLOCKNER ENTERPRISES OF SOME \$160 MILLION. WHILE WE ARE UNABLE TO DOCUMENT THE PAYOFF, A FORMER HEAD OF BOLIVIA'S CENTRAL BANK SUGGESTED \$17 MILLION AT ONE POINT HAD BEEN OFFICERED.

7. ((S) PATRONAGE AND INCOMPETANCE
RECENTLY THE PADILLA GOVERNMENT HAS EMBARKED ON AN ALMOST SYSTEMATIC REPLACEMENT OF HIGHLY COMPETENT CIVIL TECHNICIANS WITH
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PAGE 02 LA PAZ 02023 02 OF 02 102227Z

MILITARY OFFICERS WHO HAVE NO SPECIAL COMPETENCE IN THESE FIELDS. SOMETIMES HEARD IS THE ARGUMENT THAT THE PURGE IS NECESSARY TO ELIMINATE THE PERSONAL FRIENDS OF FORMER PRESIDENT HUGO BANZER FROM KEY JOBS, BUT OUR CLEAR IMPRESSION IS THAT PADILLA IS SIMPLY DISPENSING FAVORS AND PAYING OFF DEBTS IN AN UNABASHEDLY SCANDALOUS MANNER.

A. PRODES-CHAPARE/YUNGAS (PROJECT FOR THE DEVELOPMENT OF CHAPARE YUNGAS). THIS HIGHLY TECHNICAL UNIT OVERSEES INTER ALIA THE COORDINATION OF COCA CROP SUBSTITUTION AND AGRICULTURAL RESEARCH OF A VERY COMPLEX NATURE AND HAS BEEN SINCE ITS INCEPTION HEADED BY DR. WINSTON ESTREMADORIO, THE FOREMOSST AUTHORITY IN THE COCA SUBSTITUTION FIELD. THE PADILLA GOVERNMENT DISMISSED HIM ON MARCH 1, REPLACING HIM WITH COL. FRANKLIN CHAVEZ, A PERSON WITH NO PROFESSIONAL QUALIFICATIONS FOR THE JOB. IN ADDITION, THE DEPUTY DIRECTOR AND ADMINISTRATIVE AND PERSONNEL CHIEFS HAVE BEEN REPLACED.

B. BANCO AGRICOLA DE BOLIVIA - THE ONLY PUBLIC CREDIT INSTITUTION SERVING THE AGRICULTURAL SECTOR, WITH WHICH AID HAS SIGNED AGREEMENTS TOTALLING SOME \$25 MILLION. THE BANK'S HIGHLY COMPETENT AND PROFESSIONAL PRESIDENT WAS INITIALLY REPLACED BY A CATTLEMAN

WHO PROMPTLY INFORMED ALL CATTLEMEN THAT THEY WERE UNOBLIGED TO PAY THEIR OUTSTANDING LOANS. HE HAS SINCE BEEN REPLACED BY A NEW PRESIDENT, BUT OF SUCH UNSAVORY REPUTATION THAT USAID FOUND IT NECESSARY TO TERMINATE DISBURSEMENTS TO THE BANK.

C. NATIONAL COMMUNITY DEVELOPMENT SERVICE - THE NCDS HAS BEEN ONE OF THE MOST RESPECTED GOB AGENCIES AND FOR THE PAST FOURTEEN YEARS HAS BEEN HEADED BY RETIRED COL.. GUSTAVO RAMIEREZ. RAMIEREZ WAS RECENTLY DISMISSED AND REPLACED BY THE FATHER-IN-LAW OF THE CURRENT MINISTER OF AGRICULTURE WHO OVERSEES NCDS. THE NEW DIRECTOR IS AN ARMY GENERAL WHO HAS OUTSTANDING AN ADVANCE OF FUNDS

SECRET

SECRET

PAGE 03 LA PAZ 02023 02 OF 02 102227Z

WITH NCDS WHICH HE RECEIVED FOR BUILDING SCHOOL BENCHES FOR THE ORURO DEPARTMENT WHEN HE WAS PREFECT THERE. NCDS HAS NEVER RECEIVED AN ACCOUNTING OF HOW THE ADVANCE WAS USED.

D. MINISTRY OF FINANCE - THE VICE MINISTER FOR ADMINISTRATION RAUL BOADA (A LEADER GRANT NOMINEE THIS YEAR) HAS HELD HIS CURRENT POSITION FOR SIX YEARS AND MOREOVER HAS SPENT ALL HIS PROFESSIONAL CAREER THERE. HE HAS JUST BEEN REPLACED.

E. HOUSING BANK. THE GENERAL MANAGER FOR SIX YEARS, ARTURO MONTERO, HAS JUST BEEN SUMMARILY REPLACED BY AN INEXPERIENCED FRIEND OF THE NEW MINISTER. MONTERO'S REPUTATION HAD BEEN SUCH THAT USAID RECENTLY APPROVED SEVERAL MILLION DOLLARS IN HOUSING INVESTMENT GUARANTEE FUNDS FOR THE BANK.

F. GASTON AREDONDO, A UNIVERSITY OF IOWA PH. D. WITH 10 YEARS EXPERIENCE IN THE US WITH AT&T AND BELL LABORATORIES AND HEAD OF BOLIVIA'S TELEPHONE/ TELEGRAPH STATE CORPORATION FOR MORE THAN A YEAR AND A HALF, NEVER GOT IN WITH THE PADILLA TEAM AND WAS RECENTLY RELIEVED.

G. MIGUEL TEJADA, RECENTLY HEAD OF THE NATIONAL INSTITUTE OF STATISTICS (INE) AND HIGHLY RESPECTED TECHNOCRAT AND SEVERAL KEY MEMBERS OF HIS STAFF HAVE BEEN REPLACED.

8. (S) IN CONCLUSION, THE OUTLOOK FROM NOW TO ELECTIONS IS INDEED BLEAK. THE REGIME HAS ESCHEWED TAKING ANY MEASURES TO RELIEVE ITS EMBATTLED ECONOMY; HIGHLY COMPETENT OFFICIALS HAVE BEEN REPLACED BY OFFICIALS -- AGREE NUMBER OF THEM FROM THE ARMED FORCES -- WHO ARE NEITHER QUALIFIED NOR COMPETENT TO RUN THEIR PROGRAMS, AND PUBLIC FUNDS ARE AT THE MERCY OF THOSE ABLE TO DIP INTO THE TILL OR OTHERWISE ARRANGE SPECIAL ADVANTAGES WHICH AMOUNT TO THE SAME. THE DANGER IS, OF COURSE, THAT THIS ENTRENCHED NEW BUREAUCRACY -- A GREAT PART OF WHICH DERIVES FROM THE OFFICER CORPS OF BOLIVIA'S ARMED FORCES -- WILL SEEK WAYS TO DERAIL THE ELECTORAL PROCESS AND PERPETUATE AS LONG AS POSSIBLE

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PAGE 04 LA PAZ 02023 02 OF 02 102227Z

ITS CUSHY POSTURE IN THE CAT-BIRD SEAT.
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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
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Concepts: DEMOCRACY, FORM OF GOVERNMENT
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Draft Date: 08 mar 1979
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Disposition Action: RELEASED
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3435062
Secure: OPEN
Status: NATIVE
Subject: (S) THE PADILLA GOVERNMENT - A BALANCE SHEET OF NEGATIVES
TAGS: PGOV, BL
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/ba766dcd-c288-dd11-92da-001cc4696bcc
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