

Message Text

CONFIDENTIAL

PAGE 01 LA PAZ 10719 01 OF 02 212329Z

ACTION ARA-15

INFO OCT-01 ADS-00 INR-10 SS-15 CIAE-00 EB-08 ICA-11
DODE-00 AID-05 MMO-01 NSC-05 NSAE-00 SY-05 MED-05
HA-05 L-03 DLOS-09 TRSE-00 PM-05 PA-01 PC-01
PER-01 COM-02 OMB-01 INM-05 CA-01 SIG-03 COMP-01
FBO-05 AGR-01 OES-09 ACDA-12 A-02 JUS-01 DEA-01
SP-02 OC-06 GSA-02 FEMA-02 /162 W
-----071930 220102Z/66

R 181615Z DEC 79

FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 9786

CONFIDENTIAL SECTION 1 OF 2 LA PAZ 10719

E.O. 12065: GDS 12/19/85 (BOEKER, PAUL H.) OR-M
TAGS: PEPR, GORM, XX
SUBJECT: FY 82 GOALS AND OBJECTIVES: AMBASSADOR'S POLICY ASSESS-
MENT

REF: (A) STATE 310299, (B) STATE 316945

A. THE SETTING

1. BOLIVIA IS NOW TRYING TO EMERGE FROM A TWO-YEAR PERIOD OF POLITICAL TURBULENCE, SHORT-LIVED AND INEFFECTIVE GOVERNMENTS, ECONOMIC DECLINE AND INTENSE MILITARY-CIVILIAN TENSION. THE MOST CONSISTENT TRENDS DURING THIS PERIOD HAVE BEEN BROAD POPULAR PRESSURE FOR CIVILIAN GOVERNMENT AND GROWING ANTI-MILITARY SENTIMENT, CULMINATING IN THE STRIDENT REPUDIATION AND UNDOING OF THE NATUSCH COUP AND INSTALLATION OF THE GUEILER GOVERNMENT IN NOVEMBER 1979.

2. US-BOLIVIAN RELATIONS ARE EXCELLENT AND US PRESTIGE IN THE COUNTRY HAS REACHED A NEW HIGH, PRIMARILY BECAUSE THE US IN BOTH GOOD TIMES AND BAD (THE NATUSCH COUP) HAS

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LA PAZ 10719 01 OF 02 212329Z

BEEN CONSISTENTLY ON THE RIGHT SIDE OF THE POPULAR GROUND SWELL FOR HUMAN RIGHTS AND CIVILIAN, REPRESENTATIVE GOVERNMENT. OUR SUPPORT IN THE OAS FOR BOLIVIA'S ASPIRATION FOR ACCESS TO THE PACIFIC HAS ALSO ADDED SIGNIFICANTLY TO US PRESTIGE HERE. OUR RELATIONSHIP WITH THE MILITARY HAS WEAKENED CONCOMITANTLY BECAUSE OF OUR ASSOCIATION WITH THE TARNISHED RESPECTABILITY

AND POLITICAL DECLINE OF MILITARY GOVERNMENT AND BECAUSE
OF THE SUPPLANTING OF US TRAINING AND ORIENTATION BY
THE MUCH HARDER LINE OF ARGENTINE MILITARY INSTITUTIONS
IN PARTICULAR.

3. THE SHARP CUTS IN THE FY 80 AID PROGRAM HAVE THREATENED
THE IMAGE OF THE US AS A PROVIDER OF SIGNIFICANT
ECONOMIC SUPPORT FOR BOLIVIA, AT A TIME WHEN THE
GOVERNMENT IS COURAGEOUSLY AND SUCCESSFULLY LAYING THE
FINANCIAL POLICY BASE FOR RENEWED DEVELOPMENT MOMENTUM.
AT THE SAME TIME THE HIGHLY SUCCESSFUL PL-480 TITLE III PROGRAM
HAS PROVED AN IDEAL DEVELOPMENTAL AND POLITICAL INSTRUMENT
FOR THE BOLIVIAN ENVIRONMENT (AND HAS BEEN WIDELY
PUBLICIZED BY USICA AND BOLIVIAN MEDIA). ON THE OTHER
HAND, PROLONGED US CONSIDERATION OF GSA TIN DISPOSALS
HAS BEEN AND WILL REMAIN THE MOST VOLATILE AND NEGATIVE
FACTOR IN THE US-BOLIVIAN RELATIONSHIP AS BOLIVIA ENTERS
AND ELECTION CAMPAIGN AND CONTINUES EFFORTS TO
CONSOLIDATE CIVILIAN GOVERNMENT.

4. THE NEAR-TERM PROSPECTS FOR THAT CONSOLIDATION REMAIN
PRECARIOUS AS A WEAK, IF DETERMINED, GUEILER GOVERNMENT
ENFORCES AN UNPOPULAR ECONOMIC STABILIZATION PROGRAM AND
TRIES TO GUIDE AN UNCERTAIN AND POSSIBLY TURBULENT
ELECTORAL PROCESS. THE LONGER-TERM PROGNOSIS IS
BRIGHTER, BOTH ECONOMICALLY AND POLITICALLY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LA PAZ 10719 01 OF 02 212329Z

B. BILATERAL ISSUES

1. THE THREE AREAS OF WEAKNESS IN THE US-BOLIVIAN RELATIONSHIP
REMAIN OUR SO-FAR INADEQUATE RESPONSE TO BOLIVIA'S
CURRENT ECONOMIC PLIGHT, WEAK US INFLUENCE ON THE
MILITARY, AND BACKLASH TO CURRENT US POLICY ON TIN
DISPOSALS.

2. AS BOLIVIA TRIES TO EMERGE FROM VIRTUAL FINANCIAL
INSOLVENCY THE PL-480 TITLE III PROGRAM HAS BEEN A
MOST EFFECTIVE AND WIDELY APPLAUDED INSTRUMENT OF US
SUPPORT. WE SHOULD NOW TAKE ADVANTAGE OF THE PROGRAM'S
STRONG DEVELOPMENT RECORD TO INCREASE THE FY 80
ALLOCATION AND THEREBY THE SHORT-TERM FINANCIAL IMPACT.
THIS WILL BOTH ALLOW THE GOVERNMENT TO MAINTAIN A HIGHER
LEVEL OF INVESTMENT IN RURAL AREAS AND HELP RELIEVE THE
SEVERE FOREIGN EXCHANGE BIND. AS POLITICAL STABILITY
INCREASES THE GOVERNMENT'S ABILITY TO ADMINISTER
ADDITIONAL PROJECT FUNDS, THIS IMPORTANT PROGRAM TO
ACHIEVE LONGER TERM ECONOMIC STRENGTH AND STRUCTURAL
REFORM SHOULD INCREASE ACCORDINGLY.

3. AS OUT IMET LEVELS HAVE DECLINED OVER THE LAST DECADE, SO HAS THE INFLUENCE OF THE US AND US IDEALS IN A BOLIVIAN MILITARY WHICH DESPERATELY NEEDS REORIENTATION TOWARD AN APOLITICAL AND MILITARY PROFESSIONAL ROLE. SOME BLAME THE US COUNTER INSURGENCY DOCTRINE OF THE 60S FOR THE BOLIVIAN MILITARY'S FIXATION WITH IMAGINARY INTERNAL SECURITY PROBLEMS, BUT THIS IS PURE SCAPEGOAT SEEKING. IN FACT, THE MILITARY'S INTERVENTIONISM PRE-DATES OUR TRAINING PROGRAMS AND OUR MORE RECENT INABILITY TO FINANCE TRAINING IN THE US HAS COINCIDED WITH THE EVOLUTION OF ARROGANT AND POWER-HUNGRY ATTITUDES IN A FACTION OF THE OFFICER CORPS. INCREASED IMET TO FINANCE MILITARY TRAINING IN HE US WOULD NOT

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 LA PAZ 10719 01 OF 02 212329Z

IN ITSELF SOLVE THE PROBLEM OF MILITARY REORIENTATION, BUT IT WOULD CONTRIBUTE IMPORTANTLY TO PARALLEL BOLIVIAN EFFORTS.

4. THE MOST PERSISTENTLY NEGATIVE ISSUE IN BILATERAL RELATIONS REMAINS US TIN DISPOSALS. OVER THE PAST TWO YEARS CONTINUING CONGRESSIONAL CONSIDERATION OF A DISPOSAL AUTORIZATION, EVEN IN THE ABSENCE OF ACTUAL SALES, HAS PRODUCED CONSTANT ABRASION IN AN OTHERWISE SMOOTH BILATERAL RELATIONSHIP. WHEN DISPOSALS ARE AUTHORIZED, WE NEED TO SELL MODEST REGULAR MONTHLY

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 LA PAZ 10719 02 OF 02 212345Z
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R 181615Z DEC 79
FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 9787

CONFIDENTIAL SECTION 2 OF 2 LA PAZ 10719

AMOUNTS OVER A LONG PERIOD TO MINIMIZE THE IMPACT OF UNCERTAINTY ON THE SPOT TIN PRICE, THE HEART OF BOLIVIAN CONCERN. OVER THE LONGER TERM WE SHOULD PLAN SALES PROGRAMS OF NO LESS THAN 5-YEARS DURATION TO REDUCE THE FREQUENCY OF THE TIN SHOCK.

5. OVER THE COMING TWO-YEARS BOLIVIA FACES TWO CLOSELY RELATED CHALLENGES WHICH CAN BE AFFECTED BY THE RELATIONSHIP WITH THE US.

6. ECONOMIC. THE GOVERNMENT MUST MOVE ON FROM AN ADMIRABLE STABILIZATION PROGRAM TO REFROM OF THE PAST PATTERN OF INEFFICIENT AND CORRUPT PUBLIC INVESTMENT, PERHAPS THE MAIN FACTOR PREVENTING RESUMPTION OF THE BALANCED, HIGH GROWTH OF WHICH BOLIVIA IS CAPABLE AND WHICH IS A KEY US OBJECTIVE FOR BOLIVIA. CRITICAL ACTIONS IN THIS PROCESS SHOULD BE
--A WORLD BANK PROGRAM LOAN LINKED TO A FIRM MEDIUM-TERM INVESTMENT BUDGET AND MINING TAX REFORM;
--REVIVAL OF THE WORLD BANK CONSULTATIVE GROUP AND OF A LARGE WORLD BANK LENDING PROGRAM FOR BOLIVIA; BOTH WOULD ENCOURAGE OTHER DONORS AND KEEP UP THE

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PAGE 02 LA PAZ 10719 02 OF 02 212345Z

PRESSURE FOR CAREFUL IMPLEMENTATION OF THE INVESTMENT BUDGET;
--AN INCREASE IN THE AID PROGRAM LEVEL TO ADDRESS INSTITUTIONAL INADEQUACIES AND A SECOND, FOLLOW-ON PL-480 TITLE III AGREEMENT, ASSUMING BOLIVIA'S PERFORMANCE HOLDS;
--A CONTRACT WITH BRAZIL FOR THE GAS PIPELINE TO SAO PAULO, BOLIVIA'S ONLY NEAR-TERM POSSIBILITY FOR RELIEF FROM THE FOREIGN EXCHANGE CONSTRAINT ON GROWTH.

7. POLITICAL. SUCCESS IN THIS ECONOMIC REVIVAL WILL IMPACT SIGNIFICANTLY ON THE POLITICAL CHALLENGE, WHICH IS OUR MAJOR OBJECTIVE IN BOLIVIA--MAINTENANCE OF CIVILIAN, REPRESENTATIVE GOVERNMENT AND WITH IT RESPECT FOR HUMAN RIGHTS. A GOOD RECORD OF ECONOMIC GROWTH FOR CIVILIAN GOVERNMENT WILL STRENGTHEN THE POSITION OF THOSE ELEMENTS IN THE MILITARY THAT ADVOCATE KEEPING THE MILITARY OUT OF GOVERNMENT. GROWING POPULAR SUPPORT FOR AN EFFECTIVE CIVILIAN GOVERNMENT COULD BOTH PROVIDE A DETERRENT TO MILITARY INTERVENTION AND FRUSTRATE SUCH INTERVENTION, AS IN NOVEMBER 1979, IF TRIED. THE US REACTION TO ANOTHER MILITARY COUP SHOUL BE AT LEAST AS

STERN AS THAT TO THE NATUSCH COUP, IF WE ARE TO REMAIN
IN CONSONANCE WITH THE TREND OF BOLIVIAN HOSTORY.

8. CONSOLIDATION OF CIVILIAN GOVERNMENT, ESPECIALLY IN AN
ENVIRONMENT OF ECONOMIC GROWTH, WILL PERMIT MOVING
FORWARD ON OUR COMPREHENSIVE NARCOTICS STRATEGY.
ELECTION OF A CIVILIAN GOVERNMENT IN 1980 FOR A FOUR-YEAR
TERM WILL CREATE A PARTICULARLY FAVORABLE OPPORTUNITY.
THESE SAME CIRCUMSTANCES WOULD ALLOW US TO PRESS FOR
JUDICIAL REFORM, THE ONLY LONG-TERM SOLUTION TO THE
PROBLEM OF OBTAINING PROMPT JUSTICE FOR AMERICAN
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CONFIDENTIAL

PAGE 03 LA PAZ 10719 02 OF 02 212345Z

CITIZENS ARRESTED IN BOLIVIA.

C. REGIONAL ISSUES

TWO MAJOR REGIONAL ISSUES IMPACT US-BOLIVIAN RELATIONS:
THE OAS ROLE IN BOLIVIA'S DRIVE FOR ACCESS TO THE SEA AND
THE POLITICAL EVOLUTION OF THE ANDEAN PACT. THE US, SEEN
HERE AS THE MOST VALUABLE AND CONSISTENT SUPPORTER OF
BOLIVIA'S SEA ACCESS, SHOULD ENCOURAGE A SIGNIFICANT
OAS ROLE IN MONITORING PROGRESS ON ITS OCTOBER RESOLUTION.
THE ANDEAN PACT HAS AN INTERNAL AND EXTERNAL IMPACT ON
US OBJECTIVES FOR BOLIVIA. AS A SOURCE OF PRESSURE TO
MAINTAIN DEMOCRATIC REGIMES, THE ANDEAN PACT PROVIDES A
SOURCE OF STRONG INFLUENCE ON BOLIVIAN POLITICAL EVOLUTION--
ONE THAT CAN USEFULLY BE COORDINATED WITH OUR OWN
EFFORTS. EXTERNALLY, BOLIVIA IS A PARTICIPANT--UP TO
NOW A CONSTRUCTIVE ONE--IN THE FORMULATION OF ANDEAN
PACT POSITIONS ON HEMISPHERIC ISSUES. WE SHOULD
CONTINUE TO URGE IN LA PAZ BOLIVIAN POSITIONS ON THESE
ISSUES WHICH FURTHER OUR OWN INTERESTS.

D. SPECIFIC RESOURCE IMPLICATIONS

THE SPECIFIC US DECISION ON RESOURCE QUESTIONS WHICH
FLOW FROM THIS ASSESSMENT OF THE US-BOLIVIAN RELATIONSHIP
ARE

1. TO INCREASE THE FY 80 PL 480 TITLE III PROGRAM
FOR BOLIVIAN FROM \$17.3 MILLION TO \$27 MILLION AND TO
PLAN FOR A FOLLOW-ON TITLE III PROGRAM IN FY 83 AFTER
THE CURRENT 5-YEAR AGREEMENT IS CONCLUDED.

2. TO INCREASE NEW AID PROJECT ASSISTANCE BEYOND
THE ONE LOAN PLANNED FOR FY 80 AT THE LEVEL OF \$14
MILLION TO THREE NEW MAJOR PROJECTS ANNUALLY WITHIN A
PROGRAM LEVEL OF ABOUT \$30-\$40 MILLION, IN FY 81 AND
BEYOND.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 LA PAZ 10719 02 OF 02 212345Z

3. TO INCREASE THE ANNUAL IMET PROGRAM FROM \$450,000 IN FY 80 TO \$1.2 MILLION TO MAKE POSSIBLE SIGNIFICANT TRAINING IN THE US, SACRIFICING FMS CREDIT LEVELS IF NECESSARY TO ACHIEVE THIS MET LEVEL.

4. TO RESPOND POSITIVELY TO THE EXPECTED BOLIVIAN PRESENTATION ON US TIN DISPOSALS--AT LEAST TO THE EXTENT OF DELAYING INITIATION OF SALES UNTIL LATE 1980 AND SPREADING 30,000 TONS OF DISPOSALS OVER 5 YEARS.

5. IN THE FUTURE TO FORMULATE DISPOSAL PROGRAMS, IN PREDICTABLE AMOUNTS, FOR AT LEAST 5-YEAR PERIODS, TO REDUCE THE CONTINUAL TRAUMA OF SALES PROGRAM CONSIDERATION AND START-UP.

6. TO SUPPORT RESUMPTION OF A WORLD BANK PROGRAM OF AT LEAST \$100 MILLION ANNUALLY IN BOLIVIA.

7. TO BE PREPARED TO BACK A COMPREHENSIVE NARCOTICS PROGRAM IN BOLIVIA WITH SUBSTANTIAL RESOURCES WHEN THE GOB IS ABLE AND WILLING TO MOVE.

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