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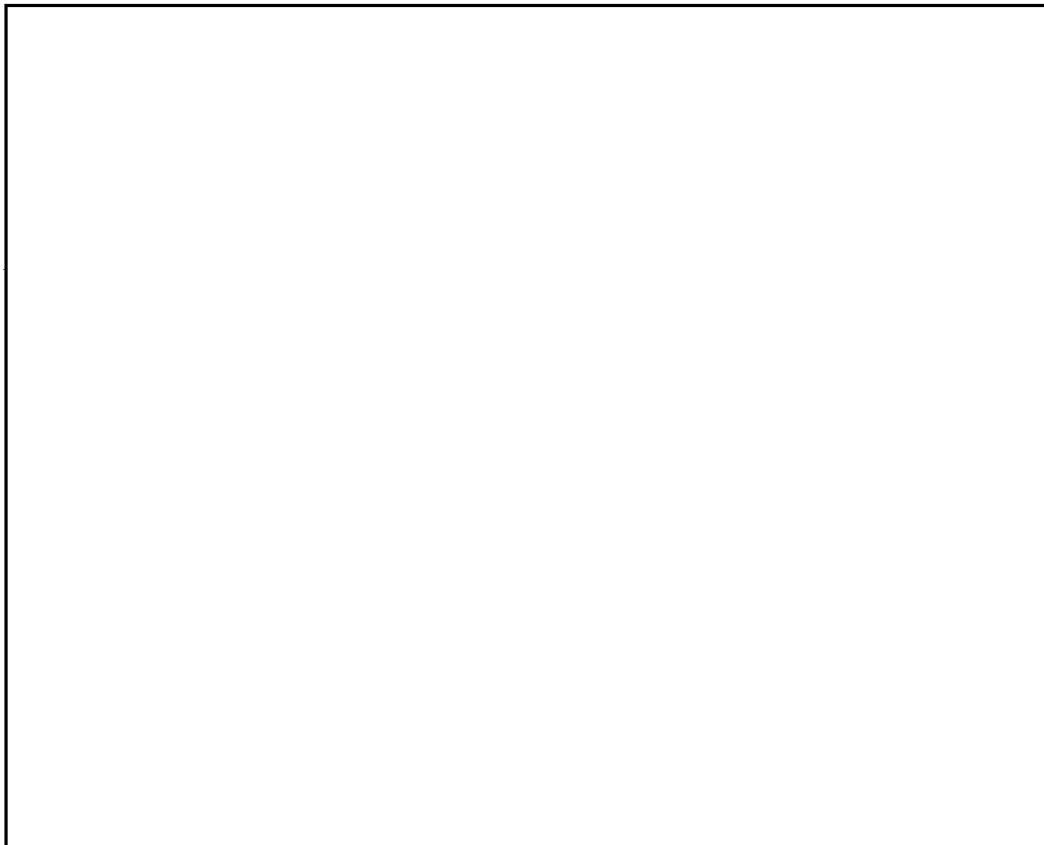
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2. BOLIVIA'S NEW ECONOMIC STABILIZATION PROGRAM MAY PROVOKE CRISIS

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The Bolivian economic stabilization program, promulgated on 15 December, has led to sharp increases in the price of consumer goods and may touch off serious popular unrest and a political crisis, including the resignation of President Siles Zuazo. Siles, on 18 December, asked Ambassador Drew for the US reaction in the event he stepped down in favor of Vice President Chavez, who, he explained, had better relations with Congress and the powerful Bolivian Workers' Central. Drew comments that "in view of Siles' unpredictable mystique and the extreme tension he is undergoing, one cannot guess what he will do." The cabinet has already resigned to avoid further questioning by left-wing deputies who oppose the stabilization program.

The stabilization plan, which is backed by credits of the International Monetary Fund and US government agencies, is intended to check inflation. Initially supported by key labor and political leaders, it will bring about sweeping changes in the Bolivian wage and price structure, with the Bolivian worker probably bearing the greatest hardship in the initial phases of implementation.

Juan Lechin, leftist president of the Senate and head of the Bolivian Workers' Central, has withdrawn his support of the program, and other labor leaders may follow suit on grounds that it is prejudicial to the interests of the laboring class.

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3. ISHIBASHI COMMENTS ON US-JAPAN RELATIONS

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[Redacted]

Tanzan Ishibashi, Japan's prime minister-designate, has indicated in press interviews that he regards the maintenance of "closest ties" between Japan and the United States as essential. He stated, however, that this does not mean "blind subservience" to the United States, since "occupation" attitudes still persist, and a lack of understanding of Japanese and Far Eastern conditions has caused many American mistakes. He intends to "argue heatedly" with Washington until there is mutual understanding and co-operation.

Ishibashi has been cautious in discussing his policy toward Communist China. The press believes that he will work for expanded trade, but will not seek early restoration of formal diplomatic relations with Peiping. Ishibashi himself states that he will try to solve the Communist China issue "with the full co-operation and leadership of the United States."

Comment

Ishibashi's press interviews may have been designed to allay American suspicion of his policies, and to correct impressions which resulted from his "misunderstandings" with the American occupation authorities.

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