

MEMORANDUM

NATIONAL SECURITY COUNCIL

MEMORANDUM FOR: DR. KISSINGER

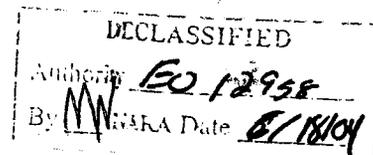
FROM: ARNOLD NACHMANOFF 

SUBJECT: SRG Meeting, June 17, 1971 -- Bolivia

Our Ambassador to Bolivia, Ernest V. Siracusa, recently came in with a highly pessimistic analysis of the situation and likely future course of events in Bolivia (Tab C). He concluded that "there is a real possibility that things could get so bad in Bolivia so fast that the Russians could have another communist foothold in Latin America at a very cheap price, and that we must do something to fight this . . . by positive means and immediately". Siracusa recommended that we should make an immediate and significant offer to the Bolivian military of US military hardware (\$1.8 million now as part of a \$7 million program over a period of several years) and that we should implement the \$15 million AID program we have had under consideration for nearly two years. You directed that the Senior Review Group meet to consider this problem, and the IG/ARA has developed and approved an options paper (Tab B).

The present situation in Bolivia is the result of a process which began with the death of President Barrientos in 1969 in which first the Siles and Ovando Governments, and more recently the Government of General Juan Torres, sought to build some kind of popular base for their shaky governments by turning increasingly to the left. In his efforts to keep himself in power, Torres has also fragmented the already weakened Armed Forces and has increasingly come to depend on leftist labor and student groups without being able to control them. The same two-year period has seen a considerable increase in Soviet presence and activity in Bolivia. (A chronology showing the increase in Soviet presence and activities prepared by CIA at our request is at Tab D). While we have no firm information on Soviet intentions, it is clear that they have the capability of moving into the vacuum which is being left by declining US influence.

The question of US strategy in Bolivia and possible alternatives to the Torres Government was considered by the IG/ARA in reviewing the 1973 Bolivia Country Analysis and Strategy Paper (CASP) recently. At that time it was concluded that both the military and the political parties are so weak and fragmented that no reasonable alternative to Torres could be



- 2 -

discerned. This being the case it was decided that we had no real alternative to trying to work with the Torres Government in the hope of arresting and perhaps reversing its swing to the left. (To be reviewed elsewhere.)

The situation is no better now with respect to possible alternatives to the Torres Government. While elements in the military which are opposed to Torres and disposed to plot against him seem to have learned something from the bungled attempt to oust him last December, they are still unable to put together a winning combination. Likewise the major political party, the MNR, would probably be willing to back a more moderate military regime which had been able to displace the Torres Government, but thus far it has shown no disposition to run any risks by throwing its support to military plotters before the fact. Even if the MNR did decide to back military dissidents, the party is so divided among warring factions that the value of its support is questionable.

President Torres has continuously given in to pressure from the left. He recently nationalized the US-owned Matilde Mine and expelled the Peace Corps. Leftist pressures are now building for expulsion of the US MIL-GROUP. Ambassador Siracusa hopes that by providing military aid and offering the carrot of economic aid, we will help the military's and possibly Torres' resistance to anti-US pressures. In any event, the military aid would strengthen the military institutionally, and possibly for a future move against Torres.

The attached paper presents options for US action in the military and economic assistance areas. In the military assistance area, the paper identifies six options:

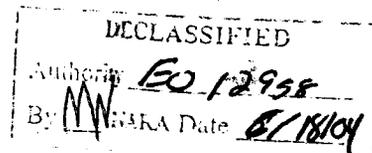
-- Option A is a simple negative.

The other five options are positive decisions distinguished from one another on the basis of how much the MAP program should be and how fast we should come through with it.

-- Option B-1 calls for us to do nothing now, but we would indicate to the Bolivians we might be willing to reinstate a MAP program if their performance justifies it.

-- Option B-2 calls for a one-year MAP program of about \$1 million (the FY 1970 level) to be processed at the normal pace.

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- 3 -

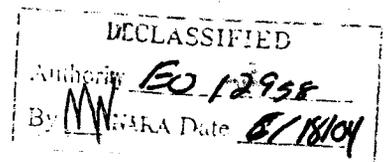
- Option C is the same as option B-2 but processed on a crash basis.
- Option D is a \$1 million MAP program as part of a \$7 million overall program extending over a period of three to four years and implemented should the political climate improve.
- Option E is a \$1.8 million MAP program as part of a \$7 million overall program to be furnished over a two-year period if the political climate improves. (Ambassador Siracusa's recommendation.)

I understand that the agencies tend to favor options C or D, the only difference between the two being whether or not we view a current assistance program at a \$1 million level as part of a longer-term program and so inform the Bolivians. I favor Option D. The prospects for protecting US interests and perpetuating our influence in Bolivia are not good no matter what we do. If there is any hope at all it lies in building up the military to the point that it could act as a moderating influence on Torres and might be disposed to do so if it felt it had a stake in good relations with the US. At a minimum, MAP would give them an interest in retaining the MILGROUP. Should Torres fall, the only group capable of putting together a non-leftist successor government is the military. We should move quickly if our action is to have any effect at all. I also think it would be useful to hold ^{out} a carrot to the military by indicating that we view the \$1 million as part of a longer-term program. However, I see no advantage in trying to cram the program into a two-year period (Option E). In pursuing this course, however, we should recognize that there is no assurance our military assistance will do more than buy time for the MILGROUP--the political spillover is at least questionable, without some supplemental efforts.

On the economic assistance question the paper offers four options:

- Option A is a punitive position reducing AID assistance, withholding new AID loans, and seeking to delay loans from the multilateral agencies until the GOB demonstrates progress in compensating US investors and improving the political climate.
- Option B is a neutral option in which we continue technical assistance and routine preparations of new AID loans but withhold final action one way or another on GOB requests before international agencies.

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- 4 -

- Option C calls for the active development of a \$15 million loan package on the basis of only nominal progress on compensation, and active support for GOB requests before international agencies.
- Option D. is the same as above with the addition of a budgetary support element

The agencies favor option B, the neutral option. There is little reason to think economic aid will have any significant bearing on the immediate political problem. I also doubt very much that a punitive stance is likely to help the situation; its effect would probably be negative by driving the Bolivians into a nationalistic frenzy. I, therefore, recommend option B.

Your talking points (Tab A) review the issues and the options. I assume you will want to consider the question of political alternatives in another forum.

Attached for your information (Tab E) is a CIA Intelligence Memorandum on the situation in Bolivia which we have just received.

Attachments:

- Tab A - Talking Points
- Tab B - IG/ARA Options Paper
- Tab C - Cable from Siracusa
- Tab D - CIA Chronology of Soviet Moves
- Tab E - CIA Intelligence Memorandum

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