

~~Top Secret~~

BOLIVIA: Growing Pressure on Garcia Meza

Senior military officers, concerned about the economic situation, may force Garcia Meza to step down soon.

The leading contenders, Generals Cayoja and Anez, believe the decision on a replacement must be made quickly so that Bolivia can get on with the task of normalizing its foreign relations. They consider this an essential condition for resolving the nation's severe economic difficulties.

Bolivia may soon face a foreign exchange crisis. A deteriorating trade performance, continuing debt servicing obligations, reductions in new credits, and growing capital flight recently have caused an estimated \$4 million daily loss of foreign exchange.

Unless these trends are reversed, Bolivia is likely to exhaust official international reserves this month. La Paz reportedly is delaying foreign exchange payments to international banks and drawing on third-party deposits.

Argentina, which is Bolivia's major financial backer, fulfilled an earlier aid commitment by providing a \$125 million loan during the first quarter of 1981. Following the takeover by Garcia Meza, however, official loans from the US, France, West Germany, and the Andean Pact countries were suspended. No new foreign credit will be provided by international commercial banks under the terms of a debt refinancing agreement concluded in early May.

Bolivia's new \$205 million standby agreement with the IMF evidently is being postponed because the government has failed to meet the targets of the accord of 1980. Under terms of the refinancing accord, failure to conclude a new standby soon will automatically put Bolivia into default with international banks.

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