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Bolivian Government Facing Most Crucial Period

The Bolivian Government is facing its most crucial period since taking office in August 1966.

President Barrientos' political opponents, although still factionalized, are exploiting the unpopular aspects of the government's military occupation of the mining regions, while elements that normally support the administration are seeking to dissociate themselves from the action. The armed forces, key to the government's survival, apparently gave full support to the military intervention, but Armed Forces Commander Gen Ovando -- a politically ambitious but cautious man -- has continued his non-committal attitude toward Barrientos' policies; there are some indications that he is trying to convince the miners that the military action was Barrientos' decision alone. Military control has not been consolidated at the mines, and this evidence of government weakness has further detracted from Barrientos' support.

Reaction from students and urban labor has not been as violent as predicted. Students demonstrating in La Paz and Ururo in support of the miners were easily dispersed by police using tear gas. Student extremists will, nevertheless, probably continue to be the most volatile and dangerous elements for the next few days. Coordinated demonstrations in the major cities, followed by an almost inevitable military response, could set off widespread reaction. One highly placed general, citing the students' role in past upheavals, has sent his family out of La Paz.

With the mines operating only sporadically, increasing fiscal problems are adding to the administration's woes, and both Barrientos and Ovando have appealed to the US for financial assistance.

Meanwhile, military efforts to contain the guerrillas in the southeast have failed. A 60- to 70-man force killed three soldiers and wounded two others

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in a 26 June clash north of the Rio Grande. The 8th Division with about 500 men has been given responsibility for the area north of the river. Some guerrillas probably crossed the river from the south, but the size of the northern band would indicate that it contains previously unreported members who may be new adherents to the insurgent cause. The most likely source of recruits is the western mining region, to which the valley of the Rio Grande provides a natural access.

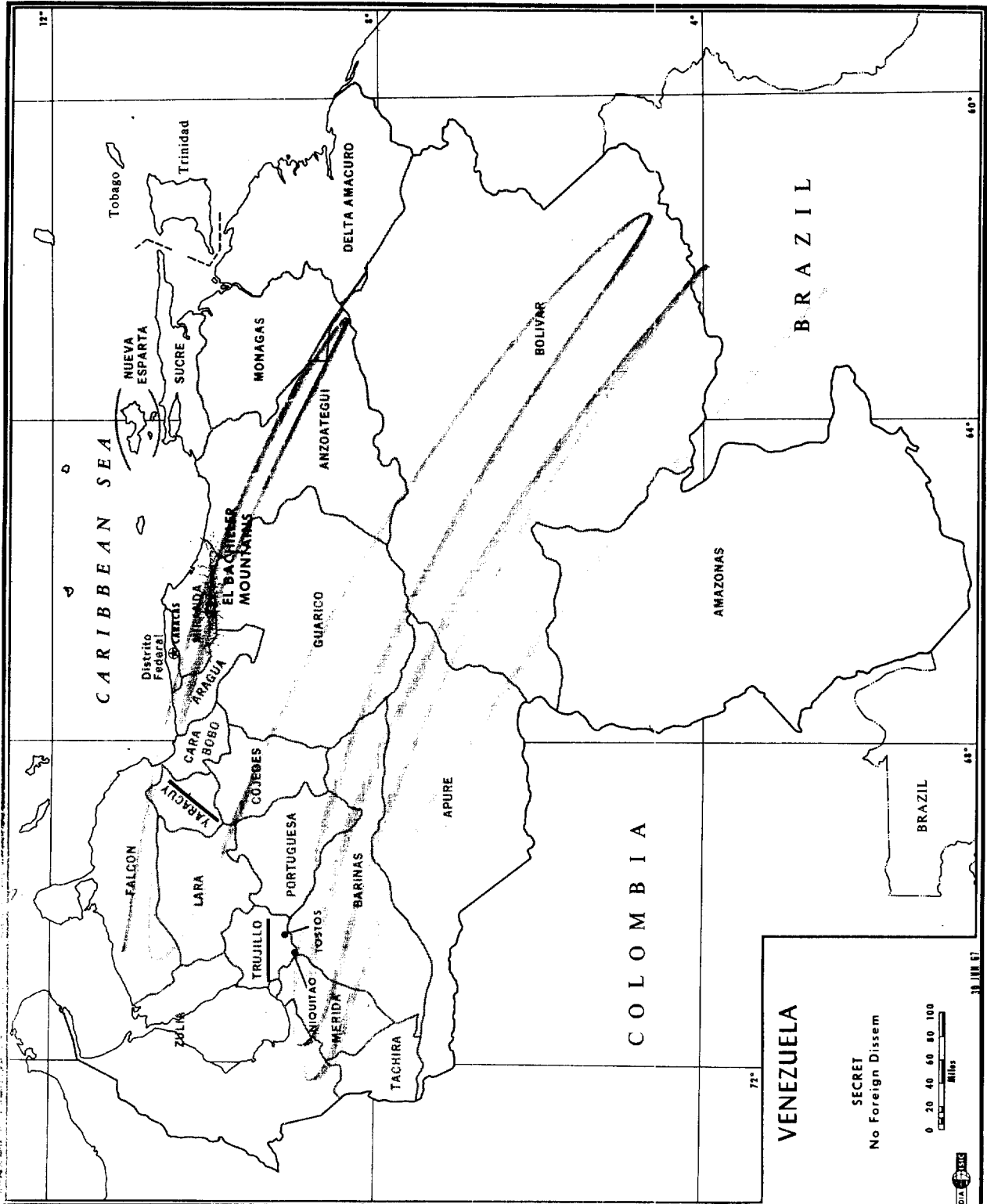
The army estimates that three guerrilla bands with a combined strength of from 60 to 80 men are operating south of the river. The 4th Division, which is still charged with counterinsurgency operations in the south, has some 1,200 troops in the field and another 800 in training. In view of the precarious situation in the mining region, it is unlikely that antiguerrilla units will soon be reinforced.

The increased burden of maintaining security in the mining regions while simultaneously confronting the guerrillas in the southeast will put great strains on the marginal capabilities of the armed forces. A serious and humiliating breakdown of military effectiveness would probably be blamed on the executive, thus decreasing Barrientos' chances of survival. In his favor is a seemingly general reluctance on the part of important military figures to assume responsibility for the country's current problems; individual ambition and avarice have, however, frequently overridden such considerations. (CONFIDENTIAL NO FOREIGN DISSEM)

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