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## **Bolivia Briefs: Economic Dialogue, U.S. Drug Aid, Corruption**

by LADB Staff

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### *Government calls for economic dialogue*

Bolivian vice minister of energy Carlos Lopez announced Aug. 31 a government-ordered freeze on fuel-prices for 30 days. The measure was a response to protests by citizens and businesses concerned about a possible recession.

The Instituto Nacional de Estadística (INE) maintains, however, that the macroeconomic picture "invariably shows signs of stability." The signs of stability include an expected growth rate this year of between 2.5% and 3%. In Latin America, only Bolivia, Mexico, and Peru will see a positive growth rate this year, the INE said. Accumulated inflation for the first semester was 0.61% and the devaluation index was 3.43% during the same period.

The INE released its assessment after economist Horst Grebe of the Milenio foundation warned that the country is in a recession that could "turn dangerously into a depression." The fall in exports by 20% during the first semester of 1999 and price hikes in fuel, transportation fares, and bread brought a call for a national debate on the economy.

The INE said the economic problems were not a result of government policies but an effect of the international economic situation, especially the crises in Asia, Russia, and Brazil. Meanwhile, the Central Obrera Boliviana (COB) and other labor organizations are demanding salary increases and more jobs. "The free-market model worsens the living conditions of the popular sectors and destroys national industry," said COB leader Milton Gomez.

On Sept. 3, unions called a general strike against the price hikes in bread, fuel, and transportation. The strike paralyzed La Paz, as transportation workers and protestors erected roadblocks clogging several downtown intersections. In late August, President Hugo Banzer admitted for the first time that the country was experiencing a downturn that has halted production and consumption, and he noted that the poor are always the most affected.

The government convoked a "national dialogue" to begin Sept. 9 to discuss the impact of the international economic crisis, but emphasized that no change in policy is planned. "This dialogue will not be a list of prescriptions nor a group of petitions," said Finance Minister Herbert Muller, responding to business leaders and politicians who said the dialogue will fail if the government ignores the input.

### *US to increase anti-drug aid to Bolivia*

On his latest visit, US drug czar Barry McCaffrey praised efforts of the Banzer administration to eradicate coca fields and said the US would increase aid to Bolivia from US\$66 million to US\$88

million in fiscal year 2000-2001. McCaffrey visited the Chapare region to observe progress in the destruction of coca fields. Bolivia has eradicated 24,000 hectares of illegal coca in the past two years. McCaffrey said he was concerned about the increase in drug consumption in Bolivia. He also avoided questions about the increase in cocaine production and exportation despite the reduction in raw material.

Deputy Evo Morales, leader of the organized coca growers in the Chapare, said Washington's anti-drug strategy is not effective. He said drug trafficking exists "because of the demand for drugs in the major countries."

Coca-growers gave McCaffrey a letter asking the US to put its energy into fighting drug trafficking and corruption, not repressing campesinos. Campesino leader David Herrera said US efforts should not focus on the forced elimination of coca fields but rather on the activities of the drug traffickers and on corruption. Herrera complained that the government destroyed coca fields but did not implement programs to develop alternative crops that would help campesinos earn a living. As a result, poverty in the Chapare has increased, he said.

Roger Rumrill, a Peruvian expert on drug trafficking, estimates that macroeconomic policies make alternative development almost unattainable since campesinos cannot compete with cheap imports. He cited the example of milk production in the Chapare, where US\$259 million has been invested in more than 200 alternative projects in the past 10 years. He said the milk plant loses US\$15,000 a day because it cannot compete with cheap imported milk from New Zealand. Rumrill said in Peru a campesino earns US\$2.10 per kg for coca, but only US\$1.12 per kg for coffee, US\$0.78 per kg for sesame, US\$0.95 for cacao, US\$0.21 for rice, US\$0.09 for yucca, and US\$0.53 for beans.

In La Paz on Aug. 25, McCaffrey announced that representatives of 34 Latin American countries would meet Oct. 4 in Montevideo, Uruguay, to discuss hemispheric action against drug trafficking. "The action against drug trafficking will be continental, and that is the working plan to be discussed at the meeting," said McCaffrey.

During McCaffrey's visit, Banzer admitted that corruption related to drug trafficking has infiltrated the power structures, including justice, police, the armed forces, and political parties.

### *Corruption touches president's family*

On Aug. 17, Italian Marino Diodato, indicted on charges of heading a crime ring in Bolivia, admitted he advised people in the presidential palace on telephone espionage to eavesdrop on government officials.

"I advised the Casa Militar and the office of the presidency in areas of intelligence and counterintelligence," said Diodato in a press interview. "There are foreign governments that want to listen to what is said in the government. Authorities said Diodato spied on the DEA and the Fuerza Especial de Lucha Contra el Narcotrafico (FELCN) by tapping their telephones and was thus able to thwart 60 anti-drug operations in Bolivia.

On Aug. 20, the government admitted that the president's calls had been intercepted. Diodato, who is married to Banzer's niece, has been in jail since June 17. He is suspected of heading the Santa Cruz Connection, a crime organization that exported eight tons of cocaine to the US, Germany, and Italy between 1991 and 1995. The group is also accused of illegal gaming, telephone espionage, pirating cell phones, criminal association, and tax evasion (see NotiSur, 1999-07-02).

On Aug. 31, Banzer admitted that Diodato was tied to international drug trafficking. "There is not the slightest doubt that the mafia exists and not the slightest doubt that Sr. Diodato is seriously implicated with the mafia," said Banzer. "He headed the criminal activities." Diodato, a former police officer who advised the Bolivian military for 16 years and received an honorary rank of captain in the army, denied the charges and said he was a victim of a US "conspiracy."

The political opposition also accuses the US Embassy and the DEA of involvement in the Diodato scandal. "This case has been a great way to get control of the government," said Deputy Juan del Granado, leader of the independent Los sin Miedo movement. He said that Diodato case was being used by the US to pressure Bolivia into "eradicating coca fields with herbicides, toughening the anti-drug law, and installing a US base in the Chapare." "It pains me to see the president act as spokesperson for the US Embassy and the DEA," said del Granado. "The level of submission is painful and an embarrassment for deputies from both the governing coalition and the opposition."

Deputy Evo Morales also said that "the DEA and the embassy always pull the strings," including in the Diodato case. Diodato's former lawyer is also in trouble. On Aug. 26, Carlos Mendieta, fiscal of Santa Cruz, ordered the arrest of Otto Ritter, head of the Falange Socialista Boliviana (FSB) and former lawyer for Diodato. Ritter was accused of disrespect and sedition for saying Banzer is "mentally unfit" to govern and should resign.

Ritter says that he will run for mayor of Santa Cruz and that he was planning a trip to Spain to turn over to Judge Baltasar Garzon proof of a "plan Condorito" by which authorities abuse human rights in the country. Although it had its beginnings in the 1940s as a leftist group, the FSB is now a center-right party and in 1971 supported Banzer's coup. The Falange has between 25,000 and 30,000 members. [Source: El Nuevo Herald (Miami), 08/20/99; Clarin (Argentina), Xinhua, 08/25/99; Notimex, 08/17/99, 08/18/99, 08/23/99, 08/24/99, 08/28/99, 08/31/99, 09/01/99; CNN, 08/24/99, 09/01/99; Associated Press, 08/25/99, 08/28/99, 09/04/99; Spanish news service EFE, 08/21/99, 08/24/99, 08/26/99, 09/05/99, 09/06/99]

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