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MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telephone Conversation with Victor Paz Estenssoro of Bolivia

PARTICIPANTS: The President
Victor Paz Estenssoro, President of Bolivia
Notetaker: William T. Pryce

DATE, TIME AND PLACE: July 7, 1989,
The Oval Office

The President: "Mr. President, George Bush aqui, como esta."

President Paz: I was calling you Mr. President to talk about the bridge credit request being negotiated with the Treasury Department. Originally they said \$100 million, now they are saying \$70 million. I was calling to see if you could use your influence--because it is an ear mark, the loan is important psychologically. I think that the credit of \$100 million is important and that reduction would have a bad psychological effect.

The President: Mr. President, I will look into the amount. They are doing this because they are impressed with what you are doing. The escrow loan can be counted in your reserves and this will have a good influence on the foreign exchange market. They did not talk to me about the amount. I will get back to the Treasury about that.

President Paz: Yes, that is exactly what I was referring to--a loan the amount of \$100 million which would not be spent but that would have an important effect on the reserves of the bank. I hope it will be in the amount of \$100 million. I want to thank you and insist that it be in this amount. Let them have no doubt on the amount.

The President: I will check on the amount and will certainly convey to the Secretary your desire about the amount.

President Paz: Thank you very much Mr. President.

The President: If I could talk to you one more minute, I would like to make two or three points while I have you on the line, sir.

The President: Hello?

President Paz: Yes, I would have time to listen.

The President: First, we appreciate your anti-narcotic efforts. As you know, it is difficult, and I did not want to hang up without telling you of my personal appreciation for all you have done.

And secondly, I just want to say again on a very personal level of personal respect, to tell you how much we value your efforts over these last four years to maintain a liberal economy with democracy. We respect that and we do want to be helpful on the matter you raised with me.

And the third point, Mr. President, relates to Noriega and Panama. I recognize very clearly that the solution to this difficult problem must not be a solution imposed by the U.S. through force. And I have tried to encourage leaders in Central and South America to do what their natural intentions would have them do--to speak out to see that the election not remain stolen from the people. I just want to encourage you to continue, if you had any thoughts, to continue to do what Bolivia is doing, to advance democracy with the other leaders in the area. This man must not be permitted to abort the will of the people. I support the OAS and welcome your leadership and your principled stand for democracy regarding the situation in Panama.

President Paz: Thank you very much for what you said about our efforts on drugs and our economic area. Regarding Panama, we are going to support the mission of the OAS with the hope that something will be done to solve this complex situation. You can count on us.

The President: Thank you Mr. President and I will talk to the Secretary of the Treasury. I hope our paths cross soon again.

President Paz: It has been nice talking to you Mr. President and I thank you in advance for talking to the Department of Treasury.

The President: Good bye, Adios.

-- End of Conversation --