

Message Text

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ACTION ARA-15

INFO OCT-01 ADS-00 SSO-00 NSCE-00 INRE-00 ICAE-00
AID-05 CIAE-00 COM-02 EB-08 FRB-03 INR-10 NSAE-00
TRSE-00 XMB-02 OPIC-07 SP-02 LAB-04 H-01 SIL-01
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E.O. 12065: N/A

TAGS: ECON, BL

SUBJECT: (U) BOLIVIAN BANK HOLIDAY

1. (U) LATE NOV 14, THE CENTRAL BANK ORDERED COMMERCIAL BANKS AND THE MONEY EXCHANGE HOUSES THROUGHOUT BOLIVIA TO CLOSE NOV 15 AND NOV 16. THE ORDER STATED THAT THIS MEASURE WAS BEING TAKEN TO PERMIT FUNDAMENTAL ADJUSTMENTS IN THE COUNTRY'S FINANCIAL SYSTEM AND TO AVOID UNNECESSARY CONFUSION IN NORMAL BANKING OPERATIONS.

2. (LOU) THIS CAME AFTER THE CENTRAL BANK'S NOV 13 DECISION TO CLOSE ITS FOREIGN EXCHANGE WINDOW. BANKS WERE OPEN NOV 14 BUT ONLY FOR PESO TRANSACTIONS; THE BANKS WERE BUSY BUT THERE WAS NO "RUN" ON PESOS. ON THURSDAY, NOV 15, BANKS AND MONEY EXCHANGE HOUSES WERE CLOSED THROUGHOUT BOLIVIA CATCHING MANY PEOPLE WITHOUT SUFFICIENT PESOS TO SEEM THEM THROUGH THE FOUR DAY PERIOD UNTIL THE BANKS REOPEN ON MONDAY. THE MARKET EXCHANGE RATE REACHED AS HIGH AS 38 PESOS TO THE DOLLAR IN LA PAZ.

3. (LOU) ADDING TO THE UNREST AND DEVALUATION EXPECTATIONS CREATED BY THE BANK HOLIDAYS, ON NOV 15 NEWSPAPERS AND THE RADIO

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CARRIED NEWS ITEMS INDICATING THAT THE GOB WAS CONDUCTING CONVERSATIONS WITH THE IMF AND WOULD ANNOUNCE AN ECONOMIC PACKAGE SHORTLY. LEAVING THURSDAY'S EARLY MORNING CABINET MEETING, MINISTER OF FINANCE AGAPITO MONZON TOLD REPORTERS THAT AN ECONOMIC PACKAGE WORKED OUT WITH THE IMF HAD BEEN DISCUSSED AT THE MEETING. HE ASSURED REPORTERS THAT THE PACKAGE WOULD NOT INCLUDE DEVALUATION AND WOULD NOT RAISE PRICES OF GASOLINE,

KEROSENE, AND DIESEL. RESIGNED TO ECONOMIC MEASURES, THE GENERAL PUBLIC REMAINS UNCONVINCED ALTHOUGH HOPEFUL THAT NO DEVALUATION WILL TAKE PLACE. RUMORS ABOUND AND IN SANTA CRUZ, WHERE SURPLUS CONTRABAND DOLLARS FREQUENTLY MOVE THE OFFICIAL EXCHANGE RATE DOWNWARD; DOLLARS WERE NOT EVEN AVAILABLE FROM THE MANY STREET TRADERS.

4. (U) SANTA CRUZ HAS BEEN PARTICULARLY AFFECTED BY BOLIVIA'S ECONOMIC SITUATION. IMPORTERS, AN IMPORTANT COMPONENT OF ITS ECONOMY, HAVE BEEN UNABLE TO OBTAIN THE FOREIGN EXCHANGE NECESSARY TO MEET THEIR FOREIGN CREDIT OBLIGATIONS. OTHER LOCAL BUSINESSES HAVE BEEN AFFECTED BY THE GOB'S FAILURE TO REIMBURSE THE SUGAR MILLS FOR THE 1979 HARVEST CAUSING THE IMPACT TO BE FELT AND MULTIPLIED THROUGHOUT THE LOCAL ECONOMY.

BOEKER

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