

Message Text

LIMITED OFFICIAL USE

PAGE 01 LA PAZ 02086 111948Z
ACTION ARA-15

INFO OCT-01 ISO-00 COM-02 SOE-02 AID-05 CEA-01 CIAE-00
DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09 SP-02
SS-15 STR-08 TRSE-00 ACDA-12 /136 W
-----115732 120109Z/15

R 101335Z MAR 79
FM AMEMBASSY LA PAZ
TO SECSTATE 5166
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANIERO

LIMITED OFFICIAL USE LA PAZ 2086

RIO FOR REGIONAL RESOURCES OFFICER

E.O. 12065: N/A
TAGS: ENRG, BL
SUBJECT: BOLIVIA'S OIL IMPORT PROBLEM-A BRAZILIAN SOLUTION?

1. BEGIN SUMMARY. A COMBINATION OF BOLIVIA'S RAPIDLY WORSENING BALANCE OF PAYMENTS PREDICAMENT AND SERIOUS FINANCIAL PROBLEMS IN YPFB IS SPURRING EFFORTS HERE TO FIND A WAY TO AVOID THE COUNTRY'S AGAIN BECOMING A NET PETROLEUM IMPORTER. ONE POSSIBLE MEDIUM-TERM SOLUTION BEING DISCUSSED WITHIN THE GOB IS A PETROLEUM SWAP WITH BRAZIL. END SUMMARY.

2. THE PROBLEM. ALTHOUGH DECLINING, BOLIVIA'S CURRENT CRUDE PRODUCTION IS APPROXIMATELY 31,000 BPD WHILE CONSUMPTION TOTALS ONLY 24-25,000 BPD. NEVERTHELESS, THE EXTREME LIGHTNESS OF BOLIVIAN CRUDE REQUIRES THAT THE ENTIRE PRODUCTION BE REFINED IN COUNTRY TO SUPPLY NEEDED HEAVY COMPONENTS. HOWEVER, AS CONSUMPTION CONTINUES TO RISE (IT HAS BEEN INCREASING AT 10 PERCENT ANNUALLY) AND PRODUCTION DECLINES, A POINT WILL BE REACHED WHERE LOCAL CRUDE PRODUCTION WILL FAIL TO PROVIDE THE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LA PAZ 02086 111948Z

NECESSARY 10,000 BPD OF DIESEL, KEROSENE, JET FUEL AND FUEL OIL. THIS COULD OCCUR AS EARLY AS MID-1979 EVEN THOUGH AT THAT POINT DOMESTIC CRUDE PRODUCTION WILL STILL SUBSTANTIALLY EXCEED DOMESTIC CRUDE CONSUMPTION. (BOLIVIA HALTED CRUDE EXPORTS, ALL OF WHICH HAD BEEN GOING TO ARGENTINA, IN OCTOBER 1978.)

3. THE RESULTING 2,000-3000 BPD HEAVY FUEL SHORTFALL BEGINNING SOME TIME DURING THE LATTER HALF OF THIS YEAR COULD, OF COURSE, BE DEALT WITH BY IMPORTING EITHER CRUDE OR HEAVY PRODUCT. HOWEVER IMPORTATION PRESENTS A MAJOR TRANSPORTATION PROBLEM. THE EXISTING LA PAZ TO ARICA (CHILE) PIPELINE IS LARGELY GRAVITY OPERATED AND TO REVERSE THE FLOW WOULD REQUIRE A SUBSTANTIAL NEW INVESTMENT IN PUMPING EQUIPMENT. THE ONLY OTHER TRANSPORT ALTERNATIVES -- A NARROW GAUGE RAILROAD FROM ARICA AND AN OFTEN IMPASSABLE PARALLEL HIGHWAY-- PRESENT THEIR OWN SERIOUS PROBLEMS.

4. A BRAZILIAN SOLUTION? FACED WITH INTERMITTENT GASOLINE SHORTAGES IN WESTERN MATO GROSSO, PETROBRAS HAS PRIVATELY OFFERED YPFB A TRADE: BRAZILIAN CRUDE FOR BOLIVIAN GASOLINE ON A BARREL-FOR-BARREL BASIS. HOWEVER, ACCORDING TO BOLIVIAN GOVERNMENT SOURCES, THE BRAZILIAN OFFER HAS, AT LEAST FOR NOW, BEEN DECLINED. THE REASON GIVEN IS THAT WITH BOLIVIAN GASOLINE WORTH MORE THAN AN EQUAL VOLUME OF BRAZILIAN-SUPPLIED CRUDE, THE DEAL IS INEQUITABLE.

5. COMMENT: THE GOB COULD OF COURSE CONTINUE TO EXPORT ITS EXCESS GASOLINE AND USE THE RESULTANT FOREIGN EXCHANGE TO BUY CRUDE. BUT TRANSPORTATION REMAINS A PROBLEM UNLESS PETROBRAS AGREES TO SIMPLY SELL CRUDE RATHER THAN SWAP IT FOR GASOLINE, A DEAL THE BRAZILIAN ENTITY IS REPORTEDLY PRESENTLY UNWILLING TO MAKE. IN SPITE OF YPFB HEAD COL. JOSE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LA PAZ 02086 111948Z

PATINO'S INITIAL REJECTION OF THE PROPOSED PETROBRAS SWAP, IT IS LIKELY THE DEAL (PERHAPS SWEETENED SOMEWHAT BY THE BRAZILIANS) WILL LOOK INCREASINGLY ATTRACTIVE AS THE NEED TO IMPORT THE FIRST SHIPMENT OF CRUDE APPROACHES. IN PART, THE APPEAL OF THE PETROBRAS OFFER IS THAT A SWAP WILL AVOID HIGHLIGHTING THE CONTINUATION OF THE GOB'S PRESENT SUBSIDY OF DOMESTIC FUEL CONSUMPTION. IMPORTING WORLD-MARKET CRUDE OR PRODUCT AT HIGHER UNIT PRICES THAN THE FUEL IS RESOLD FOR DOMESTICALLY WILL DRAMATIZE THE SUBSIDY AND EMBARRASS THE GOB WITH LOCAL AND FOREIGN CRITICS OF ITS ECONOMIC POLICIES. BY CONTRAST, A SWAP WOULD BE FAR LESS DRAMATIC AND MAY WELL IN THE END PROVE IRRESISTIBLE TO A GOVERNMENT WHICH IS BOTH LOATHE TO RAISE FUEL PRICES AND EMBARRASSED TO HIGHLIGHT THE FACT THAT THE COUNTRY'S ONCE WIDELY-TOUTED OIL WEALTH IS NO LONGER SUFFICIENT TO FULFILL EVEN ITS OWN NEEDS.

BOEKER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, GASOLINE, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 mar 1979
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1979LAPAZ02086
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D790113-0965
Format: TEL
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1979/newtext/t19790393/aaaacztw.tel
Line Count: 110
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 083609e0-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3707576
Secure: OPEN
Status: NATIVE
Subject: BOLIVIA'S OIL IMPORT PROBLEM-A BRAZILIAN SOLUTION?
TAGS: ENRG, ETRD, BL, BR
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/083609e0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014