

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 AGR-20 COME-00 SP-03 AID-20

NSC-07 RSC-01 CIEP-03 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 GSA-02 XMB-07 L-03 H-03 DRC-01 /133 W

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P 022121Z AUG 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 3829

LIMITED OFFICIAL USE LA PAZ 5030

E.O. 11652: N/A

TAGS: ETRD, BL

SUBJ: INVENTORY OF BOLIVIA TRADE PROBLEMS

REF: STATE 162838

1. EMBASSY BELIEVES REFTEL WITH MINOR CHANGES APTLY DESCRIBES
TRADE PROBLEMS AFFECTING BOLIVIA. THIS TELEGRAM RETRANSMITS
PARAS. 3.A.2., 3.A.3., AND 3.C.1. OF REFTEL WITH EMBASSY'S
SUGGESTED CHANGES.

2. PARA. 3.A.2. - EX-IM BANK CREDITS. THE EX-IM BANK CURRENTLY
REFUSES TO MAKE LOANS OR ISSUE CREDIT GUARANTEE FOR SALES TO BOLIVIA
DUE TO GOB DEFAULT ON DEBTS IN THE PAST AND, MORE RECENTLY, LATE
PAYMENT OF DEBTS. THE GOB HAS MADE STRONG REPRESENTATIONS TO THE
USG ASKING THAT THE EX-IM POLICY BE RECONSIDERED BUT TO NO AVAIL.
THE GOB SEES THE EX-IM POLICY AS A SERIOUS ROADBLOCK IN ACHIEVING
ITS CAPITAL INVESTMENT GOALS, AND AS A PREJUDICIAL USG VIEW OF
BOLIVIA IN LIGHT OF MORE FORTHCOMING ATTITUDE OF BRAZIL, U.K.,
FRG AND JAPAN, AMONG OTHERS.

3. PARA 3.A.3. - SUGAR ACT. THE GOB WILL UNDOUBTEDLY BE
UNHAPPY IF THE SUGAR ACT IS NOT RENEWED. THIS REACTION WILL BE
MUTED SO LONG AS THE INTERNATIONAL PRICE REMAINS ABOVE THE QUOTA
PRICE AND WORLD DEMAND REMAINS STRONG, ALTHOUGH GOB MAY YET SEND
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US NOTE ON SUBJECT.

4. PARA. 3.C.1. - BOLIVIAN-ARGENTINE TRADE PROBLEMS. THE GOB HAS BEEN CONCERNED FOR ALMOST A YEAR OVER WHAT IT REGARDS AS GOA NON-PERFORMANCE ON COMMITMENTS TO BOLIVIA. THE PRIMARY COMPLAINT IS WITH REGARD TO FULFILLING CONTRACTS TO PROVIDE WHEAT AND FLOUR TO BOLIVIA AT PRICES AGREED IN 1973 AND WITH APPARENT ARGENTINE FOOT-DRAWING ON CONSTRUCTION OF A HIGHWAY FROM POTOSI TO THE ARGENTINE BORDER AT BERMEJO. THE GOB IS CONVINCED THAT THIS STANCE REFLECTS GOA PIQUE WITH THE GO'S DEMANDS TO INCREASE PRICES ON NATURAL GAS AND PETROLEUM SUPPLIED TO ARGENTINA. THIS SITUATION MAY BECOME MORE AGGRAVATED AS A RESULT OF THE RECENT SIGNATURE OF AN IMPORTANT AGREEMENT BETWEEN BOLIVIA AND BRAZIL WHICH COMMITTS BOLIVIA TO SELL LARGE QUANTITIES OF NATURAL GAS AND PETROLEUM TO BRAZIL IN EXCHANGE FOR LARGE AMOUNTS OF BRAZILIAN ASSISTANCE. TALKS TO STRAIGHTEN OUT THE COMPLEX OF ARGENTINE-BOLIVIAN ECONOMIC RELATIONS (OTHER EXAPLES, GOA WANTS BOLIVIAN IRON ORE AND GOB WANTS ARGENTINE AVGAS AT LOW PRICE) HAVE NEVER GOTTEN OFF THE GROUND.
STEDMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE COMPLAINTS, DIPLOMATIC PROTESTS, INVENTORY DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 02 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LAPAZ05030
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740212-0750
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740879/aaaacqbu.tel
Line Count: 80
Locator: TEXT ON-LINE, ON MICROFILM
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: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 162838
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2002 by kelleyw0>; APPROVED <24 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INVENTORY OF BOLIVIA TRADE PROBLEMS
TAGS: ETRD, BL, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005