

Message Text

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PAGE 01 LA PAZ 00177 082114Z
ACTION COM-04

INFO OCT-01 ARA-11 ISO-00 INT-05 EUR-12 EB-08 /041 W
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FM AMEMBASSY LA PAZ
TO AMEMBASSY BONN
INFO SECSTATE WASHDC 4231

C O N F I D E N T I A L LA PAZ 0177

EO 12065: GDS 1/8/85 (JOHNSON, RALPH R.) OR-E
TAGS: EMIN, EIND, BL
SUBJECT: KLOCKNER LEAD-SILVER SMELTER PROJECT

REF: BONN 00279

1. (CONFIDENTIAL - ENTIRE TEXT)

2. THE LEAD-SILVER SMELTER PROJECT BEING PROMOTED BY KLOCKNER IS NOW BEING REVIEWED BY THE GOB. PERHAPS BECAUSE OF ITS SIZE, THIS PROJECT HAS BEEN THE SUBJECT OF CONSIDERABLE PUBLIC CONTROVERSY IN RECENT MONTHS. DURING OCTOBER THE PRESIDENT OF BOLIVIA'S CENTRAL BANK STATED PUBLICLY THAT HE DID NOT BELIEVE THE PRICE INCREASES DEMANDED BY KLOCKNER (MOST RECENTLY FROM \$137 TO \$150 MILLION) WERE JUSTIFIED, OR THAT THE INTERNAL RATE OF RETURN EXPECTED FROM THE INVESTMENT WAS SUFFICIENT TO SUPPORT THE EXPENDITURE. RATHER THAN SIGN THE GUARANTEE REQUIRED FOR THE PROJECT, THE CENTRAL BANK PRESIDENT RESIGNED.

2. FROM WHAT WE KNOW OF EVALUATIONS MADE OF THE KLOCKNER PROPOSAL, WHICH OFFERS SOVIET TECHNOLOGY THAT APPARENTLY HAS NOT YET BEEN APPLIED ON A COMMERCIAL SCALE, THERE ARE GROUNDS FOR QUESTIONING THE PROFITABILITY OF THIS SIZEABLE INVESTMENT. AS BOLIVIA IS NOW FACING A SEVERE FINANCIAL CRUNCH (DEBT SERVICE MAY RISE TO 34 PERCENT OF EXPORTS IN 1979, AND THE BALANCE OF PAYMENTS DEFICIT IN 1978 IS ESTIMATED AT OVER \$100
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MILLION, WITH EXPORTS GROWING AT ABOUT FIVE PERCENT AND IMPORTS AT 20 PERCENT PER YEAR), IT IS UNDERSTANDABLE THAT THE NEW GOVERNMENT WOULD WISH TO EXAMINE THE PROJECT WITH CARE.

3. FYI. IT HAS BEEN WIDELY RUMORED THAT SUBSTANTIAL FINANCIAL PAYMENTS HAVE BEEN MADE BY KLOCKNER OR ITS LOCAL REPRESENTATIVES TO SECURE OVAL OF THIS PROJECT.

BOEKER

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Message Attributes

Automatic Decaptioning: X
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Concepts: SILVER, CONSTRUCTION, FOREIGN INVESTMENT, LEAD, PROGRAMS (PROJECTS), PROPOSALS (BID)
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