

Message Text

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PAGE 01 LA PAZ 05030 032111Z

63

ACTION ARA-20

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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-Dragging 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 COMMITS 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 EXAMPLES, GOA WANTS BOLIVIAN IRON ORE AND GOB WANTS ARGENTINE AVGAS AT LOW PRICE) HAVE NEVER GOTTEN OFF THE GROUND.

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