

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 L-03 EB-11 INR-10 DRC-01 RSC-01 /047 W

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P 251724Z JAN 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 2046

UNCLAS LA PAZ 0538

E.O. 11652: N/A

TAGS: BDIS, EIND, BBAK, BL

SUBJ: FARMABOL CASE

REF: A) STATE 14854; B) LA PAZ 470; C) STATE 13866; D)

BINNS' MEMO OF JAN. 3, 1974

1. AS OF SIX P.M. JAN 24, CAPT. SANCHEZ HAD NOT RETURNED FROM HIS TRIP. HIS OFFICE PROMISED TO HAVE HIM TELEPHONE EMBASSY IMMEDIATELY UPON HIS RETURN.

2. COMMENT: WE ARE IN COMPLETE ACCORD WITH DEPARTMENT'S DESIRE THAT THE USG'S ROLE IN THIS CASE BE ESSENTIALLY THAT OF HONEST BROKER AND ARE SATISFIED THAT THE GOB OFFICIALS CONCERNED WITH THIS DISPUTE SO REGARD US. WHEN CAPT. SANCHEZ WAS INFORMED OF SUBSTANCE OF REF D, HE SEEMED MORE APPRECIATIVE OF THE DEMONSTRATION OF THE USG'S WILLINGNESS TO ACT AS AN HONEST BROKER THAN DISTURBED BY WHAT HE CLEARLY UNDERSTOOD TO BE MERELY AN INITIAL AND FRAGMENTARY REPORT. WE ARE CONFIDENT THAT THE GOB CONTINUES TO REGARD SETTLEMENT OF THE FARMABOL DISPUTE AS IN ITS INTEREST AND CONTINUES TO SEE ATTY. HATHORN'S PACKAGES AS A PROMISING VEHICLE FOR RESOLUTION. (OBVIOUSLY, CONFIRMATION OF OUR IMPRESSION MUST AWAIT SANCHEZ' RETURN.) CLEARLY, HOWEVER, HATHORN'S PACKAGES MUST STAND ON THEIR OWN MERITS.

3. AS DEPARTMENT IS AWARE, ATTY. HATHORN CAME TO BOLIVIA WITH THREE ARROWS IN HIS QUIVER: A) SETTLE THE FARMABOL DISPUTE; B) OFFER THE DOMINICK & DOMINICK LOAN, AND C)
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OFFER THE COMPLEX "FIDUCIARY DEPOSIT" LOAN PACKAGE DESCRIBED

IN LA PAZ 7639 AND LA PAZ 7614. AS REPORTED IN OUR A-268, HATHORN SAID THE LOANS AND THE FARMABOL SETTLEMENT NEED NOT BE DIRECTLY TIED TOGETHER. WHILE HERE, HE CLEARLY GAVE IMPRESSION THAT HE WAS MORE INTERESTED IN ARRANGING THE "FIDUCIARY DEPOSIT" LOAN PACKAGE THAN IN EITHER OR BOTH OF THE OTHER MATTERS. MOREOVER, HATHORN SAID PURPOSE OF HIS DECEMBER TRIP HERE WAS TO ESTABLISH PARAMETERS OF DISCUSSION. HE LEFT SATISFIED HE HAD DONE SO AND CLEARLY AWARE THAT NEXT STEP WOULD BE SATISFACTION OF GOB'S INQUIRIES ABOUT HIS OWN, HIS FIRM'S AND HIS BACKERS ANTECEDENTS AND BONA FIDES.

4. DEPARTMENT WILL RECALL THAT GOB WAS EMBARRASSED LAST SUMMER BY A \$US 225 MILLION LOAN OFFER (AMONG SEVERAL OTHERS) THAT COULD NOT BE CLOSED AFTER PUBLIC ANNOUNCEMENT. IF FOR NO OTHER REASON, GOB OFFICIALS WOULD TODAY APPROACH ANY PACKAGE WITH HEALTHY CAUTION WHICH WE FEEL SHOULD BE ENCOURAGED AND WHICH, TO THE EXTENT THAT U.S. CITIZENS ARE INVOLVED, WE FEEL WE SHOULD HELP SATISFY.

5. ON THE OTHER HAND, WHILE WE ARE INDEED ANXIOUS TO SEE FARMABOL DISPUTE RESOLVED, WE DO NOT FEEL THAT ATTY. HATHORN'S PACKAGES CONSTITUTE ONLY OPPORTUNITY HISTORY WIL* OFFER. CAPT. SANCHEZ WAS THE ONLY GOB OFFICIAL INFORMED OF REF D AND WE BELIEVE HE SHOULD CONTINUE TO BE THE CHANNEL OF INFORMATION, ANY OTHER APPROACH, IN OUR VIEW, WOULD PUT USG IN THE POSITION OF SEEMINGLY ENDORSING A SPECIFIC TRANSACTION. END COMMENT.

6. ACTION REQUESTED: REF. C REPORTED DOMINICK & DOMINICK PRESIDENT KENNEDY SAID QUOTE HE WOULD BE AWARE OF A TRANSACTION OF THIS MAGNITUDE END QUOTE AND ALSO REPORTED THAT DOMINICK & DOMINICK'S S.A. MEGEATH QUOTE CONFIRMED HATHORN WAS AUTHORIZED TO PROPOSE \$US 15 MILLION TRANSACTION TO GOB END QUOTE. TO CLOSE CIRCLE, DEPARTMENT IS REQUESTED TO SEEK CONFIRMATION FROM KENNEDY THAT MEGEATH IS EMPOWERED TO COMMIT DOMINICK & DOMINICK IN THIS MATTER. STEDMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL TRANSACTIONS, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LAPAZ00538
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740116/aaaaaomv.tel
Line Count: 98
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: UNCLASSIFIED
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: n/a
Previous Handling Restrictions: n/a
Reference: A) STATE 14854; B) LA PAZ 470; C) ST, ATE 13866; D)
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 16 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 OCT 2002 by daviscw>; APPROVED <25-Nov-2002 by garlanwa>
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: FARMABOL CASE
TAGS: BDIS, EIND, BBAK, BL, (KENNEDY, PETER)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005