

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01

SWF-02 OIC-04 OPIC-12 SIL-01 FTC-01 DRC-01 /189 W

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R 241535Z APR 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 2908

UNCLAS SECTION 1 OF 2 LA PAZ 2576

E.O. 11652: N/A

TAGS: EIND, EFIN

SUBJECT: FOREIGN INVESTMENT CLIMATE AND DATA

REF: STATE 53993

SUMMARY: THUS MESSAGE UPDATES FOREIGN INVESTMENT CLIMATE  
NARRATIVE FOR ANNUAL COMPENDIUM. END SUMMARY.

1. TEXT REQUESTED LONGER THAN SPECIFIED PARA 7 REFTEL BUT  
WE FEEL IS CLOSE TO MINIMUM POSSIBLE GIVEN POINTS REFTEL PARA 4  
SUGGESTS BE COVERED AND BOLIVIA'S INTERESTING FOREIGN INVEST-  
MENT HISTORY. IF DEPARTMENT WISHES ADHERE TO MAXIMUM LENGTH  
SPECIFIED PARA 7 REFTEL, WE HAVE NO OBJECTION TO DEPARTMENT  
ELIMINATING PORTIONS TEXT IT BELIEVES LEAST IMPORTANT TO BUSINESS-  
MEN.

2. TEXT FOLLOWS. INVESTMENT CLIMATE.- THE GOVERNMENT'S  
ATTITUDE TOWARD NEW FOREIGN DIRECT INVESTMENT IS GENERALLY  
ENCOURAGING. ITS ATTITUDE TOWARDS OLD DIRECT INVESTMENT HAS  
FREQUENTLY BEEN ADVERSE. THE GOVERNMENT DID NOT REVERSE  
NATIONALIZATIONS OF BOLIVIAN GULF OIL COMPANY, MINA MATILDE  
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CORPORATION (UNITED STATES STEEL AND PHILLIP BROS.) AND IN-

TERNATIONAL MINERAL PROCESSING COMPANY. IT DID NOTHING TO  
DISCOURAGE W.R. GRACE FROM DISINVESTING.

THE GOVERNMENT'S ATTITUDE TOWARD THE PRIVATE SECTOR AS A  
WHOLE HAS BEEN RELATIVELY FAVORABLE IN THE CONTEXT OF RECENT  
BOLIVIAN HISTORY. THE GOVERNMENT, NEVERTHELESS, CLEARLY FAVORS  
LIMITING CONTROL OF CERTAIN INDUSTRIES TO THE PUBLIC SECTOR,  
AND IMPORTANT ELEMENTS OF THE PRIVATE SECTOR BELIEVE THE GOVERN-  
MENT HAS A DISTINCT STATIST TENDENCY AS MOST RECENTLY INDICATED  
BY ITS SUPPORT FOR THE ENTRY OF THE ARMED FORCES (IN THE FORM  
OF THE ARMED FORCES NATIONAL DEVELOPMENT CORPORATION) INTO  
INDUSTRY, MINING, AND AGRICULTURE.

LAW NO. 10521 OF OCTOBER 3, 1972, RESERVES CONTROL OF BOLIVIA'S  
PROSPECTIVE IRON AND STEEL INDUSTRY TO THE PUBLIC SECTOR.

LAW NO. 7150 OF MAY 7, 1965, RESERVES TO COMIBOL MINERAL  
RIGHTS ON ANY LAND WITHIN 5 KILOMETERS OF EXISTING COMIBOL  
CONCESSIONS. GOVERNMENT POLICY ALSO APPEARS TO BE AIMED AT  
KEEPING ALL NEW MINERAL SMELTING CAPACITY UNDER PUBLIC SECTOR  
CONTROL. ON THE OTHER HAND, THE INVESTMENT LAW OF DECEMBER 1971  
MAKES CLEAR THAT PRIVATE FOREIGN INVESTORS ARE TO BE TREATED  
THE SAME AS DOMESTIC INVESTORS. THE LAW GRANTS CONSIDERABLE TAX  
AND OTHER CONCESSIONS TO NEW INVESTMENTS AND GUARANTEES, INTER  
ALIA, REPATRIATION OF CAPITAL AND PROFITS. THE 1972 HYDROCARBONS  
LAW HAS ATTRACTED SEVEN FOREIGN OIL COMPANIES OR GROUPS AND MORE  
ARE EXPECTED TO SIGN CONTRACTS SOON.

THE GOVERNMENT RECENTLY INVITED FOREIGN FIRMS TO TAKE UP TO  
50,000 HECTARES EACH OF ALTO BENI LAND TO PUT INTO CACAO  
PRODUCTION.

THE ONLY KNOWN LEGAL BARRIERS TO DIRECT FOREIGN INVESTMENT ARE:  
(1) UNDER THE HYDROCARBONS LAW, INVESTMENTS ARE LIMITED TO THOSE  
PERMITTED UNDER SERVICE AND OPERATIONS CONTRACTS; (2) FOREIGN-  
ERS MAY NOT REPEAT NOT OWN PROPERTY WITHIN 50 KILOMETERS OF  
BOLIVIA'S BORDERS; AND (3) THE PROVISIONS OF THE ANDEAN FOREIGN  
INVESTMENT CODE, THE FULL EFFECTS OF WHICH BOLIVIANS ARE QUICK TO  
POINT OUT, WILL NOT APPLY FOR SOME TWENTY YEARS. BUSINESSMEN  
PROBABLY SHOULD ASSUME THAT MOST OF THE PACT'S TARIFF, OWNERSHIP  
AND OTHER RESTRICTIONS, AS WELL AS BENEFITS, WILL EVENTUALLY  
BE APPLIED IN BOLIVIA, ALTHOUGH THE GOVERNMENT HAS NOT YET  
ISSUED IMPLEMENTING REGULATIONS TO DECISION 24 ON FOREIGN INVEST-  
MENT. THE ONLY RULES ON LOCAL PROCUREMENT (ORIGIN OF INPUTS)  
ARE LIKELY TO BE THOSE WORKED OUT BY THE PACT. IN ADDITION TO  
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EXPORT GOALS FOR FOREIGN INVESTORS ESTABLISHED BY THE PACT,  
THE INVESTMENT LAW DOES PROVIDE THAT THE SCALE OF BENEFITS AN  
INVESTMENT WILL RECEIVE WILL BE DETERMINED IN PART BY THE  
POTENTIAL FOREIGN EXCHANGE EARNINGS OR SAVINGS OF THE PROJECT.  
THE GOVERNMENT ENGAGES IN WEAKLY ENFORCED PRICE FIXING ON  
ITEMS IMPORTANT TO THE "POPULAR ECONOMY". THIS USUALLY MEANS  
BASIC FOOD PRICES (FLOUR, LARD, VEGETABLE OIL, RICE,  
COFFEE, SUGAR, ETC.; GASOLINE, AUTO PARTS, TIRES, ETC.

NATIONALIZATIONS BEGAN IN BOLIVIA IN 1936, RESUMED IN THE EARLY 1950'S AND AGAIN IN THE LATE 60'S AND EARLY 70'S. THE BANZER GOVERNMENT, WHICH WILL HAVE BEEN IN POWER TWO YEARS AND TEN MONTHS IN JUNE, 1974, HAS SETTLED ALL CLEAR CASES OF NATIONALIZATION WITH DESPATCH AND GOOD WILL. THE EMBASSY BELIEVES, HOWEVER, THAT THE VAGARIES OF BOLIVIAN POLITICS ARE SUCH THAT RENEWED OFFICIAL RESPECTABILITY FOR NATIONALIZATION IS NOT UNTHINKABLE. PARTICULARLY IF THERE WERE TO BE A CHANGE IN GOVERNMENT.

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R 241535Z APR 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 2911

UNCLAS FINAL SECTION OF 2 LA PAZ 2576/2

THE INSTITUTO NACIONAL DE INVERSIONES (INI), THE AGENCY WHICH ADMINISTERS THE INVESTMENT LAW, CONFIRMED THAT THERE IS NO REQUIREMENT THAT AN INVESTOR SUBJECT HIMSELF TO THE INVESTMENT LAW, ALTHOUGH IT IS CLEARLY IN HIS INTEREST TO DO SO, NOR MUST AN INVESTOR SEEK OR OBTAIN APPROVAL OF HIS PLANS FROM THE NATIONAL PLANNING AND ECONOMIC COUNCIL OR THE CABINET. YET EVERY FOREIGN INVESTMENT OF SIGNIFICANT SIZE (SAY US\$ 1 MILLION OR MORE) HAS BEEN APPROVED BY CABINET DECREE.

WE BELIEVE THAT A POTENTIAL U.S. INVESTOR WOULD BE WELL ADVISED TO SHAPE HIS INVESTMENT CAREFULLY THROUGH SUCH DEVICES AS SERVICE AND/OR OPERATIONS CONTRACTS, MIXED CORPORATIONS WITH PRIVATE BOLIVIANS AND/OR BOLIVIAN GOVERNMENT ENTITIES, NATIONALS OF OTHER ANDEAN PACT COUNTRIES OR WITH THE CORPORACION ANDINA

DE FOMENTO, ETC. OPIC INSURANCE IS AVAILABLE BUT BECAUSE OF BOLIVIA'S ADHERENCE TO THE ANDEAN PACT'S INVESTMENT CODE THOSE COMPANIES WISHING TO EXPORT TO THE FIVE OTHER ANDEAN COUNTRIES AND TO BENEFIT FROM THE WIDER MARKET OF THE PACT PROBABLY WILL NOT RECEIVE OPIC INSURANCE. THERE IS A MOST FAVORED NATIONAL TREATY, BUT NO DOUBLE TAXATION TREATY. THERE HAVE BEEN NO SIGNIFICANT PROBLEMS FROM EXTRATERRITORIAL APPLICATION OF U.S. OR BOLIVIAN LAWS OR FROM THE APPLICATION OF PATENT, ROYALTY, TECHNOLOGY LAWS, ETC. LOCAL CURRENCY IS FREELY CONVERTIBLE."

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END TEXT.

3. IF U.S. DIRECT INVESTMENT (BOOK VALUE) NOT AVAILABLE FROM USDOC AND OPIC WE WILL TRY DEVELOP WORTHWHILE ESTIMATES.

4. NO DATA IS AVAILABLE ON DIRECT INVESTMENT IN BOLIVIA BY THIRD COUNTRIES. WE ESTIMATE TOTAL AT ABOUT US\$ 10 MILLION, PRINCIPALLY IN JAPANESE OWNED NITTO MINING.

4. DIRECT INVESTMENT IN U.S. BY BOLIVIANS NEGLIGIBLE.

6. PLEASE SEND COPY OF PUBLISHED COMPENDIUM.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 APR 1974  
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**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition Remarks:**  
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**TAGS:** EIND, EFIN, BL  
**To:** STATE  
**Type:** TE  
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