

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SS-20 USIA-15 IGA-02 FEA-02 AGR-20

DRC-01 (ISO) W

----- 028058

P 191940Z MAR 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 2572

C O N F I D E N T I A L SECTION 1 OF 2 LA PAZ 1673

E.O. 11652: GDS

TAGS: EAID BL

SUBJ: GOB REQUEST FOR RECONSTRUCTION FINANCIAL ASSISTANCE

REF: A. STATE 52986

B. LA PAZ 1485

C. STATE 48030

1. ON MARCH 19 I HANDED TEXT OF FOLLOWING AIDE MEMOIRE TO
ACTING PRESIDENT GENERAL GUZMAN IN THE PRESIDENTIAL PALACE:

"THE DEPARTMENT OF STATE HAS INFORMED THE EMBASSY THAT IT
HAS CAREFULLY REVIEWED THE GOVERNMENT OF BOLIVIA'S REQUEST FOR
FINANCIAL ASSISTANCE FOR THE RECONSTRUCTION OF FLOOD DAMAGE.
THE DEPARTMENT HAS EXPRESSED THE VIEW THAT THERE SHOULD BE FIRST
AN ASSESSMENT OF THE FLOOD DAMAGE AND THE REQUIREMENTS FOR
RECONSTRUCTION, AND THAT THIS ANALYSIS BE CONDUCTED WITH THE
ASSISTANCE OF REPRESENTATIVES OF THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT, THE INTER-AMERICAN DEVELOPMENT
BANK, AS WELL AS THE AGENCY FOR INTERNATIONAL DEVELOPMENT. THE
DEPARTMENT SUGGESTS THAT THE GOVERNMENT OF BOLIVIA CONSIDER
REQUESTING PERHAPS THROUGH THE AUSPICES OF CIAP, THE MULTILATERAL
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AGENCIES TO UNDERTAKE A JOINT SURVEY. IN ANY EVENT, THE UNITED

STATES IS WILLING TO PROVIDE EXPERTS FROM AID WASHINGTON TO ASSIST THE GOVERNMENT OF BOLIVIA IN THIS ASSESSMENT.

"AFTER THE ASSESSMENT OF DAMAGE AND OF RECONSTRUCTION REQUIREMENTS IS COMPLETED, THE DEPARTMENT BELIEVES THAT IT COULD FORM THE BASIS FOR A BOLIVIAN GOVERNMENT REQUEST FOR ASSISTANCE TO THE FINANCIAL AGENCIES LOCATED IN WASHINGTON. THE UNITED STATES BELIEVES THAT THE IBRD AND IDB HAVE RESOURCE AVAILABILITIES SUFFICIENT TO ASSIST IN BOLIVIAN RECONSTRUCTION WITHOUT SERIOUS DISTORTION OF THEIR PROGRAMS ELSEWHERE. THIS WOULD NOT BE THE CASE WITH AID ASSISTANCE. FOR AID, ANY SIGNIFICANT FINANCING FOR RECONSTRUCTION MIGHT NECESSITATE A SPECIAL AUTHORIZATION AND APPROPRIATION FROM THE UNITED STATES CONGRESS. GIVEN THE HISTORY OF CONGRESSIONAL RESPONSES TO SUCH REQUESTS, IT APPEARS THAT THE ONLY WAY AID WOULD

BE ABLE TO HELP IN THE NEAR TERM IN RECONSTRUCTION EFFORTS WOULD BE WITHIN THE EXISTING FUNDING LEVELS. THIS WOULD MEAN THAT ASSISTANCE FOR FLOOD RECONSTRUCTION WOULD HAVE TO BE SUBTRACTED FROM PLANNED DEVELOPMENT LENDING PROGRAMS. A DECISION ON THIS WOULD APPROPRIATELY AWAIT THE COMPLETION OF THE ASSESSMENT. FURTHERMORE, THE IMPLEMENTATION PLANS FOR AID LOANS PLANNED IN FY 75 COULD BE DESIGNED TO HAVE MAXIMUM EFFECT IN SUPPORT OF RECONSTRUCTION EFFORTS. THE GOVERNMENT OF BOLIVIA MAY ALSO WISH TO CONSIDER THE FEASIBILITY OF REPROGRAMMING LOCAL CURRENCY GENERATED BY PRIOR PL-480 SALES AND PROGRAM LOANS TO COVER A PORTION OF THE RECONSTRUCTION EFFORT. THE UNITED STATES WILL ACTIVELY SUPPORT BOLIVIAN REQUESTS FOR THE MULTILATERAL ASSESSMENT OF DAMAGE AND TO EXAMINE WITH THE GOVERNMENT OF BOLIVIA THE MOST FEASIBLE MEANS OF FINANCING THOSE REQUIREMENTS, INCLUDING THE MULTILATERAL AGENCIES."

2. IN ADDITION TO THE TEXT OF THE AIDE MEMOIRE, I EXPLAINED TO THE ACTING PRESIDENT THAT THE DEPARTMENT VIEWED THE RECONSTRUCTION MATTER IN TWO PHASES--THE FIRST THE ASSESSMENT AND THE SECOND THE FINANCING. IT WAS OUR PREFERENCE THAT BOTH BE CONDUCTED BY MULTILATERAL COOPERATION. NONETHELESS, WE WERE PREPARED TO ASSIST IN THE ASSESSMENT WITHOUT THE WORLD BANK AND THE BID IF THAT WERE THE GOB DESIRE. I EXPLAINED THE LIMITATIONS ON AID FINANCIAL ASSISTANCE IN LINE WITH THE TWO STATE TELEGRAMS UNDER REFERENCE. I NOTED THAT PRESS INFORMATION IN LA PAZ SUGGESTED THAT THE

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BOLIVIANS WERE ALREADY PREPARING A LETTER TO PRESIDENT MCNAMARA OF THE IBRD ASKING FOR RECONSTRUCTION ASSISTANCE FOR RAILROADS AND ROADS. THIS, I NOTED, WOULD BE A NATURAL AREA FOR THE IBRD PARTICULARLY SINCE THEY WERE ALREADY CONTEMPLATING ADDITIONAL FINANCIAL HELP FOR RAILROADS. I NOTED THAT BOLIVIA MIGHT WELL TAKE ADVANTAGE OF A HIGH LEVEL IDB MISSION SOON TO VISIT LA PAZ AND THE SANTIAGO IDB MEETING TO DISCUSS WITH IDB PARTICIPATION IN THE ASSESSMENT AND SUBSEQUENT FINANCING OF RECONSTRUCTION EFFORT.

3. ACTING PRESIDENT GUZMAN THANKED ME FOR THE REPLY FROM WASHINGTON TO THE BOLIVIAN REQUEST FOR RECONSTRUCTION ASSISTANCE AND INDICATED THAT HE WOULD DISCUSS OUR CONVERSATION AND THE AIDE MEMOIRE WITH PRESIDENT BANZER AS SOON AS HE COULD AFTER BANZER'S RETURN TO LA PAZ, SCHEDULED FOR 6 P.M., MARCH 19. HE NOTED THAT DIVIDING THE OPERATION INTO TWO PARTS MADE SENSE AND THAT A SURVEY OF THE DAMAGE AND REQUIREMENTS WAS OBVIOUSLY A LOGICAL FIRST STEP. HE INDICATED HIS UNDERSTANDING OF THE LIMITATIONS ON AID FINANCIAL PARTICIPATION BUT EXPRESSED THE HOPE THAT EVEN THOUGH GREATER RELIANCE MIGHT BE PLACED ON IBRD AND IDB, SOME USG FINACIAL PARTPCIPATION BE PROVIDED IN THE RECONSTRUCTION EFFORT WHICH WAS SO IMPORTANT TO THE COUNTRY'S ECONOMY.
STEDMAN

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INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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DRC-01 /182 W

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P 191940Z MAR 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 2573

C O N F I D E N T I A L SECTION 2 OF 2 LA PAZ 1673

4. IN A CONVERSATION ON MARCH 18 WITH THE FINANCE MINISTER, I WAS TOLD THAT BOLIVIA WILL GO FORWARD WITH A REQUAST TO PRESIDENT MCNAMARA OF THE IBRD FOR HELP ON EMERGENCY REHABILITATION OF THE ORURO/COCHABAMBA RAILROAD SECTION AND THE REHABILITATION OF THE ROADS TO LOS YUNGAS AND RIO ABAJO. THE MINISTER INDICATED THAT PRELIMINARY ESTIMATES WERE THAT ABOUT \$3 MILLION WOULD BE NEEDED FOR THE RAILROAD REHABILITATION AND AN EQUAL AMOUNT FOR THE TWO ROADS. HE INDICATED THAT THE BASIC PROBLEM WITH APPROACHING

IBRD WAS THAT WORK NEEDED TO BE COMMENCED IMMEDIATELY ON THE THREE REHABILITATION PROJECTS AND HE WAS AFRAID THAT FINANCIAL ASSISTANCE FROM THE IBRD WOULD TAKE TOO LONG. HE INDICATED THAT HE WAS CONTEMPLATING SOME FORM OF GOB CONTRIBUTION PERHAPS OF COUNTERPART TO START UP THE PROJECTS WITH THE HOPE THAT LOCAL COST COMPONENTS OF SUBSEQUENT LOANS MIGHT BE USED TO REPLENISH THE ORIGINAL COUNTERPART FUND. THIS, HE SAID, WAS NECESSARY BECAUSE FIRM COMMITMENTS TO HIGH PRIORITY INVESTMENT PROJECTS HAD BEEN MADE FOR ALL COUNTERPART GENERATED. HE SAID THAT HE HAD NOT YET HAD A CHANCE TO MAKE AN ESTIMATION OF HOW MUCH FINANCING WOULD BE REQUIRED FOR THE SHORT PERIOD BETWEEN NOW AND THE POSSIBLE ACQUISITION OF EXTERNAL LOANS FOR RECONSTRUCTION.

5. WE WILL CONTINUE TO WORK AT ALL LEVELS WITHIN THE GOB TO
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ATTEMPT TO BRING FORTH SOME COORDINATED RECOMMENDATIONS FOR ASSESSMENT AND FINANCING OF FLOOD DAMAGE RECONSTRUCTION. I APPRECIATE AID/W WILLINGNESS TO PROVIDE EXPERTS ON A TDY BASIS TO ASSIST IN ASSESSING THE RECONSTRUCTION REQUIREMENTS. I UNDERSTAND THE DISCUSSION OF LIMITATIONS ON AID FINANCING AND BELIEVE THAT SOME REPROGRAMMING WITHIN PLANNED DEVELOPMENT LENDING PROGRAM MAY BE RECOMMENDED SO AS TO PERMIT SOME USG PARTICIPATION IN RECONSTRUCTION FINANCING. I WOULD LIKE TO NOTE THAT THE ORIGINAL REQUEST FOR \$50 MILLION WAS A VERY PRELIMINARY GLOBAL SUM SET FORTH BY THE BOLIVIANS AND WAS NOT BASED ON A SYSTEMATIC ANALYSIS OF THE COUNTRY'S REQUIREMENTS. I DOUBT THAT THE AMOUNTS ACTUALLY NEEDED IN THE NEAR TERM FOR RECONSTRUCTION WILL COME ANYWHERE NEAR THAT FIGURE. I WOULD LIKE TO ASK THAT THE DEPT. REVIEW THE WHOLE RECONSTRUCTION SITUATION WITH THE IBRD AND IDB IN WASHINGTON EVEN BEFORE BOLIVIAN REQUESTS COME FORWARD. I WOULD LIKE TO ASK TOO THAT THE US DELEGATION TO IDB BE FULLY BRIEFED ON THE BOLIVIAN RECONSTRUCTION SITUATION AND BE PREPARED TO LISTEN SYMPATHETICALLY AND RESPOND AS IMAGINATIVELY AS POSSIBLE TO THEIR PRESENTATION.
STEDMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISASTER RELIEF, ECONOMIC ASSISTANCE, FLOODS, ECONOMIC RECONSTRUCTION, DEVELOPMENT PROGRAMS, HIGHWAYS, RAILROADS, MEETINGS, AIDE MEMOIRE, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
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: 1974LAPAZ01673
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740059-0210
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740333/aaaabeoc.tel
Line Count: 209
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. STATE 52986
Review Action: RELEASED, APPROVED
Review Authority: golinofr
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 boyleja>; APPROVED <06 JAN 2003 by golinofr>
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: GOB REQUEST FOR RECONSTRUCTION FINANCIAL ASSISTANCE
TAGS: EAID, BL, US, IDB, IBRD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005