

Message Text

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ACTION H-03

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E.O. 11652: N/A

TAGS: OREP EIND ENRG BL

SUBJ: CODEL WHEALEN: MEETING WITH MINISTER OF ENGERGY AND
HYROCARBONS

1. CONGRESSMAN WHALEN WAS CORDIALLY RECEIVED BY MINENERGY/HYDRO-CARBONS

CAPRILES JANUARY 8. MINISTER REMARKED THAT US ECONOMY RESISTING ARAB OIL EMBARGO REMARKABLY WELL: CERTAINLY MUCH BETTER THAN EUROPE OR JAPAN. LATTER HAD PROVEN BE EXTREMELY VULNERABLE. CONGRESSMAN DESCRIBED GASOLINE/FUEL SITUATION IN US AS SPOTTY WITH SOME AREAS SUFFERING CONSIDERABLY AND OTHERS ALMOST UNTOUCHED.

2. MINISTER SAID HE DID NOT AGREE WITH ARAB POLICY AND LABELED IT AGGRESSIVE. SAID PREFERRED COOPERATE WITH NET IMPORTERS AND OBSERVED THAT PRICES MUST EVENTUALLY FALL. SAID HE EXPECTED BOLVIAN PRICE WITHIN NEXT FEW MONTHS MIGHT WELL BE UNDER CURRENT LEVEL OF US: 16 PER BARRELL.

CONGRESSMAN AND MINISTER THEN DISCUSSES LEVEL TO WHICH CRUDE OIL PRICES MIGHT EVENTUALLY FALL ON BASIS OF COMPETING FUEL SOURCES SUCH AS SHALE OIL.

3. MINISTER SAID GOB MONTHLY PRICE LEVEL IS MINIMUM THAT NOW APPLIES TO ALL BOLIVIAN CRUDE EXPORTS AS GOB IS NOW FREE OF ALL RESTRAINING CONTRACTS. HE OBSERVED THAT SANTA CRUZ DEPARTMENT ROYALTIES WILL NOW BE ON ORDER OF US\$ 1.5 MILLION PER MONTH AND THAT GOB WAS NOW TELLING SANTA CRUZ PUBLIC WORKS COMMITTEE THAT IT

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WILL HAVE TO FINANCE MORE OF INFRASTRUCTURE PROJECTS IN SANTA CRUZ FROM ITS OWN RESOURCES RATHER THAN LOOKING TO GOB FOR SUPPORT.

4. MINISTER SAID HYDROPOWER EXTREMELY IMPORTANT IN BOLIVIA AND THAT THERE ARE MANY POSSIBILITIES FOR EXPANDING HYDROPOWER CAPACITY. SAID MAJOR PROJECT IS MULTIPURPOSE BALA DAM AND THAT IT WOULD BE UNDERTAKEN SOON BY JOINT CORPORATION MADE UP OF ENDE (STATE OWNED POWER COMPANY SERVING REGION EXTENDING FROM ORURO TO COCHABAMBA TO SANTA CRUZ), COFADENA (ARMED FORCES DEVELOPMENT CORPORATION) AND CORDEPAZ (LA PAZ DEPARTMENT DEVELOPMENT CORPORATION).

5. IN RESPONSE TO QUESTION CAPRILES STATED THAT DISTRIBUTION UNDER NEW AID RURAL ELECTRIFICATION WOULD BE TAKEN CARE OF BY GOVERNMENT. HE STATED THAT BOLIVIAN POWER COMPANY WISHES TO SELL OUT UNPROFITABLE OPERATION HERE BUT GOVERNMENT NOT REPEAT NOT IN POSITION TO TAKE OVER ASSETS AT THIS TIME. NONETHELESS, HE SAID THAT GOVERNMENT MONOPOLY OVER POWER PRODUCTION INCREASINGLY THE PATTERN IN LATIN AMERICA

6. IN EARLIER CONVERSATION BOLIVIAN POWER'S LOCAL MANAGER TOLD CONGRESSMAN THAT GOVERNMENT HAD IGNORED COMPANY'S OFFER THREE YEARS AGO TO SELL OUT. SAID THAT MORE RECENTLY COMPANY OFFERED TO KEEP DISTRIBUTION FUNCTION WHICH IT MOST CAPABLE OF HANDLING AND TO SELL PRODUCTION SIDE OF BUSINESS TO CORDEPAZ. HE REPORTED FEASIBILITY STUDY BY CORDEPAZ DUE TO BE FINISHED THIS WEEK. STEDMAN

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