

## Message Text

UNCLASSIFIED

PAGE 01 LA PAZ 00742 042116Z

72

ACTION ARA-10

INFO OCT-01 ISO-00 EB-05 RSC-01 DRC-01 EUR-06 EA-07 /031 W

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 2154

USDOC WASHDC

UNCLAS LA PAZ 0742

E.O. 11652: N/A

TAGS: BEXP, ETRD, EMIN, BL

SUBJ: "EARLY WARNING": CONSTRUCTION OF ZINC SMELTER

REFS: (A) A-121, JUNE 15, 1973: (B) LA PAZ 6652, NOVEMBER 23, 1971:

(C) MEXICO CITY A-25, JANUARY 18, 1974.

SUMMARY: BOLIVIAN GOVERNMENT STILL HAS PLANS TO CONSTRUCT ONE OR TWO ZINC SMELTERS. SMELTER LOCATIONS ARE STILL NOT DEFINITELY FIXED, BUT ONE SMELTER IS PLANNED TO BE BUILT IN THE VICINITY OF THE VILLAGE OF CALACOTO NEAR RAILROAD LINE TO ARICA, CHILE AND SOUTHWEST OF THE TOWN OF COROCORO. OTHER SMELTER WOULD BE LOCATED AT CITY OF POTOSI. INTERNATIONAL TENDER FOR LARGEST SMELTER AT CALACOTO REPORTEDLY TO BE MADE WITHIN LAST TWO WEEKS OF FEBRUARY, 1974. SMELTER TO HAVE ANNUAL OUTPUT CAPACITY OF 64,000 METRIC TONS OF ZINC AND ESTIMATED COST, INCLUDING WORKING CAPITAL OF US\$5,000,000, IS US\$ 73,000,000. TENDER FOR POTOSI SMELTER WOULD BE MADE LATER. POTOSI SMELTER PRESENTLY PLANNED TO HAVE OUTPUT CAPACITY OF 40,000 TO 45,000 METRIC TONS AT BUILDING COST OF US\$55,000,000 TO US \$60,000,000. END SUMMARY.

1. ON JANUARY 30, LOCAL REPRESENTATIVE OF ENGELHARD MINERALS AND CHEMICALS CORPORATION STATED THAT HE WAS RECOMMENDING TO HIS FIRM TO MAKE AN OFFER TO GOB TO CONSTRUCT SMELTER UNDER MIXED ENTERPRISE ARRANGEMENT WITH ENAF. RUSSIAN, GERMAN, JAPANESE, BRAZILIAN, FRENCH, POLISH AND CZECHOSLOVAK OFFERS REPORTEDLY ALSO LIKELY TO BE MADE.

2. COMMENT: ACCORDING TO SINGMASTER AND BRYER (CONSULTANTS TO U.S. STEEL AND COMIBOL) REPORT OF 1969, THERE IS NO TECHNICAL REASON UNCLASSIFIED

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PAGE 02 LA PAZ 00742 042116Z

WHY AN ELECTROLYTIC ZINC PLANT COULD NOT BE INSTALLED AND

OPERATED SUCCESSFULLY IN BOLIVIA DESPITE PROBLEMS OF HIGH ALTITUDE.  
HOWEVER, REPORT ALSO STATED THAT ECONOMIC SUCCESS OF THE ZINC REFINERY

DEPENDED ON ELECTRIC POWER COSTS, SUFFICIENT RESERVES FOR GUARANTEED  
DELIVERY OF ZINC CONCENTRATES FOR 20 YEARS, AND GUARANTEED MARKET  
FOR SULPHURIC ACID PRODUCED, WHICH DUE TO HIGH TRANSPORTATION COSTS,  
WOULD HAVE TO BE MARKETED INTERNALLY. FOR ZINC REFINERY WITH  
ANNUAL OUTPUT OF 33,600 METRIC TONS OF ZINC, 265,440 POUNDS OF  
CADMIUM, AND 360 TONS OF COPPER RESIDUES, 61,000 METRIC TONS OF  
SULPHURIC ACID WOULD BE PRODUCED. EMBASSY BELIEVES THAT WHETHER  
PRESENT ECONOMICS OF SMELTER ARE JUSTIFIABLE OR NOT, SMELTER WILL  
BE BUILT IN ANY EVENT.

3. ACTION REQUESTED: USDOC IS REQUESTED TO ENCOURAGE POTENTIALLY  
INTERESTED U.S. FIRMS TO COMMUNICATE DIRECTLY WITH MINISTER OF  
MINING AND METALLURGY, RAUL LEMA PATINO, MINISTERO DE MINERIA Y  
METALURGIA, 1769 AVENIDA 16 DE JULIO, LA PAZ, BOLIVIA AND COPY  
TO EMPRESA NACIONAL DE FUNDICIONES (ENAF), CASILLA 4298  
LA PAZ BOLIVIA. ENAF'S CABLE ADDRESS IS "ENAFBOL", LA PAZ:  
ITS TELEX NUMBERS ARE BX5271 AND ITT 3560090.

4. THE TENDER WILL BE REPORTED TO USDOC WHEN ISSUED.  
STEDMAN

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## Message Attributes

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