

## Message Text

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PAGE 01 LA PAZ 10309 302219Z  
ACTION ARA-15

INFO OCT-01 ADS-00 AID-05 CIAE-00 COM-02 EB-08 FRB-03  
INR-10 NSAE-00 TRSE-00 XMB-02 OPIC-07 SP-02  
LAB-04 H-01 SIL-01 OMB-01 SS-15 STR-08 CEA-01  
SSO-00 NSCE-00 ICAC-00 INRE-00 DOE-17 /103 W  
-----041274 302226Z /64

O R 302107Z NOV 79  
FM AMEMBASSY LA PAZ  
TO SECSTATE WASHDC IMMEDIATE 9551  
INFO AMEMBASSY ASUNCION  
AMEMBASSY BOGOTA  
AMEMBASSY BUENOS AIRES  
AMEMBASSY CARACAS  
AMEMBASSY LIMA  
AMEMBASSY SANTIAGO  
USCINCSO J2 QUARRY HEIGHTS CZ  
DIA WASHDC

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E.O. 12065: N/A  
TAGS: ECON, BL  
SUBJECT: GOB ANNOUNCES ECONOMIC MEASURES

REF: LA PAZ 9970 (NOTAL)

1. THIS MORNING, NOVEMBER 30, AT 0345 HOURS, THE GOB ANNOUNCED  
A PACKAGE OF ECONOMIC MEASURES MUCH ALONG THE LINES OF REFTTEL.  
THE PROGRAM INCLUDES THE FOLLOWING:

(A) A DEVALUATION OF 25 PERCENT TO 24.51 PESOS (BUYING) 25 PESOS  
(SELLING) TO THE DOLLAR.

(B) A GRADUATED WAGE BONUS FOR PRIVATE AND PUBLIC SECTOR EMPLOYEES  
EARNING LESS THAN 9,000 PESOS PER MONTH.

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(C) INCREASES IN HYDROCARBON PRICES AND THE COST OF PUBLIC  
TRANSPORTATION.

(D) A 1980 CONSOLIDATED PUBLIC SECTOR BUDGET EQUIVALENT TO THE  
1979 LEVELS PLUS THE COST OF THE WAGE INCREASE. SOME SMALL  
INCREASES WOULD BE PERMITTED FOR THE MINISTRIES OF DEFENSE,

HEALTH, EDUCATION, AND THE INTERIOR.

(E) CREATION OF A COUNCIL OF MONETARY STABILIZATION (CONSEJO NACIONAL DE POLITICA MONETARIA) TO MONITOR THE PROGRAM.

(F) MONETARY MEASURES INCLUDE INCREASES IN TIME AND DEMAND DEPOSIT INTEREST RATES, CHANGES IN THE LEGAL RESERVE REQUIREMENTS, A PRIOR IMPORT DEPOSIT OF 100 PERCENT REPLACING THE PREVIOUS 500 PERCENT DEPOSIT, AND A NEW TAX ON COMMERCIAL BANK CREDIT FOR BOTH PESO AND DOLLAR LOANS. BANKERS HAVE BEEN IN MEETINGS WITH THE CENTRAL BANK MOST OF THE DAY FINDING OUT WHAT THE NEW MEASURES MEAN TO THEM. FOR THIS REASON, COMMERCIAL BANKS ARE NOT CARRYING OUT FOREIGN EXCHANGE TRANSACTIONS TODAY. MONEY EXCHANGE HOUSES ARE OPEN AND ARE BUYING DOLLARS AT THE OFFICIAL RATE AND SELLING THEM AT NEAR 25 PESOS TO THE DOLLAR BUT, ACCORDING TO ONE EXCHANGE HOUSE MANAGER, THERE ARE NO DOLLARS TO SELL.

(G) PRICE CONTROLS ON FLOUR, SOME PASTA PRODUCTS, RICE, SUGAR, BREAD, AND RENT CONTROLS ON ALL HOUSING.

2. WE ANTICIPATE SOME POPULAR REACTION, SINCE THE BOLIVIAN LABOR FEDERATION, WHICH CAUSED THE MEASURES TO BE POSTPONED, APPARENTLY WAS NOT INCLUDED IN THE GOVERNMENT'S DECISION TO GO AHEAD WITH THE MEASURES. NEVERTHELESS, WE ANTICIPATE THAT AFTER SOME SHOW OF PROTEST, JUAN LECHIN AND HIS COB WILL GO ALONG.

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3. ACCORDING TO LOCAL IMF REPRESENTATIVE JORGE SOL PEREZ, THE GOB'S ECONOMIC MEASURES INCLUDE THE BASIC PROGRAM OUTLINED IN REFTTEL. THE CENTRAL BANK IS AUTHORIZED TO MAKE DAILY EXCHANGE RATE ADJUSTMENTS AND PLANS TO DO SO UNTIL THE RATE REACHES AN EQUILIBRIUM. THE PRICE HIKE FOR PETROLEUM PRODUCTS WILL AVERAGE 136 PERCENT. SOL PEREZ SAID THAT AN IMF MISSION WILL ARRIVE OVER THE COMING WEEKEND; HE EXPECTS A LETTER OF INTENT TO BE PREPARED AND READY FOR SIGNATURE BY LATE NEXT WEEK.

4. AFTER THE EARLY MORNING ANNOUNCEMENT OF THE ECONOMIC MEASURES, BOLIVIA'S MAJOR CITIES REMAIN CALM AND BUSINESS IS NORMAL. THIS MORNING A STUDENT DEMONSTRATION RUMORED TO BE AGAINST THE MEASURES TURNED OUT TO BE STUDENTS GATHERING AT ONE OF LA PAZ' MAIN PLAZAS FOR THE FINAL LEG OF AN EARLY MORNING MARATHON. MINISTER OF FINANCE AUGUSTO CUADROS SANCHEZ TOLD THE AMBASSADOR THAT SO FAR PUBLIC REACTION TO THE MEASURES HAD BEEN CALM AND PHILOSOPHICAL, THAT IN A SENSE THE MEASURES TURNED OUT LESS SEVERE THAN THE PUBLIC HAD ANTICIPATED. CUADROS WAS SANGUINE THE STABILIZATION PROGRAM WOULD NOW GO FORWARD WITHOUT THE THREAT OF A MAJOR STIKE BY THE LABOR SECTOR.  
BOEKER

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## Message Attributes

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