E.O. 11652
TAGS: 12065: GDS 12/17/87 (NEGROPONTE, John D.) OR-M
EPT, EINV, HO
SUBJECT: STATUS OF TEXACO/GOH NEGOTIATIONS
ACTION: SECSTATE WASHDC IMMEDIATE
INFO:
Ambassador CARACAS
Ambassador GUATEMALA
Ambassador MANAGUA
Ambassador MEXICO
Ambassador PANAMA
Ambassador SAN JOSE
Ambassador SAN SALVADOR
USCINCOS QUARRY HEIGHTS PANAMA

telegram TEGUCIGALPA 9351

REF: (A) STATE 330272, (B) TEGUCIGALPA 9229

1. CONFIDENTIAL - ENTIRE TEXT

2. As of December 14 Texaco/GOH discussions appeared to have reached an impasse. Of the three foreign exchange payment issues at stake, GOH and Texaco were agreed on two of them, namely: (1) GOH would pay for pending and future deliveries with irrevocable letters of credit and (2) GOH would continue to repay "old" (pre-June 1981) FX balance in accordance with June agreement. Sticking point continued to be repayment of third FF FX overhang,

DRAFTED BY:
AMB:JDNegroponte:kjl

DEPARTMENT OF STATE
TELEPHONE: 211

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CLEARANCES:
ECON:PWackerbarth (draft)

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Dept of State, RPS/IP, Margaret P. Graefeld, Dir.
(Release)( )Excise ( ) Deny ( ) Declassify
Date 01/14/88, Exemption
namely bill for petroleum products which Honduras has imported since June of this year and which, in accordance with June agreement, it promised to pay hard cash but has not done so. Texaco has been demanding repayment of this latter sum prior to December 31 and pending assurances in this regard, has suspended further petroleum deliveries.

3. GOH response, in essence, has been that they do not have adequate foreign exchange to repay "new" FX accumulations and in letter dated December 14 offered to amortize this sum in 22-month period at no interest. Texaco reps understandably turned down this offer and countered with renewed demand that new FX balance be repaid in its entirety by December 31. On December 16 GOH began to emit signals that 22-month figure was negotiable and that critical months as far as GOH concerned are December and January. Finance Minister called Ambassador to explain that GOH considered 22-month figure negotiable; but that Texaco demand for full payment prior December 31 simply impossible for GOH to meet. GOH indicated flexibility similar movement from its 22-month position through indirect contact with Texaco's local attorney.

And finally, local IMF rep jumped into the fray transmitting to Embassy what he understood to be position acceptable to both incumbent and incoming governments. Formula described by IMF rep would involve full repayment of
new FX balance by this spring. IMF rep stated that President-elect Suazo was aware of situation and had indicated his readiness to live up to whatever agreements incumbent government might reach. Ambassador conveyed foregoing vibrations in general terms to both local Texaco reps and Texaco offices in Coral Gables.

4. Embassy was informed by local Texaco rep morning December 17 that talks with government resumed evening December 16 lasting late into the night. Significant progress was apparently made and Texaco is reportedly giving serious consideration to new GOH repayment offer, presumably along lines described above. Next step is GOH/Texaco meeting scheduled for 10:00 a.m. local time December 18 at Central Bank at which we are hopeful though not certain that final agreement can be reached. Meanwhile the public has become aware of supply shortage and if matter is not resolved by end of week problem is likely to take on different dimensions.

NEGROFONTE