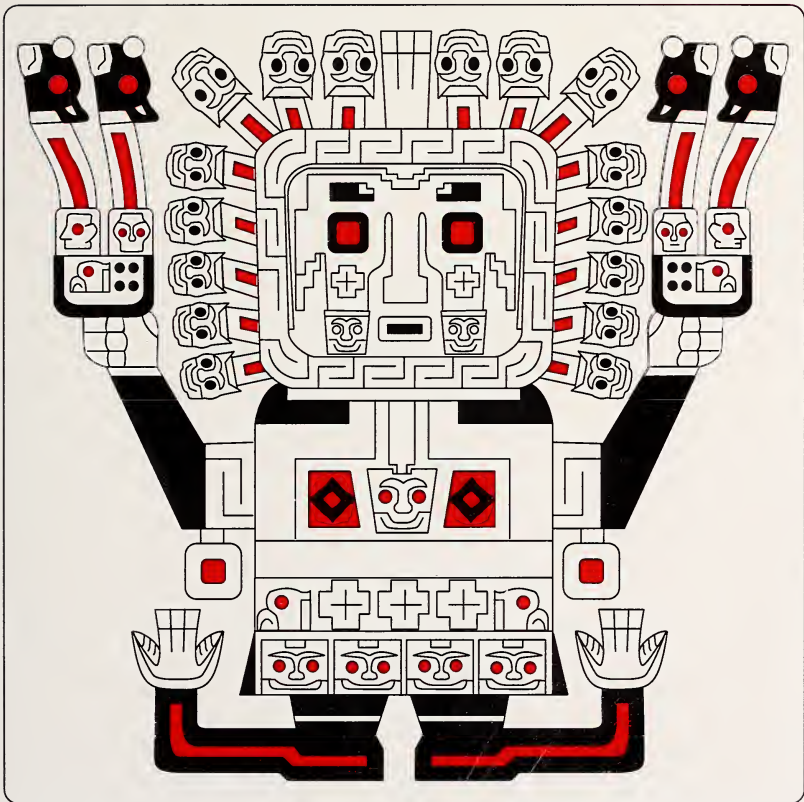


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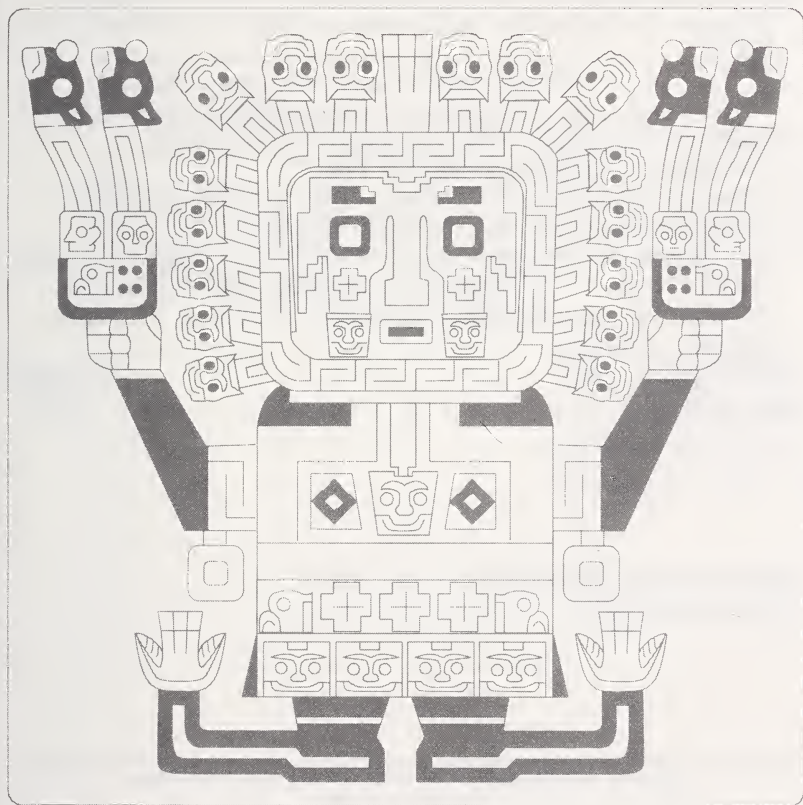




Bolivia

a country study

Federal Research Division
Library of Congress
Edited by
Rex A. Hudson and
Dennis M. Hanratty
Research Completed
December 1989



On the cover: The Twelfth of the Autumnal Equinox, main figure on the back of the Great Idol of Tiwanaku, a monolithic pillar excavated in 1932

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Foreword

This volume is one in a continuing series of books now being prepared by the Federal Research Division of the Library of Congress under the Country Studies—Area Handbook Program. The last page of this book lists the other published studies.

Most books in the series deal with a particular foreign country, describing and analyzing its political, economic, social, and national security systems and institutions, and examining the interrelationships of those systems and the ways they are shaped by cultural factors. Each study is written by a multidisciplinary team of social scientists. The authors seek to provide a basic understanding of the observed society, striving for a dynamic rather than a static portrayal. Particular attention is devoted to the people who make up the society, their origins, dominant beliefs and values, their common interests and the issues on which they are divided, the nature and extent of their involvement with national institutions, and their attitudes toward each other and toward their social system and political order.

The books represent the analysis of the authors and should not be construed as an expression of an official United States government position, policy, or decision. The authors have sought to adhere to accepted standards of scholarly objectivity. Corrections, additions, and suggestions for changes from readers will be welcomed for use in future editions.

Louis R. Mortimer
Acting Chief
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Washington, D.C. 20540

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Preface

Like its predecessor, this study is an attempt to examine objectively and concisely the dominant historical, social, economic, political, and military aspects of contemporary Bolivia. Sources of information included scholarly books, journals, monographs, official reports of governments and international organizations, numerous periodicals, and interviews with individuals having special competence in Bolivian affairs. Chapter bibliographies appear at the end of the book; brief comments on sources recommended for further reading appear at the end of each chapter. Measurements are given in the metric system; a conversion table is provided to assist readers unfamiliar with metric measurements (see table 1, Appendix). A glossary is also included.

Although there are numerous variations, Spanish surnames generally are composed of both the father's and the mother's family names, in that order. In the instance of Víctor Paz Estenssoro, for example, Paz is his patronymic, and Estenssoro is his mother's maiden name. In informal use, the matronymic is often dropped, a practice that has usually been followed in this book except in cases where the individual is usually referred to by his double surname or could easily be confused with a relative. For example, to avoid confusing Paz Estenssoro with Jaime Paz Zamora, both their patronymics and matronymics are used.

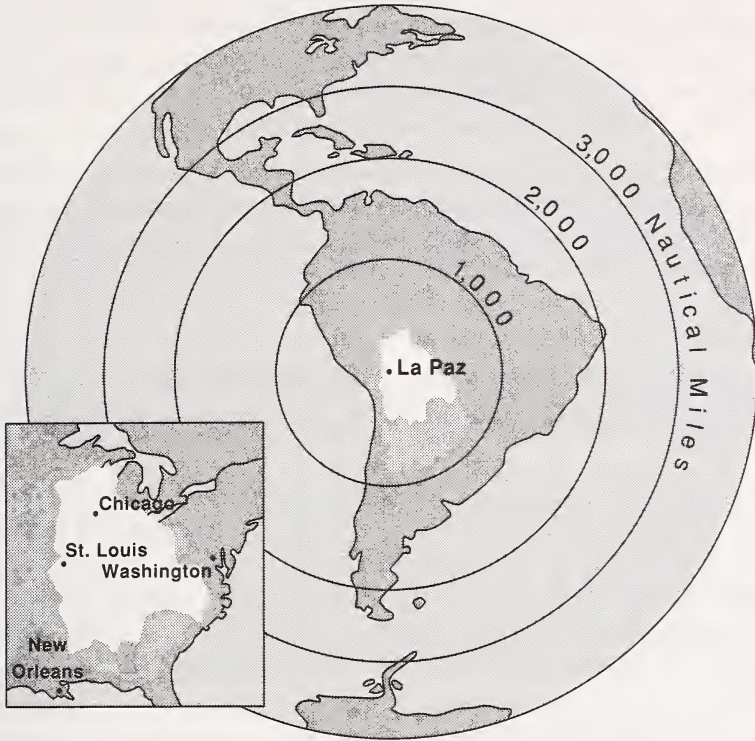
The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This not only helps in tracking expenses but also ensures compliance with tax regulations. The document further outlines the procedures for handling discrepancies and the role of the accounting department in providing timely reports to management.

In the second section, the focus is on budgeting and financial forecasting. It details how the budget is prepared based on historical data and market trends. The document highlights the need for regular monitoring and adjustment of the budget to reflect changes in the business environment. It also discusses the use of various financial ratios and indicators to assess the company's performance and identify areas for improvement.

The third part of the document addresses the issue of cost control. It provides a comprehensive overview of the different cost centers and how they contribute to the overall expenses. The document offers practical tips and strategies for reducing costs without compromising the quality of products or services. It also mentions the importance of regular communication and collaboration between different departments to achieve cost savings.

Finally, the document concludes with a summary of the key points and a call to action for all employees to adhere to the established financial policies and procedures. It expresses confidence in the company's ability to achieve its financial goals through diligent management and teamwork.

Country Profile



Country

Formal Name: Republic of Bolivia (República de Bolivia).

Short Name: Bolivia.

Term for Citizens: Bolivian(s).

Capital: La Paz (seat of government); Sucre (legal capital and seat of judiciary).

Geography

Size: 1,098,581 square kilometers.

Topography: Landlocked. Land is 20 percent arid or desert, 40 percent rain forest, 25 percent pasture and meadow, 2 percent arable, 2 percent inland water, and 11 percent other, including

negligible percentage irrigated. Divided by two parallel Andean ranges or cordilleras, on roughly north-south axis, into three distinct ecozones: vast arid Altiplano plateau between western range (Cordillera Occidental) and eastern range (Cordillera Occidental), with Lake Titicaca on northern end; semitropical Yungas and temperate valleys of Cordillera Oriental; and eastern lowlands (Oriente), including semiarid Chaco region.

Climate: Tropical with heavy rainfall in northern lowlands to temperate in highland valleys and harsh, chilly conditions on wind-swept Altiplano, where daily temperatures fluctuate sharply. Uninhabited areas over 5,500 meters high have arctic climate.

Society

Population: Estimated 6.6 million in mid-1989 with 2.1 percent growth rate; projected annual growth rate of up to 2.6 percent to year 2000.

Education and Literacy: Compulsory attendance between ages seven and fourteen followed by three years of intermediate school. Four-year secondary education consisted of two-year general program followed by two-year specialized program. Higher education consisted of University of Bolivia and variety of public and private institutes. Estimated 75 percent literacy rate in mid-1980s.

Health: In mid-1980s Bolivia continued to record some of worst health indicators in Western Hemisphere. Life expectancy in 1989 fifty-two years for males and fifty-six years for females. Infant mortality 124.4 per 1,000 live births. Nutritional deficiencies affected 70 percent of population. Potable water inaccessible to 57 percent; adequate sanitary facilities unavailable to 76 percent.

Religion: Ninety-five percent Roman Catholic, but many only nominal adherents. Active Protestant minority, especially Evangelical Methodists. In 1980s Mormons, Jehovah's Witnesses, Seventh-Day Adventists, and various Pentecostal denominations gained increasing adherents. Other denominations included Mennonites and Bahai faith and small Jewish community.

Language: Spanish, Quechua, and Aymara (all official).

Ethnic Groups: Quechua, 30 percent; Aymara, 25 percent; mixed, 25 to 30 percent; and whites (*blancos*), 5 to 15 percent. Lowland Indians, numbering about 100,000 in early 1980s, divided into nine major linguistic groups and nearly thirty subgroups.

Economy

Gross Domestic Product (GDP): US\$4.35 billion in 1987, or roughly US\$640 per capita. After growing unprecedented 5.5 percent per year in 1970s, economy ravaged by recessionary and hyperinflationary spiral peaking in 1985. Economy grew 2 to 3 percent per year in second half of 1980s. Unemployment averaged under 6 percent during 1970s but reached more than 20 percent by 1987.

Agriculture: Second most agricultural country in South America, with 60 percent of farmers in highlands and 20 percent in relatively fertile valleys. Accounted for 23 percent of GDP in 1987. Employed about half (46 percent) of official labor force estimated at 1.6 million in 1986. Accounted for only 15 percent of total exports in late 1980s. Farming technology primitive. Underground economy—based on contraband, coca production, and other commercial trading in informal sector—employed two-thirds of Bolivia's workers.

Industry: Employed 20 percent of work force in late 1980s. Silver and tin traditionally dominant mining industries, but mining sector declined after tin market collapse in 1985. In 1987 mining sector accounted for only 4 percent of GDP, 36 percent of exports, 2.5 percent of government revenues, and 2 percent of labor force. Coca/cocaine industry rivaled total legal exports but fueled inflation. Manufacturing sector played minor role (10 percent of GDP in 1987) in economy and consisted mainly of agriculture, hydrocarbons, and mining. Construction slowed in late 1980s to 3 percent of GDP.

Energy: Hydrocarbons, particularly natural gas, leading export and constituted critically important sector of economy in late 1980s. Substantial hydroelectric potential. Relatively low level of domestic energy consumption, destined for residential or commercial use (46 percent), followed by transportation (31 percent), industry (20 percent), and mining (3 percent).

Services: Employed 34 percent of work force in late 1980s. Sector included banking and other financial services, transportation, communications, and tourism. Despite small numbers and shaky financial status, commercial banks remained core of private financial sector in 1988, with US\$357 million in assets.

Exchange Rate: Boliviano replaced Bolivian peso as official currency January 1, 1987. After floating against United States dollar, boliviano stabilized at B2.3 = US\$1 by 1988; difference between official and black-market rates did not exceed 1 percent.

Imports: Officially, over US\$777 million in 1987; unofficially, over US\$1 billion, taking into account contraband imports. Most imports from Brazil in 1980s. In 1987 nearly 42 percent of total imports capital goods; 40 percent, raw materials and intermediate goods; 16 percent, consumer goods.

Exports: Official exports in 1987 totaled US\$569 million, lowest level of 1980s, a period of declining terms of trade. Export competitiveness increased after 1985, when all export taxes were abolished and floating exchange rate was adopted. Coca-related exports often equaled or exceeded legal exports in 1980s, generating from US\$600 million to US\$1 billion annually, although estimated 1988 cocaine revenues fell below US\$300 million. Hydrocarbons became leading export in 1980s, accounting for 11 percent of GDP and over 50 percent of government revenues in 1985. Natural gas replaced tin and other minerals as leading export, growing from 21 to 44 percent of exports in 1980–87; most went to Argentina and Brazil. Tin declined to just over 12 percent by 1987. Timber exports, mainly to Brazil, surpassed all other legal agricultural exports in 1987 and totaled US\$31 million.

Balance of Payments: Experienced persistent deficits during 1980s, averaging 10 percent of GDP in first half of 1980s. Public sector deficit dropped from 28 percent of GDP in 1984 to 3.8 percent in 1986. Total external debt of US\$4.6 billion in 1986 slightly exceeded GDP. Deficit in 1987 nearly US\$500 million (10.5 percent of GDP), when public sector expenditures equaled about 30 percent of GDP. Deficits fell to 6 percent in 1988. Gross reserves at end of 1988 totaled nearly US\$405 million and net reserves about US\$181 million. Gold reserves totaled US\$300 million.

Fiscal Year: Calendar year.

Fiscal Policy: President Víctor Paz Estenssoro's New Economic Policy (Nueva Política Económica—NPE), imposed in 1985, eliminated hyperinflation and reduced inflation to near zero, rising to 15 percent per year in late 1980s. Drastic NPE reforms froze spending by all state-owned enterprises, eliminated subsidies, lifted price controls, lowered import tariffs by introducing unified 20 percent duty, raised oil prices, undertook aggressive tax collection, radically restructured largest and most costly state-owned mining and oil-drilling companies, and dismantled Bolivian Development Corporation.

Transportation and Communications

Ports: No direct outlet to international ports since 1879. Employed ports and warehousing facilities at Arica and Antofagasta, Chile;

Matarani and Ilo, Peru; and Santos, Brazil. Also used free port facilities in Rosario, Argentina; Nueva Palmira, Uruguay; and Belém, Brazil.

Railroads: Most important transport system for external trade (excluding pipelines). System consisted of over 3,700 kilometers of rail and carried more than 535 million tons of freight and 2.4 million passengers a year.

Roads: Only 3 percent of the 41,000 kilometers of roads paved; 81 percent dirt and 16 percent gravel. Road maintenance haphazard and substandard. At least 110,000 vehicles registered in late 1980s.

Airports: Official airports numbered thirty-two (only six paved). La Paz and Santa Cruz each had international airport. Unofficial airstrips numbered 800, many in lowlands used for narcotics trafficking.

Waterways: About 14,000 kilometers of waterways in four main systems—Beni, Pilcomayo, Titicaca-Desaguadero, and Mamoré—open to navigation by light-draught vessels.

Communications: In 1988 population had some 3.5 million radios, access to over 125 mostly privately owned radio stations, 650,000 television sets, six main daily newspapers, and only 65,000 telephones.

Government and Politics

Government: Executive power vested in president of the republic, elected to four-year term either by majority popular vote or, in absence of majority winner, by National Congress (hereafter, Congress), which selects one of top three candidates. Reelection of incumbent not permitted until four years have elapsed. President heads Council of Ministers (representing sixteen ministries) and various other councils. Legislative power resides in bicameral Congress, consisting of Chamber of Deputies and Senate. Congress major actor in national politics, passing or modifying legislation and approving president's annual budget, economic policy, government loans, and treaties and other international agreements. Needs two-thirds vote to override presidential veto. Convenes annually on August 6 in La Paz.

Politics: Jaime Paz Zamora, leader of social democratic-oriented Movement of the Revolutionary Left (Movimiento de la Izquierda Revolucionaria—MIR) and third-place runner-up in May 1989

popular elections, assumed presidency August 6, 1989, after being selected by Congress. Prior to nomination, Paz Zamora allied with former president and second-place runner-up Hugo Banzer Suárez and his Nationalist Democratic Action (Acción Democrática Nacionalista—ADN) party, whereby Banzer's party was given vice presidency and half the cabinet positions. Paz Zamora succeeded his uncle, Víctor Paz Estenssoro, a founder of the Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario—MNR). Despite leftist reputation, Paz Zamora vowed to continue predecessor's antinarcotics efforts and successful economic reform policy.

International Relations: Long history of territorial losses to neighboring nations. Relations with United States have fluctuated since 1950s. Some sectors condemned United States support for rightist military regimes in 1960s and 1970s. United States human rights emphasis in late 1970s and nonrecognition of Bolivia's right-wing military regimes in early 1980s established new pattern in bilateral relations. Bolivian-United States relations cordial during third Paz Estenssoro administration (1985–89). In 1989 relations with Argentina somewhat strained, owing to Argentinean arrears on natural gas payments. Relations with Brazil improving in 1989, because of joint construction agreements and antidrug-trafficking measures. Relations with Chile remained contentious in 1989, owing to Chile's refusal to consider Bolivia's requests to negotiate a port outlet.

International Agreements and Membership: Party to Inter-American Treaty of Reciprocal Assistance of 1947. Member of Organization of American States, United Nations and its specialized agencies, International Monetary Fund, Inter-American Development Bank, Andean Common Market, Amazonian Pact, Latin American Integration Association, Latin American Economic System, Nonaligned Movement, and International Parliamentary Union.

National Security

Armed Forces: Included army (20,200), navy (3,800), and air force (4,000), with total strength estimated at 28,000 in 1989. Program launched to expand troops to 35,000.

Military Units: Army organized into ten divisions (consisting of eight cavalry regiments, twenty-two infantry battalions, two mechanized regiments, one motorized infantry regiment with two battalions, three ranger battalions, three artillery "regiments" (battalions), five artillery batteries, one paratroop battalion, and six

engineer battalions) and logistical and instructional support commands. Navy consisted of small motor launches operating on Lake Titicaca and northeastern rivers and organized into five naval districts, each with one flotilla, as well as one naval aviation counterinsurgency squadron. Air force organized into three air brigades with thirteen subordinate air groups.

Equipment: Ground forces armaments included mostly obsolete United States equipment but also Brazilian armored combat vehicles and personnel carriers. Naval fleet of several dozen patrol craft of various sizes. Air force inventory included modest number of poorly maintained light tactical aircraft, few transport aircraft and helicopters, and several dozen trainers.

Police: Subordinate to Ministry of Interior, Migration, and Justice. National Police Corps had estimated 15,000 personnel and consisted of General Administration section, 5,000-member paramilitary National Guard, Directorate of National Investigations, Customs Police, Traffic Police, and National Highway Service, as well as Fire Corps staffed by police personnel.

Antinarcotics Forces: Created in 1987, Ministry of Interior, Migration, and Justice's Special Antinarcotics Force (Fuerza Especial de Lucha Contra el Narcotráfico—FELCN) evolved in 1989 into viable joint-service institution. Air force's Task Force pilots supporting FELCN flew United States-loaned helicopters nearly 3,200 accident-free hours, and pilot proficiency continued to improve. Bolivian Navy Riverine Task Force remained FELCN's least effective element, owing to corruption and command and operational shortcomings. The 640-member Rural Area Police Patrol Unit (Unidad Móvil Policial para Áreas Rurales—Umopar), FELCN's principal interdiction component, continued to improve as an institution; its drug seizures increased. Umopar units, supported by FELCN helicopter and air force transport aircraft units, conducted several sophisticated air mobile assaults against trafficking targets in second half of 1989. Umopar's training facility in Chapare region continued to improve.

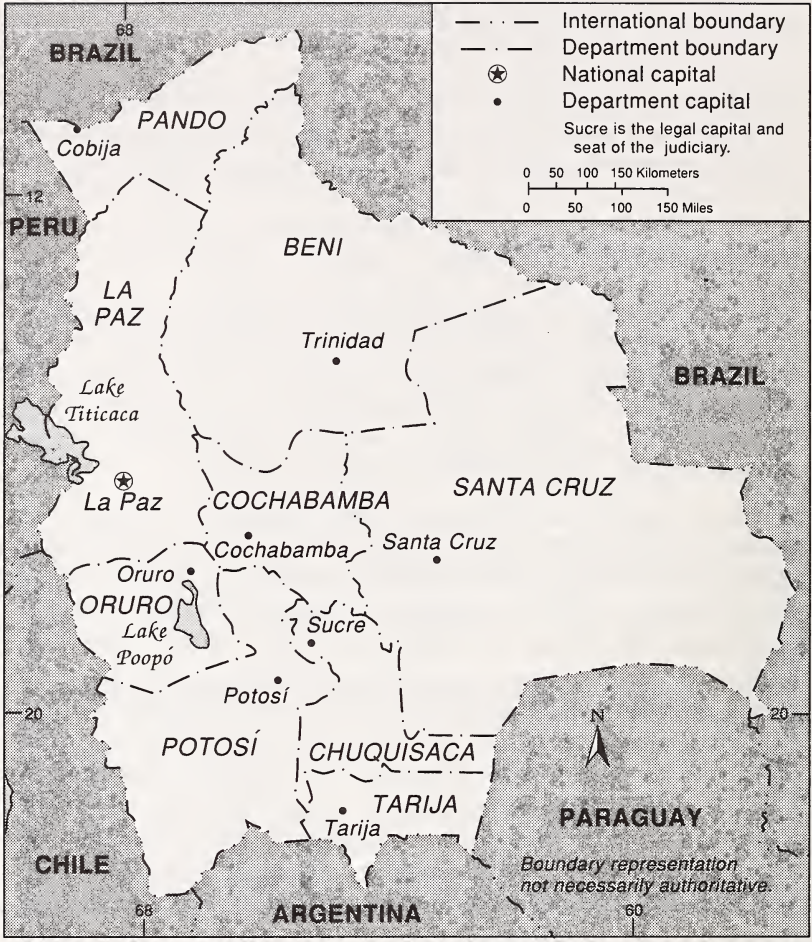


Figure 1. Administrative Divisions of Bolivia, 1989

Introduction

BOLIVIA'S WEALTH OF NATURAL wonders, colorful Indian traditions, and enigmatic ancient ruins make it one of the world's most unusual countries. The "Tibet" of South America, Bolivia is traversed by three massive Andean ranges, which include four of the world's highest eternally snow-topped mountains, towering to heights up to 6,550 meters (Sajama). Although the country is landlocked, it has Lake Titicaca, lying half in Bolivia and half in Peru, the world's second largest inland sea and highest navigable lake (3,810 meters above sea level), as well as one of the deepest (370 meters).

Bolivia is a land of sharp contrasts with climatic conditions ranging from arctic to tropical. It is divided into three distinct ecozones: the bleak, windswept, Tibetan-like plateau or "high plain" called the Altiplano (3,600 meters high) separating two generally parallel Andean cordilleras; the intermediary valley region (often referred to somewhat loosely by travel writers as the *yungas*, meaning warm valleys), which consists of both the eastern temperate high valleys and the only valley that Bolivians call the Yungas, the steep semi-tropical valley northeast of the city of La Paz; and the eastern tropical flat lowlands, which make up about 70 percent of the country, including part of the vast, semiarid Chaco region in the south. The first two of these ecozones constitute the highlands.

The central range, or Cordillera Real, forms a magnificent snow-capped backdrop for La Paz, which is the seat of government. No other major city in the world can boast of a higher, more immense mountain overlooking it than La Paz's Illimani (6,322 meters). Although La Paz is centered at the bottom of a deep, bowl-shaped canyon (protected from the chilly Altiplano winds), the city is 3,557 meters high, whereas rival Santa Cruz, the fastest-growing large city in the eastern lowlands and Bolivia's second-largest city, is only 416 meters in elevation.

One of the poorest countries in South America in the late 1980s (per capita income was US\$640 in 1987), Bolivia also had some of the lowest health and other social indicators in Latin America, but it did not suffer from one common Third World problem, namely, overpopulation. Although larger than France and Spain combined, Bolivia had only about 7 percent of their total population (or fewer than 7 million inhabitants), one of the lowest population densities in the Western Hemisphere. The nation's population had more than doubled, however, since 1950, and its distribution,

slightly more rural than urban, was highly uneven, with most of the people living in the highlands. The urban population was concentrated in only six main highland cities and Santa Cruz. (Bolivia's projected population of nearly 10 million in 2000 was expected to be more urban than rural.)

With 55 percent of its population Indian, Bolivia has the proportionately highest Indian population of any country in Latin America, although Guatemala and Peru both have larger numbers of Indian inhabitants. Nevertheless, the country was sharply divided in its ethnic composition, languages, and modes of living in 1989. The two principal highland Indian groups, the Quechua and Aymara, constituted 30 percent and 25 percent of the population, respectively. *Cholos* or mestizos (those of mixed blood) made up at most 30 percent. The Quechua and the Aymara traditionally had not intermarried and had always kept their languages, physical characteristics, and many social traditions distinct, thereby adding to the country's deep regional and social cleavages. (In addition, very few of either group ever learned Spanish.) The two groups also inhabited different areas: the Aymara lived mainly in the northern part of the Altiplano and Yungas, and the Quechua lived in the two north-south mountain ranges east of the Altiplano and in the temperate valleys. Whites (mostly descendants of Spaniards) constituted less than 15 percent of the population. Although they inhabited the same cities, the whites had little in common with the Indians.

The Quechua, once part of the great Inca Empire (Tawantinsuyu) centered in Cuzco (Cusco) in present-day Peru, were valley people in pre-Incan times who adopted the language of the conquering Incas. The origins of the Aymara have remained somewhat obscure. The Aymara and the few surviving members of the Puquina-speaking Uru and Chipaya tribes, which the Aymara once oppressed, still ply Lake Titicaca in *titora* reed boats, as they have for almost a millennium. Archaeologists generally have held that the Aymara emerged as a distinct group about A.D. 1100 and that their ancestors were part of the great Aymara-speaking Tiwanakan Empire (or possibly only the Kolla Indians, who constituted its work force) that was centered at Tiwanaku (Tiahuanaco) at the southern end of Lake Titicaca.

Bolivia's largely unknown Tiwanakan prehistory is as alien as the Altiplano's topography. The origins of the Tiwanakans and their sudden disappearance have remained shrouded in mystery, myth, and controversy. Early Spanish chroniclers found that the Aymara lacked an ancestral memory or written record of the Tiwanakans. The Tiwanakans appeared as an already robust culture

in at least 600 B.C. (although some archaeologists date them back to around 1500 B.C.) and developed through at least five distinct stages over nearly two millennia, until becoming a lost civilization around A.D. 1200. During the culture's final centuries, when it flourished, its religious influence extended throughout the Pacific Andean region as far north as Ecuador. According to archaeologists, much of the later Quechua-speaking Incan civilization was based on inherited Tiwanakan culture and technology.

Tiwanaku was the sun-worshipping empire's lofty ceremonial and administrative center, located on what was then an island in Lake Titicaca. Over the centuries, the lake has receded, leaving the ruins some twenty kilometers from its shore (the ruins of at least one other ancient city have been discovered submerged). Tiwanaku occupied an area of almost six square kilometers and had a population ranging from 20,000 to 100,000. The site, although still only partially excavated, contains some of the most impressive prehistoric ruins in the Western Hemisphere. Its immense, open-sky stone edifices, such as the temple of Akapana and Palace of the Sarcophagi, are constructed on enormous foundations and contain polished walls. Pyramidal temples include the Sun Temple of Kalasasaya with its striking Calendar Gate, or Gateway of the Sun (Puerta del Sol), and another estimated to have been as large as Egypt's Great Pyramid. The walls of these once brightly painted temples were adorned with gold-covered sculptured bas-reliefs. Over the centuries since the Spaniards arrived and began to systematically destroy the site, using it as a quarry, the ruins have been vandalized to such an extent that only the heaviest megalithic vestiges remain.

The Tiwanakan culture was as advanced in many respects as that of the ancient Egyptians. The Tiwanakans built an extensive system of roads, terraced mountain slopes, and huge raised terraces surrounded by deep, stone-block irrigation canals that made what is today a barren, dry region into fertile agricultural land for growing highly nutritious crops, such as a grain called quinoa (their sacred "mother grain"). Their buildings contained carved stone pipes for plumbing and were constructed of geometrically cut stone blocks linked with copper pins and clamps so tightly that mortar was unnecessary. The Tiwanakans used timber-built vessels to ferry andesite stone slabs weighing more than sixty tons forty-eight kilometers across the lake from quarries at the extinct volcano Kayappia, measured and cut them meticulously, and ground and burnished them smooth. Thousands of workers transported red sandstone blocks weighing up to 160 tons from a quarry ten kilometers away by dragging them along an embankment covered with

wet clay. Tiwanakan sculptors adorned their large pillar-like statues of the Sun God (Kon-Tiki Viracocha) and priest-kings and other slabs with an elaborately developed, but as yet undeciphered, iconography. Artisans created exquisite golden ornaments and ceramics, the latter containing brilliant colors and sculptured figures.

Investigators have postulated various theories to explain the mysterious disappearance of the Tiwanakan civilization. Some authors have speculated that the Aymara-speaking, warlike Kollas liquidated the Tiwanakans. Incan legend also spoke of a tribe from the Coquimbo Valley in Peru that attacked and massacred the bearded white men in a battle on an island in Lake Titicaca; only Kon-Tiki and a few others escaped and fled west. Some scientists have hypothesized that a dramatic drop in the water level of Lake Titicaca could have debilitated the Tiwanakans and made them vulnerable to attack by hostile tribes. Archaeologist Alan L. Kolata has determined that Tiwanaku's irrigation fields were no longer functional by A.D. 1000, possibly as a result of a severe drought lasting for decades. In any event, there seems to be general agreement that the scattered megalithic remnants of uncompleted projects provide evidence that Tiwanakan life came to an abrupt end. From 1200 to 1438, the Kollas assimilated the peoples who had lived under the Tiwanakan Empire. Thus, the Kollas are presumed to have inherited elements of the vanished culture, such as some stone-building skills, but not the more advanced aspects of the civilization.

The Incas of Peru emerged shortly after the collapse of the Tiwanakans and reached an equally advanced level of civilization during their relatively brief history of several hundred years. Incan legends also gave accounts of bearded white men who came from the shores of Lake Titicaca and brought them civilization and then went to the Pacific Coast and disappeared overseas. The Incas worshiped the sun and built sun temples on the Island of the Sun in Lake Titicaca. Architectural similarities with Tiwanakan culture included the trapezoidal shapes of doors and window openings and the masterfully cut and interlocked walls of large stone blocks.

In the late fifteenth century, the Incas, after meeting stubborn resistance, finally brought the Kollas under their control. According to legend, the Incas were awed by the then still magnificent ruins of Tiwanaku, which they found occupied by the Aymara. Nevertheless, the Incas kept their distance from the site as if it were taboo. They imposed only their religion on the Aymara and allowed them to keep their social traditions and language. The relatively brief Incan culture in Kollasuyo (present-day Bolivia) produced beautiful ceramics and brightly colored rectangular pack

cloths (*ahuayos*), styles that still characterize the work of the Quechua and Aymara. Incan outposts extended to the fringes of the eastern escarpment (east of Cochabamba), as evidenced by the important ruins of Incallacta and possibly Samaipata, although whether the latter, a colossal fortress carved out of solid rock on a mountain-top, is actually Incan or Tiwanakan has been disputed.

When Francisco Pizarro arrived in Tumbes (in present-day Peru) in 1532, the Incas thought he was Viracocha Inca returning. After conquering the Incas, the conquistadors systematically destroyed the Incan and other “backward” Indian cultures, including most of an estimated seventy species of exotic Incan crops, such as quinoa, that are only now being rediscovered and reintroduced around the world. For almost three centuries, the Spaniards exploited the rich silver mines of what they called Upper (Alto) Peru or Charcas (present-day Bolivia). They subjected the mainly Aymara Indians on the Altiplano and the Quechua Indians in the temperate valleys to a system of feudal peonage in the mines and textile mills (*obrajes*) and on the haciendas, denying them even the right to learn to read and write their own languages.

Imported African slaves died off so rapidly doing the strenuous high-altitude mining work and the Indians feared them so much that they were used mainly for domestic work in the silver-mining city of Potosí, for many years the richest and largest city in the Americas (160,000 residents in 1660). African slaves, however, became an Aymara-speaking subculture in the Yungas, which they colonized for coca cultivation. Chewing coca leaves (supposedly the exclusive right of the Incan elite in pre-Columbian times) enabled the Aymara to cope with the hardships of mining by numbing their senses to the cold and deadening their appetites.

After becoming an independent republic in 1825 under the presidency of its liberator and namesake, Simón Bolívar Palacios, Bolivia proved difficult to govern and hold together; its heterogeneous, illiterate population lacked any sense of national self-identity or patriotism. Regional rivalries that antedated independence remained rife. Because the Indians remained culturally and physically isolated and illiterate, most of them probably were unaware that they lived in a country called Bolivia until well into the twentieth century. The distinctive heritage of architecture, painting, and sculpture left by the Spaniards was of little use to the Indian masses, whose daily life was a struggle to survive. Furthermore, Bolivia was 2.2 million square kilometers, or more than twice its present size. During its first 110 years, the nation lost approximately half of its territory in wars and controversial bilateral deals. The most traumatic loss resulted from the War of the Pacific (1879–83),

in which Chile seized Bolivia's seacoast and rich nitrate fields in the Atacama Desert.

Bolivia has suffered from the rule of numerous despotic and incompetent caudillos during its history as an independent nation. None was crueller and more depraved and ignorant than General Mariano Melgarejo Valencia (1864-71), whose many victims included the conspiratorial General Manuel Isidoro Belzú Humérez (1848-55), murdered on being received in the presidential office after returning from exile. Melgarejo, a mining baron, squandered the country's treasury on his mistress, ceded an immense rubber-farming territory to Brazil in exchange for the right to use the Amazon River as a waterway, and initiated the government's seizure and sale of Indian communal lands. Belzú's frequently quoted valedictory, however, that "Bolivia is totally incapable of being governed," created an enduring stereotype. In Belzú's era, moreover, Bolivia's caudillos were so busy fighting for power among themselves that they had little time or energy left to govern the country effectively.

A number of exceptional leaders also have governed from the Palacio Quemado, or Burnt Palace (the unofficial name given the rebuilt Palace of Government after it was burned by a mob in 1875). In 1983 the La Paz newspaper *Última Hora* polled thirty-nine prominent Bolivians in various professions on which seven presidents they considered "most significant." The final list (in chronological order) consisted mostly of historical figures: General Antonio José de Sucre Alcalá (1825-28), General Andrés de Santa Cruz y Calahumana (1829-39), Belzú, Melgarejo (who received a record fifteen negative votes, as well as two positive ones), Aniceto Arce Ruiz (1888-92), Ismael Montes Gamboa (1904-09 and 1913-17), and Víctor Paz Estenssoro (1952-56, 1960-64, and 1985-89). Those garnering the most favorable votes were Santa Cruz and Paz Estenssoro (thirty-three and thirty-two, respectively). The next highest-rated president, Belzú, curiously garnered twenty-one favorable ballots and no negative ones, despite having ruled Bolivia with a reign of terror.

Other well-regarded nineteenth-century leaders included José María Linares Lizarazu (1857-61) and General José Ballivián y Seguro (1841-47). Linares had widespread support when he seized power as the first civilian president but lost it as he became dictatorial. Ballivián, although widely popular, resigned after tiring of putting down insurrections. His urbane and European-educated son, Adolfo Ballivián (1873-74), seemed to have the potential of becoming an outstanding president and probably would have changed Bolivia's involvement in the War of the Pacific had a mortal

illness not forced him to resign suddenly. Elected to the office (unlike his father), Adolfo Ballivián briefly restored honesty, tolerance, and liberty to government.

During the period of Conservative Party rule (1880–99), silver-mining magnates, such as Gregorio Pacheco Leyes (1884–88) and Arce Ruiz, followed the precedent set by Melgarejo of occupying the presidency, but did so legally. During the relatively stable Liberal Party era (1899–1920), when the tin industry boomed, the three tin-mining moguls—Simón I. Patiño, a Bolivian *cholo* who became one of the world's richest men; Carlos Aramayo, a Bolivian; and Mauricio Hochschild, an Austrian-born Argentine—intervened in politics more indirectly by employing politicians and lawyers (*la rosca*—see Glossary) to represent the oligarchy's interests. The mining and landowning elite kept the mine laborers and landless peasant migrants in a system of neofeudal peonage called *pongaje* and intensified the despoilment of the Indian communities of their ancestral land.

The disastrous war with Paraguay, the Chaco War (1932–35), cost Bolivia 65,000 lives, hundreds of millions of dollars, and most of its vast Chaco territory. Although the Chaco was nearly uninhabitable, it was of strategic importance as Bolivia's only access to the Atlantic Ocean, by way of the Paraguay River. By discrediting the traditional oligarchy because of its inept civilian and military leadership, the Chaco War served as a turning point in Bolivia's military, political, and cultural life. It opened the way for a series of coups by reformist military officers, none of whom fared well in office, the creation of new political groups, and political activism by the Indians. The Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario—MNR) emerged as Bolivia's first party of the masses.

Economic decline and social unrest during the post-World War II years came to a head in the form of the 1952 Revolution led by the MNR's Paz Estenssoro and Hernán Siles Zuazo (1956–60 and 1982–85). One of Latin America's three most significant agrarian revolutions of the century and the least violent of the three, it was aimed at the 6 percent of the landowners who fully controlled 92 percent of all cultivated land in the republic. In addition to sweeping land reform measures, including an end to the *pongaje* system, it returned to the Indians most of the land on the Altiplano taken from them in the past. The 1952 Revolution also resulted in civilian government, universal suffrage, and primary education in rural areas. It thus increased identification by the Indian peasants (*campesinos*) with the national society rather than simply their isolated village or hacienda. Moreover, the 1952 Revolution destroyed the

mining interests by nationalizing the tin mines and creating the Mining Corporation of Bolivia (Corporación Minera de Bolivia—Comibol) and Bolivian Labor Federation (Central Obrera Boliviana—COB). After the first years, however, the 1952 Revolution, dubbed by political scientist James M. Malloy as the “un-completed Revolution,” lost its momentum; land reform in the highlands soon stagnated, and a new elite emerged.

In 1964 the military, having been rebuilt by the MNR government with United States assistance, reverted to its old ways of staging coups and remained in power for most of the next eighteen years. During that period, ten military dictators held office, and some relied heavily on the army to suppress labor protests by miners and peasants. In October 1967, the army defeated an ill-fated attempt by Cuba’s Ernesto “Che” Guevara to start a Cuban-style revolution in the politically apathetic Bolivian countryside. The news that the charismatic Cuban revolutionary hero, who had not been seen in public for two years, was leading an insurgency in Bolivia received worldwide publicity; his capture and summary execution earned Bolivia the enmity of the international left (the military officer in charge of the counterinsurgency operation was later assassinated in Paris).

In 1979–80 the country enjoyed a brief respite from military rule under Lidia Gueiler Tejada, the country’s first woman president, whom the National Congress (hereafter, Congress) appointed for a one-year mandate. Siles Zuazo, leader of the Nationalist Revolutionary Movement of the Left (Movimiento Nacionalista Revolucionario de Izquierda—MNRI), who had been democratically elected in 1980, was supposed to succeed Gueiler, but General Luis García Meza Tejada (1980–81) staged a bloody military coup in July 1980.

García Meza seized power with the help of cocaine traffickers and European mercenaries recruited by Klaus Barbie, longtime resident and former Gestapo chief in Lyons. As García Meza’s internal security adviser, Barbie gave his paramilitary unit, The Newlwweds of Death (Los Novios de la Muerte), free rein to practice neo-Nazi tactics of arbitrary arrests, torture, and disappearances. The regime’s brutal repression and deep involvement in cocaine trafficking isolated the country internationally and discredited and demoralized the Bolivian military, compelling it to oust García Meza and allow a transition to democracy.

The optimism engendered by the return to civilian rule under Siles Zuazo soon turned to widespread discontent and nationwide strikes called by the COB because the virtually bankrupt Siles Zuazo government failed to salvage the foundering economy. As the

government printed money to cover growing budget deficits, inflation skyrocketed out of control, at one point reaching an accumulated rate of about 24,000 percent, Latin America's first recorded hyperinflation. For the most part, barter replaced the money economy. As a result of a 60 percent drop in the price of tin in late 1985, mining, which had dominated the Bolivian economy since colonial times, decreased radically. The Siles Zuazo government also alienated the United States by opening close relations with Cuba and criticizing United States policies toward Latin America.

Having failed completely to stabilize the economy, Siles Zuazo cut short his term of office by one year so that presidential and congressional elections could be held in July 1985. Paz Estenssoro's third presidency (1985–89) was notable not only for being completed without a military coup but also for his successful, albeit economically harsh, efforts to bring hyperinflation under control and to restore a measure of economic and political stability, as well as good relations with the United States. Acting on the advice of a Harvard professor and several Chilean economists, Paz Estenssoro quickly applied orthodox free-market policies to cure Bolivia's sick economy, which was choking from decades of state intervention. He implemented an austere stabilization program, the New Economic Policy (*Nueva Política Económica*—NPE), which slashed the government's budget deficit, imposed a wage freeze and a tenfold increase in the price of gasoline, eliminated all price subsidies, laid off thousands of workers at inefficient state-owned companies, including three-quarters of the miners employed by Comibol (about four-fifths of its work force), liberalized trade, allowed the peso to float against the United States dollar, and loosened disclosure requirements for the Central Bank (*Banco Central*). He also enacted a state of siege to deal with the resulting labor unrest.

In a remarkable accomplishment, the government reduced inflation to nearly zero within weeks of the NPE. Monetary and fiscal achievements included cutting the budget deficit from 36 percent of the gross domestic product (GDP—see Glossary) to 4 percent, retiring more than US\$600 million of the country's burdensome foreign debt through an innovative buy-back and debt-equity swap program, and modernizing the complex, ineffective tax system. Bolivia enjoyed exceptional price stability during the rest of the decade, with inflation running at an annual rate of only 6 percent in late 1989.

The 1989 presidential elections, although characterized by widespread apathy, were peaceful, widely regarded as fair, and free

of any threat of military intervention. As such, they affirmed Bolivia's progression along the democratic path and growing political maturity. According to political scientist Eduardo A. Gamarra, the key political question in 1989 was governability. In the first round in May, Jaime Paz Zamora, the social democratic candidate of Bolivia's center-left Movement of the Revolutionary Left (Movimiento de la Izquierda Revolucionaria—MIR), placed third behind Hugo Banzer Suárez (1971–78), candidate of the right-of-center Nationalist Democratic Action (Acción Democrática Nacionalista—ADN), and the MNR's Gonzalo Sánchez de Lozada. Because no candidate received a majority in the May elections, it once again fell on Congress to choose the president from among the three principal candidates.

Paz Zamora and his longtime political adversary, Banzer, who had once jailed Paz Zamora for six months, joined forces in an unlikely alliance, called the Patriotic Accord, thereby outmaneuvering front-runner Sánchez de Lozada of the MNR in the congressional lobbying. Congress subsequently chose Paz Zamora to be the country's seventy-sixth president. It also selected Banzer's running mate, Christian Democrat Luis Ossio Sanjinés, to be vice president. Many Bolivians, remembering Paz Zamora's tumultuous record as vice president in 1983, initially viewed with anxiety and uncertainty the prospect of the one-time revolutionary assuming the presidency. On receiving the presidential sash and medal of 1825 from his uncle, Paz Estenssoro, in August 1989, Paz Zamora vowed to maintain a free-market economy, develop agriculture and small and medium-size industries, and continue the NPE. Paz Estenssoro was Bolivia's first democratically elected head of state to complete his term of office in twenty-five years and to turn over power to an elected successor. Considering that Paz Zamora was Bolivia's third successive democratically elected president and that almost half of Bolivia's governments had been *de facto* military regimes, this democratic trend was no small accomplishment.

Despite its exaggerated image as one of Latin America's most unstable and violent countries, Bolivia appeared at the end of 1989 to have decidedly put two of its traditional maladies—coups and inflation—behind it. Furthermore, Bolivia was relatively free of the rampant terrorism, insurgency, and criminal violence that afflicted the larger Andean nations of Colombia and Peru. With the main exception of the García Meza period, its politics in the twentieth century were not exceptionally violent. Only three presidents—Pedro Blanco Soto (1828–29), Agustín Morales Hernández (1871–72), and Gualberto Villarroel López (1943–46)—all of whom were

military men who had seized power, were assassinated while in office (the deranged Morales by his own nephew).

Among the formidable challenges confronting Bolivia's new democratic government in the 1990s was the export-dependent economy, which was stagnant and prone to crises. Despite Paz Estenssoro's considerable economic achievements, agricultural production was down, the unemployment rate was running at about 22 percent, and the terms of trade (see Glossary) had declined by almost 50 percent since 1985. Bolivia's growth prospects were constrained by its dependence on Argentine payments for a large share of its export revenues, poorly diversified exports, low domestic savings, and high levels of foreign debt. In addition, Argentina had run up more than US\$250 million in arrears for its purchases of Bolivian natural gas, causing havoc in Bolivia's balance of payments and current account. Nevertheless, the economy grew by 2.2 percent in 1987 and 2.8 percent in 1988, spurred by a resurgent mining sector, which accounted for 44 percent of the country's export income in 1988.

In mid-November 1989, Paz Zamora responded to his country's first crisis, a strike by the 80,000 state teachers who were supported by the COB, by the usual method of imposing a state of siege (which banned strikes, public meetings, and demonstrations for ninety-days), arresting more than 850 union members, and banishing some 150 of them to internal exile. The teachers were demanding a special wage bonus of US\$100 to supplement their meager monthly wage of about US\$45. He brought the troublesome strike to an end the following spring, however, by offering them a 17 percent pay increase and paying them an already negotiated annual bonus.

Growing national security, social, and economic threats from cocaine trafficking and addiction also confronted the Paz Zamora government. About one-third of the work force of 1.6 million in 1989 was engaged in an underground subsistence economy based mainly on coca cultivation and contraband and estimated to be larger than the formal economy. The coca/cocaine industry posed a dilemma for Bolivia, the world's second largest source of cocaine, because of the trade-off between its economic benefits and its political, social, and cultural costs. On the one hand, exports of unrefined coca paste and cocaine generated an annual income of US\$1.5 billion, of which some US\$600 million remained within the country in 1989. The cocaine industry had become Bolivia's biggest employer, employing some 500,000 people in the production of coca and the transportation, sale, and manufacture of cocaine, according to Cochabamba's Institute of Social and Economic Studies. The majority of the dismissed Comibol workers entered the coca

trade, many of them joining the Chapare region's approximately 200,000 workers and peasants involved in cutting and burning the rain forest and in growing coca bushes, whose leaves were processed into coca paste and cocaine.

On the other hand, the cocaine industry enabled cocaine traffickers—nationals and foreigners alike—to threaten the national sovereignty and institutions with occasional acts of terrorism and increases in corruption at all levels of public institutions. Other by-products of the cocaine business included increased coca-paste addiction among Bolivia's skyrocketing numbers of abandoned children, decreased production of relatively unprofitable traditional food crops, and a widening income disparity between the wealthy minority and the poor, who constituted the overwhelming majority. Moreover, Bolivia, known for centuries for its minerals—first silver and then tin—had become synonymous with cocaine.

In the late 1980s, Bolivia's coca/cocaine industry dominated relations with the United States, the principal cocaine-consuming country. One of the most difficult challenges facing Paz Zamora was complying with a controversial coca eradication law in order to continue to qualify for United States economic aid. Although Bolivia was attempting, with United States support, to implement a program combining cocaine interdiction and coca eradication and substitution, its efforts were hampered by strong resistance from the increasingly militant and politically powerful peasant unions of coca growers, inadequate enforcement, constant expansion of coca fields, and corruption. Coca production actually increased by more than 20 percent in 1988, according to the United States Department of State.

Bolivia ruled out other more drastic eradication methods, such as repression of the coca farmers or herbicidal spraying of coca fields. A more effective approach than using coercive methods against the coca-growing small farmers, in the view of social scientist Kevin Healy, would be, in addition to reducing world demand for cocaine, to provide agricultural price supports for the otherwise unprofitable substitute crops, such as bananas, coffee, and cocoa.

December 15, 1989

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In March 1990, the United States Department of State reported that progress in antinarcotics operations in 1989 was uneven and that coca eradication in Bolivia again had failed to keep pace with new production. It found, however, that the situation had begun

to improve during the last quarter of the year as a result of the Paz Zamora government's cooperation with the United States in preparing for the Andean Summit in mid-February 1990, its stepped-up coca-eradication efforts, and its decision to allow the United States to extradite notorious cocaine trafficker Luis Arce Gómez.

During the first five months of 1990, moreover, the Paz Zamora government appeared to have stemmed the annual trend of expanding production. With coca production no longer profitable for many small farmers in the Chapare because of a drastic drop in the price of coca paste, the farmers reportedly had eradicated more than 3,200 hectares of the region's estimated 54,000 hectares of coca plants, more than in all of 1989. Chapare coca farmers were beginning to substitute alternative crops, such as fruit and spices. Coca's precipitous, albeit temporary, fall from bonanza-to-bust status in Bolivia was attributed largely to a combination of Colombia's crack-down on major drug traffickers and the Paz Zamora government's vigorous enforcement of its policy to destroy coca-paste laboratories and crack down on wholesale buyers of coca paste.

Bolivia's move away from a cocaine-based economy was expected to have significant economic costs. The Paz Zamora government estimated in early 1990 that US\$627 million would be needed for crop substitution and rural development over the 1990-95 period. Without substantial assistance, the prospects that coca farmers could earn a living by producing alternative crops without a guaranteed market were uncertain at best. During his official visit to Washington in May 1990, Paz Zamora appealed for a major increase in financial aid to help extract the Bolivian economy from the cocaine business. In addition to financing the operations of Bolivia's anti-narcotics police and the Bolivian operations of the United States Drug Enforcement Administration (DEA), the United States provided US\$78 million in development aid and economic support in the 1990 fiscal year (FY—see Glossary). A small Peace Corps program was reestablished in Bolivia in March 1990.

Chapare coca farmers were not the only inhabitants of the eastern lowlands making their complaints known in 1990. In September more than 700 Indians representing ten tribes in Beni Department staged a 643-kilometer "march for dignity and territory" from Trinidad to La Paz. The Indians were protesting the destruction of the 560,000 hectares of the Chimane Forest that the government legally handed over to logging companies in 1987. In addition to ruining the forest's flora and fauna, the Indians claimed that the loggers were threatening their culture. Critics faulted the logging companies for not reforesting, as required by Bolivian law. The

government attempted to strike a balance between the interests of the Indians and loggers by offering to rezone the logging region, but not to revoke all timber rights.

Paz Zamora's continuation of his predecessor's successful free-market policies, as well as the new government's success in taming Bolivia's inflation, settling its foreign debts, and adopting pro-business and pro-foreign investment policies, persuaded the Paris Club (see Glossary) creditor countries to grant the country a special debt-rescheduling package in March 1990. The government also hoped to increase GDP growth from 1989's meager 2 percent to 5 percent per year. To that end, it planned, under a five-year program, to sell off 100 of its 157 state-owned companies and use the estimated US\$500 million in revenues for health, education, and public works.

In addition to its privatization program, the Paz Zamora government began to encourage foreign investment. In 1989 it opened a stock exchange in Bolivia and rewrote the Investment Law and Mining and Hydrocarbons codes to make them more favorable to foreign investment. Bolivia also joined with four other South American countries—Argentina, Brazil, Paraguay, and Uruguay—in a joint effort to call the attention of the world's investors, business people, and lending agencies to investment opportunities in the region. In the first quarter of 1990, a number of foreign companies expressed interest in joint-venture projects to tap Bolivia's vast mineral reserves, and several signed on to such undertakings. By September, however, Paz Zamora had had to retreat from his neoliberal, economically orthodox program under pressure from COB unions that had staged strikes and mobilized popular support against privatization of "strategic" state companies and foreign mining contracts.

November 30, 1990

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The question of "governability" under the Paz Zamora government that Gamarra raises in Chapter 4 was put to the test in December 1990 when the country's fledgling democratic system experienced what the daily *La Razón* somewhat hyperbolically described as its "worst political crisis" in a struggle over separation of powers. Quintessentially Bolivian, the constitutional crisis arose over the seemingly minor matter of the state's overturning a 15 percent increase in the levy a company was expected to pay on beer sales. On the initiative of the Paz Zamora administration's

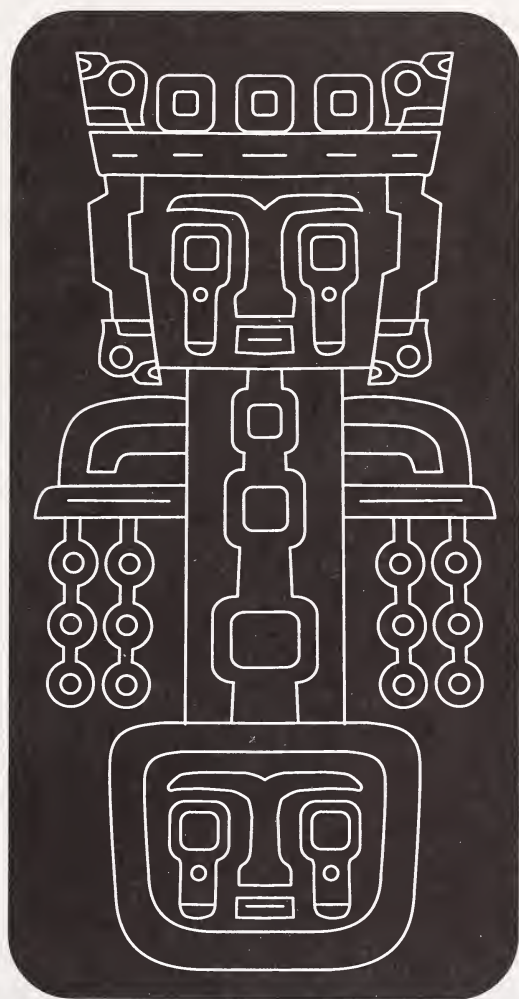
parliamentary majority in the lower house, Congress suspended eight of the twelve members of the Supreme Court of Justice on grounds of incompetence. In response, the opposition MNR charged that the impeachment proceedings were a Kangaroo court and intended to concentrate all three state powers in the hands of Paz Zamora and his political partners. Ironically, the president of the Supreme Court of Justice called on the military to intervene. The spectacle, which Paz Zamora dismissed as "a tempest in a teacup," tarnished the international image of Bolivia's new democracy. On the positive side, however, the military's inaction seemed to reaffirm the democratic system. Indeed, the armed forces commander, General Jorge Moreira Rojas, appealed to government and opposition politicians to remain calm "for the good of the image of Bolivian democracy."

In one area at least, Bolivia's economy made a better impression of stability in 1990 with an annual inflation rate well below 15 percent, the lowest in Latin America. In other areas, however, economic prospects were less encouraging. A study found that during the 1980s the informal sector of the economy increased 10 percent, to 55 percent of all jobs, while unemployment increased drastically and real wages declined sharply. Growth of GDP in 1990 was expected to be less than 2.5 percent. Moreover, some observers expected 1991 to be a year of conflict between the workers and the administration as a result of higher fuel prices and the government's intention to proceed with plans to privatize most state-run enterprises and to allow foreign companies to develop natural resources.

March 15, 1991

Rex A. Hudson

Chapter 1. Historical Setting



Symbolism on the front of the Great Idol of Tiwanaku

THE HISTORY OF BOLIVIA reflects both its pre-Columbian and its colonial heritage. The ruins of Tiwanaku (Tiahuanaco) testify to the first great Andean empire. Bolivians still speak the languages of the Aymara kingdoms and of their Quechua conquerors; the society remains predominantly Indian and rural, and only a minority is monolingual in Spanish. Nevertheless, Spain also left its imprint in the political, economic, and social spheres. During 300 years of colonial rule, Spain imposed its institutions on the colony and concentrated on mineral exports, which are still the backbone of the Bolivian economy. Using forced Indian labor, local entrepreneurs extracted the mineral wealth—the silver deposits at Potosí were the largest in the Western world—and shipped it to Spain in accord with the prevailing mercantilist practices.

After Bolivia received independence from Spain in 1825, political instability became endemic. Rivalries among caudillos resulted in numerous coups and countercoups. Despite attempts at reform by the nation's first three presidents, the economy did not recover from the disruptions caused by the wars of independence; taxes paid by the Indians were the main sources of income for the governments.

The War of the Pacific (1879–83), in which the country lost its access to the sea to Chile, had a profound impact on Bolivia. Civilian governments replaced the erratic caudillo rule, and for fifty years Bolivia enjoyed relative political stability. The economy improved with the dramatic rise of tin as the main source of wealth. Because Bolivians, rather than foreigners, dominated the tin-mining industry, the former made most political decisions. As a result, the parties in power—the Conservative Party, Liberal Party, and Republican Party—were remarkably alike in that they were primarily interested in the development of the mining sector. Increasing democratization benefited the middle class but still excluded the Indians.

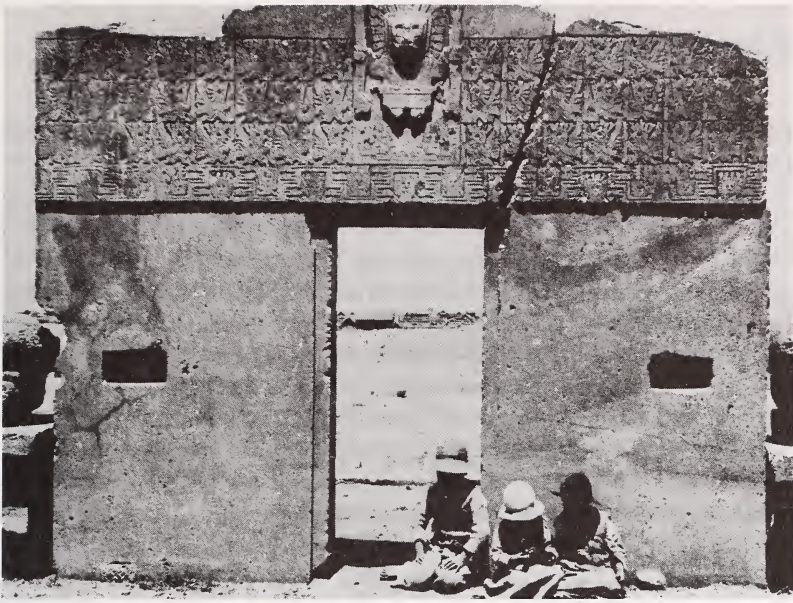
The devastating defeat suffered by Bolivia at the hands of Paraguay in the Chaco War (1932–35) discredited the traditional leadership and brought the military back to politics. Between 1936 and 1939, military governments tried to reform the country from above with a program of “military socialism” that included social justice and the control of the country's natural resources. In 1937 they nationalized the Standard Oil holdings, the first such step taken in Latin America. Although they failed because they were inconsistent in their rule and unable to marshal popular support, these governments were important because they facilitated the

formation of a number of new parties that, despite differences, agreed on the need to limit the power of the tin magnates.

Although members of the Conservative Party attempted to stop the growing trend toward reform in the 1940s, they could not contain the popular discontent. Unrest in the countryside increased, and the middle class resented the government's inability to deal with economic stagnation and increasing inflation. The unifying force in the opposition was the Nationalist Revolutionary Movement, a primarily middle-class party that became more radical as it integrated the militant ideology and demands of the workers.

Bolivia's 1952 Revolution, led by the Nationalist Revolutionary Movement, was a turning point in the country's history. The government decreed universal suffrage without literacy or property requirements, an action that increased the electorate from some 200,000 to 1 million voters. It nationalized the mines of the three great companies—Patiño, Hochschild, and Aramayo—and distributed land to the campesinos under a far-reaching agrarian reform. The revolution remained incomplete and lost momentum, however, when the government's policies produced a virtual bankruptcy of the economy. In exchange for massive assistance from the United States and the International Monetary Fund (IMF—see Glossary), the government agreed to cut social spending. This action produced renewed labor unrest and eroded support for President Víctor Paz Estenssoro (1952–56, 1960–64, and 1985–89). The government then made the fateful decision to rebuild the Bolivian armed forces, which had been purged and decimated in 1952. During the early 1960s, the military became the arbiters in Bolivian politics as widespread anarchy convinced many that only the armed forces could restore order. As a result, a military coup in 1964 led by General René Barrientos Ortuño and General Alfredo Ovando Candía had widespread support.

The military governments in power after 1964 varied in their ideological outlook. The armed forces were divided by personal ambitions, generational differences, and regional interests and lacked the corporate identity of a modern military. Barrientos's conservative rule (president, 1964–65; copresident, May 1965–January 1966; and president, 1966–69), for example, encouraged foreign investment and suppression of the left, whereas the "Revolutionary Nationalist" governments of Ovando (copresident, May 1965–January 1966, and president, January–August 1966 and 1969–70) and Juan José Torres González (1970–71) nationalized United States holdings and courted the workers, peasants, and students. Another conservative, Colonel Hugo Banzer Suárez (1971–78), was forced out because of growing opposition and pressure from the United States to reestablish democracy. The attempt



*The Gateway of the Sun (La Puerta del Sol), Tiwanaku
Courtesy Prints and Photographs Division, Library of Congress*

at a transition to democracy after 1978 failed at first because no single party achieved a majority in three elections, and alliances of various groups could not break the deadlock. Military coups, including one led by the ruthless and corrupt General Luis García Meza Tejada (1980–81), overthrew civilian interim presidents. Only in 1982 did the military return the country to democratic government.

Pre-Columbian Civilizations

The Bolivian highlands, permanently settled for at least 21,000 years, were part of the culture of Andean South America before the arrival of the Spaniards. The records are fragmentary but suggest that agriculture started about 3000 B.C. and that the production of metal, especially copper, began 1,500 years later.

By 600 B.C., the first great Andean empire had emerged on the high plateau between the mountains known as the Altiplano. This empire, the Tiwanakan, was centered near the southeastern side of Lake Titicaca and included urban centers around the lake, as well as enclaves in different ecological zones from the eastern valleys to the Pacific Coast (see fig. 1). Tiwanaku was a great center of trade and religion, and the impact of its culture spread far beyond the boundaries of present-day Bolivia. Apparently, the Tiwanakan Empire was established through colonization rather than

through conquest. Its rapid expansion after 1000 and sudden collapse around 1200 are still poorly understood.

The collapse of Tiwanakan influence resulted in the rise of seven regional kingdoms of the Aymara, the most powerful states located in the densely populated area around Lake Titicaca. The Aymara, a belligerent people who lived in fortified hilltop towns, had an extraordinary ability to adapt to the unique climatic conditions of the region and increased their food supply through irrigation and the process of freeze-drying crops. By maintaining colonists in the semitropical valleys on the eastern slopes of the Andes and on the Pacific Coast, they were able to produce both tropical and highland crops. Their basic social unit was the *ayllu* (see Glossary), a kinship group or clan that organized work and distributed land among its members.

The Aymara completely dominated the Uru, another major ethnic group in the pre-Columbian southern Andes. Although the Uru might have preceded the Aymara in the region, by the twelfth century they were poor fishermen and landless workers.

The Aymara, however, were not able to contain the expansion of the Quechua, the third major ethnic group. After the collapse of the Tiwanakan Empire, a Quechua-speaking state emerged in the area around Cuzco (in present-day Peru). In the early fifteenth century, the Quechua, who became known as the Incas when they adopted the name of their rulers, were the most powerful group in the northern highlands. As the Aymara kingdoms in the south became weaker in the second half of the fifteenth century, the Incas began to conquer them.

The Bolivian highlands became known as the Kollasuyo, a densely populated area with great economic and mineral wealth that constituted one of the four administrative units of the Inca Empire. The highest official of the Kollasuyo was responsible only to the Inca (the emperor) and supervised a group of provincial governors, who in turn controlled members of the Aymara nobility. Under a draft system called the *mita* (see Glossary), the Incas forced local Indians in the Kollasuyo to work in the mines or on construction projects or to serve in the armies, compensating them fully for their labor. Despite their goal of extreme centralization, the Incas did not fundamentally change the organization of the Aymara kingdoms, which remained relatively autonomous. Many local chiefs kept many of their former powers and were, in general, reinforced by Inca authority. They were also able to retain their culture, their local religion, and their language. The regional nobility, although forced to send their children to Cuzco for education, continued to hold private property. Moreover, the system

of sending colonists to the eastern valleys and the coast was tolerated under Inca rule.

In 1470, however, several Aymara kingdoms rebelled against Inca rule. The Incas completely defeated two states and pacified the region by sending *mitimaes*, Quechua-speaking colonists, to Aymara territory, especially to the southern valleys and to the more central valley regions where Cochabamba and Sucre were later founded. By the beginning of the sixteenth century, the Incas had fully established their rule over the Kollasuyo. In the 1980s, the legacy of this resettlement policy could be seen in the predominance of Quechua speakers in many areas of Bolivia (see *Ethnic Groups*, ch. 2).

The Incas failed, however, to conquer the nomadic tribes in the eastern Bolivian lowlands. The remains of Incan fortresses there are evidence of this failure and suggest that the Incas could subdue only those cultures that were primarily based on agriculture. Thus, the Indian groups of the eastern two-thirds of Bolivia preserved their ways of life to a great extent, even after the Spanish conquest.

Conquest and Colonial Rule, 1532–1809

Conquest and Settlement

Francisco Pizarro, Diego de Almagro, and Hernando de Luque led the Spanish discovery and conquest of the Inca Empire. They first sailed south in 1524 along the Pacific Coast from Panama to confirm the legendary existence of a land of gold called “Biru.”

Because the rapidly expanding Inca Empire was internally weak, the conquest was remarkably easy. After the Inca Huayna Cápac died in 1527, his sons Huáscar and Atahualpa fought over the succession. Although Atahualpa defeated his brother, he had not yet consolidated his power when the Spaniards arrived in 1532, and he seriously misjudged their strength. Atahualpa did not attempt to defeat Pizarro when he arrived on the coast in 1532 because the Incan ruler was convinced that those who commanded the mountains also controlled the coast. When Pizarro formed alliances with Indians who resented Inca rule, Atahualpa did not modify the Inca ceremonial approach to warfare, which included launching attacks by the light of the full moon. On November 16, 1532, Pizarro took Atahualpa prisoner during their first encounter and later executed him, even after payment of a ransom equivalent to half a century of European production of gold and silver. One year later, Cuzco fell.

Despite Pizarro’s quick victory, Indian rebellions soon began and continued periodically throughout the colonial period. In 1537 Manco

Inca, whom the Spanish had established as a puppet emperor, rebelled against the new rulers and restored a "neo-Inca" state. This state continued to challenge Spanish authority even after the Spanish suppressed the revolt and beheaded Túpac Amaru in the public square of Cuzco in 1572. Later revolts in the Bolivian highlands were usually organized by the elders of the community and remained local in nature, the exception being the great rebellion of Túpac Amaru II in the eighteenth century.

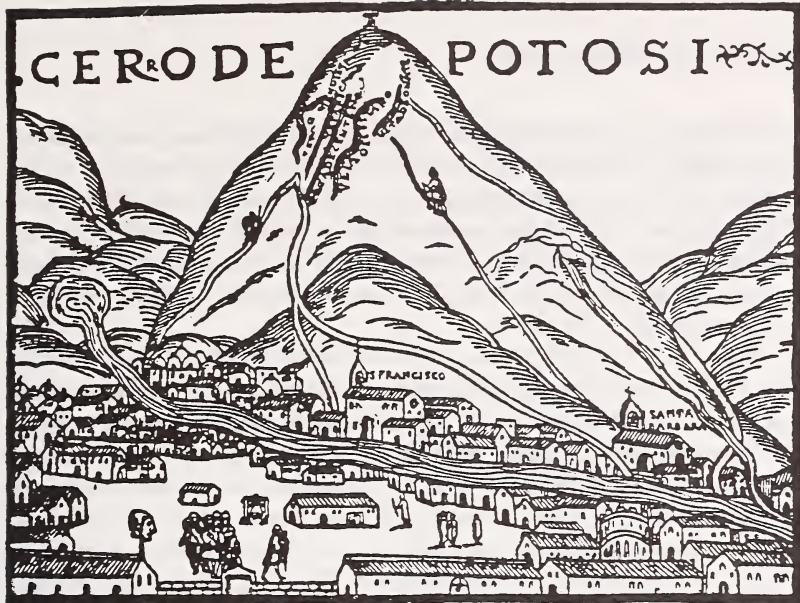
During the first two decades of Spanish rule, the settlement of the Bolivian highlands—now known as Upper (Alto) Peru or Charcas—was delayed by a civil war between the forces of Pizarro and those of Almagro. The two conquistadors had divided the Incan territory, with the north under the control of Pizarro and the south under that of Almagro. Fighting broke out in 1537, however, when Almagro seized Cuzco after suppressing the Manco Inca rebellion. Pizarro defeated and executed Almagro in 1538 but was himself assassinated three years later by former supporters of Almagro. Pizarro's brother Gonzalo assumed control of Upper Peru but soon became embroiled in a rebellion against the Spanish crown. Only with the execution of Gonzalo Pizarro in 1548 did Spain succeed in reasserting its authority; later that year, colonial authorities established the city of La Paz, which soon became an important commercial and transshipment center.

Indian resistance delayed the conquest and settlement of the Bolivian lowlands. The Spanish established Santa Cruz de la Sierra (hereafter, Santa Cruz) in 1561, but the Gran Chaco, the colonial name for the arid Chaco region, remained a violent frontier throughout colonial rule. In the Chaco, the Indians, mostly Chiriguano, carried out unrelenting attacks against colonial settlements and remained independent of direct Spanish control.

The Economy of Upper Peru

Spain immediately recognized the enormous economic potential of Upper Peru. The highlands were rich in minerals, and Potosí had the Western world's largest concentration of silver. The area was heavily populated and hence could supply workers for the silver mines. In addition, Upper Peru could provide food for the miners on the Altiplano.

Despite these conditions, silver production fluctuated dramatically during the colonial period. After an initial fifteen-year surge in production, output began to fall in 1560 as a result of a severe labor shortage caused by the Indian population's inability to resist European diseases. Around the same time, Potosí's rich surface deposits became depleted, which meant that even more labor would



*Sixteenth-century woodcut of Potosí Hill,
also called Rich Hill (Cerro Rico)*

be required to extract silver. The labor shortage was addressed by Francisco de Toledo, the energetic viceroy (the king's personal representative) of Peru, during a visit to Upper Peru in the 1570s. Toledo used the pre-Columbian *mita* to extract forced labor for the mines at Potosí from some sixteen districts in the highlands, which were designated as areas supplying *mita*. Adult males could be required to spend every sixth year working in the mines. Henceforth, Potosí mining depended on the *mita* as well as on a labor system in which relatively free men worked alongside those who were coerced. Toledo also regulated the mining laws, established a mint at Potosí, and introduced the mercury amalgam process. Adoption of the amalgam process was particularly important, according to Herbert S. Klein, in that it eliminated Indian control over refining.

The second problem, the exhaustion of the high-content surface ores, required technological innovations. Hydraulic power took on increased importance because of the construction of large refining centers. By 1621 a system of artificial lakes with a storage capacity of several million tons provided a steady supply of water for refineries. With the labor and technological problems resolved, silver mining flourished. By the middle of the seventeenth century, silver mining at Potosí had become so important that the city had the largest population in the Western Hemisphere, approximately 160,000 inhabitants.

The end of the seventeenth-century boom, however, was followed by a major decline in the mining industry. The exhaustion of the first rich veins required deeper and more expensive shafts. The rapid decrease of the Indian population as a result of disease and exploitation by the *mita* also contributed to the reduction in silver output. After 1700 only small amounts of bullion from Upper Peru were shipped to Spain.

Kings from the Bourbon Dynasty in Spain tried to reform the colonial economy in the mid-eighteenth century by reviving mining. The Spanish crown provided the financial support necessary to develop deeper shafts, and in 1736 it agreed to lower the tax rate from 20 to 10 percent of the total output. The crown also helped create a minerals purchasing bank, the Banco de San Carlos, in 1751 and subsidized the price of mercury to local mines. The foundation of an academy of metallurgy in Potosí indicated the crown's concern with technical improvements in silver production. The attempts to revive the mining sector in Upper Peru were only partially successful, however, and could not halt the economic collapse of Potosí at the beginning of the nineteenth century. Nevertheless, mining remained critical to the economy of Upper Peru because food supplies sent from the valleys to mining centers on the Altiplano influenced agricultural production.

Farming at first took place on *encomiendas* (see Glossary). The crown granted a small number of conquistadors the right to the labor and produce of Indians living on the *encomienda*, and by the 1650s there were some eighty-two *encomiendas* in Upper Peru. *Encomenderos* tended to monopolize agricultural production, control the cheap Indian labor, and collect the tribute that the Indians had to pay to the crown. Because *encomenderos* were difficult to control and abused their laborers, however, the crown tried repeatedly to bring Indians under its direct jurisdiction and control.

In the second half of the seventeenth century, agricultural production shifted from *encomiendas* to large estates, on which Indians worked in exchange for the use of land. Cochabamba became a major producer of corn and wheat, and the valleys produced coca leaves in increasing amounts during colonial rule.

In addition to mining and agricultural production, Indian tribute (*alcabala*) became an increasingly important source of income for the crown despite Indian migration to avoid payment. An early effort to collect tribute from Indians by moving them into villages or indigenous communities (*comunidades indígenas*) was unsuccessful because of resistance from both *encomenderos* and Indians. But by the late eighteenth century, an increase in the Indian population, the extension of tribute payments to all Indian males (including

those who owned land), and a relative decline in income from the mines combined to make *alcabala* the second largest source of income in Upper Peru. Tribute payments also increased because Spanish absolutism made no concessions to human misfortune, such as natural disasters. The Indian tribute was increased by 1 million pesos annually.

State, Church, and Society

The longevity of Spain's empire in South America can be explained partly by the successful administration of the colonies. Spain was at first primarily interested in controlling the independent-minded conquerors, but its main goal soon became maintaining the flow of revenue to the crown and collecting the tribute of goods and labor from the Indian population. To this end, Spain soon created an elaborate bureaucracy in the New World in which various institutions served as watchdogs over each other and local officials had considerable autonomy.

Upper Peru, at first a part of the Viceroyalty of Peru, joined the new Viceroyalty of Río de la Plata (whose capital was Buenos Aires) when it was created in 1776 (see fig. 2). The viceroy was aided by the *audiencia* (council), which was simultaneously the highest court of appeal in the jurisdiction and, in the absence of the viceroy, also had administrative and executive powers. The wealth of Upper Peru and its remoteness from Lima convinced the authorities in Lima to create an *audiencia* in the city of Chuquisaca (present-day Sucre) in 1558. Chuquisaca had become particularly important as Potosí's administrative and agricultural supply center. The jurisdiction of the *audiencia*, known as Charcas, initially covered a radius of 100 "leagues" (179,600 hectares) around Chuquisaca, but it soon included Santa Cruz and territory belonging to present-day Paraguay and, until 1568, also the entire district of Cuzco. The president of the *audiencia* had judicial authority as well as administrative and executive powers in the region, but only in routine matters; more important decisions were made in Lima. This situation led to a competitive attitude and the reputation of Upper Peru for assertiveness, a condition reinforced by the economic importance of the region.

Spain exercised its control of smaller administrative units in the colonies through royal officials, such as the *corregidor* (see Glossary), who represented the king in the municipal governments that were elected by their citizens. By the early seventeenth century, there were four *corregidores* in Upper Peru.

In the late eighteenth century, Spain undertook an administrative reform to increase revenues of the crown and to eliminate a



Source: Based on information from A. Curtis Wilgus, *Historical Atlas of Latin America*, New York, 1967, 112.

Figure 2. Three South American Viceroyalties, ca. 1800

number of abuses. It created an intendency system, giving extensive powers to highly qualified officials who were directly responsible to the king. In 1784 Spain established four intendancies in Upper Peru, covering the present-day departments of La Paz, Cochabamba, Potosí, and Chuquisaca.

The Spanish crown at first controlled the local governments indirectly but centralized procedures as time went on. At first, Viceroy Francisco de Toledo confirmed the rights of local nobles and guaranteed them local autonomy. But the crown eventually came to employ Spanish officials, *corregidores de indios*, to collect tribute and taxes

from the Indians. *Corregidores de indios* also imported goods and forced the Indians to buy them, a widely abused practice that proved to be an enormous source of wealth for these officials but caused much resentment among the Indian population.

With the first settlers in Upper Peru came the secular and regular clergy to begin the conversion of the Indians to Christianity. In 1552 the first bishopric in Upper Peru was established in La Plata; in 1605 La Paz and Santa Cruz also became bishoprics. In 1623 the Jesuits established the Royal and Pontifical Higher University of San Francisco Xavier of Chuquisaca, Upper Peru's first university.

Indian reaction to colonial rule and conversion to Christianity varied. Many Indians adapted to Spanish ways by breaking with their traditions and actively attempting to enter the market economy. They also used the courts to protect their interests, especially against new tribute assessments. Others, however, clung to their customs as much as possible, and some rebelled against the white rulers. Local, mostly uncoordinated, rebellions occurred throughout colonial rule. More than 100 revolts occurred in the eighteenth century alone in Bolivia and Peru.

Although the official Incan religion disappeared rapidly, the Indians continued their local worship under the protection of local Indian rulers. But as Christianity influenced the Indians, a new folk-Catholicism developed, incorporating symbols of the indigenous religion (see Religion, ch. 2). Whereas early Indian rebellions were anti-Christian, the revolts at the end of the sixteenth century were based in messianic Christian symbolism that was Roman Catholic and anti-Spanish. The church was tolerant of local Indian religions. In 1582, for example, the bishop of La Plata permitted the Indians to build a sanctuary for the dark Virgen de Copacabana on the shores of Lake Titicaca (Copacabana has been a traditional Aymara religious center ever since).

The conquest and colonial rule were traumatic experiences for the Indians. Easily susceptible to European diseases, the native population decreased rapidly. The situation of the Indians worsened in the eighteenth century when Spain demanded higher tribute payments and increased *mita* obligations in an attempt to improve the mining output.

These profound economic and social changes and the breakup of native culture contributed to the increasing addiction of Indians to alcohol. Before the Spanish arrived, the Incas had consumed alcohol only during religious ceremonies. Indian use of the coca leaf also expanded, and, according to one chronicler, at the end of the sixteenth century "in Potosí alone, the trade in coca amounts

to over half a million pesos a year, for 95,000 baskets of it are consumed.”

Increasing Indian discontent with colonial rule sparked the great rebellion of Túpac Amaru II. Born José Gabriel Condorcanqui, this educated, Spanish-speaking Indian took the name of his ancestor, Túpac Amaru. During the 1770s, he became embittered over the harsh treatment of the Indians by the *corregidores de indios*. In November 1780, Túpac Amaru II and his followers seized and executed a particularly cruel *corregidor de indios*. Although Túpac Amaru II insisted that his movement was reformist and did not seek to overthrow Spanish rule, his demands included an autonomous region. The uprising quickly became a full-scale revolt. Approximately 60,000 Indians in the Peruvian and Bolivian Andes rallied to the cause. After scoring some initial victories, including defeating a Spanish army of 1,200 men, Túpac Amaru II was captured and killed in May 1781; nonetheless, the revolt continued, primarily in Upper Peru. There, a supporter of Túpac Amaru II, the Indian chief Tomás Catari, had led an uprising in Potosí during the early months of 1780. Catari was killed by the Spaniards a month before Túpac Amaru II. Another major revolt was led by Julián Apasa, a sexton who took the names of the two rebel martyrs by calling himself Túpac Catari (also spelled Katari). He besieged La Paz for more than 100 days. Spain did not succeed in putting down all of the revolts until 1783 and then proceeded to execute thousands of Indians.

In the late eighteenth century, a growing discontent with Spanish rule developed among the criollos (persons of pure Spanish descent born in the New World). Criollos began to assume active roles in the economy, especially in mining and agricultural production, and thus resented the trade barriers established by the mercantilist policies of the Spanish crown. In addition, criollos were incensed that Spain reserved all upper-level administrative positions for *peninsulares* (Spanish-born persons residing in the New World).

The Enlightenment, with its emphasis on reason, questioning of authority and tradition, and individualistic tendencies, also contributed to criollo discontent. The Inquisition had not kept the writings of Niccolò Machiavelli, Benjamin Franklin, Thomas Paine, Jean-Jacques Rousseau, John Locke, and others out of Spanish America; their ideas were often discussed by criollos, especially those educated at the university in Chuquisaca. At first the criollos of Upper Peru were influenced by the French Revolution, but they eventually rejected it as too violent. Although Upper Peru was fundamentally loyal to Spain, the ideas of the Enlightenment and



*A convent in Daniel Campos Province, Potosí Department
Courtesy Inter-American Foundation (Kevin Healy)*

independence from Spain continued to be discussed by scattered groups of radicals.

Independence from Spain and the Early National Period, 1809–39

Struggle for Independence

The invasion of the Iberian Peninsula in 1807–08 by Napoleon's forces proved critical to the independence struggle in South America. The overthrow of the Bourbon Dynasty and the placement of Joseph Bonaparte on the Spanish throne tested the loyalty of the local elites in Upper Peru, who were suddenly confronted with several conflicting authorities. Most remained loyal to Spain. Taking a wait-and-see attitude, they supported the Junta Central (Central Junta) in Spain, a government in the name of the abdicated Ferdinand VII. Some liberals eagerly welcomed the reforms of colonial rule promised by Joseph Bonaparte. Others supported the claims of Carlota, Ferdinand's sister, who governed Brazil with her husband, Prince Regent John of Portugal. Finally, a number of radical criollos wanted independence for Upper Peru.

This conflict of authority resulted in a local power struggle in Upper Peru between 1808 and 1810 and constituted the first phase of the efforts to achieve independence. In 1808 the president of

the *audiencia*, Ramón García León de Pizarro, demanded affiliation with the Junta Central. The conservative judges of the *audiencia* were influenced, however, by their autocratic royalist philosophy and refused to recognize the authority of the junta because they saw it as a product of a popular rebellion. On May 25, 1809, tensions grew when radical criollos, also refusing to recognize the junta because they wanted independence, took to the streets. This revolt, one of the first in Latin America, was soon put down by the authorities.

On July 16, 1809, Pedro Domingo Murillo led another revolt by criollos and mestizos (those of mixed European and Indian ancestry) in La Paz and proclaimed an independent state in Upper Peru in the name of Ferdinand VII. The loyalty to Ferdinand was a pretense used to legitimize the independence movement. By November 1809, Cochabamba, Oruro, and Potosí had joined Murillo. Although the revolt was put down by royalist forces sent to La Paz by the viceroy of Peru and to Chuquisaca by the viceroy of Río de La Plata, Upper Peru was never again completely controlled by Spain.

During the following seven years, Upper Peru became the battleground for forces of the independent Argentine Republic and royalist troops from Peru. Although the royalists repulsed four Argentine invasions, guerrillas controlled most of the countryside, where they formed six major *republicuetas*, or zones of insurrection. In these zones, local patriotism would eventually develop into the fight for independence.

By 1817 Upper Peru was relatively quiet and under the control of Lima. After 1820 the Conservative Party criollos supported General Pedro Antonio de Olañeta, a Charcas native, who refused to accept the measures by the Spanish Cortes (legislature) to conciliate the colonies after the Liberal Party revolution in Spain. Olañeta, convinced that these measures threatened royal authority, refused to join the royalist forces or the rebel armies under the command of Simón Bolívar Palacios and Antonio José de Sucre Alcalá. Olañeta did not relinquish his command even after the Peruvian royalists included him and his forces in the capitulation agreement following their defeat in the Battle of Ayacucho in 1824, the final battle of the wars of independence in Latin America. Olañeta continued a quixotic war until Sucre's forces defeated his forces, and he was killed by his own men on April 1, 1825, in a battle that effectively ended Spanish rule in Upper Peru.

Construction of Bolivia: Bolívar, Sucre, and Santa Cruz

In 1825 Bolívar, first president of what became known as Bolivia, transferred authority over Upper Peru to his lieutenant, Sucre

(1825–28), who called a constituent assembly in Chuquisaca to determine the future of the region. Almost all delegates wanted an independent Upper Peru and rejected attachment to Argentina or Peru. On August 6, 1825, the assembly adopted a declaration of independence. Five days later, the assembly, hoping to placate Bolívar's reservations about the independence of Upper Peru, resolved to name the new nation after him.

The new Republic of Bolivia, created in the territory that had formed the *audiencia* of Charcas, faced profound problems. The wars of independence had disrupted the economy. The entire mining industry was in decline because of destruction, flooding, and abandonment of mines. Lack of investment and scarcity of labor contributed to a sharp drop in silver production. Agricultural production was low, and Bolivia had to import food, even staples consumed by the Indian population. The government had serious financial difficulties because of the huge military expenditures and debt payments to Peru as compensation for the army of liberation. All these problems were aggravated by the isolation of the new republic from the outside world and the difficulties of securing its borders.

Bolívar entered La Paz triumphantly on August 8, 1825. During his brief rule of less than five months, he issued a flood of decrees, resolutions, and orders reflecting his ideas about government. He declared the equality of all citizens and abolished the tribute payments, replacing them with a "direct contribution" (*contribución directa*) that amounted to less than half of the previous payments. Bolívar also decreed a land reform to distribute land, preferably to Indians, and tried to reduce the influence of the Roman Catholic Church in politics. Most of his decrees could not be implemented during his short tenure, but they were included in the constitution he wrote for Bolivia after his departure in January 1826.

Despite his efforts at reform, Bolívar was outspoken about his doubts as to the ability of Bolivians to govern themselves. He was careful to avoid recognizing Bolivia's independence, always referring to the country as Upper Peru and signing his decrees as dictator of Peru. Only in January 1826, when he turned the country over to Sucre, did he promise that the Peruvian legislature would approve Bolivia's independence.

Sucre succeeded Bolívar in January 1826 and continued to rule by decree. He was formally installed as Bolivia's first elected president after the Constituent Assembly convened in May and elected him. During his three-year rule, the government tried to solve its grave financial problems, which were aggravated by the

lack of foreign credit. Sucre reformed the existing tax structure in an effort to finance public expenditures and tried to revive silver mining by attracting foreign capital and technology. In one of the most radical attacks on the church anywhere in Latin America, he confiscated church wealth in Bolivia and closed down many monasteries. The Roman Catholic Church in Bolivia never recovered the powerful role that it had held. Import duties and taxes on the internal movement of goods were also important sources of state revenue. In addition, Sucre reestablished tribute payments in an attempt to solve the country's financial crisis.

Sucre's attempts at reform were only partially successful because Bolivia lacked the administration to carry them out. Many Conservative Party criollos turned away when his reforms threatened to challenge the economic and social patterns of the colonial past. As opposition increased, the local nationalist elite came to resent the leadership of their Venezuelan-born president. The invasion of Bolivia by the Peruvian general Agustín Gamarra and an assassination attempt in April 1827 led to Sucre's resignation in 1828. Sucre left the country for voluntary exile, convinced that "the solution was impossible." Given troop command by Bolívar, however, Sucre routed General Gamarra's much larger force (8,000) in a decisive battle at Tarqui on February 27, 1829.

Despite the fall of his government, Sucre's policies formed the basis for the ten-year rule of Andrés de Santa Cruz y Calahumana (1829-39), the first native-born president, who was sworn into office in May 1829 after a series of short-term rulers. Santa Cruz, a mestizo, had a brilliant military career fighting for independence in the armies of Bolívar. His close connection with Bolívar had led to a short interlude as the president of Peru in 1826. It also made him a strong candidate to become Bolivia's new president after Sucre's resignation.

Santa Cruz created a relatively stable economic, social, and political order in Bolivia. In an attempt to overcome Bolivia's isolation, Santa Cruz opened the port of Cobija on the Pacific Coast. He also devalued the silver currency to finance government activities, instituted protective tariffs in support of the local cotton cloth (*tucuyo*) industry, and reduced the mining tax, thereby increasing mining output. In addition, Santa Cruz codified the country's laws and enacted Latin America's first civil and commercial codes. The Higher University of San Andrés in La Paz was also founded during his rule. Although Santa Cruz approved a democratic constitution, he ruled virtually as a dictator and did not tolerate opposition.

Santa Cruz continued his political ambitions in Peru while president of Bolivia. He established the Peru-Bolivia Confederation in 1836, justifying his act with the threat of Chile's expansion to the north. This threat, together with the constant turmoil in Peru and repeated attempts by Gamarra to invade Bolivia, had made Sucre's military intervention in a Peruvian civil war in 1835 a matter of life and death for Bolivia. After winning a number of battles in Peru, Santa Cruz reorganized that country into two autonomous states—Northern Peru and Southern Peru—and joined them with Bolivia in the Peru-Bolivia Confederation with himself as protector. The potential power of this confederation aroused the opposition of Argentina and, above all, Chile; both nations declared war on the confederation. Although Santa Cruz repelled an attack by Argentina, he failed to stop the Chilean expansion into the disputed territories on its northern frontier. His decisive defeat by Chilean forces in the Battle of Yungay in January 1839 resulted in the breakup of the confederation and ended the career of Bolivia's ablest nineteenth-century president. Santa Cruz went into exile in Ecuador.

Political Instability and Economic Decline, 1839–79

Bolivia was characterized for the forty years after 1839 by a chaotic political situation and a declining economy. The country relied on taxes paid by the Indians as its main source of income. Although some of the government's leaders during this period tried to reform the country, most fit the description of *caudillos bárbaros* (barbaric caudillos), a term used by Bolivian writer Alcides Arguedas for inept and corrupt rulers.

Santa Cruz was succeeded in June 1839 by General José Miguel de Velasco Franco (1828, 1829, and 1839–41), who tried to control the political intrigues and maneuvering between the supporters and opponents of Santa Cruz. After failing to repel yet another invasion by Gamarra, Velasco was overthrown. Gamarra was killed in November 1841 near La Paz in the Battle of Ingaví, in which General José Ballivián y Segurola defeated the Peruvian forces and ended Peruvian expansionism.

Ballivián y Segurola (1841–47) is remembered for restoring relative calm to the nation between 1842 and 1847. Reversing Santa Cruz's protectionist policies, Ballivián y Segurola encouraged free trade. He also promoted the colonization of the Beni. Nonetheless, the main income continued to come from the taxes paid by rural Indians. These included not only a head tax but also a tax on coca leaves, which were consumed almost exclusively by the Indian population. Although nearly 90 percent of all Bolivians lived

in rural areas according to the 1846 census, agriculture generated little revenue. Most haciendas stagnated, and only the collection of cinchona bark (for the production of quinine) and coca leaves increased in the valleys.

After the overthrow of Ballivián y Segurola in 1847, Manuel Isidoro Belzú Humérez (1848-55) emerged as the most powerful figure in Bolivia. Unlike his predecessors, Belzú sought the support of the masses. In order to gain the backing of the Indians, he started a campaign against the aristocratic landowners, seized their land, and incited the Indians to destroy the homes of the landowners. He also hoped to get the support of the artisans who had been hurt by the free-trade policies of Ballivián y Segurola by restricting the role of foreign merchants in Bolivia and limiting imports.

Belzú's effort succeeded in one sense because he fended off forty-two coup attempts during his rule. "Tata" Belzú, as he was called by the Indians (like the head of the *ayllu* in pre-Columbian times), has been seen as the precursor of Andean populism. Attempting to stir the masses in demagogic speeches, Belzú completely alienated the Bolivian establishment with his reign of terror. As efforts to overthrow him increased, he resigned in 1855 and left for Europe.

José María Linares Lizarazu (1857-61), a member of the elite that had opposed Belzú, overthrew Belzú's son-in-law, General Jorge Córdova (1855-57), and became the first civilian president. Linares reversed Belzú's protective policies and encouraged free trade and foreign investment, mainly from Britain and Chile. During his presidency, mining output increased because of technological innovations, such as the steam engine, and the discovery of huge nitrate deposits in the Atacama Desert (in present-day Chile).

Although the mining sector improved, it failed to stimulate agricultural production, and most haciendas continued in a relative state of stagnation. This malaise contributed to the survival of campesino communities during the nineteenth century, despite repeated assaults on their common landholdings by various governments. But the tax burden on the Indians resulted in campesino revolts in Copacabana.

The overthrow of Linares by a military coup in 1861 initiated one of the most violent periods in Bolivian history, under General José María de Achá Valiente (1861-64). Achá is remembered for the "murders of Yáñez," the massacre of seventy-one Belzú supporters (Belcistas), including General Córdova, ordered by Colonel Plácido Yáñez, the military commander in La Paz, in 1861.

In late 1864, General Mariano Melgarejo Valencia (1864-71) seized the presidency and became the most notorious of Bolivia's



*Aymara Indians playing wind instruments in Achispaya,
Larecaja Province, La Paz Department
A Tinku ritual fight in Macha, Chayanta Province, Potosí Department
Photos courtesy Inter-American Foundation (Kevin Healy)*

caudillos. Relying primarily on the military, he remained in power for more than six years despite his mismanagement, drunkenness, and corruption, as well as constant intrigues against him. Hoping to improve the economy by opening up the country to foreigners, Melgarejo signed a series of treaties with Chile and Peru for free trade. In an 1867 treaty with Brazil to secure water rights to the Atlantic Ocean, he ceded 102,400 square kilometers of territory, hoping to break Bolivia's isolation (see fig. 3).

Melgarejo started a formidable assault on Indian communal land, ostensibly in order to improve agricultural production. He decreed that the Indians were the owners of their parcels only if they paid a large fee within sixty days. If they failed to do so, their land would be auctioned off. The resulting sales increased the size of the haciendas, and massive Indian uprisings against his rule became more violent. Opposition against Melgarejo mounted in all sectors of society as the term *melgarejismo* came to signify amoral militarism; in 1871 he was overthrown and later murdered in Lima.

Agustín Morales Hernández (1871-72) continued Melgarejo's ruling style, despite his promise of "more liberty and less government." Morales was assassinated, however, by a nephew in 1873. Two presidents with high integrity, Tomás Frías Ametller (1872-73) and General Adolfo Ballivián (1873-74), did not last long because of constant intrigues. Under their rule, Bolivia opened the port of Mollendo in Peru, which reduced the country's isolation by connecting the Altiplano by train and steamship on Lake Titicaca to the Pacific Coast. But in 1876 Hilarión Daza Groselle (1876-79) seized power and became another military caudillo, as brutal and incompetent as Melgarejo. He faced many insurrections, a massive demonstration by artisans in Sucre, and widespread opposition. Hoping to gather the support of nationalist Bolivians to strengthen his internal position, Daza involved his country in the disastrous War of the Pacific.

From the War of the Pacific to the Chaco War, 1879-1935

War of the Pacific

The War of the Pacific resulted from a dispute between Bolivia and Chile over sovereignty of the mineral-rich coastal area of the Atacama Desert. In the mid-1860s, the two nations had come to the brink of war because of disagreement over their boundaries. In 1874 Chile agreed to fix the border at 24° south latitude in return for Bolivia's promise not to increase taxes on Chilean nitrate enterprises for twenty-five years. But in 1878, Daza imposed a slight

increase on export taxes. Chile immediately objected, and when Daza refused to revoke the tax hike, Chile landed troops on February 14, 1879. Bolivia, in alliance with Peru, declared war on Chile on March 1, but Bolivia's troops in the coastal territory were easily defeated, in part because of Daza's military incompetence. Driven from office by a popular revolt, Daza fled to Europe with a sizable portion of Bolivia's treasury. The attempt of General Narcisco Campero Leyes (1880–84) to come to the aid of Peru, Bolivia's ally in the war, was unsuccessful, and the combined armies were defeated by Chile in 1880. Having lost its entire coastal territory, Bolivia withdrew from the war. It ceded the territory officially to Chile twenty-four years later, in 1904, under the Treaty of Peace and Friendship.

The War of the Pacific was a turning point in Bolivian history. Bolivian politicians were able to rally Bolivians by blaming the war on Chilean aggression. Bolivian writers were convinced that Chile's victory would help Bolivia to overcome its backwardness because the defeat strengthened the "national soul." Even today, Bolivia has not relinquished the hope of regaining an outlet to the Pacific Ocean.

After the war, a vigorous debate among civilian elites spawned the development of new political parties. Mining entrepreneurs, who had become the most important economic group in the country because of increasing production, created the Conservative Party (Partido Conservador). Conservatives favored reaching a quick peace settlement with Chile that would include indemnification for lost territories and enable Bolivia to construct a railroad for mining exports. The Liberal Party (Partido Liberal) denounced the pacifism of the Conservatives. It also resented the economic dependence of the mining sector on Chilean and British capital and hoped to attract United States investment. Despite these differences, both parties were primarily interested in political and economic modernization, and their ideological outlooks were similar. Civilian politicians reorganized, reequipped, and professionalized the discredited armed forces and tried to subject them to civilian control. Still, both Conservatives and Liberals initially supported military candidates for the presidency. The governments in power from 1880 to 1920—elected by a small, literate, and Spanish-speaking electorate—brought Bolivia its first relative political stability and prosperity.

Reconstruction and the Rule of the Conservatives

The Conservatives ruled Bolivia from 1880 until 1899. General Campero completed his legal term in office and presided over free

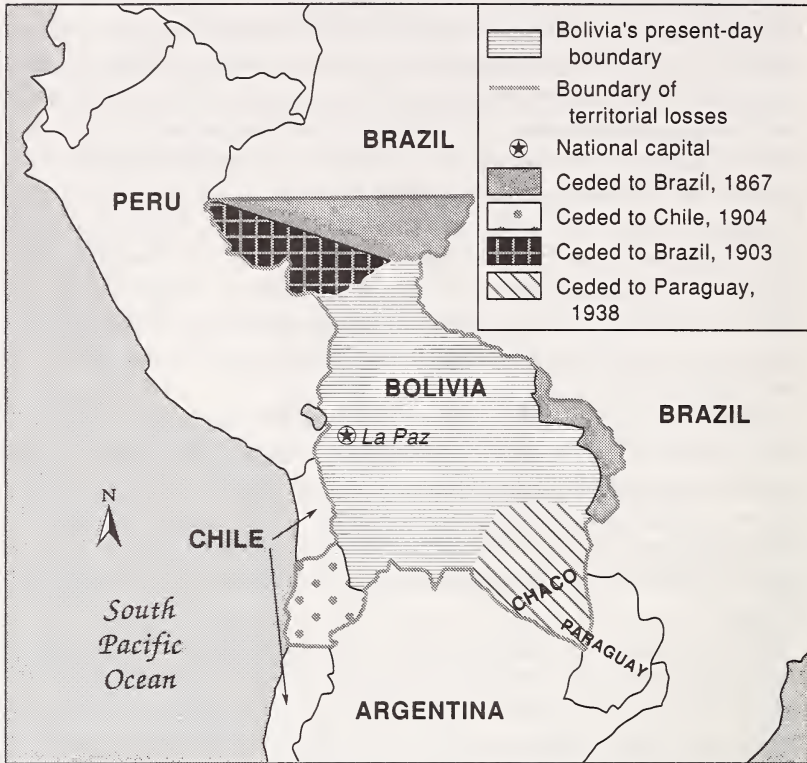


Figure 3. Major Bolivian Territorial Losses, 1867–1938

elections in 1884 that brought to power Gregorio Pacheco Leyes (1884–88), one of Bolivia's most important mine owners. After Pacheco's term, however, fraudulent elections resulted repeatedly in Liberal revolts. Although the Liberal Party was allowed to participate in the National Congress (hereafter, Congress), it had no chance to win a presidential election.

Under the Conservatives, the high world price of silver and increased production of copper, lead, zinc, and tin combined to create a period of relative prosperity. The Conservative governments encouraged the mining industry through the development of a rail network to the Chilean coast. The growth of commercial agriculture, such as the development of Bolivia's natural rubber resources, also contributed to an apparently stronger economy. Agricultural production in the highlands increased as the haciendas expanded in some regions.

Aniceto Arce Ruiz (1888-92), although elected legally, was an autocrat who managed to stay in power only through repression. His main economic accomplishment was to extend the Antofagasta-Calama Railroad to Oruro. The extension of the railroad drastically reduced the cost of transporting minerals to the Pacific Coast. Economic growth was skewed, however, as railroads that were built to export minerals started to bring imported wheat from Chile; in 1890 Chilean wheat was cheaper in La Paz than wheat from Cochabamba. The open economy also hurt local industry. The expansion of the haciendas at the expense of the free Indian communities resulted in numerous uprisings and forced many Indians to work for their landlords or to migrate to the cities. As a result of this migration, the census of 1900 noted an increase of the mestizo population, but Bolivia remained a predominantly Indian and rural nation, in which the Spanish-speaking minority continued to exclude the Indians.

The Liberal Party and the Rise of Tin

In 1899 the Liberal Party overthrew the Conservatives in the "Federal Revolution." Although the Liberals resented the long rule of the Conservatives, the main reasons for the revolt were regionalism and federalism. The Liberal Party drew most of its support from the tin-mining entrepreneurs in and around La Paz, whereas Conservative governments had ruled with an eye on the interests of the silver mine owners and great landowners in Potosí and Sucre. The immediate cause of the conflict was the Liberal demand to move the capital from Sucre to the more developed La Paz.

The Federal Revolution differed from previous revolts in Bolivia in that Indian peasants actively participated in the fighting. Indian discontent had increased because of the massive assault on their communal landholdings. The campesinos supported the Liberal leader, José Manuel Pando, when he promised to improve their situation.

Pando, however, reneged on his promises and allowed the assault on Indian land to continue. The government suppressed a series of campesino uprisings and executed the leaders. One of these revolts, led by Pablo Zárate Willka, was one of the largest Indian rebellions in the history of the republic. It frightened whites and mestizos, who once again successfully isolated the Indians from national life.

Like their Conservative predecessors, the Liberals controlled the presidential elections but left the elections for Congress relatively free. They also continued to professionalize the Bolivian

military, with the aid of a German military mission (see *Evolution of the Military Role in Society and Government*, ch. 5). President Ismael Montes Gamboa (1904-09 and 1913-17) dominated the Liberal era.

Liberal administrations gave priority to the settlement of border disputes. Bolivia's inability to protect and integrate the frontier with Brazil had led to the encroachment of Brazilian rubber gatherers. In 1900 they began an active secessionist movement in the eastern province of Acre and after three years of small-scale fighting won annexation by Brazil. In the Treaty of Petrópolis in 1903, Bolivia relinquished its claims to 191,000 square kilometers of Acre territory in return for two areas on the Madeira and the Paraguay rivers totaling 5,200 square kilometers, the equivalent of US\$10 million, and the use of a railroad to be constructed around the rapids of the Madeira in Brazilian territory. In 1904 Bolivia finally concluded a peace treaty with Chile under which it officially ceded Bolivia's former territory on the coast in return for indemnification of US\$8.5 million, less the value of the Bolivian section of a new railroad that Chile would construct from La Paz to the Pacific Coast at Arica. The payment was used to expand the transportation system in Bolivia. By 1920 most major Bolivian cities were connected by rail.

Liberal governments also changed the seat of government and the nature of church-state relations. The presidency and Congress were moved to La Paz, which became the *de facto* capital, but the Supreme Court of Justice remained in Sucre. Liberal presidents canceled the special privileges officially granted to the Roman Catholic Church. In 1905 they legalized public worship by other faiths, and in 1911 they made civil marriage a requirement.

Perhaps the most significant development of the Liberal era was the dramatic rise of Bolivian tin production. Since the colonial period, tin had been mined in the Potosí region; nonetheless, Bolivia historically lacked the transportation system necessary to ship large quantities of tin to European markets. The extension of the rail link to Oruro in the 1890s, however, made tin mining a highly profitable business. The decline in European tin production also contributed to the Bolivian tin boom at the beginning of the twentieth century. With the development of huge mines in southern Oruro and northern Potosí, La Paz eclipsed Potosí as the mining industry's financial and service center.

Tin production in Bolivia came to be concentrated in the hands of Bolivian nationals, although the regimes encouraged foreign investment. At first, foreign interests and Bolivians with foreign associations took the major share. This changed, however, when

Bolivian tin-mining entrepreneurs realized that smelters in competing countries depended on Bolivian tin. Simón Patiño was the most successful of these tin magnates. Of poor mestizo background, he started as a mining apprentice. By 1924 he owned 50 percent of the national production and controlled the European refining of Bolivian tin. Although Patiño lived permanently abroad by the early 1920s, the two other leading tin-mining entrepreneurs, Carlos Aramayo and Mauricio Hochschild, resided primarily in Bolivia.

Because taxes and fees from tin production were critically important to national revenues, Patiño, Aramayo, and Hochschild exercised considerable influence over government policy. Unlike the silver-mining entrepreneurs of the Conservative period, the tin-mining magnates did not directly intervene in politics but employed politicians and lawyers—known as the *rosca* (see Glossary)—to represent their interests.

The tin boom also contributed to increased social tensions. Indian peasants, who provided most of the labor for the mines, moved from their rural communities to the rapidly growing mining towns, where they lived and worked in precarious situations. Bolivia's First National Congress of Workers met in La Paz in 1912, and in the following years the mining centers witnessed an increasing number of strikes.

Liberal governments at first did not face any serious opposition because the Conservative Party remained weak after its overthrow in 1899. By 1914, however, opposition to political abuses and the loss of national territory led to the formation of the Republican Party (Partido Republicano). Republican support increased when mineral exports declined because of the crisis in international trade before World War I, and agricultural production decreased because of severe droughts. In 1917 the Republicans were defeated at the polls when José Gutiérrez Guerra (1917–20), the last Liberal president, was elected. But the long rule of the Liberals, one of the most stable periods in Bolivian history, ended when the Republicans seized the presidency in a bloodless coup in 1920.

The Republican Party and the Great Depression

The advent of the Republican Party did not at first indicate any profound change in Bolivian politics. Fernando Díez de Medina, a Bolivian writer, commented on the change: "Twenty years of privilege for one group ends, and ten years of privilege for another begins." The 1920s, however, was also a period of political change. New parties emerged as the Republican Party split into several factions. One major opposing branch was led by Bautista Saavedra Mallea, who had the support of the urban middle class, and the

other was led by the more conservative Daniel Salamanca Urey (1931-34). A number of minor political parties influenced by socialist or Marxist thought also emerged.

During Republican rule, the Bolivian economy underwent a profound change. Tin prices started to decline in the 1920s. After peaking in 1929, tin production declined dramatically as the Great Depression nearly destroyed the international tin market. This decline was also caused by the decrease in the tin content of ore and the end of new investment in the mines in Bolivia. As economic growth slowed, Republican presidents relied on foreign loans. Saavedra (1920-25) and Hernando Siles Reyes (1926-30) borrowed heavily in the United States to finance major development projects, despite opposition by Bolivian nationalists to the favorable terms for the lender. The so-called Nicolaus loan aroused national indignation because it gave the United States control over Bolivia's tax collections in return for a private banking loan of US\$33 million.

During the 1920s, Bolivia faced growing social turmoil. Labor unrest, such as the miners' strike in Uncia in 1923, was brutally suppressed. But the unrest reached new heights of violence after the drastic reduction of the work force during the Great Depression. Indian peasants continued to rebel in the countryside, although they had been disarmed and their leaders had been executed after participating in the overthrow of the Conservative Party in 1899. Now, for the first time, the Indians found support for their cause among the elite. Gustavo Navarro, who took the name Tristán Marof, was Bolivia's most important Indianist. He saw in the Inca past the first successful socialism and the model to solve rural problems. As Indian uprisings continued during Liberal rule, Siles Reyes promised to improve their situation and organized the National Crusade in Favor of Indians.

The social legislation of the Republican governments was weak, however, because neither Saavedra nor Siles Reyes wanted to challenge the *rosca*. Siles Reyes's four years of inconsistent rule and unfulfilled promises of radical changes frustrated workers and students. In 1930 he was overthrown when he tried to bypass the constitutional provision forbidding reelection by resigning in order to run again. A military junta ruled until March 1931, when Salamanca (1931-34) was elected as a coalition candidate.

Although he was an esteemed economist before taking office, Salamanca was unable to suppress social unrest and to solve the severe economic problems caused by the Great Depression. Criticism of his administration mounted in all sectors of Bolivian society. Initially reluctant to enter into an armed conflict with Paraguay,

he nevertheless led Bolivia into war, a move supported by the military and traditional groups.

The Chaco War

The origin of the war was a border dispute between Bolivia and Paraguay over the Chaco. This vast area was largely undeveloped except for some minor oil discoveries by Standard Oil in Bolivia and Royal Dutch Shell in Paraguay. The Chaco, which Bolivia traditionally regarded as a province (Gran Chaco), became more significant to Bolivia after the latter lost its Pacific Ocean outlet to Chile. Bolivia hoped to gain access to the Atlantic Ocean with an oil pipeline across the Chaco to the Paraguay River. Despite mediation attempts by various countries, the increased number of border incidents led the military high commands of Bolivia and Paraguay to believe in the inevitability of war.

Salamanca used one of the border incidents to break diplomatic relations with Paraguay and increase Bolivia's military budget, even though the country had severe economic problems. Convinced that Bolivia's better-equipped, German-trained troops, which outnumbered the Paraguayan army, could win the war, Salamanca went to war in 1932.

The war raged for the next three years. The Bolivians were defeated in all major battles, and by the end of 1934 they had been driven back 482 kilometers from their original positions deep in the Chaco to the foothills of the Andes. Serious strategic errors, poor intelligence, and logistical problems in reaching the distant battle lines contributed to the losses. In addition, the morale of the Bolivian troops was low, and the highland Indians could not adapt to the extreme climate in the low-lying Chaco. Despite the high command's decision to end the war, Salamanca was determined to continue at all costs. In 1934, when he traveled to the Chaco to take command of the war, Salamanca was arrested by the high command and forced to resign. His vice president, José Luis Tejada Sorzano, who was known to favor peace, was accepted as president (1934-36).

Salamanca's overthrow was a turning point in the Chaco War. The Paraguayan troops were stopped by new, more capable Bolivian officers, who fought closer to Bolivian supply lines. On June 14, 1935, a commission of neutral nations (Argentina, Brazil, Chile, Colombia, Peru, and the United States) declared an armistice; a definite settlement was finally reached in 1938. Bolivia lost the Chaco but retained the petroleum fields, which Paraguay had failed to reach. Both countries suffered heavy losses in the war.

In Bolivia alone, an estimated 65,000 people were killed and 35,000 wounded or captured out of a population of just under 3 million.

The humiliating disaster of the Chaco War had a profound impact in Bolivia, where it was seen as dividing the history of the twentieth century "like a knife." The traditional oligarchy was discredited because of its inept civilian and military leadership in the war. Unable to deal with growing criticism, its members blamed the loss of the war on the low potential of the Bolivians and saw the earlier pessimistic assessment in Arguedas's famous novel *Pueblo Enfermo* (A Sick People) confirmed.

After the war, a group of middle-class professionals, writers, and young officers questioned the traditional leadership. This group, which came to be known as the "Chaco Generation," searched for new ways to deal with the nation's problems. It resented the service of the *rosca* on behalf of the tin-mining entrepreneurs and criticized Standard Oil, which had delivered oil to Paraguay clandestinely through Argentine intermediaries during the war. The Chaco Generation was convinced of the need for social change. Gustavo Navarro, now more radical than during the 1920s, raised the famous slogan "land to the Indians, mines to the state." The military, which came to power in 1936, tried to bring about change with popular support.

Prelude to Revolution, 1935–52

Radical Military Government

On May 17, 1936, Colonel David Toro Ruilova (1936–37) overthrew Tejada in a military coup. Because the officer corps wanted to avoid a civilian investigation of the military's wartime leadership, military backing for the coup came from all ranks. The main backers, however, were a group of younger officers who wanted to bring profound change to Bolivia. Toro, the leader of this group, hoped to reform the country from the top down. His program of "military socialism" included social and economic justice and government control over natural resources. He also planned to set up a corporate-style political system to replace the democratic system established in 1825.

Toro attempted to get civilian support with far-reaching social legislation and nominated a print worker as the first labor secretary in Bolivia. He also nationalized the holdings of Standard Oil without compensation and called for the convening of a constitutional congress that would include the traditional parties, as well as new reformist groups and the labor movement.

Toro was unable, however, to enlist lasting popular support. A group of more radical officers resented his reluctance to challenge the *rosca*, and they supported a coup by Colonel Germán Busch Becerra (1937–39) in 1937. A new constitution, promulgated in 1938, stressed the primacy of the common good over private property and favored government intervention in social and economic relations. It also legally recognized the Indian communities and included a labor code. In 1939 Busch challenged the interests of the mine owners for the first time by issuing a decree that would prevent the mining companies from removing capital from the country. None of his policies, however, resulted in significant popular and military support, and they completely alienated the conservative forces. Frustrated by his inability to bring about change, Busch committed suicide in 1939.

Despite the weakness of the Toro and Busch regimes, their policies had a profound impact on Bolivia. Reformist decrees raised expectations among the middle class, but when they failed to be implemented, they contributed to the growth of the left. The constitutional convention gave the new forces for the first time a nationwide platform and the possibility of forming alliances. The military socialist regimes also prompted the conservatives to join forces to stem the growth of the left.

The Rise of New Political Groups

After a few months under the provisional presidency of General Carlos Quintanilla Quiroga (1939–40), the chief of staff during the Busch regime, the government changed hands again. General Enrique Peñaranda Castillo (1940–43) was elected president in the spring of 1940. Peñaranda's support came from the traditional parties, the Liberals, and the two wings of the Republicans, who had formed a *concordancia* to stem the growth of the movement toward reform.

The trend toward reform, however, could not be halted, and a number of new groups gained control of Congress during Peñaranda's presidency. These groups, although very different in their ideological outlooks, agreed on the need to change the status quo. They included the Trotskyite Revolutionary Workers Party (Partido Obrero Revolucionario—POR), which had already been formed in 1934, as well as the Bolivian Socialist Falange (Falange Socialista Boliviana—FSB), founded in 1937 and patterned on the Spanish model. The Leftist Revolutionary Party (Partido de Izquierda Revolucionaria—PIR) was founded in 1940 by a coalition of radical Marxist groups.

The most important opposition to the *concordancia* came from the Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario—MNR). The first party with widespread support in Bolivian history, the MNR had a membership that included intellectuals and both white-collar and blue-collar workers. It was founded in 1941 by a small group of intellectual dissidents from the middle and upper classes and represented persons from a wide range of political persuasions who were united by their discontent with the status quo. Among its leaders were Víctor Paz Estenssoro, a professor of economics; Hernán Siles Zuazo, the son of former President Siles Reyes; and several influential writers. The party's program included nationalization of all of Bolivia's natural resources and far-reaching social reforms. Its anti-Semitic statements resulted not only in the imprisonment of MNR leaders but also in charges by the United States government that MNR was under the influence of Nazi fascism.

As the leader of the congressional opposition, the MNR denounced Peñaranda's close cooperation with the United States and was especially critical of his agreement to compensate Standard Oil for its nationalized holdings. The MNR members of Congress also began an investigation of the massacre of striking miners and their families by government troops at one of the Patiño mines in Catavi in 1942. MNR influence with the miners increased when Paz Estenssoro led the congressional interrogation of government ministers.

The MNR had contacts with reformist military officers, who were organized in a secret military lodge named the Fatherland's Cause (Razón de Patria—Radepa). Radepa was founded in 1934 by Bolivian prisoners of war in Paraguay. It sought mass support, backed military intervention in politics, and hoped to prevent excessive foreign control over Bolivia's natural resources.

In December 1943, the Radepa-MNR alliance overthrew the Peñaranda regime. Major Gualberto Villarroel López (1943–46) became president, and three MNR members, including Paz Estenssoro, joined his cabinet. The MNR ministers resigned, however, when the United States refused recognition, repeating its charge of ties between the MNR and Nazi Germany. The ministers returned to their posts in 1944, after the party had won a majority in the election and the United States had recognized the government. Villarroel's government emphasized continuity with the reformist regimes of Toro and Busch. Paz Estenssoro, who served as minister of finance, hoped to get popular support with a budget that emphasized social spending over economic development. But the salary increase for miners did not bring about their

Victor Paz Estenssoro
Courtesy Embassy of Bolivia,
Washington



consistent backing of the government and only managed to strengthen the ties between the MNR and miners. The Villarroel government also tried for the first time to get the support of the campesinos. In 1945 it created the National Indigenous Congress to discuss the problems in the countryside and to improve the situation of the peasants. However, most of the social legislation, such as the abolition of the labor obligation of the campesinos to their landlords, was never put in effect.

Villarroel was overthrown in 1946. He had been unable to organize popular support and faced opposition from conservative groups and increasing political terrorism that included murders of the government's opponents. Rivalry between the MNR and the military in the governing coalition also contributed to his downfall. In 1946 mobs of students, teachers, and workers seized arms from the arsenal and moved to the presidential palace. They captured and shot Villarroel and suspended his body from a lamppost in the main square, while the army remained aloof in the barracks.

The "Sexenio," 1946-52

The six years preceding the 1952 Revolution are known as the *sexenio*. During this period, members of the Conservative Party tried to stem the growth of the left, but they ultimately failed because they could not halt the economic decline and control the growing social unrest. Enrique Hertzog Garaizabal (1947-49), who was

elected president in 1947 after the interim rule of a provisional junta, formed a coalition cabinet that included not only the *concordancia* but also the PIR. He hoped to retain the backing of the Conservative Party forces by not increasing taxes, but he tried also to gain labor support, relying on the PIR to mobilize the workers.

The labor sector did not cooperate with the government, however, and the PIR became discredited because of its alliance with the conservative forces. In 1946 the workers endorsed the Thesis of Pulacayo, in which the miners called for permanent revolution and violent armed struggle for the working class. As the labor sector became more radical, the government resorted more and more to oppression, and confrontations increased. The dismissal of 7,000 miners and the brutal suppression of yet another uprising in Catavi in 1949 made any cooperation between the government and the workers impossible.

The MNR emerged as the dominant opposition group. Although most of its leaders, including Paz Estenssoro, were in exile in Argentina, the party continued to be represented in the Chamber of Deputies and the Senate. During the *sexenio*, the party, despite its predominantly middle-class background, repeatedly took the side of the workers and adopted their ideology. The MNR also came to support the defense of Indian rights, as violence in the countryside increased when the promises given at the National Indigenous Congress were not fulfilled.

The MNR's attempts to gain power during the *sexenio* were unsuccessful. Its 1949 coup attempt failed, although with the support of the workers and some military officers it succeeded in gaining control of most major cities except La Paz. The MNR's attempt to gain power by legal means in 1951 also failed. In the presidential election of May 1951, the MNR's Paz Estenssoro, who remained in exile in Argentina, ran for president and Siles Zuazo ran for vice president, both on a platform of nationalization and land reform. With the support of the POR and the newly formed Bolivian Communist Party (Partido Comunista Boliviano—PCB), the MNR won with a clear plurality. The outgoing president, however, persuaded the military to step in and prevent the MNR from taking power. Mamerto Urriolagoitia Harriague (1949–51), who had succeeded the ailing Hertzog in 1949, backed a military junta under General Hugo Ballivián Rojas (1951–52). Under Ballivián, the government made a last futile attempt to suppress the growing unrest throughout the country.

By 1952 the Bolivian economy had deteriorated even further. The governments of the *sexenio* had been reluctant to increase taxes for the upper class and to reduce social spending, resulting in high

inflation. The tin industry had stagnated since the Great Depression, despite short revivals during World War II. Ore content had declined, and the richer veins were depleted, increasing tin production costs; at the same time, tin prices on the international market fell. A disagreement with the United States over tin prices halted exports temporarily and caused a decline in income that further hurt the economy. The agricultural sector lacked capital, and food imports had increased, reaching 19 percent of total imports in 1950. Land was unequally distributed—92 percent of the cultivable land was held by estates of 1,000 hectares or more.

The social unrest that resulted from this economic decline increased during the last weeks before the 1952 Revolution, when a hunger march through La Paz attracted most sectors of society. The military was severely demoralized, and the high command called unsuccessfully for unity in the armed forces; many officers assigned themselves abroad, charged each other with coup attempts, or deserted.

By the beginning of 1952, the MNR again tried to gain power by force, plotting with General Antonio Seleme, the junta member in control of internal administration and the National Police (Policía Nacional). On April 9, the MNR launched the rebellion in La Paz by seizing arsenals and distributing arms to civilians. Armed miners marched on La Paz and blocked troops on their way to reinforce the city. After three days of fighting, the desertion of Seleme, and the loss of 600 lives, the army completely surrendered; Paz Estenssoro assumed the presidency on April 16, 1952.

The Bolivian National Revolution, 1952–64

Radical Reforms

The “reluctant revolutionaries,” as the leaders of the multiclass MNR were called by some, looked more to Mexico than to the Soviet Union for a model. But during the first year of Paz Estenssoro’s presidency, the radical faction in the party, which had gained strength during the *sexenio* when the party embraced the workers and their ideology, forced the MNR leaders to act quickly. In July 1952, the government established universal suffrage, with neither literacy nor property requirements. In the first postrevolutionary elections in 1956, the population of eligible voters increased from approximately 200,000 to nearly 1 million voters. The government also moved quickly to control the armed forces, purging many officers associated with past Conservative Party regimes and drastically reducing the forces’ size and budget. The government also closed the Military Academy (Colegio Militar) and required that officers take an oath to the MNR.

The government then began the process of nationalizing all mines of the three great tin companies. First, it made the export and sale of all minerals a state monopoly to be administered by the state-owned Mining Bank of Bolivia (Banco Minero de Bolivia—Bamin). Then it set up the Mining Corporation of Bolivia (Corporación Minera de Bolivia—Comibol) as a semiautonomous enterprise to run state-owned mines. On October 31, 1952, the government nationalized the three big tin companies, leaving the medium-sized mines untouched, and promising compensation. In this process, two-thirds of Bolivia's mining industry was turned over to Comibol.

A far-reaching agrarian reform was the final important step taken by the revolutionary government. In January 1953, the government established the Agrarian Reform Commission, using advisers from Mexico, and decreed the Agrarian Reform Law the following August. The law abolished forced labor and established a program of expropriation and distribution of the rural property of the traditional landlords to the Indian peasants. Only estates with low productivity were completely distributed. More productive small and medium-sized farms were allowed to keep part of their land and were encouraged to invest new capital to increase agricultural production. The Agrarian Reform Law also provided for compensation for landlords to be paid in the form of twenty-five-year government bonds. The amount of compensation was based on the value of the property declared for taxes.

During the first years of the revolution, miners wielded extraordinary influence within the government. In part, this influence was based on the miners' decisive role in the fighting of April 1952. In addition, however, armed militias of miners formed by the government to counterbalance the military had become a powerful force in their own right. Miners immediately organized the Bolivian Labor Federation (Central Obrera Boliviana—COB), which demanded radical change as well as participation in the government and benefits for its members. As a result, the government included three pro-COB ministers in the cabinet and accepted the demand for *fuero sindical*, the legally autonomous status that granted the COB semisovereign control over the workers of Bolivia. The MNR regime gave worker representatives veto power in all Comibol decisions and allowed for a cogovernment in mine administration. The government also established special stores for the miners, increased their salaries, and rehired fired workers.

The peasants also exerted a powerful influence. At first, the government was unable to control the occupation of land by the peasants. As a result, it could not enforce the provisions of the land reform decree to keep medium-sized productive estates intact. But

the MNR eventually gained the support of the campesinos when the Ministry of Peasant Affairs was created and when peasants were organized into syndicates. Peasants were not only granted land but their militias also were given large supplies of arms. The peasants remained a powerful political force in Bolivia during all subsequent governments.

The Unfinished Revolution

Although these major steps were never reversed, observers have regarded the revolution as unfinished because it lost momentum after the first years. The divisions within the MNR seriously weakened its attempt to incorporate the support of the Indian peasants, the workers, and the middle class for the government. In 1952 the MNR was a broad coalition of groups with different interests. Juan Oquendo Lechín led the left wing of the party and had the support of the labor sector. Siles Zuazo represented the right wing and had the backing of the middle class. Paz Estenssoro was initially the neutral leader. Because the majority of the MNR elite wanted a moderate course and the left wing demanded radical change, the polarization increased and led eventually to the destruction of the MNR in 1964.

The country faced severe economic problems as a result of the changes enacted by the government. The nationalization of the mines had a negative effect on the economy. The mines of Comibol produced at a loss because of the lack of technical expertise and capital to modernize the aging plants and nearly depleted deposits of low-grade ore. Declining tin prices on the world market contributed to the economic problems in the mining sector. Nevertheless, workers in the management of Comibol increased salaries and the work force by nearly 50 percent.

The decline of agricultural production contributed to the rapidly deteriorating economy during the first years of the revolution. Although anarchy in the countryside was the main reason for the decrease in production, the peasants' inability to produce for a market economy and the lack of transport facilities contributed to the problem. The attempt to increase agricultural production by colonizing the less densely populated valleys was not successful at first. As a result, the food supply for the urban population decreased, and Bolivia had to import food.

High inflation, primarily caused by social spending, also hurt the economy. The value of the peso, Bolivia's former currency, fell from 60 to 12,000 to the United States dollar between 1952 and 1956, affecting primarily the urban middle class, which began to support the opposition.

The bankrupt economy increased the factionalism within the MNR. Whereas the left wing demanded more government control over the economy, the right wing hoped to solve the nation's problems with aid from the United States. The government had sought cooperation with the United States as early as 1953, a move that had given the United States influence over Bolivia's economy. Because of United States pressure, the Bolivian government promised to compensate the owners of nationalized tin mines and drew up a new petroleum code, which again allowed United States investments in Bolivian oil.

During the presidency of Siles Zuazo (1956-60 and 1982-85), who won the election with 84 percent of the vote, United States aid reached its highest level. In 1957 the United States subsidized more than 30 percent of the Bolivian government's central budget. Advised by the United States government and the IMF, the Siles Zuazo regime then in power reduced inflation with a number of politically dangerous measures, such as the freezing of wages and the ending of the government-subsidized miners' stores.

Siles Zuazo's stabilization plan seriously damaged the coalition between the MNR and the COB. The COB called immediately for a general strike, which threatened to destroy an already disrupted economy; the strike was called off only after impassioned appeals by the president. But the conflict between the government and the miners' militias continued as the militias constantly challenged the government's authority. Siles Zuazo faced not only labor unrest in the mines but also discontent in the countryside, where peasant leaders were competing for power. In an effort to quell the unrest, he decided to rebuild the armed forces.

During the Siles Zuazo administration, the strength of the armed forces grew as a result of a new concern for professionalism and training, technical assistance from the United States, and an increase in the size and budget of the military. In addition, the military's role in containing unrest gave it increasing influence within the MNR government.

Although the stabilization plan and the strengthening of the armed forces were resented by Lechín's faction of the party, the first formal dissent came from Walter Guevara Arze and the MNR right wing. Guevara Arze, who had been foreign minister and then minister of government in the first Paz Estenssoro government, split from the MNR to form the Authentic Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario Auténtico—MNRA) in 1960, when his presidential hopes were destroyed by Paz Estenssoro's candidacy. Guevara Arze charged that

the MNR had betrayed the revolution, and he posed a formidable opposition in the presidential election of 1960.

Conflicts within the MNR increased during Paz Estenssoro's second term (1960–64). Together with the United States and the Federal Republic of Germany (West Germany), Paz Estenssoro endorsed the "Triangular Plan," which called for a restructuring of the tin-mining industry. The plan demanded the end of the workers' control over Comibol operations, the firing of workers, and a reduction in their salaries and benefits; it was strongly opposed by the COB and Lechín's MNR faction.

In 1964 Paz Estenssoro decided to run again for president, using a revision of the 1961 constitution that would allow for a consecutive term, and he forced his nomination at a party convention. Lechín, who had hoped to become the presidential candidate, broke away to form the National Leftist Revolutionary Party (Partido Revolucionario de la Izquierda Nacional—PRIN). With his support in the MNR dwindling and opposition from the labor sector mounting, Paz Estenssoro accepted General René Barrientos Ortuño as vice presidential candidate. Because most opposition groups abstained, Paz Estenssoro was reelected with the support of the military and the peasants. Paz Estenssoro had come to rely increasingly on the military, whose role as a peacekeeper had made it an arbiter in politics. But this support was to prove unreliable; the military was already planning to overthrow him. Moreover, rivalry among peasant groups often resulted in bloody feuds that further weakened the Paz Estenssoro government.

During its twelve-year rule, the MNR had failed to build a firm basis for democratic, civilian government. Increasing factionalism, open dissent, ideological differences, policy errors, and corruption weakened the party and made it impossible to establish an institutional framework for the reforms. Not even the peasants, who were the main beneficiaries of the revolution, consistently supported the MNR.

Military Rule, 1964–82

The Presidency of Barrientos

On November 4, 1964, Barrientos (president, 1964–65; copresident, May 1965–January 1966; and president, 1966–69) and General Alfredo Ovando Candía occupied the presidential palace and declared themselves copresidents. But as the crowd, which had gathered outside the palace, persisted in shouting its preference for the more charismatic Barrientos, Ovando allowed Barrientos to assume the presidency alone, while he occupied the post of commander in chief of the armed forces.

Barrientos insisted that his assumption of power was not a counterrevolutionary move and promised to restore the revolution to its "true path," from which the MNR had deviated during its twelve-year rule. Nevertheless, his government continued many of the policies of the second Paz Estenssoro administration, including the IMF stabilization plan and the Triangular Plan. The emphasis on reducing social costs remained in effect. In May 1965, the army forced Barrientos to accept Ovando as his copresident as a sort of reward for suppressing an uprising by miners and factory workers.

The economy improved during the Barrientos regime at a growth rate averaging 6.5 percent per year. The rise of tin prices resulted in the first profit for Comibol in 1966 and contributed to increased production in the medium-sized mines that had remained in private hands. Barrientos encouraged the private sector and foreign investment and gave Gulf Oil Company permission to export petroleum and natural gas from Bolivia.

In 1966 Barrientos legitimized his rule by winning the presidential election. He formed the Popular Christian Movement (Movimiento Popular Cristiano—MPC) as his base of support. Although the MPC was not very successful, he won the election with a coalition of conservative politicians, the business community, and the peasants.

Barrientos's efforts to build support in the countryside succeeded at first with the signing in February 1964 of the Military-Peasant Pact (Pacto Militar-Campesino). Under the agreement, the campesino militias agreed to adopt an antileftist stance and to subordinate themselves to the army. But his attempt to impose taxes on peasants resulted in a violent response and loss of support in rural areas.

Determined to keep the labor sector under control, Barrientos took away most of the gains it had achieved during the MNR's rule. He placed Comibol under the control of a military director and abolished the veto power of union leaders in management decisions. The president also cut the pay of the miners to the equivalent of US\$0.80 a day and reduced the mining work force and the enormous Comibol bureaucracy by 10 percent. Finally, he destroyed the COB and the mine workers' union, suppressed all strike activity, disarmed the miners' militias, and exiled union leaders. Military troops again occupied the mines, and in 1967 they massacred miners and their families at the Catavi-Siglo XX mines.

But Barrientos could not completely silence the labor sector; miners led the growing opposition to his rule. The various groups opposing his rule joined in denouncing Barrientos's selling of natural

resources to the United States under favorable terms. They resented his invitation to United States private investment in Bolivia because he offered greater privileges to foreign investors. The defection of Barrientos's close friend and minister of interior, Colonel Antonio Arguedas, to Cuba after his announcement that he had been an agent for the United States Central Intelligence Agency (CIA) aroused national indignation. The military also resented the key role of United States officers in the capture and killing of Ernesto "Che" Guevara in 1967 in Bolivia, where he had tried to start a guerrilla movement (see *The Counterinsurgency Decade*, ch. 5).

The death of Barrientos in a helicopter crash on April 27, 1969, initially left control in the hands of his vice president, Luis Adolfo Siles Salinas (1969). Real power, however, remained with the armed forces under its commander in chief, General Ovando, who took power on September 26, 1969, in a coup that was supported by reformist officers.

Revolutionary Nationalism: Ovando and Torres

Ovando (copresident, May 1965–January 1966, and president, January–August 1966 and 1969–70) annulled the elections scheduled for 1970, dismissed the Congress, and appointed a cabinet that included independent reformist civilians who had opposed the policies of Barrientos. Ovando hoped to gain civilian and military support with a program of "revolutionary nationalism," which he had outlined in the "Revolutionary Mandate of the Armed Forces." Revolutionary nationalism reflected the heritage and rhetoric of the military reformist regimes of the past, as well as the spirit of the 1952 Revolution. It also showed the influence of the Peruvian government of General Juan Velasco Alvarado. Many Bolivian officers believed that the military had to intervene in politics to lead the country toward reform because civilian governments had failed in that undertaking. They were convinced that it was in the main interest of the armed forces to end underdevelopment, which they saw as the cause of insurgency. The military would therefore fight on the internal frontiers against social injustice and economic dependence.

Despite highly popular measures, such as the nationalization of the holdings of the North American-owned Gulf Oil Company, Ovando failed to gain popular support. Popular enthusiasm over the nationalization was short lived. Disagreement over compensation, a boycott of Bolivian crude oil on the international market, and a general downturn in the economy became divisive factors. Even though Ovando legalized the COB and withdrew troops from the mining camps, lasting worker support for the regime was not

ensured. Frustrated expectations, broken promises, and the massacre of miners by the military in Catavi in 1967 had radicalized the workers, who now refused to cooperate with the military government.

While the left became radicalized, the right became weary of Ovando's vacillating statements, which included the suggestion that private property be abolished. Even when Ovando moved right during the last months of his regime, he was unable to enlist the support of the conservative groups in the country because this move only emphasized his weakness.

Ovando's reform program also polarized the military. Reformist officers, concerned about the decline in popular support for the military since the Barrientos regime, shifted their support to the more radical General Juan José Torres González (1970-71), whom Ovando had dismissed as his commander in chief; the right backed General Rogelio Miranda. The chaos surrounding the overthrow of Ovando highlighted the division in the armed forces. Military officers demanded the resignation of Ovando and Miranda after a failed coup attempt by the latter on October 5, 1970. A triumvirate, formed on October 6, failed to consolidate support. On October 7, as the country moved toward civil war after the COB had declared a general strike, General Torres emerged as the compromise candidate and became president of Bolivia.

The main feature of Torres's presidency was a lack of authority. Rather than taking the initiative on policies, Torres primarily reacted to pressure from different groups. His minister of interior, Jorge Gallardo Lozada, labeled the Torres government the "ten months of emergency."

Torres hoped to retain civilian support by moving to the left. He nationalized some United States property, such as the waste-processing operation of the Catavi tin mines and the Matilde zinc mine, and he ordered the Peace Corps, a United States program, out of Bolivia. While limiting United States influence in Bolivia, Torres increased cooperation with the Soviet Union and its allies in the economic and technical sectors.

Because of his lack of a clear strategy and political experience, however, Torres soon succeeded in alienating all sectors of Bolivian society. He found it very difficult to organize groups on the left because they confronted him with demands that he could not meet, such as giving them half of all cabinet seats. The workers, students, and parties of the left wanted a socialist state and saw the Torres government only as a step in that direction.

In June 1970, the Torres regime established the Popular Assembly (Asamblea Popular) in an attempt to form an alternative popular

government. Consisting mainly of representatives of workers' and peasants' organizations, the Popular Assembly was intended to serve as a base for the radical transformation of society. However, the left remained divided by ideological differences and rivalry for leadership. They could not agree on controversial issues dealing with full worker participation in state and private enterprises, the creation of armed militias, and the establishment of popular tribunals having legal jurisdiction over crimes against the working class. No consensus was achieved, and many delegates, resenting the lack of power to enforce the resolutions and running short of funds, returned home prematurely. The Popular Assembly did, however, succeed in weakening the government by creating a climate in which popular organizations acted independently from the state.

Torres's hope of placating conservative opposition by avoiding radical change did not win him the support of the right, especially of the powerful business community. Conservative groups unified in their opposition because they saw a chance for a political comeback in alliance with rightist officers. The military, in turn, became increasingly polarized because of their discontent with Torres's chaotic leadership. Torres had cut the defense budget to free money for education and allowed civilian interference in strictly military matters. He often permitted military disobedience to go unpunished. The last step of institutional decay was a manifesto written during the last weeks of the Torres regime by a group of junior officers who questioned military authority. It resulted in widespread military support for the coup on August 21, 1971, by Colonel Hugo Banzer Suárez, the former Military Academy commander whom Torres had exiled.

The Banzer Regime

Colonel Hugo Banzer (1971-78), a highly respected officer who had repeatedly attempted to overthrow the Torres regime, ruled for six years, the longest continuous presidential term in recent Bolivian history. Banzer's presidency was characterized by relative political stability and unprecedented economic growth. At first he was supported by the Nationalist Popular Front (Frente Popular Nacionalista—FPN), an alliance between the MNR under Paz Estenssoro, who was allowed to return from exile in Lima, and the FSB under Mario Gutiérrez. Both parties had been enemies until the chaos of the Torres regime gave them a chance for a political comeback in league with conservative elements in the armed forces.

During the first years of the Banzer presidency, the economy improved rapidly (see *Growth and Structure of the Economy*, ch. 3). Exports tripled between 1970 and 1974 because of increased production of petroleum, natural gas, and tin, which was then refined in Bolivian smelters. The production of cotton in the Santa Cruz area in eastern Bolivia also tripled between 1970 and 1975.

Despite this economic growth, Bolivia reverted to the repression of earlier regimes. The new minister of interior, Colonel Andrés Sélich, ordered a massive crackdown on the left, abolishing labor unions and closing the universities. The government brutally suppressed a general strike against the devaluation of the Bolivian peso in 1972. In 1974 price increases for basic goods and control of food prices resulted in roadblocks by peasants in the Cochabamba Valley and their subsequent massacre by the military.

The governing alliance disintegrated almost immediately when the MNR and the FSB split. They proved an unreliable support for Banzer because only small factions remained in the FPN. The armed forces were also divided, and various factions tried to overthrow the regime. On June 5, 1974, younger officers belonging to the Generational Group (*Grupo Generacional*) and led by General Gary Prado Salmón attempted a coup, demanding that Banzer legitimize his rule. It failed, however, as did another on November 7 that was supported by military, MNR, and FSB elements in Santa Cruz.

The November 7, 1974, coup has been called an *auto-golpe* (self-made coup) because it gave Banzer a reason to rule without civilian interference. Influenced by the Brazilian model, he announced the complete reorganization of the Bolivian political system and the formation of a "new Bolivia" under military rule. Banzer hoped to keep the support of the business community, the mine owners, the agricultural entrepreneurs in Santa Cruz, and the growing number of loyal bureaucrats.

The government, however, soon began to face serious problems. The "economic miracle" turned out to be a myth, the production of petroleum declined sharply, and Comibol produced at a loss, despite high mineral prices, because it was subsidizing other state agencies. Cotton production also declined when world prices fell.

The stability of the Banzer regime was superficial because the military remained divided by personal rivalry, ideological differences, and a generational gap. Growing civilian opposition was centered in the labor sector, despite the renewed military occupation of the mines. Radical students and the progressive sector of the Roman Catholic Church became spokespersons for the oppressed groups; the peasants also criticized the government.

External factions contributed to the weakening of the Banzer regime as well. The negotiation with Chile for an outlet to the sea had raised hopes in 1974. When an agreement between Banzer and General Augusto Pinochet Ugarte failed because of the opposition of Chilean nationalists, Banzer's position was weakened. After Jimmy Carter assumed the United States presidency in 1976, the United States pressured Banzer to hold elections.

In 1977, with opposition from civilian groups and the military mounting and pressure from the United States increasing, Banzer announced a presidential election for 1980, hoping to remain in control, but labor unrest and hostility to his regime forced him to set the date for 1978. However, General Juan Pereda Asbún, Banzer's handpicked candidate, carried out a coup in July 1978 after the National Electoral Court annulled the elections because of widespread fraud by Pereda's supporters. Although Bolivia continued under military rule, the 1978 election marked the beginning of Bolivia's traumatic transition to democracy during the following four years.

The Tumultuous Transition to Democracy, 1978–82

Between 1978 and 1980, Bolivia was constantly in a state of crisis. The fragmentation of political forces made it impossible for any party to dominate. In the three elections held during this period, no party achieved a majority, and alliances of various groups could not break the deadlock. Social unrest increased as peasants began to agitate again on a large scale for the first time since their rebellion in the late colonial period. The Bolivian workers were more radical than ever, and in 1979, during the COB's first congress since 1970, they vehemently protested the economic austerity measures dictated by the IMF.

The division in the armed forces and the increasing visibility of paramilitary groups reflected the institutional decay of the military. A civilian investigation into human rights violations committed during the Banzer regime further demoralized the officer corps.

General Pereda did not call for elections, despite his promise to do so, and he was overthrown in a bloodless coup in November 1978 by General David Padilla Arancibia (1978–79), who was supported by the younger institutionalist faction of the military. He saw the main role of the military as the defense of the country rather than political intervention and announced elections for 1979 without naming an official government candidate. Electoral reforms simplified voter registration, and 90 percent of the electorate chose among eight presidential candidates in honest elections.

When none of the main candidates gained a majority, Congress appointed former MNRA head Guevara Arze as interim president on August 8, 1979. This first civilian regime since the brief term of Siles Salinas in 1969 was overthrown, however, by a bloody coup under Colonel Alberto Natusch Busch in November. When Natusch stepped down after two weeks because of intense civilian opposition and only limited military support, as well as United States diplomatic action to prevent recognition of the Natusch government, another interim president was appointed. Lidia Gueiler Tejada (1979–80), head of the Chamber of Deputies and a veteran MNR politician, became the first woman president of Bolivia. In 1980 Gueiler presided over elections in which the parties of the left gained a clear majority of the vote. Siles Zuazo and his Democratic and Popular Unity (Unidad Democrática y Popular—UDP) coalition alone got 38 percent of the votes; Congress was certain to name him president on August 6, 1980.

The process was disrupted on July 17, 1980, however, by the ruthless military coup of General Luis García Meza Tejada. Reportedly financed by cocaine traffickers and supported by European mercenaries recruited by Klaus Barbie, former Gestapo chief in Lyons, the coup began one of the darkest periods in Bolivian history. Arbitrary arrest by paramilitary units, torture, and disappearances—with the assistance of Argentine advisers—destroyed the opposition. Government involvement in cocaine trafficking resulted in international isolation for Bolivia. Cocaine exports reportedly totaled US\$850 million in the 1980–81 period of the García Meza regime, twice the value of official government exports. The “coca dollars” were used to buy the silence or active support of military officers. But García Meza, who failed to gain support in the military, faced repeated coup attempts and was pressured to resign on August 4, 1981.

The ruthlessness, extreme corruption, and international isolation of the García Meza government completely demoralized and discredited the military; many officers wanted to return to democracy. However, President General Celso Torrelio Villa (1981–82), who had emerged as a compromise candidate of the military after García Meza’s resignation, was reluctant to call for elections. In July 1982, after yet another attempt by the García Meza clique to return to power, he was replaced by General Guido Vildoso Calderón (1982), who was named by the high command to return the country to democratic rule. On September 17, 1982, during a general strike that brought the country close to civil war, the military decided to step down, to convene the 1980 Congress, and to accept its choice as president. Accordingly, Siles Zuazo assumed

the presidency on October 10, 1982 (see *The Tortuous Transition to Democracy*, ch. 4).

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A good survey of Bolivian history is Herbert S. Klein's *Bolivia: The Evolution of a Multi-Ethnic Society*. The impact of the conquest on the Indians and their role during colonial rule and in the Republic of Bolivia have recently received more attention in two anthologies: *Resistance, Rebellion, and Consciousness in the Andean Peasant World*, edited by Steve J. Stern, and *Bolivia: La fuerza histórica del campesinado*, edited by Fernando Calderón and Jorge Dandler.

The early national period is treated in William Lofstrom's *The Promise and Problem of Reform*. Guillermo Lora gives a Bolivian view of the role of the workers in *A History of the Bolivian Labour Movement, 1848-1971*. A political history of the late nineteenth century to the revolution is Herbert S. Klein's monograph *Parties and Political Change in Bolivia, 1880-1952*.

The 1952 Revolution is treated in James M. Malloy's *Bolivia: The Uncompleted Revolution* and in the anthology edited by James M. Malloy and Richard S. Thorn, *Beyond the Revolution*. Christopher Mitchell's monograph *The Legacy of Populism in Bolivia* offers critical evaluation of the MNR. The period after 1964 is treated in *Revolution and Reaction* by James M. Malloy and Eduardo A. Gamarra and in the anthology *Modern Day Bolivia*, edited by Jerry R. Ladman. (For further information and complete citations, see Bibliography.)

Chapter 2. The Society and Its Environment



Symbolism on the back of the Great Idol of Tiwanaku

BOLIVIAN SOCIETY IN THE LATE 1980s remained fragmented along lines of region, ethnic affiliation, and class. Profound differences existed between the Andean area and the eastern lowlands. With the exception of the Santa Cruz area in the lowlands, the Andes remained the most heavily settled region. The lowlands had a distinct culture, ecology, and economic history, reflecting in part a long history of isolation from most of national life. The 1952 Revolution and subsequent far-reaching changes affected the lowlands and highlands in strikingly different ways.

Indians made up more than half of the population in the late 1980s; mestizos and whites accounted for most of the remainder. Each of these groups differed widely in worldview, language, and way of life. For most of Bolivia's history, Indians lived in isolated rural communities where they remained socially and politically marginal. Whites and mestizos controlled the land and commerce and dominated the countryside where most Indians lived. A regionalism reinforced by strong geographic barriers further contributed to this ethnic diversity.

Changes beginning in the 1950s broke down much of the traditional isolation of Indian communities. Land reform, increased educational opportunities, universal suffrage, and improved transportation brought Indians into greater contact with national society and undermined the hegemony of whites and mestizos. These changes also permitted a modicum of social mobility.

Class loyalties and affiliation reflected ethnic identification. The upper class consisted of a white elite that based its sense of privilege not merely on wealth but on proper lineage and breeding as well. The middle class—a diverse, vaguely defined group including everyone from small shopkeepers to prosperous professionals and business owners without the elite family background—was mestizo. It arose as a politically self-conscious group during the twentieth-century mining boom and joined with wage earners in the 1952 Revolution to bring about much of the present configuration of society.

The working class, too, was a child of the mining boom. Miners and transportation workers formed its nucleus. Following the revolution, city-bound migrants swelled the ranks of the working class. The urban population grew rapidly; by the early 1980s, nearly half of all Bolivians lived in cities. Urbanization transformed social relations as migrants remade the face of the city and the village alike.

Despite far-reaching social changes, society remained profoundly oriented to kin and family. People of all classes and ethnic groups focused their deepest loyalties on their small community or neighborhood and a close-knit group of relatives. Family and kin offered a haven amid the economic uncertainties and political turmoil of the 1980s, providing a safety net for poorer Bolivians and a pool of trusted allies for those of greater means. Individuals consulted with kin on all important decisions, and social life centered mainly on family visits.

Geography

Landlocked Bolivia sits astride the Andes in the west-central part of the South American continent. With an area of 1,098,581 square kilometers, the country is about the size of Texas and California combined, or twice the size of Spain. Bolivia has 6,083 kilometers of land boundaries, which adjoin five countries. The country is bounded by Brazil to the north and east, Paraguay to the southeast, Argentina to the south, Chile to the southwest, and Peru to the northwest (see fig. 1).

Natural Regions

Stretching in a broad arc across western Bolivia, the Andes define the country's three geographic zones: the mountains and Altiplano in the west, the semitropical Yungas and temperate valleys of the eastern mountain slopes, and the tropical lowlands or plains (llanos) of the eastern lowlands, or Oriente. The Andes run in two great parallel ranges or cordilleras. The western range (Cordillera Occidental) runs along the Peruvian and Chilean borders. The eastern range (Cordillera Oriental) is a broad and towering system of mountains stretching from Peru to Argentina. Between the two ranges lies the Altiplano, a lofty plateau 805 kilometers long and 129 kilometers wide (see fig. 4).

Mountains and Altiplano

The Cordillera Occidental is a chain of dormant volcanoes and *sofataras*, volcanic vents emitting sulfurous gases. Bolivia's highest peak, the snowcapped Sajama (6,550 meters), is located here. The entire cordillera is of volcanic origin and an extension of the volcanic region found in southern Peru. Most of the northern part of this range has an elevation of about 4,000 meters; the southern part is somewhat lower. Rainfall, although scanty everywhere, is greater in the northern half, where the land is covered with scrub vegetation. The southern area receives almost no precipitation, and the landscape consists mostly of barren rocks. All of the Cordillera

Occidental region is sparsely populated, and the south is virtually uninhabited.

The Altiplano, the high plateau between the two cordilleras, comprises four major basins formed by mountainous spurs that jut eastward from the Cordillera Occidental about halfway to the Cordillera Oriental. Along the Altiplano's eastern side is a continuous flat area, which has served as Bolivia's principal north-south transportation corridor since colonial times. The entire Altiplano was originally a deep rift between the cordilleras that gradually filled with highly porous sedimentary debris washed down from the peaks. This sedimentary origin explains its gradual slope from north to south; greater rainfall in the north has washed a larger quantity of debris onto the platform floor.

The most prominent feature of the Altiplano is the large lake at its northern end, Lake Titicaca. At 3,810 meters above sea level, it is the highest navigable body of water in the world. With a surface area of 9,064 square kilometers, it is larger than Puerto Rico and is South America's largest lake. Lake Titicaca is also deep, about 370 meters at its maximum, but with an average depth of 215 meters; its volume of water is large enough to maintain a constant temperature of 10°C. The lake actually moderates the climate for a considerable distance around it, making crops of corn and wheat possible in sheltered areas.

Lake Titicaca drains southward through the slow-moving, reed-filled Desaguadero River to Lake Poopó. In contrast to the freshwater Lake Titicaca, Lake Poopó is salty and shallow, with depths seldom more than four meters. Because it is totally dependent on seasonal rainfall and the overflow from Lake Titicaca, Lake Poopó's size varies considerably. Several times in the twentieth century, it nearly dried up when rainfall was low or the Desaguadero River silted. In years of heavy rainfall, however, Lake Poopó has overflowed to the west, filling the Coipasa Saltpan with shallow water.

Rainfall in the Altiplano decreases toward the south, and the scrub vegetation grows more sparse, eventually giving way to barren rocks and dry red clay. The land contains several salt flats, the dried remnants of ancient lakes. The largest of these is the Uyuni Saltpan, which covers over 9,000 square kilometers. The salt is more than five meters deep in the center of this flat. In the dry season, the lake bed can be traversed by heavy trucks. Near the Argentine border, the floor of the Altiplano rises again, creating hills and volcanoes that span the gap between the eastern and western cordilleras of the Andes.

The much older Cordillera Oriental enters Bolivia on the north side of Lake Titicaca, extends southeastward to approximately 17°

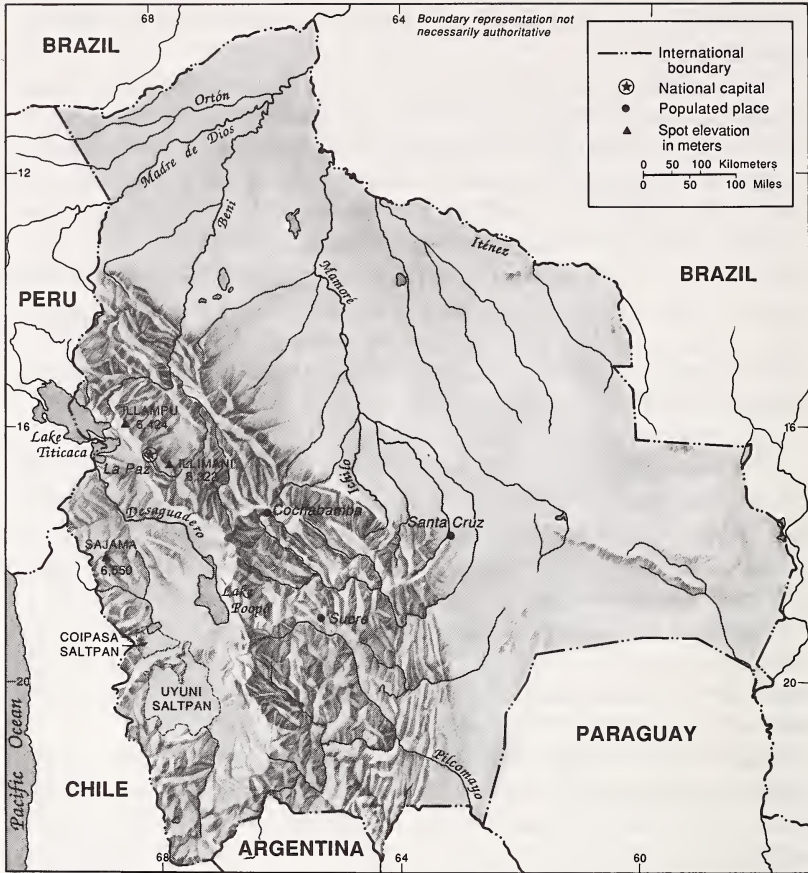


Figure 4. Topography and Drainage

south latitude, then broadens and stretches south to the Argentine border. The northernmost part of the Cordillera Oriental, the Cordillera Real, is an impressive snow-capped series of granite mountains. Many of these peaks exceed 6,000 meters, and two—Illimani (6,322 meters), which overlooks the city of La Paz, and Illampu (6,424 meters)—have large glaciers on their upper slopes. South of 17° south latitude, the range changes character. Called the Cordillera Central here, the land is actually a large block of the earth's crust that has been lifted and tilted eastward. The western edge of this block rises in a series of steep cliffs from the Altiplano. The backbone of the cordillera is a high, rolling plain, with elevations from 4,200 to 4,400 meters, interspersed with irregularly

spaced high peaks. Too high to be exploited for large-scale commercial grazing, this area takes its name from the predominant vegetation type, the *puna*.

Yungas and Other Valleys

The northeastern flank of the Cordillera Real is known as the Yungas, from the Aymara word meaning "warm valleys." The steep, almost inaccessible slopes and peaks of this mainly semi-tropical valley area northeast of La Paz offer some of the most spectacular scenery in Bolivia. Rainfall is heavy, and lush vegetation clings to the sides of narrow river valleys. The land is among the most fertile in Bolivia, but poor transportation has hindered its agricultural development. The government attempted to build a railroad through the Yungas in 1917 to connect La Paz with the eastern lowlands. The railroad was abandoned, however, after completion of only 150 kilometers.

The eastern slopes of the Cordillera Central descend gradually in a series of complex north-south ranges and hills. Rivers, draining to the east, have cut long narrow valleys; these valleys and the basins between the ranges are favorable areas for crops and settlement. Rich alluvial soils fill the low areas, but erosion has followed the removal of vegetation in some places. The valley floors range from 2,000 to 3,000 meters above sea level, and this lower elevation means milder temperatures than those of the Altiplano. Two of Bolivia's most important cities, Sucre and Cochabamba, are located in basins in this region.

Lowlands

The eastern lowlands include all of Bolivia north and east of the Andes. Although comprising over two-thirds of the national territory, the region is sparsely populated and, until recently, has played a minor role in the economy.

Differences in topography and climate separate the lowlands into three areas. The flat northern area, made up of Beni and Pando departments and the northern part of Cochabamba Department, consists of tropical rain forest. Because much of the topsoil is underlain by clay hardpan, drainage is poor, and heavy rainfall periodically converts vast parts of the region to swamp. The central area, comprising the northern half of Santa Cruz Department, has gently rolling hills and a drier climate than the north. Forests alternate with savanna, and much of the land has been cleared for cultivation. Santa Cruz, the largest city in the lowlands, is located here, as are most of Bolivia's petroleum and natural gas reserves. The southeastern part of the lowlands is a continuation of the Chaco

of Paraguay. Virtually rainless for nine months of the year, this area becomes a swamp for the three months of heavy rains. The extreme variation in rainfall supports only thorny scrub vegetation and cattle grazing, although recent discoveries of natural gas and petroleum near the foothills of the Andes have attracted some settlers to the region.

Most of Bolivia's important rivers are found in the water-rich northern parts of the lowlands, particularly in the Alto Beni (Upper Beni), where the land is suitable for crops such as coffee and cocoa. The northern lowlands are drained by wide, slow-moving rivers, the three largest of which—the Mamoré, Beni, and Madre de Dios—all flow northward into the Madeira River in Brazil and eventually into the Amazon. Riverboats along the Beni and the Mamoré carry both passenger and freight traffic; rapids on the Madeira prevent river traffic farther into Brazil. Near the Paraguayan border, shallow sandy streams carry the seasonal runoff into the Pilcomayo or Paraguay rivers.

Climate

Although Bolivia lies entirely within tropical latitudes, climatic conditions vary widely from tropical in the lowlands to polar in the highest parts of the Andes. Temperatures depend primarily on elevation and show little seasonal variation. In most locations, rainfall is heaviest during the Southern Hemisphere summer, and yearly amounts tend to decrease from north to south.

Northern lowland areas have a tropical wet climate with year-round high temperatures, high humidity, and heavy rainfall. Daytime highs average more than 30°C all year in most locations. The rain-bearing northeast trade winds, blowing across the Amazon Basin, bring significant rainfall amounts. Rain often falls in brief thunderstorms, sometimes accompanied by strong winds and hail.

Central lowland areas have a tropical wet and dry climate. From October through April, northeast trade winds predominate, and the weather is hot, humid, and rainy. From May through September, however, dry southeast trade winds take control, and precipitation is minimal. During this season, clear days and cloudless nights allow for higher daily maximums and lower nightly minimums than occur during the rainy season. Occasional incursions of strong winds from the south, called *surazos*, can reach this region during winter and bring cool temperatures for several days.

The Chaco has a semitropical, semiarid climate. The northeast trade winds bring rain and hot humid conditions only from January through March; the other months are dry with hot days and cool nights. Bolivia's highest maximum temperature, 47°C, was



*A view of the Alto Beni
Courtesy Inter-American Foundation (Kevin Healy)
A village in the Alto Beni
Courtesy Inter-American Foundation (Jane Regan)*

recorded here. *Surazos* also affect the Chaco; their approach is usually signaled by a squall line.

Temperatures and rainfall amounts in mountain areas vary considerably. The Yungas, where the moist northeast trade winds are pushed up by the mountains, is the cloudiest, most humid, and rainiest area, receiving up to 152 centimeters annually. Sheltered valleys and basins throughout the Cordillera Oriental have mild temperatures and moderate rainfall amounts, averaging from 64 to 76 centimeters annually. Temperatures drop with increasing elevation, however. Snowfall is possible at elevations above 2,000 meters, and the permanent snow line is at 4,600 meters. Areas over 5,500 meters have a polar climate, with glaciated zones. The Cordillera Occidental is a high desert with cold, windswept peaks.

The Altiplano, which also is swept by strong, cold winds, has an arid, chilly climate, with sharp differences in daily temperature and decreasing amounts of rainfall from north to south. Average highs during the day range from 15°C to 20°C, but in the summer tropical sun, temperatures may exceed 27°C. After nightfall, however, the thin air retains little heat, and temperatures rapidly drop to just above freezing. Lake Titicaca exerts a moderating influence, but even on its shores, frosts occur in almost every month, and snow is not uncommon.

Population and Regional Distribution

Bolivia's distinctive topography and ecology have had an enduring impact on settlement patterns. They also have figured in the relations among the country's diverse groups because the isolation most communities and regions faced until at least the 1950s contributed to cultural diversity.

In mid-1989 Bolivia had an estimated population of 6.6 million with a projected annual growth rate of 2.5 to 2.6 percent from 1980 to 2000. The estimated population growth rate in 1989 was 2.1 percent. A death rate of 13 per 1,000 inhabitants and a life expectancy of fifty-two years for males and fifty-six years for females in 1989 contributed to a population that was predominantly young (see fig. 5). Population was concentrated in the Altiplano and valleys. Even the steeper Yungas were moderately settled. The lowlands, the region with the most dramatic rise in population in recent decades, remained relatively sparsely settled. In the mid-1980s, over half of all Bolivians lived in the Altiplano, nearly 30 percent in the valleys and the Yungas, and about 20 percent in the lowlands (see table 2, Appendix).

Settlement patterns were uneven as well. Around Lake Titicaca, the mild climate and favorable growing conditions resulted in high

population densities. Settlement dropped off to the south, but communities existed wherever there was adequate water along the Desaguadero River. East of Lake Poopó, settlements lay along the west-facing flank of the Cordillera Real on the alluvial fans of streams flowing from the mountains. There were also small settled valleys in the northern part of the Cordillera Occidental. In the south, the semiarid plateau supported only seminomadic shepherds.

The population of the valleys clustered in the crowded environs of Cochabamba, Sucre, and Tarija. In the Yungas to the north, the convoluted terrain limited exploitation of the fertile soils, and the population was concentrated in areas with relatively ready access to La Paz. Settlement increased in response to population pressure in the Altiplano and government support for colonization in the decades following land reform. Population growth followed access and feeder roads in the region and was concentrated at the middle elevations.

The lowlands' small population was scattered, except for the concentration near Santa Cruz. Significant colonization developed along the Santa Cruz-Cochabamba highway. Large commercial farms producing cotton, rice, or sugarcane occupied the areas accessible to Santa Cruz. Elsewhere, large ranches, small towns, and settlements clustered along riverbanks where roads had not penetrated. Small subsistence farms were scattered along the perimeter of larger holdings and represented the spearhead of penetration into the forest. Indian tribes inhabited the sparsely settled northern half of the lowlands.

Ethnic Groups

The conquest of the Inca Empire brought the Spanish into contact with a stratified and ethnically diverse population in the region of present-day Peru and the Bolivian Altiplano, Yungas, and valleys. The scant eighty years of Inca rule over the Aymara tribes brought large-scale population movements within the empire. Inca policies included the forced migration of potentially hostile (usually recently conquered) groups and their replacement by Quechua-speaking colonists (*mitimaes*) of unquestioned loyalty. *Mitimaes* resettled in the valleys around Cochabamba and Sucre; many Aymara were expelled to the extreme boundaries of the empire (see Pre-Columbian Civilizations, ch. 1).

Spanish rule created a racially stratified society in which whites (*blancos*) and mestizos controlled Indians living in a form of indentured servitude (*pongaje*) on haciendas. The Spanish justified colonial policies as a means of converting the Indians to Christianity, a goal that was often subordinated to other needs.

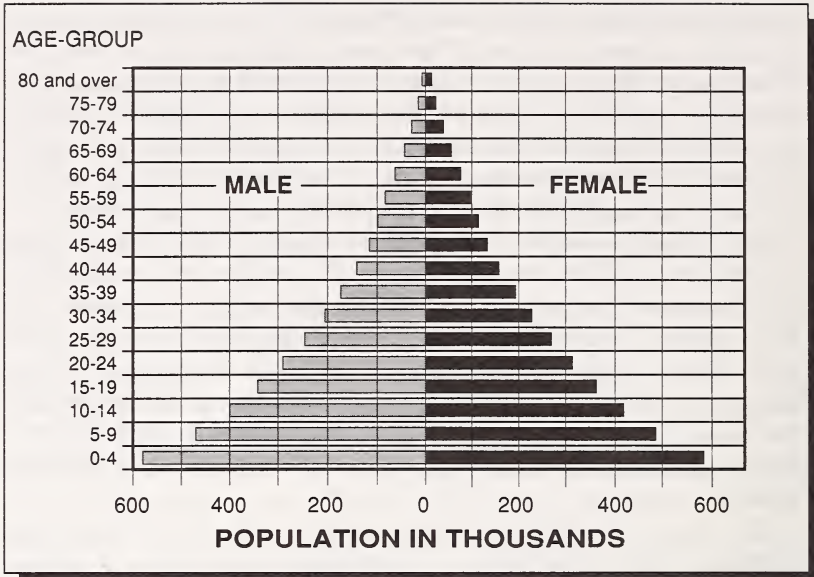


Figure 5. Estimated Population by Age and Sex, 1989

However humane Spanish colonial policy was in theory, in practice the system was filled with abuses. The policies were frequently used to exact tribute from the Indians to underwrite the colonization effort. In the *encomienda* (see Glossary) system, for example, the Spanish overlords collected tribute from the Indian communities and, in return, were to see to their religious instruction (see *The Economy of Upper Peru*, ch. 1). *Encomenderos*, however, often exacted excessive tribute and appropriated Indian lands. The Spanish also employed the pre-Columbian *mita* (see Glossary) to require all able-bodied adult males to report for labor in the mines at prescribed intervals. This conscripted labor, coming at a time when European diseases caused unprecedented epidemics among the Indian population, ruptured many communities and Indian kin-groups. The resulting elevated mortality rates, coupled with arbitrary increases in the length of service, left some villages virtually devoid of adult males.

Indians fled to escape the intolerable conditions, many to the periphery of the mining communities themselves where they survived by a variety of illegal, if widely tolerated, means. Others sought refuge on haciendas, where they were exempt from the *mita*. Urban domestic servants and artisans, called *yanaconas*, were exempt

as well. The general upheaval of the colonial period spawned a floating, rootless population unattached to any specific Indian community. Such individuals often abandoned their native language and way of life; they formed the basis of a class that was neither socially nor culturally Indian.

This group, added to the offspring of Spanish-Indian unions, rapidly gave rise to a population of mestizos of uncertain social position. Mestizo offspring of marriages recognized by the dominant Hispanic rulers were frequently assimilated by the ruling group. Illegitimate offspring of Spanish men and Indian women were usually taken in by their mother's kin. Alternately, if they had received some education or training, they joined the ranks of urban artisans and petty merchants. They swelled the ranks of a distinct social group that was Spanish speaking and closer in culture to the rulers than to the mass of rural Indians, yet clearly separate from the Hispanic elite.

With the gradual decline of the mining enterprises and the end of the colonial period, most Indians found themselves tenants on large estates that depended on entailed labor to turn a profit. Free Indian communities remained on the less desirable lands. Pressures on these communities from further expansion of the haciendas depended on the level of agricultural profits in a given region. Independence brought little change; the small white elite remained firmly in control. Their wealth throughout most of the postindependence era rested on their agricultural estates, and they firmly resisted any effort to change the status or outlook of their resident labor force, the Indian peons. As a result, the economic and social culture of the hacienda, and with it that of the Indians, continued into the twentieth century.

Ethnicity remained the focus of much of national life in the 1980s. It was a continuing force in the social relations of individuals and communities. Ethnic identity—always somewhat fluid—became considerably more so following the changes of the 1952 Revolution. The ethnic hierarchy with whites at the pinnacle and the mass of Indians at the bottom continued, although the possibilities for those at the lower level to rise improved.

Bolivia's principal groups were a small number of whites, a larger, more fluid and diverse group of mestizos, and a majority of Quechua or Aymara Indians. Whites were sometimes lumped with mestizos and called *mistis* (the Aymara version of mestizo). One commonly used term, *cholo*, referred to an upwardly mobile Indian—one anxious to assume the norms and identity of a mestizo. Terminology varied by the region, class, and ethnic affiliation of the speaker.

A number of minority groups also existed. The Callahuaya, a linguistically distinct subgroup of the Aymara, lived in Muñecas and Franz Tamayo provinces in La Paz Department. The group was widely known for its folk medicine, and many, if not most, of the men earned their livelihoods traveling among the weekly markets held throughout the Andes. Those who marketed might speak Quechua, Aymara, and Spanish in addition to their native Callahuaya. There were also a small number of blacks, the descendants of the few slaves imported during the colonial era. The Spanish rejected African slaves as a source of labor for the mines, regarding them as being unable to stand the rigors of the cold or the altitude. Most blacks lived in the provinces of Nor Yungas and Sur Yungas in La Paz Department. Significant numbers of Europeans migrated before and during World War II. In the mid-1980s, large German-speaking communities existed in La Paz and Santa Cruz. Colonization in the Oriente in the 1960s and 1970s also brought small numbers of Asians to the region around Santa Cruz.

Lowland Indians

Before Spanish intrusion, the eastern lowlands were an area of extreme cultural and linguistic diversity. The region was the terminus of several major population movements. Tribes ran the gamut of technology and social organization from nomadic hunters and gatherers to sedentary agricultural chiefdoms. The largest and best known of these groups, the Chiriguano, successfully resisted a number of Inca military forays into their territory. Considerable trade also occurred between the chiefdoms in the Altiplano, Yungas, and valleys and these tribes in the lowlands.

The Spanish sent periodic expeditions through the area in search of the land of the Great Tiger Lord (El Gran Paititi), whose wealth was rumored to rival even that of the Inca. The indigenous population's primary contact with Europeans, however, came through the Jesuit missions of the seventeenth and eighteenth centuries. The mission territory remained off-limits to other Spaniards until the Jesuits' expulsion from the New World in 1767, thus sparing the Indians there the worst abuses of colonial rule. Settlers then entered the region, bringing new diseases and instituting a level of exploitation that ranged from forced labor to outright slavery. Conditions reached their nadir during the Rubber Boom in the early twentieth century. Some Indians survived by fleeing to less accessible areas of the tropical forest; others adopted the way of life of the Oriente lower class.

Both the numbers and the way of life of the lowland Indians continued to decline through the 1980s. Rough estimates put the

lowland Indian population at perhaps 100,000 in the early 1980s. The main ethnic groups or linguistic families were Pano, Mataco-Mac'a, Uru-Chipaya, Quechua, Tacana, Arawak (Mojo), Tupi-Guaraní, Chiquitano, and Aymara. These were divided into nearly thirty subgroups ranging in size from 10 to 20,000 persons (see fig. 6).

Bolivia lacked a coherent national policy on Indian affairs. The criminal code made some provision for defendants deemed "without civilization" and therefore not criminally responsible for their transgressions. The national government made only sporadic attempts to protect the remaining Indians from abuses or displacement by the growing numbers of settlers. Missionaries, including the New Tribes Mission, the South American Mission, and the Summer Institute of Linguistics, actively proselytized among the tribes. Fundamentalist groups were particularly interested in "untouched tribes." Critics charged that the missionaries undermined the indigenous way of life and left their converts vulnerable to exploitation by others. Others suggested that the missionaries at least protected their charges from the worst abuses of whites and mestizos.

Altiplano, Yungas, and Valley Indians

In 1989 about 25 percent of Bolivians spoke Aymara and 30 percent Quechua. La Paz Department had the heaviest concentrations of Aymara speakers, although small communities of Aymara were scattered throughout the Altiplano. Increased migration in the 1950s gave rise to a sizable urban contingent of Aymara in La Paz, as well as significant numbers in the Yungas and the lowlands.

Quechua were found throughout the Altiplano and the intermontane valleys of central and southern Bolivia. The largest populations resided in the departments of Cochabamba, Oruro, Potosí, Chuquisaca, and Tarija. The diversity of habitats that they occupied contributed to significant regional variation. Some authors noted more dialectal diversity in Bolivian Quechua than in Aymara. In both languages, Bolivian dialects were mutually intelligible to all other speakers of the tongue.

Language served a major role in shaping ethnic identification and relations. Traditionally, the inability to speak Spanish had contributed to the vulnerability of the Indians. Mestizos and whites controlled access to the larger society through their command of Spanish. Until the latter part of the twentieth century, only minute numbers of Quechua and Aymara were bilingual; for many of these, competence in Spanish was simply a step in severing their links to their Indian identity.



Source: Based on information from Instituto Boliviano de Cultura, Instituto Nacional de Antropología, and Sede Nacional del Instituto Andino de Artes Populares, *Mapa Etnolingüístico de Bolivia*, La Paz, 1988.

Figure 6. Major Ethnolinguistic Groups, 1988

Data from the 1976 census revealed that, for the first time in the country's history, a majority of Bolivians spoke Spanish, one of three official national languages. Slightly more than one-third of the population were monolingual Spanish speakers; the same proportion were bilingual or trilingual in Spanish and one or more indigenous languages. Official figures showed an absolute and relative drop in the number of monolingual Indians. Between 1950 and 1976, the number of monolingual Quechua Indians dropped by nearly 40 percent. The number of monolingual Aymara speakers declined by more than half over the same period. In 1950 more than 60 percent of all Bolivians were monolingual speakers of an indigenous language; by 1976, however, only one-fifth fit this classification. This trend was even more pronounced in larger cities. By the mid-1980s, surveys found a scant 1 percent of the population of department capitals to be monolingual Quechua or Aymara speakers. Sociolinguist Xavier Albó cautioned, however, that these surveys underestimated the number of monolingual Indian speakers.

In practice, Spanish and indigenous languages were intermixed to a large extent in regional dialects. Indeed, Quechua and Spanish in Cochabamba were so intermingled that observers dubbed the local dialect Quechuañol. In other regions, too, Aymara or Quechua vocabulary relied on extensive borrowing from Spanish coupled with indigenous suffixes. A lexicon of Spanish borrowings included kinship terms, forms of address, place-names, and much of the vocabulary for food, clothing, and tools.

So-called social dialects also reflected this intermixture of Spanish and indigenous languages. For example, three Aymara dialects—known as *patrón*, radio, and missionary—differed from the version spoken by natives as a result of the influence of Spanish. *Patrón* Aymara, used by Spanish speakers in positions of authority over monolingual Indians, had a limited lexicon and relied on extensive Spanish borrowings. Radio Aymara was used by radio announcers who, although they were native speakers of the language, were translating directly from Spanish. It tended to appropriate Spanish linguistic categories and also borrowed many words. Missionary Aymara also superimposed Spanish on the indigenous languages to a large extent.

As the numbers of bilingual Indians grew, a shift in the pattern of bilingualism occurred. Early in the twentieth century, for example, virtually everyone in the city of La Paz spoke or understood Aymara. Spanish speakers learned it in childhood. Until the Chaco War (1932–35), Aymara was the only means of communicating with underlings. Among contemporary *paceños* (residents of La

Paz), however, the Aymara were bilingual, whereas native Spanish speakers were monolingual.

Changes beginning in the 1950s brought Indians into greater contact with national society. Increasingly, Indians themselves gained access to national political institutions at the same time that reforms gave them a greater measure of control over their lives. Whole communities gained access to consumer goods, governmental services, and educational opportunities unavailable a generation earlier. Those accustomed to dealing with Indians as a subservient underclass, however, found these improvements hard to accept.

Despite extensive changes in the relations among ethnic groups, the cultural categories and vocabulary that non-Indians customarily used in talking about ethnicity remained in general use. *Indio* (Indian) was still a term of disparagement, carrying with it a variety of negative connotations and implying intellectual inferiority and backwardness. In response to the pejorative meanings commonly attached to *indio*, the government substituted the term peasant (*campesino*) in official pronouncements following the 1952 Revolution. Nonetheless, improvement in social status usually meant becoming a mestizo.

Indians focused their loyalties on their local community rather than on some abstract sense of a common ethnic identity. These loyalties extended outward in concentric circles from family to neighborhood to village. Regardless of how much neighbors might fight and litigate with each other, they united in quarrels with rival villages. Factionalism and solidarity existed side by side in the local setting, implying simply a different arena of action.

By the late 1960s, small but growing numbers of educated Indians could be found in the professions, especially teaching. Although education was predicated on the goal of "Hispanicizing" the individual, some educated Indians—especially those teaching in more remote areas and those with fewer years of teaching experience—retained a strong positive orientation toward their ethnic background. These educated Aymara and Quechua speakers formed the nucleus of a genuinely Indian intelligentsia. The 1970s and 1980s saw a florescence of Indian intellectual groups and centers.

Mestizos and Cholos

Mestizos and *cholos*, technically those of Spanish and Indian descent, constituted 25 to 30 percent of the population. Geographically, this was the most widely distributed of ethnic groups; economically and socially, the position of mestizos was equivocal. Because all of the so-called racial terms connoted social status rather than racial background, they were applied indiscriminately and



*An Aymara woman knitting an alpaca sweater
Courtesy Inter-American Foundation (Jane Regan)*

often interchangeably. A wealthy, upper-class person of mixed blood, for example, might be considered white, whereas a poorer one might be termed a mestizo. An Indian might be called a *cholo* in one situation or a campesino in another.

During the colonial era, *cholo* was a generic term used to describe any person who had at least one Spanish grandparent. Over the years, a more specifically value-laden meaning evolved. Although it still carried a purely racial denotation, it also connoted an upwardly mobile Indian, in the somewhat negative sense of an aggressive social climber. Some writers have viewed *cholos* as an intermediate, transitional group between mestizos and Indians.

Regardless of the status differences between *cholos* and mestizos, the cultural criteria of language, urban orientation, livelihood, manners, and dress defined both. Traditionally, mestizos and *cholos* filled the intermediate positions, such as clerk, small-scale merchant, hacienda overseer, and lower-level government official. Often those who had recently begun the transition to *cholo* were unskilled laborers or self-employed vendors and artisans.

The transition from Indian to *cholo* or mestizo required at least a change in residence. By migrating to an urban area, an Indian might assimilate and become thoroughly mestizo in aspirations and identity. Assuming mestizo identity required not only a change in style of clothing and livelihood but also sufficient facility in Spanish to speak with a locally acceptable accent. Complete assimilation was difficult to accomplish in one generation, however. More typically, the migrant's children came to consider themselves mestizos or *cholos* as they were educated and became adapted to urban ways (see Urbanization, this ch.). Within individual families, such social mobility often engendered tension. The ambiguity surrounding ethnic categories and classification extended to the nuclear family. Full siblings could be viewed as members of different ethnic groups. Children who were relatively successful and adopted the dress and manners of *cholos* or mestizos deprecated their Indian parents and those siblings who were less educated or spoke Spanish poorly.

The 1952 Revolution changed the pattern of mestizo-Indian interaction. Traditionally, an elaborate etiquette ensured that mestizos, who considered themselves to be of higher status, received proper respect. Mestizos whose socioeconomic status declined after land reform, however, still wished to be treated with deference by Indians. Some, such as former landowners who had become impoverished, responded by refusing to interact with Indians. Others, who had entered commerce and marketing, interacted socially with peasants who were their trading partners but avoided dealings with

their own former peons. Interethnic drinking patterns also changed in the years following the revolution, ceasing entirely in some regions, and becoming a new ethnic interaction in other regions.

Whites

Whites, or *blancos*, also known as the *gente decente* or *gente buena* (decent or good people), sat atop the ethnic pyramid of the late 1980s. They represented roughly 5 to 15 percent of the population. Socioeconomic and cultural boundaries rather than narrow racial criteria marked *blanco* status, although the vocabulary describing whites (as well as other ethnic groups) was rife with racial terminology. Although whites were well aware of the admixture of Indian genes in their ranks, their sense of superiority rested largely upon the notion of "purity of the blood" based on a strong sense of aristocracy and good lineage.

The standards for membership in the white elite varied by region, as did the degree of traditionalism and adherence to the Spanish heritage. In general, the white elite was culturally homogeneous and true to its Spanish heritage. Its members preserved the Hispanic traditions that dominated national society, even though these were not shared to a great degree by the mestizo and Indian majority.

Whites were not as widely distributed geographically as mestizos, but they resided in both urban and rural areas. In the large cities and smaller towns, they traditionally held high-status positions as professionals, wealthy merchants, or high-ranking government officials. In rural Bolivia, whites were the wealthy and influential *patrones*. *Patrón* status implied not only financial independence but also a European life-style, a particular code of moral behavior, a lineage traceable to colonial roots, local origin, and a leisurely attitude toward work.

Whites saw their own sense of honor and morality as much stronger than that of mestizos or Indians. Theft, drunkenness, premarital pregnancy, and physical violence were censured among whites but expected among those of lesser status and, presumably, breeding. Whites viewed upwardly mobile Indians or mestizos, even those mestizos who had amassed great wealth, as inveterate social climbers and pretentious upstarts. Deficiencies of lineage notwithstanding, mestizos or *cholos* of financial means could gain a measure of social acceptance through marriage to a daughter of an impoverished white family. The children of such a match, depending on their education and good fortune, were usually accepted as whites.

Social Organization

Rural Society

Rural society reflected the complex history that communities experienced during the past several centuries. Hacienda expansion, mining, and land reform affected regions and the communities within them differently. The uneven impact of national political and economic developments combined with ethnic diversity and ecological complexity to create a highly variegated social landscape. The contrasts between communities that had been free Indian settlements and those that had been dominated by a hacienda persisted into the land-reform era. Regions with a lengthy history of commercial farming differed from those geared primarily to subsistence agriculture. Finally, a basic cleavage existed between haciendas of the densely populated Quechua and Aymara settlements in the Altiplano, valleys, and Yungas and plantations of the mesizo Oriente.

Historically, Quechua and Aymara settlements were organized either as haciendas, with a resident labor force of peons who owed labor to the landowner, or as free communities. Social and economic differences characterized both types of settlements. On the haciendas, residents received different-sized plots of land in return for varying amounts of service. The holdings of former peons reflected these initial inequities, as well as different levels of success in the decades following land reform. Free communities distinguished two or three different categories of members. Those descended from the original villagers had full access to and security of land tenure. Others who came as landless laborers in the nineteenth century generally had less land and less security. Still others were landless and relied on the ties of kinship or ritual kinship and an ingrained community ethos about sharing to gain access to a field. If surplus land existed, the landless generally could obtain a plot for nominal rent.

Hacienda owners were casualties of the land reform. The wealthiest left Bolivia or moved to La Paz. Many owners of medium-sized haciendas moved to a provincial town and entered commerce. In some regions, land reform proved to be merely the final in a series of economic reversals that had begun decades earlier. In Cochabamba, for example, hacienda owners had faced the combined problems of estate fragmentation, a contracting market, and a well-organized and militant peasantry since the turn of the century. For them land reform was the coup de grace.

In other regions, land reform had a very minimal impact. Haciendas in the lowlands, the mid-sized haciendas of Monteagudo in Chuquisaca Department, and the vineyards of the Cinti Valley,

also in Chuquisaca Department, were generally spared. Santa Cruz lacked the large, well-organized Indian population of the Altiplano, valleys, and Yungas. Landholders there not only escaped land reform but also received the benefits of government development plans for the lowlands. Their major problem was securing an adequate (and adequately docile) labor force. They hired local subsistence farmers when possible and contracted with labor recruiters who toured Aymara and Quechua settlements hiring laborers for the sugarcane and cotton harvests.

In regions of limited hacienda expansion, preconquest settlement and land-use patterns sometimes persisted. Individual extended kin-groups known as *ayllus* (see Glossary) tried to gain access to the resources of as many different ecological zones as possible. During the Inca era, *ayllus* maintained permanent resident colonies in each of the three natural regions, creating what anthropologist John V. Murra has termed a "vertical archipelago." These colonies ensured the Incas access to the varied products of plateau pasture and field, transitional zones, valleys, and tropics.

Peasants in the Altiplano, valleys, and Yungas preferred dispersed plots within a single natural region as well; in addition, some cultivated scattered plots in different regions. Such land-use strategies served as a hedge against the considerable uncertainty of farming in the Andes. Planting small amounts of a crop in a variety of different locations ensured against total loss in such unpredictable localized disasters as hail and frost. In addition, these agricultural practices took full advantage of the extreme variation in environment within even short distances.

The pattern persisted despite the upheavals of the colonial, post-independence, and modern eras. Under land-reform legislation, a kin-group's lowland holdings could be declared "haciendas" and made liable to expropriation. Development specialists frequently saw this mode of land use, scattering small plots at considerable distances from one another, as an impediment to agricultural production and economic development. Nonetheless, Andean peasants resisted efforts to consolidate their landholdings and acted to maintain their dispersed and diversified plots wherever possible.

In the late 1970s, anthropologists found *ayllus* in northern Potosí Department farming roughly the same territory they had held in the sixteenth century. The territory used by these *ayllus* encompassed regions from the high plateau to semitropical valley bottoms. The distance from the highest pastures to the lowest fields was more than 100 kilometers and as much as 2,000 meters in altitude. It took two weeks with fully loaded llamas to traverse the

territory. Households had access to the products of each region either by producing or by exchanging them with kin.

The typical pattern of exchange saw llama herders loading their pack animals after harvest and traveling to the valley bottoms. Even households that did not have formal control of plots in other regions would spend a good part of the year in different territories. This seasonal movement gave all inhabitants a detailed, extensive knowledge of the habitats their territory encompassed.

Before 1952 most villages shared little sense of community with neighboring groups or the nation as a whole. Political participation, especially in Indian communities, was negligible; powerful outsiders—mestizos or whites—mediated links to the larger society. In either case, the community itself remained a largely self-sufficient, nonmonetary society with the nuclear family as the basic social unit. Strong kinship and ritual kinship ties contributed to social cohesion, but little additional community solidarity existed. A family's existence centered on its lands and a complex system of community work and fiesta obligations.

The reforms in the 1950s brought extensive changes to Aymara and Quechua communities. Agrarian reform and universal suffrage meant more than simply transferring land titles, eliminating onerous work obligations, or conferring voting rights. Many of these reforms had already been reiterated in every legal and constitutional change since the time of Simón Bolívar Palacios, who began the postindependence era with decrees calling for distribution of land to landless Indians, equality for all, and the end of compulsory labor. The changes of the 1950s fundamentally altered Indians' relationship to the larger society. Political and economic links to town, city, and nation no longer remained the exclusive monopoly of mestizos and whites. Increasingly, Indians themselves served as their own intermediaries and power brokers (see *Ethnic Groups*, this ch.).

Overall, the postrevolutionary period from the 1950s to the 1980s did much to erode the isolation of rural society; peasants came into contact with national society in ways unanticipated by an earlier generation. Improvements in communications (radios) and transportation (roads) made peasants aware of alternatives. Before the 1952 Revolution, only a few peasant products had been sold through mestizo intermediaries or hacendados. The revolutionary reforms generated an explosion of markets and of marketing networks. In some regions, mestizo intermediaries still played a prominent role; indeed, many former hacendados became intermediaries when they lost their lands. In many areas, however, marketing became a career for Indian and *cholo* women.

Increasing population pressure in the Altiplano and expanding economic opportunities elsewhere led to large-scale migration. Migrants' experience with the world beyond the hacienda gave villagers a new and very different connection with national society. Educational opportunities increased dramatically at every level. Traditionally, hacienda owners had done everything possible to limit their laborers' access to schools. Some even expelled peons who dared to send their children to school. Increased educational opportunities for young Indians expanded their options for earning a living. Like migrants (and the educated were frequently those who migrated), these individuals became a resource for their families and communities. So, too, did the increasing numbers of young men serving in the military (see *Urbanization*, this ch.).

The rise of peasant organizations and administrative reforms meant job opportunities on the local level. Peasant organizations offered many individuals a springboard to improve their own status at the same time that they gave communities some control over local affairs. These developments sharpened factionalism among communities. Neighboring settlements, which might have had little interest in each other's existence a decade earlier, for example, found themselves vying to be designated as the canton seat (see *Departmental and Local Government*, ch. 4). Land reform made ex-hacienda peons and Indians in neighboring free communities rivals for haciendas acquired in the twentieth century.

Factionalism within communities sharpened as well. The various hamlets making up a single settlement often found little besides the community's school and fiestas as points of common interest. Marriages between various hamlets were a valuable link, as in-laws could serve as go-betweens in disputes.

Consensus formed the basis of community decision making; strong disagreement meant that a decision had to be postponed, or participants would seek another solution. In order to resolve pressing business, communities sometimes scheduled meetings at times that were inconvenient to opponents. The strong-minded could boycott meetings and refuse to comply with community decisions. Households that felt deeply about a project would sometimes go ahead and begin work in the hope that the recalcitrant would eventually follow suit. Such community-wide projects as road improvements and school buildings often existed in varying stages of completion, waiting for needed funds or for disinterested parties to finish their portion of the work. Villages were reluctant to involve outside authorities to pressure dissenters into compliance.

The reforms of the 1950s highlighted the need for a knowledge of Spanish as communities increased their dealings with the government. Migrants who returned to their home communities

during the 1950s and 1960s having learned Spanish played a more prominent role in community affairs. As most communities resolved disputes stemming from land reform, however, the volume of dealings with the national government declined. An older pattern of leadership reasserted itself, and seniority and success in the fiesta system again emerged as major criteria in selecting leaders. The fiesta system in its classic form consisted of a hierarchy of civil and religious offices, each of which entailed specific duties (*cargos*) and obligations. An individual gained prestige through completion of the *cargos* and upon finishing the entire hierarchy became a respected community elder. The most prominent offices were those where an individual assumed the sponsorship of a community fiesta celebrating a Roman Catholic feast or saint's day.

The organization of fiestas varied. Mestizo sponsors could canvass their settlements for donations, which limited their own financial outlays. In Indian communities, where the sponsor bore most of the cost, the fiesta required a major financial sacrifice. In one survey, sponsors of major community fiestas spent from 12 to 80 percent of their cash income from the sale of agricultural products to discharge their fiesta responsibilities. On the whole, however, communities spent much less than they had before agrarian reform. Fiestas also required an enormous expenditure of time, as sponsors began planning for the most prominent fiestas years in advance.

The fiesta was a forum for the acceptable display of wealth and socioeconomic status. An individual gained significantly in prestige and standing by sponsoring the major fiestas. Friends and relatives often helped by offering food, drinks, and money. Those who provided the assistance could expect similar help when they assumed a comparable office. Gifts were recorded in written form, and participants had a strong obligation to reciprocate.

The late 1970s and 1980s were not easy for rural Bolivians. The peasant-military alliance that had been forged in the 1960s ended in 1974 with the bloody repression of a peasant demonstration (see Political Forces and Interest Groups, ch. 4). In general, the turnstile governments of the late 1970s and early 1980s were unsympathetic to peasants. Economic stabilization packages exacted a heavy toll. The generally difficult economic situation of the 1980s curtailed nonfarm employment at the same time that increasing population put pressure on land.

Urban Society

The Working Class

Urban artisans, street hawkers, and servants had been part of city life since the colonial period. Bolivia's modern working class,



A Quechua Indian musician in Potosí Department

however, had its roots in the tin-mining boom of the late nineteenth and early twentieth centuries (see *The Liberal Party and the Rise of Tin*, ch. 1). Miners, transport workers, and manufacturing employees formed the core of this group. Added to this were a motley crew of self-employed artisans and small-scale retailers.

The prosperity of the various segments of the working class varied significantly. Wage earners who were permanently employed in well-established factories represented an elite. They benefited from the reforms of the 1952 Revolution. The self-employed, who were far more numerous, were generally not so fortunate. At best, their activities could be as profitable as contract work or comparable to regular wages. At worst, their position was marginal indeed. Competition was intense; artisans and small manufacturers were handicapped not only by their sheer numbers but also by illegal imports of cheap manufactured goods. They received little in the way of government assistance, although the Roman Catholic Church and some international aid agencies helped by offering technical assistance and organizing cooperatives.

The self-employed who were successful were generally able to specialize, to remain flexible in their economic activities, and to coordinate effectively the family's efforts to secure a livelihood. Families did well when they were able to pursue diverse activities as their own options varied and the market changed. The economic activities of women were an essential component in the family's

success or failure. They embodied flexibility as they balanced the demands of marketplace and family.

The working class as a whole experienced numerous economic difficulties in the 1980s. Wage earners suffered from the rampant inflation of the early to mid-1980s (see *Growth and Structure of the Economy*, ch. 3). Unionized workers frequently protested that they bore an unfair burden under the economic stabilization packages enacted by the government of Víctor Paz Estenssoro (see *Formal Sector*, ch. 3). Miners, facing reduced employment in that industry, were especially militant.

An ideology rooted in the shared struggle for improved conditions united organized workers. Railroad workers began union organizing early in the twentieth century; miners organized in the 1910s. Labor leaders mobilized their followers through appeals to the memory of such massacres as those at Uncia in 1923, Catavi in 1942, Villa Victoria in 1949, and, more recently, the Catavi-Siglo XX mines in 1967 (see *The Republican Party and the Great Depression; the Rise of New Political Groups*, ch. 1).

The sense of class consciousness and camaraderie that marked the working-class ethos at times conflicted with other values. Sentiments of class solidarity, for example, might be overshadowed by the overwhelming desire for upward mobility both for the worker and for his or her children. To attain this end, lower-status persons were always ready to enlist the support of a *patrón*, a powerful, influential person of higher status, such as a local landowner, who could help a client, such as a peasant, with favors such as obtaining a license for selling produce in a local market. In return, the *patrón* would gain the personal support of the client. *Patrón*-client ties thus cut across class boundaries.

A significant portion of the working class was bilingual. In department capitals, more than one-third of the population was trilingual or bilingual in Spanish and Quechua and/or Aymara. The Spanish spoken by these individuals might be heavily accented, but it was understandable. They were frequently better educated than peasants and usually at least minimally literate.

Cities, and in particular mining centers, were a linguistic melting pot. Although Quechua predominated among the workers, many spoke Aymara and Spanish as well. Aymara speakers learned Quechua in order to communicate with the majority of miners. Spanish became the preferred language in marriages where the couple spoke different languages, in part because parents recognized that their children needed a solid grounding in that language for social advancement.

Despite the sharp dichotomy between city and countryside in life-style and livelihood, working-class families maintained numerous links between the two. Mining provided an excellent example of the complex, ongoing relations between the urban working class and the countryside. Even before the sharp drop in employment in mining in the 1980s, the transition from farming to full-time employment in the mines was a lengthy one. Peasants might begin with part-time seasonal or piece-rate work—a strategy that could continue indefinitely as a supplement to earnings in agriculture or one that could evolve into regular full-time employment.

Even full-time miners depended on peasants for critical supplements to their livelihood. Miners' wives toured the surrounding countryside after harvest, trading commissary goods that they had obtained relatively cheaply for agricultural products. They timed their purchases to take full advantage of the fall in food prices immediately after the harvest.

Miners' families also reflected their rural Indian heritage by following a pattern of exchange, sharing, and cooperation. The techniques that peasant communities had long used to ensure families a minimum subsistence in difficult times were adapted to the mining town. Families created both money and labor pools to increase their productive power. In addition, they continued to plant gardens to produce at least part of their subsistence.

In larger cities, working-class life was organized around a variety of associations. In addition to union locals, neighborhoods often had a women's association, soccer team, and councils to mobilize for civic action. Overlapping membership in neighborhood associations cut across occupational specialties. Factory workers, petty merchants, and artisans were drawn into a social life that reinforced class consciousness.

The urban working class was also linked through its own fiesta system. Urban fiestas were organized by neighborhood and by occupational group. Factories held their own fiestas, and older establishments often had a shrine to their patron saint on the premises. A senior employee typically sponsored the annual fiesta, sometimes helped by a cash advance from the employer. Celebrations were less elaborate during economic downturns. From time to time, municipal governments regulated various aspects of fiestas as either too expensive or "inappropriate to urban living." Although the details of urban fiestas differed significantly from those held in rural communities, they were understandable to all potential participants.

The Upper Class

The traditional Bolivian upper class built its status on the triangular base of wealth, political power, and Spanish heritage. Its

wealth was based on a virtual monopoly of agricultural production, mineral resources, and commerce. For most of the country's history, the upper class constituted the only educated sector of society and the only one that had contact with and an understanding of the world beyond Bolivia. Although generally of mestizo origin, its members considered themselves white and identified with European culture. They formed a cohesive enclave who kept their status intact through intermarriage and regarded their privileged position as a birthright.

The 1952 Revolution had a profound impact on the elite. They retained a prominent position in society, but the very foundations of their status became subject to challenge. The concepts of racial superiority and purity of the blood, nonetheless, continued to be central to the elite's class consciousness (see *Ethnic Groups*, this ch.). Outsiders, except for European Roman Catholics, found acceptance by this group difficult. An aspirant to upper-class status faced a critical appraisal of his physical features and his name (for signs of Indian derivation). Social climbers merited disdain, often expressed in terms of prejudice toward those of Indian or *cholo* origin.

The changes begun in the 1950s made both upward and downward mobility increasingly possible. Growing numbers of Bolivians with "new money" emulated the life-styles of the elite. At the same time, the loss of land relegated some former hacienda owners to regular jobs in the city or even to poverty and dependence on the generosity of relatives.

Despite the change in actors, traditional values and social roles remained relatively intact. Men continued to follow the ideals of machismo (see *Glossary*) and the *patrón*. Machismo demanded that a man demonstrate heroism, forcefulness, a zest for action, and sexual prowess. The *patrón* dispensed favors to his underlings—an action that demonstrated his power—and expected loyalty in return. The ideal of womanhood still emphasized the qualities of modesty, sacrifice, and motherhood.

The Middle Class

The middle class occupied an equivocal position. It ran the gamut in prestige and position from truck drivers and petty merchants to highly paid professionals and business owners and operators. Almost as much range existed within this class as between the two adjoining groups. For lack of common criteria, the middle class was defined largely in terms of occupational specialization and economic status: its members were successful merchants, white-collar workers in commerce or government service, and educated

professionals lacking the family requirements for upper-class status. At its lower levels, the middle class faded into the more prosperous elements of the working class. In many ways, the differences between the middle class at its fringes and the adjoining upper and lower groups were of degree rather than kind. Both in ethos and in livelihood, the middle class shared much with those above and below it on the social scale.

Social mobility and elite exclusiveness were the dynamics that formed the middle class. The group emerged from the upheaval of colonial society both through intermarriage between Spaniards and Indians and through the general influx of Indians into cities and towns. The modern middle class, however, received its impetus from the tin-mining boom. Tin mining created demand for educated administrators and expanded the opportunities available to the middle echelons traditionally tied to commerce. Between 1900 and 1950, the composition of the country's university-educated elite changed. Its percentage of clergy, doctors, and lawyers declined, while that of teachers and engineers grew. As with other wage earners, salaried professionals remained vulnerable to economic reversals.

The wealthier members of the middle class tended to follow elite mores and aspired to an upper-class life-style and acceptance into that group. As one moved down the social scale, these values became less pronounced. *Cholos*, who were typically bilingual in Spanish and one or more Indian languages, made up the lower levels of the middle class. They adhered less to Hispanic norms than did other members of the middle class, and they actually reflected the influence of their Indian heritage. A dichotomy existed between the identification and values of *cholo* men and women. Men adhered to Hispanic norms and values more closely, attempting to emulate that life-style. Women adopted an identity that blended indigenous and Hispanic elements. They often engaged in commerce and were formidable businesswomen.

Family and Kin

A stable family life and widely extended bonds of kinship provided the most effective source of personal security. Although family and kinship practices varied among the disparate ethnic groups, both Hispanic and Indian traditions placed great stress upon bonds of responsibility among kins. No other institution endured as the family had, and none commanded greater loyalty.

The nuclear household—a father and mother with their unmarried and dependent children—constituted the basic unit of family organization among the upper and urban middle classes. Within

this household, children were reared, women played their major social roles, and men owed their primary obligations of economic support. Almost invariably based upon formal matrimony, including both civil and religious ceremonies, the family was extremely stable.

The nuclear family seldom existed as a wholly independent unit. Partly as a result of the social and economic conditions of Bolivian life, bonds of loyalty, affection, and mutual responsibility with the extended kin of both spouses were strong and abiding. Few of an individual's activities or decisions did not, in the Hispanic view, affect the wider circle of family and kin.

The ties of solidarity among kin were expressed in an active and highly ceremonial pattern of social life. The nuclear family spent much of its time making formal calls upon relatives and receiving such calls in return. Weddings, baptisms, and funerals were command performances, even in cases involving distant relatives. Indeed, visits to kin and the round of family fiestas that accompanied each transition in an individual's life formed almost the entire social life of many women.

For the Quechua- and Aymara-speaking Indians, family and kin always provided a first line of defense against precarious economic circumstances. In many communities, the cooperative sharing of goods and labor among members of *ayllus* bolstered community stability throughout the vagaries of the past several centuries. *Ayllus* exercised control over the inheritance and use of lands held both collectively and individually by their members, and thus they protected themselves from encroachments by outsiders. Strong bonds of kinship and intermarriage reinforced cohesion and a sense of community within the kin-group and the village.

The Aymara and Quechua had a highly stable basic family unit. Marriage was the most significant social event in an individual's life. An elaborate series of rituals marked the highland marriages: courtship, formal betrothal, a number of different wedding ceremonies, the formal Roman Catholic marriage, the feast of the marriage godparents, the inheritance feast, the planting ritual, and the house roofing. The completion of the full series marked not just a new union of the couple and their families but the transition of the man and the woman to full adulthood in the community's eyes.

Although the Indian couple typically began living together slightly before the betrothal, the actual ceremonies could extend over several years. When they were finally completed, the couple had received the wherewithal to function as an autonomous household. The community had approved of their new social identity on numerous

occasions. All that they received in the numerous ceremonies involved them in enough reciprocal obligations to last a lifetime.

Kinship ties at all levels of Bolivian society remained so strong that those unrelated to one another often sought to establish bonds of ritual kinship through the set of relationships among a child, the child's parents, and his or her godparents, known as *compadrazgo* (see Glossary). In Hispanic and Indian traditions alike, persons related through *compadrazgo*—called *compadres*—should manifest the highest regard and loyalty toward one another. Among Indians, in addition, sexual relations between *compadres* (and sometimes their relatives) were considered incestuous and strongly condemned. For many of the historically dominant whites, *compadrazgo* extended the bonds of kinship and formalized pre-existing ties of friendship. For Indians and *cholos*, *compadrazgo* represented one of the few relations of trust with members of the dominant ethnic groups.

Godparents were commonly selected at baptism and marriage. The *compadres* of baptism had well-defined ritual and economic obligations at the ceremony itself, as well as for the feast that followed. The relationship established was between the child's parents and the godparents. The reciprocal obligations linking the two couples continued beyond the occasion; indeed, the tie continued even if the godchild died. At marriage, *compadrazgo* established a four-way relationship linking the couple, the *compadres*, and each spouse's parents. As in baptism, the godparents became obliged to contribute to the marriage ceremonies in specific ritual and material ways. *Compadres* had a moral obligation to take an ongoing interest in the success of the union. If the marriage failed, they were blamed as well as the couple and the respective families.

Compadrazgo ties often cut across the boundaries of class and ethnic groups. Indians and *cholos* could ask wealthy and influential mestizos or whites to serve as godparents. In asking couples of higher status, a person was establishing a link of patronage. The lower-status person expected to gain assistance in dealing with the authorities and to share, by reflection, in his or her status as *compadre*. In return, the influential person received occasional small gifts of produce and personal services and, equally important, a loyal follower. The choice of godparents was a sensitive barometer of ethnic loyalties and identification. Ambitious *cholos*, anxious for their children's advancement, would choose higher-status mestizos in the hope that the godparents could assist the child's education and career.

Compadres could also be of equal status. In this case, an individual might ask distant kin, close friends, or neighbors to be godparents. The advantage in asking neighbors or kin was that the parents knew

their reputation and standing in the community more thoroughly. Among *compadres* of equal status, individuals tried to match the economic resources of the couples involved, so that the reciprocal obligations and gifts between the two families would balance more evenly.

Migration and Urbanization

Migration

Migration has transformed social relations since the 1952 Revolution. Before the revolution, the average peasant's horizons were delineated by his or her village, those similar settlements surrounding it, and a nearby mestizo town. Contact with the world beyond was limited to an occasional trip to the landlord's city residence or his other haciendas. Few peasants had actually lived in a city, worked in the mines, or served in the military.

By the 1970s, however, most rural young adults could expect to spend at least part of their lives away from home. Many of these would migrate permanently to a city. Others would seek occasional wage labor to supplement their farm earnings. Some also migrated to foreign countries, seeking seasonal work on plantations in Argentina, in the ports of northern Chile, or in the Brazilian Amazon.

Rural-to-urban migration typically constituted a lengthy process. A peasant might begin by working in a city during slack agricultural periods. Young men and women often had their introduction to the city through marketing their families' farm products. In addition, military service gave young men an awareness of the larger society, as well as some experience in nonagricultural work.

Migration rarely represented a decisive break with the community of origin. Migrants maintained complex, ongoing, and mutually fruitful relations with their natal communities. They also served as liaisons with national society. The migrants' knowledge of Spanish and greater familiarity with the government bureaucracy were invaluable resources. Former residents became particularly important after the 1953 enactment of the Agrarian Reform Law. In addition to helping obtain land titles and working out agreements with the former landowners, they also continued to mediate between their villages and the nation.

Aid from kin and fellow villagers was essential to the success of migrants. Earlier migrants assisted those who followed by providing temporary housing and help in finding work. Most migrants belonged to an association of former residents of their native village. These organizations offered recreation and assistance to

migrants. The idiosyncratic job choices of individual migrants spawned unique patterns of occupational specialization. The majority of the migrants from one village, for example, became tailors with the help of an early migrant from the same settlement. In other instances, regional agricultural specializations formed the basis for occupational choices; butchers, for example, often came from cattle-raising areas.

Even highly successful, long-term migrants did not sever their ties with relatives and neighbors in the countryside. Migrants retained their rights to land. Women and children spent years in the village while husbands and fathers remained semipermanent city residents. Families routinely returned to the countryside to help during harvesting and planting. Grandchildren spent their vacations with grandparents in the village. Many migrants continued to participate in community fiestas, concrete evidence of their willingness to continue to fulfill community obligations beyond those owed to kin.

Bolivian governments had long promoted the notion of colonization, especially in the lowlands. Plans were first put forth in the 1830s, and formal proposals were outlined in legislation in 1886, 1890, and 1905. Colonization did not occur, however, until after the 1952 Revolution. One of the goals of the victorious Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario—MNR) was to provide a safety valve for population pressure in the Altiplano by promoting “Bolivianization” of the frontier. Other objectives were to increase the production of domestic food crops and to integrate more farm families into the national economy. In the next three decades, both government-sponsored and spontaneous settlements fueled a population explosion. The main zones of growth were the region around Santa Cruz (Santa Cruz Department), the Alto Beni (Beni Department), and the Chapare (Cochabamba Department). From 1900 to 1950, Santa Cruz’s population grew at less than 1 percent annually; between 1950 and 1976, however, the annual rate climbed to more than 4 percent. The sheer numbers of migrants created a land-rush atmosphere. In the province of Obispo Santisteban (Santa Cruz Department), authorities granted titles to 55 percent more land than the province encompassed.

Because most migrants came from the overpopulated Altiplano, they entered sharply different environments. The Oriente had a highly distinct regional culture. A unique dialect of Spanish, known as *castellano camba*, identified Oriente natives. Plantations in the region, unscathed by the land reform, still had a resident labor force, but it was not organized into the cohesive community

characteristic of the traditional hacienda. Farming and herding in the Andes had little in common with the requirements of agriculture in the tropical lowlands.

Official settlement projects ranged in approach from meticulously detailed planned colonies to the simple provision of a plot of land, some technical orientation, and assistance in gaining a land title. In general, government projects suffered from a lack of competent technicians, poor coordination among the various agencies charged with assisting the colonists, and lack of continuity at the upper administrative levels. Land titles were rarely granted within the amount of time specified on the project. Roads were neither completed nor maintained according to plans. About half of the colonists abandoned their plots and moved on (see *Land Reform and Land Policy*, ch. 3).

Only about 15 percent of the settlers who migrated to the region from the early 1950s through the early 1980s came as part of government-sponsored colonies. Nonetheless, spontaneous settlements, too, suffered from the poorly developed infrastructure. Migrants resorted to a variety of methods to produce cash crops and market them without losing most of the profit to intermediaries. In some colonies, settlers cut their own feeder roads. Like those in government-sponsored settlements, spontaneous colonists often had difficulty getting land titles. They lacked technical advice and access to agricultural credit. In general, however, spontaneous settlers managed to form organizations and to develop sufficient organizational savvy and community spirit to deal with the logistics of establishing farms in the Oriente. Surveys found that income in spontaneous colonies averaged 75 percent higher than in government-sponsored projects.

One of the fastest-growing colonization regions in the 1980s was the Chapare, Bolivia's principal coca-cultivating area. Major reasons for the influx of colonists to this tropical New Jersey-size region were the completion of a United States-financed paved road from Cochabamba in 1972 and the take-off of the cocaine-exporting industry in the late 1970s. By 1985 the population had burgeoned to 120,000, as compared with 80,000 in 1981 and 26,000 in 1967 (see *Narcotics Trafficking*, ch. 5). Some press reports in 1988-89 cited Chapare population figures as high as 200,000. A 1981 survey found that most small-scale farmers in the Chapare were former highlanders, mainly from the upper Cochabamba Valley but also from Potosí Department, who resettled and cleared land for food and coca cultivation.

The Oriente also attracted small numbers of Italian, Japanese, Okinawan, and North American Mennonite settlers. In contrast

to native Bolivians, these settlers were often more educated, had better technical training, came with more capital, received larger parcels of land in better locations, and had more ongoing support from their own governments or sponsoring agencies. They usually succeeded, although the turnover in a settlement's early years often nearly approximated the rates encountered in government colonies.

The first settlers in a new community typically consisted of a group of men who began clearing plots. Most brought their families to join them as quickly as possible; beginning farming in the tropical forest required the whole family's labor. A colony's founders were frequently kin and *compadres*; these ties helped create a spirit of cooperation and community solidarity. Settlers used the same kinds of strategies that had permitted Andeans to survive through the centuries. Colonization itself was an extension of the "vertical archipelago." Colonists expanded their regional ties by farming in the new settlement zones. Like rural-urban migrants, they maintained their links with their home villages. Kin sent gifts of food; colonists reciprocated with items of lowland produce. Those with land in the Altiplano continued to farm it and spent a good portion of the year there.

Community organizations were synonymous with the community itself in a settlement's early years. They agitated for land titles and maintained order, settling everything from marital disputes to property boundaries. They functioned as self-made extension agencies: their meetings were a forum for sharing experiences, organizing for joint endeavors, and overcoming the isolation of the frontier. The organizations' influence often waned as a community aged, reflecting both the politico-economic climate and the community dynamics. Solidarity declined as some settlers moved on and others spent more time away from their farms as wage laborers. New settlers, often members of a different ethnic group, bought out the original colonists, adding another element of divisiveness.

The migrants' degree of success varied considerably. Some were supported by their families in the Altiplano, who did not own enough land for all their children but who could send a son or daughter to the Oriente. These moderately capitalized migrants became veritable entrepreneurs in the expanding Santa Cruz economy. Many others simply transplanted a marginal subsistence holding from the Altiplano to the tropical forest. Unsuccessful colonists generally cleared subsistence plots, farmed them for a few years, and then sold out to more capitalized farmers. Poorer settlers moved farther on toward the frontier, often clearing the land with destructive methods. Many of these settlers destroyed tropical rain

forests without conferring either the advantages of a stable system of swidden, or slash-and-burn, agriculture (which involved cutting down the forest, burning the dried debris, and planting crops over a period of two to three years) or those of permanent cultivation.

Although subsistence farmers entered the cash economy to purchase a few essentials, they found the terms of exchange distinctly unfavorable. Price uncertainty added to the problems generated by lack of knowledge of the tropical ecosystem. Cheaper subsidized credit was available only to farmers with land titles. Rural intermediaries controlled most marketing and took a hefty share of the profits.

The poor subsisted through a variety of stratagems. Even with the substantial increase in population, land reserves gave poorer families a sort of "safety net." A one- to two-hectare subsistence plot formed part of an intricate mix of income-generating and subsistence activities. The rural poor alternated between seasonal wage labor and subsistence agriculture. Some lived in town part of the year and found employment as street vendors, cargo carriers, construction laborers, or domestics.

The massive numbers of migrants had a pervasive impact on regional society. Cambas, native lowlanders, felt a certain resentment against the Altiplano migrants, Kollas (see Glossary). Each characterized the other group in predictably negative terms. Migrants were easy to identify on the basis of language or accent. Discrimination against them ranged from poor treatment by shopkeepers to the refusal of service at restaurants. Santa Cruz natives of all classes made common cause against the newcomers. Regional loyalties cut across class lines. Occasionally, landholders were able to recruit the support of Cambas through appeals to regional solidarity.

Urbanization

Cities, serving as administrative and trade centers, were an integral part of colonial Bolivia. They were the domain of whites and mestizos who appropriated a share of the agricultural produce from the surrounding Indian communities. For most of the nineteenth and twentieth centuries, however, the population as a whole remained overwhelmingly rural; in 1900, for example, a scant 14 percent lived in cities of more than 5,000 inhabitants. Although cities grew as mining and commerce expanded, only about one-quarter of the population were city dwellers in 1950.

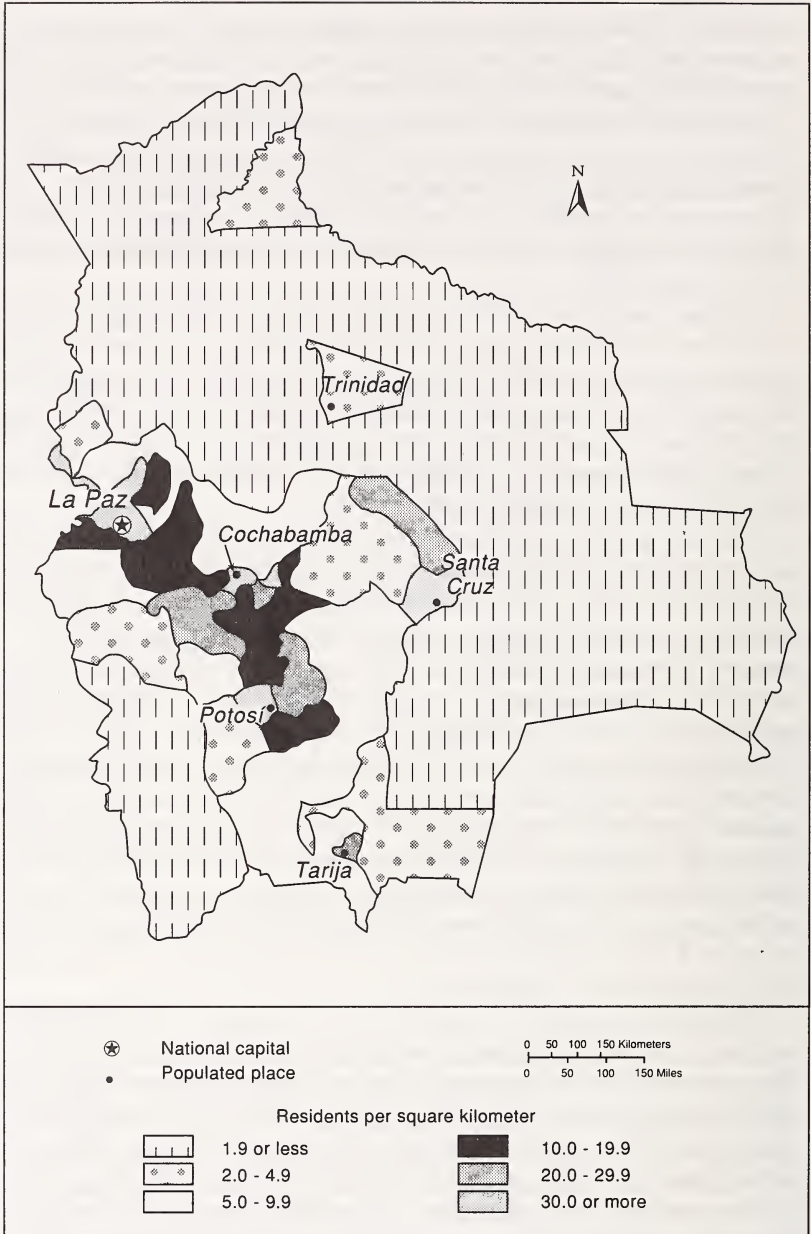
Massive urbanization on a scale sufficient to change the face of society was a postrevolution phenomenon. From the 1950s onward, cities grew disproportionately faster than rural Bolivia. From 1950

to 1976, the three fastest-growing cities increased at a rate of 4.7 percent annually; the fastest, Santa Cruz, at 6.9 percent. In the early 1980s, annual rates of increase in cities were nearly triple those of the countryside. The urban population increased at 3 to 4 percent a year through the 1970s and most of the 1980s. Demographers projected comparable rates to continue to the end of the century (see fig. 7; table 3, Appendix). Analysts anticipated that urban residents would constitute 56 percent of the population by the year 2000.

La Paz, founded in 1548 as a way station en route from the silver mines of Potosí to Lima, was the largest city and had an estimated population of 992,000 residents in 1985. The population of Santa Cruz—long an insignificant frontier outpost—swelled to 441,000 as a result of the postrevolutionary development of the Oriente. Other major cities included Cochabamba (317,000), Oruro (178,000), and Potosí (113,000).

Bolivia's pattern of urbanization is exemplified in the growth of Cochabamba. In 1900 Cochabamba consisted of 22,000 residents and included only 7 percent of the total departmental population. Over the next half-century, the city's population expanded at 2.5 percent annually to 81,000 in 1950, when it contained 16.5 percent of the total departmental population. The pace of urban growth quickened to 3.5 percent annually between 1950 and 1976; by 1976 Cochabamba consisted of 200,000 residents and included 28 percent of the overall departmental population. During this period, squatters pushed far beyond the city's previous southern and eastern limits; for example, Cochabamba's airport, which had served as one part of the southern boundary, became surrounded by new urban communities. Between 1976 and 1986, urban growth intensified to 4.2 percent annually as the city encompassed 31 percent of the department's population.

Migrants in search of employment accounted for an increasing share of Cochabamba's growth. Demographers estimated that 64 percent of the city's population expansion between 1976 and 1986 resulted from migration. By 1986 more than one-third of Cochabamba's residents had been born outside the city. The pattern of migration also changed in the 1970s and 1980s. In contrast to the previous predominance of migrants from rural communities in Cochabamba Department, the percentage of migrants from the Altiplano climbed to 40 percent in 1976, to 54 percent in 1983, and to 60 percent in 1986. The increasing rate of migration reflected the troubled state of the Altiplano economy rather than a significant expansion of jobs in Cochabamba. Employment in the manufacturing sector, which primarily consisted of small-scale



Source: Based on information from Bolivia, Instituto Geográfico Militar, *Atlas de Bolivia*, Barcelona, 1985, 201.

Figure 7. Population Density, 1985

establishments, remained steady at 16 percent of total employment between 1976 and 1986. Instead, most migrants found employment in the service sector.

Religion

Roughly 95 percent of Bolivians professed Roman Catholicism; nonetheless, a much smaller portion participated actively. Religion was traditionally the domain of women. Men felt no obligation to attend church or to practice their religion. The absence of clergy in the rural areas fueled the development of an Andean folk-Catholicism among Indians. In the decades following the Second Vatican Council (1962–65), the church tried to make religion a more active force in social life.

Roman Catholicism had its roots in the Spanish conquest; priests accompanied the first military expeditions. The church's organization, personnel, and role in society were all defined early in the colonial era. Pope Julius III created the La Plata bishopric in 1552; this was followed by those of La Paz and Santa Cruz early in the seventeenth century. A plethora of religious orders—Franciscans, Mercedarians, Dominicans, and Jesuits were the most prominent—joined diocesan priests in the colonial ministry. The clergy were largely of European origin. The few mestizos who joined the ranks were usually admitted as lay brothers rather than priests.

The *patronato real* (an agreement between the Catholic Church and the Spanish crown) gave the Spanish throne and, by extension, the colonial authorities significant powers in church affairs. Appointments of clergy and bishops normally required the approval of civil authorities. The relationship between church and state was mutual and intimate; each institution had great influence on the other's affairs. In a society where separation from the religious ministrations of the church was unthinkable, the church had great moral influence.

In addition, the colonial church was an extremely wealthy institution. Religious organizations not only owned extensive tracts of land but also served as quasi-official moneylenders to the landed elite and high-ranking officeholders. By the end of the colonial era, a combination of money lending and shrewd real estate investments had made the church the dominant financial power in Bolivia.

Independence brought some changes to Bolivian church-state relations. The Roman Catholic Church retained its status as the nation's sole religion. Except for a brief period during the 1870s, this pattern continued throughout the nineteenth century. At the same time, however, the new Bolivian government quickly asserted its primacy over the church. In 1826 President Antonio José de

Sucre Alcalá (1825–28) took control over the collection of church tithes, closed all monasteries with fewer than twelve persons, and seized church lands. These actions permanently weakened the church as a political force.

Further changes occurred in the twentieth century. In 1906 the government proclaimed religious toleration and permitted the establishment of non-Roman Catholic churches. In 1961 the government relinquished its right under the *patronato nacional* (the successor to the *patronato real*) to mediate in church affairs. No longer could the government have a voice in conciliar decrees, briefs, or bulls that the pope issued or play a role in the selection of high-ranking church officials. The Constitution of 1967 grants official status to the Roman Catholic Church but also guarantees the public exercise of all other religions.

Freed from direct government control, the Roman Catholic Church in the 1960s attempted to establish a more visible presence in Bolivian society. The country's bishops, organized into the Bolivian Bishops Conference (Conferencia Episcopal Boliviana—CEB), issued pastoral letters condemning the living conditions of peasants and workers. The bishops established development centers, research organizations, and commissions to address these problems. Many priests, brothers, and sisters took a more direct political stance. The so-called miner priests—oblates assigned to parishes in mining communities—actively defended workers' rights. This experience led to the formation in 1968 of Church and Society in Latin America-Bolivia (Iglesia y Sociedad en América Latina-Bolivia—ISAL-Bolivia). Employing a Marxist analysis of society, ISAL-Bolivia endorsed socialism as the only means of achieving justice.

The political stance of ISAL-Bolivia and others engendered a sharp response from the bishops. Shortly after ISAL-Bolivia contended that capitalism had contaminated the church, the CEB stripped the organization of its official Catholic status. In a subsequent pastoral letter, the bishops stated that although priests had an obligation to promote needed social change, they could not identify with specific political parties or movements. The church hierarchy's caution was evident in its handling of the Bolivian Justice and Peace Commission. Established in 1973 as a research arm of the episcopate, the commission quickly became active in defending the rights of political prisoners of the military government led by Colonel Hugo Banzer Suárez. The government accused the commission of promoting subversive propaganda and deported the organization's key personnel. In their response, the bishops endorsed the commission's human rights agenda but then suspended its

*A church in Potosí
Courtesy Inter-American
Foundation*



*An Aymara woman praying
Courtesy Inter-American
Foundation*



operations for two years. The reconstituted commission operated under tighter episcopal controls than did its predecessor.

The return of democracy in the 1980s presented the church with a new set of challenges. Although the CEB recognized that the economic crisis of the early and mid-1980s required strong measures, it publicly questioned the wisdom of the stabilization policies adopted in 1985 by President Víctor Paz Estenssoro. Endorsing the position adopted at the Latin American Bishops Conference in Puebla, Mexico, in 1979, the CEB suggested that Paz Estenssoro's New Economic Policy (Nueva Política Económica—NPE) would generate increasing levels of inequality in society. The bishops followed up this pastoral letter by mediating negotiations in 1986 between the government and the Bolivian Labor Federation (Central Obrera Boliviana—COB; see *Political Forces and Interest Groups*, ch. 4).

In 1986 the Roman Catholic Church was organized into four archdioceses (La Paz, Santa Cruz, Cochabamba, and Sucre), four dioceses, two territorial prelatures, and six apostolic vicariates. The bishops had at their disposal approximately 750 priests, most of whom were foreigners. The paucity of priests significantly hampered church activities. For example, the archdiocese of Sucre only had sixty-two priests to attend to the needs of an estimated 532,000 Catholics dispersed over 50,000 square kilometers.

Because of the church's weak rural presence, the vast majority of Indians followed their own brand of folk-Catholicism far removed from orthodoxy. Indians saw no inconsistency in mixing modern technology and medicine with folk curers or indigenous ritual with professed Roman Catholicism. Indigenous rituals and fragments of Roman Catholic worship were interwoven in the elaborate fiestas that were the focus of social life.

The Quechua and Aymara pantheon was a mix of Christian and pre-conquest spirits and beings. A deity like the virginal daughter of the Inca sun god was transmuted into a Christian figure, in this case the Virgin Mary. Many of the supernaturals were linked to a specific place, such as lake and mountain spirits. The earth mother, Pachamama, and fertility rituals played a prominent role.

In the 1980s, Mormons, Jehovah's Witnesses, Seventh-Day Adventists, and members of a variety of Pentecostal denominations gained increasing numbers of adherents among the rural and urban squatter populations. Because these denominations tended to emphasize individual salvation and to deemphasize social and political issues, many leftists charged that they were agents of the United States government. In May 1989, left-wing terrorists murdered two Mormon missionaries from the United States who had been working

in a squatter community near La Paz (see *Subversive Groups*, ch. 5).

Other denominations represented in Bolivia included Methodists and Mennonites. The Bahai faith had members in over 5,500 localities. Bolivia also had a small Jewish community, which had not reported any discrimination. In 1988 the government stated that numerous religious groups were operating in Bolivia illegally, but its attempt to expel some foreign members of the Hari Krishna sect in 1986 was overturned by the Supreme Court of Justice.

Education

Chronic political instability hindered the development of general education throughout Bolivia's history. In the colonial era, education was limited to a few clergy acting as tutors for the sons of elite families. Little effort was made to teach the Indians beyond the bare necessity to convert them. Independence brought a series of ambitious decrees calling for universal, compulsory primary education and a public school system; nonetheless, little was accomplished. By 1900 schools existed primarily to serve urban elites. No vocational or agricultural institutes existed in the country. Only 17 percent of the adult population was literate.

A teaching mission from Belgium arrived in the early 1900s and, over a thirty-year period, established a foundation for rural primary education. In 1931 Elizardo Pérez founded a large nuclear school (a central school with five to eight grades) near Lake Titicaca. Smaller satellite schools in nearby settlements supplemented the nuclear school's offerings. This arrangement became the prototype for rural education in the Andes.

Overall, however, little real expansion of educational opportunities occurred. A 1947 law calling for an end to illiteracy drew attention to the government's limited capacity for action in this area. It required that every literate Bolivian teach at least one other to read and write and levied fines for adult illiteracy. On the eve of the 1952 Revolution, less than one-third of the adult population was literate.

Legislation in 1956 laid the foundation for the public education system in force in the late 1980s. The government established a six-year primary cycle followed by four years of intermediate schooling and two years of secondary school ending with the baccalaureate degree. Laws in 1969 and 1973 revised the curricula and instituted a five-year primary cycle, theoretically compulsory between the ages of seven and fourteen, followed by three years of intermediate school and four years of secondary education. The first two years of secondary instruction consisted of an integrated

program that all students followed; the second two-year cycle permitted students to specialize in the humanities or one of several technical fields. All courses led to the baccalaureate degree, which was a prerequisite for entering the university.

Higher education consisted of the University of Bolivia and a variety of public and private institutes. The University of Bolivia—a consortium of eight public universities and one private university (the 1,500-student Bolivian Catholic University)—was the only post-secondary school that awarded degrees. At least four other private institutions were operating without legal authorization in 1989. Other schools offered technical training in the fine arts, commercial arts, and technical fields, as well as in teacher training.

The University of Bolivia, which enrolled more than 100,000 students in 1989, was embroiled in a bitter conflict with the Paz Estenssoro government over what academic leaders feared were government plans to make drastic cuts in publicly financed higher education. The government acknowledged its plans to promote private institutions in an attempt to reverse a general decline in academic standards resulting from wide-open admission policies. The impasse over university finances led to student protests in 1988, with police intervening in the country's largest university, the 37,000-student San Andrés University in La Paz.

The Ministry of Education and Culture organized adult literacy classes. By the mid-1980s, approximately 350 centers and more than 2,000 teachers were dedicated to adult literacy programs. More than half were in the department of La Paz, where less than one-third of the population lived. The program had little impact, however; improvements in the adult literacy rate, which stood at 75 percent in the mid-1980s, primarily resulted from increased primary school enrollment. From 1973 to 1987, the percentage of school-aged children enrolled in primary schools climbed from 76 to 87 percent (see table 4, Appendix).

Most educational expenditures went for operating budgets, especially personnel costs, leaving little for capital programs and expansion. Spending remained skewed in favor of the urban areas. Approximately 60 percent of Bolivia's 59,000 teachers were employed in urban schools. The economic crisis that beset the country in the early to mid-1980s had a severe impact on educational spending. Analysts estimated that real education expenditures in 1985 were less than 40 percent of the total recorded in 1980. Over the same period, the percentage of the gross domestic product (GDP—see Glossary) devoted to education dropped from 3 percent to less than 2 percent.



*An Aymara woman
participating in informal
education training
Courtesy Inter-American
Foundation (Kevin Healy)*



*A literacy class in the
El Alto section of La Paz
Courtesy Inter-American
Foundation (Kevin Healy)*

Although the education system recorded some progress in enrollments in the 1970s and 1980s, serious problems remained. The number of secondary school students grew twice as fast as the population of that age-group; the university student population grew more than four times faster than the total population of eighteen- to twenty-four-year olds. Still, secondary education remained beyond the grasp of most Bolivians; only 35 percent of the eligible age-group attended secondary school. Significant disparities also existed between male and female enrollment rates. Efforts to increase female attendance ran up against the harsh economic realities faced by poorer families who relied on their daughters' help with chores and child care.

Dropout rates also remained extremely high. Only one-third of first graders completed the fifth grade, 20 percent started secondary school, 5 percent began their postsecondary studies, and just 1 percent received a university degree. Dropout rates were higher among girls and rural children. Only about 40 percent of rural youngsters continued their education beyond the third grade.

Finally, Quechua- and Aymara-speaking children faced special problems. Bolivia had no national program of bilingual education. There were a few moderately successful pilot programs; in addition, Indian teachers often translated lessons while instructing their classes. In general, however, Spanish was the language of instruction at every level. Critics blamed the absence of bilingual education for the high dropout rates among rural Indian schoolchildren.

Health and Social Security

From the mid-1970s to the mid-1980s, Bolivia made slow but steady progress in improving the health conditions of its population. Life expectancy rose from forty-seven years in 1975 to nearly fifty-one years in 1985. During the same period, the mortality rate dropped from 18.4 to 15.9 per 1,000 population, while the infant mortality rate dropped from 147.3 to 124.4 per 1,000 live births. The mortality rate in children one to four years of age dropped from 14.6 per 1,000 population in 1975 to 10.9 per 1,000 by 1980. Despite these improvements, however, in the mid-1980s Bolivia's health indicators were among the worst in the Western Hemisphere. Its life expectancy was the lowest in the Western Hemisphere, and its infant mortality rate was third after that of Peru and Haiti. An estimated 70 percent of the population suffered nutritional deficiencies. Only 43 percent had access to a safe water supply. Barely 24 percent could avail themselves of adequate sanitary facilities.

Health conditions varied significantly across regions and, within regions, by urban or rural residence. For example, disaggregated infant and childhood mortality rates for the mid-1970s revealed significant regional and urban/rural disparities (see table 5, Appendix). Infants in the rural parts of the Altiplano, valleys, and Yungas had a far greater probability of dying than those in the urban lowlands. Mortality rates for children up to the age of five in the departments of Potosí and Chuquisaca were nearly double those found in the departments of Santa Cruz and Beni. Analysts also noted disparities in rates among ethnic groups. Rates were highest among children of mothers who spoke only an indigenous language, intermediate among bilingual mothers, and lowest among monolingual Spanish-speaking mothers.

Gastrointestinal diseases, measles, and respiratory infections caused 80 percent of infant mortality. An ambitious vaccination program in the early 1980s brought a significant decline in the number of cases of poliomyelitis, whooping cough, tetanus, and measles. The number of cases of diphtheria climbed, however, during the early 1980s.

Bolivian health specialists also confronted a variety of diseases that affected the general population. A national survey in the early 1980s revealed the presence of the vector responsible for Chagas' disease in the homes of 26 percent of the population. The number of cases of malaria—primarily found in Beni, Santa Cruz, Tarija, and Chuquisaca departments—rose from 9,800 in 1981 to 16,400 in 1984. In 1984 the government organized a mass campaign in an effort to deal with a malaria epidemic in Beni Department. In 1983 the government also organized a major yellow fever vaccination program; the number of cases of jungle yellow fever declined from 102 in 1981 to 5 in 1984. Pulmonary tuberculosis remained a serious concern; over 9,400 cases were reported in 1981. In addition, during the 1970s over 360 miners per year died from silicosis. Finally, as of 1987 Bolivia reported six cases of acquired immune deficiency syndrome (AIDS).

In the mid-1980s, the government was restructuring its health care system to allow for a more effective delivery of services. Bolivia's health network traditionally had been characterized by a high degree of fragmentation and duplication of services. Although the Ministry of Social Services and Public Health had overall responsibility for the system, ten separate social security funds offered health services to members insured through their place of employment. In addition to wasting scarce resources, this approach had a heavy urban bias. The new approach called for a unified system under the control of the Ministry of Social Services and Public Health, with emphasis on preventive rather than curative medicine.

The total fertility rate (the number of children a woman expected to bear during her reproductive life) was 6.0, and the crude birth rate (per 1,000 population) was 43 in the late 1980s. Both had declined but remained higher than those of neighboring countries. Fertility was highest among rural women, non-Spanish speakers, and women with little or no education. Roughly one-quarter of all married couples were using some form of family planning.

Bolivia's booming cocaine industry was also spawning serious health problems for Bolivian youth. In the 1980s, Bolivia became a drug-consuming country, as well as a principal exporter of cocaine (see *Narcotics Trafficking*, ch. 5). Addiction to coca paste, a cocaine by-product in the form of a cigarette called *pitillo*, was spreading rapidly among city youths. *Pitillos* were abundantly available in schools and at social gatherings. Other youths who worked as coca-leaf stompers (*pisadores*), dancing all night on kerosene and acid-soaked leaves, also commonly became addicted. The *pitillo* addict suffered from serious physical and psychological side-effects

caused by highly toxic impurities contained in the unrefined coca paste. Coca-paste addiction statistics were unavailable, and drug treatment centers were practically nonexistent.

Social security coverage began in the early twentieth century when legislation created pension funds for teachers, the military, bank employees, and civil servants. The prototype for modern coverage came in the late 1940s and early 1950s with laws covering such benefits as disability insurance, maternity care, medical care, pensions, and funeral benefits. The Social Security Code of 1956 provided assistance for sickness, maternity, occupational risks, long- and short-term disability, pensions, and survivors' benefits.

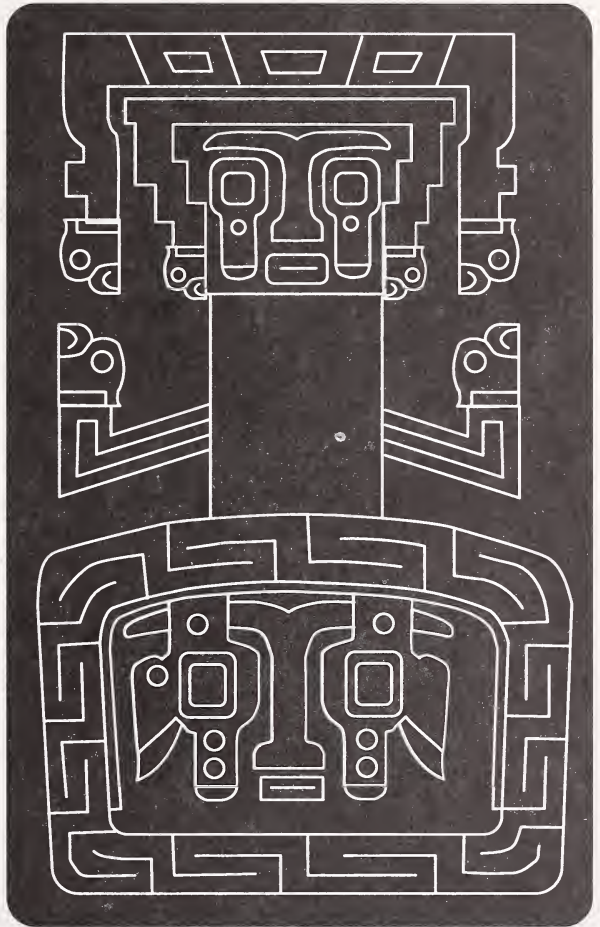
In the late 1980s, social security programs only covered roughly 20 percent of the population (counting families of insured workers). Agricultural workers and the self-employed—a significant portion of the working class—were excluded. The percentage of the population covered was highest in the mining department of Oruro (43 percent) and lowest in the departments of eastern Bolivia.

Worker and employer contributions financed most benefits. Taxes provided additional money for some of the smaller funds. Since the mid-1960s, retired workers in many industries had established complementary pension funds to help protect their retirement benefits from the effects of inflation.

* * *

The works of William E. Carter and those of Hans C. Buechler and Judith-Maria Buechler offer useful analyses of Aymara culture. Harold C. Osborne's *Indians of the Andes* has a thorough, if dated, description of the Quechua and Aymara Indians. M.J. Hardman's *The Aymara Language in Its Social and Cultural Context* and articles by Dwight B. Heath, William Léons, and Madeline Barbara Léons describe ethnic relations in postrevolutionary Bolivia. Tristan Platt, Olivia Harris, and Inge Maria Harman all present detailed studies of contemporary community dynamics among Quechua speakers. Lesley Gill's *Peasants, Entrepreneurs, and Social Change* and Connie Weil's "Migration among Land Holdings by Bolivian Campesinos" both detail colonization of the eastern lowlands. The works of Doris E. Widerkehr and June Nash describe conditions among miners. Brooke Larson traces the evolution of agrarian society in the Cochabamba region between the sixteenth and nineteenth centuries in *Colonialism and Agrarian Transformation in Bolivia*. For analyses of the impact of the cocaine industry on rural society in Bolivia, Kevin Healy's "The Boom Within the Crisis" and "Coca, the State, and the Peasantry in Bolivia, 1982-1988" are informative. (For further information and complete citations, see Bibliography.)

Chapter 3. The Economy



Symbolism on the front of the Great Idol of Tiwanaku

BOLIVIA, A RICHLY ENDOWED country, contained a mostly poor population. Despite abundant and diverse metal and mineral deposits, substantial hydrocarbon reserves, vast untapped fertile plains, dense virgin forests, and numerous swift rivers with great hydroelectric potential, the country's gross domestic product (GDP—see Glossary) in 1987 was only approximately US\$4.35 billion. Its per capita income of US\$640 made Bolivia the second poorest nation in South America after Guyana. The economy's slow development stemmed in part from the country's rugged and varied terrain, inadequate infrastructure, lack of direct access to international markets, and underpopulation. In addition, an endemic and debilitating political instability often corrupted and derailed the economic development process.

Bolivia experienced two major revolutions in economic policy during the second half of the twentieth century, both of which were led by Víctor Paz Estenssoro (1952–56, 1960–64, and 1985–89). In 1952 Paz Estenssoro's Nationalist Revolutionary Movement rose to power and supplanted a political system dominated by the narrow interests of three tin-mining families and a landed oligarchy. The Nationalist Revolutionary Movement attempted to reverse the gross inequities that had evolved under the previous order. The central economic tenets of the revolution were land reform, the nationalization of the tin mines, labor rights, and a leading role for the public sector.

In the ensuing decades, however, Bolivia's public sector swelled far beyond the economy's ability to sustain it. Although external development financing reached an unprecedented level in the 1970s, it was sharply curtailed by the end of the decade. Servicing this debt severely strained the economy in the 1980s and contributed to a decline in total output of over 4 percent a year between 1980 and 1986. Hyperinflation made the currency worthless by the mid-1980s. When Paz Estenssoro again assumed the presidency in 1985, he introduced a stabilization plan, backed by the International Monetary Fund (IMF—see Glossary), that was unmatched in its austerity and in its attempt to totally restructure a Latin American economy toward market mechanisms.

Mining dominated the economy from colonial times until the 1985 crash of the international tin market. Natural gas replaced tin and other minerals in the 1980s as the leading export and was the hub of future development strategies. Agriculture employed

nearly half of the official labor force, and government policies favored increased diversification toward manufactured agricultural products. In the late 1980s, an underground economy based on contraband, coca production, and other commercial trading in the informal sector (see Glossary) also thrived. These unregistered activities, employing two-thirds of the work force, totaled more than the official international trade.

Bolivia's economic upheavals in the 1980s were costly to workers, producers, institutions, the national currency, and the economy at large. Although a moderate recovery of 2 percent in real growth in 1987 and 3 percent in 1988 had begun, both medium-term challenges and long-term structural obstacles faced economic policymakers. Debt was particularly well managed but remained one of Latin America's highest on a per capita basis. Foreign investment, an important component of the stabilization plan, had still not materialized, and political stability remained tenuous. In the late 1980s, many Bolivians remained skeptical of government, which they viewed as tied to a history of corruption, high salaries, and incompetence.

Growth and Structure of the Economy

The Spanish arrived in what is present-day Bolivia in 1532 and replaced an Inca economic system based on collective agriculture, the *ayllu* (see Glossary), and economic tributes to a socio-religious hierarchy with a system dominated by the conquistadors and the Spanish crown. They organized the Indians into an *encomienda* (see Glossary) system in which they again paid tributes, now to conquistadors, and toiled in the silver mines of Potosí under a compulsory labor system called the *mita* (see Glossary). Through the exploitation of Indian labor, the Spanish by the mid-1600s had converted Potosí into South America's most populated metropolis (see *The Economy of Upper Peru*, ch. 1).

Independence in 1825 did little to improve the economic lot of Bolivia's Indian majority. Indeed, the already unfair distribution of land, a legacy of the *encomienda* system, was worsened when the government abolished the land tenure system of the Indian communities in 1866. The system that emerged was dominated by nearly feudal peonage rather than wage labor.

By the late 1800s, the silver industry had suffered a sharp decline and was replaced by tin mining. The tin industry benefited from the new rail access linking the country's mines to Pacific Ocean ports for the first time. The rail access to ocean ports had become crucial to the Bolivian economy by the early 1880s because Chile had seized the country's outlets to the sea during the War of the

Pacific, 1879–83 (see From the War of the Pacific to the Chaco War, 1879–1935, ch. 1).

Bolivia's tin industry boomed in the early twentieth century as the invention of the vacuum-packed tin can and the assembly of the automobile raised world demand for tin. By the end of World War I, the country was the world's second-leading producer, mining a fifth of global output. The unprecedented international demand for tin, the high concentrations of easily accessed tin in the new mines, low taxation, and cheap labor made the industry highly lucrative. The nation's tin industry and the economy at large became completely dominated during the 1920s by the Patiño, Hochschild, and Aramayo tin-mining families, who, along with the lawyers who defended them, were collectively known as the *rosca* (see Glossary). The *rosca* dominated not only economic affairs but politics as well, and it constituted a formidable elite in conjunction with the landed oligarchy that had developed since 1866. This class contrasted sharply with most of the country's poor citizenry who worked the marginal agricultural plots of the highlands or labored under appalling conditions in underground tin mines.

The Great Depression in 1929 and the devastating Chaco War (1932–35) with Paraguay marked the beginning of a period of growing disdain for the country's elite. The Great Depression caused tin prices to plunge, thereby hardening the plight of miners and lowering the profits of the *rosca*. During the Chaco War, highland Indians were enlisted to defend Bolivia's vast Chaco lowlands, with its rumored oil reserves (see The Chaco War, ch. 1). The war exposed highlanders for the first time to their nation's vast tracts of land. As Indians and organized labor began to play a more prominent role in national life after the Chaco War, mining and landed interests could no longer stop the momentum for social, economic, and political reforms.

The principal economic goals of the 1952 Revolution were land reform and the nationalization of the tin mines, both of which were swiftly enacted. Even before the Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario—MNR) could implement its Agrarian Reform Law on August 2, 1953, the long-oppressed Indians began to seize the latifundios. Two years into the reform program, the government accommodated 49 percent of all farming families who had claimed their traditional land.

The state also expropriated underutilized arable land. On October 31, 1952, the government nationalized most of the tin mines and legally transferred them to the Mining Corporation of Bolivia (Corporación Minera de Bolivia—Comibol), which dominated

mining activity until 1985. Much of the elite fled the country or resettled in the underpopulated department of Santa Cruz.

The MNR's postrevolutionary economic policies focused on the public sector, especially Comibol and the Bolivian State Petroleum Company (Yacimientos Petrolíferos Fiscales Bolivianos—YPFB), as the spearhead of economic growth. The MNR also promoted cooperatives, particularly in mining and agriculture, as an alternative to the latifundios. The government enacted social reforms, such as universal suffrage, and forged a greater role for organized labor in society. Although most of its economic policies were not conventional, the revolutionary government did accept a stabilization plan backed by the IMF in 1956 and 1957 in an effort to reverse negative growth and serious inflation.

Economic growth averaged 4.5 percent from 1965 to 1980, lower than the growth rate in most Latin American economies. Minerals still dominated the nation's economy, however; tin accounted for 40 percent of exports and 15 percent of government revenues as late as 1980. Natural gas and oil reduced that dependency somewhat beginning in the early 1970s, but not enough to insulate the economy from commodity price swings. Protracted disputes between the government and labor also characterized this period.

Economic growth accelerated during the 1970s, averaging 5.5 percent a year, one of the fastest rates of expansion in Bolivian history. This expansion resulted primarily from higher export commodity prices. Large public sector spending also spurred economic output as external financing cushioned budget deficits. The brisk rise in output also occurred in part because of sharp restrictions on organized labor imposed by the military government of Hugo Banzer Suárez (1971–78). Political stability and higher commodity prices in turn favored greater foreign investment, which also improved national accounts. Moreover, the government announced large reserves of oil during the 1970s. Although revised downward years later, the oil discoveries improved Bolivia's creditworthiness with foreign commercial banks.

The economic expansion of the 1970s also contributed to rapid growth of the Santa Cruz area. Partly because the government favored that region, but also because of increased colonization, higher cotton and soybean prices, and infrastructure developments, the area flourished. For a time, the city of Santa Cruz threatened to overtake La Paz as the nation's most important financial center.

By the 1980s, the public sector had ballooned to encompass 520 agencies, including 120 federal agencies and 50 state-owned enterprises or financial institutions. Comibol accounted for 65 percent of all mineral production, YPFB produced 80 percent of all oil and

natural gas, and the government owned over half of the banking system's assets. The government also controlled the manufacture of glass, textiles, cement, dairy products, oils, and sugar, mostly through the Bolivian Development Corporation (Corporación Boliviana de Fomento—CBF), then the nation's principal development bank. Public sector corruption had become common, and certain government agencies increased their scope solely to expand their influence in the bureaucracy.

Bolivia's minor "economic miracle" of the 1970s began to weaken in 1978 when political instability returned in force. Several foreign commercial banks reassessed Bolivia's ability to service its nearly US\$3 billion debt, most of which had been acquired by the Banzer government. External financing from private sources came to a complete halt by the early 1980s; in the absence of external financing to cover increasingly large budget deficits, the government opted for the inflationary policy of printing more money. The value of the peso dropped rapidly, and high international interest rates multiplied the debt.

By 1985 the nation's per capita income had fallen below 1965 levels, and rampant hyperinflation ravaged the Bolivian economy. Prices escalated so rapidly that inflation reached over 24,000 percent by 1985. Barter flourished as money was seen as virtually worthless. The coca and cocaine industry propped up the economy and flooded the financial system with United States dollars. In order to restore public confidence in the national currency, the Hernán Siles Zuazo government (1982–85) announced a "dedollarization" decree that outlawed the dollar deposits and loans used by 90 percent of the economy. The policy caused massive capital flight, burdened the banking system by forcing it to convert into greatly overvalued and essentially worthless pesos, and destroyed the nation's deposit base. From 1979 to 1985, successive Bolivian heads of state negotiated six tentative stabilization programs (*paquetes económicos*) with the IMF, but none was implemented because of the lack of political continuity and the strength of the political opposition (see Political Dynamics, ch. 4).

In August 1985, President Paz Estenssoro promulgated Bolivia's New Economic Policy (Nueva Política Económica—NPE). The NPE's main feature was the floating of the peso with the United States dollar (see Monetary and Exchange Rate Policies, this ch.). The plan also liberalized import policies by introducing a uniform tariff of 20 percent. In addition, the NPE called for a radical restructuring of the public sector, including the dismantling of the CBF, the laying off of 20,000 of Comibol's 27,000 employees, the partial privatization of the Mining Bank of Bolivia (Banco Minero

de Bolivia—Bamin), the reduction by one-third of YPF's work force, and a virtual spending freeze for all state-owned enterprises. The policy also deregulated the economy, legalized dollars, eliminated subsidies, and lifted price controls. Although drastic, the NPE succeeded in suffocating rampant hyperinflation; within a few months, inflation had dropped to an annual rate of 10 to 20 percent.

The international tin market collapsed in October 1985, adding to Bolivia's problems with hyperinflation, recession, and austere stabilization. Declaring an end to the tin era, the government further encouraged the diversification and privatization of the economy. It also enacted a major tax reform measure in May 1986 that lowered the country's highest tax bracket from 30 to 10 percent and simultaneously instituted a general value-added tax (VAT—see Glossary). Economists generally perceived the 1986 tax reform as an important policy tool in continuing to stabilize the economy.

The crash of the tin market and the NPE's austerity program led to an estimated unemployment rate of 21.5 percent by 1987 (the unemployment rate had risen steadily from 5.5 percent in 1978 to 10.9 percent in 1982, 15.5 percent in 1984, and 20 percent in 1986.) In response, the government promulgated the Reactivation Decree in July 1987. Under the decree, the government created the Emergency Social Fund—financed in part by West European and Latin American governments as well as the World Bank (see Glossary)—to develop public works projects to activate the unemployed. The decree also fostered export activity by introducing tax rebates for exporters and by establishing the National Institute for Export Promotion. In addition, the 1987 reactivation measures included sophisticated financing schemes aimed at eliminating the country's debt with commercial banks (see Balance of Payments; Debt, this ch.).

Economic Policy

Fiscal Policy

Bolivia's fiscal policies in the 1970s contributed to the hyperinflation of the early 1980s. Fiscal deficits grew as the public sector took advantage of windfalls from high commodity prices, easy access to deficit financing in international markets, and robust economic growth to increase its activities. As external financing slowed in 1978 and debt payments outgrew new financing, budget deficits began to directly influence the economy. With the onset of the international recession of 1982, the economy began an inflationary spiral both caused and accelerated in large part by fiscal mismanagement. Because Bolivia had no bond market in the early 1980s and lacked

external financing, fiscal deficits could be paid for only by the highly inflationary practice of printing more money. Combined with a series of other trends in the economy, inflation and deficits fueled more of the same. As hyperinflation raged in 1984 and 1985, government revenues as a percentage of GDP dropped to as low as 1 percent. Tax rates, most of which were not indexed, became completely distorted; even worse, by the time the government received the revenues, they were virtually worthless.

NPE reforms drastically affected fiscal policy on both the expenditure and the revenue sides. In an effort to reduce government spending, the government liquidated the CBF and restructured the two largest and most costly state-owned operations, Comibol and YPFB. It also imposed spending controls on the public sector and froze its wages. On the revenue side, it unified import tariffs and hired a Swiss company to collect import receipts. The government raised the price of oil by a factor of ten, which immediately contributed badly needed revenue. In 1986 the government also adopted an aggressive policy toward tax collections, with dramatic results. The public sector deficit dropped from 28 percent of GDP in 1984 to 3.8 percent in 1986. Deficits increased to 10.5 percent in 1987 because of Argentina's failure to make its payments for natural gas but again fell to 6 percent by 1988.

Expenditures

As a result of the profound changes in fiscal policy during the late 1980s, government spending was greatly curtailed and was directly budgeted according to projected revenues and external financing. Moreover, government expenditures, including systemic review processes for investment, became more responsible and targeted. In 1987 public sector expenditures equaled about 30 percent of GDP, and the budget deficit of nearly 11 percent was financed almost completely with official external finance. The budget was typically divided into four spending components: central government, financial and nonfinancial state-owned enterprises, departmental budgets, and municipalities. Over 60 percent of expenditures went toward government salaries and debt payments. Debt payments, which were as high as 30 to 40 percent of expenditures in the early 1980s, were below 20 percent by the late 1980s because of the rescheduling of Bolivia's debt terms. Capital expenditures had reached dangerously low levels as a consequence of the fiscal crisis. Although budgeted at 13 percent of GDP in 1987, actual capital expenditures were approximately 5 percent of GDP, indicating that long-term development projects lacked financing. Over

half of all government capital expenditure in the 1987-90 fiscal plan was destined for investment in transportation and hydrocarbons.

Revenues

Until the mid-1980s, two state agencies, Comibol and YPFB, accounted for the overwhelming share of government revenues. Besides tin and hydrocarbons, few domestic taxes, such as income taxes or sales taxes, contributed to the national treasury. Tax evasion was widespread, and many businesses were reputed to maintain two sets of accounting books, one authentic and one for government tax collectors. Furthermore, the tax system was extremely complex and involved thousands of different taxes that frequently skewed incentives for producers.

The adoption of a comprehensive tax reform package in May 1986 signaled a radical change in government revenue policy. The government established the Ministry of Taxation, computerized the tax system, collected taxes aggressively, and made jail sentences compulsory for evasion and fraud. In great contrast to the previous tax schedule, the 1986 package established only six taxes. The crux of the new tax system was a 10 percent VAT on the production of all goods and services. The VAT was accompanied by a complementary tax, which essentially functioned as an income tax, exacting 10 percent of income, rents, royalties, dividends, and other sources of income. This cut the top income tax bracket from 30 to 10 percent. The VAT tax, however, was deductible from the income tax, and with both taxes equal to 10 percent, there was little incentive to cheat on the other tax. On the contrary, after 1985 the private sector's concern with receipts began to rectify the tax system.

Monetary and Exchange Rate Policies

The Central Bank (Banco Central) managed monetary policy and regulated the nation's financial system. Established in 1928, the Central Bank controlled the money supply, restrained inflation, regulated credit, issued currency, and auctioned foreign exchange. In 1985, however, the Central Bank helped to create hyperinflation as it circulated unprecedented quantities of pesos. Hyperinflation ravaged the financial sector, virtually wiping out the country's deposit base and leaving many of the country's financial institutions insolvent by the end of the 1980s. Under Paz Estenssoro's leadership, the Central Bank deregulated the financial sector beginning in 1985 by legalizing deposits in United States dollars, freeing up interest rates, and adjusting reserve ratio requirements. In the late 1980s, the Central Bank's activities focused

on keeping inflation in check, improving the financial viability of government banks and enterprises, and resuscitating and improving the ailing commercial banking system.

The peso, which replaced the boliviano in January 1963, was a stable currency until it was devalued in 1972 and remained at \$b20 = US\$1 throughout the 1970s. As the economy deteriorated in the early 1980s, the value of the peso slid drastically from \$b25 = US\$1 in 1980-81 to \$b64 = US\$1 in 1982, \$b230 = US\$1 in 1983, \$b2,178 = US\$1 in 1984, and finally \$b75,000 = US\$1 by 1985. That rate, however, was the enormously overvalued official rate; the black market demanded a rate of over \$b1 million = US\$1.

The NPE's decision to float the peso against the dollar caused an immediate devaluation to \$b1.5 million = US\$1 in August 1985. Furthermore, the black market was legalized as the government expected to keep the national currency at market rates. In January 1987, the new boliviano replaced the peso as the official currency. The new currency effectively slashed off the last six zeros of the old peso to redress the damage done to the currency by hyperinflation. By 1988 the currency was relatively stable at B2.3 = US\$1, and the difference between the official rate and the black market, or parallel rate, did not exceed 1 percent. The floating of the boliviano was administered by the Central Bank, whose Committee for Exchange and Reserves held a daily auction of foreign exchange called the *bolsín*. The new system also removed all taxes and commissions on the purchase of foreign exchange.

Exchange rate policies were an important element in Paz Estenssoro's stabilization and reactivation policies. The initially drastic devaluation of the peso in 1985 helped restore confidence in the national currency after it had lost most of its value. The stabilized currency and the end of speculation were leading factors in the overall economic stability that emerged after 1985. On the one hand, the lower exchange rate constrained imports by making them more expensive, which hurt the poor and the manufacturers the most; on the other hand, the exchange rate functioned as an incentive for exporters, whose products became cheaper and more competitive in international markets. Although nontraditional exports responded positively and helped to reactivate the economy, lower prices for natural gas and tin prevented the floating exchange rate policy from improving the country's balance of payments, at least in the late 1980s (see Foreign Trade, this ch.).

Labor

Formal Sector

Bolivia's official labor force reached 1.6 million in 1986, roughly

half of the economically active population or about a quarter of the total population. Labor statistics varied widely because of methodological reasons and because of the large role of the informal economy, which contained both legal and illegal components (see *Informal Sector*, this ch.). Men made up approximately 75 percent of the official labor force and 64 percent of the economically active population. In actuality, however, women played a greater role than suggested by official statistics, particularly in rural areas and in the urban informal sector. During the 1980s, the growth rate of the female labor force was nearly double that of males. The labor force as a whole grew 2.7 percent annually in the 1980s. In the late 1980s, nearly half of all workers were in agriculture (46 percent), followed by services (34 percent) and industry (20 percent). Although services had grown since 1950 at the expense of agriculture, Bolivia still contained the second most agricultural economy in South America in the late 1980s, behind Paraguay, and the second least industrial economy, after Peru. The nation's unemployment rate, which averaged just under 6 percent during the 1970s, climbed to 10.9 percent in 1982, 13 percent in 1983, 15.5 percent in 1984, and 18 percent in 1986. It was estimated at 21.5 percent in 1987. Unemployment in the highlands tended to be about double that of the eastern plains (llanos) or lowlands (Oriente).

Workers were concentrated in the cities of La Paz (40 percent), Santa Cruz (20 percent), and Cochabamba (20 percent). Salaries varied considerably by location and sector. Urban incomes were much greater than those in rural areas, and the lowest official salaries occurred in the southern highlands. Workers in the banking and hydrocarbon sectors were among the best paid, whereas those in mining, education, and services received among the lowest wages, depending on shifts in the economy and wage negotiations. The average real wage declined throughout the economy during the 1980s. Skilled and semiskilled labor was scarce, and inadequate training persisted.

Organized labor had been the most important interest group in the Bolivian economy since 1952. The country's labor unions were some of the strongest in Latin America and were characterized by their activism, militancy, discipline, violence, and political influence. One knowledgeable analyst estimated that Bolivia had as many labor strikes, protests, and demonstrations in proportion to its population as any country in the world. The Bolivian Labor Federation (Central Obrera Boliviana—COB), an umbrella organization for the country's more than 150,000 union members, dominated the nation's labor unions. The COB routinely mobilized



*Labor marchers in La Paz
Building a sheep-breeding facility at Lake Titicaca
Courtesy Inter-American Foundation (Kevin Healy)*

member unions to stage roadblocks, marches, hunger strikes, demonstrations, and work stoppages over wage demands, working conditions, political issues, and job benefits. The COB's most powerful affiliate was traditionally the Trade Union Federation of Bolivian Mineworkers (Federación Sindical de Trabajadores Mineros de Bolivia—FSTMB). Despite the power of organized labor in the mining industry, working conditions in the mines remained deplorable, and the average miner died of silicosis after ten years of working underground.

NPE policies, particularly the Comibol layoffs, weakened the FSTMB. As a result, the General Trade Union Confederation of Peasant Workers of Bolivia (Confederación Sindical Única de Trabajadores Campesinos de Bolivia—CSUTCB) was challenging the FSTMB's traditional dominance in the late 1980s. Approximately 90 percent of all small farmers were members of organizations affiliated with the CSUTCB. The Túpac Katari National Federation of Bolivian Peasant Women (Federación Nacional de Mujeres Campesinas de Bolivia Túpac Katari) was also widespread (see Political Forces and Interest Groups, ch. 4). Most nonunionized labor was in the informal sector.

Informal Sector

Definitions of Bolivia's informal sector varied in the late 1980s but generally included nonprofessional, self-employed, unpaid family workers, domestic servants, and businesses with five or fewer employees. Although primarily associated with La Paz, the informal sector also included a rural component and an illegal component linked to the coca industry. The urban and legal informal sector was estimated to contribute about 12 percent of GDP and employ as much as 60 percent of the labor force in the mid-1980s. Most analysts believed that the sector increased in the late 1980s because of public sector layoffs and the depressed mining industry.

The informal sector was characterized by ease of entry, the family nature of work, the informal uses of credit, and the evasion of certain government regulations, especially regarding the sale of smuggled goods. Two household surveys of La Paz in the 1980s found that the income of small proprietors in the informal sector averaged as much as twelve times the minimum wage (which was equivalent to US\$425 per month in 1988); the income of the self-employed, who made up about half of the informal sector, was twice the minimum wage. By contrast, salaried workers, unpaid family workers, and domestic servants typically made only one-half of the minimum wage. Workers in the informal sector, however, generally

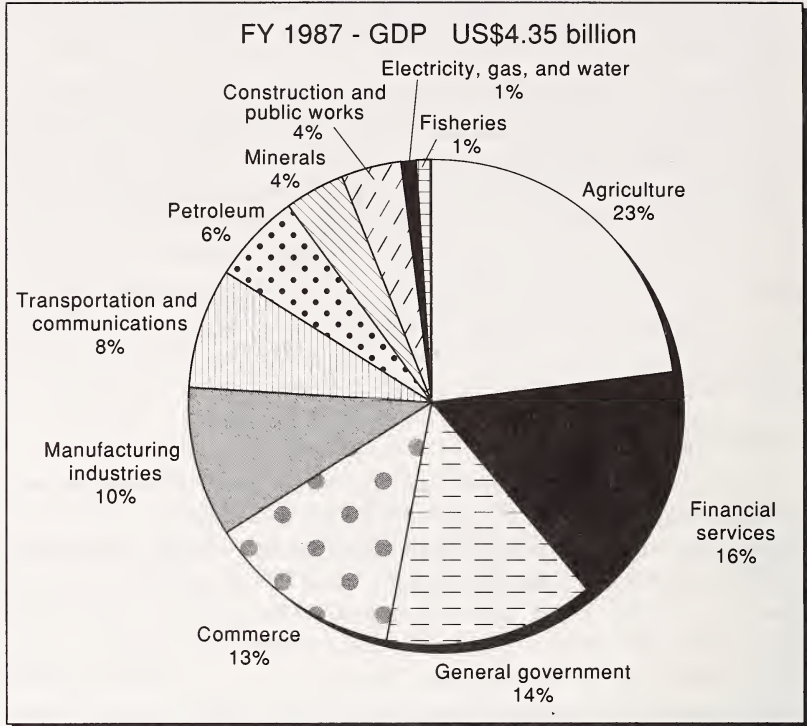
endured the recession of the 1980s better than their formal sector counterparts, and there was a trend toward a convergence of incomes.

The most lucrative informal activity was in transportation, usually unregistered buses or taxis. Other informal services included laundry, mechanical repair, electrical services, black market currency transactions, and money lending. The most common activities were makeshift family grocery stores and the sale of food, clothing, and smuggled consumer items. Seamstresses, weavers, carpenters, and butchers performed the bulk of informal industrial work. The government's VAT was in part aimed at netting more revenues from small producers who remained outside government regulation.

Agriculture

Agriculture's role in the economy in the late 1980s expanded as the collapse of the tin industry forced the country to diversify its productive and export base. Agricultural production as a share of GDP was approximately 23 percent in 1987, compared with 30 percent in 1960 and a low of just under 17 percent in 1979 (see fig. 8). The recession of the 1980s and unfavorable weather conditions, particularly droughts and floods, however, hampered output. Agriculture employed about 46 percent of the country's labor force in 1987. Most production, with the exception of coca, focused on the domestic market and self-sufficiency in food. Agricultural exports accounted for only about 15 percent of total exports in the late 1980s, depending on weather conditions and commodity prices for agricultural goods, hydrocarbons, and minerals.

Like the economy at large, agriculture faced major structural obstacles that kept it from reaching its vast potential. The lack of roads and easy access to ports hindered farmers from getting their produce to domestic markets and to the export markets that provided the most potential for the sector's growth. A lack of credit for farmers was another long-standing problem, caused by government policies, the use of credit for political ends, and the strict lending procedures of the commercial banking sector. Bolivia also suffered from the worst farming technology in South America and an insufficient network of research and extension institutions to reverse that trend. The combined lack of infrastructure and technology made farmers vulnerable to almost yearly droughts and floods. The traditional use of pricing policies ensuring lower food prices for urban residents also lessened incentives for farmers. In addition, farmers increasingly had to compete with contraband imports in a wide range of agricultural products. Beyond these



Source: Based on information from Gary C. Groves, "Bolivia: Agricultural Situation Report," Washington, March 30, 1988, 19.

Figure 8. Gross Domestic Product (GDP) by Sector, FY 1987

specific obstacles, agriculture, like all sectors of the economy, also suffered from the country's periodic political instability, economic mismanagement, and slow economic growth.

Land Tenure

Before the 1952 Revolution, Bolivia's land distribution was the worst in Latin America; some 4 percent of all landowners possessed more than 82 percent of the land. A major success of the land reform program was the redistribution of nearly 50 percent of peasant lands within its first two years. Although greatly improved from the prerevolutionary period, broad disparities in land tenure remained in the 1980s. Analysts estimated that over 90 percent of the farms in the highlands and valleys remained under twenty hectares in the 1980s. These farms typically were one to three hectares in size and were worked by nearly 80 percent of Bolivia's more

than 700,000 farmers. The majority of farmers in the highlands were also members of agricultural cooperatives. Only 40 percent of the farms in the eastern and northern lowlands were under twenty hectares; the most common size in that region was fifty to seventy-five hectares, but subsistence farming existed as well.

Nearly 60 percent of all farmers lived in the highlands in the late 1980s. Highland parcels were the smallest in the country, had the least fertile soils, and had been worked for the longest period of time. Highland farmers received under 40 percent of all rural income, although they represented about 60 percent of the rural population.

Twenty percent of the country's farmers were located in the relatively fertile valleys. These farmers fared much better than their counterparts on the high plateau (Altiplano) between the two mountain ranges in western Bolivia. Plots averaged between five and ten hectares, and because of the more fertile and less exhausted soils, a larger share of that land was in use compared with the Altiplano. Farmers in the valleys were frequently able to harvest two crops annually, as opposed to the one crop a year on the Altiplano.

The largest farms were found on the sprawling and often isolated eastern lowlands, where about 20 percent of the country's farmers worked 65 percent of the country's land. The lowlands produced the bulk of all agricultural output and virtually all of the sector's exports. Although about 16 percent of the lowland farms were of subsistence size (five hectares or fewer), the great majority of the region's land was owned by medium-to-large landowners actively engaged in commercial agriculture. The power center of the agricultural sector was located in the southeastern department of Santa Cruz, where landholdings often exceeded 5,000 hectares.

Land Reform and Land Policy

Bolivia's land reform policies of the early 1950s were implemented much more rapidly and completely than those of other Latin American countries. The land reform essentially allowed peasants to claim the land that they had traditionally worked. For this reason, however, the size of many peasant plots did not increase as a result of the reform.

In retrospect, land reform was more of a social success than an economic one. Although the reform improved income distribution, its main contribution was to transform a feudal society into a market society. Land reform has remained a goal of successive governments since 1952, but the pace and scope of reform slowed. The original Agrarian Reform Law was amended in 1963 and 1968.

By 1986 the government claimed to have redistributed 33 million hectares through the reform process. But although peasants ate better, agricultural production did not increase in the way most government officials expected. In addition, the reform process was hampered by price controls, a lack of extension services, inadequate credit, insufficient infrastructure, and regional conflicts between the highlands and lowlands. The growth of the agricultural sector was barely positive during the 1950s, and annual growth, especially among food crops, did not keep pace with population growth, thus requiring increased imports of foodstuffs.

Land policy since 1952 also has been marked by the colonization of the lowlands. Although government policy has encouraged colonization of these isolated areas since the 1940s, the process did not accelerate until the 1950s, when a major highway connected Cochabamba with Santa Cruz and a rail system linked Santa Cruz with São Paulo, Brazil (see *Transportation*, this ch.). The settlers included members of the former ruling oligarchy who had lost land in the reform, as well as more risk-taking highlanders, or Kollas (see *Glossary*), who came as wage laborers or who bought land. In order to facilitate the colonization process, the government created the National Colonization Institute (Instituto Nacional de Colonización—INC), which typically helped highland families move to newly established government colonies, sometimes completely isolated from other towns. From 1952 to the mid-1970s, the government helped 46,000 families (190,000 people) colonize the lowlands. Government-sponsored colonization, however, accounted for just 15 percent of all the pioneers who ventured east. Furthermore, INC colonies suffered a high dropout rate among participants, many of whom faulted the INC for providing insufficient support services and too few roads. Other settlers included members of North American Mennonite and Japanese communities who were establishing colonies in neighboring Paraguay.

Land policy and government agricultural policy in general shifted dramatically when orthodox economic policies were implemented in 1985. The government, which had once monopolized the production of many key crops, set prices, marketed goods, and closely controlled credit, now effectively withdrew from the sector. As a result, farmers in the late 1980s were in transition from a period characterized by import protection and close cooperation with the government to one of free competition with highly advanced international markets and contraband.

Land Use

Bolivia contains slightly over 108 million hectares of land. Forest or woodland comprised 40 percent of all land, or 56 million hectares,



*An adult education class in the Altiplano region
Courtesy Inter-American Foundation (Jane Regan)
An urban greenhouse on the outskirts of La Paz
Courtesy Inter-American Foundation (Robin Bowman)*

in the late 1980s. Pasture accounted for a quarter of total land, or about 27 million hectares. Crops covered only 2 percent of all land, or over 1 million hectares. The remaining 30 percent of the land was destined for "other uses," including 8 percent of all land that was arable but not in use. Of the land deemed suitable for agricultural use, only about 10 percent was in use.

As with land tenure, the country's land use was best explained in terms of its geography. Most highland farmers worked *minifundios* (see Glossary) plots of staples and vegetables, such as potatoes, corn, *haba* (beans), and quinoa (a native cereal), selling only 30 percent of their output. Produce usually was marketed to truckers, the most common marketing outlet for Bolivian farmers, or was sold at large agricultural fairs, an Inca custom. Although Indians in the highlands terraced their steep fields in the Inca style, traditional farming techniques also made farmers vulnerable to frost, irregular rainfall, and erosion. Farm animals plowed the soil, and the abundance of sheep, llamas, and alpacas, used as a form of insurance income against bad weather, made overgrazing common, thus further eroding the soil and lessening soil fertility.

Farmers in the valleys used their farmland for a mixture of traditional and nontraditional purposes, producing both food and cash crops. The primary food crops were tubers, barley, corn, wheat, fruits, and vegetables. Export crops such as cocoa, tea, and coffee were also grown, the latter because of the ideal altitude. Livestock activity also was common. Although yields were not always high, the valleys usually produced two crops a year and were less vulnerable to weather fluctuations than on the Altiplano. Nevertheless, farmers in the valleys also relied on truckers for their marketing and suffered greater isolation than those on the Altiplano, particularly during the rainy season, October to April. Although farmers in the valleys took more risks than those on the Altiplano, they still suffered from a low technological level and the lack of direct access to markets.

The country's most productive farmers were those who cultivated the fertile plains of the lowlands, especially in the department of Santa Cruz. Santa Cruz's rise to prominence was the consequence of infrastructure improvements in the 1950s, land reform, and colonization. By the 1960s, Santa Cruz was responsible for the import-substitution industrialization (see Glossary) of sugar, rice, cotton, and oilseeds. With the rapid increase in commodity prices in the early 1970s, *cruceña* (Santa Cruz region) lands were increasingly sown with cash crops, especially cotton and soybeans. For political reasons, Santa Cruz also received a disproportionate share of the sector's credit in the 1970s, which also accelerated

growth. In contrast to the rest of the country, farmers in Santa Cruz were actively engaged in all aspects of the market economy, such as harvesting, processing, marketing, and even research and development. These farmers were organized into powerful producer organizations that traditionally negotiated prices with the government and provided technical assistance to members. Small farmers also continued to occupy Santa Cruz; many were responsible for the growing problems of deforestation because of slash-and-burn approaches to rice farming. An estimated 100,000 landless wage earners in the agricultural sector cut sugarcane or picked cotton in Santa Cruz or performed seasonal labor in Argentina.

The northern lowland departments of Pando and Beni were much more isolated than Santa Cruz, thus limiting their ability to be major agricultural producers. They were originally settled in the late 1800s during a boom in rubber exports from the Amazon region. As colonization proceeded, larger-scale commercial agriculture developed in coffee, rice, and especially cattle. By the 1960s, large cattle ranches of 500 hectares and more flourished in the Beni, making it the country's leading cattle producer. In the 1980s, Beni Department also became an important producer of commercial timber.

Crops

Food Crops

Potatoes, the basic staple of highland Indians since pre-Inca times, remained the most important food crop in the late 1980s. In 1988 approximately 190,000 hectares, mostly in the highlands, produced 700,000 tons of potatoes (see table 6; table 7, Appendix). These figures compared unfavorably, however, with 1975, when 127,680 hectares provided 834,000 tons of potatoes, indicating that yields were dwindling. Bolivia was generally self-sufficient in potatoes (over 200 varieties were grown), but imports were needed during occasional periods of drought or freezing. Bolivia also exported some of its harvest to Brazil. The lack of new seed varieties, chemical fertilizers, and irrigation systems, together with the continued exhaustion of the highland soils, was responsible for the low yields. In the late 1980s, the lack of financial credit at planting time represented the greatest impediment facing potato growers.

Corn was the second major food crop, and its importance was growing. Corn covered more hectares than any other crop. In the late 1980s, approximately 300,000 hectares provided more than 475,000 tons of white corn, the traditional corn of Bolivia. Yellow Cuban corn, grown in the tropical areas of Santa Cruz, was becoming more common; 160,000 hectares produced 350,000 tons

of yellow corn in 1988. Sixty percent of the corn (both white and yellow) was grown by small farmers in the valleys, with the remaining 40 percent planted by medium-to-large farmers in Santa Cruz. Small farmers used at least half of their corn for human consumption, as animal feed, or for brewing *chicha*, the primary intoxicating beverage consumed by Bolivian Indians. The other half of their production and most of the commercially farmed corn were sold to Bolivia's forty private animal-feed plants, which bought 50 percent of the country's annual corn output. Many corn farmers were members of the Corn and Sorghum Producers Association (Productores de Maíz y Sorgo—Promasor). Promasor was particularly active in Santa Cruz, where its members also produced 20,000 tons a year of sorghum, a drought-resistant crop, from some 6,000 hectares of land.

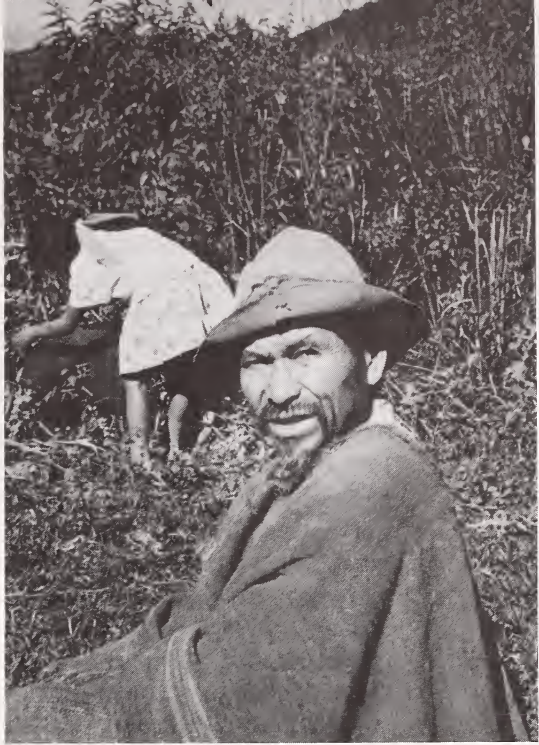
Rice was an increasingly popular crop in Bolivia. Eaten by people in the lowlands and valleys since the 1950s, rice became the focus of government import-substitution policies beginning in the 1960s. In the late 1980s, the country was generally self-sufficient in rice, some years importing and other years exporting. Bolivia's rice, however, was not of high quality by international standards, thus limiting export markets. In 1988 some 90,000 hectares of land, mostly in Santa Cruz and Beni departments, produced 140,000 tons of rice. Bolivia imported one-fifth of its total consumption of rice in 1988. Approximately 20,000 small farmers produced the bulk of the country's paddy rice and, in turn, sold it via truckers to thirty private rice mills.

Barley was a common crop in the highlands and was particularly well suited for the high altitudes. In 1988 the cultivation of 80,000 hectares by 300,000 highland farmers produced 75,000 tons of barley, which was used primarily in the country's robust beer industry. About 10 percent of the barley was consumed on the farm as fodder. Bolivia imported about one-quarter of its total consumption of barley in 1988.

Quinoa, the "mother grain" of the Incas, was the only food crop in the highlands that experienced sustained growth during the 1970s and 1980s. Cultivation of quinoa, which grows only above 2,000 meters, jumped from 15,640 hectares producing 9,000 tons in 1980 to 45,800 hectares producing 21,140 tons in 1984, and production continued to expand in the late 1980s. High in fiber and rich in protein, quinoa was a health food in industrialized countries.

Despite repeated attempts by the government's National Wheat Institute (Instituto Nacional del Trigo) to make the nation self-sufficient in wheat production, Bolivia produced only about 20

*Harvesting corn in
Azurduy Province,
Chuquisaca Department
Courtesy Inter-American
Foundation (Wilhelm Kenning)*



*An El Ceibo farmer
harvesting cocoa in the Alto Beni
area of Nor Yungas Province,
La Paz Department
Courtesy Inter-American
Foundation
(Wilhelm Kenning)*



percent of the wheat that it consumed in the late 1980s. In 1988 about 88,000 hectares produced 60,000 tons of wheat. In the same year, 280,000 tons of wheat were imported. In 1988 the United States Agency for International Development (AID) provided 180,000 tons of wheat through its Public Law 480 (PL-480) Food for Peace Program. Western Europe and Canada operated programs similar to the AID program but on a smaller scale. Argentina provided wheat in exchange for Bolivian natural gas. Smuggled wheat flour from Peru and Argentina represented a serious menace to domestic wheat production. In 1988 analysts estimated that 60,000 tons of smuggled wheat had entered Bolivia annually. Small traditional farmers in the highlands and large soybean farmers in Santa Cruz provided most of the country's 1988 wheat harvest, which was roughly equivalent to output in 1978, but only wheat from the Santa Cruz area was used for commercial milling. Analysts believed that wheat would produce higher yields when the proper tropical seeds, fertilizer, and irrigation methods were used.

Bolivians produced a wide range of vegetables, fruits, and other food crops, mostly for local consumption. The principal vegetable crops included kidney beans, green beans, chick peas, green peas, lettuce, cabbage, tomatoes, carrots, onions, garlic, and chili peppers. Also common were alfalfa, rye, cassava, and sweet potatoes. Some of the most popular fruits were oranges, limes, grapes, apples, quince, papayas, peaches, plums, cherries, figs, avocados, pineapples, strawberries, bananas, and plantains. Fruits increasingly competed with coca cultivation in the 1980s.

Cash Crops

Soybeans were the most lucrative legal cash crop in Bolivia in the 1980s. Soybean production began in earnest in the early 1970s, following a substantial increase in the crop's world price. By the late 1980s, soybeans represented the country's most important oil-seed crop. In 1988 soybeans covered 65,000 hectares, and annual production amounted to about 150,000 tons, compared with 19,430 hectares producing 26,000 tons a decade earlier. About one-third of the soybean harvest was used domestically in the form of soybean meal for the poultry industry. Other soybean meal was shipped to Peru and Western Europe, and raw soybeans were exported via rail to Brazil. In order to process soybean oil for the local market, the country maintained a crushing capacity of 150,000 tons in 1988. Locally manufactured soybean oil also competed with contraband products from neighboring countries. Most of Santa Cruz's soybean farmers were members of the well-organized and powerful National Association of Soybean Producers (Asociación Nacional

de Productores de Soya—Anapo). Anapo, with assistance from AID, built new storage facilities that permitted continued expansion of the crop. Because of the dynamism of their crop, soybean farmers enjoyed the best availability of credit for all legal cash-crop producers.

Coffee, another principal cash crop, was the second most important agricultural export after timber. As the primary substitute crop offered to coca growers under the eradication program, coffee was of particular importance. Coffee production reached 13,000 tons in 1988, nearly double the 1987 output, which was damaged by disease in western Bolivia. Over 20,000 hectares were devoted to coffee. Bolivia consumed 25 percent of its coffee crop locally in 1988, with the balance exported both legally and clandestinely. Legal exports of 102,000 bags, sixty kilograms each as measured by the International Coffee Organization (ICO), were equivalent to Bolivia's export quota for 1988, which was over US\$15 million. An ICO member since 1968, Bolivia was permitted to export 170,000 of the sixty-kilogram bags in 1989. Approximately 25 percent of coffee exports left the country illegally in the late 1980s. Most coffee was grown by small farmers in the valleys or by large farmers in the lowlands. Most commercial farmers were members of the Bolivian Coffee Committee (Comité Boliviano del Café—Cobolca), which allocated ICO quotas. The coffee industry also received technical assistance from the Bolivian Institute of Coffee (Instituto Boliviano de Café), an autonomous government agency established in 1965 to run model farms and help control disease.

Bolivia had been self-sufficient in sugar production since 1963, although sugarcane had been grown since the colonial era. Sugarcane in the 1980s was a cash crop of significance for both the domestic and the export markets. In 1988 cultivation of sugarcane on 62,000 hectares produced 140,000 tons of sugar. These figures represented a sharp decline from 1986 figures. The price of sugar had skyrocketed in the mid-1970s, doubling the number of hectares under sugarcane cultivation in a few years. As sugar prices declined, however, farmers opted for more lucrative crops, such as soybeans. The decline in the sugar industry also was caused by poor management, dwindling yields, and poor quality control. In 1988 the country's six sugar mills operated at only 37 percent capacity. Sugarcane also was processed into methanol for the domestic and export markets. Continued controls on imports of sugar constituted one of the few exceptions to the import liberalization policies of the late 1980s.

Although cotton was a boom crop in the early 1970s, production had waned since 1975. Grown mostly in Santa Cruz, cotton

covered 54,000 hectares in 1975 but only 9,000 hectares in 1988. Production declined from 22,000 tons to 3,700 tons over the same period. Price was the primary reason for the decline, but insect problems, disease, and the lack of credit also contributed. Because Santa Cruz cotton farmers represented an important constituency, they had traditionally received highly favorable terms of credit. When cotton growing was no longer profitable, however, many cotton farmers defaulted on their loans, leaving the government's Agricultural Bank of Bolivia (Banco Agrícola de Bolivia—BAB) in a poor financial position in the late 1980s. Because of the precipitous decline in the industry, the country's ten cotton mills were operating at under one-half of their capacity by the late 1980s.

Cash crops of lesser importance included tobacco, tea, cocoa, and oilseeds, such as sesame, peanuts, castor beans, and sunflowers. Approximately 1,000 tons of tobacco for the Bolivian market were grown on about 1,000 hectares. Tea was grown as a secondary crop in the Yungas, Alto Beni (Upper Beni), and Santa Cruz areas. Eighty percent of the country's cacao trees, from which cocoa is derived, were grown in the Alto Beni by a network of cooperatives that were increasingly involved in processing cocoa and exporting chocolate products. Oilseeds were an important part of both the agricultural and the manufacturing sectors. The growing dominance of soybeans, however, diminished the role of other oilseeds in the economy.

Coca

Bolivia's most lucrative crop and economic activity in the 1980s was coca, whose leaves were processed clandestinely into cocaine. The country was the second largest grower of coca in the world, supplying approximately 15 percent of the United States cocaine market in the late 1980s. Analysts believed that exports of coca paste or cocaine generated from US\$600 million to US\$1 billion annually in the 1980s, depending on prices and output. Based on these estimates, coca-related exports equaled or surpassed the country's legal exports.

Coca has been grown in Bolivia for centuries. The coca plant, a tea-like shrub, was cultivated mostly by small farmers in the Chapare and Yungas regions. About 65 percent of all Bolivian coca was grown in the Chapare region of Cochabamba Department; other significant coca-growing areas consisted of the Yungas of La Paz Department and various areas of Santa Cruz and Tarija departments.

Bolivian farmers rushed to grow coca in the 1980s as its price climbed and the economy collapsed. Soaring unemployment also

contributed to the boom. In addition, farmers turned to coca for its quick economic return, its light weight, its yield of four crops a year, and the abundance of United States dollars available in the trade, a valuable resource in a hyperinflated economy. The Bolivian government estimated that coca production had expanded from 1.63 million kilograms of leaves covering 4,100 hectares in 1977 to a minimum of 45 million kilograms over an area of at least 48,000 hectares in 1987. The number of growers expanded from 7,600 to at least 40,000 over the same period. Besides growers, the coca networks employed numerous Bolivians, including carriers, manufacturers of coca paste and cocaine, security personnel, and a wide range of more nefarious positions. The unparalleled revenues made the risk worthwhile for many.

Government efforts to eradicate the rampant expansion of coca cultivation in Bolivia began in 1983, when Bolivia committed itself to a five-year program to reduce coca production and created the Coca Eradication Directorate (Dirección de la Reconversión de la Coca—Direco) under the Ministry of Agriculture, Campesino Affairs, and Livestock Affairs. Bolivia's National Directorate for the Control of Dangerous Substances (Dirección Nacional para el Control de Substancias Peligrosas—DNCSP) was able to eradicate several thousand hectares of coca. These efforts, however, put only a small dent in the coca industry and were highly controversial among thousands of peasants. Under the joint agreement signed by the United States and Bolivia in 1987, which created DNCSP, Bolivia allocated US\$72.2 million for the 1988 to 1991 period to eradication programs, including a wide-ranging rural development program for the Chapare region. The program was aided by an 88 percent drop in the local price of coca caused by the fall in cocaine prices in the United States.

The economics of eradication were particularly frustrating. As more coca was destroyed, the local price increased, making it more attractive to other growers. Bolivia, however, was seeking additional funds from the United States and Western Europe to proceed with an eradication plan that was supposed to provide peasants US\$2,000 per hectare eradicated. In 1988 coca growing became technically illegal outside a specially mandated 12,000-hectare area in the Yungas. A four-year government eradication campaign begun in 1989 sought to convert 55 percent of coca areas into legal crops. Coffee and citrus fruits were offered as alternative crops to coca despite the fact that their return was a fraction of that of coca.

The cocaine industry had a generally deleterious effect on the Bolivian economy. The cocaine trade greatly accelerated the predominance of the United States dollar in the economy and the

large black market for currency, thereby helping to fuel inflation in the 1980s. The escalation of coca cultivation also damaged the output of fruits and coffee, which were mostly destined for local consumption. Coca's high prices, besides being generally inflationary, also distorted other sectors, especially labor markets. Manufacturers in the Cochabamba area during the 1980s found it impossible to match the wages workers could gain in coca, making their supply of labor unreliable and thus hurting the formal economy.

Farming Technology

The use of purchased items such as fertilizers, tractors, and irrigation systems remained extremely low in the 1980s because traditional farming methods continued to dominate. Because of their isolation and lack of technical support, Bolivian farmers used less fertilizer, about two kilograms per hectare, than any other country in the Western Hemisphere. Most small farmers used natural fertilizers, such as manure, but even large farms in Santa Cruz found chemical fertilizers (all of which were imported) expensive because of transportation costs. The signing of an accord for a natural gas pipeline with Brazil in 1988, however, improved Bolivia's prospects for manufacturing its own chemical fertilizers. Bolivia's use of tractors, 0.2 per 1,000 hectares, was also the lowest in the Western Hemisphere. Most tractors were used in Santa Cruz. As the lowlands took on a greater role in agriculture, that ratio was expected to improve. By the late 1980s, just about 5 percent of the country's land was irrigated, one-third more than a decade earlier.

Government extension services for farmers remained extremely inadequate in the late 1980s. Only one agricultural agent existed for each 7,000 farming households. The chief research institution for agriculture was the Bolivian Institute for Agricultural Technology (Instituto Boliviano de Tecnología Agrícola—IBTA). Established in the mid-1970s, the IBTA concentrated mainly on new seed varieties for cash crops in the lowlands. The Institute for the Rural Development of the Altiplano (Instituto para el Desarrollo Rural del Altiplano—IDRA), the Center for Tropical Agricultural Research (Centro de Investigaciones de Agricultura Tropical—CIAT), and the national universities performed further research.

Livestock

Livestock production was active and well diversified. Beef cattle numbered an estimated 6 million head in 1988 and dominated all livestock production. Beef was the preferred meat in Bolivia. Unlike the rest of the agricultural sector, beef output grew over

4 percent a year during the 1980s. Over 70 percent of all cattle were raised in the eastern plains; the Beni was responsible for over 40 percent of the national herd. Twenty percent of all cattle were found in the valleys and about 10 percent in the highlands, where they had served as beasts of burden since the Spanish introduced cattle in colonial times. In 1988 Bolivia slaughtered 200,000 tons of cattle and exported 48,000 live cattle to Brazil, as well as processed beef to Chile and Peru. The country's medium and large cattle ranchers were organized into two large producer associations—one in the Beni and one in Santa Cruz—that marketed beef and attempted to set domestic prices. Bolivia had the potential to double its beef output in a relatively short period of time.

The number of dairy cattle in Bolivia in the late 1980s was unknown but was well below what the country needed to meet domestic demand. The rate of milk consumption among Bolivians was among the lowest in the world. In 1988 Bolivia consumed 130,000 tons of milk—80,000 tons from its five dairies, 23,000 tons in donations from developed countries, and the rest in contraband, mostly in the form of evaporated milk. Dairy farms were medium to large in size and were concentrated in Cochabamba and Santa Cruz departments. The government was involved heavily in the dairy industry, but it was generally ineffective in improving nutritional levels in dairy products.

Other livestock included chickens, pigs, sheep, goats, llamas, alpacas, vicuñas, and even buffalo. Chicken production also was centered in Cochabamba and Santa Cruz departments and experienced strong growth in the 1980s. Although the poultry industry faced high feed costs and substantial Chilean contraband, it produced 25 million broilers and 200 million eggs in 1988. The pork industry, also facing high feed costs, remained small. The pig population was estimated at slightly over 1 million, and the annual slaughter was roughly 45,000 tons of pork. Santa Cruz was expected to be the location of the pork industry's future growth. There were an estimated 10 million sheep and 1 million goats in Bolivia, mostly in the highlands, which was also home to 3 million llamas, 350,000 alpacas, and a dwindling number of vicuñas. Appreciated for their fine wool and meat, llamas, alpacas, and vicuñas received government protection because of their declining numbers.

Forestry and Fishing

Bolivia's vast forests and woodlands were one of the areas with the most potential for growth in agriculture. Official wood production grew by a third from the late 1970s to the late 1980s, when timber exports surpassed all other agricultural exports. Timber

exports in 1987 reached US\$31 million. Contraband in wood products, however, was expected to be equivalent to official exports. Most of the smuggled wood was destined for Brazil. Bolivia's eastern lowlands were richly endowed with hundreds of species of trees, scores of which were commercially timbered. Deforestation and the threat of erosion caused by slash-and-burn agriculture and colonization in the lowlands were growing concerns. The government's Center for Forestry Development (Centro de Desarrollo Forestal) monitored the country's forests.

Fish was a potential source of protein in the Bolivian's protein-deficient diet, but river fishing was mostly for direct consumption. With assistance from the British, the government was attempting to promote commercial fishing in the lowlands. Several processing plants were being considered to market the trout, *pacú*, and *dorados* that filled the many rivers of the Oriente.

Energy

The energy sector assumed critical importance in Bolivia's economy in the 1980s. In 1985 hydrocarbons became the country's leading export, accounting for over half of all exports, 11 percent of GDP, and more than 50 percent of central government revenues. Petroleum was the dominant hydrocarbon during the quadrupling of oil prices in the 1970s, but it was overshadowed in the 1980s by natural gas. The country also had an enormous, and largely untapped, potential for hydroelectricity. Despite its impressive energy resources, however, most Bolivians consumed relatively little energy. As much as 90 percent of the mostly rural population remained without access to electricity in the late 1980s.

Most of the nation's energy consumption was destined for residential or commercial purposes (46 percent), followed by transportation (31 percent), industry (20 percent), and mining (3 percent). Energy consumption was stable in the late 1980s, as the residential and industrial sectors assumed much of the energy previously used by the mining industry. Firewood was the energy supply for 74 percent of residential and commercial purposes, while hydrocarbons accounted for 20 percent and electricity for only 6 percent. Indians in the highlands relied almost entirely on shrubs, charcoal, bottled gas, and animal dung as fuel sources. A new gas pipeline for urban dwellers in La Paz was expected to increase the amount of gas used by residences. The transportation sector relied entirely on hydrocarbons. Industry used primarily hydrocarbons (57 percent); bagasse, or sugarcane residue (30 percent); electricity (8 percent); and charcoal and firewood (5 percent). Charcoal and firewood accounted for the majority of the mining sector's

consumption. Before 1985 tin smelters consumed 85 percent of the country's charcoal.

Petroleum and Natural Gas

Petroleum had been known to exist in Bolivia since the colonial period, but serious exploration did not begin until 1916. In that year, foreign firms probed for oil, marking the start of a long and sometimes bitter relationship between foreign oil companies and the Bolivian government. The government nationalized the oil industry from 1916 to 1920, denationalized it from 1920 to 1937, and nationalized it again in 1937 under the control of YPFB, where it remained in 1989. A revision of the country's petroleum code in 1952 allowed foreign companies to drill for Bolivian oil. Nevertheless, the only successful company—Bolivian Gulf, a subsidiary of Gulf Oil—was nationalized in 1969 in an acrimonious dispute with the government. Two foreign firms, Occidental International and Tesoro Petroleum, held service contracts with YPFB in the late 1980s.

Oil production peaked in the early 1970s but declined throughout the rest of the decade and into the 1980s (see table 8, Appendix). Production dropped from 47,000 barrels per day (bpd) in 1973 to only 21,000 bpd in 1988, the result of price fluctuations, obsolete machinery, minimal exploration, YPFB mismanagement, and declining reserves. As part of the NPE, the government restructured YPFB into three autonomous subsidiaries in 1985 and reduced its payroll by one-third. One of YPFB's major goals was to accelerate oil exploration and improve its inadequate reserves-to-production ratio. Proven reserves were estimated at 158 million barrels in 1988. In order to augment reserves, most economists believed that Bolivia would need to rely more on foreign oil companies for exploration.

Oil exploration in Bolivia in the 1980s remained highly regulated by the government, but revisions in the country's petroleum code were expected after 1988. For exploration purposes, the country was divided into four regions, three of which were higher risk areas; in the fourth region, where reserves were unknown, YPFB had exclusive rights for exploration. The YPFB's region was located in southeastern Bolivia, and the other regions covered the rest of the country's mostly unexplored subsoil. YPFB, however, also issued contracts for foreign oil companies to explore portions of its own select region and others. In September 1988, Occidental signed a thirty-year contract with YPFB for exploration and production in a 2.5-million-hectare area, encompassing the Madre de Dios and Lapachos regions of La Paz, Beni, and Pando departments. YPFB also managed the country's oil refineries, which had a 74,000 bpd capacity, or three times more than output. The refineries,



Source: Based on information from Orlando D. Martino, *Mineral Industries of Latin America*, Washington, 1988, 22.

Figure 9. Primary Petroleum, Natural Gas, and Minerals Activities, 1988

located in Santa Cruz, Cochabamba, and Chuquisaca departments, produced a diverse range of petroleum products, such as lubricating oils, gasoline, naphthas, jet fuels, diesel fuel, solvents, and ether (see fig. 9).

Seventy-five percent of Bolivia's oil was drilled in four Santa Cruz oil fields—La Peña, Monteagudo, Caranda, and Camiri—with the balance provided by fields in the departments of Chuquisaca and Tarija. A major new field, Vuelta Grande, was scheduled to begin production in 1989, providing upwards of 5,500 bpd. Most oil fields had large reserves of associated natural gas.

Natural gas reserves in 1988 were estimated at 33 billion cubic meters. The primary gas fields were concentrated in Santa Cruz and Tarija departments, with additional fields scattered in various other departments. In 1988 natural gas production equaled roughly 13 million cubic meters a day, almost half of which was reinjected. Sixty-five percent of all gas production originated from four large gas fields in Santa Cruz: Río Grande, Colpa, Vuelta Grande, and Caranda. In the late 1980s, YPFB exported close to 90 percent of the country's gas, about 6 million cubic meters a day, to Argentina via an 847-kilometer gas pipeline that was constructed in 1972, extending from Santa Cruz to the border town of Yacuiba. In total, 4,346 kilometers of gas and oil pipelines of varying sizes extended through the country in 1988. Domestic gas use, equivalent to about 10 percent of production in 1988, was expected to increase when a gas pipeline connecting the highlands to the lowlands opened in 1988 and as electricity-generating plants increasingly turned to gas as their source of power.

The contentious nature of negotiations between Bolivia and Argentina for purchasing natural gas in the mid-1980s demonstrated the subsector's dependence on foreign markets. Disagreements revolved around the market rate Argentina paid for Bolivian gas, the proportion of currency and in-kind payments, and Bolivia's failure to make its debt payments to Argentina, its largest bilateral creditor. Following a two-year period that nearly bankrupted Bolivia's treasury, the two nations signed a comprehensive agreement in 1987. Under the accord, Bolivia agreed to cut its gas price by 20 percent and peg it to market levels. Argentina resumed its gas payments to Bolivia with 80 percent of its payment in convertible currencies and 20 percent in goods, such as wheat. In the late 1980s, however, the status of the agreement beyond 1992 remained unclear.

After more than ten years of negotiations, in 1988 Bolivia and Brazil signed a preliminary agreement that was to pave the way for exports of natural gas, urea, and polyethylene to Brazil in the early to mid-1990s. Although the details were still being finalized in 1989, the pact was slated to include a 600-kilometer gas pipeline from Santa Cruz to the border town of Puerto Suárez and then to São Paulo; 3 million cubic meters of gas exports a day; the manufacturing of 200,000 tons a year of urea fertilizers and 100,000

tons of polyethylene, used for packaging and tubing; and a series of other thermal and hydroelectric projects. If the supply of gas did not reach Brazil by 1992, however, and the Argentine agreement was not renewed, Bolivia faced a potentially untenable cash-flow situation by 1993.

Electricity

Bolivia's installed electricity capacity by the mid-1980s had reached 566 megawatts, and government plans in the late 1980s projected growth in domestic demand and significant annual investment in expanding domestic supply into the 1990s. Hydroelectric sources provided approximately 62 percent of the supply of electricity, followed by thermal sources with 25 percent and diesel with 13 percent. The National Electrification Institute (Instituto Nacional de Electrificación), a branch of the Ministry of Energy and Hydrocarbons, provided diesel generators to those outside major cities and beyond the reach of the interconnected electricity system, which linked most major cities for the first time in the 1980s. The National Electricity Company (Empresa Nacional de Electricidad—ENDE), also part of the Ministry of Energy and Hydrocarbons, controlled 80 percent of the country's electricity capacity, including five hydroelectric plants. Other producers of electricity included the United States-owned Bolivia Electricity Company (Compañía Boliviana de Energía Eléctrica), serving La Paz and Oruro; the Cochabamba Light and Power Company (Empresa de Luz y Fuerza Eléctrica de Cochabamba); the Rural Electricity Cooperative (Cooperativa Rural de Electrificación), working in rural areas; and Comibol, which generated much of its own electricity, primarily from charcoal and firewood. ENDE established electricity rates, which were often subject to large increases. ENDE, as a consequence of the NPE, negotiated electricity rates with private companies and local city councils. Access to electricity by private citizens was growing in the late 1980s and was available to over 72 percent of urban dwellers. Rural citizens, however, lagged well behind; only about 10 percent had such access, low even by Latin American standards.

The quality of electricity transmission was relatively good and generally reliable in larger cities. Electricity operated on a 50-cycle system, 120 and 220 volts in La Paz, and 220 volts in other major cities. To improve quality further and expand installed capacity, the government embarked in 1988 on a US\$100 million investment project in electricity, including new generation plants, gas turbines, and transmission lines. With funding from the World Bank and the Andean Common Market's Andean Development

Corporation, Bolivia was attempting to improve access to electricity for rural communities.

The country's plans to tap its vast hydroelectric potential were less clear. In the late 1980s, Bolivia's hydroelectric capacity of approximately 300 megawatts represented only 2 percent of the 18,000-megawatt potential, estimated by engineering studies performed in the 1970s and 1980s. Although small- and medium-sized hydroelectric projects were under way through regional or local governments, any large-scale projects were dependent on negotiations in progress with Brazil over the price for natural gas exports.

Policymakers also considered alternative energy resources, such as geothermal, coal, solar, wind, and biomass. Geothermal potential was positive with 350-megawatt capacity, including a possible plant at Sol de Mañana in Laguna Colorada. Commercially exploitable coal resources remained unknown in the late 1980s. Solar, wind, and biomass sources offered varying potential but remained unattractive because of the high per capita cost of their technology. Uranium deposits were known to exist as well, and the Bolivian Nuclear Energy Commission (Comisión Boliviana de Energía Nuclear) was responsible for uranium exploration and production.

Mining

From 1557 to 1985, the mining industry dominated the Bolivian economy. By 1985, however, the production of every significant mineral in the country had failed to exceed the output registered in 1975. Moreover, the international tin market crashed in 1985. The mining sector in 1987 accounted for only 4 percent of GDP, 36 percent of exports, 2.5 percent of government revenues, and 2 percent of the labor force, compared with 8 percent of GDP, 65 percent of exports, 27 percent of government revenues, and about 6 percent of the labor force in 1977. Spurred by a massive increase in gold production, however, the mining sector rebounded in 1988, returning to the top of the nation's list of foreign exchange earners.

Structure of the Mining Industry

Comibol, created in 1952 and decentralized into five semiautonomous mining enterprises in 1986, was a huge multimineral corporation controlled by organized labor and the second largest tin enterprise in the world. In addition to operating twenty-one mining companies, several spare-parts factories, various electricity plants, farms, a railroad, and other agencies, Comibol also provided schooling for over 60,000 children, housing for mining families, health clinics, and popular subsidized commissaries called *pulperías*

(see Glossary). By 1986 Comibol employed more nonminers than miners.

Observers severely criticized Comibol's mining policies. Comibol took fifteen years to bring tin production to its prerevolutionary levels. In addition, Comibol failed to invest sufficiently in mining technology and existing mines, and it proved unable to open new mines. Indeed, except for the mid-1960s Comibol did not engage in exploration. In terms of administration, worker control eclipsed even technical and detailed administrative decisions.

The decentralization of Comibol under the Rehabilitation Plan reduced the company's payroll from 27,000 employees to under 7,000 in less than a year. All of Comibol's mines, previously responsible for the bulk of mining output, were shut down from September 1986 to May 1987 to examine the economic feasibility of each mine; some never reopened. Comibol's mining and service companies were restructured into five autonomous mining subsidiaries (in Oruro, La Paz, Quechusa, Potosí, and Oriente) and two autonomous smelting companies (the Vinto Smelting Company and the still unopened Karachipampa smelter in Potosí), or they were transferred to ministries such as the Ministry of Social Services and Public Health or the Ministry of Education and Culture. The bureaucracy also underwent major administrative changes.

For the first time since 1952, the country's medium miners, small miners, cooperatives, and other producers, which made up the rest of the mining sector, produced more minerals in 1987 than Comibol. The medium miners consisted of Bolivian and foreign mining companies in the private sector that were involved in the production of virtually every mineral, especially silver, zinc, antimony, lead, cadmium, tungsten, gold, and tin. Nevertheless, the collapse of tin and the decline in other commodity prices in the mid-1980s also severely affected the private mining sector. Nineteen mining companies with 4,020 employees constituted the Medium Miners Association (*Asociación de Minería Mediana*) in 1987, compared with twenty-eight companies and 8,000 workers in 1985. Only 615 mines in 1987 were part of the National Chamber of Mining (*Cámara Nacional de Minería*), the equivalent of a small miners association, compared with 6,300 mines and 23,000 workers before the crash. Traditionally, small miners had to market their mining output through the Mining Bank of Bolivia (*Banco Minera de Bolivia—Bamin*), which was also restructured after 1985 into a joint venture of private and public interests. Beginning in 1987, small miners no longer had to sell their exports through Bamin, a policy shift that boosted that group's output and foreign sales. Mining cooperatives and other miscellaneous miners made up the rest of



*Indian woman shoveling salt at the Uyuni Saltpan, Potosí Department
Courtesy Inter-American Foundation (Kevin Healy)
Mining tungsten in the Kami mine, Cochabamba Department*

the producers in the mining sector, although their output was aggregated with that of the small mining sector. The National Federation of Mining Cooperatives of Bolivia (Federación Nacional de Cooperativas Mineras de Bolivia) served as an umbrella organization for the country's 434 mining cooperatives, 82 percent of which mined gold. Only a few of these groups, however, were officially registered with the National Institute of Cooperatives (Instituto Nacional de Cooperativas). Most cooperatives were small and consisted of individual miners organized by mine or specific mineral and using very little technology.

Tin and Related Metals

Bolivia's mines had produced cassiterite, the chief source of tin, since 1861. Although long among the world's leading tin producers and exporters, the industry faced numerous and complicated structural problems by the early 1980s: the highest-cost underground mines and smelters in the world; inaccessibility of the ores because of high altitudes and poor infrastructure; narrow, deep veins found in hard rock; complex tin ores that had to be specially processed to extract tin, antimony, lead, and other ores; depletion of high-grade ores; almost continual labor unrest; deplorable conditions for miners; extensive mineral theft or *juqueo*; poor macroeconomic conditions; lack of foreign exchange for needed imports; unclear mining policies; few export incentives; and decreasing international demand for tin. Between 1978 and 1985, Bolivia fell from the second to the fifth position among tin producers.

In the late 1980s, however, tin still accounted for a third of all Bolivian mineral exports because of the strong performance by the medium and small mining sectors. The largest tin-mining company in the private sector was Estalsa Boliviana, which dredged alluvial tin deposits in the Antequera River in northeastern Potosí Department. The Mining Company of Oruro operated the country's richest tin mine at Huanuni. The country's tin reserves in 1988 were estimated at 453,700 tons, of which 250,000 tons were found in medium-sized mines, 143,700 tons in Comibol mines, and 60,000 tons in small mines. In the late 1980s, tin was exported mainly in concentrates for refining abroad. Eighty percent of all exports went to the European Economic Community and the United States, with the balance going to various Latin American countries and Czechoslovakia.

Bolivia was a founding member of the International Tin Council (ITC), a body of twenty-two consumer and producer countries that since 1930 had attempted to regulate tin markets through buffer stocks. Bolivia, however, did not sign the ITC's International Tin

Agreements in the 1970s and 1980s. In 1983 Bolivia joined the newly formed Association of Tin Producing Countries, which attempted—unsuccessfully—to control tin prices through a cartel approach to commodity regulation. After a period of decline, tin prices rebounded in the late 1980s.

Government policies since the early 1970s had sought to expand the percentage of metallic or refined tin exports that offered greater returns. As a result, smelting increased during the 1970s, but in the 1980s the excessive costs of the nation's highly underutilized smelting operations contributed to the decision to restructure Comibol.

Silver, zinc, lead, bismuth, and other minerals were all found with Bolivia's large tin reserves and, like tin, were considered strategic minerals. Because of the common mixture of ores, tin mining frequently encompassed the mining of other minerals as well. With the collapse of tin, the government was increasingly interested in exploiting its large reserves of other minerals, particularly silver and zinc. Three centuries after being the world's largest producer of silver, Bolivia still produced 225 tons of silver in 1988, as compared with about 140 tons in 1987 (see table 9, Appendix). Zinc reserves were large, 530,000 tons, and the expansion of zinc production enjoyed growing government support. Zinc output also rose in the late 1980s from roughly 39,000 tons in 1987 to over 53,000 tons in 1988, compared with 47,000 tons in 1975. Nearly all zinc was exported. In 1987 the government declared the construction of a new zinc refinery in Potosí a national priority. Although the authorities considered lead a minor metal, production increased from 9,000 tons in 1987 to 11,000 tons in 1988. Bismuth reserves were estimated at 4,100 tons, and production in 1987 reached two-thirds of a ton entirely by small miners. Bolivia, the site of the International Bismuth Institute, was once the sole producer of bismuth in the world.

The lead and silver Karachipampa facility in Potosí was the nation's largest smelter. Completed in 1984, Karachipampa employed Soviet technology but was constructed by a company from the Federal Republic of Germany (West Germany). The smelter's gross capacity was an enormous 51,000 tons a year. Widely criticized for its overcapacity, the plant was not scheduled to open until 1992 at the earliest because of insufficient ore.

Bolivia mined about a fifth of the world's antimony in the late 1980s and was the leading producer among market economies. Private companies were responsible for all antimony production. The largest output came from the United Mining Company (*Empresa Minera Unificada*), which controlled the two largest antimony

mines, located at Chilcobija and Caracota, both in Potosí Department. Medium and small miners generated an average of 9,500 tons of antimony a year in the mid- to late 1980s, all of which was exported. Antimony, a strategic mineral used in flameproofing compounds and semiconductors, was exported in concentrates, trioxides, and alloys to all regions of the world, with most sales going to Britain and Brazil. Antimony reserves in 1988 stood at 350,000 tons.

Bolivia was also the leading producer of tungsten among market economies. But the dramatic decline in tungsten prices in the 1980s severely hurt production, despite the fact that reserves stood at 60,000 tons. Medium and small producers accounted for over 80 percent of the country's tungsten production in the late 1980s. The International Mining Company's Chojilla mine was the source of most tungsten output. Tungsten production sank from 2,300 tons in 1984 to barely more than 800 tons in 1987 because of falling international prices. Tungsten was sold to West European, East European, and Latin American countries, as well as to the United States.

Other Metals and Minerals

Gold prospecting in the country's rivers and mines was brisk in the late 1980s. Because of Bolivia's vast territory and the high value of gold, contraband gold accounted for approximately 80 percent of exports. Official gold exports were approximately five tons in 1988, up sharply from less than one ton in 1985. In order to capture gold as a reserve for the Central Bank, in 1988 the government offered a 5 percent bonus over the international price of gold on local sales to the Central Bank. Gold was mined almost exclusively by over 300 cooperatives throughout the country, along with about 10,000 prospectors. A large percentage of the cooperatives worked in Tipuani, Guanay, Mapiri, Huayti, and Teoponte in a 21,000-hectare region set aside for gold digging and located 120 kilometers north of La Paz. Mining cooperatives in the late 1980s had requested an additional 53,000 hectares from the government for gold prospecting. Others panned for their fortunes in remote villages like Araras along the Brazilian border in the Beni. Small-scale operations were very traditional and wasteful. Analysts predicted that more commercial production, such as the dredging of alluvial deposits, would maximize gold output. A few medium-sized mining operations, as well as the Armed Forces National Development Corporation (Corporación de las Fuerzas Armadas para el Desarrollo Nacional—Cofadena) became involved in the gold rush in the 1980s. Government policy favored augmenting gold reserves

as a means of leveraging more external finance for development projects.

The government's mineral policy also gave a high priority to exploiting the lithium and potassium deposits located in the brines of the southern Altiplano's Uyuni Saltpan, estimated to be the largest of their kind in the world. The United States Geological Survey, the Bolivian Geological Survey (Servicio Geológico de Bolivia), and others discovered large reserves of lithium in 1976. By 1985 Bolivia's National Congress had made lithium extraction a national priority and created the Industrial Complex of the Uyuni Saltpan (Complejo Industrial de los Recursos Evaporíticos del Salar de Uyuni) to explore, exploit, and market lithium. Because the extraction of lithium is an expensive, technically complex process, the government sought bids for some foreign investment in lithium in the late 1980s. In addition to an estimated 5.5 million tons of lithium reserves, Bolivia also had approximately 110 million tons of potassium, 3.2 tons of boron, and an unknown amount of magnesium associated with lithium.

After years of planning, the Mutún iron mine was scheduled to open its first of two plants in 1989. The Mutún mine, the sole responsibility of the Mining Company of the Oriente, was expected to yield 592,000 tons of iron in its first five years of operation. Mutún was also expected to produce manganese. The prospects for the steel industry, which was controlled by the Bolivian Iron and Steel Promotion Unit (Unidad Promotora de La Siderurgia Boliviana, formerly known as the Bolivian Iron and Steel Industry, or Siderúrgica Boliviana), however, were bleak. After more than a decade of planning a national steel plant, Bolivia was still unable to obtain financing for such a project, especially given international overcapacity in steel. The possibility of a national steel plant appeared unlikely at the end of the 1980s.

Manufacturing and Construction

The manufacturing sector played a minor role in the economy, and virtually all of its activity was linked to the three major sectors of the economy: agriculture, hydrocarbons, and mining. Since 1952 manufacturing had contributed generally 15 percent of GDP, but the deep recession of the 1980s severely weakened the sector, making it contract by 35 percent from 1980 to 1987. In that same period, manufacturing's share of GDP dropped to about 10 percent, and its share of the labor force fell from 177,000 to 117,000, or about 7 percent of all workers. The sector focused primarily on the domestic market, but in 1987 nontraditional exports, those other than hydrocarbons, agriculture, or mining, amounted to over 18 percent

of total exports. In the late 1980s, manufacturers continued to face onerous structural constraints: a small domestic market, tight credit policies, high transportation costs, a lack of infrastructure, insufficient skilled labor and managers, excessive contraband, low import tariffs, dependence on imported inputs, and the declining production of domestic inputs, such as agricultural goods, petroleum, and minerals. In addition, the NPE promoted greater export orientation and diversity for the sector, goals that few manufacturers were capable of reaching in 1985. Similarly, the NPE's policies of import liberalization and tight credit, low consumer demand, high utility costs, and a new VAT hurt most manufacturers accustomed to operating in a protectionist environment. From 1985 to 1987, more than 130 manufacturing firms collapsed, and the industry as a whole operated at only about half of its capacity.

Manufacturing grew at a pace of approximately 5 percent annually during the 1960s and 1970s, with slightly faster growth in the second decade. Until the 1970s, the government limited itself to the promotional and funding activities of the Bolivian Development Corporation, which was dissolved in 1985 in favor of regional development corporations in each department. In 1971, however, the Industrial Incentives Law granted varying import duty exceptions on capital and intermediate goods, accelerated depreciation allowances, deduction of indirect taxes, and a ten-year income exemption in the case of firms establishing themselves in the departments of Pando, Beni, Chuquisaca, and Tarija. To manage the law, the government created the National Investment Institute (Instituto Nacional de Inversiones) to screen and set priorities for investment. Investment in manufacturing increased as a result of these measures, including a surge in public sector spending from 15 percent of all manufacturing investment to 40 percent during the 1970s. The state's investment consisted of industrial plants in milk processing, cement, sugar, rubber, ceramics, metals, glass, petroleum, gas, and others, some of which were eventually sold to the private sector. The 1971 investment law was revised in 1981, but by 1986 both had been supplanted by the NPE's uniform import tariffs and tax reform. Government policy in the late 1980s focused on developing a new investment code to stimulate increased foreign investment in export industries. Nevertheless, Bolivia's history of political instability, labor unrest, and structural bottlenecks made the task of luring foreign investors formidable.

The manufacturing industry consisted of nine subsectors—food, beverages, and tobacco; textiles, garments, and leather goods; chemicals and plastics; timber, wood products, and furniture; paper

products; nonmetallic minerals; basic metal industries; metal production, equipment, and machinery; and other manufacturing. Many producers who were involved in manufacturing and related activities were classified as part of the informal sector (see Informal Sector, this ch.). The food, textile, and metal industries contributed over 80 percent of all manufacturing output and over half of the sector's labor force. Except for the manufacturing of hydrocarbons and minerals, there was little heavy industry. Except for agricultural processing, many manufacturers imported as much as 90 percent of their final product, making much of the sector more commercial than industrial. Many manufacturers ran only small artisan shops, and most employed fewer than ten workers.

The agricultural processing subsector consisted of milling wheat into flour, crushing oilseeds, refining sugar, blending coffee, milling cotton into textiles, canning fruits and vegetables, packing meat, and processing dairy products. Most agro-industries were located in Santa Cruz Department. Domestically made beverages, such as soft drinks, beer, and *chicha*, were also popular. A domestic cigarette and cigar industry also existed. In 1988 the government considered the possibility of legally exporting cocaine to the international pharmaceutical industry. The textile industry, another major subsector, had played a declining role in the economy since 1970 as mining and hydrocarbons occupied a more prominent place. The country's ten textile mills purchased local cotton and wool for their products, but the poor quality of garments, leather goods, and footwear, as well as the competition from smuggled goods, undermined growth.

Industry also produced a significant supply of local chemicals, plastics, medicines, industrial chemicals, gases, and insecticides. The subsector's output was expected to increase vigorously as the gas pipeline project with Brazil became operative and the manufacture of fertilizers and other petrochemicals increased. Although the cutting of timber accelerated and scores of small sawmills became active in the 1980s, the wood and furniture industry remained well under its potential. The wood industry was completely unregulated, and as the contraband wood trade thrived, Brazil benefited most from the increased felling of Bolivian trees. Timber also fed the country's paper industry, which consisted of several dozen mostly urban firms producing a limited product line of paper products, newsprint, and cardboard. The construction industry was primarily fed by the manufacturing of nonmetallic minerals, notably limestone, clays, and salts, all of which were found in abundant quantities. The metal industries fabricated a wide range of ferrous and non-ferrous metal alloys, iron, steel, tubing, vehicles, some appliances,

batteries, electrical transformers, sewing machines, farm equipment, bicycles, and transport equipment. In addition, Cofadena assembled automobiles in Santiváñez, Cochabamba Department, as part of an agreement with the Andean Common Market (Ancom, also known as the Andean Pact; see Foreign Relations, ch. 4).

The country's construction industry consisted of approximately 600 mostly small companies operating primarily in the cities of La Paz, Santa Cruz, Cochabamba, and Oruro. Construction activity soared in the 1960s and 1970s because of renewed investment in public works and a residential housing boom in the larger cities. Most Bolivians, however, continued to build their own homes by more traditional means. The deep recession of the early 1980s and the extremely tight credit policies of the late 1980s slowed construction activity greatly. In the late 1980s, construction contributed an average 3 percent of GDP. As part of the reactivation policies of 1987, the government created the National Housing Fund (Fondo Nacional de Vivienda—Fonvi) to inject credit into the housing industry and to foster housing construction and home improvements.

With the exception of steel, the construction industry received most of its inputs from domestic industry: limestone, cement, wood products, and metal products. The cement industry in particular was very large, the four cement plants providing an installed cement capacity in 1989 of 700,000 tons per year. The three state-owned cement factories were run by their respective regional development corporations in Tarija, Cochabamba, and Chuquisaca departments and contributed 70 percent of total cement production. The only private company, the Bolivian Cement Company (Sociedad Boliviana de Cementos) in Viacha, La Paz Department, provided the balance. In the late 1980s, about 400,000 tons per year of local limestone fed cement production.

Services

Banking and Financial Services

In the late 1980s, commercial banks were characterized by their limited numbers, local prominence, concentration of deposits in a few institutions, and generally shaky financial status. Only thirteen commercial banks remained in 1988 after several locally owned banks had closed because of fraud and insolvency. Ten of these institutions were local; Citibank was the only United States bank still operating in the country. The three foreign banks remained generally inoperative, however, and were restricted to collecting previous loans. The country's top five banks—the Bank of Santa

Cruz, Bolivian American Bank, National Bank, Mercantile Bank, and Bank of Cochabamba—controlled 61 percent of deposits at the end of 1988. Over half of the local commercial banks continued to report losses in 1987. In 1988 bad debt constituted 15 percent of the debt owed to local banks, whereas as much as 64 percent of the debt owed to foreign banks was deemed bad. Still, commercial banks remained the core of the private financial sector, with assets totaling US\$357 million in 1988.

Government policy changes over the legality of deposits in United States dollars severely affected the sector during the 1980s and were directly responsible for a large part of the industry's poor health, although financial mismanagement was also a factor. From 1976 to 1982, dollar deposits in bank accounts were legal; by 1982 deposits in United States currency represented 90 percent of all deposits. From 1982 to 1985, however, the Siles Zuazo government made it illegal to retain dollar accounts and forced banks and other financial institutions to convert deposits and loans into Bolivian pesos at the official exchange rate, which essentially subsidized the fading peso. Within three years after the decision of the Paz Estenssoro government in 1985 to again legalize dollar accounts, 70 percent of all savings deposited in commercial banks were in dollars. Although the deregulation of the financial system after 1985 helped to expand the deposit base, legalizing dollar accounts also signified the acceptance of millions of coca dollars that were laundered through the banking system. During this period, moreover, although many banks were ravaged by hyperinflation, other banks and their top officials had profited handsomely from the rampant currency speculation and other illegal activities.

Despite deregulation, banking generally remained an elite activity characterized by extremely high collateral requirements, except for top clients. Interest rates that were 10 to 20 percent above the prevailing rates in the United States also discouraged individuals and smaller businesses from seeking credit from commercial banks. Informal credit markets flourished. Interest rates varied considerably for boliviano deposits and loans versus dollar deposits and loans. High interest rates in the late 1980s resulted from restrictive monetary policies, continued uncertainty about the economy's future, and the high demand for credit.

In addition to normal commercial banks, there were three private sector specialized banks that lent to industry but mobilized their capital base from means other than deposits. In the late 1980s, the only specialized bank that remained highly active was the Industrial Bank (Banco Industrial), which was established in 1963. The other two specialized banks—the Industrial Finance Bank

(Banco de Financiamiento Industrial) and the Bolivian Investment Bank (Banco de Inversiones Boliviano)—were established more recently.

Other private sector financial institutions consisted of savings and loans, mortgage houses, credit unions, insurance companies, exchange houses, and, as of 1988, a stock exchange. As with commercial banking, these entities also grew rapidly in the 1960s and 1970s and greatly contracted in the 1980s. The principal savings and loan body, the Central Housing Savings and Loan Board (Caja Central de Ahorro y Préstamo para la Vivienda—Cacen), was also the institution most involved with mortgage financing. Established in 1966, Cacen operated privately through a network of cooperative savings and loan associations that promoted housing construction and offered mortgages and credit for home remodeling. Credit unions were also popular and functioned under the umbrella of the National Federation of Credit Unions (Federación Nacional de Bancos Cooperativos). Fifteen companies, five of which were multinational firms, sold insurance policies in the mid-1980s. Exchange houses, which dealt with international currency transactions, were also numerous, as were a whole range of more informal financial intermediaries, both legal and illegal, that chiefly operated in United States dollars. In 1988 Bolivia inaugurated a seventy-member stock exchange that was financed by the World Bank and AID.

Public sector financial institutions included the Central Bank, BAB, Bamin, and the State Bank (Banco del Estado—Banest). Under the 1985 NPE restructuring policy, the Central Bank assumed the outstanding debt of other public sector institutions. The reorganization of BAB confined it to new credit limits per loan and focused its business on loans to small farmers through its regional and provincial offices. The government converted Bamin into a mixed entity, both publicly and privately owned. Bamin primarily assisted the small mining sector by importing mining equipment and marketing ores. As a result of the modifications in public sector financial institutions, Banest became the sole development bank of the central government, analyzing investment strategies, writing feasibility studies, and providing credit to the private sector through forty-five national offices.

Transportation

Inadequate and costly transportation, a result of the country's rugged terrain and scattered population, persisted as a major obstacle to faster growth and development in the late 1980s. Bolivia's access to foreign markets has been hampered since the loss of its

Pacific Ocean ports in the War of the Pacific (1879–83). The country's various geographical obstacles and inadequate transportation infrastructure also have hindered economic activity, especially after the latter shifted from the highlands to the lowlands. Although the infrastructure has grown significantly since the 1952 Revolution, an adequate network of integrated transportation systems was still distant in the late 1980s, as was the large external financing it would require.

Bolivia's road system accounted for the overwhelming share of domestic transportation. In 1988 the nation had over 41,000 kilometers of roads, 3 percent of which were paved, 16 percent generally gravel, and 81 percent dirt. La Paz's steep and narrow streets were primarily cobblestone. The National Road Service (Servicio Nacional de Caminos—Senac), established in 1964 when there were only 3,000 kilometers of roads, supervised road construction and maintenance. Observers criticized Senac for haphazard road development and substandard road maintenance, especially along the backbone of the paved system, the 560-kilometer Cochabamba-Santa Cruz highway (see fig. 10). In the late 1980s, Senac received funding from the Inter-American Development Bank (IDB) to repave this highway, the main access to the agricultural frontier. In addition, the winding mountain roads were poorly maintained and lacked such safety features as guard rails. Mountain and lowland roads were often impassable during the rainy season. Many blamed the rapid deterioration of roads on too-heavy, poorly maintained trucks and buses. Government policies were aimed at enlarging and improving the network of roads in the lowlands, particularly the Chapare, and connecting La Paz with Santos, Brazil, by paved road.

At least 110,000 vehicles were registered in the late 1980s, including about 71,000 automobiles or light vehicles, 30,000 heavy trucks, and 9,000 buses. In addition, the government reported about 50,000 motorbikes, 18,000 jeeps, 27,000 vans, and 37,000 light or flatbed trucks. *Flotas* (large buses) operated primarily in rural areas, and *micros* (small buses) operated throughout the country; taxis existed in larger cities. Many Indians in the highlands, however, still used llamas as a main means of transporting loads, such as market produce.

The most important transport system for external trade, excluding gas and oil pipelines, was the railroad. The country's rail system grew in stride with the tin industry, and the first railroad from Oruro to Antofagasta, Chile, opened in the 1880s (see Reconstruction and the Rule of the Conservatives, ch. 1). The railroad later extended from Oruro to the cities of La Paz, Cochabamba, and



Figure 10. Transportation System, 1988

Potosí. In 1913 a railroad from La Paz to Arica, Chile, also was opened, and by the 1950s the last major rail system from Santa Cruz to São Paulo, Brazil, was completed. By the late 1980s, Bolivia possessed an extensive but aging rail system that operated over 3,700 kilometers of rail and carried over 535 million tons of freight and 2.4 million passengers a year. The National Railroad Enterprise (Empresa Nacional de Ferrocarriles—Enfe) operated the dilapidated

system, which had been subject to World Bank rehabilitation schemes since 1970. Government policies emphasized the continued upgrading of the railroad and plans to join the Atlantic and Pacific coasts by rail. In 1988 the Argentine Railroad Company (Ferrocarriles Argentinos) began work on the Expreso del Sud rail line, which would connect Buenos Aires with La Paz and eventually Matarani, Peru, to form the Liberators of America Corridor (Corredor Libertadores de América), a new Atlantic-Pacific railroad in South America. The Bolivian government also contemplated another transoceanic railroad linking Santa Cruz to Cochabamba and thus integrating its Andean and lowland railroads.

Air travel was common in Bolivia because of the great physical barriers that partitioned the country. The government's Administration of Airports and Aerial Navigation Auxiliary Services (Administración de Aeropuertos y Servicios Auxiliares de la Navegación Aérea—AASANA) managed the country's thirty-two official airports, only six of which had paved runways. Bolivia had two international airports: Kennedy International Airport outside La Paz (the highest commercial airport in the world) and Viru-Viru in Santa Cruz. There were also an estimated 800 unofficial airstrips, particularly in the lowlands. Many of these were clandestine airstrips used in narcotics trafficking.

Most air activity consisted of domestic and international travel and freight, such as beef exports. The frequent need to rely on air transportation for both domestic and international freight explained the high cost of transportation in general. Lloyd Bolivian Airline (Lloyd Aéreo Boliviano—LAB), owned both by the government and by private interests, was the country's main airline and carried over 70 percent of all domestic passengers—over 1 million passengers a year—in the 1980s. LAB serviced most Bolivian cities, most major Latin American cities, and many other international destinations. Argentine, Brazilian, Chilean, Colombian, Paraguayan, United States, and West German airlines maintained flights to and from Bolivia. Military Air Transports (Transportes Aéreos Militares—TAM) also served as a carrier for about 50,000 domestic passengers a year (see Civil Aeronautics, ch. 5). In addition, 170 small taxi airplanes supplemented LAB's domestic service. There were two major air taxi companies.

Rivers also served as a common means of transportation, especially in the underpopulated eastern plains. Bolivia possessed more than 14,000 kilometers of inland waterways, including Lake Titicaca, the highest navigable lake in the world. Over thirty rivers from the Amazon system flowed through Bolivia. The major river systems used for transport were the Ichilo-Mamoré, Beni-Madre

de Dios-Ortón, and Iténez-Paraguay. *Capitanías* (river stations) in Trinidad, Riberalta, and Guayaramerín oversaw the 360 craft that used the nation's rivers. Most vessels were under fifty tons. In 1988 Bolivia signed an agreement—also approved by Argentina, Brazil, Paraguay, and Uruguay—that guaranteed the free passage of ships on the Paraná and Paraguay rivers.

In the late 1980s, Bolivia used the ports and warehousing facilities at Arica and Antofagasta in Chile, Matarani and Ilo in Peru, and Santos in Brazil as its major outlets to the sea. In addition, Bolivia was granted free port facilities in Rosario, Argentina; Nueva Palmira, Uruguay; and Belém, Brazil. Nevertheless, Bolivia continued to negotiate with its neighbors about access to its former seaports, long a matter of national pride for the country.

Communications

Bolivia's evolving communications industry helped to mitigate the regionalism that characterized the nation. In 1988 an estimated 3.5 million radios had access to over 125 radio stations ranging in power from 0.5 to 25 kilowatts. Both the size of the country and the mountainous terrain explained the proliferation of stations, about 80 percent of which were AM stations. La Paz was the site of forty stations, which broadcast in Spanish, Quechua, and Aymara (see *Ethnic Groups*, ch. 2). Most stations were privately owned.

The number of private television stations in La Paz increased during the 1980s to seven, five of which were private. Other cities hosted private stations as well. Although the National Television Company (*Empresa Nacional de Televisión*) directed all government programming, foreign programs dominated most stations. According to the United States Department of Commerce, Bolivia had 650,000 television sets in 1988.

Bolivia was served by six main daily newspapers ranging in circulation from 20,000 to 80,000. *Última Hora*, *El Diario*, *Hoy*, and *Presencia* were the largest periodicals. Santa Cruz's *El Mundo* and Cochabamba's *Los Tiempos* were smaller but were also circulated nationally.

The National Telecommunications Enterprise (*Empresa Nacional de Telecomunicaciones*—Entel) managed the country's telephone system. Bolivia had only 65,000 telephones in 1988, or fewer than 3 sets per 100 inhabitants. Only users located in the major cities enjoyed direct-dialing services. Direct international dialing was introduced for the first time in the late 1980s. Installing a new telephone, however, was a bureaucratic and expensive endeavor. Nonetheless, Entel was in the process of upgrading the telephone system, with Swedish technical assistance, through a network of

twenty ground satellite stations, a large satellite station in La Paz, a digital-switching system for La Paz and Santa Cruz and eventually other cities, and an expanded microwave system. In the 1980s, the telephone system also had limited capacity for facsimile, telex, and computer modem communications. That was expected to change by 1993, however, when the Caracas-based satellite communications system, Condor, would begin to service the Andean region, including Bolivia, and provide television, telephone, telex, and data transmission to rural and urban areas throughout Bolivia. Several hundred post offices existed, many of which had telegraph capability. Bolivia was a member of the Andean Postal Union and the International Telecommunications Satellite Organization (Intelsat).

Tourism

Tourism was a small but growing activity in Bolivia with potential for greater foreign exchange earnings. The entry of tourists jumped from 22,250 in 1970 to 155,400 in 1980 but had fallen to 127,000 by 1985, or about 1 percent of all tourism in Latin America and the Caribbean. Tourism was estimated to provide as much as US\$50 million in foreign exchange. Over 300 hotels and scores of motels and tourist residences—with about 9,000 rooms and 16,000 beds—provided accommodations for travelers. Latin Americans represented nearly half of all visitors, followed by Europeans and North Americans. A small domestic tourist industry also existed. Major tourist attractions were the country's snow-covered mountains, Lake Titicaca, pre-Inca ruins at Tiwanaku (Tiahuanaco), the vast tropical areas, remote national parks, sightseeing on the national railroad, and the Indian cultures. The government's Bolivian Institute of Tourism (Instituto Boliviano de Turismo) promoted Bolivian tourism by emphasizing the nation's history and culture, as well as its beauty and varied terrain.

Foreign Economic Relations

Foreign Trade

In the late 1980s, Bolivia's pattern of trade was in a state of transition. Since the middle of the sixteenth century, Bolivia had depended on only a few exports to generate the foreign exchange necessary to import the goods and services that the country did not make or provide. The volatility in world prices of these export commodities, however, made economic planning difficult and generated frequent unstable economic cycles.

Official exports in 1987 stood at US\$569 million, the lowest level in the 1980s up to that year (see table 10, Appendix). Reports in

1988, however, indicated a rise to US\$599 million, which was still low compared with levels registered earlier in the decade. Exports were severely hurt by depressed commodity prices and the structural changes that those price movements caused in production. As a result of lower export prices, the country suffered declining terms of trade in the 1980s, often exporting more goods but for less total value. Exports in 1987, for example, purchased only 53 percent of the amount earned by exports in 1980. A substantial shift occurred in the 1980s in the relative importance of tin and natural gas exports. As a percentage of total exports, tin declined from nearly 37 percent in 1980 to just over 12 percent in 1987. During the same period, natural gas increased from just over 21 percent to nearly 44 percent of exports. Analysts contended, however, that a large portion of economic activity—the export of coca paste or cocaine and the smuggling of legal goods from Bolivia—was not reflected in official export figures. Estimates of coca-related exports ranged from US\$600 million to US\$1 billion. Analysts believed that tens of millions of dollars were earned in contraband smuggling.

Trade policy after the world tin collapse of 1985 concentrated on making the external sector more market oriented and on diversifying the export base. The government emphasized import liberalization through tariff reform, realistic exchange rates, aggressive import tariff collection, and the promotion of nontraditional agro-exports and minerals. The attempts to force Bolivian producers to compete with the prices of international products after years of protection, however, were often unsuccessful. The government also contracted the services of several West European surveillance companies to ensure that tariffs were paid. Import liberalization policies helped cause a negative trade balance, which totaled US\$188 million in 1987. Nonetheless, the government hoped that market-oriented policies would cause exports to expand. After 1985 all export taxes were abolished, and constant devaluations of the Bolivian peso through a floating exchange rate helped lower the prices of exports and thus improve their competitiveness. The government also decreed tax rebates for exports and established an export promotion institute.

Diversification, mainly toward agro-exports, was another key goal of trade policy. Nontraditional exports, composed mainly of sugar, coffee, soybeans, beef, and timber, reached a high of nearly 19 percent of all exports in 1987. Observers doubted, however, that such exports would grow at the rapid pace many government officials expected because of longstanding structural obstacles and a lack of credit for producers. In addition, despite the rise of natural



*A ski lodge building on Chacaltaya
(elevation about 5,500 meters) near La Paz
Courtesy Harvey W. Reed*

gas and the decline of tin, minerals and hydrocarbons continued to represent the overwhelming percentage of legal exports.

Total official imports in 1987 reached just over US\$777 million, the highest level in the decade since the 1981 figure of US\$918 million (see table 11, Appendix). Although the 1988 figure registered a drop to about US\$700, the 1987 figure masked the reality of an import demand in excess of US\$1 billion, as contraband imports were placed at between US\$500 million and US\$600 million. With the introduction in August 1985 of a uniform tariff of 20 percent, imports increased. The tariff for capital goods decreased to 10 percent in 1988, a level that was scheduled to be uniform once again by 1990. Unlike the country's exports, the composition of imports changed only slightly as a result of the restructuring of the economy after 1985. Capital goods, mostly machinery and equipment for industry and transport, accounted for nearly 42 percent of all imports in 1987, followed by raw materials and intermediate goods, dedicated primarily to import-intensive manufacturing (40 percent) and consumer goods (16 percent).

Bolivia's trade was increasingly integrated into neighboring Latin American economies. In 1987 about 51 percent of all exports went to Argentina; natural gas accounted for most of that total. During the 1980s, Brazil surpassed the United States as the leading supplier of Bolivian imports. Bolivia was active in groups that promoted regional economic cooperation, such as ANCOM and the Latin American Integration Association (Asociación Latinoamericana de Integración—ALADI), the successor to the Latin American Free Trade Association (LAFTA). ANCOM had been established in 1969 by Bolivia, Colombia, Chile, Ecuador, and Peru, which endorsed the sectoral industrial development programs in the pact's Cartagena Agreement. After Chile withdrew its membership in 1976, ANCOM members generally collaborated on most issues. A major exception, however, was the issue of foreign investment, which was introduced by Ecuador and continued to jeopardize regional economic harmony (see Foreign Relations, ch. 4). With the election of the Paz Estenssoro government in 1985, Bolivia sought to relax ANCOM's investment code. Bolivia received priority treatment in ANCOM as its poorest member. In the 1980s, Bolivia also developed a growing interest in ALADI.

Balance of Payments

Three major factors—reduced access to international capital, domestic economic instability, and a drop in commodity prices—greatly disrupted Bolivia's balance of payments during the 1980s. As the structural weaknesses of the economy became more apparent

in the late 1970s, foreign banks scaled back their loan commitments. This trend was exacerbated by the general economic chaos that reigned during the first half of the 1980s. Recession and hyperinflation discouraged new foreign direct investment, and policies that attempted to eliminate the predominance of the United States dollar in the financial sector spurred capital flight. Weakening commodity prices shrank export revenues, causing a negative trade balance after 1985. Fortunately, however, multilateral and bilateral sources provided Bolivia with generous amounts of financing to meet its shortfalls and allowed it to sustain international economic transactions.

Bolivia experienced persistent deficits in its current account during the 1980s, primarily as a result of a large chronic debit on the service portion of this account and significant trade imbalances after 1985 (see table 12, Appendix). From 1980 to 1985, the current account deficit equaled approximately 10 percent of GDP, or about three times the shortfall of the previous fifteen years. The last current account surplus occurred in 1973 and was the result of oil price windfalls. In 1987 the negative balance on the current account stood at nearly US\$488 million, more than any other year in the decade. Although trade was expected to improve slowly, the outlook for a reversal of the current account deficit was not bright.

With the decline in new foreign direct investment and private financing in the early 1980s, the capital account was negative every year from 1982 to 1987, except for 1984. Overseas investment in Bolivia from 1983 to 1987 averaged a mere US\$11 million, a consequence of the poor macroeconomic climate, unclear positions on regional investment rules, the lack of a new national investment code, and an unfavorable history of relations with the foreign private sector. The only significant inflows into the economy during the 1980s were from international sources like the IMF and the World Bank, along with multilateral and bilateral creditors, whose balance of payments support propped up the economy. Although foreign exchange reserves dropped in the 1980s, special financing from international public institutions and the nonpayment of Bolivia's commercial debt after 1984 limited the degree of damage. Central Bank officials reported that gross reserves at the end of 1988 totaled US\$404 million and net reserves, US\$181 million. Bolivia, however, did maintain over US\$300 million in gold reserves, and those reserves were mounting.

Debt

Bolivia was the first country during the Great Depression to default on its foreign debt, and not until 1971 did the government

return to international capital markets for financing. External financing, mostly newly generated petrodollars, quadrupled during the 1970s as political stability and economic growth improved Bolivia's creditworthiness. As foreign financing dried up in 1978, foreign banks also negatively reassessed Bolivia's ability to service more debt. In 1984 Bolivia became the first Latin American country to declare an official moratorium on debt payments to commercial banks, and it continued to withhold payment through 1988. Bolivia, however, maintained a good repayment record with official creditors, such as the IMF and World Bank, recognizing they were its lenders of last resort.

By the late 1980s, Bolivia had accrued one of the highest per capita debts in Latin America. The country's total external debt amounted to US\$4.6 billion in 1986, or slightly more than its GDP for that year. Its debt-servicing requirements amounted to US\$161 million in 1986, creating a debt-service ratio (debt as a percentage of exports) of approximately 24 percent. Fortunately, about 90 percent of the country's debt was long-term liability. The structure of the country's debt changed drastically during the decade. Official multilateral and bilateral creditors composed 42 percent of total debt in 1980, compared with over 75 percent by 1988. Of the eighteen most heavily indebted developing countries tracked by the World Bank, Bolivia had the second lowest percentage of its debt with official creditors. The rapid changes in the structure of the liability were caused by the discontinuation of new private loans, large increases in official lending, and the government's purchases of its private debt in 1988. Argentina and Brazil, two of the developing world's largest debtor nations, were the country's largest bilateral lenders.

Despite unsteady relations with its commercial creditors, Bolivia achieved at least six debt reschedulings or deferments from 1980 to 1988. These agreements typically included longer grace periods, extended repayment schedules, and, occasionally, lower interest rates. As the Bolivian treasury reportedly neared depletion during the 1980s, such measures had become absolutely necessary in order to maintain the country's solvency. Most of the reschedulings occurred in the multilateral forum of the Paris Club (see Glossary), a clearinghouse for private and certain public debt negotiations. Outside the Paris Club framework, Bolivia also rescheduled its US\$900 million bilateral debt with Argentina in 1987 on very favorable terms, including a fifteen-year grace period and a twenty-five-year repayment timetable. According to Bolivia's minister of finance, the reschedulings reduced the country's debt-service burden by 50 percent beginning in 1988.

In addition to rescheduling, the Paz Estenssoro government sought to reduce its debt through complex international financial schemes. In 1988 Bolivia negotiated a debt-purchase arrangement with commercial creditors, many of which had already written off or substantially reduced the value of the loans on their books. In order to forestall a complete loss on their loans, bankers agreed to a program whereby the Bolivian government purchased its debt on secondary markets, where such liabilities are traded, for 11 percent of its face value, or at an 89 percent discount of the original debt. A special escrow fund administered by the IMF and financed by donations from West European and Latin American governments enabled Bolivia to pay for the discounted debt. By June 1988, Bolivia had acquired nearly 50 percent of its private debt through buybacks and sought to obtain the remainder of the debt by the end of 1989. Another debt-management approach adopted by Paz Estenssoro, a debt-for-equity swap, allowed commercial banks to exchange a predetermined value of the debt for equity in a Bolivian enterprise, usually a semiautonomous one slated for privatization. The government's third debt-reduction approach, a much smaller operation, allowed a United States environmental organization to purchase US\$650,000 of Bolivian debt at an 85 percent discount in a "debt-for-nature" swap and receive B250,000 to manage a 135,000-hectare wildlife preserve in Beni Department.

As a result of the country's aggressive debt-management program, Bolivia actually lowered its liability in 1988. Furthermore, it became the only Latin American nation to avoid exporting capital during the debt crisis. Instead, it obtained more external financing, although solely from public sources, than it paid out in interest and principal on its debt. Debt management, however, remained a controversial political issue, especially for critics of the military governments in the 1970s that accumulated the bulk of the liabilities. Restructuring or repayment of that debt was perceived by some as legitimizing gross economic mismanagement. The debt was considered negotiable enough that Roberto Suárez Gómez, Bolivia's reputed "King of Cocaine," even offered to pay off the country's multibillion-dollar debt in the early 1980s to avoid extradition (see *The Security Forces*, ch. 5).

Foreign Assistance

As one of the two poorest countries in South America, Bolivia received generous amounts of multilateral and bilateral foreign assistance. The most important multilateral lenders were the IMF, the World Bank, and the IDB, all of which furnished mostly concessionary loans. The IMF and the World Bank provided several

hundred million dollars to the Bolivian government for the restructuring of the financial system, debt management, balance of payments support, the Emergency Social Fund, and various other projects. In 1988 Bolivia received US\$187 million in World Bank funding under the Enhanced Structural Adjustment Facility, a new loan mechanism available only to the poorest members of the bank. The IDB, another major multilateral donor, has lent the country in excess of US\$1 billion since the early 1960s for projects in infrastructure, mining, industry, agriculture, energy, health, education, and other fields. In the late 1980s, the IDB's project funding focused on repair to the Cochabamba-Santa Cruz highway, export financing, small farming projects, tax reform, and the informal sector. Other multilateral organizations present in Bolivia were the Andean Development Corporation, the United Nations, and the Organization of American States.

Bilateral overseas development agencies in the first half of the 1980s granted Bolivia an average of US\$170 million a year, or about 6 percent of GDP, and the United States on average provided a quarter of grant monies. As with multilateral agencies, bilateral agencies responded favorably to the orthodox policy reforms attempted by the Paz Estenssoro government. The United States, which had provided US\$1.18 billion from 1946 to 1986, remained Bolivia's single most important bilateral donor in the late 1980s. AID transferred over US\$61 million to the country in 1988 and earmarked US\$77 million for 1989. Over half of that assistance was directed at PL-480 Food for Peace programs, and another third went into specific development projects. An increasing percentage of assistance was being targeted for balance of payments support in the form of Economic Support Funds. AID supported market-oriented policy reforms, assisted in narcotics control and coca eradication efforts, and funded health, education, and informal sector projects to mitigate the effects of the economic crisis. Other United States agencies, including the Drug Enforcement Administration, the Department of Defense, and the Inter-American Foundation, also provided economic assistance to the country. The Peace Corps, which was expelled by the Bolivian government in 1971, hoped to return in the early 1990s. Japan, Canada, and most West European countries also extended bilateral assistance. The Soviet Union provided Bolivia with an estimated US\$204 million from 1954 to 1987.

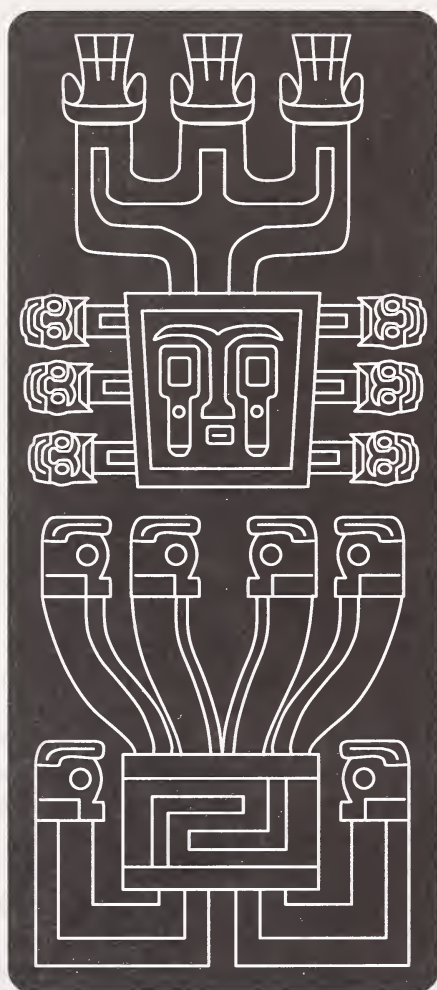
* * *

Definitive, book-length studies of the Bolivian economy in the 1980s were unavailable in early 1989. The literature tended to focus

on labor unions and the history of tin. Nor were there any comprehensive, book-length studies of important economic developments, such as the 1985 tin-market crash and the 1985 NPE. The most comprehensive work on the tin industry, *The Economics of Tin Mining in Bolivia* by Mahmood Ali Ayub and Hideo Hashimoto, was written before the crash. An informative monograph on the collapse is the London-based Latin America Bureau's *The Great Tin Crash* by John Crabtree, Gavan Duffy, and Jenny Pearce. A useful monograph on the NPE is *Bolivia's Economic Crisis* by Juan Antonio Morales and Jeffrey Sachs. There are also few in-depth studies on the important revenue-producing hydrocarbon and coca industries. Data on Bolivia's coca eradication and other antidrug efforts can be found in the periodic *International Narcotics Control Strategy Report*, published by the United States Department of State's Bureau of International Narcotics Matters, and in *Drug Control*, published by the United States General Accounting Office. Among the few journal articles on the Bolivian economy is James M. Malloy's "Bolivia's Economic Crisis."

A definitive source of economic data on Bolivia also was lacking in early 1989, and, as with many developing nations, data varied greatly. Useful Bolivian sources include publications of the Central Bank and the Ministry of Planning and Coordination's National Statistical Institute, such as the annual *Bolivia en cifras*. The best English-language sources include the IMF's *International Financial Statistics Yearbook, 1988*; the World Bank's *Annual Report, 1988*; the IDB's discussion of Bolivia in *Economic and Social Progress in Latin America*; and *Country Profile: Bolivia, 1988-89*, published by the London-based Economist Intelligence Unit. Useful monthly newsletters include *Latin America Regional Reports* and *Latin American Monitor*. (For further information and complete citations, see Bibliography.)

Chapter 4. Government and Politics



Symbolism on the back of the Great Idol of Tiwanaku

IN 1989 VÍCTOR PAZ ESTENSSORO stepped down as president of Bolivia and on August 6 handed over power to the third democratically elected leader of the 1980s. Paz Estenssoro presided over four years of economic and political stability following two decades of military rule and nearly six years of a tumultuous transition to democracy.

When Paz Estenssoro assumed office on August 6, 1985, he inherited a society besieged by the most profound political and economic crisis in its history. Years of military rule had destroyed the nation's political institutions and eroded democratic traditions. The economy, in turn, had experienced a catastrophic downturn owing to years of mismanagement, the exhaustion of a state-centered economic development strategy, and extreme dependence on a single export commodity—tin. By 1985 inflation had reached 24,000 percent, and growth rates were declining steadily by over 10 percent annually.

To revive an agonizing nation, Paz Estenssoro, the old politician who had led the 1952 Revolution, transcended electoral and party-based politics. To address the economic crisis, he commissioned a team of young technocrats. The resulting New Economic Policy imposed a severe austerity program that stabilized the economy and fundamentally transformed Bolivia's development strategy.

The political crisis, characterized by a recurrent conflict between the executive and legislative branches, required equally innovative answers. Soon after the announcement of the New Economic Policy, Paz Estenssoro and his Nationalist Revolutionary Movement signed the Pact for Democracy with former General Hugo Banzer Suárez's Nationalist Democratic Action party. With the Nationalist Democratic Action party's support in the National Congress, the New Economic Policy and related legislation were implemented successfully. The Pact for Democracy provided the needed support for implementation of the government's economic policy, as well as the basis for four years of political stability.

Although originally envisioned as a long-term agreement that could establish the foundations of Bolivian democracy, the Pact for Democracy proved to be a temporary marriage of convenience that the partners renounced owing to irreconcilable differences. By February 1989, the Pact for Democracy had collapsed, mainly because the campaign for the May elections had accentuated the

differences between the two parties. Most Bolivian analysts hoped that the three years of the Pact for Democracy that enabled the New Economic Policy legislation to go forward were enough to establish the basis for positive growth in the 1990s. Each of the three leading presidential candidates in the May elections committed himself to the basic premises of the New Economic Policy.

Still, the most complex issue in Bolivian politics in 1989 remained the question of governability. The Pact for Democracy enabled Paz Estenssoro and the Nationalist Revolutionary Movement to govern for four years. With parties focused on the immediate task of getting elected, the more serious task of establishing the foundations of a stable political system was set aside. The key issue was whether or not political parties would be able to transcend the mundane worries about electoral politics to lay the groundwork for democratic rule. Their failure threatened to precipitate another round of military intervention.

Constitutional Background

The Constituent Assembly that founded Bolivia in 1825 wrote the nation's first constitution establishing a centralized government with executive, legislative, and judicial branches. Based on the United States Constitution and borrowing a few premises from the French Republic, the first charter adopted liberal and representative democracy granting the congress autonomy and policy-making prerogatives. This constitution, however, was never adopted.

On November 26, 1826, the Bolivarian constitution, written in Lima by the liberator Simón Bolívar Palacios, replaced the original document and instituted a fourfold separation of powers among a lifetime presidency, an independent judiciary, a tricameral congress, and an electoral body. The tricameral congress comprised the Senate and the Chamber of Tribunes, whose members had fixed terms, as well as a Chamber of Censors, whose members served for life. Theoretically, the Senate was responsible for codifying laws and reorienting church and court officials, the Chamber of Tribunes possessed general legislative powers, and the Chamber of Censors had oversight powers that included impeachment of members of the executive. In reality, the legislature's key functions were to name the president and to approve a list of successors submitted by the president. One of the long-lasting effects of the Bolivarian constitution was the establishment of an executive-based system. The Bolivarian constitution reflected the Spanish tradition of bureaucratic patrimonialism in which power rested in the executive branch. Historians have argued retrospectively that Bolívar's

constitution suited the nation's political structure better than the liberal constitutions that followed.

In many ways, the Bolivarian constitution reflected Bolívar's uneasiness about mob rule. Like the founding fathers of the United States, Bolívar considered necessary the prevention of rule by the masses. As a result, the franchise was extended only to those literate in Spanish who either possessed property then worth 400 bolivianos or engaged in an art, in a science, or in some other remunerative position. Domestic and personal servants were also denied the franchise. In short, voting rights were limited to a very small and privileged elite. Voting qualifications and restrictions remained until universal suffrage was adopted during the 1952 Revolution.

Mostly, however, the Bolivarian constitution reflected Bolívar's distrust of the privileged elite that inherited Upper (Alto) Peru from Spain. Bolívar feared that rival elite factions would wage battle against each other for control over the new nation and became convinced that the best way to prevent instability and chaos was to institutionalize a strong, centralized, and lifetime presidency.

In spite of Bolívar's foresight, the Bolivarian constitution did not last long because of the great disparity that existed between the national aspirations of the state and its effective power over Bolivia's disparate regions and population. Between 1825 and 1880, Bolivian political life was dominated by a series of quasi-military leaders, known as caudillos, who had emerged with the collapse of the Spanish Empire. Within the context of economic crisis, warring caudillos, and a semifeudal social structure, constitutions and the national government became prizes to be captured by one or another caudillo.

Under the presidency of General Andrés de Santa Cruz y Calahumana, a new constitution was adopted on August 31, 1831. The new constitution introduced bicameralism, dividing the body between the Chamber of Senators (Senate) and the Chamber of Deputies elected by proportional representation. Annual sessions for the National Congress (hereafter, Congress) were to run between sixty and ninety days. Although the president was given the power to dissolve Congress, the new constitution abolished the lifetime presidency and limited the president to renewable four-year terms. Despite these limitations, however, presidential power actually increased during the presidency of Santa Cruz, and the trend toward greater concentration of power in the executive continued throughout Bolivia's history.

Under the short-lived Peru-Bolivian Confederation of 1836-39, Santa Cruz promulgated a new constitution that basically applied

the principles of the 1831 charter to the alliance (see *Construction of Bolivia: Bolívar, Sucre, and Santa Cruz*, ch. 1). The end of the confederation motivated Santa Cruz to institutionalize the strong executive model embodied in the 1831 charter. Because the president was given the power to dissolve the legislature, Congress was condemned to a passive and submissive role.

For the next forty-two years, Bolivia was subjected to the whims of caudillos who dictated constitutional charters almost as regularly as changes of government occurred. Between 1839 and 1880, six constitutions were approved by the legislative power. Except for the constitution of 1839, which limited presidential power, the constitutions promulgated under José Ballivián y Segurola (1843), Manuel Isidoro Belzú Humérez (1851), José María de Achá Valiente (1861), Mariano Melgarejo Valencia (1868), and Agustín Morales Hernández (1871) further concentrated power in the hands of the executive. As a rule, during this era Congress responded to the demands of whatever caudillo was in power.

Caudillo politics came to an end after the War of the Pacific (1879–83), in which the combined forces of Bolivia and Peru suffered a humiliating defeat against Chile's armed forces (see *War of the Pacific*, ch. 1). The end of the war gave rise to a new mining elite oriented to laissez-faire capitalism. Aided by the failure of Bolivia's armed forces in the war effort, this new elite was able to design a new civilian regime of "order and progress."

In 1880 Bolivia's most durable constitution was approved; it was to remain in effect for the next fifty-eight years. Under this constitution, bicameralism was fully adopted, and the legislative power became an important arena for political debate. During this period, Bolivia achieved a functioning constitutional order complete with political parties, interest groups, and an active legislature. The country was also a prime example of a formal democracy with legally limited participation. Literacy and property requirements were still enforced to exclude the Indian population and the urban working class from politics. Political life was reserved for the privileged and a minuscule upper class.

The basic premises of representative democracy introduced in 1880 still prevailed in 1989. Specifically, congressional oversight prerogatives over executive behavior were introduced by law in 1884 when Bolivia emerged from the War of the Pacific. The Law Governing Trials of Responsibilities was to become an integral part of Bolivia's restricted democracy.

The era of political stability, which paralleled the integration of Bolivia into the world economy through the export of tin, ceased with the end of the tin-export boom and the overthrow of President

Daniel Salamanca Urey (1931-34). One of the legacies of this period was an extremely stratified pattern of social relations that was to affect Bolivia's political structure. In particular, the middle class became dependent on the state for employment as the upper class monopolized hard sources of wealth. As the economy plummeted, competition for scarce jobs increased. The result was a discontented and jobless middle class. In this context, political conflict became a struggle between factions led by elite leaders and middle-class followers.

The economic crisis of the 1930s and the disastrous Chaco War (1932-35) exacerbated social tensions (see *The Chaco War*, ch. 1). The effects of the war would in turn have a dramatic effect on Bolivian political life and its institutions. Between 1935 and 1952, middle-class reformist efforts converged into populist movements led by both military officers and middle-class civilian intellectuals (see *Prelude to Revolution, 1935-52*, ch. 1). Under Colonel Germán Busch Becerra (1937-39), a constituent assembly approved reforms in 1938 that were to have a lasting and profound impact on Bolivian society. Of greatest significance were changes that altered the pattern of relations between state and society. According to its provisions, human rights outweighed property rights, the national interest in the subsoil and its riches predominated, the state had a right to intervene in economic life and to regulate commerce, workers could organize and bargain collectively, and educational facilities for all children were mandated. The labor provision helped establish the basis for political parties by allowing the formation of miners' and peasants' unions that eventually played central roles in the 1952 Revolution.

Bolivia's constitution was again reformed in 1944 during the presidency of Colonel Gualberto Villarroel López (1943-46), another populist reformer. The principal changes included suffrage rights for women, but only in municipal elections, and the establishment of presidential and vice presidential terms of six years without immediate reelection. Reforms undertaken by military-populist governments, however, were partially rolled back following the overthrow and assassination of Villarroel in 1946. In 1947 a new constitution reduced the presidential term to four years and increased the powers of the Senate.

In retrospect, it is clear that the post-Chaco War reformist efforts increased the role of the state, especially in terms of redressing social and economic grievances. The constitutions of this period reflected the rise of movements and groups that were to dominate Bolivian politics for the next forty years. For example, the Nationalist Revolutionary Movement (*Movimiento Nacionalista Revolucionario*—





*El Prado, a main avenue in La Paz
Courtesy United States Department of State*

MNR) espoused a broad multiclass alliance of workers, peasants, and middle-class elements to do battle with the antinational forces of the mining oligarchy and its foreign allies. It went on to conduct the 1952 Revolution, and in 1985 the MNR was back in power with Paz Estenssoro, its founder and leader, as president. Although the 1952 Revolution fundamentally transformed Bolivian society, a new political order was never fully implemented. Between 1952 and 1956, factions of the MNR debated alternative and novel modes of political organization, including proposals to implement a workers' assembly. By 1956, however, the 1947 constitution had been ratified. Apart from a powerful labor movement, organized as the Bolivian Labor Federation (Central Obrera Boliviana—COB), the MNR failed to create new institutions capable of channeling and controlling the demands of the groups mobilized by the 1952 Revolution (see *The Unfinished Revolution*, ch. 1).

The 1961 constitution institutionalized the gains of the 1952 Revolution by adopting universal suffrage, the nationalization of the mines, and agrarian reform. Factional disputes within the MNR, rooted in demands for access to state employment, undermined the party's capacity to carry out further reforms. In fact, the 1961 constitution served mainly the interests of Paz Estenssoro's faction of the MNR by providing for his reelection in 1964.

The overthrow of the MNR by General René Barrientos Ortuño (president, 1964–65; copresident, May 1965–January 1966; and president, 1966–69) in 1964 initiated the contemporary era in Bolivian constitutional development (see *The Presidency of Barrientos*, ch. 1). After calling elections in 1966 and invoking the 1947 constitution, Barrientos attempted to force through Congress a new corporatist charter. Because he sought democratic legitimacy, however, he was forced to give up his original project in favor of a constitution rooted firmly in the liberal democratic tradition that had inspired the authors of the 1880 charter.

Under the terms of the Constitution of 1967, Bolivia is a unitary republic that retains a democratic and representative democracy. Article 2 stipulates that sovereignty resides in the people, that it is inalienable, and that its exercise is delegated to the legislative, executive, and judicial powers. The functions of the public power—executive, legislative, and judicial—cannot be united in a single branch of government. Although the Constitution of 1967 recognizes Roman Catholicism as the official state religion, it also guarantees to all other faiths the right to worship publicly. In theory, the people govern through their representatives and through other authorities established by law. The Constitution of 1967 became known to most Bolivians only in the 1980s because, for all practical

purposes, it was in effect only until 1969 when a coup by General Alfredo Ovando Candía (copresident, May 1965–January 1966, and president, January–August 1966 and 1969–70) overthrew the civilian regime. Between then and 1979, the Constitution of 1967 was given only lip service by the military rulers who governed Bolivia.

Between 1978 and 1989, four general elections were held, and Bolivia enjoyed a stable, elected, civilian democratic government under the terms of the Constitution of 1967. Nevertheless, although the Constitution of 1967 had continued the strong executive tradition, the political system had not yet developed strong party organizations capable of establishing viable and long-term ruling coalitions.

Governmental Structure

The Executive

Executive power resides in the president of the republic and his ministers of state. The ministers of state conduct the day-to-day business of public administration. In 1989 the Council of Ministers included sixteen ministries (see fig. 11). In addition to the Council of Ministers, the president headed the National Economic and Planning Council (Consejo Nacional de Economía y Planificación—Coneplan), the National Council for Political and Social Affairs (Consejo Nacional Político y Social—Conapol), and the National Security Council (Consejo Nacional de Seguridad—Conase).

The president and vice president are chosen through direct elections to a four-year term. To win an election, a candidate must secure a majority of the popular vote. If a majority is not achieved, Congress selects the next president from among the top three candidates. This reliance on Congress, rather than on a second round of elections, has contributed greatly to the instability of democratically elected executives. Because of a recurring executive-legislative split, elections produced governments that had only formal power. Until 1985 real power, or the effective capacity to rule, had eluded democratically elected presidents.

Under the Constitution, reelection of the incumbent is not permitted; however, after four years the previous president may again run for office. Similarly, an incumbent vice president may not run for president until four years after the end of his term. In 1985, however, a pact between the major political parties allowed Vice President Jaime Paz Zamora to run for the presidency.

To become president, a person must be at least thirty-five years of age, literate, a registered voter, and the nominee of a political

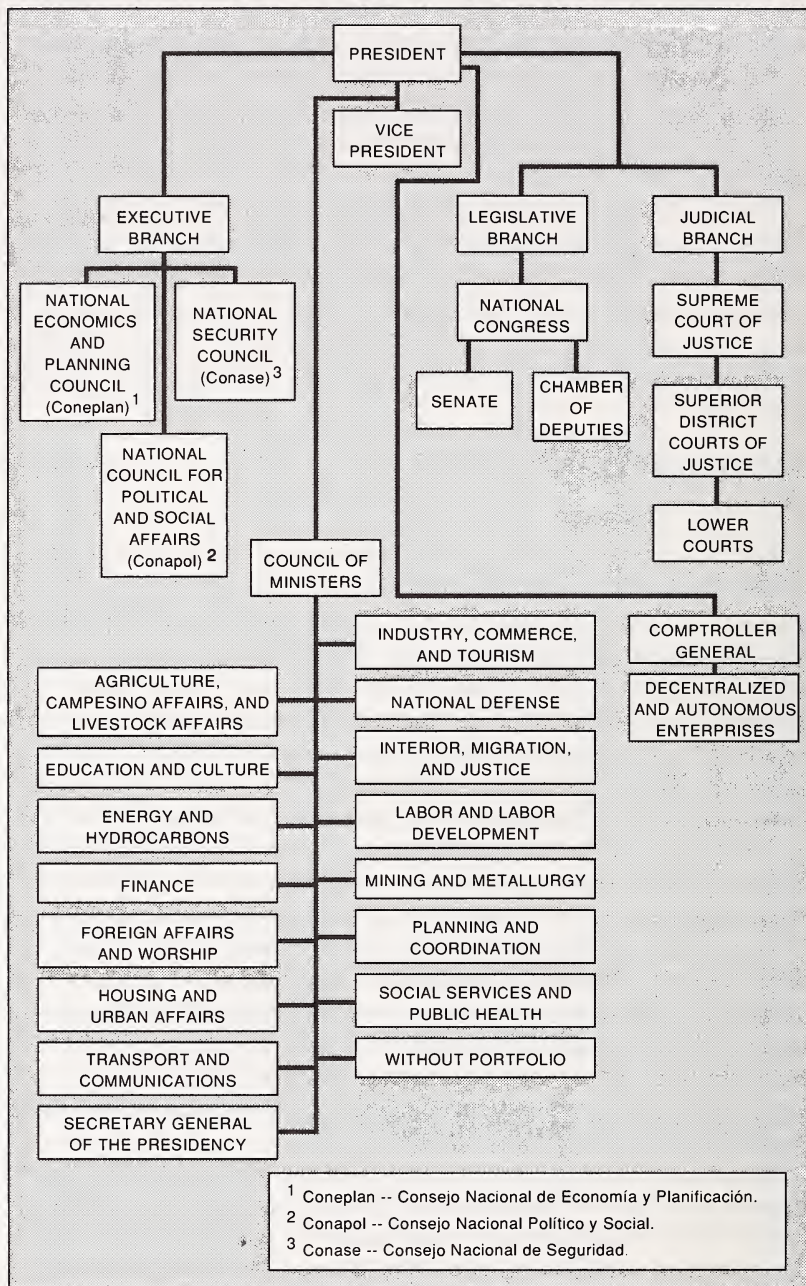


Figure 11. Governmental System, 1989

party. Members of the armed forces on active duty, Roman Catholic clergy, and ministers of other religions may not run for office. Blood relatives and relatives to the second degree by affinity of the incumbent president and vice president are ineligible to run for the presidency. Incumbent ministers of state who seek the executive office must resign at least six months before election day.

By tradition and constitutional law, the president is a strong executive. Conducting foreign relations, making economic policy, enforcing and regulating laws, negotiating treaties and ratifying them after prior approval by Congress, appointing officials, commanding the armed forces, and preserving and defending the public order are all prerogatives guaranteed the chief executive under the Constitution of 1967. In emergency situations, such as internal turmoil or international war, the president has the power to call a state of siege.

The power of appointment enables the president to exercise control over the large number of public servants at all levels of government. The president appoints the ministers of state, members of the bureaucracy, and *prefectos* (prefects) of *departamentos* (departments). From lists submitted by the Senate, the president appoints the comptroller general, the attorney general, the national superintendent of banks, and the heads of state enterprises. As captain general of the armed forces, the president has the power to appoint the commander in chief of the armed forces and the commanders of the navy, army, air force, and public safety.

The executive branch also included a number of decentralized institutions and autonomous enterprises, such as the Social Security Institute (Colegio Nacional de Seguridad Social—CNSS), the Mining Corporation of Bolivia (Corporación Minera de Bolivia—Comibol), the Bolivian State Petroleum Enterprise (Yacimientos Petrolíferos Fiscales Bolivianos—YPFB), the National Railroad Enterprise (Empresa Nacional de Ferrocarriles—Enfe), and the National Telecommunications Enterprise (Empresa Nacional de Telecomunicaciones—Entel). The state also owned and operated Lloyd Bolivian Airline (Lloyd Aéreo Boliviano—LAB; see Transportation, ch. 3).

One of the largest state enterprises, the Bolivian Development Corporation (Corporación Boliviana de Fomento—CBF), grouped a number of smaller industries ranging from dairy products to matches. As a result of a decentralization program, control over the CBF was passed on to regional development corporations in 1985. These were in turn given the task of selling enterprises to the private sector (see Growth and Structure of the Economy, ch. 3).

The dependent nature of Bolivia's middle class and the lack of a broad economic base often resulted in state bureaucracies' being used for political gain. Because of the small size of private industry, the middle class coveted positions in the state bureaucracy. As a result, competition for a limited number of bureaucratic positions frequently engendered political conflict. Government remained a prized commodity struggled over by factions made up of leaders drawn from the elite and ambitious personal followers drawn from the middle class.

By the mid-1980s, the state had become a large but extremely weak apparatus. Approximately 220,000 public employees bloated the bureaucracy, and the prevalence of patronage prevented the dismissal of inefficient employees. This huge payroll seriously inflated the public deficit.

Reforms undertaken since 1985 under the guise of the New Economic Policy (*Nueva Política Económica*—NPE) reduced the size of the state sector by privatizing or decentralizing state enterprises. To reduce public spending, 20,000 miners from Comibol were laid off (see *Structure of the Mining Industry*, ch. 3). Through the restructuring of state enterprises, the government also fired employees in YPFB and other bureaucracies. Critics of the reforms noted, however, that workers were dismissed instead of the government officials whose salaries were responsible for most of the increases in public spending.

In 1989 the Integrated System of Financial Administration and Governmental Control (*Sistema Integrado de Administración Financiera y Control Gubernamentales*—Safco), a program funded by the United States Agency for International Development (AID) and the World Bank (see *Glossary*), was introduced to monitor hiring and firing practices and to reduce corruption in the public sector. The program's central objective was to make government bureaucracies efficient administrative entities. Reforms undertaken by Safco also sought to reduce the number of ministries in order to make the state apparatus leaner and more manageable.

In early 1989, President Paz Estenssoro commanded a cabinet divided equally between politicians and technocrats. Old members of the MNR shared responsibilities with managers drawn from the private sector. Paz Estenssoro's cabinet was credited with enforcing the rigid austerity aims of the NPE. With the economy creeping toward reactivation, the attempt to reduce the size of the public sector appeared to have succeeded.

The Legislature

Although Congress generally played a passive policy-making role, it was a major actor in national politics. Indeed, Congress

had elected every civilian ruler to take office from the late 1970s to 1985.

Historically, Congress had been subordinated to the executive; the intention of the Constitution of 1967 was to consolidate a strong presidential system. Nonetheless, within the context of a multiparty system, the Constitution of 1967 provides important mechanisms that allow for a more influential and active Congress. Congress has the right to pass, abrogate, interpret, and modify all laws. A bill must be passed by the legislature and must be signed by the president to become a law. Although the president may veto a bill, Congress may override the veto with a two-thirds majority vote (see table 13, Appendix).

The Constitution provides for a bicameral legislature: a Chamber of Deputies and a Senate. Every year, beginning on August 6 (Independence Day), Congress meets in La Paz for 90 sessions; the number of sessions may be expanded to 120 if requested by the executive or if favored by a majority of members. Congress may also meet for extraordinary sessions to debate specific bills if requested by the executive and if favored by a majority of its members.

Congress has twenty-two prerogatives, which can be divided broadly into its economic policy, foreign policy, and political powers. Congress's principal economic policy function is approval of the annual budget that the executive must submit to Congress before the thirtieth session. This constitutional requirement for approval has rarely been respected, however. In 1987 and 1988, Congress approved the budget for the first time since 1967, although not within the first thirty sessions. Because budgets often faced opposition in Congress, governments usually approved them through executive decree. Congress also has the power to establish the monetary system and is responsible, in theory, for approving all economic policy. Development programs, for example, must be submitted to Congress, and any loans contracted by the government must also be approved by the legislature.

Congress's foreign policy prerogatives primarily concern its power to approve all treaties, accords, and international agreements. Although this practice was not always respected in the late 1980s, Congress must also decide whether or not to allow foreign troops to travel through or operate in Bolivian territory. Moreover, Congress decides when Bolivian troops may travel abroad.

Congress's political powers include the naming of justices of the Supreme Court of Justice and members of the National Electoral Court, as well as the right to create new provinces, *cantones* (cantons), and municipal districts. One of its most important prerogatives is

to declare amnesty for political crimes. Its most significant power, however, is to resolve elections in which the winning candidate has not garnered a majority of the vote.

Congress possesses wide-ranging oversight powers over executive behavior. A single senator or deputy may call ministers and other members of the executive to testify through a procedure known as *petición de informe oral* (request for an oral report). If the report is unsatisfactory, the senator or deputy may convert a simple request into an interpellation, which may be resolved only through a vote of confidence or a vote for censure. In Bolivian parliamentary tradition, a censured minister must resign and be replaced by the executive. A *petición de informe escrito* (request for a written report) may also be sent to the executive regarding specific policies, events, and actions. The Senate or Chamber of Deputies may also call attention to problems and current issues through *minutas de comunicación* (minutes of communication).

Congress also has the power of specific indictment. For a *juicio de responsabilidades* (malfeasance trial) before the Supreme Court of Justice, a two-thirds majority vote is required to indict individuals accused of wrongdoing while in office. In 1986 Congress indicted former dictator General Luis García Meza Tejada (1980-81); in early 1989, he was being tried in absentia by the Supreme Court of Justice.

In addition to shared powers, each chamber has specific responsibilities. The Chamber of Deputies elects justices of the Supreme Court of Justice from a list submitted by the Senate, approves the executive's requests for the declaration of a state of siege, and transmits to the president of the republic a list of names from which the latter must select the heads of social and economic institutions in which the state participates. The Senate hears accusations against members of the Supreme Court of Justice raised by the Chamber of Deputies; submits to the president a list of candidates for comptroller general, attorney general, and superintendent of the national banking system; approves ambassadors; and approves rank promotions in the armed forces every year.

Elected deputies and senators enjoy immunity from prosecution for the duration of their term; however, a two-thirds majority may retract this privilege from a specific legislator. In 1969, for example, owing to pressure from President Barrientos, Congress lifted the immunity from two deputies who had initiated a "responsibilities trial" against the president. This clearly confirmed the primacy of presidential power.

Deputies are elected through universal suffrage based on a complex proportional representation system. A 1986 electoral law, used

for the first time in 1989, calls for the election of 130 deputies (see table 14, Appendix). Bolivia has adopted the Spanish tradition of electing *suplentes* (alternates) as well. Hence, every elected deputy has an alternate in the event of his or her death, resignation, or disability. Based on population density in 1980, the Chamber's 130 seats were divided as follows among Bolivia's nine departments: La Paz, 28; Potosí, 19; Cochabamba, 18; Santa Cruz, 17; Chuquisaca, 13; Oruro, 10; Tarija, 9; Beni, 9; and Pando, 7.

Deputies are elected for four-year terms, with the entire membership facing election every fourth year. To become a deputy, a person must be at least twenty-five years of age, a Bolivian by birth, a registered voter, have no outstanding penal charges, and not be a government employee, a member of the clergy, or a contractor for public works.

Every legislative year, the Chamber of Deputies elects a new leadership. Its leadership comprises a president, two vice presidents, and five secretaries. The day-to-day operations of the chamber are the responsibility of an *oficial mayor*, or high official. Since 1982 the leadership has reflected the chamber's party composition, although the political parties with the greatest number of seats control the top three positions.

Every new legislative year also carries with it the reordering of committee memberships. In 1989 the Chamber of Deputies had seventeen committees that reflected broadly the structure of the executive cabinet. Since 1982 the committees, which have five members each, also have reflected (with some exceptions) the political subdivisions of the chamber as a whole. Usually, committee chairs are reserved for members of the party in control of the chamber, but they may be used as bargaining tools. Because committee memberships are reorganized each year, seniority is not a factor. Owing to the large number of political parties represented in the lower chamber, the process of approving bills in committee and in the house as a whole is a protracted exercise.

The vice president of the nation is president of the Senate, as well as president of Congress. The Senate is composed of twenty-seven senators, three per department. The winning party in each department secures two senators, and the runner-up controls the third. This arrangement ensures minority representation in the upper house. Like the deputies, senators are elected for four-year terms. To become a senator, one must be at least thirty-five years old, a Bolivian by birth, a registered voter, and must not be a government employee, a member of the clergy, or a contractor for public works. As in the lower chamber, alternates are also elected.

In August, at the beginning of a new legislative year, the Senate elects a president, two vice presidents, and four secretaries. Because fewer parties are represented in this chamber, electing the leadership is usually a rapid and smooth process.

Like the Chamber of Deputies, the Senate has seventeen committees, and every legislative year a complete membership turnover takes place. Each committee must have five members drawn from every party represented in the chamber. In general, bills spend less time in committee in the Senate (and they are also approved more rapidly by the whole chamber) than in the Chamber of Deputies. This is largely because fewer political parties are represented in the Senate.

Committees in both the Chamber of Deputies and the Senate are not specialized bodies, and attempts were not made to secure competent legislative support staff until the late 1980s. Advisers to the committees were selected more on the basis of political affiliation than on expertise. Committees were also plagued by the lack of an adequate library and reference service. The Senate library, which theoretically serves Congress, was woefully inadequate. Although every session was recorded on tape, an efficient congressional record service did not exist. The transcripts of the 1982-85 sessions, for example, did not become available until the late 1980s.

A recurring problem in both chambers was the prevalence of obsolete rules of procedure dating back to the 1904-05 legislative year. Procedural rules have slowed the approval of bills and have contributed in large measure to making Congress's legislative function obsolete.

During congressional recesses, the Constitution provides for a *comisión de congreso* (congressional commission) to be elected by the members of each chamber. Nine senators and eighteen deputies, including the president of each chamber and the vice president of the republic, are elected to this commission.

The congressional commission ensures that the Constitution and civil rights are respected while Congress is not in session. It is also provided with the same executive oversight capacity as Congress. Through a two-thirds majority vote, the commission may convoke an extraordinary session of Congress. Moreover, in the case of a national emergency, it may authorize the president, by a two-thirds vote, to issue decrees that carry the full force of law. Finally, the commission may design bills to be submitted to Congress during the regular legislative year.

The Judiciary

The judicial system is divided into upper and lower levels with effective power resting in the Supreme Court of Justice. The

Supreme Court of Justice consists of a president and eleven *ministros* (justices) who serve in three chambers for civil, penal, and social and administrative matters. Justices are elected for ten-year terms by the Chamber of Deputies from a list proposed by the Senate, and they cannot be reelected. To become a justice, a person must be a Bolivian by birth, have been a judge for ten years, be a lawyer, and meet all the requirements to become a senator.

Under the Constitution of 1967, the Supreme Court of Justice has the power to determine the constitutionality of laws, decrees, and resolutions approved by the executive and legislative branches of government. Moreover, it serves as the arena for malfeasance trials of public officers, including the president, vice president, and ministers of state, for crimes committed while in office.

The Senate elects members of the superior district courts of justice from a list proposed by the Supreme Court of Justice. It also elects members of a complex set of national labor courts. Members of the superior district courts are elected for six years, whereas *jueces de partido* (lower-court, or sectional, judges) and *instructores* or *jueces de instrucción* (investigating judges) are elected to four-year terms but may be reelected. The nine superior district courts hear appeals in both civil and criminal matters from decisions rendered on the trial level by the courts in each department.

Juzgados de partido (civil and criminal trial courts) are established in departmental capitals and in towns and cities throughout Bolivia. The criminal sections have investigating judges who investigate and prepare criminal cases for trial when appropriate. These cases are tried by sectional judges. Commercial and civil matters on personal and property actions are heard by the civil sections of the trial courts.

A number of small claims courts are scattered throughout the country and are limited to actions involving personal and real property or personal actions. Larger claims may be submitted to the same court, but the parties have the right of appeal to the sectional judge.

At the bottom of the judicial system are the mayors' courts, which consist of local judgeships. The civil jurisdiction of these courts is limited to hearing small claims and, in the criminal field, chiefly to police and correctional matters.

Theoretically, the judiciary is an autonomous and independent institution with far-reaching powers. In reality, the judicial system remains highly politicized; its members often represent partisan viewpoints and agendas. Court membership still reflects political patronage. As a result, the administration of justice is held hostage to the whims of party politics. Because members often also represent

departmental interests, a national legal culture has not been fully developed.

Owing to years of military rule, Bolivia's legal culture has stagnated. The closure of universities in the 1970s resulted in a declining system of legal education. Only in the late 1980s did the Bolivian legal system have access to developments in organization and theory that had taken place in other nations. In 1989 AID initiated a program to overhaul the system of the administration of justice. In the opinion of most observers, however, the near-term prospects for implementing any reforms appeared poor.

Of particular concern in the 1980s was the increasing influence exercised by the cocaine industry over judges and even justices of the Supreme Court of Justice. Because of their low salaries, members of the courts were susceptible to the offers of the large amounts of money by narcotics traffickers (see *The Criminal Justice System*, ch. 5).

The Electoral System

The May 1989 elections marked the sixth time that Bolivians had gone to the polls since 1978. This proliferation of elections did not make up for the twelve-year electoral hiatus imposed on the country by successive military dictatorships. Following years of authoritarian rule, the Bolivian electorate faced elections without undergoing a process of institution-building and electoral practice. The result was a chaotic transition period that culminated in October 1982 with the election of Hernán Siles Zuazo (1982-85).

In 1978 the National Electoral Court annulled the first elections because of large-scale fraud; as a result, the military reintervened. The 1979 elections produced a congressionally mandated one-year interim government debilitated by military coups and countercoups. In 1980 a bloody military coup prevented Congress from assembling to elect a new president. In 1982 the Congress elected in 1980 was convoked to choose a president. Elections were held again in 1985, one year earlier than originally mandated by Congress. In May 1989, Bolivians cast their ballots for the third democratic and civilian president of the 1980s.

All Bolivian citizens at least twenty-one years of age, or eighteen if married, are guaranteed the right to vote through secret ballot in free and open elections. All voters must register with neighborhood electoral notaries established prior to an election. To register, voters must present a *cédula de identidad* (national identity card), a birth certificate, or a military service card. Because voting is considered a civic duty, failure to register or vote invokes several penalties. Only citizens over seventy may abstain voluntarily. Mental

patients, traitors, convicts, and conscripted soldiers are ineligible to vote.

The electoral system comprises the National Electoral Court, electoral judges, electoral notaries, departmental electoral courts, and electoral juries. The most important of these bodies, the National Electoral Court, is an independent, autonomous, and impartial organization charged with conducting the electoral process. The court may recognize or deny registration to political parties, fronts, or coalitions. Sixty days before elections, it approves a single multi-color ballot with symbols of parties or pictures of candidates running for office. The court also counts the ballots in public and investigates all charges of fraud. Once the electoral results have been certified by the National Electoral Court, it must provide credentials accrediting elected deputies and senators, as well as the president and vice president. The court must also present an annual report of its activities to Congress.

The National Electoral Court consists of six members elected by Congress, the Supreme Court of Justice, the president of the republic, and the political parties with the highest number of votes in the previous election. Members serve four years and are eligible for reelection.

Electoral judges are seated in the capitals of each department or province. They hear appeals by notaries regarding admission or exclusion of inscriptions in the registry, try electoral notaries and other persons for crimes committed during the electoral process, hear charges of fraud and other voting irregularities, and annul false electoral cards.

Electoral notaries must be present at every electoral station in the country. Their principal task is to organize and provide custody for the electoral registry. They are also empowered to register citizens to vote and to keep an accurate registry of voters.

The 1986 electoral law establishes ten departmental electoral courts, including one in each department capital and two in La Paz. Each court comprises six members, three of whom are named by Congress and three by the superior district courts, president of the republic, and political parties. The departmental electoral courts have the power to name all judges and notaries and to remove them if charges of corruption or inefficiency brought against them by parties are confirmed. They also are empowered to count ballots in public for the president, vice president, senators, and deputies. Each electoral jury is composed of five citizens who monitor voting at the polling place. They are chosen randomly from the lot of voters at each voting table; service is compulsory.

The Constitution establishes that only political parties that are duly registered with the National Electoral Court may present candidates for office. Although labor unions, entrepreneurial associations, and regional civic committees have a very large voice in policy making, by law they must work through political parties. The Constitution and the electoral law provide for a proportional representation system to ensure the representation of minority parties.

The proliferation of tiny parties, alliances, and electoral fronts in the late 1970s led to the enactment of Article 206 of the 1980 electoral law. This article states that parties, alliances, or coalitions that do not achieve 50,000 votes must repay to the national treasury the costs of printing the ballot. Repayment must be made three days after the final ballot has been counted; a jail term awaits party chiefs who fail to pay.

In 1986 amendments to the 1980 electoral law sought to establish further limits on the proliferation of parties by establishing restrictions for party registration. The specific objective of these reforms was to limit the access of minuscule parties to Congress in order to establish a viable two- to three-party system.

The most significant amendment to the electoral law governed registration requirements. Beginning in 1986, citizens had to present either a national identity card or a military service card to register to vote. Critics noted that this reform would legally exclude 60 percent of the peasantry that lacked either document. Indeed, fraud generally occurred in the countryside where the population lacked these documents. The law was amended in December 1988, however, to allow birth certificates as valid documents for registration. Universal suffrage was one of the principal gains of the 1952 Revolution; thus, attempts to restrict voting eligibility have been closely scrutinized.

Since elections returned to Bolivia in 1978, only two have been relatively honest. In 1978 the elections were annulled following massive fraud on the part of the military-sponsored candidate. The 1979 elections were much cleaner, but charges of fraud still surfaced. Most observers agreed that the 1980 elections were clean, but because of a military coup, the outcome was postponed until 1982. Owing to electoral reforms, the 1985 general elections were by far the fairest ever held in Bolivia. Nonetheless, because elections are inherently political, accusations of fraud are a permanent feature of the electoral system. Early in the campaign for the 1989 elections, charges of fraud were already being leveled against the ruling MNR.

Departmental and Local Government

In 1989 Bolivia was divided into nine departments, which were subdivided into ninety-four provinces. Provinces, in turn, were

divided into sections and sections into cantons. Following the French system of governance, each department is governed by a prefect, who is appointed by the president for a four-year term. Prefects hold overall authority in military, fiscal, and administrative matters, working in each substantive area under the supervision of the appropriate minister. Centralized control is ensured by the president's appointment of subprefects, officials vested with the administration of the provinces. Cantons are administered by *corregidores* (administrative officials named after the Spanish colonial officials), who are appointed by the prefect of their department. Serving under the *corregidores* are *agentes* (agents) who have quasi-judicial and quasi-executive functions.

The president's power of appointment created a system of patronage that reached down into the smallest administrative unit. Especially under military governments, the office of the prefect was key to obtaining regional loyalty. Under democratic rule, local government reflected the pattern of job struggle present in the national bureaucracy.

In some areas, *ayllus* (see Glossary) prevailed as the principal local government. Years of military rule did not disrupt these communal structures. Each community selected *jilacatas* or *mallcus* to head the *ayllus*, a practice that reflected the prevalence of a political system outside the structures of the Bolivian state. As a result, the Bolivian campesino was marginal to the political process.

The principal local structure was the municipal government system. Historically, municipal governments in Bolivia proved susceptible to political instability; democratic procedures at the local level were suspended from the time of the Chaco War to 1985, and municipal elections were not held after 1948. During the military period, mayors of cities were appointed by the president, a practice that prevented the development of local and autonomous governmental structures. Instead, municipal governments throughout Bolivia became part of the patronage distributed among retainers by de facto rulers.

For the first time since 1948, municipal elections were held in 1985. They were also held in December 1987 and were scheduled again for December 1989. In large measure, the reemergence of municipal elections has been very healthy for the development and consolidation of democracy in Bolivia. However, many of the same problems that plagued democracy at the national level have emerged in municipal elections.

Municipal governments are bound by the terms of the Constitution and the Organic Law of Municipalities, a 125-article law approved in January 1985. Theoretically, the municipal governments

are autonomous. Autonomy refers primarily to the direct and free election of municipal authorities, the power to extract and invest resources, and the power to implement plans and projects.

Four types of municipal government exist in Bolivia. In the capitals of the departments, municipal governments function under the direction of an *alcalde* (mayor), who should be subject to a municipal council, which consists of twelve members. The capitals of the provinces also function under the direction of a mayor, as well as a six-member municipal junta, or board. Provincial sections are governed by a four-member municipal junta and a mayor. In the cantons, municipal governments function under the direction of municipal agents.

Municipal governments have executive, judicial, comptroller, and legislative functions that reside mainly in the municipal council. Theoretically, the council governs at the local level, and the mayor is subordinate to its mandates. Mayors are elected by the council and are accountable to its members, who may impeach them. But the mayor is a local executive who commands a great deal of influence and can direct the activities of the council.

Mayors and council members are elected in each department and province for two-year terms. To become a council member or mayor, a person must be a citizen in possession of all rights, be twenty-one years of age (or eighteen if married), have run on a party slate, and be a resident of the district that the candidate seeks to represent. Members of the clergy, state employees, and active-duty military service personnel may not run for office.

Because councils are elected on the basis of proportional representation, minority parties have a significant degree of influence. Specifically, if a candidate for mayor does not receive a majority of the vote, the councils must elect the next mayor from the top three contenders. The experience of the December 1987 elections in the La Paz mayoral race revealed that standoffs in the councils could cause a mayoral election to be held hostage to the whims of individual council members. Several proposals for reforming the electoral laws affecting municipal government have been debated in Congress; however, it appeared unlikely in early 1989 that they would be approved in the near future.

Political Dynamics

The Legacy of the 1952 Revolution

In 1989 Bolivia celebrated seven consecutive years of civilian rule. Considering the nation's history of political instability and turmoil, the longevity of the current democratic period marked a significant



*Pérez Velásquez Street, La Paz
Courtesy Inter-American Foundation (Kevin Healy)*

achievement. Clearly, democracy did not come easily to Bolivia; only when other alternatives were exhausted did the country's political leaders accept representative government.

Between 1978 and 1982, seven military and two weak civilian governments ruled the country. Coups and countercoups characterized one of the darkest and most unstable periods in Bolivian history. The unsolved dilemmas of the MNR-led revolution, worsened by decades of corrupt military dictatorships, accounted for Bolivia's convoluted transition to democracy.

The 1952 Revolution sparked the transformation of Bolivia and initiated a process of state-led development that envisioned a harmonious pattern of capitalism and populist redistribution. State capitalism, however, proved to be more compatible with exclusionary, military-based rule than with the populist politics of the MNR. In fact, the inability of the MNR to control the demands for greater redistribution by organized labor, led by the COB, culminated in the MNR's overthrow in 1964.

Conflict between labor and the state deepened under military rule. With the exception of the Juan José Torres González period (1970-71), military governments repressed organized labor to implement state capitalist development. As a result, over the next two decades class conflict was exacerbated. State capitalism (see Glossary) had been incapable of improving the living standards of the

majority of Bolivians, and the economy was still heavily dependent on a single export commodity. Under the government of General Hugo Banzer Suárez (1971–78), the health of the economy rested on excessive foreign borrowing.

A second objective of the revolution had been to institutionalize a political model that could both incorporate the masses mobilized by the MNR and provide access to state jobs for the middle class. Although it attempted to emulate Mexico's Institutional Revolutionary Party (Partido Revolucionario Institucional—PRI), the MNR failed to subordinate labor, military, and peasant groups to the party structure. Instead, the party was held hostage to the interests of factional leaders who eventually conspired with the military to overthrow Paz Estenssoro and the MNR. The military made several attempts to institutionalize a new political order, including a Soviet-like Popular Assembly (Asamblea Popular) in June 1970 and a corporatist legislature in 1974. Like the MNR, however, the military also failed to create an alternative model of politics.

In short, the failure of the revolution and the subsequent military regimes to accomplish political and economic objectives led to the deepening of cleavages that sparked the revolution in the first place. By the late 1970s, Bolivia was a country torn apart by regional, ethnic, class, economic, and political divisions. This was the context in which the transition to democracy was to take place.

The Tortuous Transition to Democracy

The succession of elections and coups that followed the military's withdrawal from politics in 1978 revealed the deterioration of Bolivian institutional life (see table 15, Appendix). In the absence of military leadership for the process of transition, parties, factions, and other groups searched for a formula to carry them to the presidency. Nearly seventy political parties registered for the general elections in 1978, including at least thirty MNR factions.

In this context, it became evident that elections would not solve the structural problems facing Bolivia. In 1979, 1980, and 1985, the winning party could only muster a plurality of votes during the elections. As a result, the legislature became the focal point of political activity as parties and tiny factions maneuvered to influence the final outcome of the general elections. For example, in 1980 Congress elected as president Hernán Siles Zuazo, who had won a plurality of votes. Simultaneously, factions of the military linked to narcotics and other illicit activities were unwilling to surrender control of the state to civilian politicians who threatened to investigate charges of human rights violations and corruption during the Banzer years.

The July 17, 1980, coup by General Luis García Meza Tejada represented a two-year interruption of the transition to democracy. García Meza's military regime was one of the most corrupt in Bolivian history; García Meza and his collaborators maintained close links with cocaine traffickers and neofascist terrorists. Faced with international isolation and repudiation from nearly every political and social group, García Meza and the generals that succeeded him ruled with brute force. By 1982 disputes among rival officers and pressure from abroad, political parties, the private sector, and labor eventually led to the convocation of Congress that had been elected in 1980.

Siles Zuazo of the Democratic and Popular Unity (Unidad Democrática y Popular—UDP) coalition, was again elected president by Congress on October 10, 1982. The UDP was an amorphous entity that grouped Siles Zuazo's own Nationalist Revolutionary Movement of the Left (Movimiento Nacionalista Revolucionario de Izquierda—MNRI), the Bolivian Communist Party (Partido Comunista Boliviano—PCB), and the relatively young Movement of the Revolutionary Left (Movimiento de la Izquierda Revolucionaria—MIR). Having been denied the presidency in three consecutive elections, Siles Zuazo's rise to power was an auspicious occasion. He enjoyed overwhelming popular support and appeared to have a mandate to implement populist reforms. The military and its civilian allies were completely discredited and were no longer a threat or an alternative to rule Bolivia.

By 1982, however, Bolivia faced the most severe economic and political crisis of the preceding three decades. The economy was beset by chronic balance of payments and fiscal deficits. The most immediate manifestation of the crisis was an inability to service payments on its foreign debt of nearly US\$3 billion (see *Growth and Structure of the Economy*, ch. 3). By 1982 the gross domestic product (GDP—see Glossary) had dropped by nearly 10 percent. Siles Zuazo thus faced the dilemma of trying to democratize the country in the context of economic scarcity and crisis. The UDP promised to enact a more equitable development program that would address labor's demands for higher wages and other benefits. As the crisis deepened, however, labor became increasingly disaffected.

The economic plight exacerbated tensions between populist and antipopulist wings of the MNR and other political parties that had been latent since the revolution. Because the UDP controlled only the executive, political conflict was heightened. Congress remained firmly in control of a *de facto* alliance between Paz Estenssoro's MNR (the faction that retained the party's name) and Banzer's

Nationalist Democratic Action (Acción Democrática Nacionalista—ADN).

Conflict between branches of government had been manifest since the beginning of the transition process. Legislators formed complex coalitional blocs to choose executives, whom they promptly turned on and sought to subvert. Congressionally sanctioned coups, labeled “constitutional coups,” were only one example of the prevailing political instability.

Under Siles Zuazo, the full complexity of the crisis emerged. From the outset, the government was weakened by a serious confrontation between the legislature and the executive over alternative solutions to the economic predicament. Responsibility for resolving the crisis rested with the executive, whereas Congress exercised its oversight powers. Additionally, the presence of minuscule parties in Congress exacerbated the confrontation between the UDP and the parties in the legislature.

As a result of the government’s inability to deal with Congress, Siles Zuazo relied on executive decrees. Congress, in turn, charged the president with unconstitutional behavior and threatened to impeach or overthrow him in a constitutional coup. During the three years of his presidency, Siles Zuazo was unable to put down the congressional threat, directed by opposition parties but bolstered by groups from his own UDP.

Between 1982 and 1985, the Siles Zuazo government attempted to address Bolivia’s economic crisis by negotiating several tentative *paquetes económicos* (stabilization programs) with the International Monetary Fund (IMF—see Glossary). Each was the center of a recurring political battle that put Siles Zuazo in the middle of a class struggle between the powerful COB, which represented labor, peasants, and sectors of the middle class, and the relatively small but organized private sector led by the Confederation of Private Entrepreneurs of Bolivia (Confederación de Empresarios Privados de Bolivia—CEPB). This conflict reflected a recurring debate in Bolivia between models of development and the question of what class should bear its costs. It also revealed the extent of Bolivia’s reliance on foreign aid.

Between 1982 and 1985, the CEPB and COB attempted to pressure the government to enact policies favorable to their interests. Siles Zuazo would decree a stabilization program designed to satisfy the IMF and the United States internationally and the CEPB domestically. The COB would respond with strikes and demonstrations, often backed by peasants and regional civic associations. Lacking congressional support, the government would modify the program to the point of annulling its effectiveness through wage

increases and subsidies, thereby provoking the wrath of the CEPB and IMF.

By 1984 the government was completely immobilized and incapable of defining effective economic policies. The result was the transformation of a severe economic crisis into a catastrophe of historic proportions. During the first half of 1985, inflation reached an annual rate of over 24,000 percent. In addition, Bolivia's debt-servicing payments reached 70 percent of export earnings. In December 1984, lacking any authority to govern because of the conflict with Congress, labor, the private sector, and regional groups, the Siles Zuazo government reached the point of collapse. As the crisis intensified, the opposition forced Siles Zuazo to give up power through a new round of elections held in July 1985.

The 1985 elections reflected the complex nature of the Bolivian political process. Banzer, who had stepped down in disgrace in 1978, won a slight plurality with 28.5 percent; the old titan of the MNR, Paz Estenssoro, finished a close second with 26.4 percent. A faction of the MIR, headed by Vice President Jaime Paz Zamora, took third. An indication of the left's fall from the grace of the electorate was the MNRI's showing of only 5 percent.

In Congress the MNR moved quickly to form a coalition that would enable Paz Estenssoro to gain the presidency. After luring the MIR with promises of state patronage, a coalition was formed, and Paz Estenssoro was elected president of Bolivia for the fourth time since 1952. Although enraged by the outcome of the congressional vote, Banzer and the ADN made the calculated decision to accept it. In so doing, the former dictator protected his long-term political interests.

Democracy and Economic Stabilization

In 1985 the entire nation was submerged in a state of tense anticipation as Paz Estenssoro unveiled his strategy to confront the economic and political crisis. Throughout August 1985, a team of economists worked to design the new government's economic initiatives. The private sector came to play a crucial role in the elaboration and implementation of the government's economic policy. The private sector's main organization, the CEPB, had shifted its traditional support for authoritarian military solutions and by 1985 had become clearly identified with free-market models that called for reducing the state's role in the economy. When the economic reforms were announced, the impact on the private sector became evident.

On August 29, 1985, Paz Estenssoro signed Decree 21060, one of the most austere economic stabilization packages ever implemented in Latin America. Hailed as the NPE, the decree sought

to address the structural weaknesses in the state capitalist development model that had been in place since 1952. Specifically, the decree aimed at ending Bolivia's record-setting hyperinflation and dismantling the large and inefficient state enterprises that had been created by the revolution. Hence, the NPE represented a shift from the longstanding primacy of the state in promoting development to a leading role by the private sector. The NPE also rejected the notion of compatibility between populist redistribution and capitalist development that had characterized previous MNR-led regimes.

After addressing the economic side, Paz Estenssoro moved to resolve the political dimensions of the crisis. In fact, shortly after the announcement of Decree 21060, the COB, as it had done so often under Siles Zuazo, headed a movement to resist the NPE. But the COB had been weakened by its struggles with Siles Zuazo. After allowing the COB to attempt a general strike, the government declared a state of siege and quickly suffocated the protest. Juan Lechín Oquendo and 174 other leaders were dispatched to a temporary exile in the Bolivian jungle. They were allowed to return within weeks. By then, the government had already delivered the COB a punishing blow that all but neutralized organized labor.

Even as he moved to contain the COB, Paz Estenssoro sought to overcome the potential impasse between the executive and legislature that had plagued Siles Zuazo for three years. The MNR did not have a majority in Congress, and therefore Paz Estenssoro had to contemplate a probable confrontation with the legislature; for this reason, among others, he decreed the NPE. In moving to overcome this political gap, Paz Estenssoro did not seek support from the center-left groups that elected him. Indeed, any move in that direction would have precluded the launching of the NPE in the first place. Paz Estenssoro had in fact seized on parts of the program pushed by Banzer and the ADN during the electoral campaign. As a result, Banzer was left with the choice of backing Paz Estenssoro or opposing a stronger version of his own policy program.

Discussions opened by Paz Estenssoro with Banzer ripened into a formal political agreement, the Pact for Democracy (*Pacto por la Democracia—pacto*), signed on October 16, 1985. The formulation of the *pacto* was a crucial political development. Under its terms, Banzer and the ADN agreed to support the NPE, a new tax law, the budget, and repression of labor. In return, the ADN received control of a number of municipal governments and state corporations from which patronage could be used to consolidate its organizational base. The MNR also agreed to support reforms to

the electoral law aimed at eliminating the leftist groups that voted against Banzer in Congress. Most important, the *pacto* allowed ADN to position itself strategically for the 1989 elections.

In the most immediate sense, the *pacto* was effective because it guaranteed the Paz Estenssoro government a political base for implementing the NPE. For the first time in years, the executive was able to control both houses of Congress. Paz Estenssoro used this control to sanction the state of siege and defeat all attempts of the left to censure the NPE. In broader historical terms, the *pacto* was significant because it created a mechanism to overcome the structural impasse between the executive and the legislature.

The *pacto* served other purposes as well; for example, it gave Paz Estenssoro leverage over some of the more populist factions of the MNR who were unhappy with the NPE because they saw it as a political liability in future elections. For three years, Paz Estenssoro used the *pacto* to prevent any possible defections. Hence, party factions that could have harassed the president contemplated the immediate costs of being cut off from patronage even as they were forestalled in their larger political goal of altering the NPE.

As in Colombia and Venezuela, where pacts between the principal parties were responsible for the institutionalization of democracy, the *pacto* was deemed an important step toward consolidating a two-party system of governance. In contrast to the Colombian and Venezuelan cases, however, the *pacto* was based more on the actions of Banzer and Paz Estenssoro than on the will of their respective parties. Moreover, because the *pacto* was a reflection of patronage-based politics, its stability during electoral contests was tenuous at best. During the municipal elections in 1987, for example, party members, when confronted with patronage offers from opposition parties, faced enormous difficulties in adhering to it.

The campaign for the 1989 elections tested the *pacto* to the breaking point. At issue was the need to ensure that in the event neither candidate secured a majority, the losing party would support the victor in Congress. Polls conducted in December 1988 and January 1989 suggested that Banzer could emerge victorious. Under the terms of an addendum to the *pacto* signed in May 1988, the MNR would be obligated to support Banzer in Congress. This situation provoked a sense of despair in the MNR, which perceived itself as an extension of the ADN with no real likelihood of emerging victorious in May 1989.

In a surprising pre-electoral move, Banzer announced the formation of a "national unity and convergence alliance" between the ADN and MIR. Congress deliberated fourteen hours on August 5 before electing Jaime Paz Zamora as president of Bolivia

and Luis Ossio Sanjinés of the ADN-Christian Democratic Party (Partido Demócrata Cristiano—PDC) alliance as vice president. On handing the presidential sash to his nephew, Paz Zamora, on August 6, Paz Estenssoro thereupon became the first president to complete a full term in office since his second presidency in 1960–64. The political maturity of the election was illustrated not only by Banzer's support for the MIR and the MIR's willingness to join with the ADN but also by the vows of both Banzer and Paz Zamora to continue with the policies of the NPE.

The "national unity and convergence alliance," however, revealed that old ways of doing politics had survived. Although the ADN and MIR each received nine ministries, the ADN controlled the principal policy-making bureaucracies, such as foreign affairs, defense, information, finance, mining and metallurgy, and agriculture and peasant affairs. The ADN's share of the cabinet posts went to many of the same individuals who had ruled with Banzer in the 1970s. The MIR's principal portfolios were energy and planning. Following a traditional spoils system based on patronage, the new ruling partners divided among themselves regional development corporations, prefectures, and decentralized government agencies, as well as foreign embassy and consular posts.

The 1989 Elections

In the initial months of 1989, the MNR tried in vain to postpone the election date, arguing that the deadline for electoral registration restricted citizen participation. In December 1988, the party's delegation in Congress had managed to amend the electoral law of 1986. Arguing that the new registration requirements, which limited registration to citizens who possessed *cédulas de identidad* (national identity cards), constituted a violation of universal suffrage, the MNR pushed through legislation that added birth certificates and military service cards as valid registration documents. The ADN refused to go along with its ally and eventually charged the MNR with conducting fraudulent registrations. By mid-February this issue had triggered the rupture of the *pacto*.

The end of the *pacto* revealed an old reality about Bolivian politics. To achieve power, broad electoral alliances must be established; yet, electoral alliances have never translated into stable or effective ruling coalitions. On the contrary, electoral alliances have exacerbated the tensions built into a complex system. Thus, once in power, whoever controls the executive must search for mechanisms or coalitions such as the *pacto* to be able to govern. This search was the single most important challenge facing Bolivian politicians in the 1980s.

*President Jaime Paz Zamora
Courtesy Embassy of Bolivia,
Washington*



As expected, every political party was forced to scramble for new allies. The ADN joined forces with the now minuscule Christian Democrats by naming Ossio Sanjinés as Banzer's running mate in an effort to attract other political elements. Banzer led every major poll, and the ADN repeatedly called for Congress to respect the first majority to emerge from the May 7 election.

The situation was more complex in the MNR where, after a bitter internal struggle, Gonzalo Sánchez de Lozada, a pragmatic former minister of planning and coordination and prominent entrepreneur, captured the party's nomination. The MNR's strategy was to develop Sánchez de Lozada's image as a veteran *movimientista* (movement leader) to capture populist support. At the same time, party strategists intended to attract support from outside the party by building on the candidate's entrepreneurial background. The task of converting the candidate into an old party member apparently succeeded: old-line populist politicians dominated the first slots on the party's legislative lists. The naming of former President Walter Guevara Arze as the vice presidential candidate was perceived as further evidence of the party's success in influencing the candidate.

Following a similar electoral logic, the MIR sought to broaden its base of support by establishing ties with several parties, including Carlos Serrate Reich's 9th of April Revolutionary Vanguard (Vanguardia Revolucionaria 9 de Abril—VR-9 de Abril), the Revolutionary Front of the Left (Frente Revolucionario de Izquierda),

and a number of dissidents from the MNRI. Paz Zamora, the MIR's candidate, led in some polls, and most analysts agreed that he would pose a significant threat to the MNR and ADN.

The left attempted a comeback following the disastrous experience of the UDP years. Headed by Antonio Aranibar's Free Bolivia Movement (Movimiento Bolivia Libre—MBL), the left grouped into a broad front labeled the United Left (Izquierda Unida—IU). The IU brought together splinter factions of the MIR, the Socialist Party One (Partido Socialista Uno—PS-1), and the PCB, and it counted on the support of organized labor, especially the COB. Given the historical divisions within the Bolivian left, however, the IU was not perceived to be a serious contender. If it could maintain unity beyond the 1989 elections, observers believed that its impact might be greater than anticipated.

The main newcomer to national electoral politics, although no stranger to La Paz politics, was Carlos Palenque. Popularly known as *el compadre* (the comrade), Palenque was a former folksinger turned radio and television owner and talk show host. His "popular" style of broadcasting had always enjoyed widespread appeal in the working-class and marginal neighborhoods surrounding La Paz. For at least a decade, Palenque had been regarded as a possible candidate for mayor of La Paz; during the 1987 municipal elections, his name was under consideration by the MNR.

Palenque's move into national politics was prompted by the closing down of his television station for airing accusations made by an infamous drug trafficker, Roberto Suárez Gómez, against the Bolivian government (see *Narcotics Trafficking*, ch. 5). To promote his candidacy, Palenque founded Conscience of the Fatherland (Conciencia de la Patria—Condepa), which grouped together a bizarre strain of disaffected leftists, populists, and nationalists who had defected from several other parties.

Ten parties and fronts contested the election, which was held as scheduled on May 7, 1989. The results, a virtual three-way tie among the MNR, ADN, and MIR, were not surprising (see table 16, Appendix). As expected, Congress once again was given the task of electing the next president from the top three contenders. But the slight majority (a mere 5,815 votes) obtained by the MNR's candidate, Sánchez de Lozada, was surprising to observers, as was the unexpected victory by Palenque in La Paz Department. His showing was significant in a number of ways. First, it demonstrated that none of the major political parties had been able to attract lower middle-class and proletarian urban groups, who had flocked to *el compadre*; Palenque had wisely targeted marginal and displaced sectors of La Paz. Second, Condepa's showing reflected the growth



*Presidential campaign graffiti in an Altiplano town
Courtesy Inter-American Foundation (Kevin Healy)
Political graffiti in 14 de Septiembre, the Chapare
Courtesy Inter-American Foundation (Kevin Healy)*

of racial and ethnic tension in Bolivian electoral politics. For the first time in the history of the Bolivian Congress, for example, a woman dressed in native garb would serve as a deputy for La Paz Department.

Claims of fraud from every contender, especially in the recounting of the votes, clouded the legitimacy of the process. At one stage, fearing an agreement between the ADN and MIR, the MNR called for the annulment of the elections. Indeed, negotiations were well advanced between the MIR and ADN to upstage the relative victory obtained by the MNR. Between May and early August, the top three finishers bargained and manipulated in an attempt to secure control of the executive branch.

The composition of Congress exacerbated the tensions between the parties in contention. Because seventy-nine seats are needed to elect a president, compromise was indispensable. In mid-1989, however, it was unclear whether the political system in Bolivia had matured enough to allow for compromise.

Political Forces and Interest Groups

Political Parties

Bolivian political parties do not perform the classic functions of aggregating and articulating the interests of social classes, regions, or individuals. Historically, political parties have been divorced from pressure groups such as labor, the private sector, and regional civic committees. Instead, parties have been vehicles through which politicians can lay a claim to state patronage. As in other Latin American nations, the dependent nature of the middle class, which does not own hard sources of wealth and therefore relies on the state for employment, accounts partially for this role.

Since the 1950s, the MNR has been the major party in Bolivia. Because the MNR was the party of the 1952 Revolution, every major contemporary party in Bolivia is rooted in one way or another in the original MNR. The rhetoric of revolutionary nationalism introduced by the MNR has dominated all political discourse since the 1950s. Owing to the fact that the MNR was a coalition of political forces with different agendas and aspirations, however, the subsequent splits in the party determined the course of Bolivian politics.

The major splits in the MNR occurred among Guevara Arze, Paz Estenssoro, Siles Zuazo, and Lechín, the principal founders of the party. Each led a faction of the party that sought to control the direction and outcome of the revolution. As MNR leaders tried

to subvert each other, factional strife culminated in the overthrow of the MNR and the exile of the four titans of the revolution.

Although years of military rule did not erode the MNR's appeal, factional disputes within the party resulted in a proliferation of parties that surfaced in the late 1970s when the military opted for elections. Indeed, political party lines were very fluid; party boundaries were not the product of ideological distinctions and shifted at any moment.

In the late 1970s, Paz Estenssoro, Lechín, Siles Zuazo, and Guevara Arze reemerged as the principal political actors. Siles Zuazo's MNRI joined forces with the PCB and the MIR to finally gain control of the presidency in 1982. Paz Estenssoro orchestrated a congressional vote that catapulted him to power in 1985. Until 1986 Lechín remained at the helm of the COB. Guevara Arze served as interim president in 1979 and was the MNR's vice presidential candidate in 1989.

Founded in 1979 by Banzer, the ADN was the most important political party to have emerged in the 1980s. The ADN was significant in that it grouped the supporters of Banzer into a relatively modern party structure. Simultaneously, however, the ADN was a classic caudillo-based party, with Banzer sitting at the top as the undisputed leader.

The ADN's ideology of democratic nationalism was not significantly contrary to the revolutionary nationalism of the MNR; in fact, several of the principal ADN leaders were dissidents of the MNR. In large part, however, democratic nationalism was rooted in a nostalgia for the stability experienced under Banzer's dictatorship in the 1970s.

Since the 1979 elections, the ADN's share of the electorate has grown considerably. Especially in the urban areas, the party has attracted the upper sectors of the middle class. Its call for order, peace, and progress following the turmoil of the Siles Zuazo years resulted in its outpolling other parties in the 1985 election. Banzer claimed to have the backing of 500,000 Bolivians, a figure that would make the ADN the largest party in Bolivia.

The other significant political party to emerge after 1970 was the MIR. Founded in 1971 by a group of young Christian Democrats educated at Louvain University in Belgium, the MIR was linked to the student movement that swept across the world in the latter part of the 1960s. Initially, the MIR expressed solidarity with urban guerrilla groups such as the National Liberation Army (Ejército de Liberación Nacional—ELN) and had close ties to its namesake, Chile's more radical Movement of the Revolutionary Left (Movimiento de la Izquierda Revolucionaria—MIR).

The Bolivian MIR achieved political maturity during Siles Zuazo's government. As a part of the cabinet, it was responsible in large measure for enacting important economic decrees. Paz Zamora, the MIR's chief, served as the UDP's vice president. Like other Bolivian political groups, however, the MIR went from a party of idealistic youth to an organization that was captured by a cadre of job-hungry politicians.

By 1985 the MIR had split into at least three broad factions that represented the ideological tensions within the original party. Paz Zamora's faction was the most successful, mainly because it retained the party's name while avoiding responsibility for the UDP period. By the late 1980s, Paz Zamora's MIR had become the third largest political party in Bolivia; indeed, some observers believed that after the May 1989 elections it would eclipse the MNR. The new MIR portrayed itself as a Social Democratic party that could work within the parameters of the NPE implemented in 1985.

The MBL, which reflected one of the more orthodox Marxist strains within Bolivia's original MIR, remained an important MIR faction in the late 1980s. For the 1989 elections, the MBL managed to put together the IU. The IU included the remnants of a deeply divided Bolivian left, including the PCB, which was still feeling the effects of its role in the infamous UDP coalition.

The Military

In 1952 the MNR downgraded the military as an institution and attempted to create new armed forces imbued with revolutionary zeal. This event initiated a long and complex relationship between the armed forces and politicians. The 1964 coup by General Barrientos began a cycle of military intervention that culminated only in 1982, with the withdrawal of the military from the political arena (see *Military Rule, 1964-82*, ch. 1; *Evolution of the Military Role in Society and Government*, ch. 5).

By then the military as an institution had been reduced to a collection of factions vying for control over the institution and the government. A process of disintegration within the armed forces reached its extreme form under General García Meza, who took power in 1980 after overthrowing Lidia Gueiler Tejada (1979-80), a civilian constitutional president (see *The Tumultuous Transition to Democracy, 1978-82*, ch. 1). By that juncture, however, the military was plagued by deep internal cleavages along ideological, generational, and rank lines. The connection of García Meza and his followers to the burgeoning cocaine industry further divided the armed forces.

Officers such as Banzer and García Meza represented the last vestiges of the prerevolutionary armed forces that sought unsuccessfully to eradicate populism in Bolivia. In the process, however, they discredited the military and, at least in the short run, eliminated the institution as a power option in Bolivian politics. The older generation retired in disgrace, accused of narcotics trafficking, corruption, and violations of human rights.

Since 1982 the military has undergone a major reconstruction process. The old guard of "coupist" officers was replaced as the generation of officers who had graduated from the new military academy in the 1950s reached the upper echelons of the armed forces. The younger generation appeared committed to the rebuilding of the military and manifested its support for civilian rule. It also accepted end-of-year promotions authorized by the Senate.

After 1982 key officers rejected overtures from a few adventurous civilians and soldiers who were dismayed by the "chaos and disorder" of democratic rule. The military command was even involved in aborting a coup attempt in June 1984 that included Siles Zuazo's brief kidnapping. Officers realized that a coup against Siles Zuazo or any other civilian would disturb the military's efforts to rebuild.

The military's unwillingness to launch another coup was even more significant given the economic and political situation in Bolivia between 1982 and 1985. The COB and business, regional, and peasant groups exerted untenable demands on the Siles Zuazo government. All of these groups tried to coerce the regime by using tactics such as strikes, roadblocks, and work stoppages.

The military remained in its barracks despite the social turmoil that enveloped the country. Indeed, the only military action during this period occurred in response to a presidential directive. In March 1985, Siles Zuazo called upon the military to restore order after miners occupied La Paz. Once this had been accomplished, the armed forces retreated obediently. Their mission then became one of ensuring the peaceful transfer of power to the victor of the 1985 elections. The military's role in support of democracy in the late 1980s was in large measure dependent on the success of Paz Estenssoro's reforms under the NPE. In early 1989, Bolivia's armed forces had no reason or excuse to intervene.

Because of the military's willingness to engage in joint exercises with United States troops and in drug interdiction programs in the late 1980s, the military once again became the recipient of aid that had been drastically reduced since 1980. The joint antinarcotics operation with the United States, dubbed "Operation Blast Furnace," also provided the military with important equipment and

training. In fact, a close partnership developed between Bolivia's armed forces and the United States Southern Command (see Foreign Military Assistance in the 1980s; Narcotics Trafficking, ch. 5).

A new generation of officers were to assume command of the armed forces in the 1990s. Most were young cadets during the 1970s and were given special treatment and protection by General Banzer. Some observers had suggested that these officers might have intervened if Banzer had been denied the presidency in 1989 by a congressional coalition.

Organized Labor

Historically, organized labor in Bolivia had been one of the most politically active and powerful in Latin America. Owing to the importance of mining in the economy, the Trade Union Federation of Bolivian Mineworkers (Federación Sindical de Trabajadores Mineros de Bolivia—FSTMB) has been the backbone of organized labor since the mid-1940s. Before the 1952 Revolution, the FSTMB orchestrated opposition to the three dominant tin barons and led protests against worker massacres.

During the first few days of the revolution, the MNR founded the COB in order to group the FSTMB and the other labor unions under an umbrella organization that would be subordinate to the party. In creating the COB, the MNR was following the example of Mexico's PRI, which effectively controlled labor through the party's structures. In Bolivia the COB and especially the FSTMB, which controlled labor in the nationalized mining sector, pushed for worker comanagement and cogovernment. Moreover, worker militias were allowed to form freely when the military as an institution was downgraded.

As a result, the COB became an autonomous institution that challenged the primacy of the MNR. Relations between the MNR and the COB were more state to state than party to subordinate labor union. In fact, the COB came to perceive the state as an apparatus that had been appropriated by the MNR politicians and that had to be captured in order to further the interests of the working class. This relationship was to characterize the relations between the COB and the Bolivian state until the mid-1980s.

As the COB grew in power, the MNR relied on the reconstructed military to control labor and its militias. With the adoption of a state capitalist model of development that postponed the aspirations of organized labor, the conflict between the state and labor deepened. This conflict climaxed in the mid-1960s under the military government that overthrew the MNR. With the exception of

the 1969–71 period, the military initiated a long period of repression that sent the COB into clandestine existence.

When the military called for elections in 1978, the COB, despite being outlawed between 1971 and 1978, reemerged as the only institution able to represent the interests of the working class. Moreover, the COB directed the workers to demand economic, political, and social rights that had been denied to them throughout the military period.

Labor's strength climaxed during Siles Zuazo's second term (1982–85). However, the economic crisis had reached such extremes that in surrendering to the demands of the workers the UDP government only exacerbated the economic situation. Although this period demonstrated the power of the COB to coerce governments, it also led to the downfall of organized labor. As the COB staged hundreds of strikes and stoppages, the economy faltered and public opinion turned against labor.

The MNR government headed by Paz Estenssoro thus was able to impose the NPE on the workers. The COB attempted to stage a strike, but three years of confrontation with the Siles Zuazo government had seriously weakened its ability to mobilize labor. With the support of the *pacto*, Paz Estenssoro imposed a state of siege that effectively debilitated organized labor. Indeed, the COB's power was undermined so effectively that in the late 1980s it was incapable of staging a general strike.

After 1985 labor's efforts centered on preventing the decentralization and restructuring of Comibol. The restructuring of the nationalized mining sector, especially the mass layoffs, had decimated the FSTMB. As a result, the COB demanded the rehabilitation of Comibol and respect for the rights of labor unions. In September 1986, the FSTMB sponsored a workers' march, dubbed "March for Life," to fend off plans to restructure Comibol, to halt mass firings, and to raise miners' salaries. In response, the government declared a congressionally sanctioned state of siege and immediately imposed Decree 21337, which called for the restructuring of Comibol along the lines originally prescribed in Decree 21060.

The "March for Life" forced government and labor to enter into negotiations, mediated by the Bolivian Bishops Conference (Conferencia Episcopal Boliviana—CEB), that postponed the implementation of Decree 21337. The result was an accord whereby the government agreed that all production and service units targeted for elimination by the decree would remain intact. Moreover, the government agreed that all management decisions in Comibol would be made only after consulting with labor unions. Finally,

the MNR government promised to end massive layoffs and agreed that employment would be capped at 17,000 in Comibol.

Because the accord was opposed by radical labor leaders grouped under the so-called Convergence Axis, the agreement fell through, and Decree 21337 was imposed. Labor had suffered its worst defeat. In July 1987, radical labor leaders were ousted at the COB's convention. COB strategies in 1988 proved more effective. In May 1988, for example, it helped defeat proposals to decentralize health care and education. For the moment, labor had been reduced to defensive actions that sought to protect its few remaining benefits. Nonetheless, the COB was still a formidable force that would have to be faced in the future. For democracy to survive in Bolivia, it was clear that the demands and aspirations of labor would have to be taken into account.

The Peasantry

The peasantry became politically active only after the 1952 Revolution. Previously, much of the Indian peasant population had been subjected to a form of indentured service called *pongaje* and had been denied voting rights through a series of legal restrictions. *Pongaje* ended with the Agrarian Reform Law enacted in 1953. Universal suffrage, in turn, incorporated the Indian masses into Bolivian political life.

The MNR established a new type of servitude, however, by using the Indian peasant masses as pawns to further the political interests of the party. Party bosses paraded peasants around at election rallies and manipulated peasant leaders to achieve particularistic gain. Some authors have labeled this system of political servitude *pongaje político*, a term that evokes images of the prerevolutionary exploitation of the peasantry.

As the MNR surrendered control of the countryside to the military, the peasantry came to rely extensively on military protection. This reliance enabled the military to forge the so-called Peasant-Military Pact, through which they promised to defend the newly acquired lands of the peasantry in return for help in defeating any new attempts to dismantle the military as an institution.

With the overthrow of the MNR in 1964, General Barrientos buttressed his grip on power by manipulating the Peasant-Military Pact. The pact became a mechanism through which the military co-opted and controlled the peasantry. Autonomous peasant organizations, as a result, failed to emerge.

During Banzer's presidency, the military attempted to continue the manipulation of the peasantry. In January 1974, peasant demonstrations against price increases culminated in a bloody



*A meeting of Aymara Indians in the Altiplano region
Movie theater mural in Llaqui,
a mining town in Potosí Department
Courtesy Inter-American Foundation (Kevin Healy)*

incident known as the "Massacre of Tolata," in which more than 100 peasants were either killed or wounded. The Tolata incident put an end to the Peasant-Military Pact; paradoxically, it led to the emergence of a number of autonomous peasant and Indian organizations that remained active in politics in the late 1980s.

The most significant was the Katarista movement, or Katarismo, which embraced political parties and a campesino union. The political parties, such as the Túpac Katari Indian Movement (Movimiento Indio Túpac Katari—MITKA), were based on an ideology rooted in the Indian rebellion that Julián Apasa (Túpac Catari, also spelled Katari) led against the Spaniards in 1781 (see *State, Church, and Society*, ch. 1). After 1978 the MITKA succeeded in electing several deputies to Congress.

The union-oriented branch of Katarismo founded the Túpac Katari Revolutionary Movement (Movimiento Revolucionario Túpac Katari—MRTK). In 1979 the MRTK established the first peasant union linked to the COB, known as the General Trade Union Confederation of Peasant Workers of Bolivia (Confederación Sindical Única de Trabajadores Campesinos de Bolivia—CSUTCB). The establishment of this union was a significant development. For the first time, an autonomous peasant organization recognized a commonality of interests with labor. Many observers noted, however, that the campesino movement had never really been accepted by the COB. Moreover, the fortunes of the MRTK were tied to those of its ally, the UDP.

In the 1980s, Bolivian peasant organizations fared poorly. MITKA and MRTK parties performed worse than anticipated in elections and were forced to seek alliances with larger parties. Electoral reforms in 1980 and 1986 further undermined the capacity of peasant political parties to compete in national elections. The greatest challenge confronting these movements was the need to break the monopoly over the peasantry held in the countryside by the traditional political parties.

Regional Civic Committees

In the late 1980s, Bolivia was one of the least integrated nations of Latin America. Because Bolivia's geographic diversity generated deep regional cleavages, Bolivian governments had been challenged to incorporate vast sectors of the country into the nation's political and economic systems. The most profound of these regional splits separated the eastern lowlands region known as the Oriente (Santa Cruz, Beni, and Pando departments and part of Cochabamba Department) from the Altiplano. Natives of the Oriente, called *Cambas*, often looked with disdain at highlanders, referred

to as Kollas. Over the years, Cambas contended that the central government, located in La Paz, had financed the development of the Altiplano by extracting resources from Santa Cruz Department. This became a self-fulfilling prophecy in the mid-1980s because of the primacy of natural gas and the collapse of the mining industry. For most of Bolivia's history, however, the Altiplano had supported the development of the Oriente.

In this context of regional disputes, *comités cívicos* (civic committees) emerged to articulate and aggregate the interests of cities and departments. The most significant was the pro-Santa Cruz Civic Committee, founded in the early 1950s by prominent members of that department's elite. In the late 1950s, this committee effectively challenged the authority of the MNR in Santa Cruz. Some observers argued that between 1957 and 1959 the Civic Committee in effect ruled Santa Cruz Department. As was the case with other sectors of society, the MNR was unable to subordinate regional interests to the interests of the party.

During the period of military rule, leaders of the civic committees received prominent government posts. During the Banzer period, for example, members of the Santa Cruz committee were named mayor and prefect. The military was among the first to discover that civic committees were better mechanisms for regional control than political parties.

Civic committees also proved to be more effective representatives of departmental interests. Under democratic rule, the civic committee movement bypassed parties as valid intermediaries for regional interests. This situation was attributable to the political parties' failure to develop significant ties to regions. Regional disputes often took precedence over ideology and party programs. Nevertheless, although civic committees often presented the demands of their respective regions directly to the executive branch, the Constitution of 1967 states that only political parties can represent the interests of civil society. Civic committees thus forged contacts within political parties, and political parties, in turn, actively sought out members of civic committees to run on their slates. These efforts by political parties to incorporate the demands of the civic committees as their own could be perceived as healthy for the institutionalization of an effective party system in Bolivia. Moreover, civic committees helped to relieve partially the regional tensions that, under authoritarian regimes, were mediated only by the military.

The Private Sector

Although historically Bolivia had a very small private sector, it wielded considerable political influence. Before the 1952 Revolution,

three large enterprises accounted for the bulk of the nation's mining production and were the only other major source of employment besides the state. With the advent of the revolution and the nationalization of the mines, the private sector suffered a severe setback. The ideology of the revolutionaries was to establish a model of development in which the state would take the lead role. But the MNR's intention was also to create a nationally conscious bourgeoisie that would reinvest in Bolivia and play a positive role in the country's development.

As the revolution changed course in the 1950s, the private sector recovered under the tutelage of the state. Joint ventures with private, foreign, and domestic capital were initiated during the late 1950s, and Bolivia moved firmly in a state capitalist direction in the 1960s. This pattern of development had a negative effect on the private sector. Private entrepreneurs became dependent on the state for contracts and projects. This dependence eliminated entrepreneurial risk for some individuals in the private sector while simultaneously increasing the risks for others who lacked governmental access. As a result, the private sector divided into two broad camps: those who depended on the state and prospered and those who relied on their entrepreneurial skills and fared poorly.

In 1961 the CEPB was founded as a pressure group to represent the interests of the private sector before the state. Fearing the impact of populist and reformist governments, the private sector sought protection from the military; in fact, individual members of the CEPB often funded coups. Beginning with the Barrientos government, the CEPB exerted pressure on military regimes and extracted significant concessions from the state. The private sector came to play a protagonist role during the dictatorship of Banzer; many members of the CEPB staffed key ministries and were responsible for designing policies.

During this period, however, the CEPB did not speak for the private sector as a whole. In fact, many private entrepreneurs became disenchanted with the economic model and opposed the Banzer regime. State capitalism actually hindered the development of a modern and efficient private sector because a few individuals benefited at the expense of the majority. Moreover, private entrepreneurs realized that the state was a competitor that had an unfair advantage in the marketplace.

By the end of the tumultuous transition period in 1982, CEPB members generally believed that a liberalized economy and a democratic system would serve its class interests better than any authoritarian dictatorship. The CEPB became one of the principal groups that forced the military out of politics in 1982. It then pressured

the weak UDP government to liberalize the economy and to eliminate state controls over market forces, opposing attempts to regulate the activity of the private sector. Ironically, although generally hostile to the private sector, several UDP policies, such as the "dedollarization" decree, were highly favorable to that sector (see Growth and Structure of the Economy, ch. 3).

During the UDP period, the CEPB emerged as a class-based organization that articulated the interests of the private sector and countered those of COB-led labor. In a very real sense, a well-structured class conflict developed as two class-based organizations battled each other within the framework of liberal representative democracy.

The introduction of the NPE in 1985 represented the culmination of years of efforts by the private sector to liberalize the economy. Prominent members in the private sector, such as Gonzalo Sánchez de Lozada, Fernando Romero, Fernando Illanes, and Juan Cariaga, played a key role in the elaboration of the NPE. They expected the NPE to end the devastating economic crisis of the mid-1980s and to create a safe environment for private investment and savings. As stabilization measures brought a spiraling inflation rate to a halt, the NPE was lauded as the "Bolivian miracle."

Yet, the NPE did not please the entire private sector, mainly because stabilization had not produced economic reactivation. Some entrepreneurs, long accustomed to the protective arm of the state, realized that the free market was a difficult place to survive and sought to alter the model. Others also suggested that the state should reestablish controls to protect local industry from what they considered to be unfair competition from neighboring countries.

Still, privatization of state enterprises and other measures helped raise the level of private sector confidence in the NPE. Because private enterprise was by definition the motor of the new economic model, a positive and supportive outlook developed in the CEPB. Whether or not this attitude would continue rested on the ability of the government to reactivate the economy.

The Media

Bolivian governments historically recognized the political significance of the media and attempted to censor communication channels employed by the opposition. In the 1940s, the MNR utilized the daily *La Calle* to mobilize support for its cause. During the revolution, the MNR purged unfavorable news media and established *La Nación* as the official news organization. Military governments, in particular, subjected journalists to harassment, jail terms, and exile. The Banzer government, for example, expelled

many journalists from the country. In the early part of the 1980s, General García Meza closed down several radio stations and ordered the creation of a state-run network binding all private stations. Many Bolivian and foreign journalists were imprisoned and their reports censored.

After 1982 freedom of the press developed as an important byproduct of the democratization of Bolivian politics. Siles Zuazo's government was perhaps the first to honor its pledge to respect freedom of expression. Radio and newspapers were guaranteed freedoms that Bolivians had never enjoyed previously.

In the early years of democratic rule, the monopoly enjoyed by Channel 7, the state-run television station, represented the greatest obstacle to freedom of the press. Until 1984 Channel 7 was part of the patronage distributed to partisan supporters. Although the Siles Zuazo administration respected freedom of the press in other media, it used the station to further its political agenda and barred the establishment of privately owned stations. The Ministry of Information argued that television was a strategic industry that had to be kept under state control. After several rounds with the opposition in Congress, the minister of information refused to issue permits for the opening of private television stations.

Despite government restrictions, the media experienced a tremendous boom in the mid-1980s. The growth and proliferation of party politics generated a concomitant expansion in the communications industry. Newspapers, television, and radio stations mushroomed during the 1984-85 electoral season. Some forty-seven public and private television stations were in operation by 1989. One of the great surprises was the presence of six channels in the city of Trinidad, Beni Department, which had a population of fewer than 50,000. In short, democracy had magnified the importance of the media in Bolivian politics.

In 1989 daily newspapers reflected the general pattern of ties between party politics and the media. Five daily newspapers enjoyed national circulation: *Presencia*, *Última Hora*, *Hoy*, *El Diario* (La Paz), and *El Mundo* (Santa Cruz). Of these, *Presencia* was the only publication that did not reflect partisan interests. Founded in 1962 under Roman Catholic auspices, *Presencia* was the largest and most widely read newspaper, with a circulation of 90,000. In large measure, *Presencia* reflected the opinions of socially conscious Roman Catholic clergy, who often used its pages to advocate reform.

The oldest newspaper in Bolivia was *El Diario*, with a circulation of 45,000. Founded in 1904, this daily belonged to the Carrasco family, one of the most prominent in La Paz. Historically, *El Diario* reflected the very conservative philosophy of the founding family.

In 1971, during the populist fervor of the Torres period, its offices were taken over by workers and converted into a cooperative. The Banzer government returned the newspaper to the Carrasco family. Hence, *El Diario* was generally perceived as partisan to the views of Banzer and his ADN party. The death of Jorge Carrasco, the paper's director, however, apparently changed the philosophy of the daily. Jorge Escobari Cusicanqui, the new director, was linked to Condepa.

El Mundo, with a circulation of 20,000, emerged as one of the most influential daily newspapers in Bolivia. It was owned by Osvaldo Monasterios, a prominent Santa Cruz businessman. This newspaper was commonly identified as the voice of the ADN. A similar observation could be made about *Última Hora*, formerly an afternoon paper that had been circulating in the mornings since 1986. Mario Mercado Vaca Guzmán, one of Bolivia's wealthiest entrepreneurs and a well-known ADN militant, owned *Última Hora*. This newspaper had hired outstanding academics to write its editorials.

Perhaps the most politicized of all newspapers in Bolivia was *Hoy*, owned by Carlos Serrate Reich, an eccentric politician who also owned Radio Méndez. Serrate demonstrated how the media could be utilized to achieve electoral advantage. Through *Hoy*, which had a circulation of 25,000, and Radio Méndez, Serrate made huge inroads into the rural areas of La Paz Department for the VR-9 de Abril, his political party. The only other newspaper of significance in Bolivia was *Los Tiempos*, a Cochabamba daily with a circulation of 18,000. In the 1970s, *Los Tiempos* had been the leading newspaper in the interior, but it was bypassed by *El Mundo* in the 1980s.

Like the printed media, private television stations reflected the positions of the major political parties in Bolivia. By the same token, the political line of the owners was often reflected in the news broadcasts of each channel. This situation was particularly true in La Paz, where the city's eight channels, including Channel 7 and Channel 13 (the university station), were tied directly to political parties.

Foreign Relations

Bolivia's foreign relations have been determined by its geographical location and its position in the world economy. Located in the heart of South America, the country has lost border confrontations with neighboring nations. Along with Paraguay, Bolivia is a landlocked nation that must rely on the goodwill of neighboring countries for access to ports. Bolivia's highly dependent economy has exacerbated the nation's already weak negotiating position in

the international arena. Economic dependency has established the parameters within which Bolivia could operate in the world.

Bolivia's history is replete with examples of a recurring tragedy-comedy in the course of international affairs. Modern Bolivia is about one-half of the size that it claimed at independence. Three wars accounted for the greatest losses. Of these, the War of the Pacific (1879-83), in which Bolivia lost the Littoral Department to Chile, was clearly the most significant; it still accounted for a large part of Bolivia's foreign policy agenda in the late 1980s. Territorial losses to Brazil during the War of Acre (1900-1903) were less well known but accounted for the loss of a sizable area. The bloody Chaco War with Paraguay (1932-35) culminated in the loss of 90 percent of the Chaco region (see fig. 3).

Relations with the United States fluctuated considerably from the 1950s to the 1980s. United States economic aid to Bolivia during the 1950s and 1960s, the highest rate in Latin America, was responsible for altering the course of the 1952 Revolution. Subsequent United States support for military regimes of the right, however, left a legacy of distrust among sectors of the Bolivian population. The lowest point in bilateral relations was reached during the military populist governments of General Ovando (1965-66 and 1969-70) and General Torres (1970-71). Student protesters burned the binational center in 1971, and the military government expelled the Peace Corps. In the late 1970s, then-President Jimmy Carter's human rights program began Bolivia's transition to democracy by suspending United States military assistance to Bolivia. Washington's nonrecognition of Bolivia's military right-wing governments in the early 1980s because of their ties to the narcotics industry established a new pattern in United States-Bolivian relations.

The democratic era that began in 1983 also ushered in a more cordial phase in Bolivian regional relations. Bolivia's relations with Brazil and Argentina improved significantly, owing in part to a common bond that appeared to exist between these weak democratic governments emerging from military rule and facing the challenges of economic chaos. In early 1989, relations with Brazil were at their highest level in decades, as evidenced by new trade agreements. Relations with Argentina were rather strained, however, because of Argentina's inability to pay for Bolivian natural gas purchases. Bolivian-Chilean relations remained contentious because Bolivia's principal foreign policy goal revolved around its demand for an access to the Pacific Ocean.

In the 1980s, Bolivia became more active in world affairs. Adhering to a nonaligned policy, it established relations with the Soviet

Union, Cuba, East European countries, and the Palestine Liberation Organization (PLO). In some cases, such as with Hungary, relations matured into trade agreements. Bolivia also maintained an important presence in the Organization of American States (OAS) and the United Nations (UN).

The United States

In the 1980s, the growth of Bolivia's narcotics industry dominated United States-Bolivian relations. Drug enforcement programs in Bolivia were begun in the mid-1970s and gathered strength in the early part of the 1980s. Concern over military officers' growing ties to cocaine trafficking led to a tense relationship that culminated in June 1980 in the military's expulsion of the ambassador of the United States, Marvin Weisman, as a *persona non grata*. The "cocaine coup" of July 1980 led to a total breakdown of relations; the Carter administration refused to recognize General García Meza's government because of its clear ties to the drug trade. President Ronald Reagan continued the nonrecognition policy of his predecessor. Between July 1980 and November 1981, United States-Bolivian relations were suspended.

In November 1981, Edwin Corr was named as the new ambassador, thus certifying Bolivian progress in narcotics control. Ambassador Corr played a key role in forcing the military to step down. In the subsequent democratic period, Corr helped shape the drug enforcement efforts of the weak UDP government. In 1983 President Siles Zuazo signed an agreement through which Bolivia promised to eradicate 4,000 hectares of coca over a three-year period in return for a US\$14.2 million aid package. Siles Zuazo also promised to push through legislation to combat the booming drug industry.

With United States funding and training, an elite antinarcotics force known as the Rural Area Police Patrol Unit (*Unidad Móvil Policial para Áreas Rurales—Umopar*) was created (see *The Security Forces*, ch. 5). Siles Zuazo's government, however, was incapable of carrying out an effective antinarcotics program. Opposition from social groups, the significance of traditional coca use in Bolivia, and the absence of a major drug law were the most commonly cited explanations for this failure. Between 1982 and 1985, the total number of hectares under cultivation doubled, and the flow of cocaine out of Bolivia increased accordingly. In May 1985, in a final effort to save face with Washington, the Siles Zuazo government approved a decree calling for extensive drug enforcement programs; the United States perceived this effort as too little and too late, however.

Under Paz Estenssoro's government (1985-89), which made sincere efforts to combat the drug trade, relations with the United States improved significantly. As a result, aid to support economic reforms increased dramatically. In 1989 Bolivia received the greatest amount of United States aid in South America and the third highest total in Latin America, behind El Salvador and Honduras. The major obstacle to harmonious relations, however, remained the prevalence of drug trafficking.

During the Paz Estenssoro government, United States policy toward Bolivia was split between congressional efforts to enforce the 1985 Foreign Assistance Act, limiting aid to countries that engaged in drug trafficking, and the Reagan administration's stated objective of helping consolidate and strengthen democratic institutions in Latin America. Both aspects of United States policy were responsible for setting the course of relations with Bolivia.

In August 1985, Corr was replaced by Edward Rowell, who worked closely with the new Paz Estenssoro government to combat Bolivia's economic crisis and the flourishing drug trade. Rowell arrived in La Paz shortly after a visit of members of the Select Committee on Narcotics Abuse and Control of the United States House of Representatives. The committee's report revealed a deep distrust for Paz Estenssoro's stated intention to carry on with the drug battle and to implement fully the provisions of the May 1985 decree. In June 1986, owing to pressures from the United States Congress, Washington announced the suspension of US\$7.1 million in aid because Bolivia had not satisfied the coca eradication requirements of the 1983 agreement.

Simultaneously, however, the Bolivian government secretly entered into Operation Blast Furnace, a joint Bolivian-United States effort aimed at destroying cocaine laboratories in Beni Department and arresting drug traffickers (see *Narcotics Trafficking*, ch. 5). Despite the outcry from political party leaders on the left, who argued that the operation required Bolivian congressional approval because it involved foreign troop movements through the nation's territory, Operation Blast Furnace began in July 1986 with the presence of over 150 United States troops. Paz Estenssoro's government survived the tide of opposition because of the support forthcoming from the ADN-MNR *pacto*.

Despite Bolivia's evident willingness to fight the drug war, the United States Congress remained reluctant to certify the country's compliance with the Foreign Assistance Act. In October 1986, the Bolivian envoy to Washington, Fernando Illanes, appeared before the United States Senate to report on the progress made under Operation Blast Furnace and on the intention of the Bolivian

government to approve an effective drug law to both eradicate the coca leaf and control the proliferation of cocaine production. Revelations of continued involvement in the drug trade by Bolivian government officials, however, undermined the efforts of Paz Estenssoro's administration to satisfy the demands of the United States Congress.

Congressional efforts in the United States to sanction Bolivia contributed to the degree of frustration felt by the Paz Estenssoro government. Ambassador Rowell, however, was able to convince the Reagan administration that the Bolivian government was a trustworthy partner in the drug war. In spite of another reduction in United States aid in late 1987, the Reagan administration certified that Bolivia had met the requirements of Section 481(h) of the Foreign Assistance Act. Still, the United States Congress was dissatisfied and, in early 1988, decertified Bolivia's progress.

Bolivia's efforts met with some encouragement from the Reagan administration. The United States supported Bolivia's negotiations with international banks for debt reduction and provided substantial aid increases in terms of both drug assistance and development programs. United States aid to Bolivia, which totaled US\$65 million in 1987, reached US\$90 million in 1988. Although the Reagan administration requested almost US\$100 million for fiscal year 1989, disbursement was contingent on the congressional certification of Bolivian progress on eradication programs. Despite this increase in assistance, it paled in comparison with total cocaine production revenues, conservatively estimated at US\$600 million. Bolivian opponents to the drug enforcement focus therefore argued that although the United States advocated drug enforcement and interdiction programs, it was unwilling to fund them.

United States satisfaction with Bolivian efforts in terms of stabilizing the economy, consolidating democracy, and fighting the drug war, however, was evidenced in 1987-88 with the announcement of several AID programs. Specifically, assistance was targeted to rural development projects in the Chapare region of Cochabamba Department, the center of the cocaine industry. Other AID programs in health, education, and privatization of state enterprises were also initiated. More ambitious projects aimed at strengthening democratic institutions, such as legislative assistance and administration of justice, were scheduled for initiation in 1989. AID also proposed the creation of an independent center for democracy. Future AID disbursements, however, were contingent on Bolivia's meeting of the terms of the Foreign Assistance Act and agreements signed with the United States government for the eradication of 5,000 to 8,000 hectares of coca plantations between January and December 1989.

In 1988 Bolivia moved closer toward satisfying United States demands for more stringent drug laws. In July the Bolivian Congress passed, and Paz Estenssoro signed, a controversial bill known as the Law of Regulations for Coca and Controlled Substances (see Threats to Internal Security, ch. 5).

The bombing incident during Secretary of State George P. Shultz's visit to Bolivia in early August 1988, attributed to narco-terrorists, raised concern that a wave of Colombian-style terrorism would follow (see Narcotics Trafficking, ch. 5). Shultz's visit was intended to praise Bolivia's effort in the drug trade; however, in certain Bolivian political circles it was perceived as a direct message about pressing ahead with coca eradication efforts.

Nevertheless, with the approval of the 1988 antinarcotics law and a new mood in Washington about Bolivia, Ambassador Robert S. Gelbard's arrival in La Paz in early October 1988 was an auspicious event. The ambassador headed efforts to confer "special case" status for Bolivia in order to allow for a more rapid disbursement of aid. In return, Bolivian government officials pointed out that United States-Bolivian relations were at their highest level ever.

Gelbard's honeymoon, however, was short lived. On October 26, Umopar troops killed one person and injured several others in the town of Guayaramerín in the Beni. As was the case with another violent incident in Villa Tunari in June 1988, the left and the COB perceived Umopar's actions as the byproduct of a zealous and misguided antidrug policy. The presence of United States Drug Enforcement Administration (DEA) agents in Guayaramerín also renewed questions about the role of United States drug enforcement agents. As 1988 ended, controversy also surrounded the announcement that, under United States Army civic-action programs, United States technicians would help remodel and expand the airports in the cities of Potosí and Sucre (see Foreign Military Assistance in the 1980s, ch. 5).

United States support for the Bolivian government was expected to continue. In large measure, however, United States policy depended on the perception in the United States Congress of Bolivia's progress in controlling the drug trade. Operation Blast Furnace, the 1988 antinarcotics law, and the arrest of several drug lords demonstrated that Bolivia had become a loyal and useful partner in the United States war on drugs. Washington expected Bolivian cooperation to continue after the May 1989 elections.

The Soviet Union

During the military populist governments of General Ovando and General Torres in the late 1960s, Bolivia initiated relations

with the Soviet Union and East European countries. The first formal exchange of ambassadors with the Soviet Union took place in 1969 and continued into the late 1980s. Political relations with the Soviet Union were strained somewhat during the first years of the Banzer regime, but they improved quickly when the Kremlin promised aid for the construction of huge metallurgical plants, such as La Palca and Karachipampa. A paradoxical situation thus developed as the Soviet Union established extremely good relations with the right-wing military government.

With the advent of democracy in the early 1980s, relations with the Soviet Union continued to improve. The UDP government established greater commercial ties, and political relations reached their highest level since 1969. But the situation deteriorated somewhat following the discovery of anomalies in the construction of the huge metallurgical complexes of the 1970s. La Palca and Karachipampa became useless white elephants, but the Bolivian government still owed for the cost of their construction. In 1985 Bolivia requested that the plants be made functional and that the Soviet Union take responsibility for their poor construction. One of the major points in contention was the use of obsolete technology that rendered the plants too expensive to operate. The Soviet Union refused to take responsibility for any defects in the construction of the plants. Simultaneously, the Soviet Union was quite stringent in applying conditions for the repayment of Bolivia's debt. Bolivia requested that its debt with the Soviet Union be renegotiated along the lines of Paris Club (see Glossary) agreements, but Moscow refused.

Cool relations with the Soviet Union were also attributed to Bolivia's continued refusal to grant landing rights to Aeroflot, the Soviet Union's national airline. Landing rights had been negotiated during the Siles Zuazo presidency. In 1985 the new Bolivian government had promised Moscow that Aeroflot would be allowed to land on Bolivian territory. In return, the Soviet Union agreed to grant 200 scholarships and 200 round-trip tickets for Bolivian students and US\$200 million in aid. Nonetheless, the conservative daily *El Diario* led a campaign to deny landing rights to Aeroflot, and other airlines, including United States-based Eastern Airlines, joined in this effort. A report from the military's National Security Council claiming that Soviet spies and arms, rather than travel agents, would be sent to La Paz served to shelve a decision on this issue.

The Third World

Following the onset of democracy, Bolivia pursued a nonaligned foreign policy. In 1989 Bolivia held relations with every communist

nation, including Albania. Relations with China were established in 1985, and diplomatic relations with Taiwan suspended. In 1983 Bolivia had established relations with Cuba. Relations with Cuba improved steadily in the mid- to late 1980s. Cuba donated medical equipment to hospitals and supported Bolivia's quest for non-aligned status. Bolivian leaders, including the foreign minister, met with Fidel Castro Ruz and praised the achievements of the Cuban Revolution.

Bolivia's foreign policy strategy in the early part of the 1980s was labeled "independent neutrality," which was an external manifestation of domestic populism rooted in the 1952 Revolution. In fact, neutrality in foreign affairs was historically associated with populist regimes, such as those of the MNR (especially 1952-56) and Ovando and Torres (1969-71).

The guiding principle of independent neutrality was that diplomatic relations should be maintained with all nations of the world, regardless of political ideology. Respect for the principles of nonintervention and self-determination was a second underlying theme. Independent neutrality reflected a nonaligned thrust with deep roots in Bolivian history. The first Paz Estenssoro government (1952-56), for example, was the first to adopt a policy of neutrality that reflected the revolutionary reality of the country in the 1950s. Subsequently, General Ovando's government established relations with the Soviet Union, and in 1970 General Torres became the first Bolivian leader to attend a conference of the Nonaligned Movement.

The Siles Zuazo regime criticized several United States efforts in Latin America and the Caribbean. In 1981 the Nicaraguan delegation to the UN allowed Siles Zuazo's "government in exile" to denounce human rights violations in Bolivia by the García Meza-led junta that was in power in La Paz. After assuming the presidency, Siles Zuazo criticized the Nicaraguan opposition force, the *contras*, and spoke in favor of the Contadora process, the diplomatic effort initiated by Mexico, Venezuela, Colombia, and Panama in 1983 to achieve peace in Central America. In 1983 Bolivia voted with the majority in the UN to censure the joint United States-Caribbean intervention in Grenada. Siles Zuazo's government also joined a region-wide movement to reform the OAS.

Critics of the 1985-89 Paz Estenssoro administration contended that his more conservative domestic political agenda was reflected in Bolivia's foreign policy. In their view, foreign policy had become increasingly tied to the interests of the United States, affecting Bolivia's relations with other Latin American democracies. Critics pointed out that Bolivia had refused to participate in regional forums on the foreign debt issue since 1985, pursuing instead direct

negotiations with international banks. Additionally, they charged that Bolivia's lack of interest had excluded it from regional integration projects such as the Andean Common Market (Ancom, also known as the Andean Pact). Others pointed out that Bolivia limited its participation in regional organizations to persuading its Andean neighbors to eliminate the controversial Decision 24 from the Ancom charter that restricted foreign investment in the region.

The loss of autonomy in foreign policy, however, was not as obvious as critics claimed. The Bolivian government, in fact, had actively pursued regional ties; for example, it participated in Ancom's Cartagena Agreement and the Río de la Plata Basin commercial and development agreement, and it sponsored a meeting of the Amazonian Pact. In terms of economic integration, the Bolivian government stressed its participation in the Latin American Economic System (Sistema Económico Latinoamericano—SELA) and the Latin American Integration Association (Asociación Latinoamericana de Integración—ALADI).

A discernible change had occurred, however, with respect to Bolivia's policy toward the Central American conflict. In contrast to Siles Zuazo, Paz Estenssoro maintained a distance from the conflict, limiting himself to endorsing Costa Rican president Oscar Arias Sánchez's initiatives. Paz Estenssoro did not challenge the United States on this issue, which remained outside regional peace efforts, such as the Contadora support group. Most significantly, Bolivia was conspicuously absent from the Group of Eight Latin American democracies that demanded hemispheric autonomy, sought support for Cuba's return to the OAS, and put forth an agenda for reforming the OAS.

Bolivia continued to maintain good relations with the Nonaligned Movement in the late 1980s, although they were not as close as during the Siles Zuazo administration. According to Guillermo Bedregal Gutiérrez, Paz Estenssoro's foreign affairs and worship minister, relations were established with seventeen Nonaligned Movement nations, including Ethiopia, Mozambique, and Vietnam. In addition, the Paz Estenssoro regime pointed out that Bolivia occupied the vice presidency of the movement's Ministerial Conference in 1986 and had been actively involved in the organization of the Ministerial Conference for 1988.

Neighboring Countries

Bolivia's major foreign policy position in the twentieth century concerned its demands for a Pacific Ocean coastline on territory lost to Chile during the War of the Pacific (1879–83). In the early

1980s, the Siles Zuazo administration sought the support of the Nonaligned Movement at its conference in Managua. Although Bolivia secured multilateral support for its claim, international pressure produced few results. In fact, Chile refused to deal with Bolivia unless multilateral organizations such as the Nonaligned Movement and the OAS were excluded from the negotiations.

Relations with Chile changed following the election of Paz Estenssoro. Bedregal met on a regular basis with his Chilean counterpart to negotiate an outlet for Bolivia. Bedregal proposed the creation of a sovereign strip sixteen kilometers wide that would run north of the city of Arica and parallel to the Peruvian border. The tone of the negotiations suggested that an agreement was imminent.

On June 10, 1987, however, Chile rejected Bedregal's proposal, sending shock waves through the Bolivian government. The confidence of the Paz Estenssoro government was seriously shaken by this foreign policy defeat, especially after so much emphasis had been placed on its success. Bolivians were, however, swept by another wave of anti-Chilean nationalism in support of the government. Members of Bolivia's civic organizations spontaneously imposed a symbolic boycott of Chilean products. Relations with Chile were again suspended, and little hope for any improvement in the near future remained.

Relations with Argentina and Brazil, in contrast, showed improvement. A bond of solidarity developed among the three nations owing to their common dilemma of trying to democratize in the midst of deep economic recessions. Tensions arose, however, over Argentina's inability to pay for its purchases of Bolivian natural gas. United States intervention on Bolivia's behalf provided some relief to the Bolivian economy. Although by early 1989 Argentina still owed over US\$100 million, a joint accord reached in November 1988 reduced tension. Revenue from natural gas sales was crucial for the success of the new economic model adopted in 1985. Hence, Argentina's discontinuance of purchases of Bolivian natural gas in 1992 when the sales agreement was due to expire could prove to be catastrophic.

Fortunately, Bolivia signed important trade agreements with Brazil in 1988 and 1989. Brazil agreed to purchase approximately 3 million cubic meters of Bolivian natural gas per day beginning in the early to mid-1990s (see *Petroleum and Natural Gas*, ch. 3). The sales were projected to yield approximately US\$373 million annually to the Bolivian economy. Brazil also agreed to help Bolivia build a thermoelectric plant and produce fertilizers and polymers. Finally, Bolivia and Brazil signed an agreement for the suppression

of drug traffickers, the rehabilitation of addicts, and control over chemicals used in the manufacturing of drugs.

Membership in International Organizations

Latin American integration was a major tenet of Bolivian foreign policy largely because Bolivia recognized its severe geographic limitations. As mentioned earlier, Bolivia participated actively in the Amazonian Pact, Ancom, and the Río de la Plata Basin commercial and development agreement in the late 1980s. In fact, Bolivia was the only country in Latin America that could boast membership in all three of these organizations. Bolivia was also a charter member of the OAS and, as noted previously, was active in SELA and ALADI.

Bolivia was a founding member of the UN. In the 1980s, the UN served as a forum for several of Bolivia's demands, including its claims against Chile for access to the Pacific Ocean. In the late 1980s, the UN also provided cooperation on debt-relief programs and advice on coca eradication programs.

Like those of other nations in Latin America, Bolivia's economy was closely scrutinized by the IMF, the World Bank, and the Inter-American Development Bank (IDB). Although its credit rating had been adversely affected by nonpayment of loans to private banks since 1985, Bolivia managed to restore its credibility, and the IMF and other lending agencies reopened credit lines.

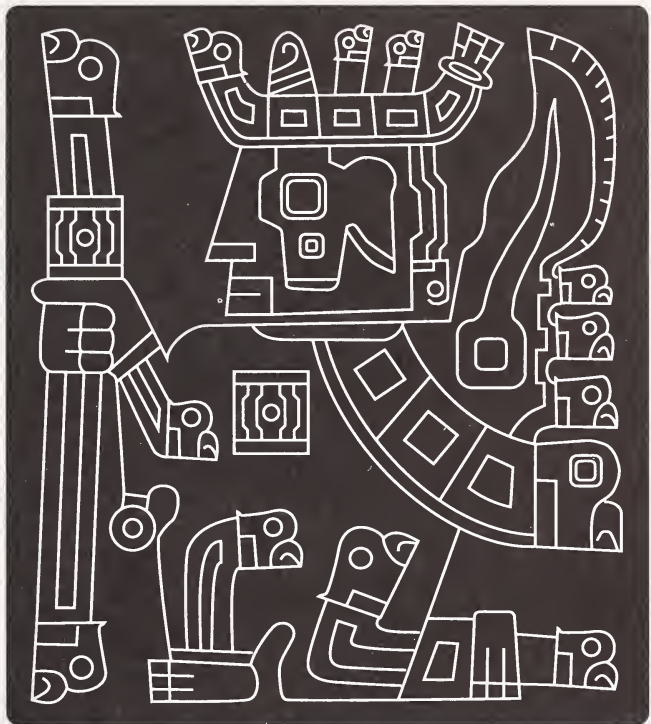
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Until recently very little literature in English was available on contemporary Bolivian politics. For information on Bolivia's governmental system and politics, readers may consult the following publications of James M. Malloy and Eduardo A. Gamarra: *Revolution and Reaction*; "Bolivia 1985-1987" in Abraham Lowenthal's *Latin America and Caribbean Contemporary Record*; and "The Transition to Democracy in Bolivia" in Malloy and Mitchell A. Seligson's *Authoritarians and Democrats*. Other useful books include William H. Brill's *Military Intervention in Bolivia*; James Dunkerley's historical work, *Rebellion in the Veins*; Jonathan Kelley and Herbert S. Klein's *Revolution and the Rebirth of Inequality*; Klein's *Bolivia: The Evolution of a Multi-Ethnic Society*; Jerry R. Ladman's multidisciplinary study, *Modern Day Bolivia*; Malloy's *Bolivia: The Uncompleted Revolution*; Christopher Mitchell's excellent *The Legacy of Populism in Bolivia*; and Rodolfo Salinas Pérez's *La reconquista de la democracia*.

Bolivian foreign relations are discussed in Alberto Crespo Gutiérrez's "Prioridades de la política exterior Boliviana" and Jorge

Escobari Cusicanqui's "Enunciados para una política internacional Boliviana," both in *Relaciones Internacionales*. Additional relevant materials include Gamarra's "Democratization and Foreign Policy" and "The United States, Democracy, and the War on Drugs in Bolivia." (For further information and complete citations, see Bibliography.)

Chapter 5. National Security





*A winged human figure with condor symbols on the body of
the Great Idol of Tiwanaku*

THE ARMED FORCES OF BOLIVIA, principally the army, traditionally have played a central role in the nation's politics, intervening frequently and ruling arbitrarily. The influence of the military in politics predominated for most of the nineteenth century, from the revolt against Spain in 1809 until the ignominious defeat of the armed forces by Chile in the War of the Pacific in 1880. With a few exceptions, civilian leaders governed the country until 1936, when the military, angered by their humiliating defeat by Paraguay in the Chaco War (1932-35), which they blamed on inept civilian leadership, ousted the civilian president who had led the country into the disastrous war.

The 1952 Revolution reestablished civilian rule. Its leaders, members of the ruling Nationalist Revolutionary Movement, stopped short of completely disbanding Bolivia's army, however, when they realized that only it could control the increasingly militant peasants' and miners' militias. Although the leaders of the Nationalist Revolutionary Movement tried to keep the military subordinate, its power continued to increase. The force of military tradition eventually prevailed as the military seized power in 1964. From then until 1982, Bolivia had eleven military governments. With its reputation at a low point as a result of the corrupt and brutal dictatorship of General Luis García Meza Tejada (1980-81), the military returned to the barracks in 1982.

A civilian president, democratically elected in 1980, was finally able to take office in 1982. By decade's end, Bolivia was still under democratic rule, and a more professional military had emerged. It had dissociated itself from García Meza and purged its ranks of many officers who had been implicated in narcotics trafficking. Moreover, it had not reverted to its traditional pattern of intervention and coups.

Bolivian-United States military relations improved considerably in the second half of the 1980s, when the United States once again became the principal source of foreign military assistance. In 1985, after an eight-year suspension, the United States renewed military aid. Although Bolivia did not have a guerrilla insurgency problem, joint Bolivian-United States counterinsurgency exercises were held in the eastern lowlands on two occasions, in 1986 and 1987, but public criticism forced the cancellation of the one scheduled for 1988. Nevertheless, United States military assistance continued, and some major civic-action projects were undertaken in 1989.

As the world's second largest source of cocaine, after Peru, Bolivia had a major problem in the 1980s with narcotics trafficking and the accompanying violence, corruption, and drug abuse. Because it was the destination for an estimated 80 percent of Bolivian cocaine, the United States began providing significant assistance to the antidrug efforts of Bolivia's security forces. Special Bolivian antinarcotics police were created under a 1983 Bolivian-United States antidrug agreement. United States military personnel and equipment were used in Bolivia during the joint Bolivian-United States Operation Blast Furnace. The controversial operation marked the first time that the United States had committed military troops to a narcotics-control mission on foreign soil.

Drug trafficking also became an increasing concern for Bolivian national security in the late 1980s, as wealthy traffickers, including Colombia's Medellín Cartel, lobbied for the Bolivian cocaine industry. This lobbying included bribing, intimidating, and assassinating government, judicial, military, and security officials; contributing to and discrediting political parties; instigating and financing militant demonstrations by coca growers; and developing ties with local guerrilla or paramilitary groups. To counter these efforts, the 1985-89 government of Víctor Paz Estenssoro signed another agreement with the United States in 1987. Paz Estenssoro subsequently revamped the antinarcotics structure and, in 1988, adopted a stringent antidrug law, which met with militant opposition from the organized, coca-cultivating peasantry in Cochabamba and Beni departments.

The Paz Estenssoro government also took steps to reform the overburdened judicial system, which was frequently corrupted by narcotics traffickers. In addition to dismissing a number of judges suspected of taking bribes, the government in 1988 created thirteen special courts to expedite the prosecution of drug traffickers and the confiscation of their assets.

Evolution of the Military Role in Society and Government

Early History

Bolivia's pattern of military revolts was established soon after independence in 1825, as one economic elite or another promoted its interests by backing a particular general or colonel. Soon after taking office, Marshal Andrés de Santa Cruz y Calahumana (1829-39) created an armed forces command and organized an army of between 5,000 and 10,000 members; he also established the Military Academy (Colegio Militar) in 1835. The army was reorganized

in 1839 following its decisive defeat by Chile in the Battle of Yungay and divided into regular and paramilitary forces. Six years of military service became obligatory for single men. After soundly defeating the 5,400-member invading Peruvian forces in the Battle of Ingaví outside La Paz in 1841, Bolivia's army, with 4,100 members, was reduced to between 1,500 and 2,000 men.

At the outbreak of the disastrous War of the Pacific in 1879, the army consisted of 690 officers and 2,165 other ranks, but it was able to mobilize about 12,100 men. Nevertheless, the Chileans easily defeated Bolivia's unprepared army, which had been weakened by years of declining military budgets. The Chilean armed forces killed 5,000 Bolivian troops at Tacna on May 26, 1880, under the command of General Narcisco Campero Leyes (see War of the Pacific, ch. 1). Although the incipient Bolivian naval force had played no role in the war, it lost its three warships and Bolivia's four Pacific Coast ports. Henceforth, Bolivian boats were limited to navigating Lake Titicaca and Bolivia's lowland rivers.

Postwar leaders attempted to create a more professional army. General Campero (1880-84), Bolivia's leading, European-trained army officer, removed its discredited older officers. Aniceto Arce Ruiz (1888-92) reopened the Military Academy in 1891 (closed since 1847), under the command of a Bolivian graduate of France's War School. The academy relocated from Sucre to La Paz in 1899. Arce also initiated a draft service and established the "Sergeant Maximiliano Paredes" Noncommissioned Officers School (Escuela de Clases "Sargento Maximiliano Paredes"—EC), in 1900. Despite these advances, the army was unable to defeat the secessionist movement in Acre (1900-1903), and Bolivia ceded the territory to Brazil in 1903 (see fig. 3).

The Bolivian government sought European help in reorganizing its army. As a result, the principal foreign influences on the army in the early twentieth century were French and German. In 1905 Bolivia contracted with a five-member French military mission, which, over the next four years, established a rudimentary armed forces General Staff (Estado Mayor General—EMG), a Staff College (Colegio del Estado Mayor—CEM), and a Reserve Officers School (Escuela de Oficiales de la Reserva). From 1911 until the outbreak of World War I, an eighteen-member German military mission directed the Military Academy and trained and advised the army, giving it a Prussian look but failing to enhance its military efficiency. Cut off from European sources of equipment and advice during the war, the army stagnated.

Some German military advisers returned after the war, and one, General Hans Kundt, was named EMG chief in 1921, minister

of national defense in 1925, and again EMG chief in 1931 (he was dismissed shortly thereafter for interfering in politics). During that period, Bolivia's military made some progress. By 1923 Bolivia had created the Aviation Corps (Cuerpo de Aviación). It was expanded two years later into a military aviation service that included the "Germán Busch" Military Aviation Academy (Colegio Militar de Aviación "Germán Busch"—Colmilav).

In 1924 the army was reorganized into divisions, each with six regiments. Under President Hernando Siles Reyes (1926–30), the army implemented a new organizational statute, established military zones, and reformed the curriculum of the Military Academy and CEM. It also established the Army Health Organization. Despite the improvements, the army was unable to defend Bolivia's borders when two years of mounting tension over the northern part of the Chaco region erupted into war with Paraguay in December 1932 (see *The Chaco War*, ch. 1).

The Legacy of the Chaco War

From the outset of the Chaco War (1932–35), Bolivia's Aviation Corps—with forty-nine aircraft, including twenty-eight combat aircraft—established aerial superiority, flying frequent tactical support and bombing missions. Its transport element also was active in supplying the troops in the combat zone. Once mobilized, Bolivia's army consisted of nine divisions and more than 12,000 troops, a number that later rose to 25,000. However, in addition to being ill equipped, poorly supplied, and disastrously led, the army consisted largely of homesick, bewildered highland Indians (*indios*) from the Altiplano (highland plateau) who had been conscripted or impressed into service. They fought stubbornly and stoically, but the more resourceful, better-led, and determined Paraguayans, with a mobilized force of 24,000, gradually pushed them back.

Throughout the Chaco War, Bolivia's army Staff (Estado Mayor—EM) feuded with the civilian leadership. The civil-military relationship deteriorated, creating a legacy of bitterness that continued into the postwar period. The war was a humiliating defeat for Bolivia, as well as for its German-trained army. Of a total of 250,000 Bolivian troops mobilized, as many as 65,000 were killed. Moreover, Bolivia not only had to give up most of the Chaco territory but also spent the equivalent of some US\$200 million in its war effort, nearly bankrupting the already impoverished nation.

As a consequence of the debacle in the Chaco, Bolivia's army became more politically aware and ready to act as an institution in pursuit of its own political goals. It began by deposing Daniel

Salamanca Urey (1931-34), the elitist president who had led the country into its disastrous foreign war. For the first time since 1880, the army returned to power. Although both Bolivia and Paraguay were required by the terms of the armistice to reduce their armies to 5,000 men, Bolivia circumvented the restriction by creating a military police "legion" as an unofficial extension of the army.

After the restrictions of the armistice lapsed with the signing by both countries of a peace treaty in 1938, Bolivia built up its battered army. The army retained its basic prewar organization, although units formerly assigned to the Chaco were necessarily relocated. In an effort to professionalize the military, the regime of Colonel David Toro Ruilova (1936-37) invited an Italian military mission to establish two military academies in Bolivia: the Superior War School (Escuela Superior de Guerra—ESG), the former CEM in La Paz for EMG officers; and the "Marshal José Ballivián" School of Arms (Escuela de Aplicación de Armas "Mariscal José Ballivián"—EAA) in Cochabamba, primarily for junior officers. The new schools provided instruction for the first time in such subjects as sociology and political science. Nevertheless, the Italian missions, along with other military missions from Spain and Czechoslovakia in the 1920s and 1930s, had little impact on Bolivia's Armed Forces (Fuerzas Armadas—FF.AA.).

During this period, Bolivia and the United States also established close military cooperation for the first time. Beginning in 1941 and 1942, United States aviation and military missions were active in Bolivia, and the country began receiving limited military aid under the wartime Lend-Lease Agreement. The United States air mission reorganized the Aviation Corps into the Bolivian Air Force (Fuerza de Aviación Boliviana—FAB), which remained subordinate to the army.

Despite gradual improvements in professional standards, the military remained a traditional institution for decades after the Chaco War. The officer corps—divided and fractionalized by interservice rivalry, personal ambitions, differing ideological and geographical perspectives, and generational differences—was alternately dominated by reformists and conservatives. The reformist military regimes of three colonels—Toro, Germán Busch Becerra (1937-39), and Gualberto Villarroel López (1943-46)—all contributed to the polarization of the officer corps along generational and ideological lines. The conservative business leaders who took power in 1946 attempted to reverse the trend of military control of government by having military courts try more than 100 field-grade and junior officers for political activities proscribed by the constitution of 1947; many were convicted and discharged from the army.

Reorganization of the Armed Forces, 1952–66

The 1952 Revolution neutralized the army politically for a dozen years and redefined the military's role in society. Distrustful of the army, Paz Estenssoro's Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario—MNR) government (1952–56) immediately formed armed *milicias populares* (popular militias) composed of campesinos, miners, and factory workers. The militias in effect replaced the army and by 1953 were the strongest armed forces in the country. Instead of abolishing the army, which the MNR leaders soon realized was indispensable, the government largely demobilized and reorganized it. The government also reduced the army in size from approximately 20,000 to 5,000 members, downgraded it in status, and slashed the military budget. In addition, the MNR imposed party control over the army by establishing *células militares* (military cells) and requiring the military to take an oath to the party. Author Charles D. Corbett estimates that no more than 300 officers actually were discharged or exiled, leaving 1,000 officers in the smaller army. He notes, however, that most senior officers were purged from the service.

Paz Estenssoro succeeded in dominating the army, which exercised relatively little influence as an independent political force. It became involved primarily in civic-action projects, particularly in helping to colonize frontier areas. Other than establishing additional engineer units, the army made little progress in developing militarily. Under Paz Estenssoro, the defense budget fell from 22 percent of government expenditures in 1952 to 6.7 percent in 1957. Although the Paz Estenssoro government closed the Military Academy for a year, it kept open the School of Arms and the "Marshal Andrés de Santa Cruz" Command and Staff School (Escuela de Comando y Estado Mayor "Mariscal Andrés de Santa Cruz"—ECEM), which had replaced the ESG in Cochabamba in 1950. Paz Estenssoro also formally established the "General José Manuel Pando" School of Military Engineering (Escuela de Ingeniería Militar "General José Manuel Pando"—EIM), which had already begun operating in La Paz in 1950. In addition to reestablishing the Military Academy in 1954, Bolivia began sending a few officers to attend the School of the Americas (Escuela de las Américas) in Panama.

As the army declined, the militias grew in strength. By the end of Paz Estenssoro's first term in 1956, the militias numbered between 50,000 and 70,000 men. The Paz Estenssoro government also thoroughly reorganized the police force, giving it more responsibility than the military (see *The Security Forces*, this ch.).

The MNR government of Hernán Siles Zuazo (1956–60 and 1982–85), uneasy about having to depend on the goodwill of the increasingly militant militias, began rebuilding the FF.AA. with the idea of keeping the force subordinate to the civilian government and involved primarily in civic-action projects (see Civic Action, this ch.). Historian Robert J. Alexander cites two additional reasons why the MNR government decided to revive the military. First, the government wanted to make use of the docile Indians, who, accustomed to being conscripted at the age of eighteen, continued to present themselves to authorities for induction. Second, the government probably felt pressured by the United States to reestablish the regular armed forces and believed that increased United States economic aid was contingent on doing so. In an effort to ensure that the new military would remain loyal, the civilian government gave preference in command appointments and promotions to military officers of known pro-MNR sympathies and permitted members of the lower class to enter the Military Academy. As the MNR government became increasingly dependent on the army to control unrest, the military began to acquire some political influence.

In 1956 United States military instructors began teaching at the Military Academy. With the beginning of United States military assistance to Bolivia in 1958, military expenditures rose sharply and steadily. The United States also helped to strengthen the military with training and technical assistance. The army created an additional two divisions, raising the total to eight. The FAB, which became independent of the army in 1957, assumed responsibility for air defense, including the operation of antiaircraft artillery units.

Although a landlocked country, Bolivia established a nascent naval force in the early 1960s when it acquired four patrol boats from the United States. The River and Lake Force (*Fuerza Fluvial y Lacustre*) was created in January 1963 under the Ministry of National Defense. It consisted of 1,800 personnel recruited largely from the army. Bolivia's naval force was rechristened the Bolivian Naval Force (*Fuerza Naval Boliviana*) in January 1966, but it also has been called the Bolivian Navy (*Armada Boliviana*).

In his second term (1960–64), Paz Estenssoro continued the military buildup and made determined efforts to improve the training and equipment of the FF.AA., while preventing the militias from rearming. New military schools helped to improve the military's professional standards. The establishment of two new military organizations indicated the military's growing political influence. One was the School of High Military Studies (*Escuela de Altos Estudios Militares—EAEM*), inaugurated in 1960 to educate senior

civilian and military leaders on strategic issues affecting Bolivia. The EAEM was later renamed the School of High National Studies (Escuela de Altos Estudios Nacionales—EAEN), or National War College. The other was the Supreme Council of National Defense (Consejo Supremo de Defensa Nacional—CSDN), formed in 1961 as “the highest advisory body charged with problems of national defense.” According to Corbett, the Supreme Council—which included the president, vice president, cabinet, chairmen of congressional committees, and the military high command—provided a structure for the FF.AA. to present its viewpoints on any national defense-related issue.

By 1964 the army had increased to 15,000 members, and the military budget had grown to 14 percent of the national budget. Although the strength of the militias had dropped to about 16,000 men by early 1963, the militias had not been replaced by an entirely apolitical army. Actually, by rebuilding the army Paz Estenssoro had unintentionally strengthened its political role, for its younger officers had few personal ties with the MNR political leadership.

After leading a successful military coup against Paz Estenssoro in November 1964, FAB General René Barrientos Ortuño immediately abolished the military cells that he, ironically, had headed. An elite nucleus of officers trained in the career school rose to power along with Barrientos (president, 1964–65; copresident, May 1965–January 1966; and president, 1966–69). Beginning with Barrientos’s coup, the military reemerged as a factor in Bolivian politics and would remain the dominant power in government until 1982. Although still fractionalized, it was the strongest and most important institution in Bolivia. The relative status of the military was illustrated by author James Dunkerley’s observation that between 1964 and 1966 the monthly pay of an army lieutenant rose to more than twice the average annual per capita income (US\$120) and quadruple the salary of the highest grade of teacher.

General Alfredo Ovando Candía (copresident, May 1965–January 1966, and president, January–August 1966 and 1969–70) became the most articulate advocate of a new, professional role for the army. Ovando is generally credited with modernizing the military by deemphasizing its traditional role and transforming it into an instrument of development and production. The Generational Group (Grupo Generacional), formed in 1965 and consisting of a few young, professionally oriented, reform-minded officers, also advocated a nationalistic program of reducing foreign influence in Bolivia and diversifying the economy.

The Counterinsurgency Decade

Historian Herbert S. Klein notes that a counterinsurgency policy to combat “internal subversion” became a major theme of United States training for the Bolivian army. In 1963 Argentine-trained Bolivian officers established the Center of Instruction for Special Troops (Centro de Instrucción para Tropas Especiales—CITE) under the Seventh Division in Cochabamba. In addition, by the end of 1963 Bolivia had more graduates from the United States Army Special Warfare School at Fort Bragg, North Carolina, than any other Latin American country. A total of 659 Bolivian officers received training at the School of the Americas in 1962–63, and 20 of the 23 senior Bolivian officers attended or visited the school during 1963–64. United States military aid increased from US\$100,000 in 1958 to US\$3.2 million in 1964. This aid, which included weapons and training outside Bolivia, enabled Paz Estenssoro to strengthen the army more extensively than MNR leaders originally had intended. According to Klein, Paz Estenssoro constantly justified rearming the military to the United States “as a means of preventing communist subversion.”

In March 1967, Bolivia became a prime target of Cuban-supported subversion when Ernesto “Che” Guevara and his tiny National Liberation Army (Ejército de Liberación Nacional—ELN) launched a guerrilla campaign. Despite its increased United States training, Bolivia’s army still consisted mostly of untrained Indian conscripts and had fewer than 2,000 troops ready for combat. Therefore, while the army kept the 40-man guerrilla group contained in a south-western area of the country, an 800-man Ranger force began training in counterinsurgency methods. With counterinsurgency instructors from the United States Southern Command (Southcom) headquarters in Panama, the army established a Ranger School in Santa Cruz Department. By late July 1967, three well-trained and well-equipped Bolivian Ranger battalions were ready for action. Supported by these special troops, units of the Eighth Division closed in on Guevara’s demoralized, ill-equipped, and poorly supplied band. Guevara’s capture and summary execution on October 7 ended the ill-fated, Cuban-sponsored insurgency.

The army’s increased capabilities and its decisive defeat of the legendary Cuban guerrilla leader enhanced its prestige. The fact that Barrientos’s vice president, Luis Adolfo Siles Salinas, a conservative civilian, had to request permission from the military high command to assume his mandate after Barrientos’s death in April 1969 indicated how powerful the army had become as an institution.

Military Intervention in Politics, 1970–85

Until 1970 reformist factions in the military had remained small and had gained significant influence only during the Barrientos administration. By 1970 the military's reformist faction, the Generational Group, had about 100 members, most of them young officers. Historian Maria Luise Wagner postulates that the rise of Juan José Torres González to the presidency (1970–71) marked the culmination of a reformist trend in the FF.AA. that had begun in 1936. The trend, however, reemerged in late 1978 when another reformist, David Padilla Arancibia (1978–79), who was favored by junior officers, took power (see *Revolutionary Nationalism: Ovando and Torres*, ch. 1).

According to Klein, under General Hugo Banzer Suárez (1971–78) “the role of the military was seen as one of protection of the upper classes and their middle-class allies, within non-democratic regimes.” Thus, military intervention was regarded as “a long-term alternative to open politics.” Although military cooperation with the United States grew considerably and the military budget increased under Banzer's rule, the United States suspended military aid to Bolivia in late 1977 because of the regime's authoritarianism.

During the García Meza regime (1980–81), so many top officers were alleged to be involved in corruption and drug trafficking that both foreign and Bolivian officials called it “the cocaine government.” As de facto president, García Meza angered many officers by promoting a number of undistinguished colleagues—whose only merit appeared to be a record of loyalty to him—to top army positions. García Meza resigned and left the country in September 1981, and the military finally stepped aside in October 1982 to allow the National Congress (hereafter, Congress) to reconvene and Siles Zuazo to begin serving out his truncated second term as president (October 1982 to August 1985).

Three coup attempts against Siles Zuazo by dissident officers in June and December 1984 and January 1985 were thwarted because the military, increasingly commanded by younger, more professional officers, remained loyal to the government. The military also honored the constitutional transfer of power to Paz Estensoro in August 1985 for a four-year term in office (see *Political Forces and Interest Groups*, ch. 4).

The Armed Forces

Mission and Organization

The fundamental mission of the FF.AA. is to defend and preserve national independence, security, stability, sovereignty, and honor; ensure the rule of the Constitution; guarantee the stability of the

legally constituted government; and cooperate in the national development of the country. According to the 1967 Constitution, military personnel may not deliberate on or perform any political action, although this provision was often disobeyed in the past. In 1989 the FF.AA.—consisting of the military high command and the army, air force, and navy—totaled 28,000 members. Conscripts accounted for about 19,000 armed forces members (army, 15,000; navy, 1,800; and FAB, 2,200).

The Constitution makes the president of the republic head of the military, with the title of captain general of the armed forces (see fig. 12). The president appoints the commander in chief of the FF.AA., the chiefs of staff of the three military services, and other commanding officers. The president also proposes military promotions to Congress. Operational command of the FF.AA. is exercised jointly by the chiefs of staff through the Committee of Chiefs of Staff, a component of the EMG. Using other military-related presidential powers, the president may declare—with the approval of the Council of Ministers—a state of siege to deal with an emergency situation, but for a period not to exceed ninety days, except with the consent of Congress (see *The Executive*, ch. 4). Under a state of siege, the chief executive may increase the FF.AA., call up the reserves, collect taxes, or negotiate loans. In 1986 the Paz Estenssoro government declared a state of siege to counter strikes by mineworkers and teachers; Congress approved a ninety-day extension. President Jaime Paz Zamora (1989–) gave orders to the FF.AA., on administrative matters only, through the minister of national defense (for the army, navy, and air force). Headed by the president, the CSDN also serves as a body through which senior military officers advise the president and cabinet on national security matters.

Another national security decisionmaking body, the National Security Council (*Consejo Nacional de Seguridad—Conase*), was under the EMG. In early 1989, Conase was directed by a general, who headed its Permanent Secretariat (*Secretario Permanente*).

Under the Paz Zamora government, the minister of national defense was responsible for administrative supervision of the FF.AA. On technical matters and in the event of war, the military receives orders through the commander in chief of the FF.AA., a position that has been rotated among the three services every two years. Each service is headed by a commander, aided by a chief of staff (*Jefe del Estado Mayor*) and an inspector general.

In November 1988, the military was pressing for constitutional reforms, involving nonmilitary as well as specifically military provisions. Proposals included defining the armed forces as “the

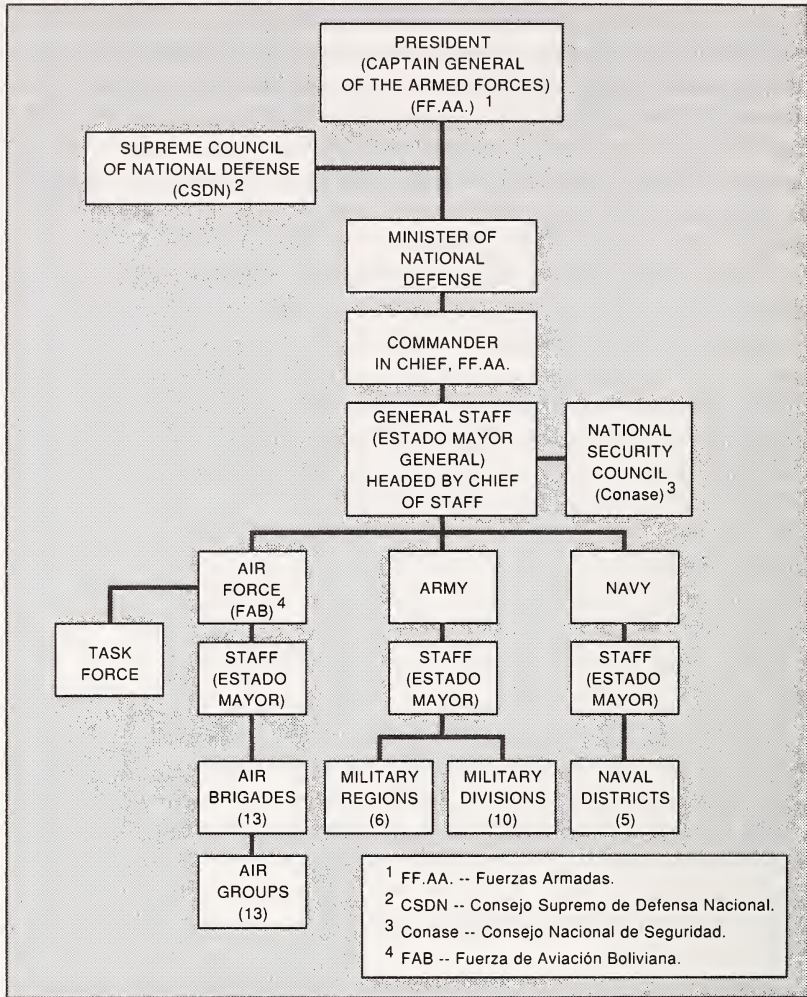


Figure 12. Organization of the Armed Forces, 1989

fundamental institution of the state, charged with the mission of preserving Bolivia's national independence, sovereignty and honor, territorial integrity, peace, and internal and external security; guaranteeing the stability of the legally constituted government; and cooperating in the integral development of the country." Several leading politicians saw the reference to the internal security role as a backdoor attempt to reintroduce the national security doctrine that they claimed inspired most of the military coups.

The Ministry of National Defense was organized into a ministerial cabinet (*gabinete ministerial*) headed by the minister of national defense. Within the ministry were five general directorates: administration and budgets, logistics, territory, planning, and internal management control. In addition to the directorates were the Subsecretariat of Maritime Interests, the National Directorate of Civil Defense, six military regions, and sixteen dependency divisions.

Army

The army had a reported 20,200 members in 1989, including some 15,000 conscripts. Its equipment consisted mainly of light tanks, armored personnel carriers, towed artillery, and recoilless rifles (see table 16, Appendix).

There were six military regions (*regiones militares*—RMs) in the army. RM 1, headquartered in La Paz, encompassed most of La Paz Department. RM 2, headquartered in Sucre, included Cochabamba Department and most of Chuquisaca Department. RM 3, based in Tarija, consisted of Tarija Department and eastern Chuquisaca and Santa Cruz departments. RM 4, headquartered in Potosí, covered Oruro and Potosí departments. RM 5, based in Trinidad, contained most of Santa Cruz and Beni departments. RM 6, based in Cobija, encompassed Pando Department and parts of La Paz and Beni departments.

The army was organized into ten divisions consisting of eight cavalry regiments: five horse units, two motorized units, and one assault group; one motorized infantry regiment with two battalions; twenty-two infantry battalions, including five infantry assault battalions; three artillery “regiments” (battalions); five artillery batteries, including the Artillery and Antiair Defense Group (*Grupo de Artillería y Defensa Antiaérea*—GADA); one paratroop battalion; and six engineer battalions. These units included two armed battalions, one mechanized cavalry regiment, and one Presidential Guard (Colorado) infantry regiment under direct control of the army headquarters in the Miraflores district of La Paz.

Division headquarters were located in Cochabamba (the largest), Camiri (Santa Cruz Department), Oruro, Potosí, Riberalta (Beni Department), Roboré (Santa Cruz Department), Santa Cruz, Trinidad, Viacha (La Paz Department), and Villamontes (Tarija Department). In 1987, however, the Ninth Division was established in Rurrenabaque in General José Ballivián Province of Beni Department. Each of the divisions, with the exception of Viacha, occupied a region generally corresponding to the administrative departments, with some overlapping.

The town of Riberalta had three military bases. Two new bases were under construction in 1989 at Puerto Rico, near Riberalta, and at Porvenir, near the Brazilian border. Others, including those in Riberalta and at the departmental capital of Trinidad, were being modernized.

The FF.AA. in the late 1980s continued to be incapable of adequately defending the country's extensive borders with Argentina, Brazil, Chile, Peru, and Paraguay. If attacked, Bolivia would have to seek assistance from friendly states. It was a member of the Inter-American Defense Board and a signatory of the Inter-American Treaty for Reciprocal Assistance of 1947 (also known as the Rio Treaty). Although no major border conflict had occurred since the Chaco War, Conase was concerned that all of Bolivia's contiguous neighbors had geopolitical objectives that threatened Bolivia's territorial integrity. The intentions of Brazil and Chile were particularly worrisome to Conase.

Navy

Bolivia had a small navy, which in 1989 had approximately 3,800 personnel, including 2,000 naval infantry personnel and marines, as well as about 1,800 conscripts. The navy's small motor launches operated mainly on Lake Titicaca and the numerous navigable rivers of the sparsely populated northeastern portion of the country. The navy's riverine patrol duties included dislodging Brazilian and other foreign gold miners and interdicting smugglers of narcotics and contraband. Its areas of operation were divided into five (or possibly six) naval districts—Lake Titicaca, Río Beni, Río Madre de Dios, Río Mamoré, and Río Paraguay—each with one flotilla. The five naval headquarters were located in Guaqui (on Lake Titicaca's southern shore), Puerto Guayaramerín (on Río Mamoré), Puerto Suárez, Riberalta, and San Pedro de Tiquina (on Lake Titicaca's eastern shore). Other bases were in Puerto Busch, Puerto Horquilla, Puerto Villarroel (on Río Ichilo), Trinidad, and Rurrenabaque. The "Admiral Grau" Marine Infantry Battalion (Batallón de Infantería de Marina "Almirante Grau") was based at the Fourth Naval District, Titicaca, in Tiquina.

In the late 1980s, the navy had several dozen boats in service, including about ten river patrol craft. It received its first United States-built, river-patrol launch, the twenty-meter *Santa Cruz de la Sierra*, in 1985. In 1986 the navy acquired nineteen outboard motors for its five- and six-meter patrol boats, effectively doubling its reconnaissance capability. Bolivia's only seagoing vessel, the *Libertador Bolívar*, was normally docked at Rosario on the Río de la Plata in

La Paz as seen from El Alto
Courtesy Harvey W. Reed



Argentina and was used to and from Bolivian free zones in Argentina and Uruguay. The navy also had two Cessna aircraft (see table 18, Appendix).

Air Force

In 1989 FAB encompassed about 4,000 personnel (including about 2,200 conscripts). Its equipment comprised forty-five combat aircraft and ten armed helicopters (see table 19, Appendix). Although FAB's aircraft were mostly of West European, Brazilian, and United States manufacture, in late 1988 the government was considering the purchase of Soviet cargo aircraft and helicopters.

FAB was under the Ministry of National Defense (it had been under the Ministry of Aeronautics from 1980 to the Paz Zamora administration). FAB was organized into three air brigades with thirteen subordinate air groups. Its nine air bases were located at La Paz, Cochabamba, Santa Cruz, Puerto Suárez, Tarija, Villamontes, Cobija, Riberalta, and Roboré. Major brigade commands included the First Air Brigade (La Paz), Second Air Brigade (Cochabamba), Third Air Brigade (Santa Cruz), and Fourth Air Brigade (also called the Amazonas Air Brigade), created in 1987 and headquartered in the Puerto Suárez area bordering Brazil. The First Air Brigade comprised the Air Fighters Group (Grupo Aéreo Cazador—GAC) 31, Air Transport Groups (Grupos Aéreos de Transporte) 71 and 72, and the National Service of Photogrammetry

(Servicio Nacional de Aerofotogrametría—SNA). GAC-31 received the first six of eighteen T-33A fighter aircraft from the United States in 1985. The Second Air Brigade included Cover Air Groups 41, 51, and 52. The Salvage and Rescue Air Group 51 (Grupo Aéreo de Salvataje y Rescate 51—GASR-51) was created in 1984, although predecessor units had operated since 1960. A similar unit, called the Search and Rescue Group 52 (Grupo Aéreo de Búsqueda y Rescate 52—GABR-52) was established in Cobija in 1987. The Third Air Brigade consisted of Hunter Air Groups 32, 33, and 34, and Training Air Groups (Grupos Aéreos de Entrenamiento—GAE) 21 and 22. GAE-21, which trained cadets of the Colmilav, acquired six T-23 Uirapuru trainer aircraft from Brazil and twelve Cessna A-152 Aerobat aircraft and three ATC-710 flight simulators from the United States in 1986. FAB also had Tactical Air Groups (Grupos Aéreos Tácticos) 61 (in Roboré), 62, and 63 (in Villamontes); the Group of Security and Defense of Air Installations (Grupo de Seguridad y Defensa de Instalaciones Aéreas—GSDIA); and GADA-91, GADA-92, and GADA-93. In March 1989, FAB took a major step toward modernizing its force by inaugurating the General Command Systems Department in La Paz, equipped with sophisticated computers.

Civil Aeronautics

The General Directorate of Civil Aeronautics (Dirección General de Aeronáutica Civil—DGAC), under the direction of FAB (and formerly the Ministry of Aeronautics as well), administered a civil aeronautics school, the National Institute of Civil Aeronautics (Instituto Nacional de Aeronáutica Civil—INAC), and two commercial air transport services: Military Air Transports (Transportes Aéreos Militares—TAM) and Bolivian Air Transports (Transportes Aéreos Bolivianos—TAB). The ministry also controlled the allocation of a large number of small civil aircraft acquired by FAB since the approval in late 1986 of the law on seizure of aircraft not registered at the ministry. INAC, which was headquartered in the Miraflores district of La Paz, graduated eleven new commercial pilots, sixteen maintenance technicians, and three FAB navigators in 1986.

The transport service unit, which FAB refers to as TAM Group 71, has been a part of FAB since 1945. TAM's inventory in the mid-1980s totaled 148 aircraft. Its commercial passenger flights to remote parts of Bolivia played a key role in unifying the country. TAM was commanded by the chief of TAM Group 71.

The other civil transport airline, TAB, was created as a decentralized company of FAB in 1977. Subordinate to the Air Transport

Management (Gerencia de Transportes Aéreos), TAB was headed by an FAB general. As a charter airline for transporting heavy cargoes, TAB linked Bolivia with most countries of the Western Hemisphere; its inventory included a fleet of Hercules C-130 aircraft. TAB's base of operations was headquartered in the FAB garrison of El Alto, adjacent to La Paz's international airport. TAB's most frequent route was to Miami and Houston, with stops in Panama.

Other civil air functions of FAB or DGAC included operating rescue and airport security units. In 1986 the DGAC was studying the reactivation of the Air Rescue Service (Servicio Aéreo de Rescate—SAR), which was apparently separate from FAB's GASR-51. The Airport Security (Seguridad de Aeropuertos) organization was created under FAB in 1987 to provide security at airport terminals. Under the new organization, personnel from FAB, the Administration of Airports and Aerial Navigation Auxiliary Services (Administración de Aeropuertos y Servicios Auxiliares de la Navegación Aérea—AASANA), and the Military Police provided security at each airport.

Civic Action

The three military services contributed significantly to the national welfare by performing various civic action functions throughout the country. These included constructing roads, airstrips, agricultural and industrial works, and schools; clearing land for colonization in eastern Bolivia; conducting literacy campaigns; and providing medical services to the civilian population living in the vicinity of bases. During his second term (1960-64), Paz Estenssoro gave the military an important role in social and economic development through the Civic Action Program, which the United States introduced in Bolivia. For example, the military began paving the Cochabamba-Santa Cruz highway, which opened up the fertile areas of eastern Bolivia to colonization. Although scanty financing limited the army's contribution to economic development, in the mid-1980s almost all of the army's engineer units were engaged in civil engineering works, such as the construction of roads and bridges.

FAB's two civil transport airlines—TAM and TAB—played a major role in civic action programs. TAM provided low-cost air services to the country's many remote areas, which were accessible only by air but could not be served regularly and economically on a commercial basis. TAB also provided air support during natural disasters, in coordination with the Bolivian Red Cross and Civil Defense, by delivering food supplies. In early 1989, Bolivia

purchased a Spanish CASA 212-M aircraft specifically for civil defense missions by the army and navy. The navy provided mobile medical clinics on the country's extensive navigable lake and river system and carried out comprehensive hydrological and hydrographic work and fisheries research, principally in the waters of Lake Titicaca. Because of the need for river bridges and maps, as well as flood-control studies, in 1964 the navy created the Naval Hydrography Service of Bolivia (Servicio de Hidrografía Naval de Bolivia). In March 1989, the Bolivian Shipping Company (Empresa Naviera Boliviana—Enabol) delivered a new vessel to the navy for use in health and other civic action projects in Bolivia's eastern lowlands.

Defense Budget

Data on the Bolivian defense budgets varied widely in the late 1980s. According to the International Institute for Strategic Studies, the 1988 defense budget was US\$87 million. According to the United States government's *The World Factbook, 1989*, however, the military budget in 1988 was US\$158.6 million. These figures were considerably higher than press reports that the defense budget fell from US\$130 million in 1985 to US\$94 million in 1986 but rose to roughly US\$100 million in 1988.

Despite a warning by the FF.AA. commander that a cut in the 1988 funds would endanger Bolivian security and sovereignty, the Paz Estenssoro government reportedly earmarked only about US\$98 million for the 1988 military budget. After meeting with the FF.AA. commander in July 1988, however, Paz Estenssoro ordered the minister of finance to give priority to the armed forces budget. The minister of national defense subsequently reported that the problem of military budget cuts had been overcome, mainly as a result of US\$5 million in aid provided by the United States, and that FF.AA. personnel had received salary increases.

Manpower and Training

Conscription

Since 1904 military service has been compulsory for all fit males between the ages of eighteen and forty-nine. In practice, however, budgetary limitations strictly limited the number of eligible men conscripted, and those traditionally tended to be mostly Indians. Beginning in 1967, conscripts were legally held on active duty for up to two years, but funds seldom permitted even a full year's service. Noncommissioned officers (NCOs) and warrant officers, all of whom were volunteers, generally were drawn from mixed-blood

cholos (see Mestizos and Cholos, ch. 2). In the late 1980s, the service obligation was one year, and conscripts had to be at least nineteen years of age. The FF.AA. commander reported in early 1989 that the largest percentage of conscripts came from the middle class. One explanation for this change could have been the flocking of youths to the lucrative coca paste-making business. Military authorities in the Cochabamba area in particular began to experience growing difficulty in enlisting volunteers in the mid-1980s. Consequently, the military reportedly was resorting to press-ganging eighteen-year-olds off the city streets to fill their annual quotas.

Ranks, Uniforms, and Insignia

The rank structure of the FF.AA. was conventional and conformed to the pattern of the United States services, although minor variations reflected disparities in force levels. The army had nine officer ranks, ranging from second lieutenant to three general officer ranks: *general de brigada* (brigadier general); *general de división* (division general), which was equivalent to a United States major general or lieutenant general; and *general de fuerza* (force general), whose United States counterpart was general. The rank *general de división* was usually reserved for the FF.AA. commander and the minister of national defense, if the latter was a military officer, as well as the army commander and president of the Supreme Tribunal of Military Justice (Tribunal Supremo de Justicia Militar).

Promotion from second lieutenant to first lieutenant, and from the latter to captain were made almost automatically after four years in each grade. Subsequent promotions were influenced greatly by completion of schooling, types of assignments, and performance ratings. Requirements included command of a unit, frontier service, and seniority. For promotion to major, lieutenant colonel, and colonel, five years in each grade were required. The Senate could veto a promotion to colonel or general. Army warrant officers and enlisted personnel ranged from private first class to sergeant major.

FAB's nine officer ranks went from *subteniente de aviación* (second lieutenant) to *general de fuerza aérea* (general). FAB's nine enlisted ranks began with the equivalent of airman basic and airman and ended with the equivalent of chief master sergeant.

The navy's ten officer ranks ranged from *alférez* (ensign) to *almirante* (admiral), equivalent to a United States vice admiral. Naval warrant officers and enlisted personnel had ten ranks, from the equivalent of seaman recruit to fleet force master chief petty officer.

Insignia of rank conformed to the designs adopted in 1968 by the Central American Defense Council (Consejo de Defensa

Centroamericano—Condeca). The commissioned officers' rank insignia for the three services were as follows: the army had silver stars on a blue background with a red border for the equivalent of second lieutenant through captain, silver stars on a red stripe with a blue background for major through colonel, and gold stars on a gold stripe with a red background for generals; FAB had gold stars for second lieutenant through colonel and gold stars on a gold background for general officers; and the navy had traditional gold stripes on the lower sleeve. Enlisted personnel of all three services wore the following: the army had silver bars or stripes; the navy had red or gold stripes or gold bars; and FAB had a blue bar or gold stripes (see fig. 13; fig. 14).

The military uniforms varied depending on climate and use—field, daily service, semidress, parade, ceremonial, and dress. Uniforms for army officers, NCOs, and enlisted personnel were generally gray or, for tropical areas, gray-green khaki. Naval uniforms for officers and NCOs were beige for cold climates, khaki for temperate areas, and white for lowland regions. Enlisted personnel wore the traditional blues and whites; their uniforms included a blue wool fatigue for cold climates and khaki or white uniforms for tropical areas, and black shoes. Officers and enlisted personnel in FAB wore blue squadron caps and blue uniforms for cold climates, and they wore khaki with blue garrison caps for tropical climates. Officers wore gray, green, or orange flight suits; enlisted personnel wore orange or green flight suits.

Military Schools

Bolivia's military schools, with one exception, operated under the direction of a colonel who occupied the position of director of military institutes on the army's Estado Mayor (Staff). Through the Estado Mayor's National Directorate of Instruction and Teaching (Dirección Nacional de Instrucción y Enseñanza), the director administered the school system from the army headquarters compound in La Paz's Miraflores district. The principal officer school complex was located in Cochabamba, however, under the jurisdiction of the Seventh Airborne Division commander.

Most officers of the three services attended a five-year basic training course at the "Colonel Gualberto Villarroel" Army Military Academy (Colegio Militar del Ejército "Coronel Gualberto Villarroel"—CME) in Irapavi, a valley suburb of La Paz. Officers identified with their Military Academy classes (*promociones*) throughout their military careers. To gain admittance, an applicant had to be Bolivian; single; a secondary school graduate (or pass a written examination with a high score); and under twenty years of age.

The applicant also had to produce a health document, certificates of good moral character from both the national police and the local police, and a recommendation from a "responsible sponsor." Every December the school graduated about ninety-five cadets, who were commissioned as second lieutenants or ensigns.

After a period of serving in units, Military Academy graduates proceeded to the specialist schools of their respective arms and services. Company-grade officers underwent a basic six-month course at the FF.AA.'s School of Arms in Cochabamba. After another year with a unit, they were required to attend a ten-month advanced course at this school. Army schools also included the Army Artillery School (Escuela de Artillería del Ejército—EAE) and the EC in Cochabamba. The EC's three-year course graduated hardy and disciplined troops for crisis situations. NCOs generally did not play any political role. Special Forces training for select members of all three services was given at the Army Condors School (Escuela de Cóndores del Ejército—ECE) in Sanandita, Tarija Department. Engineer officers in all three services, after three years of unit experience, enrolled in a five-year professional course at the EIM in La Paz.

For promotion to field grade or for staff appointments, an officer had to graduate from the appropriate two-year courses of the ECEM in Cochabamba. Since the school's inauguration in 1950, ECEM graduates who met certain other requirements were awarded the title of staff graduate (*diplomado de estado mayor*—DEM), were entitled to use DEM following their rank, and became eligible for certain key positions. The coveted title was required for command of tactical units or service on the Staff. Officers who had served at least two years as captains and received the top rating of "very good" from the School of Arms could apply to enroll in the two-year ECEM course.

After spending a period with a unit, an ECEM graduate could enroll in a nine- to twelve-month course at the National War College (EAEN), the only military school not under the director of military institutes. Distinguished civilians, such as lawyers and university professors, with an interest in national security affairs could also enroll. Military graduates of the EAEN course were awarded the prestigious title of graduate of high national studies (*diplomado de altos estudios nacionales*—DAEN), whose initials replaced the staff designation of DEM. Few officers were promoted to colonel without having completed the EAEN course, a prerequisite for promotion to general officer. (President Torres worsened his strained relations with the army by appointing, as army chief of staff, a young reformist officer who had not graduated from the EAEN

BOLIVIAN RANK	SUBTENIENTE	TENIENTE	CAPTÁN	MAJOR	TENIENTE CORONEL	CORONEL	GENERAL DE BRIGADA	GENERAL DE DIVISION	GENERAL DE FUERZA
ARMY									
U.S. RANK TITLES	2D LIEUTENANT	1ST LIEUTENANT	CAPTAIN	MAJOR	LIEUTENANT COLONEL	COLONEL	BRIGADIER GENERAL	MAJOR GENERAL/ LIEUTENANT GENERAL	GENERAL
BOLIVIAN RANK	SUBTENIENTE DE AVIACIÓN	TENIENTE DE AVIACIÓN	CAPTÁN DE AVIACIÓN	MAJOR DE AVIACIÓN	TENIENTE CORONEL DE AVIACIÓN	CORONEL DE AVIACIÓN	GENERAL DE BRIGADA AEREA	GENERAL DE DIVISION AEREA	GENERAL DE FUERZA AEREA
AIR FORCE									
U.S. RANK TITLES	2D LIEUTENANT	1ST LIEUTENANT	CAPTAIN	MAJOR	LIEUTENANT COLONEL	COLONEL	BRIGADIER GENERAL	MAJOR GENERAL/ LIEUTENANT GENERAL	GENERAL
BOLIVIAN RANK	ALFÉREZ	TENIENTE DE CORBETA DE FRAGATA	TENIENTE DE NAVIO	CAPTÁN DE CORBETA	CAPTÁN DE FRAGATA	CAPTÁN DE NAVIO	CONTRA-ALMIRANTE	VICE ALMIRANTE	ALMIRANTE
NAVY									
U.S. RANK TITLES	ENSIGN	LIEUTENANT JUNIOR GRADE	LIEUTENANT	LIEUTENANT COMMANDER	COMMANDER	CAPTAIN	COMMODORE ADMIRAL	REAR ADMIRAL	VICE ADMIRAL
									ADMIRAL

Figure 13. Officer Ranks and Insignia, 1989

course.) Every year Bolivia also sent officers on training scholarships (*becas*) abroad, usually to Argentina, Brazil, Peru, or the United States.

Air force officers completed the five-year course of the Military Academy in La Paz before being commissioned into FAB with a rank equivalent to second lieutenant. Officer pilots then transferred to the flying school in Santa Cruz for specialist training. Since 1955 FAB's aeronautical training institute had been the Colmilav in El Trompillo, Santa Cruz Department. Colmilav included primary and basic training squadrons. Graduates of Colmilav were promoted to second lieutenant. The Colmilav student body totaled about 300 cadets in 1988. Fewer than half of the 100 cadets who enrolled every year succeeded in graduating.

FAB's first aerotechnical training school was the Polytechnical Military School of Aeronautics (Politécnico Militar de Aeronáutica—PMA), established in 1953 and based in Cochabamba since January 1987. The PMA graduated aviation technicians with the rank of first-sergeant technicians (*sargentos primeros técnicos*). Its February 1986 graduating class totaled thirty-five members. In January 1986, the Technical Training School of the Air Force (Escuela de Capacitación Técnica de la Fuerza Aérea—ECT) was founded at El Alto Air Base outside La Paz. FAB officers received additional mid-career, postgraduate training at the ECEM in Cochabamba. The "General René Barrientos Ortuño" Air War School (Escuela de Guerra Aérea "General René Barrientos Ortuño"—EGA), which was inaugurated in 1973 for postgraduate studies, offered a command and staff course and, since February 1986, an air squadron course. A FAB group commander who used the title of graduate of aerial military studies (*diplomado de estudios militares aéreos—DEMA*) after his rank probably graduated from the EGA or EAEN. Many FAB officers also pursued additional courses of study abroad.

Bolivia had several naval schools. An Argentine naval mission assisted in the creation of two naval schools located in Tiquina: the Naval Military School (Escuela Naval Militar—ENM), established in 1973 and attended by officers attached to the CME in Irpavi; and the "Dr. Ladislao Cabrera Vargas" Naval Staff College (Escuela de Estado Mayor Naval "Dr. Ladislao Cabrera Vargas"—EEMN), sometimes referred to as the Naval War College, for commanding officers (*jefes*) and regular officers, which opened in 1970. Other naval schools included the Littoral Naval School (Escuela de Marinería Litoral—EML) in Trinidad, the Naval Technical School (Escuela Técnica Naval—ETN) for NCOs, and the Naval Application School (Escuela de Aplicación Naval—EAN) for

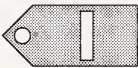





















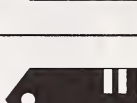
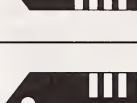


BOLIVIAN RANK	SOLDADO	DRAGONEANTE	CABO	SARGENTO SEGUNDO	SARGENTO PRIMERO	SUB-OFICIAL INICIAL	SUB-OFICIAL SEGUNDO	SUB-OFICIAL PRIMERO	SUB-OFICIAL MAYOR	SUB-OFICIAL MAESTRE
ARMY	NO INSIGNIA	NO INSIGNIA								INSIGNIA NOT KNOWN
U.S. RANK TITLES	BASIC PRIVATE	PRIVATE	PRIVATE 1ST CLASS	CORPORAL	SERGEANT	STAFF SERGEANT	SERGEANT 1ST CLASS	MASTER SERGEANT	SERGEANT MAJOR	COMMAND SERGEANT MAJOR
BOLIVIAN RANK	SOLDADO	DRAGONEANTE	CABO	SARGENTO SEGUNDO	SARGENTO PRIMERO	SUB-OFICIAL INICIAL	SUB-OFICIAL SEGUNDO	SUB-OFICIAL PRIMERO	SUB-OFICIAL MAYOR	SUB-OFICIAL MAESTRE
AIR FORCE	NO INSIGNIA									
U.S. RANK TITLES	AIRMAN BASIC	AIRMAN	AIRMAN 1ST CLASS	SERGEANT	STAFF SERGEANT	TECHNICAL SERGEANT	MASTER SERGEANT	SENIOR MASTER SERGEANT	CHIEF MASTER SERGEANT	SUB-OFICIAL MAESTRE
BOLIVIAN RANK	MARINERO DE SEGUNDA	MARINERO DE PRIMERO	CABO	SARGENTO SEGUNDO	SARGENTO PRIMERO	SUB-OFICIAL INICIAL	SUB-OFICIAL SEGUNDO	SUB-OFICIAL PRIMERO	SUB-OFICIAL MAYOR	SUB-OFICIAL MAESTRE
NAVY										
U.S. RANK TITLES	SEAMAN RECRUIT	SEAMAN APPRENTICE	SEAMAN	PETTY OFFICER 3D CLASS	PETTY OFFICER 2D CLASS	PETTY OFFICER 1ST CLASS	CHIEF PETTY OFFICER	SENIOR CHIEF PETTY OFFICER	MASTER CHIEF PETTY OFFICER	FLEET FORCE MASTER CHIEF PETTY OFFICER

Figure 14. Enlisted Ranks and Insignia, 1989

subaltern officers. Naval personnel also continued to receive part of their training in Argentina.

Military Justice

As revised by the Banzer government, the 1978 Penal Code defined and established military jurisdiction over actions against the security of the state and against military personnel and property. It also established the military court system. The members of the FF.AA. are subject to certain military laws and regulations, which include the special Military Criminal Code and the Code of Criminal Military Procedure. The Military Criminal Code establishes the death penalty for treason in its various forms, including disloyalty and espionage. FF.AA. members who commit criminal acts in the exercise of their specific functions are subject, depending on the nature of the offense, to military tribunals, which include disciplinary tribunals and courts of first instance, courts of appeal, and courts of nullity, without the intervention of the Supreme Tribunal of Military Justice.

Military justice matters are adjudicated by the Permanent Tribunal of Military Justice and, in the highest instance, by the Supreme Tribunal of Military Justice, both of which were headed by generals in the late 1980s. Some military cases may be adjudicated by civilian courts once the defendants have been expelled from the FF.AA. For example, a group of five army officers, headed by the commander of the Seventh Division in Cochabamba, was dishonorably discharged from the army in October 1988 after being caught protecting drug traffickers. Their case was turned over to civilian authorities three months later. In wartime, however, the military court has jurisdiction over the entire territory of the republic. Even in times of peace, territories declared to be military zones fall under military jurisdiction, although in practice the standards of military criminal justice generally have not been applied in trying civilians.

Foreign Military Assistance in the 1980s

The United States

United States military aid to Bolivia remained frozen for eight years until September 1985, shortly after Paz Estenssoro assumed office. In the second half of the 1980s, the United States continued its former role as Bolivia's principal foreign source of military assistance. The United States provided assistance through its Military Aid, Foreign Military Sales, and International Military Education and Training programs. In addition, Bolivian officers

received training at the School of the Americas (relocated from Panama to Fort Bragg, North Carolina) in fields such as radio and communications.

Bolivia and the United States also held two joint counterinsurgency exercises and one major antinarcotics operation in eastern Bolivia during the 1986–87 period of the Paz Estenssoro government (see Narcotics Trafficking, this ch.). Code-named United Forces—86, the exercises involved some 270 soldiers from Southcom and at least 1,000 Bolivian troops.

Three weeks of counterinsurgency exercises known as Absalom or United Forces 87—Bolivia were carried out in May 1987 with the participation of 350 United States troops and more than 1,000 Bolivian soldiers. According to the Bolivian minister of national defense, their objectives were to bring the staffs of the three armed forces branches up to date on the modern methods of conventional and unconventional warfare, to train the FF.AA. in conducting field exercises, and to carry out civic action. In testimony before the United States Congress, the United States deputy assistant secretary of defense for drug policy and enforcement explained that the joint counterinsurgency exercises emphasized command, control, communication, and intelligence procedures, as well as tactical air, riverine, special, military police, and light infantry operations.

In 1988 United States aid to the Bolivian military was being funneled through the Armed Forces National Development Corporation (Corporación de las Fuerzas Armadas para el Desarrollo Nacional—Cofadena), headquartered in La Paz. One of the military regimes created Cofadena as an industrial, agricultural, and mining holding company and development organization. Military companies under its purview included the National Factory of Explosives and Munitions (Fábrica Nacional de Explosivos y Municiones—Fanexa). The FF.AA. also established its own commercial bank, the Banco del Progreso Nacional (National Progress Bank).

In November 1988, Bolivia's minister of national defense announced that the United States, at the request of the Bolivian government, would grant the nation US\$25 million to modernize the FF.AA. over a five-year period. United States financial assistance to the FF.AA. totaled US\$5 million in 1988 and US\$5.3 million in 1989. The military assistance agreement also included technical, training, and matériel aid. In January 1989, Bolivia's Congress authorized 300 United States military technicians, logistical personnel, and soldiers to spend four months expanding the runway of Potosí's Captain Rojas Airport to 3,000 meters by leveling a hill. Bolivia reportedly also agreed to receive three special United States military missions a year to train Bolivian troops. The



*Plaza Avaroa, located in the Sopocachi suburb of La Paz
Courtesy United States Department of State*

FF.AA. also acquired four Hercules C-130 aircraft in 1988, in addition to equipment donated by the United States Army during previous exercises.

Other Foreign Military Ties

In the 1980s, Bolivia also began seeking military aid from other countries, such as the Federal Republic of Germany (West Germany) and China. A group of Bolivian military commanders visited West Germany in late 1985 to examine the role of a professional army in a democratic society. Taiwan ended its aid to the FF.AA. after Bolivia established relations with China in 1985. In the late 1980s, Bolivia expected to reach a series of agreements to receive Chinese military training, arms, and other military equipment.

The Security Forces

Historical Background

Although the marshal of Ayacucho, Antonio José de Sucre Alcalá, had organized the first Bolivian police force on June 24, 1826, the National Police (Policía Nacional) was not established officially until 1886. The Bolivian police became institutionalized on the national level in 1937 with the creation of the National Corps of Carabineers (Cuerpo Nacional de Carabineros) and its professional training

school, the Police School (*Escuela de Policía*), later renamed the National Police Academy (*Academia Nacional de Policías*). The carabineers constituted a post-Chaco War merger of the Military Police, the Gendarmerie Corps (*Cuerpo de Gendarmería*), the paramilitary Security Police (*Policía de Seguridad*), and the army's Carabineer Regiment (*Regimiento de Carabineros*).

Unlike in most Latin American countries, Bolivia's police forces had always been responsible to the national government rather than to lesser political authorities. The concept of centralized police power is established by the Constitution. The Police Law of 1886 formalized the system that remained in effect throughout the first half of the twentieth century. In 1950 the Organic Law of Police and Carabineers of Bolivia (Law No. 311) revised the police system substantially. Law No. 311 and the 1886 law provide the legal basis for the present-day police system.

Until the 1952 Revolution, the police corps was subordinate to the army and to the Ministry of National Defense. The army assumed most police functions and treated the corps as a reserve to be called on only in times of dire emergency. As a result of its active support of the 1952 Revolution, however, the national police received greater jurisdiction over police affairs and was modernized. It and the carabineers were transferred to the jurisdiction of what was then the Ministry of Interior, which concerned itself exclusively with administrative supervision. Nevertheless, the police resented being commanded by an army officer and having lower status and pay than the military.

Mission and Organization

The constitutional mission of the national police is to preserve public order, protect society through its specialized agencies, and guarantee enforcement of the laws. The police are also responsible for protecting foreign diplomatic missions. The police do not deliberate or participate in partisan politics. The Constitution stipulates that the president of the republic is the commander in chief of the police forces (see fig. 15). In this capacity, the president—acting through the minister of interior, migration, and justice—names the director general of the National Police Corps (*Cuerpo de Policía Nacional*), another name for the national police. In a national emergency, the president is empowered to administer directly the activities of the police corps. In time of international war, the police forces would be subordinate to the FF.AA. commander in chief and the Ministry of National Defense for the duration of the conflict. In that event, the Constitution requires that police activities be integrated with those of the army as though the

police were reserve units called to active duty for the duration of hostilities. The director general, who may be a civilian but almost invariably has been a high-ranking career police officer (usually with colonel rank), normally exercises operational control.

The police corps, with at least 15,000 personnel in the late 1980s, consisted of the General Administration (Administración General) section; the 5,000-member paramilitary National Guard (Guardia Nacional), still referred to as the carabinieri (Carabineros), which were reorganized in 1976; the Directorate of National Investigations (Dirección de Investigaciones Nacionales—DIN), which cooperated with the International Police (Interpol); the Customs Police (Policía de Aduana); the Traffic Police (Policía de Tránsito); the National Highway Service (Servicio Nacional de Carreteras), which operated under the authority of the Ministry of Transport and Communications; the Fire Corps (Cuerpo de Bomberos), which was manned by police personnel; and the National Police Academy. All of these subordinate entities were separate administrative units within the director general's office. This office, which also served as national headquarters for all police and national guard activities, consisted of a command group, or Police General Command, which was established in the early 1980s, and a staff (Estado Mayor) made up of twelve numbered, conventionally established staff sections.

Special Police Forces

Other police forces under the Ministry of Interior, Migration, and Justice included antiriot, antinarcotics, and antiterrorist units. The Special Security Group (Grupo Especial de Seguridad—GES) was an operational, technical, and specialized unit. Its approximately 450 members were organized into motorcycle companies. They were mobilized to reestablish public order or to respond to an attack against private property. Normally, they served in the Legislative Palace; Ministry of Interior, Migration, and Justice; and other public institutions; or in the national police's National Guard and DIN.

The GES also assumed counterterrorist functions. In March 1987, French police advisers and Bolivian experts began giving a three-month antiterrorism course—consisting of technical and psychological training—to 400 GES members. The purpose of the training was to form a special group for responding to hostage-taking incidents. That June the Bolivian police announced officially the creation of a twenty-two-member antiterrorist command, the Multi-purpose Intervention Brigade (Brigada de Intervención Polivalente—BIP), responsible for solving cases of “uncommon violence,” such

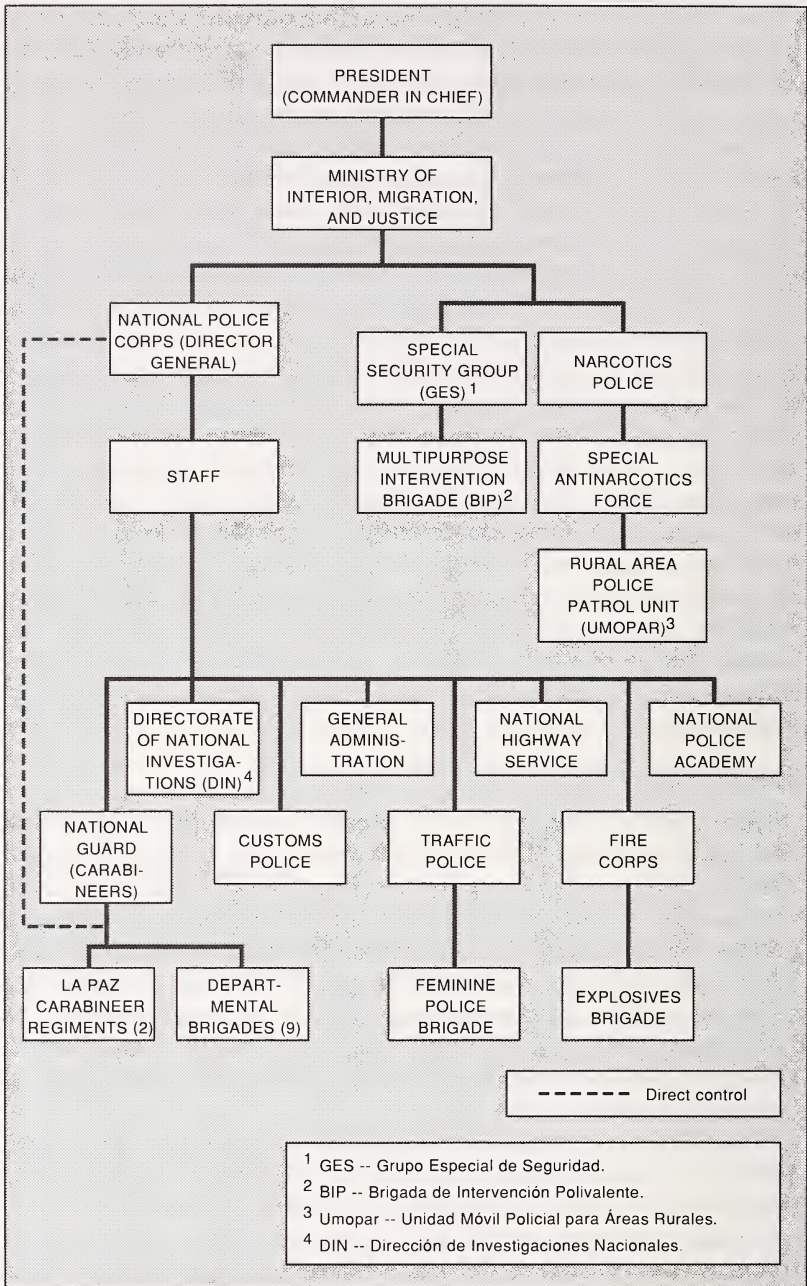


Figure 15. Organization of the Police Forces, 1989

as kidnapping, hostage taking, and outbreaks of subversion. The government of President Paz Zamora gave responsibility for anti-terrorist actions to the Special Elite Antiterrorist Force (Fuerza Especial Antiterrorista de Elite—FEAE).

The narcotics police, with about 6,000 members, included the Special Antinarcotics Force (Fuerza Especial de Lucha Contra el Narcotráfico—FELCN), created in 1987, and a subordinate force, the Rural Area Police Patrol Unit (Unidad Móvil Policial para Áreas Rurales—Umopar). The Umopar, popularly known as The Leopards (Los Leopardos), was formed in late 1983 under a United States-funded program designed to eradicate the nation's cocaine trade and in accordance with four treaties on narcotics, signed by both countries on August 11, 1983. By early 1989, the FELCN had its own intelligence service, which was charged with collecting evidence on individuals suspected of narcotics trafficking.

Regional Police Structure

The National Police Corps was a centralized force, organized on a territorial basis. Each department had a police district subdivided into zones. Field elements of the National Police and National Guard were stationed in all sectors of the country and reported directly to the office of the director general in La Paz. Each department generally had one brigade (*brigada*) of carabineers, consisting of an urban and a rural force. Subordinate headquarters (also known as brigades), stationed in the capital of each of the nine departments, coordinated and supervised operations. Each brigade was divided into an urban command and a rural command. The urban command, at the departmental capital, operated the police stations and local jails and was also divided into patrol and criminal investigation sections.

Most corps personnel and units within a department were considered—regardless of their size, composition, mission, or station—to be part of the brigade in the area they served and were members of a single departmental unit. An exception was the city of La Paz, where two separate regiments of carabineers were kept under the direct control of the director general and the president. Other exceptions to the integral brigade organization were made in sections of the country where dependence on the regular departmental brigade forces was not deemed advisable or feasible. Two such areas—San Ignacio de Velasco in Santa Cruz Department and Tupiza in Potosí Department—had independent carabineer detachments in addition to the department brigades.

Certain departmental brigade personnel of the rural command were assigned to a series of frontier posts scattered at twenty-seven

critical points along the borders and at river and lake ports of entry. They included Customs Police integral to the corps, as well as uniformed carabinieri concerned with combating smuggling and other forms of illegal border crossing. The carabinieri were also heavily involved in civic action in the more remote and less populated regions of the country. In an effort to improve its public relations, the police created the Department of Social Communication (Departamento de Comunicación Social) in the early 1980s.

Corps personnel were classified in three distinct groups: uniformed personnel (carabinieri); technical and auxiliary personnel; and civilian police investigators and identification personnel. Ranks of uniformed personnel generally corresponded to those of the army. There were four general classifications—*jefes* (field officers), *oficiales* (company officers), *clases* (NCOs), and *tropas* (privates)—with a graded system of rank within each class. Uniformed personnel were promoted on the basis of annual examinations given when they attained the required time in grade, which was usually four years for all except captains and sergeants, who must spend five years in grade before becoming eligible for promotion. Classification of civilians was based on a nonmilitary two-category system composed of superiors (*funcionarios superiores*) and subalterns (*funcionarios subalternos*).

In the mid-1980s, approximately 80 percent of the National Police Corps were uniformed carabinieri. The remaining 20 percent were civilian police investigators involved in crime detection, forensic science, administration, or logistics. Approximately half of the total uniformed personnel and 60 percent of the nonuniformed personnel of the police force were stationed in La Paz. The La Paz Departmental Police also had the Explosives Brigade (Brigada de Explosivos), which was subordinate to the Fire Corps. The 600-member Traffic Police administered traffic law. Only officers of this force normally carried sidearms. All motorcycle patrolmen were commissioned officers. The Feminine Police Brigade (Brigada Policial Femenina) served in an auxiliary or support capacity to the operational units. In addition to directing traffic, members of this brigade helped in police matters involving children and women.

All municipalities were entitled to raise local police forces to enforce local ordinances. Only La Paz, however, had established such a force, called the La Paz Municipal Police (Policía Municipal de La Paz). In the mid-1980s, this force numbered about 400 uniformed and 100 nonuniformed members, none of whom was armed. Their functions were limited to enforcing parking regulations and local bylaws. Most of the city of La Paz was under the jurisdiction of Police District No. 2, which consisted of five squadrons. Police



*A police station in Villa Tunari, the Chapare
Courtesy Kevin Healy*

District No. 3 was responsible for the sprawling shantytowns above the city known generally as El Alto. Police Regiment No. 4 exercised jurisdiction over the area south of La Paz.

Recruitment and Training

The police force was an unpopular career because of poor pay, conditions, and prestige and thus did not attract high-quality personnel. But officers and higher civilian employees, who generally were drawn from the small urban middle class, were of relatively higher quality. Many officer personnel came from the army. Officers were commissioned by graduation from the National Police Academy, by transfer from the army, by direct political appointment for demonstrated ability, or by outright patronage. Civilians were nearly always political appointees. Although specialized education was not a prerequisite for a civilian's appointment, some degree of qualification was usually present and facilitated on-the-job training. Enlisted personnel received most of their training on the job during the first four months after enlistment.

The academic year of the police education system began in February. The Young Men's Basic Police School (Escuela Básica Policial de Varones—EBPV), which had 120 students in 1983, provided a one-year training course at the operational level for subalterns of the national police.

The National Police Academy offered a four-year course for officers. In the early 1980s, the academy's curriculum included criminal law, penal and civil investigation, criminology, ballistics, laboratory science, narcotics, vehicular and pedestrian traffic, order and security of persons and installations, martial arts, and human and public relations. The academy also offered a specialized course patterned on the counterinsurgency course of the United States Army Special Warfare School at Fort Bragg, North Carolina. The police academy additionally offered a program of foreign training for officers. Selected personnel were sent to training courses either in the United States or in neighboring countries, particularly Argentina, Chile, Paraguay, and Peru. On completing their courses abroad, these trainees returned to Bolivia for duty, to lecture at the academy, or to organize and conduct unit-level courses throughout the corps.

In the past, admissions requirements for the academy gave greater importance to political reliability and unquestioned loyalty to the government than to education. By the early 1980s, applicants had to undergo medical, physical, and mental examinations, as well as tests of their general knowledge. Cadets accepted to attend the academy were not subject to the age limitations for enlisted military service. Matriculation exempted them automatically from their military obligations. The normal student body ranged from 480 to 500 cadets divided into four courses. In 1983 the academy had very few women cadets, and the incorporation of women into police ranks was at an experimental stage. On graduation, which required passing an examination, cadets received a bachelor of humanities certificate, a saber to symbolize officer rank, and a commission as second lieutenant in the carabineers. Those graduates who were drawn from brigades then returned to their units to organize local classes.

The Higher Police School (*Escuela Superior de Policías—ESP*) was created in February 1969 for officers in the ranks of lieutenant colonel and above. The ESP prepared higher officers to manage the command departments, operational units, and training institutes. In 1983 the ESP's student body consisted of fifty-seven higher officers.

Threats to Internal Security

Narcotics Trafficking

By the late 1980s, Bolivians had become increasingly aware of the serious threat to their society posed by drug traffickers. One Bolivian editorial identified several dimensions of that threat: the

existence of hundreds of clandestine airstrips in eastern Bolivia; flights of unidentified aircraft in Bolivian airspace; the presence of armed criminal groups; the disappearance of, and trafficking in, Bolivian passports; the intervention of officials of foreign governments in Bolivia's affairs; the acceptance of foreign troops on Bolivian territory; corruption within the national security agencies and courts of justice; the growing control of mass media by narcotics traffickers; the spread of drug abuse among Bolivian youth; and the increased links between traffickers and guerrilla groups.

Narcoterrorism

An unwanted by-product of Bolivia's cocaine industry was the importation of Colombian-style drug violence. In the late 1980s, Colombia's Medellín Cartel reportedly wielded considerable power in Bolivia, setting prices for coca paste and cocaine and terrorizing the drug underworld with hired assassins. Furthermore, drug barons, organized into families, had established their own fiefdoms in Cochabamba, Beni, and Santa Cruz departments, using bribes and assassinations to destroy local authority.

In September 1986, three members of a Bolivian scientific team were slain in the Huanchaca National Park in Santa Cruz Department shortly after their aircraft landed beside a clandestine coca-paste factory. The murders led to the discovery of the country's largest cocaine-processing installation, as well as evidence of an extensive international drug-trafficking organization consisting mostly of Colombians and Brazilians. President Paz Estenssoro fired the Bolivian police commander and deputy commander as a result of their alleged involvement. In a related action, suspected traffickers in Santa Cruz murdered an opposition deputy who was a member of the congressional commission that investigated the Huanchaca case.

In the late 1980s, there were several incidents of narcoterrorism against the United States presence, the judiciary, and antidrug agents. For example, the so-called Alejo Calatayu terrorist command claimed responsibility for a May 1987 bomb attack against the Cochabamba home of a United States Drug Enforcement Administration (DEA) agent. The Supreme Court of Justice, seated in Sucre, requested and received military police protection in mid-1986. The Explosives Brigade successfully removed a live briefcase-bomb from the Senate library in August 1987. The so-called Santa Cruz Cartel, allegedly linked to the Medellín Cartel in Colombia, claimed responsibility for the machine-gun murders of two members of the FELCN in Santa Cruz in March 1988. Bolivians were also concerned about the increasing brazenness of Bolivia's drug traffickers,

as demonstrated in August 1988 by a low-power dynamite attack on Secretary of State George P. Shultz's car caravan as it headed down from La Paz's Kennedy International Airport. The so-called Simón Bolívar Group and the Pablo Zárate Willka National Indigenous Force (Fuerza Indigenista Pablo Zárate Willka—FIPZW) claimed responsibility.

Narcotics Corruption

Drug-related corruption reportedly began to take a firm hold within Bolivia's military and security services under General Banzer's rule (1971-78). The García Meza regime (1980-81), however, was one of Bolivia's most flagrant examples of narcotics corruption. García Meza's so-called cocaine coup was itself generally believed to have been financed by the cocaine "mafia," which bribed certain military officers. García Meza reportedly ruled with an "inner cabinet" of leading civilians and military officers involved in the cocaine trade. Two of his ministers—Colonel Ariel Coca and Colonel Luis Arce Gómez—were well-known "god-fathers" of the industry. By 1982 approximately 4,500 prosecutions were under way in connection with the embezzlement of state funds by civil servants, said to amount to a total of US\$100 million.

In early 1986, Congress charged García Meza and fifty-five of his former colleagues with sedition, armed uprising, treason, genocide, murder, torture, fraud against the state, drug trafficking, crimes against the Constitution, and other crimes. In April 1986, however, the Supreme Court of Justice suspended the first hearing in García Meza's murder trial, after his defense demanded the removal of three judges whom it charged had participated in García Meza's military government. The Supreme Court of Justice subsequently voted to remove its president and two other justices from the trial. After García Meza escaped from custody (he had been living under house arrest in Sucre) and reportedly fled the country in early 1989, the Supreme Court of Justice vowed to try him and two accomplices in absentia. Governmental and military/police corruption under the Paz Estenssoro government (1985-89) was less flagrant than in the 1980-82 period of military rule. Nevertheless, it reportedly remained widespread.

In December 1988, Bolivia's foreign minister asserted that narcotics traffickers were attempting to corrupt the political process. Bolivians were outraged, for example, by secretly taped "narcovideos" made in 1985 by Roberto Suárez Gómez (known as the "King of Cocaine" in Bolivia until the mid-1980s) and aired on national television in May 1988. The tapes, provided by a former naval captain cashiered for alleged corruption, showed two prominent politicians from Banzer's Nationalist Democratic Action

(Acción Democrática Nacionalista—ADN) and military figures fraternizing with Suárez.

The Umopar in particular had earned a reputation for corruption, especially in the Chapare region. In 1987, according to Department of State and congressional staff, drug traffickers were offering Umopar officers and town officials in the Chapare region amounts ranging from US\$15,000 to US\$25,000 for seventy-two hours of “protection” in order to allow aircraft to load and take off from clandestine airstrips. In February 1988, the deputy minister of national defense announced that about 90 percent of Umopar members, including twelve middle- and high-ranking officers, had been dismissed for alleged links to drug trafficking. The La Paz newspaper *Presencia* reported in March 1988 that Umopar chiefs, including the prosecutors, were working with narcotics traffickers by returning to them the large drug finds and turning only the small ones in to the authorities. Observers considered Umopar forces in Santa Cruz to be more honest and dedicated.

In October 1988, the undersecretary of the Social Defense Secretariat reiterated that drug traffickers had obtained the protection of important sectors of influence in Bolivia, including some military members and ordinary judges. He cited the example of Cochabamba’s Seventh Division commander and four of his top officers, who were discharged dishonorably after they were found to be protecting a clandestine Chapare airstrip used by drug smugglers. The ministry official also announced that the navy was protecting drug-trafficking activities in the Puerto Villarroel area of the Chapare. For that reason, the United States suspended assistance to the navy temporarily in late 1988 until its commander was replaced. In December 1989, Bolivia’s antidrug police captured no less a drug trafficker than Arce Gómez, who was subsequently extradited to the United States.

Bilateral and Legislative Antinarcotics Measures

In February 1987, Bolivia and the United States signed a broad outline of an agreement on a three-year, US\$300 million joint plan aimed at eradicating 70 percent of Bolivia’s known coca fields. The new program included a one-year voluntary eradication phase and a program in which coca growers would be paid US\$350 in labor costs and US\$1,650 in longer-term development assistance for each hectare of coca destroyed. According to the Department of State’s Bureau of International Narcotics Matters, Bolivia exceeded the voluntary coca reduction target for the September 1987 to August 1988 period, destroying 2,000 hectares, or 200 more than required.

To implement the 1987 agreement, the Paz Estenssoro government revamped the antidrug bureaucracy that had been established, incongruously, in 1981 during the García Meza regime. The National Council Against the Unlawful Use and Illicit Trafficking of Drugs (Consejo Nacional Contra el Uso Indebido y Tráfico Ilícito de Drogas—Conalid), presided over by the foreign minister, was charged with drawing up rules and regulations and creating new antidrug-trafficking measures. Two new secretariats were formed under Conalid. The Social Defense Subsecretariat (Subsecretaría de Defensa Social) was made subordinate to the Ministry of Interior, Migration, and Justice and charged with interdiction. It also centralized all the activities of the National Directorate for the Control of Dangerous Substances (Dirección Nacional para el Control de Sustancias Peligrosas—DNCSP) and of the Umopar. The Subsecretariat of Alternative Development and Substitution of Coca Cultivation (Subsecretaría de Desarrollo Alternativo y Sustitución de Cultivos de Coca) and its Coca Eradication Directorate (Dirección de la Reconversión de la Coca—Direco) were charged with drawing up overall rural development plans for the areas affected by the substitution of the coca plantations.

On July 19, 1988, to qualify for United States aid, Paz Estenssoro signed the Law of Regulations for Coca and Controlled Substances (*Ley del Régimen de la Coca y Sustancias Controladas*)—hereafter, the 1988 Antinarcotics Law. One of the strictest antinarcotics laws in Latin America, it aimed at eradicating illicit coca production and penalizing trafficking in drugs. As enacted by presidential decree in December 1988, the new law provided for a 10,000-hectare zone of legal coca cultivation in the Yungas region of La Paz Department and a small section of Cochabamba Department to meet traditional demand (down from a previous total of 80,000 hectares for the Yungas and Chapare regions) (see fig. 16). It also provided for a transitional zone of excess production in the Chapare region subject to annual reduction bench marks of 5,000 to 8,000 hectares and provided for an illegal zone, comprising all territory outside the traditional and transitional areas, in which coca cultivation was prohibited. The law prohibited the use of chemicals or herbicides for the eradication of coca, established that some 48,000 hectares of coca plantations would be eradicated over a five-year period, and set up a special judicial mechanism to deal with illegal drug trafficking.

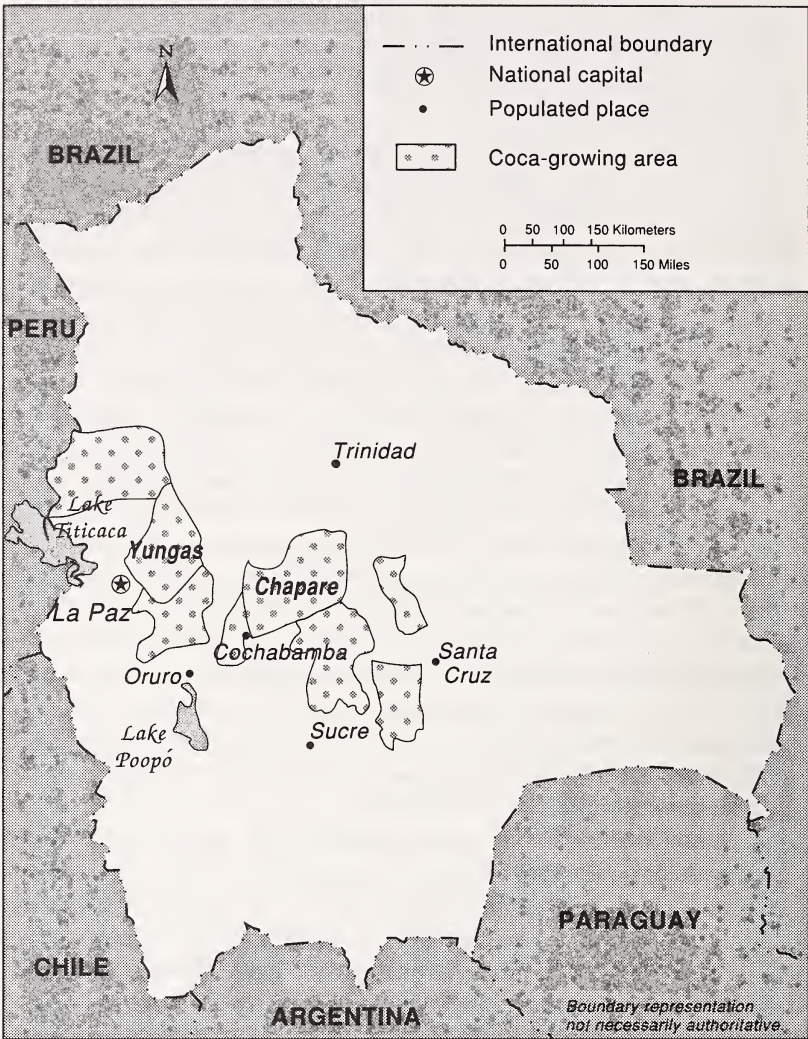
Under the 1988 Antinarcotics Law, drug traffickers could be sentenced to prison for anywhere between five and twenty-five years; manufacturers of controlled substances, five to fifteen years; sowers and harvesters of illicit coca fields, two to four years; transporters,

eight to twelve years; and *pisadores* (coca stompers), one to two years. Minors under the age of sixteen who were found guilty of drug-related crimes would be sent to special centers until they were completely rehabilitated.

Shortly before the new law went into effect, a United States General Accounting Office report criticized Bolivia's methods of fighting drug trafficking. The study, whose undocumented generalizations about corruption reportedly irked Bolivian government officials, put the primary blame for the slow progress against drug trafficking on rampant corruption in Bolivia and "the unwillingness or inability of the government of Bolivia to introduce and implement effective coca control and enforcement measures." In rejecting the report, the minister of interior, migration, and justice noted in November 1988 that, in addition to arresting more than 1,000 individuals on drug charges, Bolivia had eradicated some 2,750 hectares of coca plantations, seized 22,500 kilograms of cocaine, and destroyed over 2,000 cocaine factories. Bolivian officials also asserted that more than 1,660 antidrug operations during 1988 had resulted in the destruction of from 1,000 to 1,400 clandestine cocaine factories and laboratories (80 percent of them in Cochabamba and Santa Cruz departments), the confiscation of about 10,000 kilograms of cocaine, and the arrest of some 700 individuals. The minister of planning and coordination stated in December that 2,900 hectares of coca crops had been eradicated under the financial compensation program.

Bolivia's antinarcotics units apprehended several prominent traffickers in 1988. At the same time that the 1988 Antinarcotics Law was promulgated, the Umopar arrested Suárez at his hacienda in Beni Department. According to one theory, Suárez allowed himself to be arrested in a bid to avoid extradition to the United States (see *The Criminal Justice System*, this ch.). In October 1988, the FELCN captured an alleged drug "godfather," Mario Araoz Morales ("El Chichín"), by chance during a training exercise in a jungle area. In November antidrug police in the Chapare also arrested Rosa Flores de Cabrera, alias Rosa Romero de Humérez ("La Chola Rosa"), described as one of the most-wanted women in the Bolivian drug-trafficking network, with connections to the Medellín Cartel.

Under the government of Jaime Paz Zamora (1989-), antidrug institutions were restructured, but Conalid remained the regulatory body. Conalid directed the Permanent Executive Coordination and Operations Council (Consejo Permanente de Coordinación Ejecutiva y Operativa—Copceo). Like Conalid, Copceo was headed



Source: Based on information from United States, Agency for International Development, *A Review of AID's Narcotics Control Development Assistance Program*, Washington, 1986, E-2.

Figure 16. Principal Coca-Growing Regions, 1985

by the foreign minister, and its membership also included the ministers of interior, migration, and justice; planning and coordination; social services and public health; agriculture, campesino affairs, and livestock affairs; education and culture; national defense; and finance. The new National Executive Directorate (Directorio Ejecutivo Nacional—DEN) was to support Copceo's plans and

program dealing with alternative development, drug prevention, and coca-crop eradication.

Antinarotics Forces and Operations

Under the 1983 antidrug agreement, which established the Umopar, the United States provided an initial US\$4 million to form, train, and equip (with nonlethal items) 300 Umopar members and a 30-member detective squad. In July 1984, the Siles Zuazo government undertook to dismantle the nation's billion-dollar drug industry and ensure the receipt of a United States economic aid package by declaring the nation's principal coca-growing area, the Chapare, a military zone. The government sent in up to 1,500 soldiers, including the Umopar, but withdrew the unpopular troops from the region by that September. Social scientist Kevin Healy observed that, with few exceptions, the Siles Zuazo government did not deploy police or military force to deal with the frequent peasant demonstrations against the drug war that took place throughout Bolivia during 1983-85.

The more conservative Paz Estenssoro government adopted a harder line. Following a meeting of the International Drug Enforcement Conference in April 1986, the Paz Estenssoro government requested United States military assistance in reaching isolated areas where drugs were being processed. In early July 1986, after extended negotiations, the Ministry of Foreign Affairs and Worship authorized the entry of United States troops to provide requested temporary logistical support for National Police Corps find-and-destroy operations against coca-processing facilities in the Chapare region, as well as in Beni and Santa Cruz departments. The resulting United States support operation—called Operation Bol-USA in Bolivia and Operation Blast Furnace in the United States—got under way later that month with the arrival at Santa Cruz's Viru-Viru International Airport of a United States C-5A Galaxy transport airplane carrying 160 United States Rangers from Southcom and about 15 DEA members, along with six Black Hawk transport helicopters. The operation involved the United States Army officers—experts in communications and mechanics—in training 1,000 Bolivian soldiers from all three services in counter-insurgency tactics and special police in antinarotics actions. The role of the United States personnel was limited to transporting police antinarotics forces by helicopter to drug installations, all of which, however, were found to be deserted, owing to publicity about the operation.

The Bolivian government supported the operation despite negative public reaction. After about 20,000 demonstrators in La Paz

protested the continued presence of the United States troops in Bolivia in late August 1986, a majority in Congress approved the United States participation in the antinarcotics operation. To receive greater logistical support for antinarcotics efforts, the Bolivian government extended the presence of the United States troops in the country for a second sixty-day period. The United States effectively ended the operation in mid-November 1986 by withdrawing its soldiers. Once they had departed, however, the coca trade flourished anew.

The Paz Estenssoro government attempted to involve the FF.AA. in the antinarcotics struggle. In late 1986, it established a unit called the Operational Tasks Command (Comando de Tareas Operativas—CTO) to coordinate police and military efforts. The government then formed the FELCN, which by 1988 consisted of 640 Umopar members. Its creation also was intended to reduce the participation in antinarcotics matters of high-ranking police officers and to downgrade the Umopar. The FELCN was envisaged as drawing recruits from the FF.AA., police, and other organizations, such as the GES. The Paz Estenssoro government agreed to pay for the maintenance of the new force's specialized troops, and the United States agreed to outfit it with US\$123 million worth of helicopters, weapons, motorboats, and other equipment. Paz Estenssoro appointed a former FAB commander to head the FELCN general command and made the Umopar a subordinate unit.

In 1987 the navy leased eight Piranha patrol boats from the DEA for riverine interdiction in Cochabamba and Beni departments. The Piranhas were to be staffed jointly by naval and antidrug police personnel, with assistance from DEA agents.

FAB's involvement increased in September 1987 when it created the Task Force (Fuerza de Tarea) to provide air support for national antinarcotics efforts. The new unit's inventory included six Huey UH-1H helicopters leased from the United States after Operation Blast Furnace. The United States also provided a thirty-day training course taught by a team of twenty-eight United States military pilots and technical personnel. After forming its Task Force, FAB armed the unit's six Huey helicopters with machine guns in order to provide for the defense of law enforcement officials when they inspected drug crops. In 1987 three of the unit's Huey helicopters were deployed in Trinidad and at the forward base of San Javier, and the three others were in the Chapare.

A United States congressional report issued in 1987 alleged that corruption and indifference among the Task Force's FAB pilots made their participation counterproductive. In any event, in its first year the Task Force completed 1,200 missions totaling 3,200



*Antidrug agents unloading seized cocaine
in Cochabamba Department
Seizure of a cocaine laboratory in the Cochabamba Valley*

hours without incident (although three members were killed in February 1989 when their Cessna 206 crashed). In April 1989, the undersecretary of the Social Defense Secretariat reported that Task Force patrols in the Chapare had "completely paralyzed" the flights of small aircraft believed to be involved in drug trafficking. The Task Force was scheduled to receive an additional six Hueys in 1989.

In 1987 a United States Army Special Forces training team began a series of five-week training courses for Umopar personnel in topics such as operations and small-unit tactics, map reading, jungle survival, and communications. The Chapare base camp in Chimoré, a town on the road linking Cochabamba with Yapacani, served as the venue for conducting a basic course; the Umopar camp in Trinidad, capital of Beni Department, provided an advanced tactics course. According to the Department of State, six such courses were provided in 1987, and an additional six were planned for 1988. By mid-1988, 340 troopers, including 7 women, had graduated from the basic course and 200 from the advanced course.

In the spring of 1988, the DEA and local authorities began a new round of antinarcotics programs called Operation Snowcap. DEA agents in teams of fifteen to twenty-five began serving in the Chapare on a rotating basis. The operation also involved members of the United States Army Special Forces, who were confined to military camps where they trained Bolivian troops. In addition, in simultaneous attempts to interdict laboratory chemicals being smuggled into the Chapare, United States Border Patrol agents aided Bolivian police at road checkpoints, while patrol boats plied rivers in the region. By April 1988, as a result of antidrug operations mainly in the Chapare, where some 90 percent of the 300,000 farmers in the region were involved in growing coca or processing and marketing coca paste, coca prices plummeted temporarily and dozens of coca fields went unharvested.

Attitudes Toward Antinarcotics Forces

The presence of the United States military forces in Bolivia in 1986 created widespread controversy in the country. Although four political parties, including the ruling party and, belatedly, Congress approved the joint Bolivian-United States military exercises in the Chapare lowlands of Cochabamba Department from April 26 to May 6, 1986, several leftist parties and civilian trade union and regional organizations opposed them as a violation of national sovereignty. Political and labor opposition groups, including the Bolivian Labor Federation (Central Obrera Boliviana—COB), formed a council to express their strong opposition to the presence

of the United States forces and to challenge the legality of inviting foreign troops into the country without the prior approval of Congress. The most militant opposition came from workers, campesinos, and other residents of the Chapare and Yungas regions who claimed that coca growing was their only means of making a living. Urged on by cocaine traffickers and peasant union federations, coca farmers resorted to mass-mobilization tactics such as sit-ins, demonstrations, and road blockades. In one incident in October 1986, some 6,000 residents of the Beni town of Santa Ana de Yacuma expelled 150 United States soldiers and Umopar members.

In the late 1980s, the Bolivian press charged that DEA agents had killed a number of demonstrating peasants, protected the Huanchaca cocaine factory, and failed to combat the coca/cocaine industry. In July 1987, campesinos laid siege to a DEA camp in Chimoré, forcing the temporary departure of twenty-five DEA agents and the relocation of the Umopar base. In May 1988, thousands of campesinos demonstrated for two days in downtown Cochabamba, demanding the expulsion of twenty DEA agents from Bolivia and governmental respect for their coca-growing livelihood. In order to get the coca growers to return home, the government agreed to modify the eradication plan. In addition to promising not to force any relocations, the government pledged to seek only voluntary reduction of coca fields, to decriminalize coca growing, and to seek more funds to develop other crops.

Exercises called United Forces 88 scheduled for May 1988 were suspended, in part because of widespread complaints in the local press, Congress, and among political parties about the holding of the May 1987 Absalom exercises. Most of Bolivia's political parties denounced them as another violation of national sovereignty. The president dismissed his minister of national defense after the latter, inebriated, failed to provide a coherent explanation to Congress of why the government invited the United States troops to participate in the scheduled 1988 exercises.

In the Chapare, where more than a dozen campesinos were reported killed by the Umopar in the 1986-88 period, charges of human rights abuses by antidrug forces helped drug traffickers to incite Chapare coca growers. The president of the Permanent Assembly of Human Rights of Bolivia (Asamblea Permanente de Derechos Humanos de Bolivia) reported in 1988 that antidrug police routinely attacked coca growers, robbing them of money and goods. At the same time, the drug traffickers, better armed than the Umopar, methodically employed terrorist methods against Chapare residents who refused to cooperate with the cocaine industry.

The 1988 Antinarcotics Law inflamed Bolivia's long tradition of nationalist, anti-imperialist, and anti-Yankee sentiment. Bolivians widely perceived the new law to be the result of unacceptable pressure on their government by the United States, which had linked coca eradication to the disbursement of loans to Bolivia by the United States, the World Bank (see Glossary), and the Inter-American Development Bank (IDB). The left-wing opposition, including the Free Bolivia Movement (Movimiento Bolivia Libre—MBL), joined forces with coca producers in opposing the law.

Despite the adoption of the 1988 Antinarcotics Law and the government's claims of progress in the antidrug struggle, Bolivian officials and political leaders in early 1989 reportedly felt that enforcing antidrug measures through repression caused too much social and economic damage. In addition, repressive measures were met with violent resistance by coca growers and processors. In an apparent policy shift, Paz Estenssoro began advocating voluntary crop substitution and eradication. His government also began to seek US\$600 million from wealthy nations to develop alternative agricultural crops and jobs, build roads, and install electricity in the Chapare. The Paz Estenssoro government also remained publicly opposed to the possible return of United States troops to Bolivia.

Subversive Groups

As of 1989, Bolivia had not been confronted with a significant subversive threat since the Cuban-supported guerrilla campaign led by "Che" Guevara in 1966–67 (see *The Counterinsurgency Decade*, this ch.). Other guerrilla bands, such as those operating in the area near Teoponte in the Yungas in 1969–70, were even shorter lived. A small group tried to set up a guerrilla unit in the Luribay Valley south of La Paz in 1983, but seven of its members were captured.

Several international terrorist meetings were reported to have been held in Bolivia in the 1980s, including three in 1985 and 1986 that were attended by terrorist representatives from other South American countries. Two meetings between Bolivian left-wing extremists and representatives of other South American terrorist organizations allegedly were held in Cobija, Pando Department, and in La Paz in 1985. According to the deputy minister of interior, migration, and justice, representatives of terrorist organizations from eight countries held another meeting in Santa Cruz in February 1986.

In early 1987, Peru's Sendero Luminoso (Shining Path) began to concern Bolivian civilian and military authorities after they

learned that its strategic plan called for expanding terrorist actions into Bolivia and Ecuador. Various press reports in 1987 and 1988 suggested that Sendero Luminoso guerrillas were using Bolivian territory, especially La Paz, to obtain medical assistance, medicine, food, weapons, and other supplies to support their revolutionary activities in Peru.

A total of six international terrorist incidents took place in Bolivia in 1988, compared with three in 1987. A previously unknown group called the Revolutionary Labor Movement (Movimiento Obrero Revolucionario—MOR) claimed responsibility for assassinating the Peruvian military attaché in La Paz in December 1988, an act that the Bolivian police commander attributed to Sendero Luminoso. A number of politically oriented terrorist incidents took place in the months leading up to the May 1989 elections. A terrorist group called the Zárate Willka Armed Forces of Liberation (Fuerzas Armadas de Liberación Zárate Willka—FALZW), presumably another name for the FIPZW, took responsibility for a bombing in December 1988 that caused much damage to the offices of the president of the Chamber of Deputies and for machine gunning to death two young Mormon missionaries from Utah in a La Paz barrio in May 1989. Pre-election terrorism by unknown perpetrators in March 1989 included bombings at various political party offices in the La Paz area that caused considerable property damage and a bomb attempt at the United States embassy.

Crime and Punishment

The Criminal Justice System

General Procedures

The administration of justice in criminal matters was exercised by the ordinary courts and judges in accordance with the 1978 Law on Judicial Organization. The courts and the criminal procedures are rooted in the old Spanish and Napoleonic codes and are unified in a single national system under the Ministry of Interior, Migration, and Justice. There are no jury trials, and the presiding judges base all decisions on their own evaluation of the data brought out during the proceedings. The Public Ministry, under the Ministry of Interior, Migration, and Justice, is intimately involved in court procedures involving public or civil cases in which the Penal Code has been violated. It is headed at the national level by two attorneys general (*fiscales generales*) who operate in the fields of criminal and civil law. Subordinate prosecutors (*fiscales* and *sub-fiscales*) are stationed throughout the country, where they serve in capacities similar to, but more wide-ranging than, those of state and district attorneys in the United States.

The police are responsible for apprehending and arresting criminals, although a citizen may arrest an offender if caught in the act of committing a crime. The Judicial Police (*Policía Judicial*) is responsible for ascertaining and verifying crimes, collecting evidence, and delivering the suspects to the judges and tribunals for trial. The Traffic Police exercises functions of the Judicial Police in cases involving traffic accidents; authorities responsible for air, river, lake, and rail transport assume the same responsibility for cases involving their respective means of transport.

The Constitution requires that police have a court order to make an arrest. An individual detained by the police in a local jail must be charged or released within twenty-four hours, except during a state of siege, when authorities may detain persons for up to forty-eight hours before obtaining an arrest order. During the initial period, a judge must determine the legality of the detention. Prisoners are usually released if they are determined to have been detained illegally. After charging a detainee, the police notify the public prosecutor, who lodges a complaint before an investigating judge, who then assumes the case. An arrested suspect is presumed innocent until proven guilty and may consult a lawyer of his choice if charged with a crime. An individual charged with a crime may qualify to be released on bail, which is generally granted except in certain narcotics cases.

In situations involving penal action, the office of the Public Ministry is responsible for assembling the evidence and testimony and, with police assistance, studying the complaint, visiting the scene of the crime, and locating and interrogating witnesses. When the evidence, including depositions, is assembled, the investigating judge holds an open hearing before all interested parties. The public prosecutor makes an accusation and presents all witnesses and documents for the prosecution. Witnesses deliver their testimony as a continuous narrative, without being questioned directly or cross-examined. When the prosecution has finished, the judge interrogates the accused and receives depositions and statements from witnesses who may appear on behalf of the accused. Defendants have the right to an attorney, including a court-appointed defense attorney at public expense, if necessary, but a lawyer is not always provided because of a lack of funds and qualified attorneys. Defendants also have the right to confront witnesses, to present evidence, and to appeal a judicial decision. These rights generally are upheld in practice. Although the constitutional right of fair public trial is adhered to, long delays in the judicial system are common, according to the United States Department of State. Investigations, trials, and appeals procedures are so lengthy that some prisoners eventually

serve more time than the maximum sentence for the crime for which they were charged. A United Nations (UN) agency agreed in early 1989 to provide assistance to improve the administration of justice in Bolivia.

The trial judge reviews the investigating judge's summary and makes one of several possible determinations, in consultation with the public prosecutor. The trial judge may decide that the indictment is unwarranted and dismiss the case, or the trial judge may remand the case to the investigating judge for trial and deposition, depending on the seriousness of the crime. The trial judge also acts as a court of second instance for actions taken by an investigating judge. If the trial judge concurs in the decision by a lower court, the action is ended; a judge who disagrees may direct a retrial. The judge also considers appeals from decisions of the lower courts. If the trial judge decides to hear a new case, the proceedings are generally similar to those in the lower court, but there are some important differences. For example, the defendant must be represented by an attorney, either his own or one appointed by the judge. Additional witnesses may be called—either for or against the defendant—if the judge feels that they may contribute to a better understanding of the case. The judge may also call on advisers when ready to study the data developed during the trial. Within three days after the trial's conclusion, the judge must confront the defendant and pronounce sentence. The district courts and the Supreme Court of Justice follow the same procedures for reviews and appeals.

Extradition

Under Article 3 of the Penal Code, no person who is subject to the jurisdiction of Bolivian laws may be extradited to another nation except by an international treaty or reciprocal agreement. Article 44 of the Constitution empowers the executive to deliver to a foreign government, under a reciprocal agreement, any individual accused or indicted by the judges or tribunals of the foreign country, as long as it involves a crime committed in its territory and the extradition conforms to international treaties. Presented with an extradition request, the Ministry of Foreign Affairs and Worship will pass it to the Supreme Court of Justice to establish the procedure for the extradition. Although a 1901 Bolivia-United States treaty provides for extradition, it does not specifically mention narcotics offenses. Nevertheless, both countries are signatories to the 1961 Single Convention on Narcotic Drugs, which provides that narcotics offenses are to be considered covered by all extradition agreements between signatory nations.

Impact of Narcotics Trafficking

In the late 1980s, there continued to be concern about an overburdened and allegedly corrupt judicial system. According to the Department of State's *Country Reports on Human Rights Practices for 1988* and Bolivian press reports, judges were implicated in drug-related corruption. Narcotics traffickers routinely tried to bribe judicial and other officials in exchange for releasing suspected smugglers, returning captured drugs, and purging incriminating files. In 1988 the Senate's Constitution and Justice Committee ordered the suspension of thirteen judges of the La Paz, Cochabamba, and Santa Cruz superior district courts of justice for wrongdoing in drug-trafficking cases. The Supreme Court of Justice insisted, however, on its prerogative to try the judges first. After doing so, it ordered the suspension of several of the accused judges and continued to investigate others.

Relatively few prosecutions or forfeitures of traffickers' assets took place. A lack of judicial investigatory power hampered the investigation of the bank accounts and the origin of wealth of people suspected of trafficking in drugs. Although thirteen of the "big bosses" reportedly had been identified by early 1988, arrests of drug kingpins were infrequently reported because of lack of evidence.

In ruling on the 1986 Huanchaca case involving the slaying of a leading Bolivian scientist, his pilot, and a guide, the Third Criminal Court of Santa Cruz returned a guilty verdict in April 1988 against ten Brazilians and a Colombian, in addition to a Bolivian thought to be dead. The court, however, dismissed charges against five other Bolivian suspects, including several well-known drug traffickers. The freeing of two of the suspects by the Santa Cruz judges prompted the Supreme Court of Justice to demand the resignations of the entire Santa Cruz judiciary because of its leniency toward drug traffickers. Four Santa Cruz judges were dismissed because of irregularities in the Huanchaca case, which in early 1989 remained at an impasse, under advisement in the Supreme Court of Justice.

Under the 1988 Antinarcotics Law, the Judicial Police must report antinarcotics operations to the closest FELCN district within forty-eight hours. The law also called for the creation of three-judge Special Narcotics-Control Courts or tribunals (*Juzgados Especiales de Narcotráfico*) with broad responsibilities. In early 1989, the Supreme Court of Justice began appointing judges and lawyers to serve on the new tribunals, two of which began functioning as tribunals of first instance in narcotics-related cases, with jurisdiction

for the judicial districts of La Paz, Cochabamba, Santa Cruz, and Beni. A total of thirteen Special Narcotics-Control Courts were supposed to be operating by mid-1989, with two in each of the districts of La Paz, Cochabamba, Santa Cruz, and Beni and only one responsible for the five remaining departments. Their judges, adjunct prosecutors, and support staff were to receive higher salaries than other judicial officials. However, the Paz Zamora government reportedly planned to disband these courts.

The Penal System

In arriving at a verdict, the judge considers the nature of the crime committed and the existence of special circumstances surrounding the case before imposing a penalty or punishment. The judge must give special attention to the criminal's intent. Bolivia's Penal Code distinguishes clearly between felonies and misdemeanors. The former is committed voluntarily and in a spirit of malice; the latter, without malice. The Penal Code recognizes the following three types, or orders, of punishment that may be imposed on criminals, regardless of whether or not the offense was a felony or misdemeanor: corporal punishments that involve some form of restraint or restriction on the person of the offender, such as imprisonment; noncorporal punishments that call for nonphysical penalties, such as deprivation of a civil right, surveillance, bonding, or reprimand; and pecuniary punishments that exact a fine or other form of monetary payment.

Although the 1967 Constitution abolishes capital punishment, it was restored in October 1971 for terrorism, kidnapping, and crimes against government and security personnel. In 1973 the Supreme Court of Justice upheld the constitutionality of Article 109, one of several state security provisions of the Penal Code that entered into force in 1973, which mandates the death penalty, by firing squad, for any Bolivian who takes up arms against the nation, joins its enemies, or collaborates with the enemy in the event of a foreign war. In 1981 the death penalty was extended to drug trafficking. A death sentence could not be carried out, however, until the president decided against commutation. The president could commute the death penalty in favor of the second most severe punishment, which was thirty years at hard labor, with no recourse to pardon or clemency.

Thirty years at hard labor was also mandated under Article 111 (espionage) and Article 118 (sabotage). Under Article 133, terrorist actions carried a penalty of two to ten years in prison or, in the event of the death or severe wounding of the victim, twenty to thirty

years. Engaging in armed actions against the security and sovereignty of the state was punishable under Article 121 by a penalty of fifteen to thirty years in prison. Article 128 provided that any attempt against the life or security of the president or other high government officials would be punishable by five to ten years of prison. Article 17 established that the penalties for drug-related offenses would never exceed thirty years' imprisonment. Most other crimes did not carry a greater penalty than ten years' imprisonment. At the request of a condemned individual, a judge could also choose to suspend a sentence or grant a parole or conditional liberty.

Bolivia's Penal Code also included a statute of limitations. A severe criminal offense could not be prosecuted unless the offender was brought to justice within ten years of the date of its commission. Judicial pardon did not exist in the Bolivian penal system, but both the president and Congress had this power in certain limited circumstances. Both were authorized to declare amnesty for political offenses, and Congress was empowered to pardon offenders in either criminal or civil cases, provided that the Supreme Court of Justice concurred.

Bolivia had several penal institutions, including the San Pedro national penitentiary (known as Panóptico) in La Paz and one in each of the nine departments. Most departments had jails to accommodate local offenders whose crimes were serious enough to warrant long-term imprisonment. Other facilities included a correctional farm at Caranavi in the Yungas, a reformatory for women at La Paz, and three reformatories for juveniles, one at La Paz and two near Cochabamba. These institutions, with the exception of the juvenile reformatories, were under the general supervision of the Ministry of Interior, Migration, and Justice, which assigned detachments of carabinieri to provide guard and security forces.

Conditions at the Caranavi correctional farm, where prisoners engaged in common work in the fields during the day, were better than in most penal institutions in Bolivia. Regulations there were strict, and prisoners were tightly secluded in their cells at night under enforced silence. Communication with the outside world was regulated closely, and families were rarely permitted to visit inmates. Nevertheless, by being close to the source of food supply, the Caranavi prisoners had better meals than did inmates in urban prisons. The Women's Reformatory at La Paz, with a capacity for only thirty women, had the best conditions of all institutions in the system. It was operated under contract by a Roman Catholic order of nuns.



*The treacherous road to Caranavi,
Nor Yungas Province, La Paz Department
Courtesy Inter-American Foundation (Kevin Healy)*

According to the Department of State, in 1989 there continued to be occasional reports of abuse of prisoners and detainees by individual police and security officers, although the Constitution prohibits torture and the Siles Zuazo, Paz Estenssoro, and Paz Zamora governments neither condoned nor practiced such activity. According to evidence made public in late 1989, forty or more severely mistreated prisoners were reported to have died and been secretly buried in a clandestine cemetery at the Espejos Rehabilitation Farm in Santa Cruz Department. Police, prison, and security personnel were rarely tried and punished for cruelty toward or degrading treatment of detainees. Corruption, malnutrition, and unsanitary conditions were endemic in Bolivia's underfinanced prison system. Although reportedly built at a cost of US\$600,000, Santa Cruz Department's new Public Prison (Cárcel Pública) for juvenile delinquents, renamed the Santa Cruz Young Men's Rehabilitation Center (Centro de Rehabilitación de Varones Santa Cruz), was the site of inmate sabotage in early 1989.

Incidence of Crime

In the late 1980s, data on the incidence of crime in Bolivia either were not publicly available or were fragmentary. Until drug trafficking became pervasive in the 1980s, crime had not been exceptionally

high and indeed was minimal. Petty thievery ranked high on the list of most common crimes. Also reported with considerable frequency were personal assaults, disorderly conduct, rape, and child neglect. Young men seemed to be involved in thievery more than in other forms of crime, whereas older men were more frequently arrested for acts of violence against other persons. The incidence of crime tended to be highest during holidays and festivals, when excessive drinking is common.

Although crime statistics were unavailable, newspaper editorials and reports indicated growing concern with a surge of violence and crime in the 1980s that included kidnapping, rapes of children, unsolved murders, and assaults with sophisticated lethal weapons against vehicles traveling on public roads. In November 1988, a high-ranking police official discussed police concern about the high crime rate in La Paz, especially those crimes in which undocumented minors and foreigners were involved. A wave of kidnappings was affecting Santa Cruz in the late 1980s. Victims included an agro-industrial businessman—a nephew of the Bolivian vice president—kidnapped in October 1987 and released a week later in exchange for a ransom payment of US\$10,000; the son of the Bolivian State Petroleum Enterprise (Yacimientos Petrolíferos Fiscales Bolivianos—YPFB) president, held for a ransom of US\$160,000; and an industrialist, released after payment of a US\$100,000 ransom. There were no reports of political killings or politically motivated disappearances in Bolivia in 1988.

* * *

In mid-1989 the scholarly literature on Bolivia's armed forces and other aspects of the country's national security remained limited. *Revolution and Reaction*, the well-researched book by James M. Malloy and Eduardo A. Gamarra, gives in-depth analysis of military authoritarianism during the 1964–82 period. General surveys of Bolivia that provide some historical or political analysis of the military and security forces include Robert J. Alexander's *Bolivia: Past, Present, and Future of Its Politics*, James Dunkerley's *Rebellion in the Veins*, Herbert S. Klein's *Bolivia: The Evolution of a Multi-Ethnic Society*, and Malloy's *Bolivia: The Uncompleted Revolution*. English-language studies focusing more on military institutions include Charles D. Corbett's *The Latin American Military as a Sociopolitical Force* and Adrian J. English's *Armed Forces of Latin America*. Relevant books by Bolivian authors include Guillermo Bedregal Gutiérrez's *Los militares en Bolivia*, Guillermo Lora's *Causas de la inestabilidad política y de la crisis de las FF.AA.*, José Vargas Valenzuela's *Tradición*

naval del pueblo de Bolivia, and former General Gary Prado Salmón's *Poder y fuerzas armadas, 1949-1982*. Useful historical background is also found in Maria Luise Wagner's dissertation, "Reformism in the Bolivian Military." Another dissertation on the military is James Dunkerley's "The Politics of the Bolivian Army."

Kevin Healy's "Coca, the State, and the Peasantry in Bolivia, 1982-1988" and "The Boom Within the Crisis" provide well-informed analyses of Bolivia's cocaine industry, particularly its rural impact. Useful information on narcotics issues is also contained in the United States General Accounting Office's *Drug Control* and the United States Congress's *On-Site Staff Examination of Narcotics Control Efforts in Bolivia*. An informative Bolivian account of Bolivia's struggle against narcotics trafficking is *La Lucha boliviana contra la agresión del narcotráfico* by Guillermo Bedregal Gutiérrez and Rudy Viscarra Pando. Some of the more revealing books published in Bolivia on narcotics issues include *La veta blanca* by René Bascope Aspiazu; *Bolivia: Coca, cocaína, subdesarrollo y poder político* by Amado Canelas Orellana and Juan Carlos Canelas Zannier; and *Narcotráfico y política*, produced by the Instituto de Estudios Políticos para América Latina y Africa.

Information on the Bolivian criminal justice and penal systems can be found in Fernando B. Aguirre's "The Legal System of Bolivia" in Kenneth Robert Redden's *Modern Legal Systems Cyclopedic*; Bolivia's *Código penal*; the Constitution of Bolivia in Gilbert H. Flanz, et al., *Constitutions of the Countries of the World*; and *Country Reports on Human Rights Practices*, a report submitted annually to the United States Congress by the Department of State. (For further information and complete citations, see Bibliography.)

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Table 1. Metric Conversion Coefficients and Factors

When you know	Multiply by	To find
Millimeters	0.04	inches
Centimeters	0.39	inches
Meters	3.3	feet
Kilometers	0.62	miles
Hectares (10,000 m ²)	2.47	acres
Square kilometers	0.39	square miles
Cubic meters	35.3	cubic feet
Liters	0.26	gallons
Kilograms	2.2	pounds
Metric tons	0.98	long tons
.....	1.1	short tons
.....	2,204	pounds
Degrees Celsius	9	degrees Fahrenheit
(Centigrade)	divide by 5 and add 32	

Table 2. Population and Growth Rate by Region, 1980-85

Region	Population ¹					Growth Rate ²						
	1980	1981	1982	1983	1984	1985	1980	1981	1982	1983	1984	1985
Altiplano	2,957	3,037	3,122	3,204	3,292	3,382	n.a.	2.7	2.8	2.6	2.7	2.7
Yungas and other valleys	1,519	1,556	1,591	1,632	1,631	1,712	n.a.	2.4	2.3	2.6	2.4	2.4
Lowlands	1,123	1,163	1,203	1,246	1,289	1,335	n.a.	3.5	3.5	3.5	3.5	3.5
TOTAL ³	5,600	5,755	5,916	6,082	6,213	6,429	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a.—not available.

¹ In thousands.

² In percentages.

³ Figures may not add to total because of rounding.

Source: Based on information from Bolivia, Ministerio de Plancamiento y Coordinación, Instituto Nacional de Estadística, *Bolivia en cifras, 1985*, La Paz, 1986, 38-40.

Table 3. Projected Rural and Urban Growth Rate,
Selected Years, 1990-2025

	Population ¹			Growth Rate ²			Percentage of Total Population				
	1990	1995	2000	2025	1990	1995	2000	1990	1995	2000	2025
Rural	3,636	3,986	4,336	7,044	1.6	1.9	1.7	49	n.a.	44	40
Urban	3,763	4,571	5,502	10,565	4.2	4.0	3.8	51	n.a.	56	60
TOTAL ³	7,400	8,557	9,839	17,609	2.9	2.9	2.9	100	100	100	100

n.a.—not available.

¹ In thousands.

² In percentages.

³ Figures may not add to total because of rounding.

Source: Based on information from Bolivia, Instituto Geográfico Militar, *Atlas de Bolivia*, Barcelona, 1985, 196; and Carlos F. Toranzo (ed.), *Bolivia hacia el 2000*, Caracas, 1989, 180.

Table 4. Estimated Enrollment of School-Aged Population by Education Level and Sex, 1965, 1973, and 1987 (in percentages)

Level	1965	1973	1987
Primary school			
Male	86	91	94
Female	60	62	81
Both sexes	73	76	87
Secondary school			
Male	21	28	38
Female	15	20	32
Both sexes	18	24	35

Source: Based on information from World Bank, *Social Indicators of Development, 1987*, Washington, 1987.

Table 5. Probability of Dying Before Age Five by Region, Rural-Urban Breakdown, and Department, 1976

	Before Age One	Before Age Two	Before Age Five
Region			
Altiplano .....	.16	.22	.27
Yungas and other valleys .....	.17	.23	.28
Lowlands .....	.11	.15	.17
Area			
Urban .....	.12	.17	.19
Rural .....	.17	.24	.29
Department			
Beni .....	.11	.14	.17
Chuquisaca .....	.18	.26	.32
Cochabamba .....	.17	.24	.29
La Paz .....	.14	.20	.23
Oruro .....	.16	.22	.27
Pando .....	.13	.18	.21
Potosí .....	.20	.28	.35
Tarija .....	.13	.17	.20
Santa Cruz .....	.12	.16	.18

Source: Based on information from United Nations Educational, Scientific and Cultural Organization, Oficina Regional de Educación de la UNESCO para América Latina y el Caribe, *Informaciones estadísticas de la educación y análisis cuantitativo*, Santiago, Chile, July 1983, 38.

Table 6. Area and Output of
Major Agricultural Commodities, 1984-88

Commodity	1984		1985		1986		1987		1988	
	Area ¹	Output ²	Area ¹	Output ²	Area ¹	Output ²	Area ¹	Output ²	Area ¹	Output ²
Barley	90	72	95	76	90	84	86	67	80	75
Corn ³	193	370	231	460	175	385	174	360	160	350
Potatoes	143	664	198	768	190	670	196	625	190	700
Rice	121	166	119	173	87	126	94	180	90	140
Wheat	89	69	92	68	82	60	77	50	88	60
Cotton	6	2	10	3	11	4	8	2	9	4
Soybeans	37	71	43	81	68	148	43	82	65	150
Sugar	77	182	78	182	83	190	73	167	62	140

¹ In thousands of hectares.

² In thousands of tons.

³ Includes only yellow Cuban corn, not the more common white corn grown in Bolivia.

Source: Based on information from Gary C. Groves, "Bolivia: Agricultural Situation Report," Washington, March 30, 1988, 24-25.

Table 7. Exports and Imports of Major Agricultural Commodities, 1984-88
(in thousands of tons)

Commodity	1984		1985		1986		1987		1988	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Barley	25	0	20	0	25	0	25	0	25	0
Corn ¹	0	20	0	10	0	0	0	0	0	0
Potatoes	0	0	0	0	0	0	0	0	0	0
Rice	0	20	0	20	20	0	0	0	35	0
Wheat	274	0	330	0	270 ²	0	280 ²	0	280 ²	0
Cotton	2	0.5	3	0.6	2	5	2	0	0	0
Soybeans	0	0	0	0	0	17	0	8	0	10
Sugar	0	17	0	6	0	18	0	35	10	0

¹ Includes only yellow Cuban corn, not the more common white corn grown in Bolivia.

² Includes wheat equivalent of flour.

Source: Based on information from Gary C. Groves, "Bolivia: Agricultural Situation Report," Washington, March 30, 1988, 24-25.

Table 8. *Production and Exports of Petroleum and Natural Gas, 1980-85*

	1980	1981	1982	1983	1984	1985
Production						
Crude petroleum ¹	1,384	1,286	1,418	1,288	1,211	1,152
Refined products ¹	1,503	1,352	1,373	1,242	1,234	1,220
Natural gas ^{2, 3}	4,780	4,969	5,320	5,041	4,905	4,644
Exports						
Crude petroleum and refined products ¹	104	14	26	190	n.a.	n.a.
Natural gas ³	2,040	2,196	2,297	2,227	2,210	2,216

n.a.—not available.

¹ In thousands of cubic meters.

² Includes rejected gas.

³ In millions of cubic meters.

Source: Based on information from Economist Intelligence Unit, *Country Profile: Bolivia, 1988-89*, London, 1988, 16.

Table 9. Production of Selected Minerals, 1986 and 1987
(in kilograms fine content)

Mineral	Total		Comibol ¹		Medium Miners		Small Miners ²	
	1986	1987	1986	1987	1986	1987	1986	1987
Tin	10,382,618	8,128,044	4,231,972	383,810	3,203,470	2,237,330	2,947,176	5,506,904
Lead	2,750,707	9,042,420	1,319,540	1,005,040	364,188	6,534,190	1,066,979	1,503,190
Zinc	33,296,046	39,122,311	3,915,402	2,899,810	28,294,999	35,275,567	1,085,645	946,934
Tungsten (wolfram) ³	1,360,768	804,349	57,908	0	717,907	501,137	584,953	303,212
Silver	87,909	140,216	33,650	40,050	35,616	72,461	18,643	27,705
Bismuth	43,362	638	41,114	0	0	0	2,248	638
Antimony	10,243,182	10,635,422	0	0	7,190,394	6,827,222	3,052,788	3,808,200
Cadmium	33,846	14,620	18,770	14,620	15,076	0	0	0
Gold (in fine grams)	763,005	2,755,290	1,097	0	295,543 ⁴	487,580 ⁴	466,365 ⁴	2,267,710 ⁴

¹ Corporación Minera de Bolivia (Mining Corporation of Bolivia).

² Includes other exporters and mining cooperatives.

³ In wolframite content.

⁴ Gold purchased by Mining Bank of Bolivia (Banco Minero de Bolivia—Bamin) from gold cooperatives and small miners. Does not reflect total gold production.

Source: Based on information from United States, Department of Commerce, *Bolivia Minerals Report, FY 1987*, Washington, 1987, Appendix 2, 2, and Appendix 3, 3.

Table 10. Exports, Selected Years, 1980-87

Commodity	Value ¹			Percentage of Total Exports			Rate of Growth ²			
	1984	1985	1986	1987 ³	1980	1987 ³	1984	1985	1986	1987 ³
Traditional										
Metallic tin	191.0	134.0	55.0	13.0	23.1	2.3	9.1	-29.8	-59.0	-76.4
Tin concentrates	57.0	53.0	49.0	56.0	13.4	9.8	78.1	-7.0	-7.5	14.3
Silver	21.0	10.0	27.0	33.0	11.4	5.8	-63.8	-52.4	170.0	22.2
Zinc	37.0	29.0	28.0	33.0	3.6	5.8	12.1	-21.6	-3.4	17.9
Tungsten (wolfram)	19.0	10.0	7.0	5.0	4.5	0.9	-5.0	-47.4	-30.0	-28.6
Antimony	23.0	16.0	14.0	23.0	2.5	4.0	43.7	-30.4	-12.5	64.3
Other minerals	16.0	12.0	17.0	44.0	3.4	7.7	23.1	-25.0	41.7	158.8
Natural gas	376.0	373.0	329.0	248.0	21.3	43.6	-0.5	-0.8	-11.8	-24.6
Other hydrocarbons	13.0	2.0	4.0	8.0	3.3	1.4	-69.0	-84.6	100.0	100.0
Total traditional	753.0	639.0	530.0	463.0	86.5	86.3	-1.8	-15.3	-17.1	-12.5
Nontraditional										
Sugar	7.0	2.0	5.0	8.0	4.9	1.4	-41.6	-71.4	150.0	60.0
Coffee	7.0	14.0	13.0	11.0	2.0	1.9	-46.2	100.0	-7.1	15.4
Timber	6.0	7.0	23.0	31.0	2.9	5.4	-25.0	16.7	228.6	34.8
Other	9.0	11.0	67.0	56.0	4.5	9.8	-47.1	22.2	509.1	-16.4
Total nontraditional	29.0	34.0	108.0	106.0	14.3	18.5	-42.0	17.2	217.6	-1.9
TOTAL	782.0	673.0	638.0	569.0	100.0 ⁴	100.0 ⁴	-4.3	-14.1	-5.2	-10.7

¹ In millions of current United States dollars; cost, insurance, and freight.

² In percentages.

³ Preliminary.

⁴ Figures do not add to total because of rounding.

Source: Based on information from United Nations, Economic Commission for Latin America and the Caribbean, *Estudio económico de América Latina y el Caribe, 1987: Bolivia, Santiago, Chile, 1988*, 19.

Table 11. Imports, Selected Years, 1980-87

Commodity	Value ¹			Percentage of Total Imports ²			Rate of Growth ²			
	1984	1985	1986	1987 ³	1980	1987 ³	1984	1985	1986	1987 ³
Consumer goods										
Nondurable	42.0	37.0	43.0	52.0	15.4	6.7	-8.7	-11.9	16.2	20.9
Durable	53.0	70.0	71.0	73.0	9.8	9.4	165.0	32.1	1.4	2.8
Total consumer goods	95.0	107.0	114.0	125.0	25.2	16.1	-43.9	12.6	6.5	9.6
Raw materials and intermediate goods										
For agriculture	18.0	15.0	22.0	22.0	1.6	2.8	63.6	-16.7	46.7	n.a.
For industry	152.0	185.0	200.0	245.0	30.3	31.5	-32.1	21.7	8.1	22.5
Construction materials	32.0	21.0	34.0	44.0	4.7	5.7	-25.6	-34.4	61.9	29.4
Fuel and lubricants	2.0	2.0	2.3	3.3	n.a.	0.4	-50.0	n.a.	15.0	43.5
Total raw materials and intermediate goods	204.0	223.0	258.3	314.3	36.6	40.4	-27.7	9.3	15.8	21.7
Capital goods										
For agriculture	14.0	22.0	45.0	38.0	2.0	4.9	100.0	57.1	104.5	-15.6
For industry	103.0	109.0	173.0	180.0	21.4	23.2	-33.9	5.8	58.7	4.0
Transport equipment	68.0	71.0	113.0	105.0	11.9	13.5	15.3	4.4	59.2	-7.1
Total capital goods	185.0	202.0	331.0	323.0	35.3	41.6	-16.6	9.2	63.9	-2.4
Other	5.0	21.0	10.0	15.0	2.4	1.9	-52.6	320.0	-52.4	50.0
TOTAL	489.0	553.0	713.3	777.3	100.0 ⁴	100.0	-16.3	13.1	29.0	9.0

n.a.—not available.

¹ In millions of current United States dollars; cost, insurance, and freight.

² In percentages.

³ Preliminary.

⁴ Figures do not add to total because of rounding.

Source: Based on information from United Nations, Economic Commission for Latin America and the Caribbean, *Estudio económico de América Latina y el Caribe, 1987: Bolivia, Santiago, Chile, 1988*, 20.

Table 12. *Balance of Payments, 1983, 1985, and 1987*
(in millions of United States dollars)

	1983	1985	1987
Exports of goods ¹	755.1	623.4	470.0
Imports of goods ¹	-496.0	-462.8	-658.0
Trade balance	259.1	160.6	-188.0
Exports of services	143.9	114.0	143.0
Imports of services	-647.3	-636.5	-572.0
Net private transfers	40.2	19.7	20.2
Net official transfers	65.2	59.8	109.0
Subtotal	-398.0	-443.0	-299.8
Current account balance	-138.9	-282.4	-487.8
Direct investment	6.9	10.0	22.0
Portfolio investment	-1.8	-0.9	n.a.
Other long-term capital	-221.2	-243.9	-90.8
Short-term capital	-113.5	-2.2	7.8
Capital account balance	-329.6	-237.0	-61.0
Errors and omissions	71.5	187.9	-1.2
Counterpart items	6.0	3.7	-23.8
Exceptional financing	668.4	352.6	441.8
Liabilities	-230.4	-62.7	40.9
Change in reserves ²	-47.0	37.9	91.1

n.a.—not available.

¹ Free on board.

² Minus sign indicates increase in reserves.

Source: Based on information from Economist Intelligence Unit, *Country Profile: Bolivia, 1988-89*, London, 1988, 23-24.

Table 13. Law-Making Process, 1989

Step	Description
Step 1	Bill is introduced in either chamber by senators, deputies, vice president, cabinet members, or president. House where bill is introduced becomes chamber of origin; "review chamber" is second chamber.
Step 2	Bill may be voted on or sent to committee for a report.
Step 3	If bill is sent to committee, committee must submit report on bill before whole chamber. Bill is either approved, rejected, or sent back to committee. Once a bill is rejected, it cannot be resubmitted in either chamber until next legislative year.
Step 4	Bill is introduced in review chamber, where it must go through same process.
Step 5a	If bill is modified in review chamber, it is sent back to first chamber.
Step 5b	If review chamber rejects bill, it cannot be reintroduced until next legislative year.
Step 6	If revisions of bill are not accepted by first chamber, president of either chamber must convoke a joint session within twenty days.
Step 7	A bill approved by both houses is sent to president, who has ten days to take action.
Step 8a	If president takes no action within ten days, bill becomes law. If legislative year ends before the ten days are over, president may introduce reforms in next legislative year.
Step 8b	If president makes modifications, bill must be sent back to chamber where it was introduced. If changes are approved by both houses, bill must be returned to the president for signing.
Step 9	If both chambers reject president's changes, a two-thirds majority can overturn a presidential veto.

Source: Based on information from Eduardo A. Gamarra, "Political Stability, Democratization, and the Bolivian National Congress," Pittsburgh, 1987.

Table 14. *Composition of the National Congress, May 1989*

	Senate	Chamber of Deputies	Total
MNR ¹	9	40	49
ADN ²	8	38	46
MIR ³	8	33	41
Condepa ⁴	2	9	11
IU ⁵		10	10
TOTAL	27	130	157

¹ Movimiento Nacionalista Revolucionaria (Nationalist Revolutionary Movement).

² Acción Democrática Nacionalista (Nationalist Democratic Action).

³ Movimiento de la Izquierda Revolucionaria (Movement of the Revolutionary Left).

⁴ Conciencia de la Patria (Conscience of the Fatherland).

⁵ Izquierda Unida (United Left).

Table 15. Transition to Democracy, 1971-89

Period	Head of Government	Nature of Government	Source of Authority	Outcome of Government
1971-78	Hugo Banzer Suárez	Military, de facto	Coup d'état	Coup d'état
1978	Juan Pereda Asbún	-do-	-do-	-do-
1978-79	David Padilla Arancibia	-do-	-do-	Stepped down
1979	Walter Guevara Arze	Civilian, constitutional	Elected by Congress	Coup d'état
1979	Alberto Natusch Busch	Military, de facto	Coup d'état	Forced to step down
1979-80	Lidia Gueiler Tejada	Civilian, constitutional	Elected by Congress	Coup d'état
1980-81	Luis García Meza Tejada	Military, de facto	Coup d'état	Resigned
1981	Celso Torrelio Villa, Waldo Bernal Pereira, Oscar Pammo Rodríguez	-do-	Named by García Meza	-do-
1981-82	Celso Torrelio Villa	-do-	Named by military junta	-do-
1982	Guido Vildoso Calderón	-do-	Named by armed forces	Stepped down
1982-85	Hernán Siles Zuazo	Civilian, constitutional	Elected by Congress	Forced to call early elections
1985-89	Víctor Paz Estenssoro	-do-	-do-	Completed term
1989-	Jaime Paz Zamora	-do-	-do-	In power 1989

Table 16. Election Results, May 1989

Party	Candidates	Number of Votes	Percentage of Vote
MNR ¹	Gonzalo Sánchez de Lozada Walter Guevara Arze	363,113	23.1
ADN ²	Hugo Banzer Suárez Luis Ossio Sanjinés	357,298	22.7
MIR ³	Jaime Paz Zamora Gustavo Fernández	309,033	19.6
IU ⁴	Antonio Aranibar Walter Delgadillo	113,509	7.2
Condepa ⁵	Carlos Palenque Jorge Cusicanqui Escobari	173,459	11.0
PS-1 ⁶	Roger Cortez Jerjes Justiniano	39,763	2.5
MRTK ⁷	Víctor Hugo Cárdenas Emmo Valeriano Thola	22,983	1.5
FULKA ⁸	Genaro Flores Hermógenes Basualdo	16,416	1.0
FSB ⁹	Rommel Pantoja Nestor W. Cerruto	10,608	0.7
MIN ¹⁰	Luis Sandóval Morón Oscar García Suárez	9,687	0.6
Blank ¹¹	n.a.	68,626	4.4
Null ¹²	n.a.	89,295	5.7
TOTAL		1,573,790	100.0

n.a.—not applicable.

¹ Movimiento Nacionalista Revolucionario (Nationalist Revolutionary Movement).

² Acción Democrática Nacionalista (Nationalist Democratic Action).

³ Movimiento de la Izquierda Revolucionaria (Movement of the Revolutionary Left).

⁴ Izquierda Unida (United Left).

⁵ Conciencia de la Patria (Conscience of the Fatherland).

⁶ Partido Socialista Uno (Socialist Party One).

⁷ Movimiento Revolucionario Túpac Katari (Túpac Katari Revolutionary Movement).

⁸ Frente Única de Liberación Katarista (Sole Katarista Liberation Front).

⁹ Falange Socialista Boliviana (Bolivian Socialist Falange).

¹⁰ Movimiento de la Izquierda Nacionalista (Nationalist Leftist Movement).

¹¹ Ballots not filled out.

¹² Ballots nullified for some reason, e.g., defaced.

Source: Based on information from "Final Official Vote Count," *Presencia* [La Paz], May 28, 1989, 1.

Table 17. Major Army Equipment, 1989

Type and Description	Country of Origin	Inventory
Light tanks		
Alvis Scorpion	Britain	12
Steyr Sk 105mm	Austria	36
Armored combat vehicles		
EE-9 Cascavel	Brazil	24
Kürassier tank destroyers	West Germany	18
Armored personnel carriers		
M-113	United States	50
V-100 Commando	-do-	15
MOWAG Roland	France	24
EE-11 Urutu	Brazil	24
Artillery		
M-116 75-mm Pack howitzers	United States	6
M-101 105-mm howitzers	-do-	6
Bofors M-1935 75-mm guns	Sweden	10
FH-18 howitzers	n.a.	20
Recoilless rifles		
90-mm	United States	50
M-40A1 106-mm	-do-	n.a.
Mortars		
60-mm	-do-	n.a.
M-30 107-mm	-do-	n.a.
M-29 81-mm	-do-	250
Aircraft		
Beech Super King Air	-do-	1
Piper Cheyenne II	-do-	1
Casa C-212	Spain	1

n.a.—not available.

Source: Based on information from *The Military Balance, 1989-1990*, London, 1989, 184; and "World Defence Almanac," *Military Technology* [Bonn], 13, No. 1, January 1989, 42.

Table 18. Major Naval Equipment, 1989

Type and Description	Country of Origin	Inventory
Patrol craft		
Various sizes	n.a.	32
Piranhas	United States	8
Patrol launch	-do-	1
Hospital-type patrol launch	n.a.	2
Sea-going vessel	Venezuela	1
Hydrographic research ship	n.a.	1
Transport ship	n.a.	1
Aircraft		
Cessna 402	United States	1
Cessna 206	-do-	1

n.a.—not available.

Source: Based on information from *The Military Balance, 1989-1990*, London, 1989, 184; and "World Defence Almanac," *Military Technology* [Bonn], 13, No. 1, January 1989, 42

Table 19. Major Air Force Equipment, 1989

Type and Description	Country of Origin	Inventory
Fixed-wing fighters		
AT-33N	Canada	14
F-86F Sabre	United States	4
Hughes 500M	-do-	10
Counterinsurgency		
AT-6G	n.a.	12
PC-7	Switzerland	12
Fixed-wing utility		
Cessna	United States	24
Trainers		
T-41D Mescalero	-do-	6
Cessna 172	-do-	3
Cessna 310	-do-	2
Cessna A-152	-do-	12
T-23 Uriapuru	Brazil	18
SF-260CB	Italy	6
SF-260M	-do-	3
PC-7	Switzerland	24
T-33A	United States	18
Transports		
L-188 Electra	-do-	1
Sabreliner 65	-do-	1
Super King Air	-do-	3
Cessna	-do-	3
C-130 Hercules	-do-	6
C-47	-do-	8
IAI-201 Arava	Israel	4
F27-400 Friendship	Netherlands	6
L-100-30 Hercules	United States	1
Convair 440	-do-	4
PC-6B Turbo Porters	West Germany	17
Reconnaissance		
Learjet 25B	United States	2
Cessna 402B	-do-	1
Helicopters		
UH-1H	-do-	7
Bell 212	-do-	2
SA-315B/HB-315B	France	8
Artillery		
20-mm Oerlikon guns	Switzerland	50

n.a.—not available.

Source: Based on information from *The Military Balance, 1989-1990*, London, 1989, 184; and "World Defence Almanac," *Military Technology* [Bonn], 13, No. 1, January 1989, 42.

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Glossary

- ayllu*—A self-governing and land-owning peasant community in Bolivia's highlands. May refer to either a village, a kinship group, or a clan-like organization, usually based on collective agriculture. Although a pre-Columbian term, *ayllu* has been used as a synonym for contemporary highland peasant communities (*comunidades*).
- boliviano—Bolivia's official unit of currency. Replaced the peso on January 1, 1987. In 1988 the exchange rate was B2.3 = US\$1. Readoption of the boliviano (Bolivia's currency prior to January 1963) in January 1987 redressed the damage done to the currency by hyperinflation.
- Cambas—Natives of the lowlands who often look with disdain on highlanders (Kollas—*q. v.*).
- cholo*—A term that has a variety of definitions and social implications. During colonial times was equivalent to mestizo but has evolved to include persons of mixed or pure Indian ancestry who are trying to move up the social and economic ladder. *Cholos* speak Spanish in addition to an Indian tongue.
- compadrazgo*—Literally, copaternity. A system of ritual coparenthood that links parents, children, and godparents in a close social or economic relationship.
- corregidor*—The official, usually a white or *cholo*, in preindependence Bolivia charged with administering local Indian affairs.
- encomienda(s)*—A system whereby rights over Indian labor and tribute were granted to individual colonists (*encomenderos*) in return for assuming the responsibility of supervision and religious education of the Indians.
- fiscal year (FY)—Calendar year.
- gross domestic product (GDP)—A measure of the total value of goods and services produced by the domestic economy during a given period, usually one year. Obtained by adding the value contributed by each sector of the economy in the form of profits, compensation to employees, and depreciation (consumption of capital). The income arising from investments and possessions owned abroad is not included, hence the use of the word *domestic* to distinguish GDP from GNP (*q. v.*).
- gross national product (GNP)—Total market value of all final goods and services produced by an economy during a year. Obtained by adding GDP (*q. v.*) and the income received from abroad by residents less payments remitted abroad to nonresidents.

- import-substitution industrialization—An economic development strategy that emphasizes the growth of domestic industries, often by import protection using tariff and nontariff measures. Proponents favor the export of industrial goods over primary products.
- informal sector—Unofficial sector of underground economic activity. In Bolivia, consisted principally of coca cultivation, cocaine trafficking, and contraband, employing two-thirds of the work force.
- International Monetary Fund (IMF)—Established along with the World Bank (*q.v.*) in 1945, the IMF is a specialized agency affiliated with the United Nations that takes responsibility for stabilizing international exchange rates and payments. The main business of the IMF is the provision of loans to its members when they experience balance of payments difficulties. These loans often carry conditions that require substantial internal economic adjustments by the recipients.
- Kollas—Term for native residents of the Altiplano, including the city of La Paz, used somewhat disdainfully by native lowlanders, called Cambas (*q.v.*).
- machismo—Cult of male dominance, derived from the word *macho*, meaning male.
- minifundios*—Very small landholdings, legally held, allowing only a bare existence.
- mita*—A compulsory labor system implemented by the Spaniards to work the mines. Required that all able-bodied Indian men present themselves periodically for short periods of paid work in the mines. Was abused by inhumane treatment of the conscripts, arbitrary extensions of the service period, and depletion of individual communities of their adult males.
- Paris Club—A Paris-based organization that represents commercial banks in the rescheduling of national debts.
- pulperia*—Originally, a company store; later, a state-subsidized merchandise store selling goods at stable prices to miners and other labor groups.
- rosca*—A derogatory term for the national oligarchy whose basis of power was strongly shaken by the 1952 Revolution. Designated in particular the supportive group of lawyers and politicians who acted as administrators for the ruling elite.
- state capitalism—A development model or strategy centered on the state, which directly controls and manages, through government agencies and public mixed corporations, most of the basic industry and infrastructure and uses incentives or disincentives

to guide growth in the private sector in accordance with development priorities.

terms of trade—Number of units that must be given up for one unit of goods by each party, e.g., nation, to a transaction. The terms of trade are said to move in favor of the party that gives up fewer units of goods than it did previously for one unit of goods received, and against the party that gives up more units of goods for one unit of goods received. In international economics, the concept of “terms of trade” plays an important role in evaluating exchange relationships between nations.

value-added tax (VAT)—An incremental tax applied to the value added at each stage of the processing of a raw material or the production and distribution of a commodity. It is calculated as the difference between the product value at a given state and the cost of all materials and services purchased as inputs. The value-added tax is a form of indirect taxation, and its impact on the ultimate consumer is the same as that of a sales tax.

World Bank—Informal name used to designate a group of three affiliated international institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC). The IBRD, established in 1945, has the primary purpose of providing loans to developing countries for productive projects. The IDA, a legally separate loan fund administered by the staff of the IBRD, was set up in 1960 to furnish credits to the poorest developing countries on much easier terms than those of conventional IBRD loans. The IFC, founded in 1956, supplements the activities of the IBRD through loans and assistance designed specifically to encourage the growth of productive private enterprises in less developed countries. The president and certain senior officers of the IBRD hold the same positions in the IFC. The three institutions are owned by the governments of the countries that subscribe their capital. To participate in the World Bank group, member states must first belong to the IMF (*q.v.*).

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550-96	Sri Lanka		
550-27	Sudan		
550-47	Syria		
550-62	Tanzania		







