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# INTELLIGENCE MEMORANDUM

## SITUATION IN BOLIVIA

DIRECTORATE OF INTELLIGENCE
Office of Current Intelligence

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CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
24 May 1965

INTELLIGENCE MEMORANDUM

# Situation in Bolivia

## Summary

On 23 May the Barrientos government moved to establish its authority over the tin mines by military force. This action culminates a struggle having its roots in nationalization of the mines following the revolution of 1952. The revolution left the miners armed, and enabled their leftist leadership to exert a veto over any government moves to improve the efficiency of mine operations. At the same time, Bolivian tin became less competitive on the world market, with the result that tin exports, which provide Bolivia's main source of foreign exchange, declined and the mines became a drain on the domestic economy.

In recognition of this, the government in 1961 entered an agreement with the US, [redacted] and the Inter-American Development Bank to modernize the mines. The three partners would supply funds in return for government action to reform mine management and bring the miners under discipline. This plan was suspended in 1964 because the government was unable to overcome the miners. The junta which came to power in that year has now recognized that reform in the mines is essential to Bolivia's survival and has thrown down the glove to the miners. If it fails, the miners and other leftist-led elements are likely to try to seize national political power.

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## Nationalization of the Mines: 1952-61

1. In 1952 the revolutionary government of Bolivia nationalized the three largest tin-producing enterprises --Patino, Aramayo, and Hochschild--and placed them under the control of the Bolivian Mining Corporation (COMIBOL). Under the first six years of COMIBOL's management, tin production declined by one half. After 1958, output began gradually to rise, but in 1963 was still only two thirds of prerevolutionary levels. Since tin exports have traditionally contributed between 55 percent and 70 percent of Bolivia's total export earnings, the decline was a serious blow to the economy. Tin earnings dropped by 22 percent during the decade 1953-63. Moreover, COMIBOL was operating at a loss, thus making it a drain on the government's budget. Despite the sharp decline in production, COMIBOL's labor force has remained constant at about 28,000.

2. The major factors in COMIBOL's reduced production and rising costs are labor union practices in the mines, and poor and corrupt COMIBOL management. Other factors include: fluctuation of world tin prices, which declined sharply between 1952 and 1958; degradation of ore deposits; difficult access to ore deposits; failure to make use of new metallurgical processes; failure to replace or maintain mining equipment; and maintenance of food commissaries selling below cost to miners.

## The Role of the Miners

3. The miners' unions are organized under the Mine Workers Federation (FSTMB) which is headed by pro-Communist Juan Lechin Oquendo. Most of the mine leaders are extreme leftists and Communists whose purposes are not to assist in the nationalization of the industry but to obstruct it. Mine union activities are closely tied to political maneuvering on the national level, usually in support of Lechin's National Leftist Revolutionary Party.



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4. Labor pressure is exerted on the COMIBOL management by labor representatives known as Controles Obreros. A Control Obrero is maintained by the union at each mine to "advise" management on labor matters. Under Bolivian law, he has veto power over all decisions involving union affairs and labor rights. In practice, this power has been so broadly interpreted as to allow the Controles Obreros to pass on technical and management matters lying outside their legitimate spheres of responsibility. As a result of union encroachment, COMIBOL management has been seriously circumscribed in any attempts to maintain labor discipline and to reduce personnel even when the need for such reductions is clearly indicated.

5. Bolivia's tin miners spearheaded the 1952 revolution by defeating the armed forces, traditional bulwark of former oligarchy-controlled regimes. As a legacy of their victory, the miners' militia and groups of peasants established themselves, often with official sanction, as armed bands to serve theoretically as "defenders" of the revolution. During Paz' first term in office (1952-1956) he used the miners and peasant militia units as a counterweight against the drastically reduced national military establishment. By the time he reversed this policy during his second administration, the armed miners had consolidated their military position.

## The Triangular Plan: 1961-1964

6. In June 1961, the US Agency for International Development, the Inter-American Development Bank, and West Germany entered into an agreement to finance the rehabilitation of COMIBOL. This undertaking, known as the Triangular Plan, was designed to coordinate the contribution of substantial capital inflows into COMIBOL while aiding in the institution of sound management and financial practices. Under the Triangular Plan about $45 million was pumped into COMIBOL in two phases during 1962-64. The scheduled third phase of the plan was suspended in mid-1964 as a result of the participants' dissatisfaction with progress attained during the first two phases.





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7. From the beginning of the Triangular Plan it was recognized that the most serious obstacle to the rehabilitation program was the inability of COMIBOL to make management decisions stick in the face of labor obstruction. In recognition of this, the Paz Estenssoro government issued a decree in August 1961 clearly limiting labor prerogatives vis-a-vis management. The decree was never effectively implemented despite pressures from the Triangular partners. The miners reacted to any government intervention by striking and, in some cases, by taking hostage COMIBOL administrators and foreign technicians. Political pressure would then force President Paz to back down.

8. During the summer of 1964 the rehabilitation program ground to a halt when Triangular consultants were unable to visit the mines without the danger of incurring physical violence. The Paz government was informed, on 25 September, that no further financial assistance would be forthcoming until civil authority was established in the mines. Paz remained extremely reluctant to move against the miners and twice canceled plans for military action. No further progress was made on the matter and on 4 November 1964 the Paz government was overthrown.

Actions by the Barrientos Government: 1964-65

9. The military junta which was established in the wake of the November revolution announced that it would undertake sweeping economic reforms. Colonel Juan Lechin Suarez, half-brother of labor leader Lechin, took office as COMIBOL president. He is a competent administrator who is determined to reform the mining industry. Colonel Lechin's political views differ from those of his half-borther and the two reportedly are not on good terms.





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10. In February an extensive study of COMIBOL by the Triangular review group resulted in a recommendation against any further loans to COMIBOL in the absence of profound changes. The report stressed the gravity of COMIBOL's financial position and expressed the belief that COMIBOL could not service its existing indebtedness. Colonel Lechin and the junta at first believed the Triangular group exaggerated COMIBOL's problems. They began negotiations with the miners, making certain concessions in return for assurances of greatly increased tin production during the month of April, an agreement the miners failed to keep. This, plus insistent pressure by Triangular representatives, finally convinced junta president Barrientos and Colonel Lechin of the gravity of their problem. The government was encouraged by Triangular representatives to begin work on a coordinated plan for specific mine reforms.

11. There were indications during the first week of May that the government was considering military intervention in the mines to clear the way for implementation of reforms. A decree was also drafted which provided for salary reductions, the right to fire for cause, punishment for theft of ore or materials by firing and criminal court action, noninterference by labor in management functions, free movement of material and equipment between mines, and surrender of all arms by miners. The plan was to issue the decree and follow it up, if necessary, by armed action. (This decree was not the comprehensive plan envisioned by Triangular partners but only a preliminary operation.) In expectation of an extended strike by the miners in reaction to the decree, the junta asked US officials for financial assistance to cover COMIBOL's cash needs for a two-month period. The cash deficit figure was estimated at $859,000. On 15 May, the government arrested Juan Lechin and exiled him to Paraguay, a measure which produced reactions which merged on 17 May with already planned widespread strikes.

12. The Barrientos government opened military operations against the miners on 23 May. The quick action, begun before formulated contingency plans could be fully implemented, probably was taken as





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a result of attacks by the miners against governmental authority. On 22 May, Kami miners attempted to assassinate Barrientos, while those in the Oruro area clashed with army troops guarding the mining town. The government's goal is to establish order in the mines and thus allow implementation of reforms and further financial and technical assistance under the Triangular Plan.

13. Success in the mine operation probably depends on continued calm and civil order throughout the rest of the country. If, in addition to the fighting in the mining areas, major urban disorders break out, the armed forces will be hard put to maintain control.

14. In the event that the armed forces should fail to occupy the mines or prevent chaos, leftist-extremists probably would attempt a bid for power.





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