CHAPTER IV

DEPENDENCY SINCE THE 1930'S

BOLIVIAN FOREIGN TRADE: HISTORICAL PROBLEMS AND MNR REVOLUTIONARY POLICY, 1952–1964*

Did national Revolution under the MNR (*Movimiento Nacionalista Revolucionario*) achieve its avowed goal of making Bolivia less dependent upon exports of tin and imports of foodstuffs, raw materials and some manufactured goods? Was the MNR able to increase the number of its trading partners in order to assure independence from economic problems arising in limited export-import markets? And, in accepting massive U.S. aid, did the MNR Revolution make Bolivia dependent upon closer trade relations with its "benefactor"? Answers to these questions are important not only to understand the recent history of Bolivia but also to provide us with information about problems in the process of development in a Latin American country.

The historical problem of Bolivian foreign trade has been presented in the following terms by Víctor Paz Estenssoro, leader of the MNR Revolution from its victory in 1952 until its fall from power in 1964:

> As a consequence of various factors the Bolivian economy had developed unevenly with a monoproductive orientation toward minerals, particularly tin. Thus, at the same time as developing Bolivia's resources, we wished to diversify the economy so that the country would not depend only on one product . . . .
>
> In the first phase our goal was to produce articles which we imported. This was an indirect method of decreasing our dependent position: If we could stop spending foreign exchange on imported food and raw materials for the small textile industry which existed in our country, we should have foreign exchange to import capital goods necessary for economic development.
>
> Thus, with this basic idea in mind, we thought that one of the sectors in which we could act immediately was in the field of energy, including development of the oil industry. Petroleum could not only serve as a source of energy for development on one hand, but for development of Bolivia's international commerce on the other hand.[1]

The MNR policy of economic diversification was implemented in a multi-faceted program which included, for example, tariff and monetary reform, land distribution and colonization, and development of agricultural products and farm to market roads; it also included nationalization of tin mines and legislation to encourage foreign investment in petroleum and other industries. Since aspects of this policy have been discussed elsewhere,[2] and since here we are interested in assessing international outcomes of complex programs rather than in discussing policy or economic diversifications per se, the present analysis is limited to discussing exports and imports as a test of the MNR's ability to influence Bolivia's established pattern of foreign trade. We are not concerned with government action so much as with the results of its action in one sphere.

In order to show the impact of MNR policy on foreign trade, the following over-all analysis of exports and imports treats a period beginning in 1929 and

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This work is based primarily upon statistics derived from official sources as cited in the following tables. Thus, Bolivian data have been developed and adjusted in order to arrive at relatively consistent time-series figures; and categories presented permit independent analysis of an important aspect of recent Bolivian history. An implicit assumption in this study is that reorganization and/or selection of official data offers (i) a view which is not clearly presented in governmental publications as well as (ii) a historical perspective which differs from the outlook on the role of government as seen in official figures for short-run periods of time.

I am indebted to Professors Richard .S. Thorn (University of Pittsburgh), Bruce H. Herrick (University of California, Los Angeles), and Lyle C. Brown (Baylor University) for criticism of earlier drafts of this study.

[1]James W. Wilkie and Edna Monzón de Wilkie, Entrevistas de Historia Oral con Víctor Paz Estenssoro, Lima, Perú, 6 de Julio de 1966.

[2]For a major new work, see James M. Malloy and Richard S. Thorn (eds.), *Beyond the Revolution: Bolivia Since 1952* (Pittsburgh: University of Pittsburgh Press, 1971). See also the following important studies:

Robert J. Alexander, *The Bolivian National Revolution* (New Brunswick, N.J.: Rutgers University Press, 1958); George Jackson Eder, *Inflation and Development in Latin America: A Case Study of Inflation and Development in Bolivia* (Ann Arbor: Graduate School of Business Administration, University of Michigan, 1968); Cornelius H. Zondag, *The Bolivian Economy, 1952–1965: The Revolution and Its Aftermath* (New York: Praeger, 1966) and U.N. Economic Commission for Latin America, "The Economic Policy of Bolivia in 1952–1964", *Economic Bulletin for Latin America* 12 (October 1967) 61–89.

ending shortly after the fall of the MNR. This epoch covers the years of world depression, which influenced Bolivia's participation in the Chaco War, as well as the post-Chaco War years of subsequent nationalism, which led to the MNR's successful revolution in 1952.[3] Tables quantifying specific aspects of trade provide data beginning about 1950, seven years before the Revolution and before the economic impact of the Korean War. The epoch under consideration ends in 1966, two years after effects of the MNR policy would have any immediate outcomes.

I. MINERAL EXPORTS

Bolivia's dependence on mineral exports, particularly tin, is shown in Table 1 and Graph 1. Between 1929 and 1952 mineral exports accounted for over nine-tenths of dollar-value exports, except for 1946 when the amount barely missed the 90 percent level. During those years tin made up about 60 to 80 percent of all exports, depending upon the importance of other minerals such as gold and silver, for example, which gained in share of exports in the mid-1930's.

The major role which tin played in the economy was an important factor in the events of late 1951 which led to the successful MNR Revolution. As one contemporary source observed:

> Thousands of tons of concentrates are piling up at Chilean and Peruvian ports, because of the fact that Bolivia has shipped no tin to the United States since October 5. The U.S. market is essential to Bolivia, for the [U.S.] government-owned smelter at Longhorn, Texas, is one of the few in the world which can handle the low-grade Bolivian ores. The lack of revenue from tin sales is causing serious unemployment at the mines and is producing economic paralysis within the country.[4]

In sum, "dissatisfaction of the Bolivian people with the long stoppage of tin exports was undoubtedly a major factor in the complete overthrow" of traditional government in April, 1952.[5]

Though the Revolution of 1952 set out to change the pattern of dependence upon tin, a glance at Table 1 and its accompanying graph reveal the difficulties which the MNR had in reworking the composition of exports. True, tin's share in dollar value of total exports fell to about 55 percent of all exports in 1954 and 1956 and remained under 60 percent during the year 1954–1958, but this was because of political crisis generated by worker control of the mines and because of problems in selling price after the end of the Korean War.[6] As the price of tin increased after 1959, in 1959 and from 1961 to 1963 tin's shares in dollar value again equaled pre-revolutionary levels of about 70 percent. Thus even with a downturn of tin in value of total exports in 1966, Bolivia has not been able to diversify the source of its foreign exchange earnings as much as had been hoped.

One new aspect of exports might be detected in an increase in share of non-minerals at the end of the MNR period. Prior to 1964, relative increase generally could be attributed to a total export decline in which non-minerals held steady in absolute terms while mineral exports fell. Between 1964 and 1966, the non-mineral share of exports gained as total exports expanded. A portion of this gain came with export of tin solder, which ran 3.3, 5.2, and 1.7 percent during these years respectively. Importance of this item helped manufactured goods attain record shares (3.5, 5.5, and 1.9 percent, respectively) in total exports. Since Bolivia usually has shipped primary materials out

[3]For a political history of the period from the Chaco War (1932-1935) to the MNR Revolution of 1952, see Herbert S. Klein, *Orígenes de la Revolución Nacional Boliviana; La Crisis de la Generación del Chaco* (La Paz: Editorial Juventud, 1968). This book has been revised and translated as *Parties and Political Change in Bolivia, 1880-1952* (Cambridge: Cambridge University Press, 1969).

[4]*Hispanic American Report*, December 1951, 27. Cf. Laurence Whitehead, *The United States and Bolivia; A Case of Neo-Colonialism* (London: Haslemere Group, 1969), 3-7, who contends that the Bolivian Revolution of 1952 resulted because pre-MNR governments attempted to gain a fair tin price from the U.S. by refusing to negotiate a contract for a rate which the U.S. was willing to pay. Whitehead notes that as the U.S. tried to relieve inflationary pressures of the Korean War by selling stockpiled tin, "it was earning a handsome profit on past transactions" with Bolivia; and in 1951-1952 the U.S. was selling tin at over twice the price which it had paid during World War II. Yet according to Whitehead, "The American government was accused of trying to cut off the credit of Bolivian mine-owners in New York banks. No tin had been exported for nine months, mine production was grinding to a halt, foreign exchange was getting scarcer, and inflationary pressures were appearing. The mine owners lost their gamble. External defeat aggravated their already precarious domestic position."

[5]This quotation is from *Hispanic American Report*, May, 1952, 35.

[6]For a discussion of these factors see James W. Wilkie, *The Bolivian Revolution and U.S. Aid Since 1952; Financial Background and Context of Political Decisions* (Los Angeles: Latin American Center, University of California, 1969), especially pages 31–35 which take up problems of real tin price. Guillermo Bedregal, *Monopolios Contra Países Pobres: La Crisis Mundial del Estaño* (México, D.F.: Siglo XXI, 1967), 25–26, discusses export controls by the International Tin Council which required that Bolivia limit exports in 1958–1959. Bedregal also discusses the effect of Soviet and U.S. policy on tin prices (112ff and 226ff). See also Bruce H. Herrick, "La Economía Política de la Nacionalización: El Caso de Estaño Boliviano," *Economía* (Santiago) 26 (1967–1968) 59–77.

TABLE 1
Value of Exports, 1929-1966

Year	Thousands of Dollars	Percentage Shares (Total = 100.0)			
		Minerals			
		[a]All	[b]Tin	[b]Gold and Silver	Non-Mineral
1929	36 622	94.2	75.1	7.0	5.8
1930	26 325	93.3	76.2	7.7	6.7
1931	16 980	94.1	76.4	7.8	5.9
1932	13 774	92.2	72.3	8.6	7.8
1933	21 500	92.3	69.4	10.9	7.7
1934	36 006	96.6	79.5	8.0	3.4
1935	42 119	96.1	73.7	12.2	3.9
1936	28 932	91.2	61.5	14.0	8.8
1937	35 147	93.3	62.5	11.0	6.7
1938	27 393	91.3	63.3	10.2	8.7
1939	33 846	93.5	66.3	9.5	6.5
1940	49 829	96.0	71.3	5.0	4.0
1941	60 650	95.7	70.6	4.8	4.3
1942	65 657	96.2	66.8	5.0	3.8
1943	81 601	95.4	67.4	4.0	4.6
[c]1944	77 914	93.2	68.2	4.5	6.8
[c]1945	80 092	92.1	75.2	3.9	7.9
1946	73 650	88.9	70.6	6.1	11.1
1947	81 429	92.8	67.2	5.7	7.2
1948	112 826	98.3	71.1	5.0	1.7
1949	102 970	96.2	70.8	6.3	3.8
1950	94 218	95.5	67.5	5.1	4.5
1951	150 590	96.7	62.0	4.2	3.3
1952	141 303	97.5	60.0	4.4	2.5
1953	112 664	97.6	64.2	4.7	2.4
1954	99 453	96.7	55.2	12.0	3.3
1955	102 374	95.5	56.0	7.4	4.5
1956	107 437	93.1	55.1	7.0	6.9
1957	97 667	90.6	58.8	6.6	9.4
1958	64 737	86.1	56.0	10.5	13.9
1959	77 635	88.7	68.1	6.8	11.3
1960	67 828	88.3	63.2	8.9	11.7
1961	76 136	90.2	66.1	8.4	9.8
1962	76 123	92.2	71.0	6.8	7.8
1963	86 403	93.2	66.4	13.0	6.8
1964	113 866	[d]91.4	[d]67.8	7.0	[e]8.6
1965	131 836	[d]89.4	[d]65.3	6.3	[e]10.6
1966	150 436	[d]85.7	[d]60.3	4.8	[e]14.3

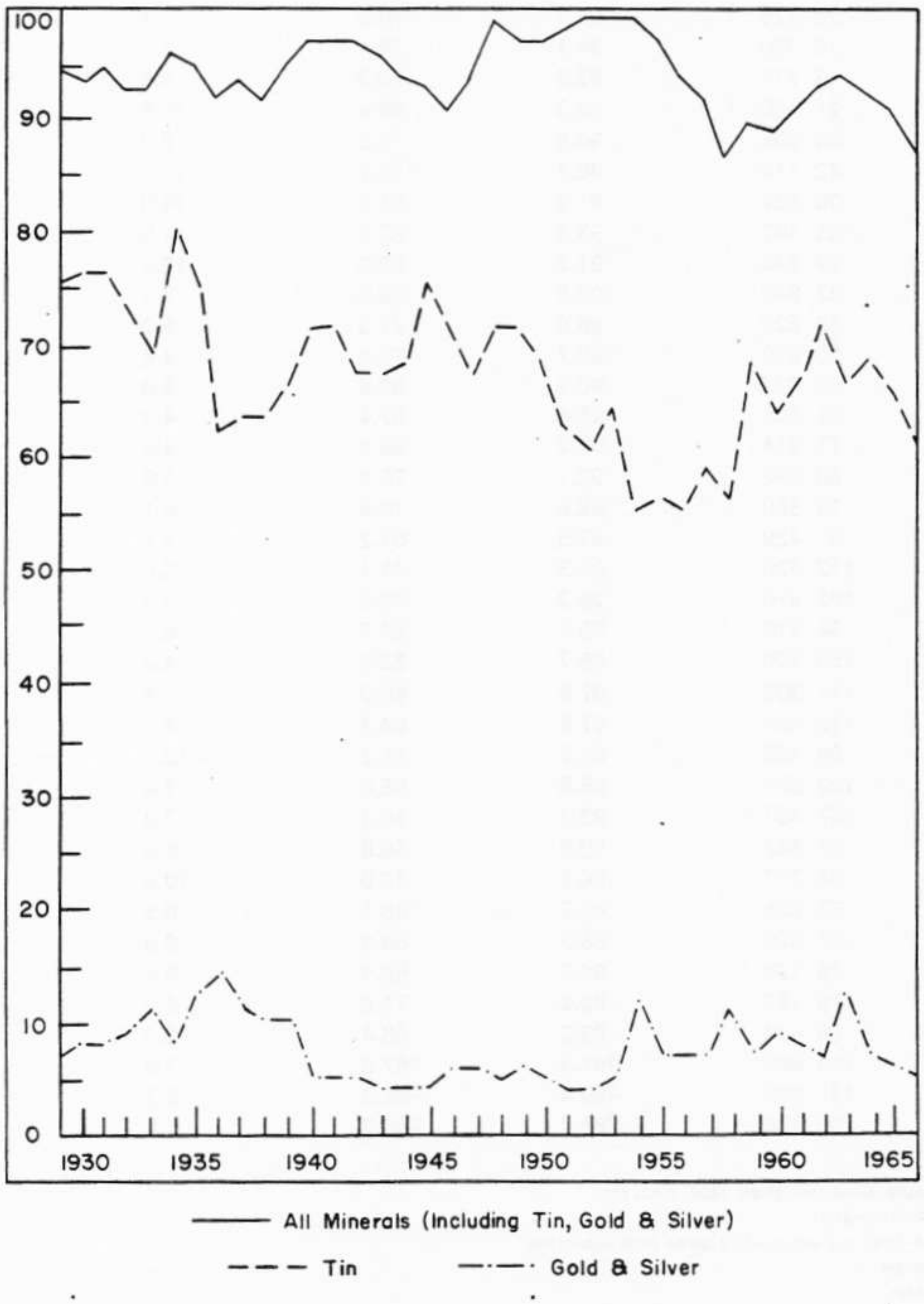
[a]Including tin, gold, silver, tungsten, lead, zinc, etc.
[b]Included in "All" minerals.
[c]Totals for 1944-1945 are adjusted to agree with sub-totals.
[d]Excludes tin solder.
[e]Includes tin solder.

Source: Banco Central, *Memoria* 29 (1957) 86, 89-90, for 1929-1951; and 38 (1966) 73, 136, for 1952-1966. Adjustments for tin solder are made with data from Dirección General de Estadística y Censos, *Boletín Estadístico* 90 (1964) 113; 91 (1965) 228; and 92 (1966) 132. Cf. Pan American Union, *The Foreign Trade of Latin America Since 1913* (Washington, D.C.: Division of Economic Research, 1952), 65; and Phyllis Griess, "The Bolivian Tin Industry," *Economic Geography* 27 (1951) 238-250.

GRAPH 1

EXPORTS 1929-1966

(PERCENTAGE SHARES OF DOLLAR VALUE)



of the country instead of first channeling them through a smelting and manufacturing process, the rise of such industry for export is important to Bolivia. This aspect is too recent to assess; and it may have no future, as proved to be the case with the production of coins which had temporary but minor success during the 1950's. Though tin solder is included as a tin export in the source for Table 6, it is separated here to make the distinction between export of processed and non-processed tin.[7]

II. EXPORT AND IMPORT OF PETROLEUM

If Bolivia continues to be dependent upon mineral exports, especially tin, what of Paz's hopes to reduce imports? Since Paz was especially interested in petroleum, it is important to examine imports and exports of crude oil between 1950 and 1966. Paz realized that Bolivia needed foreign investment to develop the country's oil holdings seized in 1937 from Standard Oil Company of New Jersey. Therefore he encouraged the U.S. Gulf Oil Company to develop a Bolivian subsidiary in return for payment of an 11 percent royalty of crude oil produced plus 30 to 35 percent of net profits. All obligations considered, Paz believed that provisions amounted to shares of 50 percent for the government and 50 percent for Gulf Oil, but wording did not spell that out exactly.[8]

Table 2 shows that prior to 1954 Bolivia was spending large sums to import crude oil; thereafter the MNR increased internal production to the point where loss of foreign exchange was practically eliminated and Bolivia became an exporter. Quotations from two different sources summarize the pre- and post-revolutionary prospects of petroleum production. On January 12, 1951, engineers of the State Oil Company (Yacimientos Petrolíferos Fiscales Bolivianos) wrote to their general manager and board of directors with regard to the problems of the Company, which had been created in 1937 after nationalization of Standard Oil Company of New Jersey holdings.

> The present situation of the State Oil Company is gravely serious because of diverse economic, political, and social factors which coincide to create such a state of affairs . . . . that if immediate, energetic, and intelligent steps are not taken, we shall soon face problems of such magnitude that they may cause liquidation of the Company as an autarchichal entity, and with its passing, a beautiful idea of liberation and nationalism would die.[9]

With important activity of a rejuvenated State Oil Company after 1952 and its encouragement of private foreign investment in oil, in 1967 the Inter-American Development Bank noted:

> The petroleum and natural gas sector is at the threshold of a new era which will have ramifications throughout Bolivia's economy. Since [1965 when the] Petroleum Code opened some Bolivian areas to foreign private investment, Bolivian Gulf [Oil Company] has undertaken exploration activities on a large scale. By mid-1966 two oil fields a few miles from Santa Cruz were fully developed ready for the delivery of at least 35,000 barrels a day . . . .
>
> The main finding of Bolivian Gulf, however, is reported to be gas-condensate (oil suspended in gas) fields in the area of Santa Cruz. On the basis of several wells, these fields have been conservatively estimated to contain reserves of two trillion cubic feet of gas . . . (Neighboring Argentina, for comparison, consumed 140 billion cubic feet in 1965 . . . .)
>
> It would appear from the point of view of optimum allocation of resources that YPFB [the State Oil Company] should concentrate its efforts on improving the distribution and refining of petroleum, while buying crude oil from Bolivian Gulf.[10]

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[7]Prior to 1964 production of tin solder was negligible; production of coins is not separated here from the "gold and silver category" of exports.

[8]Wilkie and Wilkie, Entrevistas de Historia Oral con Víctor Paz Estenssoro, 6 de Julio de 1966; and Alexander, *The Bolivian National Revolution,* 164–165. See Lois D. Martin, *Bolivia in 1956: An Analysis of Political and Economic Events* (Stanford: Hispanic American Studies, Stanford University, 1958), 20–21, for terms of the contract which included a depletion allowance of 27 percent on gross value of production, amortization of capital at 20 percent annually, and freedom from export and import taxes. For a bibliography and brief history of Bolivian oil see Harvey O'Connor, *World Crisis in Oil* (New York: Monthly Review Press, 1962), 214–224 and 418. More detailed analyses are provided by Sergio Almaraz, *Petróleo en Bolivia* (La Paz: Editorial Juventud, 1958); Enrique Mariaca Bilbao, *Mito y Realidad del Petróleo Boliviano* (La Paz: Los Amigos del Libro, 1966); and Whitehead, *The United States and Bolivia,* Appendix 2. These latter four studies are critical of the Oil Code negotiated during 1955.

[9]From a letter reprinted in Yacimientos Petrolíferos Fiscales Bolivianos, *Política Petrolera 1952–1956* (La Paz: Burillo, 1956), 8–9.

[10]Inter-American Development Bank, *Current Economic Situation and Prospects of Bolivia* (Washington, D.C.: Mimeo, 1967) 11–12.

TABLE 2

Imports and Exports of Crude Petroleum, 1950-1966

Year	Imports [a]Amount	Imports [b]Per Cent	Exports [a]Amount	Exports [b]Per Cent
1950	1 484	2.7	181	.2
1951	2 157	2.5	285	.2
1952	2 633	2.8	209	.1
1953	2 140	3.1	201	.2
1954	359	.5	456	.5
1955	250	.3	1 676	1.6
1956	61	.1	1 881	1.8
1957	312	.3	3 621	3.7
1958	16	0	4 338	6.7
1959	212	.3	3 090	4.0
1960	441	.6	3 361	5.0
1961	126	.2	1 909	2.5
1962	252	.3	1 290	1.7
1963	17	0	1 645	1.9
1964	22	0	625	.5
1965	73	0	689	.5
1966	16	0	6 528	4.3

[a]Thousands of Dollars.

[b]Percent of total imports and exports (See Tables 1 and 3).

Sources: Publications of Direccíon General de Estadística y Censos. Imports are from *Boletín Estadístico* 80 (1957) 55, for 1950-1952; *Comercio Exterior, Años 1950-1959,* 13 and 30, for 1953-1958; *Boletín Estadístico* 85 (1960) 78, for 1959; 86 (1962) 115, for 1960-1961; 88 (1963) 80, for 1962; 90 (1964) 105, for 1964; 91 (1965) 210, for 1965; 92 (1966) 114 for 1966. Exports are from *Comercio Exterior Años 1950-1959,* LIX, for 1950-1959; *Boletín Estadístico* 86 (1962) 67-68, for 1951-1961; 92 (1966) 163, for 1962-1966. Data for imports in 1963 are from the Pan American Union's *América en Cifras 1967,* 214.

While all views have not been so optimistic as that expressed above,[11] clearly Bolivia produced enough crude petroleum to supply inexpensively its own expanding needs and to stimulate the development of transportation. In 1952, 1 440 U.S. Barrels of crude oil were produced daily and by 1964 this amount was 8 582, with a 9 796 high in 1957.[12]

Given this success in petroleum activity, in 1966 Ex-president Paz remarked:

> With regard to the diversification of exports, we can look at [1967] when petroleum will begin to figure as an important category of exports. Naturally the results of a revolution are not seen overnight . . . . In 1967 oil will begin to be important, but that is a consequence of a policy adopted in 1956, eleven years earlier, when we enacted the Petroleum Code; and much before, when we constructed pipelines to stimulate the policy of petroleum development . . . .[13]

While post-MNR developments generally are beyond the scope of this study, it is important to note that Paz's statement is particularly interesting in light of events in 1969. On September 26, General Alfredo Ovando Candia, one of the men who was instrumental in overthrowing the MNR, cancelled Paz's oil code of

[11]Cf. Zondag, *The Bolivian Economy,* Chapter 10.

[12]*Ibid.,* 118.

[13]Wilkie and Wilkie, Entrevistas de Historia Oral con Víctor Paz Estenssoro, 7 de Julio de 1966.

1956; and on October 17 he seized the Gulf Oil Company holdings. His cabinet charged that the U.S. company had been exploiting the country.[14] Thus, as Gulf's investments reached a real payoff point in exports, the Ovando government rejected the possibility of renegotiating an even more favorable contract in order to accede to demands for expropriation by ultranationalists.[15]

III. PATTERNS OF IMPORT

In regard to the MNR's goal of reducing food imports, Table 3 and Graph 2 reveal gains under the Revolution. By 1966, 18.6 percent of imports consisted of food, live animals, beverages, and tobacco. This figure was considerably lower than the usual 30 to 39 percent range during the middle and late 1940's. Except during the Chaco War, after 1929 these imports did not fall below 20 percent until 1958.

Decline of such imports since the Revolution indicates some increase in national production figures. The MNR was proud of big gains in import substitution of rice and sugar. As Table 4 reveals in constant terms (deflated to 1951 with the U.S. import price index),[16] the figure for imports of sugar in 1950 was about 7 million dollars. By the mid-1960's Bolivia was able to reduce imports to zero, thus (except for any short-term imports of machinery needed in refining and packaging processes) the country was able to effect a significant long-range saving of foreign exchange. Rice imports in 1950, which were valued at over 1 million dollars, almost completely disappeared in 1964 but had increased slightly to about 300 000 dollars in 1966. Edible animal fats, which cost 1 million dollars for importations in 1950, showed a decline during the mid-1950's but regained some importance during the early and mid-1960's, reaching about half of the 1950 total in 1964.

Serious problems of import substitution came in such categories as wheat flour and lard. As seen in Table 4, imports of the latter, which stood at about 1 million dollars in 1950, cost over 2.6 million dollars by 1964. Value of the former was over 2 million dollars in 1950; and except for 1953, when the country imported a high 6.4 million dollars of wheat grain, this amount increased steadily. By 1964, yearly outflow for wheat flour alone cost over 10 million dollars, or much more than any dollars saved with import substitution of rice and sugar combined. Thus, though U.S. sales of surplus wheat flour generated local currency to finance a large share of aid to the Bolivian government, the sales also damaged the Bolivian milling industry, which had processed much imported wheat grain (dollar value shown in Table 4). Whereas in 1950 over 39 million kilos of wheat were milled, only about 15 million were processed in 1964. The milling industry actually superceded 1950 figures until 1957, when a decline set in that saw a high figure of 72.0 million in 1956 to fall to about 6 million kilos in 1961.[17]

If the MNR did not solve problems of food production, it had more serious worries about imports of raw materials and manufactured goods, which tended to gain in percentage share at the expense of foodstuffs.[18] Since the value of imports increased in general, as Table 3 shows in absolute terms, these categories did not simply expand when food imports declined.

In some cases, Bolivia could obviously increase its import substitutions, particularly in textiles. Not only did Bolivia still import sheep wool in the mid-1960's, but also woolen textile imports had regained some of their former importance (Table 4). Together, importations of these items cost Bolivia nearly 1 million dollars in 1964.

In order to develop industry, however, Bolivia faced the need to expend foreign exchange for importation of machinery. As Graph 2 reveals, between 1956 and 1964 imports of manufactured materials always were over 60 percent of all imports, especially in 1958. Presumably the 1958 figure reflected purchase orders of 1957 because at the height of the stabilization program Bolivia concentrated its efforts in economic development (see Table 6).[19]

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[14] *Los Angeles Times*, September 27, 1969; *Los Angeles Herald-Examiner*, October 18, 1969.

[15] For an inconclusive analysis of alternative ways of calculating Gulf's profits, see Whitehead, *The United States and Bolivia*, Appendix 2.

[16] Use of the U.S. export price index does not imply that Bolivia has purchased all of its imports from the U.S. but that the index offers a major guide to the cost of crude and manufactured merchandise in the world market. The index is prepared by the U.S. Bureau of International Commerce and published in *Statistical History of the United States from Colonial Times to the Present* (Stamford, Conn.: Fairfield Publishers, [1965]), series U22a, pages 566B, 566F; and U.S., *Economic Report of the President* (Washington, D.C.: Government Printing Office, 1968), 313. For further discussion in this regard, see Wilkie, *The Bolivian Revolution and U.S. Aid Since 1952, passim.*

[17] Data are from Dirección General de Estadística, *Boletín Estadístico* 85 (1960) 37; and 92 (1966) 227.

[18] Yearly indices of volume (1950=100) in *ibid.*, 92 (1966) 119–123, correspond roughly to indices of value for 1964 (Tables 4 and 5) in the following cases: rice, wheat flour, wheat grain, sugar, sheep wool, woolen textiles, agricultural machinery, and textile machinery. Divergence of indices in 1964 for value and volume may be noted in the following cases: Lard, edible animal fats, mining machinery, and construction machinery.

[19] For data on economic emphasis of expenditure in 1957, see Wilkie, *The Bolivian Revolution and U.S. Aid Since 1952*, especially Table 6.

TABLE 3

Value of Imports, 1929-1966

Year	†Thousands of Dollars	[a]Percentage Shares (Total = 100.0) Manufactured Goods	Raw Materials	Food, Live Animals, Beverages, Tobacco
1929	19 147	67.2	11.0	21.8
1930	15 586	67.3	11.6	21.1
1931	7 995	63.8	12.7	23.5
1932	5 992	65.2	10.8	24.0
1933	11 034	75.8	8.9	15.3
1934	17 810	80.0	10.3	9.7
1935	19 911	80.4	9.9	9.7
1936	14 870	65.1	14.2	20.7
1937	15 842	58.2	13.7	28.1
1938	18 900	62.5	10.2	27.3
1939	17 331	57.6	9.8	32.6
1940	20 378	62.7	13.4	23.9
1941	27 747	60.2	12.8	27.0
1942	33 235	53.5	15.7	30.8
[b]1943	38 577	60.5	13.0	26.5
1944	37 451	53.2	14.2	32.6
1945	40 370	47.9	15.8	36.3
1946	51 366	48.4	12.8	38.8
1947	59 557	52.5	12.9	34.6
1948	68 736	55.7	13.3	31.0
1949	78 330	59.9	13.9	26.2
1950	55 843	53.8	10.7	35.5
1951	85 837	57.7	13.2	29.1
1952	92 620	58.3	11.7	30.0
1953	68 006	47.5	14.7	37.8
†1954	65 483	49.8	15.0	35.2
1955	82 394	58.8	11.3	29.9
1956	84 058	65.8	8.6	25.6
1957	90 288	63.2	6.4	30.4
1958	79 593	74.6	6.0	19.4
1959	64 986	67.7	7.6	24.7
1960	71 477	72.3	8.2	19.5
1961	77 686	68.4	7.1	24.5
1962	96 926	63.2	15.6	21.2
1963	103 274	63.9	14.0	22.1
1964	102 693	67.1	15.1	17.8
1965	133 847	68.1	12.7	19.2
1966	138 433	63.5	17.9	18.6

†Since September 1954 data are c.i.f.

[a]Though Bolivia has reclassified these categories since 1962 according to the Brussels nomenclature of 1955, traditional categories have been used here for consistency in presentation of historical data. Also following USAID practice, the category of "Live Animals" is grouped with food, beverages and tobacco.

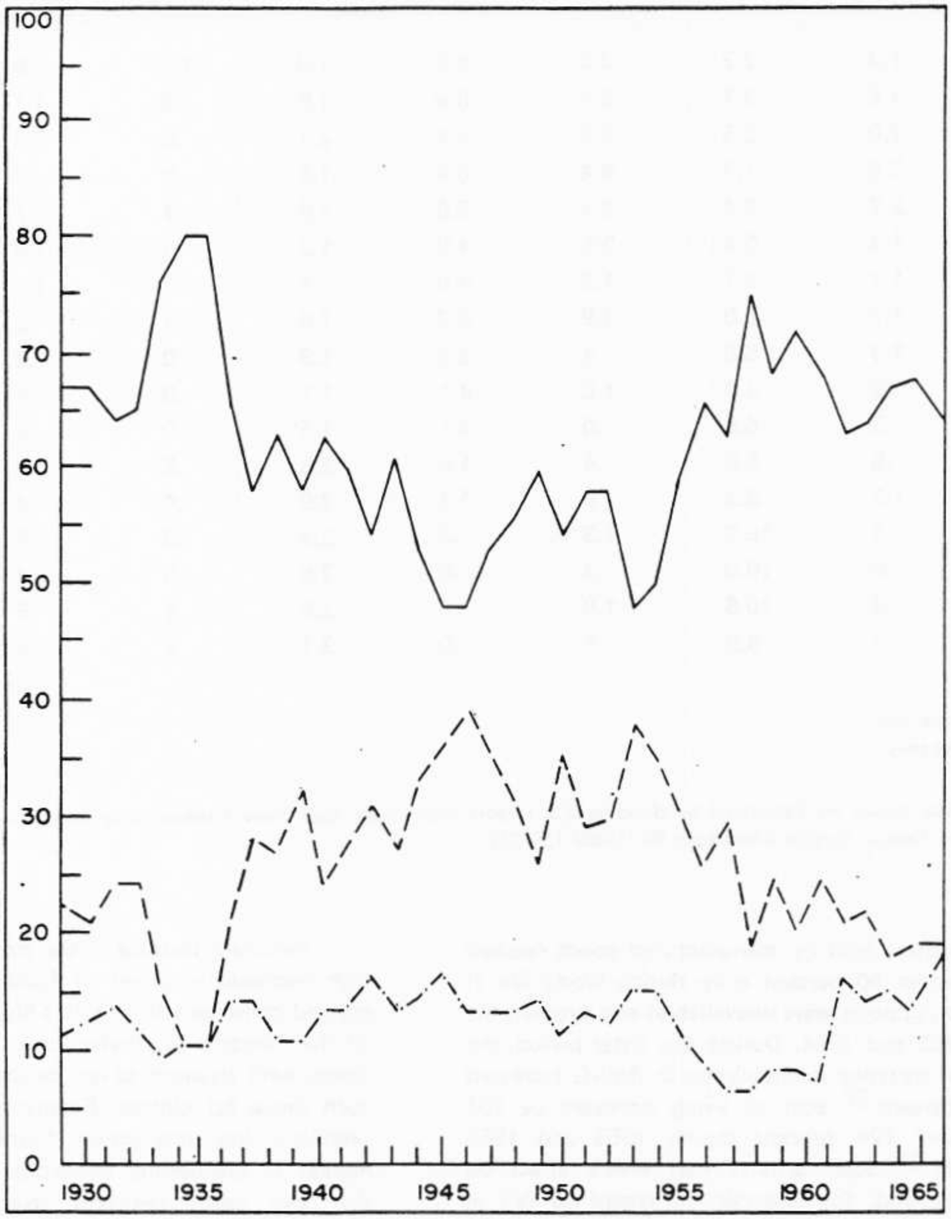
[b]Total for 1943 is adjusted to agree with sub-totals.

Sources: Banco Central, *Memoria,* 29 (1957) 85, for 1929-1949; 38 (1966) 137, 139 for 1950-1961; and USAID/Boliva, *Economic and Program Statistics* 9 (1968) 18, for 1962-1966.

GRAPH 2

IMPORTS 1929-1966

(PERCENTAGE SHARES OF DOLLAR VALUE)



Food, Live Animals, Beverages & Tobacco

Manufactured Goods

Raw Materials

kam

TABLE 4

Real Value of Some Principal Imports, 1950-1966
(In Millions of Dollars of 1951)

Year	Rice	Wheat Flour	Wheat Grain	Sugar	Lard	[a]Fats	[b]Wool	[c]Textiles
1950	1.3	2.2	3.3	5.9	1.0	1.0	.9	1.0
1951	1.5	3.7	2.4	6.9	1.8	.5	1.7	.1
1952	2.0	2.5	5.8	5.1	2.1	.5	2.3	.9
1953	2.0	1.7	6.4	5.8	1.6	.8	.7	.4
1954	2.7	2.4	5.1	5.0	1.6	.7	.7	.3
1955	1.4	3.4	3.6	4.0	1.2	.1	1.9	.0
1956	1.1	2.7	1.5	4.0	.6	.1	1.7	.2
1957	1.7	5.0	4.9	6.3	1.6	.1	.2	.3
1958	1.3	5.0	.4	3.2	1.8	.0	.2	.2
1959	.9	4.9	1.0	4.1	1.1	.0	.4	.1
1960	.3	5.6	.0	2.1	1.3	.0	.4	.2
1961	.5	8.5	.4	1.6	2.3	.2	.3	.3
1962	1.2	9.3	1.6	1.7	2.0	.4	.4	.5
1963	.1	10.3	1.3	.8	2.3	.3	.5	.7
1964	.0	10.0	.4	.0	2.6	.5	.4	.5
1965	.0	10.6	1.0	.0	2.6	.5	.5	.5
1966	.3	9.9	.9	.0	3.1	.6	.4	.6

[a]Edible animal fats.
[b]Sheep wool only.
[c]Woolens.

Sources: Real values are calculated by dividing U.S. import price index (See Table 7 below) into data in Dirección General de Estadística y Censos, *Boletín Estadístico* 92 (1966) 119-122.

The share held by manufactured goods reached lows of under 50 percent only during World War II (when such imports were unavailable) and between the end of 1952 and 1954. During this latter period, the amount of currency in circulation in Bolivia increased by 225 percent;[20] cost of living increased by 101 percent and 124 percent during 1953 and 1954 respectively.[21] Such activity had severe effect on production, and, for example, in regard to fall in woolen textile output, a U.N. analysis published in 1958 noted:

Persistent increase in the cost of living and high increases in prices of food products have obliged consumers to devote a higher proportion of their income to satisfaction of more pressing needs, with attempts to reduce spending . . . [for such things as] clothes. Furthermore, even that relatively low production found part of its market in clandestine exportations, thanks to the low costs resulting from import of primary materials at preferential exchange rates.[22]

[20]According to Banco Central, *Memoria* 38 (1966) 91, there were 6 042 million bolivianos in circulation in 1952 compared to 19 652 million bolivianos in 1954. Figures for 1964 and 1966 were 656 231 and 880 372 million bolivianos, respectively. The free dollar exchange rate (selling) was 275 in 1952, 1 845 in 1954, and 11 885 between 1958 and 1966. (The boliviano was converted to the peso in 1963 at a ratio of 1,000=1).

[21]See Wilkie, *The Bolivian Revolution and U.S. Aid Since 1952,* Table 1.

[22]United Nations, Economic Commission for Latin America, *Análisis y Proyecciones del Desarrollo Económico,* IV., *El Desarrollo Económico de Bolivia* (México, D.F.: Departmento de Asuntos Economicos y Sociales, 1958), 154.

It is interesting to note that while contraband exports declined beginning with the stabilization era, in the mid-1960's smuggling was still widespread and some government officials estimate that it might have been as high as 15 percent of all legal imports.[23] In the meantime, imports of textile machinery (shown in constant terms of 1951 in Table 5) were low between 1953 and 1959 but rose well above the 1951–1952 levels after 1960, reaching a high of 1.5 million dollars in 1965.

In the matter of vehicular imports, we find a difference in policy during the MNR and post-MNR years. Between 1953 and 1955 the dollar value of autos and trucks was less than 2.5 million dollars (Table 5). Not until 1958 did the total reach 6 million dollars, and it went over 10 million dollars only in 1963. Immediately after the fall of the MNR, imports of vehicles rose to over 13 million dollars in value, but apparently this was related somewhat to political considerations. Military men and civilians who were active in the post-MNR governments of 1965 and 1966 were rewarded for their efforts with special permission to bring in vehicles duty free in order to make a tremendous profit. Thus the "Mercedes Benz Generation" came to power, so-called because of its prestige symbol of the Mercedes Benz auto imported without duties.[24] Ironically, the post-MNR governments argued that they had come to power to end such abuses, for which the MNR gained extreme notoriety prior to the stabilization program;[25] but, not surprisingly, the realities of power in Bolivia have seemed to require extra favors for those who support the government.

Apparently Bolivia was able to enjoy surpluses in foreign trade prior to the Revolution because machinery for modernization of mines, industry, transportation, and production of energy was not imported into the country in quantity necessary for development. Given the state of the mines by the date of nationalization in 1952, it is evident that big tin interests had taken more funds in profits during the 1940's and prior to the Revolution than they had put into capital investment. Possibly the tin magnates no longer had much confidence in their future in Bolivia after Paz's party gained power for 31 months in the 1943–1946 era. Certainly they were unhappy with Paz's plan to implement full exchange controls (regulations had been adopted in 1939 by President Germán Busch but were not carried out after his death that year).[26] Though U.S. interest in Bolivian tin precluded any radical programs during World War II, Paz's group, ousted from the presidency in 1946, conducted a "civil war" in 1949 with hopes of again seizing power; and in this climate, it is small wonder that capital investment did not have priority among the mine owners.[27]

In attempting to modernize the country's economy, Bolivia has faced classical problems of underdevelopment. Importation of expensive machinery is necessary to undertake the task; thus mining machinery cost over 5 million dollars a year between 1955 and 1960. The amount was less than 3 million dollars in 8 of the other 11 years under consideration in Table 5. Generally, Bolivia spent smaller amounts on agricultural machinery, and it would appear that a beginning hardly was made as imports of machinery were over a million dollars only in 1955, 1956, and 1965. Long-overdue road and building construction between 1952 and 1966 required importation of equipment worth 8.5 million dollars and will require millions of dollars more before many basic works such as a real road system can be completed and properly maintained.[28]

Table 6 shows the percentage of total imports devoted to capital goods between 1929 and 1966. In only two periods did this figure exceed over one-third of the value of imports. In the first, immediately prior to the world depression of 1929, Bolivia received foreign loans for public works projects. In the second, during the period from 1955 to 1960 when stabilization of the economy was emphasized, construction materials, agricultural and industrial equipment and machinery, and transport and communication equipment (capital goods) reached up to 41 percent of the

[23] USAID/Bolivia *Economic and Program Statistics* 9 (1968) 47.

[24] For a discussion of the "generación Mercedes Benz", see the "Carta del Día" by Xavier in *Presencia* (La Paz), December 3, 1966.

[25] For discussion of manipulation of exchange rates and import permits under the MNR see Eder, *Inflation and Development in Latin America, passim*.

[26] United Nations, Technical Assistance Administration, [*Keenleyside*] *Report of the United Nations Mission of Technical Assistance to Bolivia* (New York: n.p., 1951), 49, notes that "At present, owing to the instability of governmental policy regarding taxation and foreign exchange regulations, and the lack of reasonable guarantees as to the return of invested capital and interest in the currency of the investor, foreign capital is most reluctant to invest in Bolivian mines." See also Alexander, *The Bolivian National Revolution*, 109–111. For discussion of foreign exchange restrictions, see United Nations, Economic Commission for Latin America, *Análisis y Proyecciones del Desarrollo Económico*, IV., *El Desarrollo Económico de Bolivia*, 33–34; and Luis Peñaloza C., *Historia del Movimiento Nacionalista Revolucionario, 1941–1952* (La Paz: Editorial Juventud, 1963), 26–32, 62–63.

[27] Whereas between 1954 and 1960 mining machinery costing 5 to 8 million dollars was imported yearly, between 1939 and 1952 real values did not go higher than 3 million dollars and usually did not exceed 2 million dollars; see Dirección General de Estadística, *Boletín Estadístico* 80 (1957) 57; and 92 (1966) 122. Alexander, *The Bolivian National Revolution*, 110, discusses problems of antiquated installations and equipment in the tin mines nationalized by the MNR.

[28] In current terms the amount was 8.7 million dollars.

TABLE 5

Real Value of Some Imports for Mechanization, 1950-1966
(In Millions of Dollars of 1951)

Year	Mining Machinery	Agricultural Machinery	Textile Machinery	Construction Equipment	[a]Vehicles
1950	1.7	.3	.3	.2	1.6
1951	2.7	.5	.6	.3	3.1
1952	2.6	.6	.7	.4	4.8
1953	2.3	.6	.2	.6	2.3
1954	4.8	.5	.2	.2	.8
1955	6.8	2.2	.2	.1	2.5
1956	7.4	5.0	.3	.3	5.9
1957	7.8	.7	.1	.7	4.5
1958	5.5	.9	.2	1.5	6.0
1959	5.7	.5	.2	1.0	5.0
1960	7.1	.6	.5	.5	4.2
1961	3.1	.5	.3	.2	8.8
1962	3.7	.1	.6	.5	8.3
1963	1.3	.3	.8	[b].1	11.5
1964	1.8	.2	.5	.6	9.4
1965	2.4	1.3	1.5	1.3	13.5
1966	.1	.4	.4	.2	15.0

[a]Autos and trucks (may include other items according to variable definition of category).
[b]Excludes spare parts.

Sources: Dirección General de Estadística y Censos, *Boletín Estadístico*, 91 (1965) 209; and 92 (1966) 122-123. Data on vehicles are from Dirección General de Estadística y Censos, *Boletín Estadístico* 80 (1957) 54, for 1950-1956; 85 (1960) 78, for 1958-1959; 86 (1962) 121, for 1960; 88 (1963) 93, for 1962; 90 (1964) 108, for 1964; 91 (1965) 214, for 1965; 92 (1966) 113, for 1966; Dirección General de Estadística y Censos, *Comercio Exterior 1950-1959*, 41, for 1957; Inter-American Development Bank, *Current Economic Situation and Prospects of Bolivia* (Washington, D.C.: mimeo., 1967), Table 26, for 1961 and 1963.

value of imports. In other years when the MNR held power, import of capital goods was only about 4 percent higher on the average than during the period from 1941 to 1951 when the newly founded MNR struggled to control the government.

In short, Bolivia has faced a difficult problem in which it must import capital goods at high monetary cost or else face high cost in terms of failure to develop national resources. In either case, the country has no easy way out of the dilemmas presented by requirements of modernization.

IV. BALANCE OF FOREIGN TRADE

Bolivia's balance of foreign trade is portrayed in Table 7, which offers data in constant terms for yearly surpluses and deficits in exports and imports between 1929 and 1966. It is clear that despite the problems of revolution discussed above, Bolivia enjoyed a surplus of exports over imports until 1958. Important aspects of this change were concerned with consumer demands in Bolivia and with U.S. trade relations.

Though revolution in a traditional society such as Bolivia might have been expected to unleash a great demand for imports and to alter the percentage composition of imports in favor of either capital goods or consumer goods, depending upon whether or not the government sought long-term growth or immediate political support, the Bolivian case under the MNR shows mixed results. In regard to type of imports, as Table 6 shows, the MNR not only effected little change in the percentage value of capital goods but the average for consumer goods remained the same (34 percent) under the MNR as it had been during the period 1941-1951 when the MNR was in ascendancy. A

TABLE 6

[a,b]Capital and Consumer Goods as Percentages of the Value of Imports, 1929-1964

Year	[c]Capital Goods	[d]Consumer Goods	Year	[c]Capital Goods	[d]Consumer Goods
1929	36	34	1947	23	30
1930	33	40	1948	25	30
1931	25	44	1949	30	31
1932	24	34	1950	23	41
1933	22	46	1951	23	40
1934	19	55	1952	28	36
1935	16	59	1953	22	35
1936	26	37	1954	27	34
1937	31	32	1955	33	32
1938	29	37	1956	40	24
1939	25	36	1957	36	34
1940	22	36	1958	41	33
1941	20	39	1959	38	33
1942	19	32	1960	37	32
1943	21	30	1961	29	36
1944	19	33	1962	27	36
1945	19	32	1963	27	38
1946	22	32	1964	29	37

[a]Fuels and raw materials constitute the remainder of import percentages.

[b]Absolute total of imports (from which percentages are calculated) may differ from totals given in Table 3.

[c]Includes construction materials, agricultural and industrial equipment and machinery, and transport and communication equipment; methodology is discussed in United Nations, *Statistical Bulletin for Latin America* 2:2 (1965) 216-218.

[d]Includes durable and non-durable goods.

Source: Publications by the United Nations: *Análisis y Proyecciones del Desarrollo Económico*, IV. *El Desarrollo Económico de Bolivia* (New York: Departamento de Asuntos Económicos y Sociales, 1958), 54 for 1929-1955; and *Statistical Bulletin for Latin America* 1:2 (1964) 70; 2:2 (1965) 81, 93-101; 5:1 (1968) 168-179, for 1956-1964.

decrease in importance of capital goods during the years 1944-1946, when the MNR was influential in the government of President Gualberto Villarroel, may be traced to World War II shortages in England and the U.S.; the percentage of consumer goods remained the same as neighbors such as Argentina served as suppliers. Interestingly, during the Chaco War consumer goods reached over 50 percent of total imports, a factor which may have influenced post-war politics and the aspirations of several sectors for social improvements.

With regard to the demand for imports, real values (in terms of 1951) gained toward the end of the Chaco War and in 1934 reached almost 60 million dollars. This demand was not reached again until immediately after World War II. Continued increases in real value of imports were made possible by the soaring exports of the Korean War era; and in 1952 the imports totaled almost 98 million dollars, 36 percent of which went for consumer goods. Though exports declined thereafter, imports did not decline at the same rate because of social, economic, and political needs; then Bolivia entered into a period of deficits in foreign exchange. Over a period of three decades Bolivians had become accustomed to increasing import of consumer goods, and the decline in imports without increase in percentage of consumer goods brought into Bolivia no doubt accentuated the problems of inflation and stabilization of the middle and late 1950's. Thus, with continued need to import capital goods, raw materials, and fuels, deficits in foreign trade came in 1958, 1960–1963, and 1965, with low surpluses in 1957, 1959, 1964, and 1966.

Deficits in balance of payments were related to Bolivia's economic relations with the U.S. in several important ways. The primary difficulty came with declining real tin prices after a stalemate in the Korean

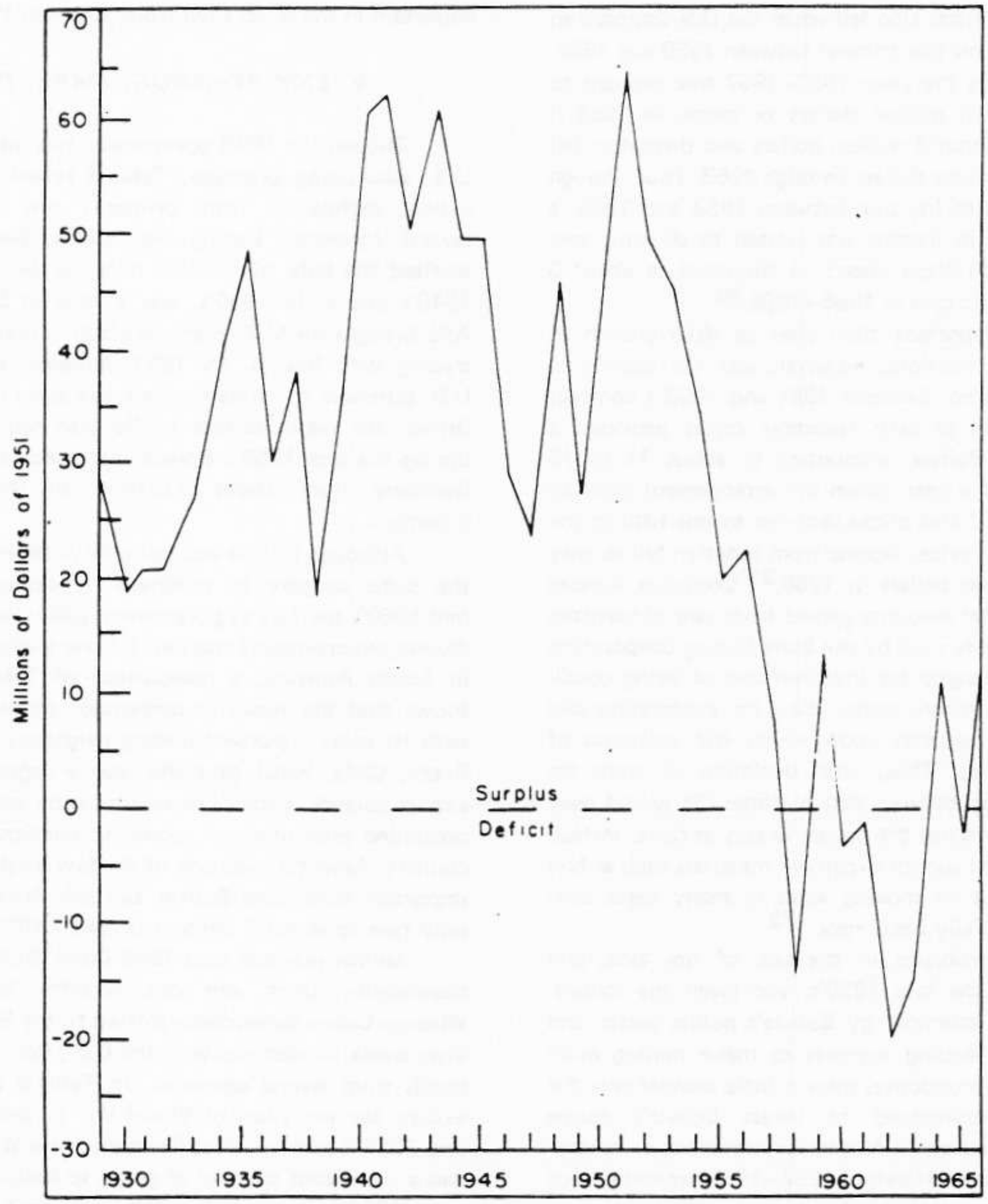
TABLE 7
The Balance of Bolivia's Foreign Trade, 1929-1966
(In Millions of Dollars of 1951)

Year	aU.S. Export Price Index	Real Value of Exports	Real Value of Imports	Real Surplus or Deficit
1929	63	58.1	30.4	27.7
1930	56	47.0	27.8	19.2
1931	43	39.5	18.6	20.9
1932	37	37.2	16.2	21.0
1933	39	55.1	28.3	26.8
1934	45	80.0	39.6	40.4
1935	46	91.6	43.3	48.3
1936	47	61.6	31.6	29.9
1937	51	68.9	31.1	37.9
1938	47	58.3	40.2	18.1
1939	46	73.6	37.7	35.9
1940	49	101.7	41.6	60.1
1941	53	114.4	52.4	62.1
1942	64	102.6	51.9	50.7
1943	71	114.9	54.5	60.6
1944	81	96.2	46.2	49.5
1945	81	98.9	49.8	49.5
1946	77	95.6	66.7	28.9
1947	92	88.5	64.7	23.8
1948	97	116.3	70.9	45.5
1949	91	113.2	86.1	27.1
1950	87	108.3	64.2	44.1
1951	100	150.6	85.8	64.8
1952	99	142.7	97.6	49.2
1953	99	113.9	69.0	45.1
1954	98	101.5	66.8	34.7
1955	99	103.4	83.2	20.2
1956	102	105.3	82.4	22.9
1957	105	93.0	86.0	7.0
1958	105	61.7	75.8	−14.1
1959	105	73.9	61.9	12.0
1960	106	64.0	67.4	−3.4
1961	108	70.5	71.9	−1.4
1962	107	71.1	90.6	−19.4
1963	107	80.8	96.5	−15.8
1964	108	105.4	95.1	10.3
1965	112	117.7	119.5	−1.8
1966	113	133.1	122.5	10.6

a1951 = 100.

Source: Real values are calculated by dividing U.S. export price index into data in Tables 1 and 3 above. Price index is given in James W. Wilkie, *The Bolivian Revolution and U.S. Aid Since 1952* (Los Angeles: Latin American Center, University of California, 1969), 31.

GRAPH 3
REAL BALANCE OF FOREIGN TRADE
1929-1966



War ended the need for U.S. stockpiling programs. From a high index of 100 in 1951, real tin prices on the New York market fell to 70 in 1958. Though this index figures passed 100 to reach 114 in 1964,[29] the post-revolutionary low in 1958 not only coincided with domestic stabilization but with important actions by the U.S. government.

Income from zinc fell when the U.S. imposed an import quota on this mineral between 1959 and 1964. Whereas during the years 1953–1957 zinc brought to Bolivia about 5 million dollars or more, in 1958 it earned only about 3 million dollars and thereafter fell to about 1 million dollars through 1963. Thus, though prices held firm for zinc between 1953 and 1963, a sharp decline in income was related to demand, and production fell from about 14 thousand to about 3 thousand metric tons in 1958–1959.[30]

More important than zinc to deterioration in foreign trade relations, however, was the decline in sales of tungsten. Between 1951 and 1956 a contract with the U.S. at very favorable prices provided a windfall for Bolivia, amounting to about 11 to 16 million dollars a year. When this arrangement came to an end in 1957 and prices declined to one-fifth of the previous year's price, income from tungsten fell to only about 1 million dollars in 1958.[31] Cornelius Zondag has written that amounts gained from sale of tungsten to the U.S. were used by the State Mining Corporation (COMIBOL) largely for improvement of living conditions for its miners rather than for exploration and metallurgical research upon which the existence of mining depends. Thus, with depletion of some tin mines, Zondag believes that at times "it would have been cheaper to pay the miners to stay at home instead of having them use up expensive materials such as fuel and explosives in moving what in many cases constituted essentially waste rock."[32]

Given problems in the sale of tin, zinc, and tungsten by the late 1950's, and given the miners' resistance to attempts by Bolivia's public sector and international lending agencies to make mining more economically productive, there is little wonder why the MNR was disinclined to invest Bolivia's scarce economic resources in further development or renovation of the mines. If before 1957–1958 expenditure of Central Government funds was required to support non-economic activity, after 1958 the negative balance of exports gave the government little leverage to develop its program of economic diversification. Moreover, COMIBOL could not rechannel its contracting income into economic investment when the miners influenced management decisions.[33] In short, the Revolution faced a crisis; and in the struggle to implement a stabilization policy, MNR moderates could not help but alienate the miners who provided an important base of political power. Such factors were important in the MNR's fall from power in 1964.

V. EXPORT–IMPORT MARKETS

Though the MNR government was influenced by U.S. stockpiling practices, Table 8 reveals a shift in export destination from primarily one country to several countries. During the 1930's, Great Britain smelted the bulk of Bolivian minerals; but during the 1940's and early 1950's, war efforts in Europe and Asia brought the U.S. to the forefront among countries trading with Bolivia. By 1957, however, cutbacks in U.S. purchase of strategic materials again made Great Britain the major refiner of Bolivian minerals. Also, during the late 1950's Bolivia increased sales to West Germany from about 1 percent or less to over 5 percent.

Although Bolivia was not always dependent upon the same country to purchase its exports, by the mid-1960's the La Paz government still lacked a widely diverse export-import market. Bolivia traded very little in South America; a comparison of Tables 8 and 9 shows that the result in percentage terms of dealing with its most important trading neighbors (Argentina, Brazil, Chile, Peru) generally was a negative import-export balance. Lack of communication with Paraguay precluded even minimal economic relations with that country. Argentina was one of the few neighbors which imported much from Bolivia, but this share of exports only rose to about 5 percent between 1957 and 1961.

Unlike pre- and post-1959 Cuba, Bolivia avoided dependency upon any one country for imports. Whereas Cuban dependence shifted to the Soviet Union after break in relations with the U.S., Bolivia imported goods from several countries. In Table 9 we see that, except for the years of World War II, between 1929 and 1966 Germany (West Germany since World War II) was a significant supplier of goods to Bolivia. After the early 1960's Japan dramatically increased its sales to Bolivia, but not necessarily at the expense of the U.S.

Though the U.S. might have gained a greater percentage of Bolivia's purchases abroad, as a result of

29 Wilkie, *The Bolivian Revolution and U.S. Aid Since 1952,* Table 12.

30 Banco Central, *Memoria* 38 (1966) 72–73, 79.

31 *Ibid.*; and 29 (1957) 90.

32 Zondag, *The Bolivian Economy,* 92.

33 For a discussion of problems in the public sector see James W. Wilkie, "Bolivia's Public Expenditure Since the Revolution of 1952", in Malloy and Thorn (eds.), *Beyond the Revolution: Bolivia Since 1952,* 217–231 [see Chapter V below].

TABLE 8

Exports by Country of Destination, Selected Years, 1929-1966
(Yearly Totals = 100.0 Per Cent)

Year	U. S.	Great Britain	†Germany and West Germany	Japan	Argentina	Brazil	Chile	Peru	Other
1929	13.9	77.2	1.4	.0	2.1	.9	.3	.0	4.2
1934	2.4	90.1	.8	.0	.7	.2	.1	.1	5.6
1939	9.2	64.8	.5	1.2	1.6	.8	.5	.3	21.1
1942	60.0	35.3	.0	2.1	1.6	.8	.1	.0	.1
1946	58.7	36.3	.0	.0	3.4	.5	.1	.0	1.0
1950	66.6	29.6	.1	.0	2.4	.3	.2	.0	.8
1951	65.7	32.0	.1	.0	1.1	.3	.1	.1	.6
1952	65.5	31.4	.1	.0	.9	.4	.5	.1	1.1
1953	61.1	36.0	.0	.0	1.1	.5	.9	.2	.2
1954	63.0	33.2	.1	.0	1.7	.9	.9	.0	.2
1955	59.6	32.3	1.1	.4	2.3	.9	1.1	.0	2.3
1956	53.4	37.5	1.4	.0	2.5	2.6	1.3	.1	1.2
1957	33.9	53.4	3.3	.0	4.7	2.0	.7	.5	1.5
1958	32.8	50.5	2.8	.3	9.4	.8	.9	.8	1.7
1959	34.8	45.5	4.5	3.7	5.9	1.9	.1	.6	3.0
1960	23.3	54.4	4.9	3.7	5.8	5.9	.4	.1	1.5
1961	27.3	51.6	6.0	2.6	3.4	3.0	.5	.1	5.5
1962	30.2	53.7	6.0	2.2	2.5	1.1	.4	.1	3.8
1963	32.3	46.9	5.4	1.7	2.4	.8	.1	.1	10.3
1964	35.7	48.3	4.7	2.8	.9	.7	.2	.2	6.5
1965	42.6	44.6	5.1	2.0	.7	1.0	.5	.5	3.0
1966	39.2	45.8	5.3	1.8	2.2	.9	.7	1.4	2.7

†Germany defined as West Germany since World War II.

Source: See Table 9.

its aid which financed the country's social revolution, U.S. sales to Bolivia were not appreciably higher except for 1957 and 1963–1964. Thus, U.S. requirements of the 1960's that Bolivia spend foreign aid in the U.S. did not really change trade patterns, though probably Bolivia would not have received so much aid from the U.S. if the U.S. Congress had discovered this fact. Had congressmen wished to justify U.S. aid, however, they might have concluded that U.S. foreign aid encouraged Bolivia to continue to make purchases in the U.S. at a time when Bolivia might have turned toward Latin American markets.

Because of Bolivia's dependence upon trade with non-Latin American countries, President Paz refused to make his country a member of the Latin American Free Trade Association (LAFTA) founded in 1960. LAFTA's argument is that development of a common market makes possible the growth of industries in several countries by enlarging markets through lowering of tariffs, a process freeing Latin America from its traditional role of an economic colony of industrial powers such as the U.S. After Paz's fall from power he explained his position as follows:

> We received export dollars from Germany and England as well as the U.S., and with those dollars we were able to buy merchandise of the best quality at the lowest possible price in any part of the world. Conversely, if we had entered LAFTA we should have had to accommodate our tariff structure in such a way that our imports came from member countries which still have

TABLE 9

Imports by Country of Origin, Selected Years, 1929-1966
(Yearly Totals = 100.0 Per Cent)

Year	U. S.	Great Britain	†Germany and West Germany	Japan	Argentina	Brazil	Chile	Peru	Other
1929	33.7	16.5	13.6	.4	9.7	.6	6.4	4.5	14.6
1934	36.9	12.7	13.6	2.3	5.6	1.2	5.1	8.0	14.6
1939	22.7	5.7	12.4	4.5	12.4	.9	4.2	21.8	37.2
1942	40.2	6.0	.0	.6	26.2	3.0	5.9	15.1	3.0
1946	37.1	3.6	.0	.0	23.2	4.5	9.6	13.9	8.1
1950	42.3	7.0	.7	.0	17.6	2.2	5.2	10.8	14.2
1951	42.2	8.2	2.4	.2	13.4	2.6	5.5	10.3	15.2
1952	40.9	8.3	5.5	.5	13.7	2.7	3.2	7.0	18.2
1953	31.8	6.8	4.9	.3	14.4	1.8	3.4	14.1	22.5
1954	38.0	6.6	6.1	.6	11.8	.9	2.0	11.3	22.7
1955	37.9	7.4	9.6	1.1	10.2	2.3	1.0	6.7	23.8
1956	45.9	5.8	9.3	.7	14.6	1.7	1.8	6.3	13.9
1957	48.0	6.5	11.7	2.0	6.6	1.9	2.2	7.6	13.5
1958	46.4	5.9	12.3	2.9	8.2	.3	2.6	4.6	16.8
1959	44.3	4.8	11.7	2.3	12.5	.6	3.8	6.5	13.5
1960	43.1	5.0	12.7	5.9	5.9	1.0	3.6	3.8	19.0
1961	42.2	4.9	12.2	7.5	8.5	.6	4.0	1.4	18.7
1962	40.2	6.1	11.4	8.7	8.2	.6	4.4	1.7	18.7
1963	47.9	5.5	12.9	7.5	4.0	1.5	1.5	1.6	17.6
1964	51.5	4.8	11.2	9.4	3.1	1.7	1.8	1.5	15.0
1965	44.1	5.2	11.0	12.6	5.5	1.6	1.3	1.6	17.1
1966	41.2	4.6	12.4	11.2	6.3	1.2	1.5	1.1	20.5

†Germany defined as West Germany since World War II.

Source: Publications by Dirección General de Estadística y Censos: *Comercio Exterior,* for years prior to 1950; *Balanza Comercial de Bolivia, Comercio Exterior 1950-1963,* for 1950-1952, 1959-1960; *Comercio Exterior 1950-1959,* for 1953-1958; and *Boletín Estadístico* 92 (1966) for 1966. Data for 1961-1965 are from Banco Central, *Boletín Estadístico* 176 (1966).

underdeveloped quality and high cost. In exchange, these countries would only acquire a minimum proportion of Bolivian products (not even 6 percent of our exports). There were various moves on the part of the LAFTA organization, located in Montevideo, to bring us into the association, but as long as we continue to export minerals and our customers are the highly industrialized countries of Europe as well as the U.S., we could not enter.

We always left the door open to LAFTA and maintained an observer . . . . but in our case favorable concessions of the type offered by LAFTA to Paraguay were insufficient . . . . Paraguay had a great share of its commerce with Argentina and Brazil (our common neighbors), trade which we did not have.

Moreover, our trade with Argentina was reduced in an even greater proportion when we put into practice our Development Plan. Previously we had imported live animals from Argentina, but when we developed our own livestock, we reduced such imports to a minimum, and the same occurred with sugar and cotton from Peru.

Also [we reduced Argentine purchases] when we had the opportunity of importing agricultural surpluses from the U.S. in conjunction with the creation of U.S. counterpart funds to be used as development loans; clearly it was more favorable for us to import wheat from the U.S. than from Argentina. Responding to complaints by the Argentine government to the U.S., however, we had to continue to buy certain quantities of wheat grain [see Table 4] from Argentina which had served as the traditional Bolivian wheat supplier.[34]

With the overthrow of the MNR government, Paz's argument was ignored; Bolivia not only joined LAFTA in 1966, but in 1969 became a member of the Andean Group (Colombia, Ecuador, Peru, Bolivia and Chile), purportedly a sub-regional market organized as a working arm of the 10 countries in South America which are members of LAFTA. Though Bolivia hopes that a reduction in tariffs of neighboring countries may stimulate exports, the fact remains that even if the country escapes dependence upon mineral exports in the near future, it will continue for many years to be a high-cost producer. Thus, Bolivia may be trapped in a dilemma by which it must operate in a common market in order to achieve economic diversification, but at the same time the country cannot afford to do so because its principal trade relations are with non-Latin American countries.

VI: CONCLUSION

We have seen that under the MNR, Bolivia did not progress very far along the road to diversification of exports, primarily because it exported to non-Latin American countries in return for much needed, high-quality, low-cost imports. Perhaps the MNR was fortunate to escape the trap into which Fidel Castro fell: Bolivia did not follow Cuba's course of completely rejecting the traditional pattern of the country's foreign trade only to embrace it again when economic problems pinched development. Instead, Paz banked upon long-range programs of export diversification by attracting foreign investment to develop Bolivia's petroleum industry, which had languished under the aegis of the country's State Oil Company after nationalization of foreign holdings in 1937. In the meantime, Paz was able to take advantage of short-run diversification of mineral exports such as tungsten and zinc to help compensate for declines in tin exports during a period of falling tin prices and political problems of production in the newly nationalized tin mines.

U.S. financial assistance helped Bolivia over difficult years of economic crisis and adjustment to a changing system of government; and though Bolivian ties to the U.S. might have been expected to result in the U.S. gaining a new position in trade relations, we have seen that this did not result. U.S. export–import relations with Bolivia did not seem much affected over the long run.

Though U.S. aid was given to Bolivia with relatively few strings attached during the MNR years,[35] many Bolivians came to resent important influences of U.S. stockpiling practices and U.S. Gulf Oil Company policies in Bolivia's program of national development, not to mention U.S. aid activities.

One significant thread of Bolivian history since 1952 would appear to deal with the frustrating realities of foreign trade which the MNR could only begin to solve. Not only did the MNR have problems in increasing the number of its trading partners, but it made mixed gains in the matter of import substitution. National self-sufficiency was achieved in such items as sugar and rice; however, such gains were offset by loss of foreign exchange for imports of lard and Argentine wheat flour. In addition, political problems and the politics of inflation damaged Bolivia's industrial production which was intended to end the need for such imports as woolen textiles.

Given the complexity and interrelation of foreign trade problems discussed in this study, we may see that the MNR faced a situation which was very difficult to change. It remains to be seen whether Bolivia's post-MNR memberships in the LAFTA and the Andean Group can resolve the dilemma whereby very undeveloped countries might advantageously join a common market (in order to stimulate economic diversification) but can hardly afford to do so without loss of foreign exchange desperately needed for development.[36] On the one hand, some observers have been optimistic that exports of petroleum and natural gas to Argentina will guarantee for LAFTA members a growing share in future Bolivian trade.[37] On the other hand, the Ovando government's announcement in October, 1969, that it would seek credit from Rumania for machinery needed to continue operation of the nationalized Gulf Oil Company holdings seemed to point to problematic financing of oil exports which

[34]Wilkie and Wilkie, Entrevistas de Historia Oral con Víctor Paz Estenssoro, 7 de Julio de 1966.

[35]See Wilkie, *The Bolivian Revolution and U.S. Aid Since 1952, passim.*

[36]According to former U.S. Ambassador Douglas Henderson, theoretically the Andean Group may increase its foreign exchange by (a) controlling the price of South American mineral and oil products and (b) bargaining with these items in order to gain advantageous prices for exports and imports, especially in Brazil and Argentina. Interview, Los Angeles, California, June 24–25, 1970.

[37]Alliance for Progress, Comité Interamericano de la Alianza para el Progreso (CIAP), *Domestic Efforts and the Needs for External Financing for the Development of Bolivia* (Washington, D.C.: mimeo., 1968), 18.

ceased immediately after expropriations.[38] But perhaps Ovando's statement was only a desperate gesture designed to win U.S. acceptance of his government's actions.

Although in the long run it may be argued that MNR programs may have changed attitudes and policies which will require years to show up in the results of trade figures, such an assertion must stand the test of time. Meanwhile, the expropriation of Gulf Oil holdings has meant that the MNR policy of using foreign capital to develop economic diversification has been rejected. Thus the following quotations reads as if it might have been written in 1951 by the engineers of the State Oil Company[39] instead of in 1971 by the editors of the La Paz newspaper *Hoy:*

> If it is true that at first everyone believed that perhaps nationalization of the [oil industry] . . . immediately would bring more and better benefits to our poor national economy, as the months have passed the economic situation becomes more serious without the possibility of arriving at a concrete and scientific method . . . [of exploiting oil in order to] find a solution to our problems . . . .
>
> During the past seventeen months since expropriation, a great deal of government money has been spent to send "technical" and "economic" commissions to different countries of the world (capitalist as well as socialist) in order to find a market for our oil. The results have been, until now, totally nil . . . .
>
> From relations with Gulf Oil, which has ties with all of the oil companies of the world (including some of the socialist and the so-called Third World), in practice we have descended to the point of offering to sell nationalized oil by the liter [instead of by the barrel] to Peru and Chile.
>
> How much has been lost by Bolivia . . . . since October 17, 1969, as a consequence of the recovery of the oil industry by the nation? Although it would not be difficult to find out the amount, it is clear that it would have amounted to millions of dollars that could have been used to resolve many problems and prevent the accumulation of others which mount day be day . . . .[40]

Such problems have contributed to extreme political instability; and in October, 1970, Ovando lost the presidency to an insurget military group led by Rogelio Miranda, who after one day was in turn overthrown by General Juan José Torres. With political problems arising concomitantly with foreign trade problems, one could well ask if the pre-MNR period and post-MNR years have not brought Bolivia full circle, as in the case of the problem of oil exports. Alternatively, one could suggest that Bolivia is trapped in a vicious circle from which even the MNR (with its relative political stability) could not escape.

In sum, the MNR experience shows that a developing country like Bolivia probably must learn to live with frustration in results of foreign trade policy.[41] Revolution in Bolivia meant not only that demand would increase for imports of capital goods needed in national development, but that demand for consumer goods had to be taken into account if the MNR were to fulfill its promise to raise the country's standard of living, while at the same time gaining support among politically influential persons. When the state seized the tin mines and took over administration of foreign exchange, import policy became vitally important and the balance of trade shifted toward a deficit account. Since an export surplus is a vital aspect of national development, however, import wants need to be curtailed at the very time when demand reaches a peak. Given such problems, there is no easy way out and gains from foreign trade policy will come more slowly than any government anticipates.

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[38] The announcement was reported in the *Los Angeles Times*, October 19, 1969. According to the Secretary General of the MNR, Carlos Serrate Reich, one year later the plan had proved unworkable. In the meantime, Bolivia's problem involving shortage of capital needed to develop its oil industry was compounded by the fact that not until one year after expropriation did any possibility for oil exports resume. Further, according to Serrate, the consequence of expropriation meant continued political instability and the decline of foreign capital along with U.S. assistance. Interview, Los Angeles, California, November 29, 1970.

With regard to Bolivian-Soviet Union Relations, Carlos Serrate Reich has noted that official ties were forthcoming for the first time in Bolivian history when the two countries established diplomatic relations on December 1, 1969. Though the Soviet Union had made overtures in 1957 to provide funds for rehabilitation of the Bolivian tin mining industry, and many Bolivians had hoped that with Moscow's support a tin smelter might have been built when Bolivia and the Soviet Union discussed the possibility of establishing diplomatic ties in 1961, the financing of the Bolivian government's tin smelter has been financed by West German credits. With the inauguration of this smelter in late 1970, it is projected that capacity growth in the future up to 20 thousand tons a year will provide the country a great saving in loss of foreign exchange and greatly strengthen the industry's position in the world market. Interview with Carlos Serrate, Los Angeles, California, November 30, 1970.

[39] See Part II above.

[40] Quoted in *Tiempo* (Mexico City), March 29, 1971, 44.

[41] It is interesting to note that Bolivia's share in world exports and imports in 1964 and 1966 (.06–.07 percent) was slightly less than in 1953 and 1954 (.08–1.0 percent). See *Statistical Abstract of Latin America, 1964* (Los Angeles: Latin American Center, University of California, 124–125 and *1967*, 206–207.