

Responding to Nationalism:
The Bolivian *Movimiento Nacionalista Revolucionaria*
and the United States, 1952-1956
(ナショナリズムへの声：1952-56年の
ボリビア民族革命運動とアメリカ政府)

James F. Siekmeier*

SUMMARY IN JAPANESE: 従来、1952年から56年までのアメリカの対ボリビア政策を解釈する際、反共産主義であるという見解が主流を占めていた。これに対して本稿では、アメリカ政府高官達はこのアンデス国家における経済ナショナリズムを抑圧することに寧ろ主眼を置いていたと論じる。すなわち、彼らは経済ナショナリズムを抑え、経済的にも安定した親米派のボリビア建設をもくろんでいたのだ。その際、最大の懸念は1952年に権力を握ったボリビア民族革命運動(*The Bolivian Movimiento Nacionalista Revolucionaria*)であった。ボリビアンと呼ばれる運動家達は過去の経済ナショナリスト達の理論を説き、自国の経済を強固で独立したものにしようと試みた。また、海外からの経済活動をうまく維持しつつも統制し、経済を多様化させようとも図った。しかしながら、アメリカ政府は経済援助政策という名目を巧みに利用し、これらの運動鎮圧に乗り出し、成功を収めた。運動家達には市場開放や海外からの資本導入のためには、経済援助政策を推し進める必要があると説明した。狭義ではワシントン外交政策は成功したようにも見えるが、広義では疑問が残る。これらの政策は1950年代末にはボリビア経済を不安定にさせ、革命以前よりも反米勢力が台頭する結果を招くことになった。

* Assistant Professor of History at Angelo State University, Texas, the United States of America

The end of the Cold War occasions a good time to investigate United States-Third World relations during those tumultuous years. Interestingly, a close examination of United States-Bolivian relations in the early 1950s shows a dynamic very similar to 1990s interamerican foreign policymakers—the primacy of economics. The key difference is in the 1950s the United States and much of Latin America were at odds over economic issues; in the 1990s there is a broad consensus. United States and Latin American policymakers agree that the entire hemisphere should work toward what has come to be known as a neoliberalistic foreign policy—free economic intercourse between nations.

Previous interpretations of United States-Bolivian relations from 1952 to 1956 have stressed US security concerns. Washington officials, the authors of these interpretations argue, wanted to prevent a Soviet-backed communist regime from taking power in Bolivia.¹ Six months after the 1952 Bolivian Revolution, US diplomats in La Paz, however, privately told their British counterparts that they did not see a Soviet Union-backed communist party coming to power.² The threat Washington saw was economic stagnation and political chaos on the one hand, and Bolivian economic nationalism on the other. US policymakers viewed the two fears as related: they worried that Bolivian government's policy would exacerbate the Andean nation's already existing economic and political difficulties by enacting nationalistic policies. The *Movimiento Nacionalista Revolucionaria* (MNR), which came to power with the 1952 Revolution, advocated economic nationalism to alleviate Bolivia's social and economic problems.³ That is, the MNR wanted to strengthen Bolivia's economy by enacting a land reform, nationalizing the three largest mining companies, and, in particular, to diversify the economy. Some members of the MNR wanted to regulate Bolivian trade and foreign investment.

The best way to understand the conflicts between the United States and Bolivia during this time period is to look at Bolivia's nationalistic policies, in particular its economic nationalism, and the US response to these policies. Certainly, Washington officials did fear communism in Latin America—it was the Cold War. Often too, Washington officials expressed their fears of nationalism with anticommunist rhetoric. However, focusing on Bolivia's nationalistic policies and US attempts to quash them gives the clearest picture of United States-Bolivian relations in these years.

Overall, Bolivia's policies conflicted with Washington's vision of what it wanted for the hemisphere in general and Bolivia in particular. For US offi-

cials, the touchstone of the Andean nation's policy should be that Bolivia provide a friendly environment for foreign private-sector investment which they thought would spur growth, necessary, they concluded, for pro-United States political stability.⁴ To promote growth, *norteamericano*⁵ officials believed, US policy had to support the revolutionary government with economic assistance (hereafter "aid" or "assistance"). However, US policy also acted to hinder the Bolivian government in its quest to fulfill its goals.

In 1952, Bolivia erupted in one of the few truly social revolutions in recent Latin American history.⁶ The costly Chaco War against Paraguay (1932-35), which Bolivia lost, was a cause of the revolution; the War shook the credibility of the oligarchic-authoritarian leadership as Bolivians (especially the middle class) began to question their regime.⁷ In addition, the bourgeoisie clamored for more state-funded projects which the oligarch-dominated government did not provide. Middle and working class resentment toward upper class, most particularly the "tin barons" and the military (known collectively as *la rosca*, or coil) fed the popularity and increased the political power of the broad-based MNR party.

As noted previously, the MNR's agenda included agrarian reform, increased state control over the foreign-owned tin mines, and economic diversification.⁸ Interestingly, a good deal of the MNR platform matched recommendations from the State Department and the United Nations (UN). A prominent State Department Latin America expert, Merwin I. Bohan, led a team of experts on a mission to Bolivia and argued in a 1942 report that the nation needed to diversify its economy and improve its infrastructure. In order to spur self-sustaining development, Bohan argued, Bolivia needed to build up its foreign exchange by both increasing exports and, especially, decreasing imports. At this time, the nation was spending scarce foreign exchange on foodstuffs and agricultural products it could produce at home.⁹ A 1951 UN study (the "Keenleyside Report") argued that Bolivia's low agricultural production resulted in part from the vastly unequal distribution of land.¹⁰

An important short-term cause of the 1952 revolution was the falling price of tin (Bolivia's most lucrative export) and Bolivian efforts to raise it. During World War II, the US government negotiated an agreement with the Bolivians to buy tin below the market price. To meet the large wartime demand and earn sufficient foreign exchange, the mine owners intensively mined the easily-obtainable tin in the mines. At the end of the war, due to falling prices, the mine

owners' profits dropped while US power over the world tin market markedly increased. The *norteamericanos* possessed the world's largest smelting capacity and massive buffer stocks of tin. With the Korean War, world tin prices rose sharply; Washington's response was to force the price down by selling off part of its stockpile. For the time being, there were no tin contracts.¹¹ The MNR revolutionaries capitalized on the hard times. With the revolution on 12 April 1952, the constitutionally-elected MNR, prevented a year earlier from assuming office by a military coup, was back in power.¹²

The MNR was divided into a left-wing and right-wing factions. These factions were mediated by a small, but powerful, group which scholar James M. Malloy has called the "pragmatic nationalistic center" made up of the "originating notables of the party"; two of whom would be Bolivia's first two MNR presidents, Victor Paz Estenssoro and Hernán Siles Suazo. Two broad goals united the groups, diversification of the economy and improvement of the Bolivian infrastructure, which can be summarized as roads, water, schools, and electricity.¹³ Two more specific goals were shared by nearly all the revolutionaries, land reform and nationalization of the tin mines. Although after 1956 the MNR began to fragment into various different factions, during the 1952-1956 period it is possible to talk about two general tendencies, left and right.¹⁴

The strength of the powerful left lay in the strong, well-organized labor unions. The preeminence of the tin miners' unions was enhanced by their private militias which collectively were more powerful than the small Bolivian Army, which was decimated after the revolution. The flamboyant and charismatic leader of the major Bolivian workers' organization, the *Central Obrera Boliviana* (COB), Juan Lechín Oquendo, became Minister of Mines in the new revolutionary government.¹⁵ The left wanted the state to nationalize all the mines, railways, and *latifundia* (large plantations) and wanted the workers to run these institutions. Finally, the COB called for workers to occupy the factories.¹⁶

Conservatives, on the other hand, advocated private sector investment, in particular foreign private investment. They were very interested in oil production.¹⁷ Oil sales could provide the country with a source of foreign exchange and, some on the right argued, dramatically increase the pace of Bolivian development.¹⁸ The right-wing members did not fear that US dominance would come with its aid; they argued that the United States simply wanted to promote growth in Bolivia that was beneficial to both the Bolivians and the *norteamericanos*.¹⁹ The rightist faction also wanted to promote diversification

by shifting labor from the nationalized tin mines to agricultural pursuits. One member of the rightist segment of the party, Walter Guevara Arze, the MNR's first Foreign Minister, realized the powerful labor leaders would see this shift as a threat to their power; he admonished that the MNR move cautiously in this regard in order to maintain harmony in the ruling coalition.²⁰

In the end, harmony proved impossible. Rightists saw developing the private sector, and ties to the United States, as important. Leftists were wary of the private sector, especially foreign private capital; it could be a dangerous source of power that could be used to control and exploit working class Bolivians, and foreign enterprises, the leftists feared, might simply sell off Bolivia's resources leaving little gain for the nation.²¹ This disagreement would widen as the 1950s progressed and would by the end of the decade severely weaken the MNR.

Government leaders implemented an historic decree establishing a Land Reform on 2 August 1953. They did this for moral, economic, and pragmatic political reasons. Many argued that the feudal-like agricultural system exploited the peasantry and should be demolished. Land reform was a prerequisite, top MNR officials stated, for modernizing agriculture and increasing output.²² In addition, the urban-based MNR was forced to implement land reform quickly because of increasing unrest in the countryside. Some landless peasants were violently demanding land.²³ The reform stated that land distributed by means of the reform must be "developed" and there were limits to how much land a single person could own. The revolutionaries tried to soften the blow to large landholders by stipulating that indemnities were to be paid to those whose land was expropriated.²⁴

James V. Kohl has argued that "peasant responses to the revolution ran the gamut from outright ignorance of the national situation to revolutionary militance." This is undoubtedly true. However, the more militant peasants had a large impact on the Agrarian Reform legislation. Although there is evidence the MNR had seen land reform as important before the revolution, undoubtedly appropriations—at times violent—by *campesinos* in the countryside pushed the Reform along. *Campesino* violence, then, helped to transform agrarian reform ideas into actual policy.²⁵

The issue of US recognition of the regime was complicated by the MNR's advocacy of nationalization of the three largest mining companies. On 31 October 1952, the MNR set up the *Corporación Minera de Bolivia*, or COMIBOL,

formed from the companies of the three “tin barons.” Historically, the profits of the mining industry had not been invested in Bolivia. As such, the MNR thought nationalization could provide revenue for the government, financial resources useful for the MNR in attempting to reach its goals.²⁶ Nationalization, of course, greatly reduced the power of the tin barons whom the MNR feared.²⁷ However, the Bolivians also knew that the United States, which opposed the nationalization, had to be appeased in order for the Government of Bolivia to obtain a long-term tin contract with the United States, an agreement which was critical for the health of the Bolivian economy. The Bolivians correctly surmised that *norteamericano* officials were wary about tacitly accepting the nationalization by recognizing the new regime, for fear of giving revolutionaries in other countries an incentive to expropriate foreign-owned properties.²⁸

The new government, in particular its ambassador to the United States, Victor Andrade U., assured the *norteamericano* officials that the MNR was not anti-private property, anti-United States, or pro-Soviet.²⁹ The MNR was not communist; it shunned the pro-Moscow Bolivian Communist Party members because the communists had allied with the anti-MNR authoritarian regimes in the 1940s.³⁰ Some of the members of the MNR’s left wing—most notably some of the leaders of the powerful mine workers’ union—were Trotskyites, but were not connected in any way with Moscow.³¹

The MNR’s assurances laid the groundwork for US recognition of the regime of Victor Paz Estenssoro on 2 June 1952.³² Regarding indemnification, the Bolivians agreed to compensate foreign holders of the companies’ equity who had invested in the tin mines before the revolution.³³ The Bolivian government did not think it was obligated to indemnify those who invested after the revolution (and before the nationalization became official on 31 October 1952). These investors, the MNR maintained, might have invested in order to capitalize on the probability that Washington would attempt to coerce Bolivia to reimburse US investors after the nationalization took place.³⁴

Recognition, importantly, paved the way for US aid. The Bolivians were very much aware that nonrecognition would hold up much-needed aid from the United States. The Bolivians had received aid from the US government before and Bolivian leaders thoroughly understood the process. The United States first gave aid to Bolivia in 1942. Before 1953 US assistance was in the form of technical assistance which, in the words of Franklin D. Roosevelt’s

Undersecretary of State Sumner Welles, comprised a key element of “a long-term plan of collaboration to foster continued mutually beneficial economic relations between the United States and Bolivia and to develop the natural resources of Bolivia.”³⁵ In 1941 the United States promised this assistance contingent upon Bolivian indemnification for 1937 confiscation of Standard Oil’s petroleum fields and physical capital.³⁶ Early in 1942 Bolivia promised to reimburse the company for its losses and US officials, in turn, promised to give the aid. In addition, technical assistance was also a way of securing raw materials, most specifically tin and tungsten, for the Allied war effort and keeping them out of the hands of the Axis.³⁷ Finally, technical assistance supported variety of *servicios*, or cooperative service programs, that were set up in Latin America by the US Institute for Inter-American Affairs. *Servicios* were staffed by officials from the United States and the host nation and aimed to improve the health, education, agriculture, civil aviation, and roads of Latin America.³⁸

During its first term, the Eisenhower Administration provided two types of aid, monetary grants in 1953 and food grants in 1954. This represented a historic change; these types of aid had not previously been giving to Latin American nations. The context in which the aid was given was significant. In 1953, Dr. Milton Eisenhower, the President’s younger brother who advised the chief executive on policy toward the hemisphere, visited Bolivia as part of a trip through South America. Citing food shortages and imminently lower tin prices (the Korean War was winding down and demand would slacken), Bolivian officials pressed the influential younger Eisenhower for US aid.³⁹ The Bolivians were well aware that divisions within the MNR could hurt their efforts to receive aid from the United States.⁴⁰ If the Bolivians appeared divided the United States might withhold aid for fear the MNR coalition might disintegrate. Or, the United States might take advantage of a divided Bolivia to weaken it further. Either way, the Bolivians realized the importance of presenting a façade of unity.

Soon after Dr. Eisenhower returned to Washington, President Eisenhower announced that the United States would send aid to Bolivia. In a response to a letter sent to him on 1 October 1953 by Bolivian President Paz Estenssoro that requested emergency aid (in particular food), Eisenhower stated that the United States would allocate the requested assistance which was “intended to assist Bolivia in this emergency and to help accelerate the economic diversification of your country.”⁴¹ Policymakers expressed different opinions in private. Milton

Eisenhower feared that without assistance a strongly anti-United States regime might come to power.⁴² The State Department emphasized the influence aid brought. The "Outline Plan of Operations with Respect to Bolivia" maintained that "[u]nder the impact of United States aid and assistance, the regime has become increasingly inclined to accept United States viewpoints."⁴³ Most prominently, these "viewpoints" were *norteamericano* admonitions that Bolivia keep its economy open to trade and try to foster a good investment climate. This was US policy for the entire Latin American region. In this sense, Bolivia became a laboratory in which officials could apply their hemispheric policy.

In 1953 fears of communism did not prominently figure into policymakers' considerations. Dr. Eisenhower believed the MNR's admonitions that it was not communist; nor did he think a communist government would arise if the MNR fell. He stated in a letter to the president: "[s]hould the present government fall, it seems probable that it will not be succeeded by a communist government nor by a fascist one."⁴⁴ US policymakers, instead, feared a chaotic situation if the MNR fell. Washington's policies, including the aid policy, aimed to quell Bolivian economic nationalism and avoid a disintegration of the Bolivian government—a disintegration that could lead to an anti-United States regime coming to power in La Paz.

One area in which the policymakers successfully opened up the Bolivian economy was the petroleum industry. Many in the US petroleum industry believed that Bolivia had rich, unexploited oil fields.⁴⁵ The State Department wanted to funnel private sector investment toward Bolivia, and rightist MNR leaders thought that foreign investment would spur oil production. Initially, the prospects for exploiting Bolivia's oil looked unlikely for *norteamericano* oil companies. After all, the industry had been nationalized in 1938, and late in 1952, Bolivia and Iran established a "verbal agreement" to exchange information and establish "mutual cooperation" regarding the nationalization of the oil industries in those two nations.⁴⁶

Instead, US assistance led to a partial privatization of the oil industry. In 1955 Bolivia revamped its oil code and the new code opened the oil industry to outside foreign investment. This was in part because *norteamericano* lawyers helped write the Petroleum Code.⁴⁷ Washington ensured enactment of the Code by threatening to cut assistance if the law was not passed.⁴⁸ Under the Code foreign private-sector companies fared well; the Bolivian state-owned oil company, the *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB), received only

11 percent of the total oil field concessions. All oil fields were open for current exploitation; the Bolivian Code was the only Latin American oil code that did not cordon off some oil fields for future exploitation.⁴⁹ Other provisions gave the private-sector oil companies first choice over which lands to exploit.⁵⁰ Finally, the Code gave the private oil companies the right to market their products in Bolivia, a grant that severely hurt the YPFB's efforts in this area.⁵¹ From the point of view of the US and other foreign oil companies, the new Code was one of the most generous in all of Latin America.

The fresh capital, however, did not ultimately help the YPFB confront the problems it faced in the 1950s; nor did the YPFB significantly contribute to the diversification of the Bolivian economy. In part because of the restriction on foreign exchange available to it under the Stabilization Plan (see below), the state-run company lacked the financial resources to rebuild worn-out capital. After 1957 YPFB's production steadily declined; it fell from 568.4 thousand cubic meters to 413.8 thousand in 1964. By 1960 the Foreign Minister of Bolivia described the YPFB's financial problems as "grave."⁵² Foreign exchange earnings from petroleum fell from \$8.08 million per year over the 1952-1956 period to \$4.10 million per year during the 1957-1962 period.⁵³

Oil policy was not the only significant change in Bolivian-United States relations in the years 1954-1955. In 1954 *norteamericano* officials began giving food aid. This not only alleviated hunger in Bolivia, but helped to reduce the US government's foodstuffs' storage costs. In an effort to assist *norteamericano* farmers, a powerful constituency, Washington stockpiled domestic agricultural products to raise their prices.⁵⁴ Public Law (PL) 480 aid began to flow to Bolivia in 1954. Unfortunately for Bolivia, Washington's food aid partially thwarted one of the goals of the revolution, diversification of the economy.

Much of US aid to Bolivia was given in the form of surplus foodstuffs. Between FY 1954 and 1961, 15.9 percent of the aid was given in the form of foodstuffs. In FY 1955, the food-aid program was at its height: 47.8 percent of Washington's economic assistance was in the form of food aid.⁵⁵ Once in Bolivia, the surplus agricultural goods were sold and the funds put in special accounts to fund economic development projects. After 1957 some of the proceeds were lent, at low rates of interest, to large US companies that invested in the developing world. An important part of PL 480 aid to Bolivia was wheat flour, which had a predictable, and disastrous, affect on the Bolivian milling industry. Flour imports shot up, increasing from \$1.6 million in 1953 to \$9.2 in

1961. This rise was particularly damaging because the Bolivians wanted to reduce the country's dependency on food imports. Bolivia's production of wheat flour plummeted, dropping from 58.7 million kilos in 1953 to 6.1 million kilos in 1960.⁵⁶

Aid policy represented a significant turning point in United States-Bolivian relations and, indeed, in United States-Latin American relations. However, Bolivia did not receive a great deal of United States capital, or money from international lending institutions, for its ambitious goals of vastly increasing infrastructure investment or economic diversification projects. Bolivian officials in the Embassy in Washington told their superiors in La Paz that

Mr. [Assistant Secretary of State for Inter-American Affairs Henry F.] Holland put special emphasis on two points that are considered extremely important to reestablish the credit of Bolivia and also to facilitate economic cooperation which we very much desire with the United States. The two points are 1) The necessity of concluding the negotiations with former owners of the nationalize tin mines to establish the amount of indemnity. 2) The necessity of coming to an agreement with the bondholders of Bolivia's foreign debt. This will re-establish Bolivia's credit.⁵⁷

In 1931, the Bolivian government had defaulted on a number of Bolivian government bonds owned by *norteamericanos*.⁵⁸ Bolivian leaders pointed out how these restrictions on US government funds hindered plans for economic diversification, a key goal of the revolutionaries.⁵⁹

Indeed, the Bolivian government emphasized that it was in a catch-22 situation. Bolivia would have an easier time developing its resources, and hence earning income to pay back the defaulted creditors, if it had access to credit from the United States and international lending agencies.⁶⁰ An agreement with the bondholders was finalized in 1957, the major hurdle in Bolivia's quest for fresh capital. Both sides were relieved. Bolivian officials detected some "anxiety" amongst Department of State officials: these officials wanted to show the world that the financial system in the Western Hemisphere functioned smoothly, and Bolivia was the only country where an agreement had not been reached on defaulted bonds. The dispute over indemnification of the former tin barons dragged on until 1962.⁶¹

Aid policy, however, did not comprise the sum total of United States-Boliv-

ian relations in these years. Since World War I, the United States was the main purchaser of tin from the Andean nation; during World War II Bolivian tin was very important to the US war effort.⁶² Washington's tin policy in the 1950s, however, turned out to be a big disappointment for Bolivia. In March of 1953, just over four months after the nationalization of the mines, the US government-run Reconstruction Finance Corporation (RFC) announced it would not purchase any more tin for its "buffer stock." Ambassador Andrade was angered by the decision.

For my part... I expressed my profound disagreement [with the RFC's policy] because they were treating inter-American affairs with great indifference and without taking into effect the political aspects of inter-American relations.... I reminded them [US officials] that Bolivia supported the United States during its moment of truth [during World War II] and did not benefit from the War, nor did it try to use its fortunate situation [i.e., as a tin producer during the War] for self-benefit.... At the same time I told them that Bolivia had always tried to help out the *norteamericanos* in its international relations. During the Cold War the Bolivians had remained loyal to the United States. In light of this, I told them it seemed contradictory—they desired Bolivian tin for strategic reasons they said, but then announced their lack of interest in buying it. They did not respond to my pointing out of the contradiction.⁶³

Throughout the decade, Andrade pushed for a long-term contract for the sale of tin to the RFC. This was particularly important as tin revenues were to provide financial resources for the Revolution. US leaders, in part because they thought they did not need to stockpile more tin, and in part because the price was dropping, did not offer such a contract. Andrade tried to use the policy program of the United States to get it to sign a long-term contract. *Norteamericano* officials desired that Bolivia become more open to US trade and investment. Andrade's response to this was "Bolivia had always been interested in maintaining an open market with the United States, which for both financial and psychological reasons, a long-term contract would have innumerable advantages."⁶⁴ As tin prices dropped throughout the decade, however, the "financial reasons" from the point of view of Washington dictated that the United States not lock itself into a long-term contract.

Fortunately for Bolivia, the RFC reversed itself, and gave the Bolivians a one-year contract in July of 1953.⁶⁵ However, RFC policy soon reverted back to a position that seemed to threaten Bolivia's economic interests. In 1955 Washington announced it would close a government-run smelter in Texas City, TX, in mid-1956 which was specially equipped to handle low-grade Bolivian ores.⁶⁶

At this point, assessing the impact of the United States aid programs is instructive. In order to assess the overall effect of the aid program on Bolivia, one needs to start by examining the effect it had on the Bolivian government's goals. In January of 1955, Andrade sent a letter to General Glen E. Edgerton, Chairman of the US Export-Import Bank, outlining three "primary objectives" of the MNR. This was not news to Edgerton, since the revolutionaries had been discussing these objectives since their triumph in 1952. Andrade succinctly summarized them thusly:

- 1) to diminish the cost of the production of our minerals;
- 2) to accelerate the production of a dollar-producing commodity like oil, and
- 3) to diversify the domestic economy by increasing production of food-stuffs and other essential commodities that today are imported.⁶⁷

In general, US policy hindered the Bolivians in achieving these goals. Food aid, the opening up of the oil industry to foreign capital, and Washington's refusal to loan money to the Bolivian government until agreements were reached with bondholders and the former tin barons worked against the MNR and its agenda. Loans to improve the technological capacity of the state-owned oil company, *Corporación Minera de Bolivia*, or COMIBOL, could have helped it to mine metals in the country more efficiently.

How did Andrade respond to US policies in the 1952-1956 period? When contemplating United States-Bolivian relations, Andrade was alternately pessimistic and optimistic. In late 1954, he told his Foreign Minister whether the Eisenhower Administration's economic policy toward Latin America would not allow the nations of Latin America to reach their aspirations—in particular their economic aspirations.⁶⁸ In early 1956, however, the glass looked half-full—officials at the Bolivian Embassy in Washington noted that the United States had come to Bolivia's aid in times of crises in the early 1950s.⁶⁹

By 1956, United States-Bolivian relations were at a crossroads. US aid policy toward Bolivia had grown from a stopgap, emergency program to a program that aimed to prove that Washington could promote development in a poor nation—it aimed to show that inter-American economic relations could better the well-being of the average Bolivian, and by extension, Latin American.⁷⁰ Andrade nicely summarized Bolivia's new importance to the United States.

The case of Bolivia is a “test case” of economic cooperation and technical assistance which can help to assemble the present factors towards a successful conclusion: a major crisis, potential riches to develop, and a government and people willing to develop them. If technical assistance and aid do not work in Bolivia, they will not work in the rest of Latin America.

Indeed, the destinies of Bolivia and the United States were now closely linked. Andrade was correct to point out that “the occurrence of 1953 were a turning point in US history.”⁷¹ If Bolivia collapsed, US prestige would be damaged.⁷²

Norteamericano officials recognized this, and realized the problems that the falling price of tin inflicted on Bolivia. Tin sales were down because of reduced post-Korean war demand and the declining ore content of Bolivia's easily-exploitable veins.⁷³ The price of tin plummeted from \$1.21/lb. in January 1953 to \$0.80/lb. in June of 1954 while the cost of production remained around \$1.03/lb. As a result, COMIBOL ran deficits—deficits that were covered by drafts from the Central Bank. As the money supply increased, Bolivian inflation shot up.⁷⁴ The cost of living in La Paz rose 124 percents in 1954, 80 percents in 1955, and a record 179 percents in 1956.⁷⁵ Washington officials feared a collapse of the Bolivian economy and government. To prevent this, and in order to help promote a more friendly climate for foreign investment, US officials designed and implemented their 1956-7 Economic Stabilization Plan for Bolivia. The Bolivians accepted the plan because they were given an ultimatum: aid would be cut if Bolivia did not adhere to the plan.⁷⁶

At the center of Bolivia's problems were COMIBOL's financial problems. These were exacerbated by a system of multiple exchange rates which forced the tin-mining giant to sell its foreign exchange earnings to the Central Bank at the low official exchange rate, in effect siphoning of resources from the mining company. Between 1952 and 1956, the gap between the official and free-market rates grew enormously, and COMIBOL's problems grew along with it.⁷⁷

Overvalued exchange rates hurt the Bolivian economy in other, predictable ways. The high, official exchange rate discouraged indigenous production and encouraged imports. Shortages of key goods, including food, occurred when foreign exchange earnings ran low.⁷⁸ The overvalued exchange rate also caused a great deal of smuggling.

In early 1956, Andrade optimistically hoped that the Stabilization Plan, which was just in the early planning stages, “will not produce fundamental changes in the Bolivian political scene.” The Plan was too far-reaching for his hope to be realized. To begin, it called for the Bolivian government to cut wages and reduce the number of workers who worked in COMIBOL’s mines, which provoked violent strikes.⁷⁹ Washington’s goals, however, went further. It hoped to help create a friendly climate for international trade and foreign private investment. This meant that Bolivia had to give up some of its revolutionary policies—for example, the Land Reform was temporarily halted. Also too, the Bolivian government was forced to cut its budget for some economic diversification projects, including some hydroelectric plants and government-subsidized sugar refineries.⁸⁰

The Stabilization Plan had a huge impact on Bolivian politics. It helped to deeply split the MNR government. The right wing of the MNR argued that the plan was necessary because Bolivia needed aid from the *norteamericanos*. The left wing criticized the Plan—not only did it cause a severe contraction of the economy, but many workers, in particular COMIBOL workers, lost their jobs. In sum, the costs of the Plan fell most heavily on the left’s constituency of workers and miners.⁸¹ The plan so weakened the MNR that it relied more and more on the military—which, since 1958, had been aided and reorganized with US help—for support.⁸² The military realized its power, and took over in a November 1964 coup.

In general, it is difficult to measure the effects of one nation’s foreign policy on another. Indeed, this is true with US policy toward Bolivia during 1952-1956. However, it is possible to conclude that Washington’s policies hindered Bolivia’s attempts at diversification of their economy at a time when, before the post-1956 collapse in tin prices, the MNR might have realistically made some gains in achieving its goals. Interestingly, despite the extreme Cold War attitudes and rhetoric of the 1952-1956 period, *norteamericano* officials correctly realized it was very unlikely that the few communists in Bolivia could ever take control—even with a collapse of the MNR. Instead, US officials

feared that economic nationalism would so hinder Bolivian economic growth, chaos would break out, and out of this disorder an anti-United States regime might come to power in La Paz. This was the biggest fear of Washington officials.

Notes

I would like to thank Susan Brewer, Raul Calderón, Anne Foster, John Fousek, J. Leon Helguera, Thomas Holloway, Eldon Kenworthy, Walter LaFeber, Erick Langer, Kenneth Lehman, Elizabeth Murphy, Lorena Oropeza, Sayuri Shimizu, Shannon Smith, and Steven Streeter for their helpful comments on this and earlier renditions of this article. I would like to thank Laurence Heilman for letting me research in his private collection.

- 1 Cole Blasier, *Hovering Giant—U.S. Responses to Revolutionary Change in Latin America, 1910-1985*, 2nd ed. (Pittsburgh, 1985), p.135; Stephen Rabe, *Eisenhower and Latin America—the Foreign Policy of Anti-communism*, (Chapel Hill, 1988), pp.77-82; Kenneth Lehman, “Revolutions and Attributions: Making Sense of Eisenhower Administration Policies in Bolivia and Guatemala,” *Diplomatic History* 21 (Spring 1997): 185-213. Blasier states that “The MNR’s vaguely leftist program, including proposals for the nationalization of the tin mines, disturbed conservative circles in Washington aroused by the anti-Communist campaigns of Senator Joseph McCarthy,” pp.129-130. Rabe discusses anticommunist and anti-economic nationalism motives: he states that US aid to Bolivia, which would reach about \$200 million during the course of the 1950s, was used “to keep Bolivia non-Communist and to force the MNR to adopt free trade and investment policies,” p.78. However, he emphasizes the anticommunist motive: “Dr. [Milton] Eisenhower, [the President’s younger brother and advisor on Latin American affairs] successfully urged the president to assist the Bolivian as a humanitarian gesture and as a way of preventing communism.” p.82. Most recently, Lehman argues that US officials feared communism in Bolivia, but Washington officials thought that the only way to foster a noncommunist Bolivia was to support the MNR: if it fell, extreme radicals of communists might take power.
- 2 J. Garnett Lomax, British Ambassador in La Paz, to J.H.A. Watson Esq., British Embassy, Washington, D.C., 11 October 1952, AX 1016/7, FO/97707, Foreign Office [hereafter FO] 371, Public Record Office, Kew, England [hereafter PRO]; J.H.A. Watson to R. Cecil, Esq., American Department, FO, 5 October 1952, AX 1016/5, FO/97707, FO371, PRO. An internal State Department memo makes the same argument. See also Carlos Navia Ribera, *Los Estados Unidos y La Revolución Nacional—entre el pragmatismo y el sometimiento* (La Paz, 1984), p.115.
- 3 For a definition of economic nationalism in the Latin American context, see Shoshana B. Tancer, *Economic Nationalism in Latin America* (New York, 1976), p.12.
- 4 William F. Gray to Department of State [hereafter DOS], 7 May 1959, 824.00 TA [Technical Assistance]/5-0759, Record Group [hereafter RG] 59, National Archives, Washington, DC, [hereafter NA]; Henry Dearborn to Henry F. Holland, 8 Jun 1955, 720.5-MSP/6-855, RG 59, NA. Hereafter DOS documents will be cited by document number and record group.
- 5 In this paper, in order to avoid word repetition, I use the term “norteamericano” as a synonym for “United States.”
- 6 Erick D. Langer, *Economic Change and Rural Resistance in Southern Bolivia* (Stanford, 1989), p.200.

- 7 Economic Commission for Latin America [hereafter ECLA], "Economic Policy of Bolivia," *Economic Bulletin for Latin America* 12 (October, 1967): 64.
- 8 *Ibid.*, p.63.
- 9 Recomendaciones Agricultura, *Informe de la Misión Económica de los Estados Unidos (Misión Bohan)*, v.1—Conclusiones, (La Paz, 1942), pp.1-25, esp. 20. At the behest of the Bohan Mission, Bolivia set up a US government- and Bolivian government-funded development corporation to promote increased exploitation of natural resources, agricultural development, improve public works, and to stimulate industry and commerce. It was called the *Corporación Bolivia de Fomento*. La Corporación Boliviana de Fomento, *La Corporación Boliviana de Fomento—Sus orígenes, organización y actividad* (La Paz, 1943), p.22.
- 10 Richard S. Thorn, "The Economic Transformation," eds. James M. Malloy and Thorn, *Beyond the Revolution—Bolivia Since 1952* (Pittsburgh, 1971), p.165; U.N. Economic and Social Council, ECLA, *Development of Agriculture in Bolivia*, E/CN-12/218/Add.2 (New York, 1951), pp.7-8.
- 11 Carlos Navia Ribera, in an important study, argued that the Bolivian government in 1951 had come to an agreement with the US government-owned Reconstruction Finance Corporation (RFC) over a tin contract. The RFC was the agency that accumulated the US government's tin stockpile. However, Navia states that the tin barons forced the Bolivian government to break off the negotiations, holding out for a higher price. As tin piled up in Bolivia, economic problems worsened. Navia Ribera, *Los Estados Unidos y La Revolución Nacional*, pp.65-69. On this see also Kenneth Duane Lehman, "US foreign aid and revolutionary nationalism in Bolivia, 1952-1964: The pragmatics of a patron-client relationship," (Ph. D. dissertation, University of Texas at Austin, 1992.) James Dunkerley argues that in 1951 the government of Bolivia halted all tin exports (half of which went to the United States) to raise the price and compel the United States to sign a contract. The strategy backfired: it only exacerbated Bolivia's economic problems. He also notes the United States agreed to buy tin from Britain (Malay) for a higher price than was offered to Bolivia. (The Malay tin was higher quality.) Understandably, the Bolivians feared this signalled a near-total Anglo-American control over the world tin market. Dunkerley, *Rebellion in the Veins* (London, 1984), pp.12-13.
- 12 Laurence Whitehead, *Bolivia and the United States: a Case of Neo-colonialism* (London, 1969), pp.6-7.
- 13 James M. Malloy, *Bolivia: the Uncompleted Revolution* (Pittsburgh, 1971), pp.217, 222, 300; on the definition of infrastructure, see James V. Kohl, "National Revolution to Revolution of Restoration: Arms and Factional Politics in Bolivia," *Inter-American Economic Affairs* 39, no.1 (Summer 1985): 5.
- 14 After 1956 the MNR began to factionalize. Walter Guevara Arze, in 1956, openly broke with the party. In 1960 he started his *Movimiento Revolucionario Auténtico*. His was a right-wing movement: the reason he broke away was that he argued the MNR had not adhered to the dictum, "la democracia fundadad en conceptos occidentales de los valores humanos. [democracy can only be built on a structure of Western-style individual values]" Also, he stated "la iniciativa privada es beneficios para la colectividad. [private initiative benefits everyone]" See Jose Gamarra Zorrilla, *Liberalismo y Neoliberalismo—breve interpretación de la historia política de Bolivia (1879-1993)*, (La Paz, 1993), p.173. See also Malloy, *Uncompleted Revolution*, p.241.
- 15 Interview with Juan Lechín Oquendo, 20 February 1997, La Paz.
- 16 *Programa ideológico y estatuas de la C.O.B. Congreso Nacional de Trabajadores*, 31 Oct 1954, (La Paz?, 1954), University of Pittsburgh Pamphlet Collection, [hereafter Pitt Pamphlets], p.32; Guillermo Lora, *A History of the Bolivian Labour Movement 1848-1971*, trans. Christine Whitehead (Cambridge, England,

- 1977), p.282.
- 17 Carlos Dujove, *Trabajo y Salarios en la Revolución Nacional* (La Paz, 1955), Pitt Pamphlets, p.37; Walter Guevera Arze, *Plan inmediato*, (La Paz, 1953), p.70; Victor Paz Estenssoro quoted in James W. Wilkie, *Bolivian Foreign Trade: Historical Problems and MNR Revolutionary Policy, 1952-64* (Buffalo, 1971), p.2.
- 18 Arze, *Plan inmediato*, p.70; Victor Paz Estenssoro quoted in Wilkie, *Bolivian Foreign Trade*, p.2.
- 19 Speech of Paz Estenssoro, 24 February 1954, 824.062/2-2454, RG 59.
- 20 Arze, *Plan inmediato*, p.45.
- 21 Alfredo Franco Guachalla, *Acotaciones para la doctrina del partido*, (La Paz?, 1961), Pitt Pamphlets, pp.9, 12.
- 22 Public Relations Office, Office of the Ministry of Foreign Affairs, *Bolivia's Struggle* (La Paz, 1956), Pitt Pamphlets, p.13.
- 23 Langer, *Southern Bolivia*, p.200.
- 24 Public Relations Office, Office of the Ministry of Foreign Affairs, *Bolivia's Struggle*, Pitt Pamphlets, p.26.
- 25 James V. Kohl, "Peasant and Revolution in Bolivia, April 9, 1952-August 2, 1953," *Hispanic American Historical Review* 58, no.2 (1978): 244, 259.
- 26 Manuel E. Contreras, *The Bolivian Tin Mining Industry in the First Half of the 20th Century* (London, 1993), p.9.
- 27 Victor Andrade U., *My Missions for Revolutionary Bolivia* (Pittsburgh, 1976), p.159.
- 28 "Report of Bolivian Foreign Ministry on the Policy of the Government of Bolivia in the Negotiations of the Sale of Bolivian tin," 11 April 1953, 724.00/4-1153; RG59. US stockholders owned at most twenty-five percent of only one of the largest three mines, the Patiño.
- 29 Blasier, *Hovering Giant*, pp.87-88.
- 30 Walter Guevera Arze, *Planteamientos de la revolución nacional en la decima conferencia interamericana* (La Paz, 1954), Pitt Pamphlets, p.20.
- 31 Lora, *History of the Bolivian Labour Movement*, p.282.
- 32 Blasier, *Hovering Giant*, pp.88,131.
- 33 Andrade to Guevara Arze, 9 Aug 1954, *Embajada Boliviana en Washington, Julio-Diciembre*, 1954, Archivo Relaciones Exteriores, La Paz , Bolivia, [hereafter ARE].
- 34 "Report of Bolivian Foreign Ministry on the Policy of the Government of Bolivia in the Negotiations of the Sale of Bolivian tin," 11 Apr 1953, 724.00/4-1153, RG 59.
- 35 Sumner Welles to the Minister in Bolivia (Douglas Jenkins), 1 Aug 1941, *Foreign Relations of the United States* [hereafter *FRUS*, followed by appropriate year and volume number], *FRUS* VI (1941), p.436.
- 36 According to the Advisor on Political Relations in the State Department, US officials were not prepared "to consider a program of economic assistance to Bolivia without a prior or accompanying settlement of the Standard Oil problem." Laurence Duggan, "Memorandum," 28 May 1941, *FRUS* VI (1941), pp.434-435.
- 37 *Ibid.*, pp.452-464.
- 38 Louis J. Halle, Jr., "Significance of the Institute of Inter-American Affairs in the Conduct of U.S. Foreign Policy" *Inter-American Series* 36, Publication 3239 (Washington, 1948): 3; Graham H. Stuart and James L. Tigner, *Latin America and the United States* 6th ed. (Englewood Cliffs, 1975), p.729.
- 39 Speech of Paz Estenssoro quoted in "Memorandum of Conversation," 24 February 1954, 824.062/2-2454,

- RG 59. See also Milton Eisenhower, *The Wine is Bitter* (NY, 1963), p.194.
- 40 Foreign Minister to Bolivian Embassy in Washington, 5 Sept. 1953, *Embajada Boliviana en Washington 1952-1956*, p.264, ARE.
- 41 Dwight David Eisenhower, *Public Papers of the President—Dwight David Eisenhower [DDE], 1953* (Washington, 1953), p.659.
- 42 Milton Eisenhower to DDE, 11 Jan 1954, DDE, Papers as President, Box 13, Name Series, File "Eisenhower, Milton" *South American Report 1* (1953) in Eisenhower Library, Abilene, KS [hereafter EL]; Robert Alexander, *The Bolivian National Revolution* (New Brunswick, NJ, 1958), pp.260-261.
- 43 Miron Burgin to Head of Bolivia Desk at DOS John L. Topping, 21 March 1956, 611.24/3-2156, RG 59, NA.
- 44 Milton Eisenhower to DDE, 24 July 1953, DDE: Papers of the President, NSC Series, File "Eisenhower, Milton, *South American Report 5* (1953)" Box 13, EL. Milton Eisenhower emphasizes this point in his *The Wine is Bitter*, pp.67-68.
- 45 Whitehead, *Bolivia and the United States*, Appendix 2, p.28.
- 46 Foreign Ministry in Bolivia to the Bolivian Embassy in the United States, 2 Dec 1952, *Embajada Boliviana en Washington, 1952-1956*, ARE, p.31. Translation here and all subsequent translations are done by the author.
- 47 George Jackson Eder, *Inflation and Development in Latin America* (Ann Arbor, 1968), p.60.
- 48 Thomas Mann to Raymond G. Leddy, 17 September 1954, Holland Papers, Lot File [hereafter Lot] 57D295, RG 59, Box 3, Country File Guatemala, NA.
- 49 Whitehead, *Bolivia and the United States*, p.29.
- 50 ECLA, "The Economic Policy of Bolivia in 1952-64," *Economic Bulletin for Latin America* 12 (Oct 1967): 81.
- 51 *Ibid.*, p.80; Whitehead, *Bolivia and the United States*, p.33
- 52 Foreign Minister to the Ambassador to the United States, 14 November 1960, *Embajada Boliviana en Washington, 1956-1960*, ARE, p.915.
- 53 Eder, *Inflation and Development*, pp.60-61; figures are in ECLA, "The Economic Policy of Bolivia in 1952-64": 80.
- 54 Silberstein to Williams, 23 May 1957, Lot 63D87, Office of Inter-American Regional Economic Affairs, File "Miscellaneous Material" Box 4, NA; Russell Edgerton, *Sub-Cabinet Politics and Policy Commitment: The Birth of the Development Loan Fund* (Syracuse, 1970), p.27; "Proposed Instructions with Respect to Programs to Raise Consumption Levels and Accelerate Economic Development," 18 June 1956, Lot 63D87, RG59, Box 1, File "PL 480 Loan Policy," Office of Inter-American Regional Economic Affairs, NA.
- 55 Bolivia received 4.3 percent of the total PL480 aid given to Latin America during Eisenhower's tenure. US Agency for International Development, Statistics and Reports Division, *U.S. Foreign Assistance and Assistance from International Organizations—Obligations and Loan Authorizations* (Washington, 1962), pp.28, 30. This includes US donations to international organizations.
- 56 Republica de Bolivia, Ministerio de Hacienda, Dirección General de Estadística y Censos, *Boletín Estadístico* (1964), pp.109, 64. For an excellent analysis of the wheat-milling industry in Bolivia, and on the US policies' effect, see Laura Scobari de Querejazu, *Historia de la Industria Molinera Boliviana*, (La Paz, 1987), pp.104-121.

- 57 Andrade to Guevara Arze, 23 Dec 1955, No. 213, *Embajada Boliviana en Washington, Julio-Diciembre, 1955*, ARE, 218.
- 58 Foreign Minister to Bolivian Embassy in Washington, 23 Sept. 1954, *Embajada Boliviana en Washington, 1952-1956*, ARE, pp.506-507; Andrade to Guevara Arze, 23 Dec 1955, *Embajada Boliviana en Washington, Julio-Diciembre, 1955*, ARE. See also Herbert L. Klein, *Bolivia—Evolution of a Multiethnic Society*, 2nd ed. (New York, 1992), p.240.
- 59 Andrade to Guevara Arze, 11 Jan 1954, *Embajada Boliviana en Washington, Enero-Junio 1954*, ARE.
- 60 Andrade to Guevara Arze, 23 Dec 1955, No.213, *Embajada Boliviana en Washington, Julio-Diciembre, 1955*, ARE, p.218.
- 61 In 1962, the Patiño company and the Bolivian government finally settled; this was all the US government cared about since all the US citizen-owned stock was in this company. George M. Ingram, *Expropriation of U.S. Property in South America—Nationalization of Oil and Copper Companies in Peru, Bolivia, and Chile* (New York, 1974), p.133.
- 62 Contreras, *The Bolivian Tin Mining Industry*, pp.6,18.
- 63 Andrade to Guevara Arze, “Negociaciones de venta del estaño,” 13 March 1955, *Embajada Boliviana en Washington—January to June 1953*, ARE.
- 64 Andrade to Guevara Arze, 11 January 1954, *Embajada Boliviana en Washington—January to June 1954*, ARE, p.4.
- 65 Ibid.; Andrade to Guevara Arze, 27 Jun 1953, *Embajada Boliviana en Washington, Enero-Junio 1953*, ARE.
- 66 Rabe, *Eisenhower*, p.82
- 67 Victor Andrade to Glen E. Edgerton, 24 Jan 1955, *Embajada Boliviana en Washington, Enero-Junio 1955*, ARE.
- 68 Victor Andrade to Guevara Arze, 8 Nov 1954, *Embajada Boliviana en Washington, Julio-Diciembre, 1954*, ARE, p.282.
- 69 Andrade to Guevara Arze, 10 Jan 1955, *Embajada Boliviana en Washigton, Enero-Junio, 1955*, ARE.
- 70 Andrade to Guevara Arze, 10 Jan 1956, *Embajada Boliviana en Washigton, Enero-Junio, 1956*, ARE. Andrade also mentioned that the “ideological struggle” between the Soviet Union and the United States was taking place in the developing world (including Bolivia): both the Soviets and the United States wanted to prove that they offered the best means for a Third World nation to develop.
- 71 Andrade to Guevara Arze, 10 Jan 1956, No.5, “Memorandum—Recopilación de antecedentes sobre asistencia económica y tecnica de los EE.UU. a Bolivia,” *Embajada Boliviana en Washington, Enero-Junio 1956*, ARE, pp.9-17.
- 72 Philip W. Bonsal to Roy R. Rubottom, 4 December 1958, 824.00 TA/12-0458, RG59, NA. Bonsal wrote this cable at a time of increasing labor violence in Bolivia. Indeed, it looked like the polity might collapse. Bonsal ominously told his superiors in Washington, “anything you could do to help could well be a critical factor” in Bolivia, where the U.S. had invested so much “prestige and money.”
- 73 Eder, *Inflation and Development*, p.53.
- 74 Franklin Antegana Paz, *La Política Monetaria de Bolivia* (La Paz, 1954), Pitt Pamphlets, pp.7, 48.
- 75 Republica de Bolivia, Dirección General de Estadística y Censos, *Boletín Estadístico* 89 (1964), p.38. The 1956 rate was the highest since Bolivia began keeping records on price levels in 1931.

- 76 Eder, *Inflation and Development*, pp.141, 242.
- 77 Thorn, "The Economic Transformation," in Thorn and Malloy, *Beyond the Revolution*, pp.173-4, 376.
- 78 *Ibid.*, p.179
- 79 Lora, *The Bolivian Labour Movement*, pp.312, 319-20, 327.
- 80 Eder, *Inflation and Development*, pp.77-78; Torres Calleja, *Ayuda Americana—Una Experiencia Frustrada*, (La Paz, 1962), p.66.
- 81 Interview with Juan Lechín Oquendo, 20 Feb 1997, La Paz.
- 82 For an overview of United States-Bolivian relations from 1956-1960 and the decline of the MNR, see James F. Siekmeier, "[T]he Most Generous Assistance: U.S. Economic Aid to Guatemala and Bolivia, 1944-1959," *The Journal of American and Canadian Studies*, vol.11 (Spring 1994): 33-37. For information on the reorganizing and building up of the Bolivian military in these years, see Raul Barrios, *Ejército y Revolución en Bolivia, 1952-1960* (La Paz, 1986), Parte IV; and Kohl, "National Revolution and Revolution of Restoration": 22-23.