

#### **4. EVOLUTION OF THE BOLIVIAN MINING INDUSTRY**

**4.1 Background information:** Until the end of the nineteenth century, Bolivia was a major world exporter of silver; however, when the abandonment of precious metal coinage, together with the opening of large deposits elsewhere in the world led to declining prices, Bolivia was poorly equipped to compete. Attention shifted then to tin, in response to increasing prices and high world demand after the turn of the twentieth century. In fairly short order, tin became the dominant export and Bolivia joined the ranks of leading producers.

Ownership of tin production was quite concentrated: nearly 80 % of output was controlled by three groups: Patiño, Hochschild and Aramayo, the "tin barons". These groups came to control not only tin deposits but also other important metal deposits and prospects.

With the Revolution of 1952, the interests of the former controlling groups were nationalized by the government of Víctor Paz Estenssoro to form COMIBOL, Corporación Minera de Bolivia.

While COMIBOL maintained existing operations, it is instructive to note that the state corporation was unable to develop even one of its exploration prospects into a productive operation.

By the mid 1980's it was in complete disarray due to problems of corruption, inefficiency and unprofitability. The collapse of tin price in 1985, following the failure of the International Tin Agreement, merely constituted the coup de grace.

In 1985, Víctor Paz Estenssoro was elected to the Presidency. Ironically, he had been the principal architect of nationalization when he had ruled thirty years before. This time, his response to the chaos in which he found the country was the New Economic Policy (NPE) of 1985, which has been strictly followed by the governments of Presidents Paz Zamora and Sánchez de Lozada, who succeeded Paz Estenssoro.

The principal elements of the NPE were fiscal austerity and free play of the market forces. The budgetary deficit has been held near zero since 1986. Controls on prices of goods, services, wages and foreign exchange have been eliminated. US dollars are now sold under open auction by the Central Bank. The tax system was greatly simplified and efforts were made to cut bureaucracy. Inflation has been wrestled down from astronomical heights to levels that have been maintained in the 10 to 15 percent range.

COMIBOL was a special target for attention. The work force was slashed down from 30,000 to under 7,000 with several mines formed into cooperatives, including the tin operations at Catavi, Coquechaca, Morococala and Colavi. The new