

played an important role. Of 30,000 COMIBOL employees, it is said that only some 7,000 were directly involved in mine work. The collapse of tin prices in 1985 following the failure of the International Tin Agreement merely constituted the coup de grace.

In the first half of the 1980's, COMIBOL's accumulated losses on mining and smelting activities approached one billion dollars. Losses in 1983-1984 alone had exceeded US\$300 million. The state itself contributed to decapitalization through the imposition of highly unrealistic official exchange rates that sold US currency (earned predominantly on COMIBOL exports) at little more than 10 percent of street rates.

Bolivia's experiment in state-led economics thus came to an inglorious end in 1985 in a mire of hyperinflation, corruption and disarray which capped five years of declining GNP. Value of mining production had peaked in 1980 at over US\$ 641 million in a climate of strong prices. By 1984, even before the collapse of tin prices, production value had fallen by nearly half to US\$364 million, and it would fall again by nearly another half to US\$197 million in 1986 with the near paralysis of COMIBOL.

1985 to 1990: From Stabilization to Recovery

In 1985, Hugo Paz Estenssoro was elected to the Presidency. Ironically, he had been the principal architect of nationalization when he had ruled some thirty years before. In 1985, he was presented the daunting task of stabilizing a shattered state-led economy with one of the highest hyperinflations ever experienced. His response was the New Economic Policy (NEP) of 1985, and it represented the undoing of much which his party had previously engendered.

The principal elements of the NEP were fiscal austerity and free play of market forces. The budgetary deficit has been held to 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 which have been maintained in the 10 to 20 percent range.

COMIBOL was a special target for attention. The workforce was slashed 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 government chose effectively to paralyze COMIBOL during a period of readjustment. The effects in terms of output may be gauged from mid-1980's figures given in the Appendix to the present report. COMIBOL'S financial losses were cut to US\$8.3 million in 1988. The intention is to convert COMIBOL into a holding corporation, operating a few profitable mines on its own account while seeking partners to explore, develop and operate other properties. (As minerals are the inalienable property of the state according to Bolivian law, COMIBOL, as the state's mining arm, evidently cannot divest itself of resource ownership. For this reason, joint venture arrangements are sought, rather than outright sale.)