

Troubles in Tin

Operation Triangular: Bolivia's Fate Rides With It

LA PAZ, BOLIVIA.

Near each tin mine in the arid, poverty-ridden nation of Bolivia, where the 12,000-foot altitude makes breathing difficult, stands a large, bleak, and fully visible graveyard.

The graveyard is a symbol of the condition of the miner, who is responsible for 88 per cent of Bolivian exports and whose life expectancy is 29 years. It may become a symbol of the nation. Circumstances are fast bringing Bolivia to a point where its problems are either going to explode, or begin responding to one of the most expensive cures in the history of foreign aid.

The problem is not incidental to the United States. Besides its financial commitment, Washington is concerned that Bolivia is one of the most receptive Latin American countries to Communist infiltration. Since President Victor Paz Estenssoro took office in a *coup d'état* in 1952, the country's political situation has been stable, but its economic situation has undergone almost no improvement at all.

Since 1942, United States aid to Bolivia has totaled nearly \$200,000,000, all but a smattering in the past 10 years. With a population estimated at 3,500,000, Bolivia has received more per capita foreign aid than any other country in Latin America—perhaps in the world. This year's grant, under the Alliance for Progress, comes to \$80,000,000.

Funds Lost, Strayed, or Stolen

So far the results have been dreary. Much of that money has been wasted or stolen or has simply disappeared. Since 1960, however, United States aid to Bolivia has ceased to be what American Ambassador Ben S. Stephansky calls "a massive dole."

"We never should have gone in so heavily for budget support," he says. "The emphasis now is on self-help and economic development." Results of the new program are still foggy, but informed observers in La Paz—Mr. Stephansky among them—are looking at the end of this year as the turning point.

The barometer everyone is watching is called Operation Triangular, a \$40,000,000 development plan aimed at the rehabilitation of Bolivia's mining industry, which has steadily gone to pieces since it was nationalized in 1953. The first phase of Triangular calls for \$12,000,000, split more or less evenly among the United States, the Inter-American Development Bank, and West Germany.

Bolivia cannot make a go of it without the mining industry. For 400 years mining has been the key to Bolivia—economically, politically, and every other way. And it's ironic that if Operation Triangular is successful in getting the mining industry back on its feet, it also will accomplish its long-range goal of making that industry less vital to the Bolivian economy.

Subject to Tin Market Whims

In the past two years there has been a concerted effort, mainly through United States aid, to develop Bolivia's agriculture, petroleum, and small industry to the point where the country would not be so entirely dependent on its tin mines, and thus on the unpredictable world tin market, where prices fluctuate wildly. The recent decision to sell United States stockpiled tin—and the instant political repercussions in La Paz—is a good indication of how helpless this country is to defend itself against decisions taken thousands of miles away. When Washington refused to negotiate "compensa-

tion" for Bolivia after the decision (in the form of a subsidy), President Paz canceled his visit to the United States.

Unfortunately, all development programs need time. Petroleum and other industries are still small, and it is going to take a good many years to make a mountain out of the molehill that is Bolivian agriculture. During those years the mining industry will have to carry the load.

Operation Triangular's first object is to bring about "a significant increase in mineral production, and, at the same time, to lower production costs." The initial \$12,000,000 is the first step toward recapitalization of a dead-broke industry, and capital by itself can increase production. Lowering costs, however, means clamping down on the unions, and that is another story.

Bolivia probably has the world's most unruly labor force. Labor is a giant political consideration here, and its number one man is a clever, flamboyant politician named Juan Lechin, whom the miners call "El Maestro" and whom many others call the most powerful man in the country. Mr. Lechin is secretary general of the Bolivian Workers' Federation (COB). He undoubtedly has it in his power to make or break Operation Triangular, simply by inflaming the miners against "interference by foreign capitalists." So far he has made no public commitments, one way or another, and there are two schools of thought on where he stands.

El Maestro: Which Way Will He Go?

"He's too smart to come right out and oppose it," said one mining engineer, "but he's against it, because it's against him. If Triangular succeeds, it means Labor will have to be controlled—and if Labor is controlled, Lechin will lose a lot of his power."

Others say he is too much a nationalist to hamstring his country by opposing economic development, even if he does not like where the money is coming from. It has to come from somewhere, and Mr. Lechin is smart enough to know it is not going to come from Bolivia. He also expects to succeed Mr. Paz as president in 1964, and he would need a solid mining industry to keep the country going.

Before the 1952 revolution, three companies—Patino, Aramayo, and Hochschild—controlled 80 per cent of the industry. The taxes they paid were the bulk of the government's income, and their wish was the government's command. They reinvested as little of their profits as possible; most of the profits went into foreign banks or real estate. The miners were paid a few cents a day and kept in the camps by armed guards. The Bolivian mining industry was one of the purest forms of exploitation existing in South America.

So it came as no surprise, after the revolution, when the three big holdings were nationalized and turned over to Combol, the government mining corporation. Most Bolivians maintain even now that it was a necessary step, even though Combol's losses have grown worse with every passing year, and now average about \$1,000,000 a month. To keep the corporation on its feet has required some \$20,000,000 of foreign capital, most of it to meet labor costs.

With few exceptions, top managers and technicians departed the country with the "tin barons." The mines were plagued with strikes, theft, featherbedding, and mismanagement. Tin production dropped from 26,000 fine metric tons in 1953, to

13,495 in 1961. The grade of Bolivian ore dropped almost as fast as production. In 1961 Combol would have collapsed altogether if not for emergency infusions of United States aid.

Combol at an Impasse

Complaints against Combol are myriad. The main one is that the mines have become a social enterprise instead of an economic one. "Combol has 10,000 useless men on the payroll," said one mining consultant, "but they can't lay them off because the unions won't let them—and the unions control the government."

There is a certain amount of truth in the statement. Combol employs 28,000 men in 16 mines. The private sector—five medium-sized mines and some 2,000 small ones—employs another 10,000 men, all unionized. That is about 1½ per cent of Bolivia's population. Yet, because the mines are the nation's only real source of income—and because the 16,000-man miners' militia outnumber the army more than two to one—the question of trimming union members off the Combol payroll is a political bombshell.

The miners' militia is an almost unique force, strong enough to topple the government any day of the week. Well-drilled and well-outfitted, it fills the same role as would, for instance, a militia run by the United Auto Workers which was strong enough to crush the United States Army.

Partly because of these extra men, it costs Combol \$1.35 to produce a pound of tin—while a private mine, the British-owned Empresa Minera de Cerro Grande, produces an identical pound for 70 cents. On the world market, a pound of tin currently fetches around \$1.

This, in a nutshell, is the case against the nationalized mines. But, like most figures, these tell only a part of the story. "To give the devil his due," as one man puts it, "you have to realize the kind of problems Combol faced when it took over."

There were two main ones: A hopeless lack of capital, and an outsized labor force. The three companies had seen nationalization coming long before it happened, and consequently sold off everything that could be sold without halting production, and made up for the lack of machinery and equipment by hiring more men. Instead of replacing a broken drill, they simply hired 10 men with picks.

"When the government took over," says one American official, "all they got were holes in the ground."

They also got a swollen labor force that had gone into the streets of La Paz with homemade bombs and hoarded guns to smash the tin barons' army. The miners carried the 1952 revolution, and when it was over they were not about to be told that the new government's first step was to chop 10,000 men off the payroll.

Cost of Living Soars

The miners' critics point to the constant strikes in the mines—an average of 10 to 12 major ones a year—and an increasing tendency toward "labor anarchy." Yet the average wage in Combol's mines is roughly 80 cents a day. This is 10 years after the revolution that was supposed to bring a better life, and in those years the cost of living in Bolivia has gone up about 30 times. Conditions in most mines are as bad as they were before nationalization. A miner's family, regardless of its size, is rationed to five pounds of rice a week, ten pounds of meat (counting bone and fat), five pounds of sugar, and as much bread as they need to fill out their stomachs. Most families run to eight or nine people.

Yet only two companies—Grace and Cerro Grande—pay wages that average \$50 a month. The Combol average is about \$25; the smaller, private mines pay even less. A recent strike at the government's Catavi mine came about when management attempted to shut down a section that was deemed "too hazardous." The miners protested and struck because they got extra pay for working in that section, and preferred to keep on risking their lives rather than take a pay cut.

If Combol could afford to invest in new equipment—as can Grace and Cerro Grande—both income and conditions would immediately improve. As it is, however, they have a hard time hanging onto the machinery they have. The corporation is so far in the red that often it cannot pay salaries until an outside loan comes through. And a miner who has gone for a month without pay feels no sense of guilt at stealing a box of dynamite from Combol and selling it to one of the smaller Bolivian companies for whatever he can get.

Scientific Exploration Planned

It is no wonder that the Communists have made big inroads in the mining unions—and they have.

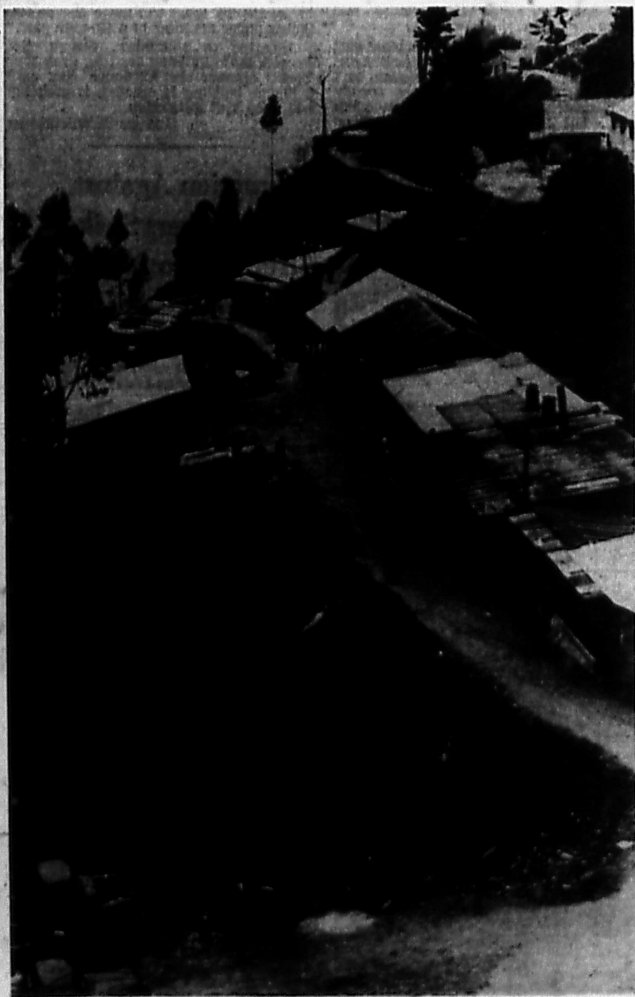
Since the beginning of Operation Triangular almost a year ago, the situation has slightly improved. There has been a small production increase, and—far more important—no major strikes. Before the loans were approved, United States officials got written promises that labor leaders would not interfere with technical decisions, over which they had a veto for 10 years.

New machinery is beginning to arrive, and a program of scientific exploration for new deposits is getting under way. The Combol payroll is quietly being trimmed by making separation bonuses available to those who can be urged into other fields.

Even so, the first big program for Bolivia under the Alliance for Progress is still a question mark. What will come of the new exploration, and will it come soon enough? How will labor react when it is asked to make a real sacrifice to achieve some long-term gain? What kind of wrenches are the Communists going to throw into the works?

Speculation is generally vague. In any event most people are not thinking much beyond the end of this year. If Operation Triangular fails—or even if the trend starts in that direction—the prospects for Bolivia are not pretty.

—HUNTER S. THOMPSON



Hunter S. Thompson

In these wood cabins live the men who work the privately run Grace Co. mine outside La Paz, Bolivia. The mine yields tungsten.